



Making Public-Private Partnerships Work

RAD Conversion Specialists, LLC looks to preserve and revitalize public housing

The executives of two companies behind RAD Conversion Specialists, LLC see opportunity to address deferred maintenance at public housing communities in urban and rural areas, and look to expand on their successful completion of two signature developments in Detroit.

In 1999, Scripps Park Associates, LLC was formed by The Slavik Company, Premier Property Management, LLC, Herb Strather and the Rosenberg Housing Group, Inc. to respond to a Request for Proposals from the Detroit Housing Commission to redevelop its Jeffries Homes housing projects – long considered among the City’s worst - under HUD’s Hope VI program.

The company was ultimately selected as Master Developer for the sites and has spent the past 15 years planning and completing the \$98 million showcase communities that include mixed-income rental units, for-sale single-family homes and townhomes, open-space and community centers.

“When we started, the concept of mixed-income, mixed-use style housing was new,” says Robert Beale, President of Premier Property Manager. “The degree to which we embraced it was pretty unique in this country, but we were still concerned about whether or not it would work. We were counting on it to be successful, and it has been. Over the last ten years of occupancy, the communities have remained stable.”



RAD Conversion Specialists

Principals :: Robert Beale; John Frasco | Location :: Detroit, Michigan



SHOWCASE COMMUNITIES

Woodbridge Estates consists of 327 rental units, 100 senior assisted living units and 51 occupied single-family homes and town houses with a mix of incomes. Earlier this year, construction began on the sixth and final phase of 46 additional apartments across 12 buildings to be completed by year end.

Supplementing the final phase of apartment construction are 16 remaining single-family home sites. The completed home prices range from \$215,000 for a 1,516 square foot three-bedroom home to \$285,000 for a 2,241 square foot four-bedroom home. Forgivable loans of up to \$75,000 per home are available to qualified buyers under HUD's HOPE VI program.

The only remaining portion of the previous public housing site is now referred to as Woodbridge Senior Village – three high-rise buildings that offer one- and two-bedroom apartments, with rents based on 30 percent of the average median income (AMI) which were partially renovated by Scripps Park Associates, LLC.

Cornerstone Estates, also a multiphase effort, totals 180 rental units in 30 buildings consisting of duplexes and town houses. Rental construction began in October 2010, and the first units were available just one year later.

Although HOPE VI was a relatively new program at the time, navigating HUD's requirements wasn't as difficult as projected, according to John Frasco, Vice President of The Slavik Company.

"It's more of a challenge for the public housing agencies because tax credits and financing are a whole new ballgame for them," he says. "The key is having patience and developing relationships."

Units in both communities are limited to households earning no more than 60 percent of AMI, or \$42,600 for a family of four in Wayne County.

However, public housing assisted units are expected to rent to households making considerably less than that maximum, according to the Detroit Housing Commission.

Vacancy rates at Woodbridge Estates and Cornerstone Estates have remained very low, even during and immediately after the economic downturn of 2008.

"Vacancy has been just 2 percent over the 10 years, even though the economy has seen some hard times," Beale says. "We didn't set out to just build housing, but rather a community. We're pleased with the quality of the housing, the people and the residents."

Developments as successful as these don't go unnoticed by your peers. The company has just been made recipient of the 2014 Excellence in Real Estate Development award from LISC and the Community Development Advocates of Detroit, in association with the Masco Corporation Foundation.

RAD PROGRAM

"The deals were successful for Bob's company and ours," Frasco says. "When we teamed up on the joint venture, we had worked with state agencies and HUD, but not directly with public housing agencies. It's a whole new market with the RAD program, and we hope this experience gives our new venture a leg up on the competition."

RAD is HUD's new Rental Assistance Demonstration program – a pilot program that allows public housing agencies to convert units to a project-based Section 8 platform and will help preserve affordable units in danger of obsolescence. According to HUD, the 1.2 million units in its program have combined capital needs of nearly \$26 billion.

The new venture Frasco referred to is RAD Conversion Specialists, LLC – a joint venture between The Slavik Company and Premier



Property Management – that will allow them to share their combined 85 years of experience in affordable housing with public-housing directors deciding whether or not the RAD program is right for their agencies. The joint venture meshes the consulting and operations experience of Premier Property Management with the investment, development, construction and financing acumen of The Slavik Company.

“Our joint venture is a natural progression,” said Frasco. “We brought the development and construction experience and Premier has significant experience managing all types of multifamily housing, including public housing and tax credit communities. We touch on all phases of development and are able to bring the full spectrum to the table.”

The RAD program enables housing agencies to obtain funding to complete deferred maintenance, modernize residential units and mechanical systems and fund replacement reserves, thus reducing future operating and maintenance expenses.

“The RAD program is really an opportunity for public housing agencies to take advantage of what private development has done for years,” says Robert Beale, also an executive director of a small housing agency in metropolitan Detroit. “Specifically, we can help identify where public housing agencies can achieve their goals by utilizing programs that are old to us but new to them”.

RAD Conversion Specialists begins with an assessment phase, in which it analyzes the potential upside and downside of a RAD conversion, including a determination of whether to convert public housing units using project-based vouchers (PBV) or project-based rental assistance (PBRA).

If a conversion is determined to be advantageous and feasible, an application is submitted to HUD following Board approval and two meetings with residents to explain the agency’s plan.

The implementation phase is where Beale says the partnership provides the most value. He cites its experience with low-income tax credits,

Federal Housing Administration loans, Home Funds, and Replacement Housing Factor (RHF) funds – as well as its previous success with their HOPE VI projects, which gave them the opportunity to demonstrate their respective talents, knowledge and experience.

RAD Conversion Specialists works cooperatively with housing agencies of varying sizes and capabilities.

“We are absolutely not looking for a controlling interest,” Beale says. “We’re looking to help public agencies operate their communities and possibly expand their role as local affordable housing owners and developers. That approach really sets us apart.”

The City of Detroit filed for bankruptcy in federal court in July 2013. The \$18 billion worth of debt it reported in its Chapter 9 filing made it the largest bankruptcy in the country. Addressing the serious problem of blight is a major priority for the city’s emergency manager, Kevyn Orr.

According to Reuters, the 78,000 structures the city characterizes as abandoned and blighted total about one-fifth of its housing stock and covers approximately 139 square miles.

Beale and Frasco, however, envision creative opportunities for recovery in a city long seen as a symbol of Rust Belt decay.

“I see Detroit coming out of bankruptcy a better city,” Frasco says. “In becoming that, there’s the potential for riding the course with private demand and real dollars.”

RAD Conversion Specialists also sees itself riding the growth of public-private partnerships, which had been lagging in certain regions of the country and business sectors.

“Certainly, there’s more acceptance of public-private partnerships. We have built on relationships and we’re still building,” Beale says. “All of this brings some level of uncertainty to Public Housing Agencies, I suppose, but because of the opportunities that RAD brings to public housing, there’s definitely a high level of curiosity and willingness to investigate the program further.” 



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