



## Tax Credits Preserve History, Affordability of Connecticut Senior Housing

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**S**chool Apartments in New Britain, Conn., has a long track record of addressing the community's most pressing needs—first, as New Britain's only secondary education campus for 65 years, then as a stronghold of affordable senior housing since 1978. With the help of 4 percent low-income housing tax credits (LIHTCs), tax-exempt bonds and federal and state historic tax credits (HTCs), affordable housing developer and new owner Vitus Group will make sure that School Apartments continues to provide quality, affordable housing to low-income seniors well into the 21<sup>st</sup> century.

“These tax credits enabled Vitus to increase the rehabilitation budget and ultimately increase the quality and life span of the buildings,” said Scott Langan, development director for Vitus Group.

Vitus acquired the 226-unit School Apartments in 2014 and set to work on a \$9 million renovation that was completed in late 2015. School Apartments now features new floors, kitchens, bathrooms, high-efficiency boilers, Energy Star appliances and energy-efficient windows where the historic ones were missing. Vitus also remodeled 23 apartments and the common room bathrooms to make them fully

accessible under the Americans with Disabilities Act (ADA).

### Preserving History

School Apartments consists of two historic school buildings built in phases between 1896 and 1939. The two buildings served as a high school and vocational school until the 1960s. When dwindling enrollment led the school to close, its buildings were repurposed into Section 8 senior housing. In the adaptive reuse, many of the buildings' historic features were left unchanged, including the brick façade, classroom blackboards, murals in the library and wood trimming throughout.

By the time Vitus Group acquired the property nearly 40 years after its initial conversion into senior housing, it was time for updates and renewed preservation efforts. Vitus Group hired Heritage Consulting Group to work on the HTC application and nomination form for the campus' inclusion in the National Register of Historic Places.

“Part of the challenge was understanding the history and evolution of the project and making sure to get it certified as a historic structure,” said Rob Mawson, vice president of Heritage. Mawson said that because

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the structures were built and expanded over several decades, it was important to pinpoint and demonstrate how the buildings were functionally related and how they reflected shifting cultural attitudes toward secondary education in the 19<sup>th</sup> and 20<sup>th</sup> centuries. “It was locally significant as illustrating the history of education in New Britain,” said Mawson. As the city’s original high school, it was the first large-scale effort that allowed children to pursue an education beyond the grammar school level. Heritage and Vitus successfully demonstrated the property’s historic significance and the buildings were placed on the National Register of Historic Places in March 2015.

Partners originally budgeted for limited rehabilitation work because only the federal HTC was included in the original closing. When they learned later that the Connecticut state HTC would also be available, they expanded the scope of renovation. “It was a struggle to re-underwrite, but the glory of the struggle is that we were able to do a great deal of additional work,” said Langan. Crews were able to clean the brick exterior, replace the roof, restore the terrazzo floors and crossbeam ceilings and repair some of the original windows in the library. The parking lot and landscaping were also updated.

### Preserving Senior Housing

Just as the federal and state HTCs helped preserve School Apartments’ past, so the LIHTC helped secured the property’s role in the future as affordable housing for at least another 30 years. “There is enormous demand for affordable senior housing in the area,” said Langan. “The School Apartments have a year-and-a-half to two-year waitlist. Similar buildings in the area have as long as a three- to five-year waitlist. Some properties have even closed their waitlists and are no longer accepting applications.”

In addition to providing affordable rent, School Apartments offers community amenities that include a library, computer lab, media room, patio and

garden. Residents can also access services aimed at promoting health and independence. Three full-time staff members provide residents with assistance as needed in bathing, cooking and cleaning. Other programs include fall-prevention, chair yoga and fitness classes. Blood pressure screenings and flu immunizations are available and a wellness nurse coordinates on-site health care in partnership with a local health care provider.

### Financing

Funding the School Apartments renovation required the public and private sector to work together closely. On the state side, the Connecticut Housing Finance Administration (CHFA) contributed \$18 million in tax-exempt bonds. “[School Apartments was] able to support so much in the tax-exempt permanent loan that it really decreased and eliminated the need for some of our scarcest resources, which from a financing standpoint, is extremely attractive,” said Joe Voccio, CHFA’s assistant director of multifamily housing. “From a mission and public policy standpoint, it’s attractive as well. Any time you can rehabilitate an existing, occupied development and refurbish it, extend its useful life and keep it affordable for existing residents and future residents, that’s extremely important to us.”

In the private sector, R4 Capital syndicated \$11.8 million in tax credit equity: \$8.2 million from the LIHTC, \$2.5 million from the federal HTC and \$1.1 million from the state HTC. “There’s only so much debt an affordable housing development can support, so when you add millions in equity—in this case, almost \$13 million—it goes a long way toward preserving the historic fabric and improving the building for residents,” said Alex Magliozzi, senior vice president of R4 Capital. “Generally speaking, the more money you can put into rehabilitation, the better the finished product will be.”

Other sources include nearly \$390,000 in replacement reserves, more than \$870,000 cash flow from operations

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and a \$740,000 deferred developer fee. Although renovating School Apartments entailed piecing together multiple financing sources, partners agreed the work was a worthwhile investment in the community's future. "We see the School Apartments as an important venue to preserve over 200 units of affordable and quality housing for seniors in an area that greatly needs it," said Langan. "The School Apartments creates a space for a supportive, close-knit community for seniors for years to come." ♦

## School Apartments

### FINANCING

- ♦ \$18 million in tax-exempt bonds from the Connecticut Housing Finance Authority (CHFA)
- ♦ \$11.8 million in low-income housing tax credit (LIHTC), federal and state historic tax credit (HTC) equity syndicated by R4 Capital
- ♦ \$870,000 cash flow from operations
- ♦ \$740,000 deferred developer fee
- ♦ \$390,000 existing replacement reserves

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