7

Rehab Barriers and Best Practice Solutions Case Study: Affordable Housing and Historic Preservation—National Examples

Background and Summary

As part of the current investigation, the National Trust for Historic Preservation (NTHP) research staff and the Center for Urban Policy Research (CUPR) at Rutgers University asked the NTHP members involved in affordable housing and historic preservation to describe historic affordable-housing projects. NTHP and CUPR requested that the project descriptions include the following components:

1. Project Profile—An overview, including project name and location; project type and scale; and other pertinent information such as the age of the structure being rehabilitated.
2. Background—A short description of the project.
3. Project Financing—A brief description of the project's sources of financing.
4. Summary of Costs—A tabular breakout of project outlays into consistent components (acquisition, construction, and soft costs).
5. Sources of Funds—A tabular breakout of project funds into consistent components (debt, equity, and other).

Twenty projects, following the above format, are found in the appendix to this case study, and are summarized in Exhibit 7.1.

In brief, the 20 projects contain 1,029 housing units, or an average of 51 units per project. The 20 projects comprise 1,278,163 square feet, or an average of 63,908 square feet per project. About half of the cases (9 projects) contained nonresidential uses as well.

In the aggregate, the 20 projects had total costs of $116,050,959. The cost per residential unit was $108,404. On a square foot basis, the residential cost was $130.

Of the some $116 million in total project costs, the construction rehab outlay was the most significant, $87 million (75 percent); followed by $24 million (20 percent) for soft costs; and $5 million (4 percent) for acquisition costs. The sources of total project funds—$117 million—came from a variety of sources including $55 million in equity (47 percent), $38 million (32 percent) in debt, $10 million (9 percent), in federal (non-tax credit) assistance, and a similar amount ($7 million) from other sources, such as foundations.

The lion's share of the $55 million in equity came from tax credits. The tax credits included $19 million in low-income housing tax credits (LIHTC), $7 million in historic tax credits (HTC), and $28 million in combined LIHTC-HTC resources. Tax credit assistance of various types is crucial for the financing of the historic, affordable housing projects.

Other major sources of funds include bank debt (comprising $28 million of the total $38 million debt category) and HOME and Community Development Block Grants (CDBG) subsidies (comprising almost all of the $10 million in federal aid).

In summary, the projects' realization of affordable-housing and historic preservation are enabled by a layering of sources of funds and various subsidies. Further lessons are indicated in the "Project Challenges and Solutions" section contained in many of the case studies.

Exhibit 7.1
Summary of Historic Affordable Housing Projects

PROFILE/SCALE *Project*	*Average*	*Total*	*Percent*
Housing Units	51	1,029	*NA*
Gross Building ft^2	63,908	1,278,163	*NA*
Nonresidential ft^2	5,978	119,562	*NA*
Total Cost per ft^2 ($)	107	*NA*	*NA*
Residential Cost per ft^2 ($)	130	*NA*	*NA*
Cost per Residential Unit	116,401	*NA*	*NA*
COSTS ($)			
Acquisition	247,591	4,951,821	4%
Rehabilitation	4,366,341	87,326,827	75%
Soft Cost	1,181,128	23,622,556	20%
Other Cost	7,478	149,557	0%
Total Cost	5,802,548	116,050,959	100%
SOURCES OF FUNDS ($)			
Debt			
Bank Loan	370,250	7,405,000	78%
Bonds	45,000	900,000	20%
Other	1,846,476	36,929,521	2%
Debt Subtotal	1,431,226	28,624,521	100%
Equity ($)			
LIHTC	943,931	18,878,625	34%
HTC (Federal)	373,347	7,466,930	14%
LIHTC and HTC (Federal)	1,394,006	27,880,117	51%
HTC (State)	9,635	192,704	0%
Other Tax Credit	19,638	392,750	1%
Other	13,463	269,250	0%
Equity Subtotal	2,754,024	55,080,476	100%
Federal – HUD ($)			
HOME	404,533	8,090,654	80%
CDBG	90,400	1,808,000	18%
Other HUD	12,500	250,000	2%
HUD Subtotal	507,433	10,148,654	100%
Other Public ($)			
FHLB	73,650	1,473,000	20%
State	84,478	1,689,550	23%
Local	149,575	2,991,502	41%
Property Tax–Related	55,900	1,118,000	15%
Other Public Subtotal	363,603	7,272,052	100%
Other ($)			
Foundation	52,925	1,058,499	15%
Owner	67,359	1,347,185	19%
Other	233,083	4,661,653	66%
Other Subtotal	353,367	7,067,337	100%
Total Funds ($)	5,859,397	117,187,944	

Note: NA=Not Applicable

APPENDIX

1.
Affordable Housing and Historic Rehab Case Studies

NEW YORK

PROJECT PROFILE

Current Name of Project:	Burnham Building
Historic Name:	Lord & Burnham Building
Address:	2 Main Street, Irvington, NY 10533
Date of Original Construction (or estimate):	1891
Date of Rehabilitation:	1998-2000
Original Use:	Industrial - commercial manufacturing
New Use:	affordable housing, over the Village library
Total Nonresidential Square Footage:	10,000 square feet
Gross Building Area:	30,000 square feet
Number of Housing Units Created:	22 units

BACKGROUND

The Burnham Building is a 118-year-old wood frame and masonry structure located in Irvington, New York, at the corner of Main and Astor Streets, directly across from the Metro North Railroad Station. The redevelopment of this building is a model for the collaboration between a town, its citizens, the county, the state, the federal government, a for-profit developer and a nonprofit. Each has contributed what it does best to bring the project to fruition. This project is a model of environmentally responsible and historically sensitive rehab that helped to bring affordable housing to a downtown area. The building is located on a Main Street adjacent to a train station and is a superb example of smart growth assisting the redevelopment of the Hudson River waterfront area.

The building is actually an assembly of six connected structures, each constructed at a different time, totaling some 36,000 square feet. The Lord & Burnham Company, a boiler and greenhouse manufacturer, moved out in 1988, relocating its headquarters to Lancaster, Pennsylvania. For several years, the structures remained vacant, until the Village of Irvington took the visionary step of purchasing the property in 1993. The first-floor space (10,000 square feet) has been redeveloped as the Village Library, including an ample public meeting room, computers and Internet access. The upper floors were redeveloped into twenty-two (22) units of affordable rental housing reaching incomes between 30 and 60 percent of area median income. The Village was keenly aware of the lack of affordable housing in Irvington, including people who work for the Village or for the shops on Main Street, volunteers, and the elderly on fixed incomes. In order to assist with the affordable housing development, the Village Trustees decided to make the property a part of a special zoning district that encourages the development of affordable housing.

PROJECT FINANCING

This project required a unique combination of equity and financing resources. Since the building has great historical significance, improvements to the structure were designed to utilize historic tax credits. Westchester County, which is a strong supporter of affordable housing projects, viewed this project as an important step in meeting its year 2000 affordable housing goals and made a leadership loan of $900,000 in HOME funds and grant of $100,000 for site work from its Housing Implementation Fund. The NYS Division of Housing and Community Renewal then followed by providing Low Income Housing Tax Credits along with a permanent loan amount of $386,000 to supplement the SONYMAE guaranteed permanent financing placed with the New York State Common Retirement Fund. The Village also committed a loan to assist in meeting the "gap" in project financing. Chase Community Development Corp. has funded over $2,000,000 in construction financing, a portion of which will be converted to permanent financing, with the LIHTC and historic tax credits purchased by the Enterprise Foundation.

SUMMARY OF COSTS

Acquisition:	$ 750,000
*Rehabilitation**:	$2,390,800
Other (soft costs):	$1,507,565
Total Project Cost:	$4,648,565
Per Unit Cost:	$ 211,298

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt

- NYS Common Retirement Fund: $ 500,000
- Village of Irvington: $ 237,902
- HOME: $ 900,000
- NYS Housing Trust Fund: $ 386,544

Equity

- LIHTC and HTC: $2,432,119

Other

- FHLB/NY AHP subsidy: $ 192,000

TOTAL Funding Sources: $4,648,565

FOR FURTHER INFORMATION

Name of firm /organization:	Jonathan Rose Companies
Contact person:	Jim Mitchell
Address:	33 Katonah Ave, Irvington, NY
Type of developer:	For-profit
Telephone:	914 232 1396
E-mail address:	jim@ahdc.com

2.
Affordable Housing and Historic Rehab Case Studies

NEW HAMPSHIRE

PROJECT PROFILE

Current Name of Project:	Horseshoe Pond
Historic Name:	Page Belting Company
Address:	26 Commercial St, Concord, NH
Date of Original Construction:	circa 1910-1920
Date of Rehabilitation:	1999
Original Use:	Manufacturing of leather belts for mill machines
New Use:	Senior Housing
Gross Building Area:	75,000 square feet
Number of Housing Units Created:	77 units

BACKGROUND

Historic Concord Association, a minority nonprofit developer, contracted with Belknap Merrimack Community Action Agency—a for-profit subsidiary—to restore a historic, turn-of-the-century factory building into 77 units of senior housing. Utilizing a variety of incentives, the project was completed for approximately $7.5 million, at a cost of $96,336 per unit of housing.

The Page Belting Company structure is located in a large, dilapidated brownfield industrial/commercial area of Concord where there was no previous housing. The City targeted the area for economic development, including a hotel/conference center, three office buildings, and senior housing. Renamed Horseshoe Pond, this rehabilitation was the first project within the brownfield economic redevelopment area.

Historic Concord utilized just over $5.5 million in federal rehab and state low-income housing tax credits equity to rehabilitate the property, in addition to a $1.25 million bank loan and $400,000 of Community Development Block Grant (CDBG) funding to make this project a success. A complete breakdown of the project financing is below:

PROJECT FINANCING

Acquisition:	$ 351,315
*Rehabilitation**:	$5,283,427
Other (e.g. soft costs):	$1,783,160
Total Cost of Project:	$7,417,902
Per Unit Housing Cost:	$ 96,336

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt

- Commercial bank loan: $1,250,000

Equity

- LIHTC $5,526,439
- Developer Loan Fee: $ 241,463

Other

- Community Development Block Grant: $ 400,000

PROJECT CHALLENGES AND SOLUTIONS

Regulatory/Environmental. The initial concern was whether seniors (or anybody) would want to live in that part of the Concord given its history solely as an older industrial area, which included the possibility of lingering environmental contamination.

FOR FURTHER INFORMATION

Name of firm/organization:	Concord Historic Association
Contact person:	Chuck Wetterer
Address:	26 Commercial St, Concord, NH
Type of developer	The general partner is a nonprofit community action agency; Wetterer is a minority general partner and for-profit developer
Telephone:	603-228-6160
email address:	chuckwetterer@aol.com

3.
Affordable Housing and Historic Rehab Case Studies

IOWA

PROJECT PROFILE

Current Name of Project:	Century Plaza Apartments
Historic Name:	T.S. Martin Department Store
Address:	411 Nebraska Street, Sioux City, IA
Date of Original Construction (or estimate):	1898
Date of Rehabilitation:	1999
Original Use:	T.S. Martin Department Store
New Use:	Residential Apartments and Commercial space
Total Nonresidential Square Footage:	12,000 square feet
Total Nonresidential Project Costs:	$497,841
Gross Building Area (approx. sq. ft.):	30,000 square ft.
Number of Housing Units after Rehabilitation:	17 units

BACKGROUND

Occupying nearly a quarter-block of downtown Sioux City, the T.S. Martin & Company Department Store is a large, three-story, "L" shaped, masonry building with a flat roof and two prominent storefronts. The main building fronts 4th Street and is comprised of three buildings dating from 1885 which were given a unifying storefront in 1910-11. Stylistically, the main building represents the Prairie School. The Annex, which fronts Nebraska Street, was constructed in 1901-02 in the Beaux Arts style with a roof-line knee wall, an accentuated cornice with acanthus leaf brackets, and decorative swags.

The new use of the building includes rehab and conversion of space to affordable housing on the second and third floors of two nineteenth-century commercial buildings in downtown Sioux City. Twelve thousand square feet out of 30,000 total square feet in two contiguous buildings was reserved for commercial tenants, while 18,200 square feet was converted to one- and two-bedroom apartments. All 17 units benefit tenants at or below 60 percent of the area median income for Woodbury County. A community room, elevator, skywalk, and parking complete the adaptive reuse design.

PROJECT FINANCING

Acquisition:	$ 0
*Rehabilitation**:	$1,830,000
Other (e.g. soft costs):	$ 409,660
Total Cost of Project:	$2,239,660
Cost per Housing Unit:	$ 102,463

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt

- Conventional Loan: $511,000

Equity

- HTC: $374,081
- LIHTC: $769,919

Other

- HUD HOME City of Sioux City: $150,000
- HUD HOME funds: $250,000
- Federal Home Loan Bank: $100,000
- City of Sioux City: $ 15,000
- Other: $ 69,713

PROJECT CHALLENGES AND SOLUTIONS

Property Acquisition. The City of Sioux City generously donated the building to the nonprofit developer.

Land-use Requirements. One major obstacle for converting this historic property into housing involved the issue of tenant parking. The curbside parking available to the site was needed for customers of local merchants, and the City felt that seventeen additional rental units would overburden the existing parking. As a solution, CHI, Inc. tied the structure to the city's existing skywalk system and provided tenant parking in a parking garage approximately one block from the building. One parking space per unit is included with the rent.

Use of Tax Credits. The State of Iowa SHPO was concerned with the Sioux City Skywalk system which had installed a glass skywalk facility adjacent to the historic building. There was discussion as to whether or not the building was a candidate for historic rehab as the skywalk obstructed the view and changed the streetscape around the building. The State SHPO worked with the developer to overcome these obstacles, and the building was preserved.

Other Challenges. In order to provide adequate access and egress and natural light to all apartment units, windows had to be punched in to a solid wall of the building. The property adjacent to this wall was a single-story building much lower than the project. The project was required to purchase air rights from the adjacent property owner in order to prevent that building owner from constructing additional stories, which would interfere with the insertion of the windows.

FOR FURTHER INFORMATION

Name of firm/organization:	Community Housing Initiatives, Inc.
Contact person:	Doug LaBounty, President
Address:	14 West 21st Street, P.O. Box 473, Spencer, Iowa 51301
Type of developer:	Nonprofit
Telephone:	712-262-5965
email address:	dlchi@nwiowa.org

4.
Affordable Housing and Historic Rehab Case Studies

INDIANA

PROJECT PROFILE

Current Name of Project:	Cotton Mill Apartments
Historic Name:	Indiana Cotton Mill
Address:	310 Washington Street, Cannelton, Indiana 47520
Date of Original Construction (or estimate):	1849-1851
Date of Rehabilitation:	2001
Original Use:	Cotton mill–manufacturing
New Use:	Affordable Housing
Gross Building Area (approx. sq. ft.):	78,310 square feet
Number of Housing Units Created:	70 units

BACKGROUND

This project involved the rehabilitation of the former Indiana Cotton Mill, a National Historic Landmark, located in Cannelton, Indiana. The four-story structure with a full attic was constructed between 1847 and 1851. The mill operated continuously until its closing in 1954. Essentially, the building had been vacant since its closing in the mid-1950s. The Romanesque Revival style structure is constructed of native sandstone and contains approximately 80,000 square feet on its four lower floor levels. Its most prominent features are twin 100'-tall towers flanking the main entrance on its south façade. The rehab project utilized Low Income Housing Tax Credits LIHTC, HOME funds, state and federal Historic Rehabilitation Tax Credits, and Hometown Indiana Historic Preservation grant funds to convert the former mill building into 70 affordable housing units.

PROJECT FINANCING

Acquisition:	$ 550,100
Rehabilitation:*	$ 6,045,166
Other (e.g. soft costs):	$ 1,531,271
Total Cost of Project:	$ 8,126,537
Total Cost per Housing Unit:	$ 116,093

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt:

- First Mortgage $ 530,000
- Trust Fund $ 500,000

Equity:

- HTC: $1,402,982
- LIHTC: $3,838,525
- State Historic Credit $ 100,000

- *Other:*
- HOME $ 320,000
- Federal Home Loan Bank $ 300,000
- Hometown Indiana $ 97,626
- Community Foundation $ 85,000
- Save America's Treasures $ 250,000
- Deferred Developer Fees $ 702,404

TOTAL Funding Sources : $8,126,537

PROJECT CHALLENGES AND SOLUTIONS

Property Acquisition. There was inadequate parking and access to the project without the purchase of an adjacent parcel of property that cost $230,000 for 2.146 acres. A condemned building located on the adjacent property had to be demolished, which cost another $270,000. The project thus incurred $500,000 in land costs for the parking lot before construction started.

Land-use Requirements. The project encountered no problems with local officials regarding zoning regulations. In fact, they approved a parking variance. The local community was very supportive of the preservation and restoration of the Cotton Mill and was key to the overall success of the project.

Other Public Regulations. The project utilized the Indiana Building Rehabilitation Standard. This Standard, referred to as Rule 8, permits alterations to existing buildings without requiring that the entire building be brought into compliance with current codes. Rule 8 employs a point-scoring system that weighs the relative benefits for various fire and life safety features to achieve a passing score. A passing score deems the building to be in compliance with the Indiana code without having to comply with all of the rules for new construction.

Use of Tax Credits. It was a challenge in developing this project to stay within the per-unit cost limits of the State Tax Credit Agency. By backing out the historic credits, the project was able to comply with the state's regulations. Compliance with the Secretary of the Interior's Standards was relatively easy after the initial negotiations. It did add to the development costs but without the historic credits the project would not have been feasible. The use of an architect experienced with historic preservation was key to the success.

Project Financing. This was the *most* challenging of all areas. The project took four years from the initial proposal to completion of construction. A relatively large, multi-family project in a rural area was difficult to "sell" to investors and financial institutions. The developer's more than twenty years of experience in building and managing affordable housing, combined with the developer's financial strength and staff experience, helped the project to secure multiple sources of funds. This multiple collaboration grant and low-interest loan of funding sources finally enabled the project to gain the acceptance of its equity partner and permanent lender.

Other Challenges in Completing Project. Time! This project consumed much more time and energy than originally anticipated. However, persistence realized a heralded project.

Specific Lessons Learned. A strong and experienced development team, as well as strong local support, are essential for any project of this magnitude.

FOR FURTHER INFORMATION

Name of firm/organization:	Lincoln Hills Development Corporation
Contact person:	Larry K. Kleeman, Executive Director
Address:	302 Main Street, P.O. Box 336, Tell City, IN 47586-0336
Type of developer:	Nonprofit
Telephone:	812-547-3435
email address:	larry@lhdc.dubois.net

5.
Affordable Housing and Historic Rehab Case Studies

TEXAS

PROJECT PROFILE

Current Name of Project:	Decatur Street Affordable Rentals
Historic Name:	NA
Address:	2204 Decatur, Houston, Texas
Date of Original Construction (or estimate):	1910
Date of Rehabilitation:	2001-2002
Original Use:	Residences, rental properties
New Use:	Affordable Residential Rental
Gross Building Area:	1,820 square feet
Number of Housing Units after Rehabilitation:	2 units

BACKGROUND

Avenue CDC, a nonprofit developer, took possession of this corner property in Houston's Historic Sixth Ward. Rehab was performed by a neighborhood contractor who supported the vision and mission of the organization. The rehab charges were at or near out-of-pocket costs for the contractor. A second structure was built behind the original structure. The house was designed as a granny flat and to be non-obtrusive by being set back, low to the ground with a low profile roof. The color was muted as well. Rents were targeted to families earning 60 percent of the area median income.

PROJECT FINANCING

Acquisition:	$ 0
*Rehabilitation**:	$ 88,000
Other (e.g. soft costs):	$ 12,000
Total Cost of Project:	$100,000
Per Unit Cost:	$ 50,000

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Bank Mortgage:	$ 73,750
Deferred Developer Fee	$ 7,000
Equity:	$ 19,250
TOTAL Funds:	$100,000

PROJECT CHALLENGES AND SOLUTIONS

Property Acquisition. Property value was high due to ongoing property renovations in the surrounding historic district and high density and high rent redevelopment in the center city neighborhoods. The property was donated.

Other Public Regulations. Lead-paint abatement rules were not triggered as no public financing was used. Model energy code requirements were not in effect. New construction behind the original structure was built to modern building codes.

Project Financing. Line of credit from local bank converted to permanent mortgage.

Specific Lessons Learned. Donated property was crucial for project feasibility. It helped to have a contractor committed to the vision.

FOR FURTHER INFORMATION

Name of firm/organization:	Avenue CDC
Contact person:	Steven Kirland/Mary Lawler
Address:	2505 Washington #400, Houston , Texas 77007
Type of developer:	Nonprofit
Telephone:	713-864-8099
e-mail address:	SteveK@AvenueDC.org; MaryL@AvenueCDC.org

6.
Affordable Housing and Historic Rehab Case Studies

KANSAS

PROJECT PROFILE

Current Name of Project:	Eaton Place (at Eaton Block)
Historic Name:	The Eaton Hotel
Address:	517 East Douglas, Wichita, KS 67202
Date of Original Construction:	1886-1887
Date of Rehabilitation:	Placed in service 2001
Original Use:	6 commercial buildings, 3 of which were hotels
New Use:	Mixed-use development in downtown Wichita with 115 units of multi-family housing and commercial/retail space on lower levels
Total Nonresidential square footage:	30,000 square feet
Total Nonresidential project costs:	$3,056,525
Gross Building Area):	160,000 square feet
Number of Housing Units Created:	20 of the 115 units are located in historic properties and are considered affordable

BACKGROUND

Eaton Place consists of an entire city block rehab in downtown Wichita. Eventually renamed the Eaton Block, its location on Douglas Street, a main thoroughfare, connects Wichita's Historic Old Town to the modern central business district. The Eaton Block Development includes the historic rehab and adaptive reuse of six historic buildings, the most noteworthy being the historic Eaton Hotel. Additional construction provided the physical links to make Eaton Place an entire residential and commercial block.

Built in 1886-87, the Eaton Hotel is one of the most distinctive architectural structures in Wichita. Today, Eaton Place houses 115-residential rental units, 75 of which are in the historic portion of the development. Of these 75 historic units, 20 are affordable and are available to households with incomes that are below 60 percent of the area median income.

There are also 6 newly constructed units of affordable housing within Eaton Place. Each unit is unique in design and size, and has retained much of its historic integrity. There is 30,000 square feet of commercial space located on the lower levels.

This project's success was a result of the innovative partnership between the City, the community, and the development team. Eaton Place has provided new housing choices for city residents and fostered new economic revitalization in downtown Wichita.

PROJECT FINANCING

Acquisition:	$ 0
*Rehabilitation**:*	$12,050,000
Other (e.g. soft costs):	$ 2,689,000
Total Cost of Project:	$14,739,000
Per Housing Unit Cost:	$ 101,586

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt

- Tax Exempt Housing Bonds: $6,125,000
- Commercial Mortgage: $1,540,000
- B-Bonds: $1,280,000

Equity (raised through LIHTC and HTC)

- Limited Partner Equity $2,800,500
- General Partner Equity $ 250,000

Other:

- HOME Funds: $1,485,000
- City Funds: $ 750,000
- CDBG Funds: $ 424,000
- Property Tax Abatement: $ 100,000

FOR FURTHER INFORMATION

Name of firm/organization:	MetroPlains Development LLC
Contact person:	Shannon McWalters
Address:	1600 University Avenue, Suite 212 St. Paul, MN 55104
Type of developer:	For-profit
Telephone:	651-523-1230
email address:	smcwalters@metroplains.com

7.
Affordable Housing and Historic Rehab Case Studies

CALIFORNIA

PROJECT PROFILE

Current Name of Project:	Far East Building
Historic Name:	none
Address:	347-353 E. 1st Street, Los Angeles, CA 90012
Date of Original Construction:	1890
Date of Rehabilitation:	Commenced December 2002; completion date: August 2003
Original Use:	Mixed use - resident hotel, commercial
New Use:	Same
Total Nonresidential Square Footage:	5,562 square feet
Total Nonresidential Project Costs:	$876,590
Gross Building Area:	17,454 square feet (including basement)
Number of Housing Units Created:	16 units

BACKGROUND

The mission of the Little Tokyo Service Center Community Development Corporation (LTSC CDC) is to contribute to the revitalization of the Little Tokyo community, as a multi-ethnic neighborhood, and as the cultural center for the broader Japanese American community of Southern California.

The Far East Building is located in the heart of the designated National Park Service (NPS) National Landmark Little Tokyo Historic District on First Street. Comprised of mom-and-pop retail stores, restaurants, and residential hotels, this community is very poor and has a median income well below the county median income level.

Formerly housing 24 single-room-occupancy (SRO) units and two commercial spaces, the three and one-half story Far East Building has been vacant since it suffered significant structural damage during the 1994 Northridge Earthquake. The proposed rehab will restore the existing historic fabric, reinforce the un-reinforced masonry building's structural integrity, and convert the SRO units into 14 studios and 2 one-bedroom units. All of the units will be affordable to households earning less than 50 percent of the area median income (AMI) and the remaining 8 units at 35 percent of AMI. The latter 8 units will be subsidized by project-based Section 8 Rental Subsidies to provide housing for homeless persons.

The famous Far East Cafe space on the ground floor has been a community institution for decades. It will be restored and brought back to life as a new restaurant, which will create jobs and help stimulate the local economy. A second ground-floor commercial space will be the new home for LTSC's DISKovery Computer Learning Center, providing technology access to Far East and area residents.

On-site supportive services will be provided by LTSC CDC and its parent social service organization, Little Tokyo Service Center. Services to be provided include job development services, computer training, case management, and emergency food and clothing distribution.

PROJECT FINANCING

Acquisition*:	$ 60,993
Rehabilitation**:	$2,780,105
Other (e.g. soft costs):	$ 970,501
Total Cost of Project:	$3,811,599
Per Unit Housing Cost:	$ 183,438

* Building was donated - includes closing and holding costs as well as back taxes that were paid in return for the building donation

**Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt (soft)

- Los Angeles Housing Department: $525,000
- Los Angeles Mayor's Office of Economic Development: $400,000
- FHLB Program (sponsor: Washington Mutual Bank): $ 80,000
- CA Dept. of Housing and Community Development: $515,380
- Housing Authority of the County of Los Angeles: $288,086

Debt (hard or amortizing)

- California Housing Finance Agency (CHFA) *** Special Needs Loan $160,000
- Valley Economic Development Center (EDA Revolving Loan Funds) $240,000

*** CHFA is also issuing a tax-exempt bond of $1,835,000 allocated by the California Debt Limit Allocation Committee, which is primarily being loaned to the construction lender, Washington Mutual Bank under CHFA's Loan to Lender program, with $160,000 remaining in after permanent closing.

Equity

- LIHTC - 4 percent credit (National Equity Fund): $731,335
- HTC (National Equity Fund): $600,309

Other

- HUD Supportive Housing Program grant: $250,000
- Capital Campaign by LTS CDC: $400,000****

**** Of the $400,000 capital campaign amount, $21,489 will be used in the rehab project; the remaining funds go toward tenant improvements and program start-up costs. The Housing Authority of the City of Los Angeles will also provide 8 project-based Section 8 rental subsidies for 8 units reserved for the formerly homeless (via an SRO Moderate Rehabilitation subsidy award from HUD).

PROJECT CHALLENGES AND SOLUTIONS

Property Acquisition. Building originally owned by 5 families. It was damaged and closed by the City after the 1994 Northridge Earthquake. Since 1994, two key family members passed away, requiring ownership/title changes and quitclaims; other owners had put severe title problems on the property (liens) which had to be cleared before the developer could receive the building as a donation and secure financing. The family wanted to remain a part of the building in some way (it had been in their possession for 3 generations), so the developer had to work out a groundlease for the land (building donated, not land) that could enable the project to secure financing against the groundlease. Donation and groundlease finally implemented in 2001.

Land-use Requirements. The project had to be designed in such a way that there were no new parking requirements created (there is no parking available or possible on-site).

Other Public Regulations. The building had lead-based paint and asbestos, requiring studies and mitigation plans; had to invoke State Historic Building Code on several issues to address code non-compliance in several areas (e.g., open [i.e., non-fire-rated] interior staircase typically not allowed; had to increase fire sprinklering to mitigate); and had to attach new exit staircase to back of building to meet ingress/egress requirements.

Use of Tax Credits. Always a challenge to balance the Secretary of Interior standards with new uses/users (e.g., the old restaurant did not change much in 5 decades; new restaurant operator wants/needs more modern facility in order to be viable business; original use was SRO, yet a new project encompasses apartment units with private bathroom and kitchen for residents, thus requires reconfiguration of interior, while preserving configuration of public corridor. Also, the project involved the insertion of an elevator because most residents are seniors).

Project Financing. Required so many sources that closing all of them, and getting funders to coordinate and be consistent with one another, were the biggest challenges.

Specific Lessons Learned. There is a need for larger commitments from public sources so the developer does not have to assemble so many sources.

FOR FURTHER INFORMATION

Name of firm/organization:	Little Tokyo Service Center CDC
Contact person:	Erich Nakano
Address:	231 E. Third Street, Suite G106 Los Angeles, CA 90013
Type of Developer:	Nonprofit
Telephone:	213-473-1685
email address:	enakano@fc.ltsc.org

8.
Affordable Housing and Historic Rehab Case Studies

MINNESOTA

PROJECT PROFILE

Current Name of Project:	Graystone Complex and Markland Apartments
Historic Name:	Graystone Hotel and Graystone Annex
Address:	119 Graystone Plaza, Detroit Lakes, MN
Date of Original Construction:	1917 and 1927
Date of Rehabilitation:	1999 to 2002
Original Use:	Hotel and extended stay apartments adjacent
New Use:	Affordable housing for elderly and those with mental challenges
Total Nonresidential Square Footage:	16,000 square feet
Total Nonresidential Project Costs:	$2,500,000
Gross Building Area:	51,000 square feet
Number of Housing Units Created:	41 units

BACKGROUND

The Graystone Hotel and Annex are historic landmarks in Detroit Lakes, eligible for the National Register because of their association with the development of the tourist economy in northwest Minnesota. The Graystone had fallen upon hard times due to absentee management and the inability to control the surrounding environment. With the purchase of the Graystone Hotel, other buildings were purchased, six in total and one that was demolished. The Graystone Annex was a connected building that was remodeled in 1927 with the same exterior appearance as the Graystone. It operated as more of an apartment building for those who stayed for multiple nights during the year. The Graystone was completed in 2000 with 22 residential units, the Annex with 19 units. Both have ground-floor commercial space, which is quite valuable given the location of the buildings.

PROJECT FINANCING

Acquisition:	$ 500,000	
Rehabilitation:*	$5,130,000	
Other (e.g. soft costs):	$ 500,000	
Total Cost of Project:	$6,130,000	
Per Unit Housing Cost:	$ 149,000	(including commercial rehab in the Graystone)

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt:

- Graystone. Impact: $ 750,000 (serviced debt)
  FHLB: $ 198,000
  CDBG: $ 600,000
  Minn. Housing Finance: $ 484,000
  City: $ 50,000
  Tax Increment: $ 208,000
  MMCDC: $ 880,000

- *Graystone Annex Residential Only:*
  Serviced debt: $ 124,000
  CDBG: $ 319,000
  FHLB: $ 171,000
  MHFA: $ 330,000

Equity (raised through LIHTC and HTC):

- Graystone: Historic Tax Credit: $ 530,000
  Annex Residential: $1,486,000 LIHTC and HRTC

TOTAL Funding Sources:

- Graystone: $3,700,000
- Annex Residential: $2,430,000
- Combined Funding Sources: $6,130,000

PROJECT CHALLENGES AND SOLUTIONS

Property Acquisition. It was not a challenge to acquire the Graystone, and the developer ultimately bought all six buildings on the same block. These were acquired over a 1.5-year time frame, and the developer paid a premium for each property, approximately 37 percent over market.

Land-use Requirements. Given the prominence of the block and its poor condition, the City was anxious to minimize most regulations regarding parking, etc. The building inspection was a tremendous challenge, especially since the project involved historic renovation, which is far more difficult than new construction. Meeting these requirements alone perhaps cost the developer several hundred thousand dollars.

Other Public Regulation. Utilization of CDBG funds brought about both Davis-Bacon and other environmental regulations. The new lead paint standards “hit the developer” in the second renovation. Outside of having someone with experience in dealing with lead paint standards, the developer was able to navigate the system. Both the Graystone and the Graystone Annex had asbestos, but there is a standard protocol for abatement, and most people are familiar with the requirements. Asbestos and lead paint issues are costly to deal with and one would hope to avoid those situations. Nonetheless, the developer was able to overcome each issue.

FOR FURTHER INFORMATION

Name of firm/organization: MMCDC
Contact person: Arlen Kangas
Address: 107 Graystone Plaza
Type of developer: Nonprofit
Telephone: 218-847-3191
email address: akangas@tekstar.com

9.
Affordable Housing and Historic Rehab Case Studies

IOWA

PROJECT PROFILE

Current Name of Project:	Henry Stout Senior Apartments
Historic Name:	The Iowa Inn/YMCA
Address:	125 West 9th Street, Dubuque, IA 52001
Date of Original Construction (or estimate):	The gymnasium was built in 1894; the hotel and pool were built in 1915.
Date of Rehabilitation:	June 2002
Original Use:	The Dubuque YMCA
New Use:	33 units of affordable senior housing
*Gross Building Area***:**	37,188 square feet
*Number of Housing Units Created***:**	31 units

BACKGROUND

Henry Stout Senior Apartments were rehabilitated and redeveloped by MetroPlains Development LLC from the former Iowa Inn/YMCA buildings in downtown Dubuque as affordable housing for community seniors. Located one block off the main commercial strip in Dubuque, the buildings are ideally located to a variety of services. Henry Stout Senior Apartments are comprised of the pool building, gymnasium, and hotel that originally housed the Dubuque YMCA. The gymnasium building was originally built in 1894 and the hotel and pool were built later in 1915 to accommodate the growing needs of the YMCA. The four-story masonry structures of reddish-brown brick are interconnected as one contiguous structure, though very different in appearance. The exterior rehabilitation of the buildings has retained and restored the historical architectural features that were damaged and concealed. The total square footage of both buildings is approximately 37,188 square feet. This includes 31 one- and two-bedroom units and common space on the first floor of each building. Both one- and two-bedroom units have a combined living and dining area, a full kitchen, and bathroom. All units have rents affordable to persons with incomes at or below 60 percent of the Dubuque County median incomes.

This project was an excellent example of a public/private partnership, where the cooperation of the Iowa Finance Authority, the City of Dubuque, the Iowa State Historic Preservation Office, Heartland Properties, MetroPlains Development, and Premier Bank brought this development to completion.

PROJECT FINANCING

Acquisition:	$ 190,000
Rehabilitation:*	$2,893,913
*Other (e.g. soft costs)***:**	$ 678,484
Total Cost of Project:	$3,762,397
Per Unit House Cost:	$ 121,367

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt

- None.

Equity

- Sale of LIHTC and HTC: $3,289,122

Other

• Tax Increment Financing	$ 220,000
• Enterprise Zone Credits	$ 192,750
• Iowa Housing Corporation Loan	$ 190,000
• City Loan	$ 180,000
• CDBG Loan	$ 165,000
• City Grant	$ 10,000
• Sales Tax Rebate for Enterprise Zone	$ 1,380
• Deferred Developers Fees	$ 337,199

FOR FURTHER INFORMATION

Name of firm/organization:	MetroPlains Development LLC
Contact person:	Shannon McWalters
Address:	1600 University Avenue, Suite 212 St. Paul, MN 55104
Type of developer:	For-profit
Telephone:	651-523-1230
email address:	smcwalters@metroplains.com

10.
Affordable Housing and Historic Rehab Case Studies

NORTH DAKOTA

PROJECT PROFILE

Current Name of Project:	Alcott Manor
Historic Name:	South Junior High
Address:	1224 Walnut Street, Grand Forks, North Dakota 58208
Date of Original Construction (or estimate):	1931
Date of Rehabilitation:	Placed in service March 1998
Original Use:	South Junior High School
New Use:	45 Units of multi-family housing
Gross Building Area:	69,895 square feet
Number of Housing Units Created:	45 Units

BACKGROUND

This project consists of the substantial rehab of the South Junior High School into 45 units of one and two bedrooms of market-rate and affordable senior housing. The former junior high school is located in Grand Forks, North Dakota at the corner of Walnut and 13th Street. The renovation converted all floors into one- and two-bedroom housing units.

South Junior High was built in 1931 with additions to the building being made in 1956 and 1981. The building consists of two levels and is approximately 70,000 square feet. The building served as the junior high school until 1997 when the floodwaters damaged the building and forced the district to relocate the students.

The renovation has maintained and enhanced the existing external appearance of the building. This was accomplished through the retention and restoration of the existing masonry details, openings, window locations, and entries. Existing entries were maintained and refurbished. The renovation converted both floors into 45 one- and two-bedroom units of housing and common spaces for resident use.

Each unit has living and dining areas, full kitchens, bathrooms, bedrooms and closet/storage areas. Community spaces consist of a community dining room, laundry rooms, sunroom/library room, courtyard, guest room, tub room/nurses station, storage area, and parlor room. The corridors, stair tower, and common spaces integrate the original millwork to the extent that it still exists throughout the building.

PROJECT FINANCING

Acquisition:	$ 68,000
Rehabilitation:*	$2,817,000
Other (e.g. soft costs):	$ 760,000
Total Cost of Project:	$3,645,000
Per Unit Housing Cost:	$ 81,000

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt

- First Mortgage: $1,335,000

Equity

- LIHTC and HTC: $1,700,000

Other

- HOME Funds $ 495,000
- 10-year Partial Tax Exemption $ 115,000

FOR FURTHER INFORMATION

Name of firm/organization:	MetroPlains Development LLC
*Contact person***:**	Shannon McWalters
Address:	1600 University Avenue Suite 212 St. Paul, MN 55104
Type of developer:	For-profit
Telephone:	651-523-1237
email address:	smcwalters@metroplains.com

11.
Affordable Housing and Historic Rehab Case Studies

WISCONSIN

PROJECT PROFILE

Current Name of Project:	Marquette Manor
Historic Name:	St. Luke's Catholic Elementary School
Address:	1800-1802 Jefferson Street, Two Rivers, WI 54241
Date of Original Construction (or estimate):	1909
Date of Rehabilitation:	October 2001 (Placed-in-service date)
Original Use:	Elementary school
New Use:	32 units of affordable senior housing
Gross Building Area:	24,000 sq. ft.
Number of Housing Units after Rehabilitation:	32 units

BACKGROUND

Marquette Manor, the former St. Luke's Catholic Elementary School, a structure built in 1909, was renovated by MetroPlains Development LLC into a 32-unit apartment complex for senior citizens in Two Rivers, Wisconsin. Marketed and funded as affordable housing, seniors have the opportunity to live in apartments that have retained many of their original historical features, including large windows, antique storage lockers, original chalkboards, and pressed metal ceilings. The one- and two-bedroom units range in size from 482 to 800 square feet. Tenants are encouraged to use the shared community room that has also retained its original ornamentation.

PROJECT FINANCING

Acquisition:	$ 85,000
Rehabilitation:*	$2,671,931
Other (e.g. soft costs):	$ 652,654
Total Cost of Project:	$3,409,585
Per Unit Cost:	$ 106,550

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt:

- First mortgage: $ 366,000

Equity:

- State HTC: $ 92,704
- Federal HTC: $ 575,404
- LIHTC: $1,668,564
- General partner investment: $ 100

Other:

- HOME Funds: $ 220,000
- CDBG: $ 300,000
- Tax Increment Financing: $ 165,000
- Gap financing: $ 21,812

FOR FURTHER INFORMATION

Name of firm/organization:	MetroPlains Development
Contact person:	Shannon McWalters
Address:	1600 University Avenue St. Paul, MN 55104
Type of developer:	For-profit
Telephone:	651-644-9600
email address:	smcwalters@metroplains.com

12.
Affordable Housing and Historic Rehabilitation Case Studies

IOWA

PROJECT PROFILE

Current Name of Project:	Marsh Place Apartments
Historic Name:	Marsh Place Building
Address:	627 Sycamore, Waterloo, Iowa
Date of Original Construction:	1910
Date of Rehabilitation:	2000
Original Use:	Office Building
New Use:	Mixed-use project featuring commercial space on the first floor and apartments on five floors of the building. The housing component features affordable rental units.
Total Nonresidential Square Footage:	5,000 square feet
Total Nonresidential Project Costs:	$127,214
Gross Building Area:	30,000 square feet
Number of Housing Units Created:	25 housing units

BACKGROUND

Marsh Place Apartments is the result of an extensive conversion of a turn-of-the-century, six-story office building. Centrally located in the heart of Waterloo's Main Street historic district, the formerly vacant Marsh Place building has been given new life and now houses rental units and commercial/retail space. The rental component of the project features 25 one- and two-bedroom units affordable to residents at or below 60 percent of the Black Hawk County median income. The nonresidential space in the building includes approximately 5,000 square feet on the street level.

PROJECT FINANCING

Acquisition:	$ 51,814
Rehabilitation:*	$2,375,615
Other (e.g. soft costs):	$ 560,515
Total Cost of Project:	$2,987,944
Per-Unit Housing Cost:	$ 114,429

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt:

- Conventional Loan: $ 567,000

Equity:

- HTC: $ 465,983
- LIHTC: $1,015,451

Other:

- HUD HOME: $ 423,750
- City of Waterloo HOME: $ 191,250
- City of Waterloo: $ 40,000
- Federal Home Loan Bank: $ 65,000
- Other sources: $ 219,510

PROJECT CHALLENGES AND SOLUTIONS

Land-use Requirements. Parking is always an issue with downtown housing. Parking is provided for tenants in a nearby parking ramp.

Other Public Regulations. A major building code concern was the fact that the building had only one staircase. In order to provide a second staircase for fire escape, the architect crafted a staircase that was on the exterior of the building for five floors and then joined the first floor of the building on the interior.

Use of Tax Credits/Secretary of the Interior's Standards. Unfortunately, all windows in this building had to be replaced. New wood double-hung, double-paned windows designed to replicate the original windows were crafted by a local Waterloo business.

Other Challenges. The exterior terra cotta cornices were literally falling off the building. In order to safely secure the cornices to the building, the architects designed a plan to secure them with metal braces.

FOR FURTHER INFORMATION

Name of firm/organization:	Community Housing Initiatives, Inc.
Contact person:	Doug LaBounty, President
Address:	14 West 21st Street, P.O. Box 473, Spencer, Iowa 51301
Type of developer:	Nonprofit
Telephone:	712-262-5965
email address:	dlchi@nwiowa.com

13.
Affordable Housing and Historic Rehab Case Studies

KANSAS

PROJECT PROFILE

Current Name of Project:	Mundinger Hall
Historic Name:	Mundinger Hall at St. John's Lutheran College
Address:	1415 East 6th Avenue Winfield, KS 67156
Date of Original Construction:	1949
Date of Rehabilitation:	Placed in service June 2002
Original Use:	Classrooms to increase female enrollment on campus
New Use:	24 low-income residential units in rural Kansas, RD-515 subsidized
Gross Building Area:	25,337 sq. ft.
Number of Housing Units Created:	24 units

BACKGROUND

Mundinger Hall, part of the former St. John's Lutheran College campus in rural Kansas, was substantially rehabilitated to create 24 units of subsidized housing. Built of masonry and stone and similar to several buildings on campus, the restoration and rehab have maintained and enhanced the external appearance of the original 1949 building. The four-story, 25,337-square-foot structure created 24 units of affordable housing for general occupancy. The units range from 630 square feet for the one-bedroom units to 830 square feet for the two-bedroom units. Mundinger Hall is eligible for the National Register of Historic Places and has met the requirements for the substantial rehab of the historic structures, as defined by the National Park Service and the Kansas Historical Society.

PROJECT FINANCING

Acquisition:	$ 100
*Rehabilitation**:	$1,926,450
Other (e.g. soft costs):	$ 826,721
Total Cost of Project:	$2,753,271
Total Cost per Housing Unit:	$ 114,719

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt:

- Rural Development Loan: $1,000,000

Equity:

- Partnership Investment: $1,543,271

Other:

- Affordable Housing Program: $ 150,000
- 10-Year Property Tax Rebate Loan: $ 60,000

FOR FURTHER INFORMATION

Name of firm/organization:	MetroPlains Development LLC
Contact person:	Shannon McWalters
Address:	1600 University Avenue, Suite 212 St. Paul, MN 55104
Type of developer:	For-profit
Telephone:	612-523-1230
Email address:	smcwalters@metroplains.com

14.
Affordable Housing and Historic Rehab Case Studies

ILLINOIS

PROJECT PROFILE

Current Name of Project:	Pearl Place
Historic Name:	Belvidere Junior High and Washington High School
Address:	520 Pearl Street, Belvidere, IL 61008
Date of Original Construction (or estimate):	1893 and 1915
Date of Rehabilitation:	Placed into service in June, 1997
Original Use:	Junior and senior high school in rural downtown core
New Use:	57 units of mixed income senior housing
Gross Building Area:	79,861 square feet (46,607 in rental units and 33,254 in common space)
Number of Housing Units Created:	57 units (39 one-bedroom units and 18 two-bedroom units)

BACKGROUND

Pearl Place is an adaptive reuse and substantial rehab of the former Belvidere High School into 57 units of senior housing. Located adjacent to the central business district of Belvidere, Illinois, the existing structure consists of two separately constructed buildings joined by an undistinguished masonry link. The link was added when the buildings became the Belvidere Junior High School. Prior to that change, the two buildings functioned as Belvidere Senior High and Washington School. The senior high (north building) is an excellent example of prairie style, while the Washington School (south building) is an example of turn-of-the-century educational design. The buildings have been placed on the National Register of Historic Places, and all exterior and interior historical spaces are maintained to retain the building's historical integrity. The rehabilitation of both structures into Pearl Place was a key component of the Downtown Belvidere Revitalization Plan, which consisted of redevelopment goals, historic preservation, and the inclusion of affordable housing in the area.

PROJECT FINANCING

Acquisition:	$ 100
Rehabilitation:	$4,139,301
Other :	$1,120,699
Total Cost of Project:	$5,260,100
Total Cost per Housing Cost:	$ 92,282

SOURCES OF FUNDS

Debt:	$1,030,000 (first mortgage)
Equity:	$2,534,000
*Other***:**	
• HOME funds:	$1,275,671
• Tax Increment Financing:	$ 250,000
• Affordable Housing loan:	$ 171,000

FOR FURTHER INFORMATION

Name of firm/organization:	MetroPlains Development LLC
Contact person:	Shannon McWalters
Address:	1600 University Avenue Suite 212, St. Paul, MN 55104
Type of Developer:	For-profit
Telephone:	651-526-1230
email:	smcwalters@metroplains.com

15.
Affordable Housing and Historic Rehab Case Studies

IOWA

PROJECT PROFILE	
Current Name of Project:	Plymouth Block Apartments
Historic Name:	Plymouth Block Building
Address:	1106 Fourth Street, Sioux City, Iowa
Date of Original Construction:	1890
Date of Rehabilitation:	2001
Original Use:	Warehouse
New Use:	Mixed-use project featuring commercial space and affordable and market-rate housing
Total Nonresidential Square Footage:	33,000 square feet
Total Nonresidential Project Costs:	$3,001,122
Gross Building Area:	90,000 square feet
Number of Housing Units Created:	48 units

BACKGROUND

Plymouth Block is the result of an extensive conversion of one of Sioux City's finest examples of Richardsonian Romanesque structures. Centrally located on Sioux City's Historic Fourth Street, the formerly vacant Plymouth Block building has been given new life and now houses rental units and commercial/retail space. The rental component of the project features 36 one- and two-bedroom units affordable to residents at or below 60 percent of the Woodbury County median income. An additional twelve units are available at market rates. The nonresidential space in the building includes approximately 22,500 square feet on the street level and approximately 11,000 square feet on the second story. A unique feature of the building is the central atrium, which extends through all four stories of the building and is covered by a skylight that provides natural light to all floors.

HISTORY OF PLYMOUTH BLOCK

Beginning in the late 1800s, a group of Sioux City boosters allied themselves with the Boston Investment Company, a New England real estate company headed by eastern capitalists. This alliance was solidified in 1889, when the eastern investors visited Sioux City. This group was so impressed with Sioux City's progressive attitude that by April 1889, the New England syndicate acquired title to $500,000 worth of Sioux City real estate. This acquisition involved fourteen multi-lot sites including the future location of the Plymouth Block building.

By April 1890, local architect Edward W. Loft had completed plans for the Plymouth Block building and was working on plans for two other buildings in the district, namely the Boston Block and the Bay State Block buildings. By the end of August 1890, the Plymouth Block building reached a height of four stories and was the most complete of the three buildings under construction. The building was completed on January 1, 1891. A variety of wholesale and light-manufacturing firms have occupied the Plymouth Block building throughout the years. Long-term occupants have included a bank, saddlery company, cap

manufacturer, clothing manufacturer, printing company, barber shop, saloon, moving and storage company, and hardware store. Other tenants have been identified as the Sioux City College of Medicine, the Metropolitan Business College (forerunner to Morningside College), and Aalfs Wallpaper Company.

PROJECT FINANCING

Acquisition:	$ 356,318
*Rehabilitation**:	$6,829,025
Other (e.g. soft costs):	$1,721,041
Total Cost of Project:	$8,906,384
Per Unit Housing Cost:	$ 123,026

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt:
- Conventional Loan: $3,083,384

Equity:
- HTC: $2,063,400
- LIHTC: $1,318,140

Other:
- HUD HOME loan: $ 700,000
- City of Sioux City HOME: $ 525,000
- City of Sioux City: $ 380,000
- Other Sources: $ 836,460

PROJECT CHALLENGES AND SOLUTIONS

Property Acquisition. The property was available for a reasonable price with no complications for purchase.

Land-use Requirements. Parking was very limited in Sioux City's Historic Fourth Street district. The addition of 48 units of rental housing posed a challenge to provide parking for merchants, workers, shoppers, and downtown residents. The City of Sioux City provided additional funds to the project in order to demolish a building behind the Plymouth Block structure and provide extra parking.

Other Public Regulations. Fortunately, the Plymouth Block building did not feature a large amount of asbestos or lead paint. However, due to its proximity to the river and low-lying location, significant mold had accumulated in this historic building. The mold was eliminated, sub floors were removed, and finally the concrete was treated to eliminate mold and mold odors.

An additional challenge was raised by local fire codes. The east wall of the building was not the required sixteen feet from the adjacent property and was not equipped with a fire wall; therefore, it posed a potential fire hazard for any building to the east of the Plymouth Block building. Rather than altering the historic integrity of the building by constructing a fire wall, the developer was able to install deluge sprinkler heads on the interior of the east wall to help protect from the threat of fire spread.

The SHPO of Iowa and Secretary of the Interior's Standards allowed the developer the flexibility to replace windows on the east and south sides of the building (facing alley) with metal-clad windows. While this did create additional up-front expense, the developer realized long-term savings by not having to maintain interior wood window painted surfaces.

FOR FURTHER INFORMATION

Name of firm/organization:	Community Housing Initiatives, Inc.
Contact person:	Doug LaBounty, President
Address:	14 West 21st Street, P.O. Box 473, Spencer, Iowa 51301
Type of developer:	Nonprofit developer
Telephone:	712-262-5965
Email address:	dlchi@nwiowa.com

16.
Affordable Housing and Historic Rehab Case Studies

IOWA

PROJECT PROFILE

Current Name of Project:	St. Katherine's Apartments
Historic Name:	St. Katherine's School
Address:	901 Tremont, Davenport, Iowa 52803
Date of Original Construction (or estimate):	1877
Date of Rehabilitation:	2001-2002
Original Use:	Residence (1877-1880's); School (1880's – 1970); Primarily Nursing Home for Mentally Ill (1970 – 2001)
New Use:	Senior Apartments
Gross Building Area (approx. sq. ft.):	Approximately 45,000 square feet
Number of Housing Units Created:	38 units

BACKGROUND

John L. Davies, lumber manufacturer and one-time mayor of Davenport, erected the stately gingerbread-trimmed mansion in 1877 which would become St. Katherine's School. The school enrolled students from kindergarten through high school. An annex was soon added, and in 1902, the gymnasium and St. Mary's Chapel followed. The Sisters of the Community of St. Mary supervised the school from 1902 until 1943, and it became known as one of the best college-preparatory schools in the country. St. Katherine's School became coed in 1968 and was renamed St. Katherine's/St. Mark's. The school was moved to Bettendorf, Iowa, in 1973.

A newly constructed replica of an 1870's carriage house offers six two-bedroom apartments, each featuring private porches. Thirty-two apartments are housed in the historic renovation of the lumber baron's mansion. Each has unique features, such as decorative marble fireplaces, original woodwork and flooring, attractive and functional architectural designs, and river views.

Features of each individual unit include central heat and air conditioning, modern kitchen appliances, washer and dryer, and bathrooms adaptable for the physically challenged.

The main building has a "secured entry" and a newly installed ADA-approved elevator. A community center and gymnasium with physical therapy equipment are further assets.

Beautiful as well as affordable, St. Katherine's is nestled on ten tastefully landscaped acres in a private yet convenient location in Davenport. Two buildings now house 38 efficiency one- and two-bedroom apartment homes for adults aged 55 and above whose income is below 60 percent of the area median income.

PROJECT FINANCING

Acquisition:	$ 150,000
Rehabilitation:*	$3,748,216
Other (e.g. soft costs):	$1,212,129
Total Cost of Project:	$5,110,345
Per Unit Cost of Housing:	$ 134,483

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDING

Debt

- Mortgage: $ 500,000

Equity

- LIHTC: $3,095,252
- Federal and State HTC: $ 948,771
- State Enterprise Zone Tax Credits: $ 200,000
- Owner: $ 366,322

Other

- Property Tax Abatement

Total: $5,110,345

PROJECT CHALLENGES AND SOLUTIONS

Property Acquisition. Relocation reimbursement rules precluded the use of low-interest HOME financing (otherwise available through the City). Replacement with conventional bank debt will reduce cash flow available to maintain this property in the future.

Land-use Requirements. Secured variance (otherwise requiring 2 parking spaces for each apartment) given its status as a senior complex.

Other Public Regulations. Abatement of lead-based paint was cost-prohibitive, despite the project's status as a senior property. Will incur added operating costs in the future to comply with an operating and maintenance program required in connection with lead paint mitigation as opposed to full abatement.

Use of Tax Credits. Delays in funding (attributable to National Park Service and state historic tax credit delays) added costs due to subsequent delays in construction. This resulted in larger mortgage debt and interest payments. The project paired State Enterprise Zone Tax Credits with Federal Low Income and Historic Tax Credits. Absent a clear rule for state bifurcation, the developer had to implement a special allocation provision—at the cost of several opinion letters and ultimately a private letter ruling. Project pairing of Federal Low Income and Historic Tax Credits required additional opinion letters regarding "placed in service" issues—as there was a change of investors in connection with first investor's default.

Project Financing. Convincing lenders of project feasibility and the developer's ability to serve as general contractor.

Other Challenges in Completing Project. Combining new construction with rehab; complicated historic agency approvals. As the project was located in a blighted area, market studies and obtaining first-hand

knowledge of the market were invaluable. Furthermore, the project's size enabled it to have an impact on the market.

Specific Lessons Learned. Allow time to work through issues with the National Park Service. Take plenty of pictures throughout the project. Costs can be contained through vertical integration (i.e., serving as your own general contractor). This streamlined the decision-making process, avoided costly delays, and controlled the cost of "unforeseen conditions," but it also absorbed an enormous amount of resources and came with its own added risks. Pay close attention to energy-efficiency issues, as they will impact long-term operating costs—long after the rehabilitation money is gone. Timing the use of a contingency fund, which should be at least 15 percent of the budget, is an art. The developer's relationship with the architect, who took a "hands-on" approach, was critical. Locating and retaining qualified tradesmen takes time and money.

FOR FURTHER INFORMATION

Name of firm/organization:	Signature Development Company
Contact person:	Chris Ales, CPA
Address:	901 Tremont, Davenport, Iowa 52803
Type of developer:	For-profit
Telephone:	563-323-5880
e-mail address:	chris@signatureholdings.com

17.
Affordable Housing and Historic Rehab Case Studies

TEXAS

PROJECT PROFILE

Current Name of Project:	Summer Street Affordable Rentals
Historic Name:	None
Address:	1802 Summer, 1804 Summer, 1914 Summer, 1916–1918 Summer, Houston, TX
Date of Original Construction:	Various—the oldest is 1870s for part of the house, then 1890 for an expansion. Two structures are 1910s and three are 1940s.
Original Use:	Residences, rental properties
New Use:	Affordable Residential Rental
Gross Building Area:	6,920
Number of Housing Units Created:	9 units

BACKGROUND

Summer Street Affordable Rentals was developed by Avenue CDC, a nonprofit developer that purchased nine existing rental units from a long-term landlord who had retired. The nine units are two clusters of historic cottages in Houston's First Ward. The first cluster contains two single-family homes and one duplex. The second cluster contains two duplexes and one garage apartment. All, except four of the units, are currently occupied by long-term residents of the area, who would likely be displaced by gentrification without Avenue CDC's purchase of the properties. Rents are targeted for families at or below 50 percent of area median. The properties were in relatively good shape but needed significant work to comply with current codes and standards.

PROJECT FINANCING

Acquisition:	$275,000
*Rehabilitation:**	$284,000
Other (e.g. soft costs):	$ 97,000
Total Cost of Project:	$656,000
Per Unit Cost:	$ 72,890

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt

- Bank Mortgage: $220,000
- Deferred Developer Fee: $ 30,000

Other

- City of Houston, TIRZ funds: $298,000
- Local Initiatives Support Corp.: $ 6,300
- Neighborhood Reinvestment Corporation: $ 30,000
- Federal Home Loan Bank: $ 72,000

PROJECT CHALLENGES AND SOLUTIONS

Property price was skewed due to high-density and high-rent redevelopment in the center-city neighborhoods, and the proposed project's rent structure would not support a higher mortgage. Price was overcome through subsidies from numerous sources and willingness of the developer to risk his own capital to secure the property while sources of funding were identified.

Lead-paint abatement rules added significant costs and logistical issues for preserving original interior wood trim and cabinets.

Additional costs and delays were experienced due to city participation (e.g., bonding requirements for one small business contractor was delayed). Other costs included additional title policies and insurance standards.

FOR FURTHER INFORMATION

Name of firm/organization:	Avenue CDC
Contact person:	Steven Kirland/Mary Lawler
Address:	2505 Washington #400, Houston, Texas 77007
Type of developer:	Nonprofit
Telephone:	713-864-8099
email address:	SteveK@AvenueDC.org; MaryL@AvenueCDC.org

18.
Affordable Housing and Historic Rehab Case Studies

IOWA

PROJECT PROFILE

Current Name of Project:	Van Allen Apartments
Historic Name:	Van Allen and Sons Department Store
Address:	5th Avenue and South 2nd Street, Clinton, Iowa
Date of Original Construction	1915
Date of Rehabilitation:	2003
Original Use:	Department Store
New Use:	Mixed-use project featuring commercial space on the first floor and apartments on five floors of the building.
Total Nonresidential Square Footage:	8,000 square feet
Total Nonresidential Project Costs:	$280,630
Gross Building Area:	32,000 square feet
Number of Housing Units Created:	19 housing units

BACKGROUND

The Van Allen Apartments project is an ongoing conversion of a stately, four-story department store designed by renowned architect Louis Sullivan. Located on the banks of the Mississippi River, the Van Allen and Sons Department Store had been a cornerstone of Clinton's Central Business district for nearly a century. Preservation of the Van Allen building was a top priority for the City of Clinton, which purchased and maintained the building for a decade while searching for an adequate new use for this important historic structure.

Conversion of the building features both rental and retail space. The rental component of the project offers 17 one- and two-bedroom affordable units to residents at or below 60 percent of the Clinton County median income. An additional two rental units will be available at market rate. The nonresidential space in the building includes approximately 8,000 square feet on the street level. The retail space has been leased to a locally owned pharmacy. The street level will also include a computer learning center for residents and a public educational center documenting the life and times of Louis Sullivan and the history of the Van Allen and Sons building.

PROJECT FINANCING

Acquisition:	$ 0
Rehabilitation:*	$2,412,000
Other (e.g. soft costs):	$ 706,000
Total Cost of Project:	$3,118,000
Cost per Housing Unit:	$ 149,335

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt:

- Conventional Loan: $187,017

Equity:

- HTC: $506,000
- LIHTC: $915,000

Other:

- HUD HOME loan funds: $424,983
- Local Funds: $102,000
- Federal Home Loan Bank AHP: $ 70,000
- Save America's Treasures: $200,000
- Other Funding: $713,000

PROJECT CHALLENGES AND SOLUTIONS

Property Acquisition. The City of Clinton was the building owner and graciously offered this national historic landmark building to Community Housing Initiatives, Inc., at no charge with the understanding that historic rehabilitation would be conducted according to the Secretary of the Interior's Standards for the rehabilitation of historic properties.

Land-use Requirements. Parking space for residents in a downtown conversion project is always an issue. The City of Clinton had identified three structures behind the Van Allen building which were deteriorated and could be demolished in order to provide parking space for Van Allen Apartments. However, the SHPO for the State of Iowa did not approve the demolition of the neighboring buildings because the Van Allen building had never stood alone on the street corner. Demolition of the adjacent buildings would dramatically affect the view from the Van Allen building and change the streetscape and therefore the building's role within a neighborhood. As a result, one building was completely removed and the other two buildings were reduced in size, but left with storefront areas intact.

Other Public Regulations. Rehabilitation of the Van Allen Building required removal of a significant amount of lead paint.

Other Challenges in Completing Project. Because the Van Allen building is listed as a National Historic Landmark, special care was taken to re-create the original exterior as designed by Louis Sullivan. This work included testing paint chips to determine original color choices and restoring windows in place. The meticulous restoration of this property required the developer to seek additional resources from Save America's Treasures, the Federal Home Loan Bank, and local resources.

FOR FURTHER INFORMATION

Name of firm/organization: Community Housing Initiatives, Inc.
Contact person: Doug LaBounty, President
Address: 14 West 21st Street, P.O. Box 473, Spencer, Iowa 51301
Type of developer: Nonprofit
Telephone: 712-262-5965
e-mail address: dlchi@nwiowa.com

19.
Affordable Housing and Historic Rehab Case Studies

IOWA

PROJECT PROFILE

Current Name of Project:	Woolen Mill Apartments
Historic Name:	Decorah Woolen Mill
Address:	301 West Day Spring Lane, Decorah, IA
Date of Original Construction (or estimate):	1867 (with an addition in 1920)
Date of Rehabilitation:	October 2001 through October 2002
Original Use:	Mitten factory, pharmaceutical company, and retail tire store
New Use:	Multi-family housing
Gross Building Area:	11,298 square feet
Number of Housing Units	15 units

BACKGROUND

The Woolen Mill is one of Decorah's oldest buildings and its renovation will be a reminder of the town's nineteenth century industrial past. The core building, constructed in 1867, was originally built for wool processing, including the manufacturing of flannel shirts. Later, the building housed a patent medicine manufacturing business before becoming a retail/wholesale tire business. The building was placed on the National Register of Historic Places in January 2001. The Northeast Iowa Community Action Corporation (NEICAC) and Heartland Properties, an affordable housing subsidiary of Alliant Energy, partnered to transform the historic woolen mill into quality affordable housing. The adaptive reuse of the historic landmark created 15 unique one- and two-bedroom apartment homes located within walking distance of a grocery, post office, theater, and an elementary school.

PROJECT FINANCING

Acquisition Cost:	$ 63,081
Rehabilitation Cost:	$1,331,825
Soft Costs:	$ 384,156
Total Costs:	$1,779,062
Per Unit Total Cost:	$ 118,604

SOURCES OF FUNDS

Debt

- Federal Home Loan Bank: $ 75,000
- IDED HOME loan $330,000
- Community First Bank Loan $ 57,370

Equity

- LIHTC and HRTC: $295,105

Other

- Heartland Properties: $971,592
- NEICAC: $115,000
- City of Decorah: $ 3,600

PROJECT CHALLENGES AND SOLUTIONS

Property Acquisition. The seller wanted more for the building than the buyer was willing to pay. The buyer was a nonprofit, so the buyer had an appraisal completed and agreed to give a tax deduction for the value between the appraisal and the purchase price. The seller accepted.

Other Public Regulations. The property had no parking area. The city agreed to assign spaces in its adjacent city lot for resident parking.

Use of Tax Credits. The developer had not developed historic property previously. Consequently, the developer worked closely with an experienced development team and the Iowa State Historic Preservation Officer to ensure adherence to rehabilitation standards. This was a time-consuming process.

Project Financing. Due to competitiveness for housing tax credit in Iowa, the developer failed to receive an allocation on the first attempt. The second attempt, one year later, was successful, but multi-layered financing was required.

Other Challenges. The building is very old and had to be raised several inches and stabilized. The area beneath the concrete first floor was hollow and had to be filled and compacted. When the construction was 95 percent complete, it was found that the old sewer lines beneath the building had probably been filled in with concrete. The city and general contractor worked together to get new sewer lines installed under the building and allowed a certificate of occupancy on time and on schedule.

Specific Lessons Learned. Always allow for a major contingency in construction as it is not known what will happen when walls, floors, and such are opened. The original contract was supplemented by change in orders amounting to 12.5 percent of the original contract. This was budgeted for (15 percent construction contingency) in advance.

FOR FUTHER INFORMATION

Name of firm/organization: Heartland Properties
Contact Person: Russell D. Kaney, Director, Housing Investments
Address: 4902 North Biltmore Lane, Madison, WI
Type of Developer: Nonprofit
Telephone: 608-458-2329
e-mail: russkaney@alliantenergy.com

20.
Affordable Housing and Historic Rehab Case Studies

GEORGIA

PROJECT PROFILE

Current Name of Project:	Canton Mill Lofts
Historic Name:	Canton Cotton Mill
Address:	200 Riverstone Parkway, Canton, GA, 30114
Date of Original Construction (or estimate):	1923
Date of Rehabilitation:	2000
Original Use:	Textile mill
New Use:	Residential apartments
Gross Building Area (approx. sq. ft.):	390,000 square feet
Number of Housing Units after Rehabilitation:	315

BACKGROUND

The Canton Mill, located north of Atlanta, has been a Canton landmark since it was built in 1924. At one time, the textile mill fabricated high-quality denim from raw cotton and was a major employer. The mill was closed in the early 1980s but was revived 20 years later as an attractive loft apartment complex. Careful attention was given to the structure to recreate the historic appearance of the mill, including the removal of non-historic additions. To help maintain the "mill look," interior spaces showcase the mill structure by exposing original elements such as columns and beams.

The mill buildings contain dynamic one- and two-story units with a mix of one- and two-bedroom layouts. The complex contains a total of 315 apartments along with modern amenities that include a pool, workout facility, landscaped courtyard, outdoor recreation areas, overlook roof decks, and a museum-like three-story lobby highlighting the history of the mill, complete with artifacts.

PROJECT FINANCING

Acquisition:	$ 1,500,000
Rehabilitation:*	$20,300,000
Other (e.g. soft costs):	$ 5,500,000
Total Cost of Project:	$27,300,000
Total Cost per Housing Unit:	$ 86,667

*****Represents total rehab and construction costs, not just qualifying costs

SOURCES OF FUNDS

Debt:

- Bank Loan: $15,500,000

Equity:

- HTC: $11,800,000

FOR FURTHER INFORMATION

Name of firm /organization: Surber, Barber, Choate & Hertlein Architects, Inc.
Contact person: Mark Arnold
Address: 1776 Peachtree Street, N.W., Suite 700, South Atlanta, GA 30309
Telephone: 404-892-8400
Email address: marnold@sbcharch.com

8

Rehab Barriers and Best Practice Solutions Case Study: The St. Paul–Ramsey County Lead Hazard Reduction Program

SUMMARY OF FINDINGS

St. Paul, Minnesota provides an example of how a creative use of resources and cooperation between city agencies and property owners can help cities overcome the barrier that lead-paint hazards may present to affordable housing rehab. Several aspects of St. Paul's approach to lead-hazards control and renovation contribute to the success of the program:

- The individuals setting up the St. Paul Ramsey County Lead Hazard Reduction Program (abbreviated to SPLHRP) recognized the importance of communication and cooperation between different governmental agencies. They structured the program from the beginning to include individuals from a broad range of government departments—health, housing, and rehab—and have established a solid rapport with rehab groups because program administrators understand housing-related issues.

- The city of St. Paul helped rehab groups meet the new HUD lead requirements by providing free lead-abatement contractor/supervisor training at the onset of the new regulations. This pool of contractors has been maintained by continued availability of training in lead-abatement subjects.

- The SPLHRP extends its reach beyond homes enrolled in the program by offering services and support to local CDCs and nonprofit groups.

- Access to support from the SPLHRP helped St. Paul rehab entities integrate the requirements of the HUD regulations into their work. A better understanding of these requirements has eased the perception that lead-hazard control inevitably involves high liability risks.

- Costs of lead-hazard control are decreased because high-quality, economical lead-hazard-control services and training programs are available through the SPLHRP.

BACKGROUND: THE CHALLENGE OF LEAD-BASED PAINT

Lead-Paint Hazards and Health Effects

As a construction barrier, lead-based paint is specific to rehab as opposed to new construction. Lead in paint was once thought to be beneficial from a durability standpoint and was used in homes and buildings until the late 1970s. Yet, lead is highly toxic and poses a health threat. Lead can be found not only in paint, dust, and soil in the residential environment, but also in air emissions, drinking water, and other sources throughout the home. The Department of Housing

and Urban Development (HUD) estimates that more than 38 million occupied homes have some lead-based paint (Jacobs 2002). Many of these homes may have only small amounts of lead; however, generally, the older the home, the greater the amount of lead-based paint. Lead was most frequently used in homes built before 1960 and was banned from residential use in 1978 (24 CFR Part 35).

There are no established safe levels of lead in the human body. Lead can cause serious disability or even death. The brain and nerves are susceptible to lead poisoning. Lead interferes with the formation of blood cells, which may cause anemia or damage the kidneys, digestive system, reproductive system, and other organs. Low levels of lead can affect hearing, learning ability, and coordination.

Lead poisoning is the number one environmental hazard for children in the United States. The incidence of lead poisoning is highest in urban areas, among lower-income African American children living in older homes. Among children with elevated blood lead levels and known race or ethnicity, approximately 17 percent were non-Hispanic whites, 60 percent were non-Hispanic blacks, 16 percent were Hispanic, and 7 percent were of other races or ethnicities (CDC 2003).

Regulatory Response to Lead-Based Paint Hazards

HUD, EPA, and OSHA are all involved in various lead-based paint regulatory activities. Current lead-based paint regulations are derived from Title X of the Housing and Community Development Act of 1992, also known as the Residential Lead-Based Paint Hazard Reduction Act of 1992.

HUD Lead-Based Paint Regulations

The most extensive regulations for lead-based paint are set by HUD and relate only to properties in which HUD or other federal agencies have some involvement, either through ownership, insurance, or financial assistance. A final rule governing the treatment of lead in buildings for which HUD has provided financing, or FHA mortgage insurance, went into effect on September 15, 2000. Implementation, however, was deferred until April 10, 2001, to allow jurisdictions more time to prepare.

The HUD regulatory requirements for rehab projects are based on the amount of federal rehab assistance, which is determined by taking the lower of the cost per unit for rehab hard costs or federal assistance per unit. The requirements differ on whether the owner or developer chooses to presume the presence of lead paint or to evaluate the property for the presence of lead on these surfaces. Exhibit 8.1 describes the requirements for the three different levels of federal rehab assistance: units receiving $5,000 or less; units receiving between $5,000 and $25,000 per unit; and units receiving more than $25,000 per unit.

A new HUD rule requires that trained and certified contractors and workers perform the initial inspection or risk assessment, carry out the lead paint hazard abatement and control work, and collect the lead dust sample needed for the property to pass the final clearance test. Lead-hazard control is a rapidly changing field in which new products, methods, procedures, and standards

are introduced frequently. For this reason, certified contractors/supervisors and workers are required to take a refresher course once a year to stay certified.

EPA Lead-Based Paint Regulations

The Residential Lead-based paint Hazard Reduction Act (Title X) developed a comprehensive federal strategy for reducing lead paint hazard exposure and provided the authority for EPA to create regulations related to lead exposure reduction. Final regulations and policy include:

- A National Lead Laboratory Accreditation Program (405[b]) that establishes protocols, criteria, and minimum performance standards for laboratory analysis of lead in paint, soil, and dust.

- Hazard Standards for Lead in paint, dust, and soil (403) that establishes standards for lead-based paint hazards and lead dust clean-up levels in most pre-1978 housing and child-occupied facilities.

- A Training and Certification Program for Lead-Based Paint Activities (402/404) that ensures that individuals conducting lead-based paint abatement, risk assessment, or inspection are properly trained and certified, that training programs are accredited, and that these activities are conducted according to reliable, effective, and safe work practice standards.

- The Pre-Renovation Education Rule (406[b]) that ensures owners and occupants of most pre-1978 housing are provided information concerning potential hazards of lead-based paint exposure before certain renovations are begun on that housing.

- The Disclosure Rule (1018) that requires disclosure of known lead-based paint and/or lead-based paint hazard by persons selling or leasing housing constructed before the phaseout of residential lead-based paint use in 1978.

- The Lead-Based Paint Debris Disposal Rule clarified that contractors can manage residential lead-based paint (LBP) waste as household waste. Allowing LBP waste to be managed this way makes it more affordable for people to reduce lead in and around their homes (U.S. EPA 2004).

The EPA is currently developing regulations to establish standards for renovation activities in homes with lead-based paint: training, certification, and work-practice standards for individuals and firms conducting lead-based paint activities in public buildings, commercial buildings, and steel structures; and new standards for the management and disposal of lead-based paint debris generated by individuals or firms (U.S. EPA 2004). The unsubsidized rehab industry may eventually be affected by EPA regulations, but it is expected that these will primarily cover worker training, and possibly workplace clearance testing and disclosure.

OSHA Lead-Based Paint Regulations

OSHA has formulated regulations regarding worker protection and safety, including training, protective clothing, and work procedures, and periodic testing for lead-abatement-industry workers. These regulations are found in 29 CFR 1926.62-Lead. Workers who are consistently exposed to lead in the workplace are to be protected with special clothing, respirators, changing and washing facilities, and ongoing monitoring of levels of lead in their blood. These are highly detailed and complex regulations for workers not only in lead-based paint removal, but also in numerous other industries that use or produce lead-containing products.

State and Local Regulations

Some state laws and local housing codes address lead-based paint hazards, but many of the codes prescribe actions that are inadequate, outdated, or so ambitious that they are unaffordable for most properties. A report for HUD concluded, "Housing codes are not effective vehicles for primary lead-poisoning prevention" (HUD 1996). The report also stated that barriers between health and code enforcement departments at the local level frequently prohibit coordinated efforts. Local officials and building inspectors are too often unfamiliar with the problems associated with lead-based paint. Those who are familiar with the issues are often unable to take action because local laws, regulations, and statutes are unclear or prescribe inadequate, outdated, and economically infeasible remedies.

The Minnesota state laws are consistent with the EPA. If a child with an elevated blood-lead level occupies a home, a lead-abatement contractor must complete the lead work. If lead is present, but no child has an elevated blood lead, lead safe-work practices are strongly encouraged.

Liability Issues Related to Lead-Based Paint

Three liability-related issues may be associated with the presence of lead-based paint: citations and lawsuits, property owner disclosure, and liability insurance.

Rental property owners can receive lead paint citations, and these citations are often accompanied by lawsuits against the landlord. Owners will sometimes abandon these properties because they cannot afford to maintain them.

Owners are required by law to disclose known lead-based paint and lead-based hazards if they are renting or selling a home. If selling a home, owners must provide the buyer with an EPA pamphlet titled "Protect Your Family from Lead in Your Home," which gives basic information on lead poisoning, its causes, and its prevention. Sales contracts and leases must contain notification and disclosure information on lead-based paint and lead hazards.

Owners and managers of rental properties may have difficulty obtaining insurance for lead-poisoning liability claims. Because of litigation expense and fear of awards, insurers have restricted or excluded lead-poisoning coverage from their third-party liability policies. This is especially true in areas where there are a substantial number of claims. If coverage is available, it

is often limited to newer and well-maintained housing. The loss or lack of insurance may prompt such owners to a pattern of disinvestment in older rental housing. In addition, lack of insurance may encourage some owners to illegally refuse to rent to families with young children in order to avoid potential lawsuits.

Cost Issues Related to Lead-Based Paint

The cost of making a house lead-safe will vary dramatically depending on the amount of lead-based paint in the house, where the lead-based paint is found, and the level of deterioration. The cost also depends on the results of the testing and the level of lead-hazard control to be done based on the age of the building's occupants and the extent of HUD involvement. At the high end, testing, abatement, and disposal can cost $15,000 or more per unit of residential housing. Complete lead abatement is more expensive initially compared with interim controls. Interim controls, however, require ongoing monitoring, which may cost more over time (HUD 2001).

The cost that lead-hazard-control activities add to a rehabilitation project can be large enough to prevent improvement from being done at all, leaving children and families in poorly maintained, privately owned rental units that have numerous problems in addition to lead. However, in many cases, rehab specifications already cover work containing lead hazards so the added costs caused by the lead requirements are relatively small.

Developers face a challenge in locating funding for lead-abatement work. Funding for lead-hazard control and abatement in subsidized housing is sometimes available in the form of grants, deferred-payment loans, or reduced-interest-rate loans with long payback schedules, typically 10 to 15 years. These are available primarily for developers working with inner city rehabilitation.

HUD Lead-Based Paint Hazard Control Grant Program

HUD operates the Lead-Based Paint Hazard Control Grant Program, established by Title X of the Housing and Community Development Act of 1992. The program provides grants of $1 million to $2.5 million to state and local governments for control of lead-based paint hazards in privately owned, low-income, owner-occupied, and rental housing. Over 200 local and state jurisdictions across the country have been awarded grants since its start in 1993 (HUD 2004).

Lead-based paint hazards, and the associated regulatory, cost, and liability issues, present challenges for rehabilitation projects. There are cities, however, that have developed strategies that help to lessen these difficulties. The solutions applied in these localities may help other cities develop effective answers to these barriers. The following case study describes the St. Paul Ramsey County Lead Hazard Reduction Program and its approach to rehab and lead-hazard control.

St. Paul Ramsey County Lead Hazard Reduction Program

The SPLHRP is managed through the St. Paul Ramsey County Health Department and includes staff from the health, housing, and rehab departments. The program is funded with budget allocations from the city/county plus grants from state and federal sources, the largest of which is the HUD Lead Hazard Control Grant Program. St. Paul has participated in the HUD grant program since 1993, when the State of Minnesota received the funding from HUD and provided resources to three Minnesota cities: St. Paul, Minneapolis, and Duluth. The St. Paul program has received additional HUD Lead Hazard Control Grant Program funds from rounds 3, 4, 8, and 11 of the HUD subsidy.

BEST PRACTICES FOR ADDRESSING LEAD-BASED PAINT HAZARDS: THE SPLHRP APPROACH

A Spirit of Cooperation and Teamwork

Lead-hazard control as part of affordable housing rehab requires the coordinated effort of different local agencies and organizations, including housing and health departments and rehab developers. Housing and rehab groups, however, are not always aware of the health risks that are the basis for lead-based paint rules and regulations. Health department personnel are often unfamiliar with housing procedures and paperwork. In order to address lead hazards effectively, the different entities need to work together.

The city of St. Paul recognized this at the start of the SPLHRP in 1993. In selecting staff for the new lead initiative, the St. Paul Health Department included environmental health inspectors from the housing department, public health nurses from the health department, and rehab directors. By including individuals in tune with the agendas and culture of the different agencies, they created an atmosphere of cooperation rather than contention. When lead-related problems come up in a rehab project, lead program staff can address the issue themselves or quickly identify the correct agency contact.

The SPLHRP is managed through the St. Paul Ramsey County Department of Health. The first priority of this lead program is to address lead hazards in homes where children are identified with elevated blood lead levels. The lead program offices are located next to the laboratory that does the blood lead analysis, giving them the ability to quickly respond to any new information.

The SPLHRP provides all of the risk assessment and clearance work for St. Paul's Planning and Economic Development Department (PED), the city agency that administers home rehabilitation programs in St. Paul. These procedures are required per the HUD regulations for any project using over $5,000 in federal funds and built before 1978. A risk assessment is an on-site investigation to determine the existence, nature, severity, and location of lead-based paint hazards. Clearance is an activity conducted following lead hazard reduction work to determine that the lead hazard reduction activities are complete and to determine that no lead hazards exist in home. This process includes a visual assessment and the collection and analysis of environmental samples.

All of the private rehab organizations interviewed for this case study referred to the SPLHRP as a resource for their projects involving lead-hazard-control work. This support comes in a variety of ways, through lead-hazard-control services, technical support, and training.

Getting over the HUD Regulations Hurdle

Lead regulations need to be understood before they can be implemented. The SPLHRP is an important vehicle for conveying and communicating the requirements of new HUD Lead Paint Regulations. Program staff people are accessible to help with questions and problems related to the new regulations and other lead-paint hazard issues. From the beginning, this program recognized that the HUD regulations taken as a whole could be overwhelming. Information was tailored for the different groups involved in the rehab process (developers, contractors, property owners) to help them understand the parts of the new regulations relevant to them. For example, a property owner of one or two rental units interested in doing repair and maintenance work needs different information from a developer of a large affordable housing project. This was particularly important at the start of the HUD regulations but continues to benefit the newcomers to lead issues in St. Paul renovation efforts.

Liability Less of a Problem

This increased understanding of the HUD lead regulations has helped ease property owner concerns about liability issues resulting from lead-hazard-control work during rehab. The St. Paul organizations interviewed for this case study did not view lead paint hazard liability as an important barrier to their rehab activity. Some initially anticipated heightened legal actions from tenants living in multifamily properties undergoing rehab and lead-hazard-control work. This, however, has not been the case. Adhering to the regulations seems to diminish the tenant's inclination to take legal action and increases the comfort level of the organization doing the rehab work. Risk assessment and clearance documents, required by the HUD regulations, are viewed as at least a partial antidote to liability concerns.

Single-family homeowners have a different liability concern. An EPA rule requires disclosure of lead-based paint hazards by persons selling or leasing housing constructed before 1978. If homeowners are considering selling or renting their property, the disclosure requirement could deter them from participating in rehab programs that require a lead hazard risk assessment. A risk assessment is required in any case where more than $5,000 of federal money, such as HOME or CDBG funds, is used. But CDCs and nonprofits working with single-family homeowners in St. Paul have not seen this concern prevent homeowners from enrolling in their programs. For example, the Greater Frogtown Community Development Corporation runs a rehab loan program in St. Paul's Frogtown neighborhood. This organization has found that family concerns for children's health outweighs their worries about having to disclose the presence of lead paint in their home or the cost.

Lead Program Services Support St. Paul Rehab

A mutually beneficial relationship exists between the St. Paul Ramsey County Lead Hazard Reduction Program and St. Paul's affordable housing rehab organizations. The SPLHRP provides lead hazard assessment services to different St. Paul agencies, including CDCs and public housing authorities. This activity helps the lead program locate St. Paul properties with significant lead-paint hazards appropriate for enrollment in their program. The rehab groups, on the other hand, benefit from lower-cost services and sometimes additional funding for their project.

The process works as follows: Rehab entities sign up for risk assessment and clearance services from the SPLHRP. When SPLHRP staff complete a risk assessment on a property that is a good candidate to be enrolled in the program, they flag the folder for the property with a yellow case sheet, describing the specific requirements of the program for that property. If the developer is interested in enrolling the property, the SPLHRP does not charge a fee for the risk assessment, provides free clearance testing at the end of the project, and grants $2,000 to support the lead-hazard control. This approach, although fairly new for the St. Paul effort, has been greeted with enthusiasm by the rehab groups and at the same time offers the SPLHRP a wider view of lead-paint hazards in the city.

The owners and rehab organizations benefit from the lead program services even when properties are not enrolled into the program. They get exceptionally qualified risk assessors and clearance technicians at a very competitive rate. The same staff member from the SPLHRP works with the rehab advisor through the entire process—risk assessment to clearance. The risk assessment summary of work and recommendations is provided early in the process so that change orders are avoided and any additional costs are known up front. The clearance test is performed by someone who knows the project and the required lead-hazard-control work.

The services, although not at cost, are less expensive than similar services from a private company. A typical rate for lead hazard risk assessment from a St. Paul private environmental company is $525 to $585; the SPLHRP fee averages about $325. The profit made by the program from these services goes into a county fund that can be accessed when low-income property owners cannot afford to pay for lead-paint services.

Performing these risk assessments gives the SPLHRP the opportunity to triage the various rehab projects across the city. First priority in the lead program is given to homes where children have elevated blood-lead levels. Second are homes where children are identified as high risk for lead poisoning. Both of these are identified through the SPLHRP health department. The third priority is homes that have lead-paint hazards and children living in them. Fourth are homes with lead-paint hazards that currently do not have children living there but are likely to have children live there in the future.

When children are identified with elevated blood lead levels, the lead-hazard-control work is conducted "in-house" by the lead program staff and a lead/weatherization contractor who works directly with the program. Since the SPLHRP has been in existence for ten years, many of the most serious problems where children present with elevated blood-lead levels have been

addressed. Now they are moving toward a more preventative effort, where lead hazards are addressed at rehab, and exposure to the lead-paint hazard is avoided.

Maintaining a Pool of Certified Contractors

The new HUD rule requires developers to use certified contractors and workers for their lead-hazard-control work. The City of St. Paul responded early to this need for specialized tradespeople by providing free lead-abatement contractor training before the onset of the new regulations. This training was provided by an approved training agency. Nineteen of the twenty-three contractors initially enrolled completed the course, providing a solid foundation of qualified lead-abatement supervisors for the city.

St. Paul has managed to successfully maintain this pool of certified lead-abatement supervisors and workers skilled in lead-safety measures. The rehab organizations interviewed for this case study said that the pool of certified contractors and workers in St. Paul is limited, but that they do not typically have a problem finding the workers that they need.

The SPLHRP also contributes significantly here by offering frequent training classes for Lead Abatement Supervisor and Lead Safe Work Practices certification. They structure the classes to make it easier for workers to fit the training into their schedule. Lead Safe Work Practices Training, typically a one-day course, is offered over two days from 3:00 P.M. to 6:30 P.M. The time is convenient for most construction workers, allowing them to become certified with no wages missed.

The contractors and workers have to pay to attend the classes, but the fee is less than it would be through other providers because the training is provided by the SPLHRP staff rather than through an outside agency.

The SPLHRP encourages rehab groups to train and certify their experienced rehab contractors. The Greater Frogtown Community Development Corporation took advantage of the training through the SPLHRP to certify contractors and workers that they already had established relationships with. The ability to continue working with contractors that they had confidence in helped the Greater Frogtown CDC to transition into the new HUD regulation requirements smoothly.

Dayton's Bluff Neighborhood Housing Service (NHS), a St. Paul CDC, has helped to control costs of lead-hazard control by sending individuals from their staff to SPLHRP training classes. The NHS reduces costs by not having to pay a private entity to provide inspection, risk assessment, and clearance services.

Supporting Section 8 Property Owners

The SPLHRP offers Lead Safe Work Practices training to landlords when Section 8 inspectors cite them for loose and peeling paint. The landlords have to pay for the class, but after they are certified they can perform their own lead-hazard repair and maintenance work. This is a less-expensive route for the property owner than paying an outside contractor. Another option for the

landlords is to train contractors that routinely do their maintenance and repair work. Sometimes these properties are enrolled in the SPLHRP, and the program covers a portion of the lead-hazard-control costs.

Conclusions

In sum, lead-paint hazards present challenges to affordable housing rehab, but the approach taken in St. Paul is helping to reduce these obstacles. Some strategies involve relatively small changes, such as modifying the timing of training classes to fit contractor schedules. Other tactics are more complex and, as implemented by St. Paul, may not fit the structure of all cities. However, the components that have contributed to St. Paul's success can be broadly defined and then adapted to match the needs and constraints of that city and/or state.

- A Lead Hazard Reduction Program, along with the additional funds it brings to lead-hazard-control work in the city, provides a good launching point for some of these strategies.

- Developing a cooperative relationship between health, housing, and rehab groups is not a small undertaking. This might be especially true in cities with a larger bureaucracy than St. Paul. The benefits of improving these relationships, however, extend far beyond reducing the barriers of lead hazards to rehabilitation efforts to many other affordable housing and health issues.

- Easy access to resources that help clarify the HUD lead-based paint regulations and what they mean to different individuals and organizations is important. This exchange of communication helps to streamline rehab efforts and diminish concerns about related issues, like liability risks.

- Lead Abatement contractor/supervisor training and Lead-Safe Work Practices training need to be accessible and low-cost. Encouraging contractors that already are working with a rehab group to become certified expands the pool of qualified workers in the city and allows organizations to continue to use contractors that they are comfortable with.

EXHIBIT 8.1
Summary of Requirements for the HUD Lead-Based Paint Regulations for HUD funded Rehab

Units receiving $5,000 or less per unit in federal rehab assistance

- Provision of Lead Hazard Information Pamphlet
- Provision of Notice of hazard reduction activity, including clearance results, to occupants
- Ongoing Lead-Based Paint (LBP) Maintenance required after rehab of a rental property using HOME or CILP funds
- Record Keeping

DETERMINE WHETHER TO EVALUATE OR PRESUME

Evaluate

- Test paint on all surfaces to be disturbed by rehab
- Provision of Notice to occupants of the results of the paint test
- Use safe work practices while working on surfaces which contain lead-based paint
- Repair paint on surfaces where lead-based paint has been identified and was disturbed during rehab
- Clearance of the work area

Presume

- Presume lead-based paint present
- Provision of Notice to occupants of presumption of the presence of lead-based paint and LBP hazards
- Use safe work practices on all surfaces disturbed by rehab work
- Repair paint on all surfaces disturbed by rehab
- Clearance of the work area

Units receiving more than $5,000, up to and including $25,000 per unit in federal rehab assistance

- Provision of Lead Hazard Information Pamphlet
- Provision of Notice of hazard reduction activity, including clearance results, to occupants
- Ongoing Lead-Based Paint Maintenance required after rehab of a rental property using HOME or CILP funds
- Record Keeping

DETERMINE WHETHER TO EVALUATE OR PRESUME

Evaluate

- Test paint on all surfaces to be disturbed by rehab
- Risk assessment in assisted unit, in common areas, and on exterior surfaces
- Provision of Notice to occupants of the results of the paint test and risk assessment
- Interim controls on identified hazards and hazards created by rehab, using safe work practices
- Clearance of the work area

Presume

- Presume lead-based paint and lead-based paint hazards
- Provision of Notice to occupants of presumption of the presence of lead-based paint and LBP hazards
- Standard treatments throughout the unit, using safe work practices
- Clearance of the unit

Units receiving more than $25,000 per unit in federal rehab assistance

- Provision of Lead Hazard Information Pamphlet
- Provision of Notice of hazard reduction activity, including clearance results, to occupants
- Ongoing Lead-Based Paint Maintenance required after rehab of a rental property using HOME or CILP funds
- Record Keeping

DETERMINE WHETHER TO EVALUATE OR PRESUME

Evaluate

- Test paint on all surfaces to be disturbed by rehab
- Provision of Notice to occupants of the results of the paint test and risk assessment
- Risk assessment in assisted unit, in common areas, and on exterior surfaces
- Abatement of identified lead-based paint hazards and hazards created by rehab
- Interim controls using safe work practices permitted on exterior surfaces not disturbed by rehab
- Clearance of the unit, including an abatement report

Presume

- Presume lead-based paint
- Provision of Notice to occupants of presumption of the presence of lead-based paint and LBP hazards
- Abatement of the surfaces disturbed by rehab and deteriorated, friction, impact, and chewable surfaces
- Interim controls using safe work practices permitted on exterior surfaces not disturbed by rehab
- Clearance of the unit, including an abatement report

REFERENCES

Centers for Disease Control (CDC). Surveillance for Elevated Blood Lead Levels among Children—United States, 1997–2001. *MMWR Surveillance Summaries*, 52(SS10);1-21, September 12, 2003.

City of St. Paul. 1990-2000 Census: St. Paul Population Change by Planning District. [online] Available at: http://www.ci.stpaul.mn.us/census/stpaulbydistchange.html. Accessed March 3, 2004.

Erchul, Jim. 2003. Interview with Dayton's Bluff Neighborhood Housing Services by Connie Etheridge. October 29.

Grabko, Gary. 2003. Interview with St. Paul's Department of Planning and Economic Development by Connie Etheridge. November 5.

Housing and Redevelopment Authority of the City of St. Paul. *2000 End of the Year Housing Report*. February 28, 2001.

Hultman, Marybeth. 2003. Interview with St. Paul's Department of Planning and Economic Development by Connie Etheridge. October 28.

Jacobs, D. E.; R. P. Clickner; J. Y. Zhou; S. M. Viet; D. A. Marker; J. W. Rogers; D. C. Zeldin; P. Broene; and W. Friedman. 2002. The Prevalence of Lead-Based Paint Hazards in U.S. Housing. *Environ Health Perspect* 110(10): A599-606.

Lammers, Patty. 2003. Interview with Greater Frogtown Community Development Corporation by Connie Etheridge. November 5.

Lanphear B. P; T. D. Matte; J. Rogers; R. P. Clickner; B. Dietz; R. L. Bornschein; P. Succop; K. R. Mahaffey; S. Dixon; W. Galke; M. Rabinowitz; M. Farfe; C. Rohde; J. Schwartz; P. Ashley; and D. E. Jacobs. 1998. The Contribution of Lead-Contaminated House Dust and Residential Soil to Children's Blood Lead Levels: A Pooled Analysis of 12 Epidemiologic Studies. *Environ Res*. 79(1): 51-68.

Mayo, Douglas. 2003. Interview with Common Bond Communities, Director of Housing Development by Connie Etheridge, November 13.

McMurry, Martha. September 2003. Minnesota Housing Prices Continue to Soar. Minnesota State Demographic Center.

Muller, Lois. 2003. Interview with R. S. Eden, Director, Supportive Housing and Development, City of St. Paul, by Connie Etheridge. November 7.

National Center for Healthy Housing. Summary of Requirements: Subpart J. *The On-line Guide to HUD's Lead-Based Paint Regulations* [online]. Available at: http://www.centerforhealthyhousing.org/1012/html/summary__subpart_j.html Accessed November 8, 2003.

U.S. Census Bureau. State and *County Quick Facts- Ramsey County, MN* [online]. Available at: http://quickfacts.census.gov/qfd/states/27/27123lk.html. Accessed May 4, 2004.

U.S. Department of Housing and Urban Development (HUD). *Lead-based Paint Hazard Control Grant Program* [online]. Available at: http:www.hud.gov/offices/lead/lhc/index.cfm. Accessed March 3, 2004.

U.S. Department of Housing and Urban Development. 1996. *HUD Lead Office Research Project: Incorporate Lead-Based Paint Hazard Control into State and Local Codes*. August 5. Washington D.C. U.S. Department of Housing and Urban Development.

U.S. Department of Housing and Urban Development. 2001. *Barriers to the Rehabilitation of Affordable Housing*. Volume I of II, Findings and Analysis. May 2001. Washington D.C.: U.S. Department of Housing and Urban Development.

U.S. Environmental Protection Agency. *Lead in Paint, Dust, and Soil. Rules and Regulations*. [online] Available at: http://www.epa.gov/lead/regulation.htm. Accessed February 28, 2004.

Yannarelly, Jim. 2003. Interview with Ramsey County–St Paul Lead Hazard Control Program by Connie Etheridge. October 22.

9

Rehab Barriers and Best Practice Solutions Case Study: The Chicago Mayor's Office for People with Disabilities

INTRODUCTION AND SUMMARY

Affordable housing rehab must satisfy many regulations, including ensuring accessibility. Housing rehab may be covered by any of several federal laws in this regard, including the Architectural Barriers Act of 1968 and the Rehabilitation Act of 1973, both of which require buildings that are financed with federal funds to comply with new construction accessibility standards. The Fair Housing Amendments of 1988 do not apply to rehabilitation, but do require owners to allow alterations by tenants at their own expense. The Americans with Disabilities Act of 1990 is similarly "light" on specific application to residential rehabilitation but, because it covers public and programmatic accommodation, it can affect publicly funded projects, particularly those with social service components.

The implementation of these laws is complicated because they were often written as civil rights laws, not building codes. The language of civil rights must be interpreted and translated into the language of building codes for them to be usable in actual construction. A collection of standards and regulations (Americans with Disabilities Act Accessibility Guidelines [ADAAG]), Uniform Federal Accessibility Standards [UFAS], Fair Housing Accessibility Guidelines, American National Standards Institute's A117.1) exist to implement these laws.

Federal guidelines are written broadly, for national application, but building types and development circumstances vary greatly from region to region and city to city. There is necessarily another level of interpretation and, in many cases, more codes and standards to augment or supplement these regulations at the local level.

Building codes are promulgated at both the city and state levels. Many jurisdictions have adopted accessibility regulations into their building codes that exceed or simply differ from federal regulations. Thus, a project may be subject to federal standards and local codes that differ or conflict. Navigating the layers of regulations and obtaining appropriate approvals can be more difficult than designing a technically compliant solution.

Physical conditions in older buildings can present technically complicated and even infeasible situations for creating full accessibility. Older residential buildings, likely candidates for housing rehab, are inherently more difficult to adapt as they often lack sufficient interior or exterior space to allow needed clearance for people who use wheelchairs.

Federal, state, and local laws governing accessibility cover a wide range of issues, only some of which are manifested in building accessibility. Personnel charged with the administration and enforcement of accessibility laws are often well-trained in civil rights issues, but they are not necessarily equally proficient in the technical aspects of building codes and their administration. Understanding building-accessibility issues, including factors affecting rehabilitation feasibility and affordability, can be technically complicated.

A further complication confronts those projects in historic structures. They are governed by yet another set of historic-specific guidelines and standards with which developers must comply to secure Federal Historic Tax Credits—a valuable source of funding for qualifying affordable housing projects. It is not unusual for accessibility requirements to conflict with historic guidelines. For example, alterations to provide a means for a person who uses a wheelchair to use a main entrance may alter the façade so as to endanger the historic designation.

All of these laws allow flexibility for situations that would require extreme measures to reach accessibility. They permit alternative methods of offering program accessibility—if physical alterations are infeasible. They allow alternative minimum standards for most physical requirements. This flexibility, however, presents one of the supreme difficulties for developers and architects working with these laws and regulations. The process involves consultation, negotiation, and interpretation at the local level. It can be unwieldy and, in some jurisdictions, inflexible. Even in the best circumstances, delays and uncertainty can significantly lengthen the development process and make it difficult to undertake some projects.

There is no expectation that the plethora of laws and regulations governing accessibility will abate. In fact, it is likely that requirements for accessibility will become broader, covering more types of situations rather than fewer. The City of Chicago was chosen for this case study because it has demonstrated that it is possible to make legislative and systemic changes that ameliorate the confusion and conflicts caused by these numerous competing requirements.

Chicago has made a specific and directed effort to rationalize and then integrate the laws governing accessibility into the Chicago Building Code. A multi-year effort that included all parties with an interest in the outcome crafted accessibility legislation adopted by the City Council in 2003. It offers builders a single comprehensive code that will provide a safe harbor for federal legislation.

The impetus came directly from the Mayor's Office. Mayor Richard M. Daley stated that he wanted Chicago to be the most accessible city in the world, and then empowered the Mayor's Office for People with Disabilities (MOPD) to make this happen. The MOPD has exhibited exemplary leadership by understanding that such a policy cannot succeed without systemic cooperation.

MOPD has put in place a swift and predictable review process. It has organized support for its work through outreach and training. And it has created predictability where none existed. The MOPD review staff is technically proficient, and they work hard to coordinate with regulatory agencies.

BACKGROUND: THE CHALLENGE OF ACCESSIBILITY

In 1990, when the Americans with Disabilities Act (ADA) was passed, and for many years following, Chicago's methods for determining and reviewing accessibility in affordable housing rehabilitation were hardly exemplary. Chicago suffered from all of the barriers described earlier: older, sometimes historic, buildings that are difficult to rehabilitate to current standards; competing regulations; administration of the accessibility laws by different departments; enforcement personnel not trained in the technical aspects of accessibility; and inconsistent application of laws. Developers were often subjected to unpublished policies to increase the overall number of accessible units.

In 1991, Mayor Richard M. Daley, who had been elected two years earlier to fill the term of the late Harold Washington, created the Mayor's Office for People with Disabilities (MOPD) and charged it with making Chicago a leader in ensuring accessibility. While the MOPD eventually became the key to Chicago's noteworthy success, it was a long and often difficult learning process for all the stakeholders.

Chicago Housing

Chicago, like many major U.S. cities, has undergone major changes and significant work to rehabilitate and convert older buildings for both affordable and market-rate housing. It reports a significant use of various federal tax credit programs to create affordable housing.

In June 2003, the Department of Housing (DOH) projected that, by the end of its 1999-2003 Affordable Housing Plan, the City of Chicago would support the creation and preservation of 45,300 affordable housing units, more than half of which are rental units. A very-high-profile program to overhaul the housing stock of the Chicago Housing Authority (CHA) is well under way. While new construction and change of use account for significant numbers of new units, the pace of renovation is also high.

Like other older American cities, Chicago's existing housing stock consists of multi-unit buildings, former hotels and other kinds of transient housing, as well as row houses, town houses, and single-family dwellings. All of this existing stock poses the typical barriers to rehab, including narrow corridors with little maneuvering room for wheelchairs; three-story non-elevator buildings; elevator buildings with small cabs; above-grade entrances; small bathrooms; and tight configurations in general.

Layers of Laws

Housing projects in the City of Chicago are subject to the layers of federal regulations described earlier. Furthermore, the State of Illinois Accessibility Code (IAC), which is more stringent in many cases than the federal regulations, is in force in Chicago. The format of this code is not consistent with the form of federal guidelines. The significance of this becomes clear to architects and developers who are charged with compliance. As an example, the IAC is organized by types of buildings, whereas the ADA Accessibility Guidelines start with requirements for types of spaces and then details some specific building types (which are not the same building types as the IAC). Comparing the requirements that apply to a particular project is extremely complicated when the formats and language of the governing codes are not comparable.

Projects with historic significance are subject to the Secretary of the Interior Standards, which are not always compatible with the local accessibility requirements. The IAC provides "Alternative Requirements for Historic Buildings," which is a helpful guide, but it cannot anticipate and cover all of the possible situations. Responsibility for understanding the IAC and how it applies to a particular project or if the minimum standards can be met falls again to the developer and architect.

Dispersed Responsibility

The problem of dispersed responsibility for enforcement is nearly unavoidable. It starts at the federal level, where responsibility for various aspects of the laws is spread throughout 12 agencies including Justice, HUD, Transportation, and the Veterans Administration. Responsibility for compliance lies with the Access Board (originally the Architectural and Transportation Barriers Compliance Board) created by the Rehabilitation Act of 1973. Local jurisdictions mimic this organization whether by history or mandate, and changing it requires specific focused effort.

Chicago was no different, although it has worked hard to rationalize the system and process. However, in 1991 when the MOPD was established, the situation was not unusual. The Chicago Housing Authority, through the local HUD office, was responsible for enforcing compliance with Section 504 of the Rehabilitation Act of 1973. The Chicago Department of Housing had some responsibility to make sure that its funded projects complied with applicable regulations. The Chicago Department of Buildings was charged with enforcement of the Illinois Accessibility Code as well as the few parts of the Chicago Building Code that contained some language about accessibility.

Lack of meaningful enforcement on the Federal level, and lack of trained, professional staff on the local level, meant that compliance was haphazard. The construction community considered these laws yet another regulatory barrier and was resistant to compliance. In 1992, the MOPD started reviewing larger government-funded projects for accessibility compliance.

Inconsistent Enforcement and Compliance

The Chicago MOPD, like many similar offices across the country, has a mandate to promote civil rights and remove barriers to accessibility in public accommodations, commercial facilities, housing, education, employment, and telecommunications. That mandate includes removing barriers in the physical environment because they are an impediment to obtaining equal access to full participation in the institutions of society. The removal of physical barriers is one means to the legally mandated ends.

The Chicago MOPD is an advocate for people with disabilities, charged with enforcing laws that affect many aspects of the work of other public agencies as well as the private sector. In its responsibility to increase accessibility of the physical environment in housing rehabilitation, MOPD interacts with its sister agencies—the Chicago Department of Planning and Development, the Chicago Department of Housing (DOH), the Chicago Housing Authority (CHA), the Chicago Department of Buildings (DOB), and the private and not-for-profit housing developers.

Many people who were interviewed in the course of our case study analysis noted that in its early days, MOPD was more of an advocate than an administrator and enforcer. Developers complained that MOPD was making new policy with every project. In an effort to increase the stock of accessible housing, MOPD would require percentages of accessible units, for example, that were nowhere specified in the codes. Interpretations may have been consistent with policy, but they were not consistent with the law.

As MOPD took responsibility for more projects, its reputation for inconsistency caused some architects and developers to avoid them at all costs. Reluctance on the part of some was compounded by lack of knowledge by others. Projects that received funds from public sources weren't always informed by the relevant agency that they were required to comply with accessibility regulations and review by MOPD. In other cases, an architect might be unaware that its client-developer had secured funding that required compliance with federal accessibility. Others didn't realize that Tax Increment Financing (TIF) from the Chicago Department of Planning, to pay for site improvements, was considered part of the housing financing for purposes of compliance. Many were unaware of the existence of Fair Housing Laws or challenged MOPD's ability to review and interpret them.

There were no additional "prompts" concerning accessibility forthcoming from the Chicago DOB permitting process. There was no place on the permit application that identified a completed review for accessibility compliance. Nor was there any way to track what projects were being permitted or funded to audit their compliance. In short, information about required compliance was not getting to developers and architects, and information about those who neglected compliance was not getting to the administering agency. There was no way to know from one project to the next what would be required or enforced.

BEST PRACTICES FOR FURTHERING ACCESSIBILITY: THE MOPD RESPONSE

Change didn't take place overnight. It was an incremental process implemented ultimately by the current MOPD Commissioner, who was previously the MOPD Director of Architectural Services. The Chicago requirements for accessibility are among the most far-reaching of any major U.S. city, but the MOPD has succeeded in becoming the most predictable and user-friendly part of the permitting process. It succeeded by gaining consensus from the building community and putting in place clear and logical systems for reviews and approvals. There are three key ingredients to Chicago's success: leadership, technical proficiency, and a predictable process.

Leadership

Mayor Daley declared that he wanted his city to be the most accessible city in the world, but even a strong mayor can't make things happen without consistency of leadership below him and good systems and decisions. On the other hand, organizing so many layers of government regulation is complex, and a strong mandate from city leadership provides the kind of support that encourages agencies to cooperate. Mayor Daley empowered the MOPD to make this happen.

MOPD works with a wide range of public and private entities, each with its own opinion about the laws and regulations governing accessibility. To work with them successfully, MOPD has brought an understanding of construction, the principles behind the laws, and the significance of costs; then translated them diplomatically to other government agencies and earned the respect of the development and disability communities. MOPD's role as advocate and enforcer as well as purveyor of mayoral policy required tact and patience as they demonstrated to their sister city agencies where they were falling short in their responsibilities; to the development community that they were serious about performing reviews; and to the advocacy community that they were fulfilling their mandate to increase accessibility.

Although MOPD began reviewing larger government-funded projects in 1992, the adjacent systems were not particularly strong. Other city agencies, such as the Chicago Department of Planning or the Chicago Housing Authority or the Chicago Department of Housing, where projects originated, weren't informing their developers of their obligation to get an accessibility review sign-off from MOPD. It was not unusual for a project to receive a permit at the Department of Buildings without specific sign-off on its accessibility compliance.

Similarly, the Department of Buildings, which was nominally in charge of the enforcement of accessibility regulations, was relaxed in its review. With no specific training and no particular understanding of the underlying purpose of the laws, this unit's interest in enforcement was minimal. Building code officials may be highly sensitive to issues of life safety in buildings but are less moved by civil rights–driven codes. There was another, quite simple, mechanical obstacle. There was no explicit sign-off for accessibility review on the building permit

application. Unlike fire safety, for example, accessibility compliance fell under a general approval.

The construction community was extremely resistant to what they viewed as yet another regulatory barrier. Businesses that saw the ADA as another burdensome regulation added to the general discontent about accessibility regulations. The importance of accessibility as a civil rights issue was not nearly as significant as the perception that it was simply a costly mandate. Only when it became obvious to the construction community that they weren't going to escape the access review process did they begin to work constructively with MOPD.

Creating Change

MOPD dealt with much of this resistance by challenging and changing attitudes. They promoted understanding of accessibility as a civil rights issue, developed an efficient internal review process, and included education and training as part of it. MOPD "rehabilitated" its reputation from an agency to be avoided to one that assists developers and architects in building their projects.

The Department of Housing (DOH) now includes information about MOPD review and signoff in its financing application materials so that grantees are aware of their obligation to meet accessibility regulations. DOH project managers regularly refer developers to MOPD for guidance during their design process.

The Department of Buildings (DOB) permit application now includes a specific sign-off for accessibility compliance. By requiring an individual to put his or her initials to a document, DOB became publicly accountable for the approval. MOPD worked with the DOB's Information Technology (IT) Department to identify projects that required review. Through DOB's IT systems, MOPD is able to track buildings that are in the permitting process and compare them to ones in their active review files. If projects from DOB's list don't show up in MOPD's records, they can contact the owners and developers directly.

Beyond what MOPD was doing locally, there were changes in the enforcement environment around them. Advocates were bringing lawsuits under Fair Housing and the ADA against developers. The federal government was beginning to enforce its laws. MOPD would point out that the developers involved in lawsuits had building permits but were still in violation of Federal Fair Housing laws. The advocacy community would also point to MOPD and the review process as a safeguard against lawsuits, strengthening MOPD's role as a development ally rather than as a regulatory barrier. The combination of external pressure and a knowledgeable and professional enforcer created the environment for more productive compromises and productive reviews.

Educating for Change

MOPD takes its role as an educator seriously. The agency considers every plan review an opportunity to train developers and architects not only in the technical aspects of compliance but also in the rationale for the laws. They claim to have trained more than one generation of architects through various projects. Professional architects at MOPD who have dual competencies perform the reviews. They are conversant in the laws and language of civil rights and also possess the technical proficiency to interpret and administer the building code.

Education continues in seminars and outreach to the private development community: the builders and the Building Owners and Managers Association. They collaborate with city agencies, such as the Department of Housing, to increase funding for first-time homebuyers with disabilities. To raise awareness and demystify the design of accessible, adaptable, and visitable units, MOPD has sponsored two design competitions. The 2002 competition called "Universal + Affordable Housing Design" explored designs usable by all people without adaptation or specialized design. The 2003 competition, "Intergen," called for housing and social services for grandparents with custody of grandchildren to call attention to aging as an impetus for rethinking housing design for a range of abilities.

The mission of the MOPD has been to make accessibility mainstream and therefore to ease the barriers that have made compliance seem like a burden to the development community. MOPD's leadership in the form of outreach and education has been a significant contributor to that effort, but solving the problem of the layers of laws and codes qualifies as the crowning technical achievement.

Rationalizing the Codes

There are many aspects of the accessibility laws that cause difficulties and delays. The language can be confusing and subject to interpretation, especially when layered onto local codes and policies. One of the early problems that MOPD suffered from was inconsistency in application and interpretation, which contributed to the tendency for the development community to challenge and question applicability to its projects.

The Mayor charged MOPD with updating the Chicago Building Code's provisions for accessibility. Experience and an examination of the task led MOPD to realize that one its most powerful allies would be a city ordinance incorporating *all* of the applicable accessibility laws and regulations into the Chicago Building Code. A code that blended the IAC, Fair Housing Accessibility Guidelines, ADAAG (old and new), UFAS (504, ABA) and the model building codes would provide a central clearinghouse for the development community and would give the city the force of law. No longer would developers be able to say the city didn't have the authority to enforce Fair Housing and no longer would developers have to wonder if they were going to be surprised when they submitted their plans for review. No longer would architects and developers have to sift through four or five documents attempting to compare their requirements to determine what regulations applied to their projects. Assuming the law was properly crafted,

compliance would provide safe harbor for fulfilling the requirements for all federal (and state) regulations.

MOPD created a task force to negotiate and create this ordinance. The team comprised all the major organizations that had an overall vested interest in the outcome, including private homebuilders, commercial developers, not-for-profit developers, disability advocates, sister city agencies, and architects. Members were selected for their expertise and commitment and were charged with representing their organizations', not their own personal, point of view. About 12 to 15 people attended meetings regularly for several years.

Organizing the task by sorting through issues and deciding on a mission took at least two years by some accounts. An important turning point that set the work of the task force on course and on a good timetable came with the hiring of a professional code writer. The task force members realized that they were architects, administrators, and advocates who needed an expert to turn policies and concepts into code language. That was, after all, one of the inherent problems with the laws. The code consultant brought needed specific technical expertise. Over the next two years, working with this expert, the committee spelled out its objective to produce a consolidated and comprehensive code; identified the documents it would use as the basis for developing its own; laid out the issues and interests of the represented organizations; and produced "Chapter 11" of the Chicago Building Code.

The work proceeded iteratively. The code consultant drafted sections and presented them to the task force, and the group debated the entire document, sometimes word by word. There were sincere disagreements and sincere efforts to address each member's concerns. Organizations participated in order to have their issues heard, because they knew that accessibility requirements in housing were inevitably becoming more stringent, and because they had lived through the arbitrariness that inevitably resulted from not having written codified regulations, standards, and policies. They all knew that their best chance to be heard was to remain at the table for the discussion. There were times when voices were raised and participants walked out, but the MOPD staff went to extra efforts to bring adversaries back together to discuss their differences and reach agreements.

The discussions went beyond even the wide range of interests represented on the task force. Specific sections were presented and discussed with industry groups and department heads in city agencies. Again, these concerns were brought back for discussion, and responses were sent to those who had offered them.

The new ordinance is referred to by its Chapter location (11) in the Chicago Building Code, which conforms with the International Building Code (IBC)—the model code that has been adopted by the state of Illinois. The format, as well, follows the IBC format that is becoming one of the standards nationwide (see Chapter 3). In addition to consolidating in one document the rehabilitation requirements spelled out in the federal requirements, the new ordinance also includes some of the widest-reaching requirements for accessibility in new construction.

Chapter 11 not only clarifies the code requirements but also improves the appeals process. The appeals process is a fallback should an applicant disagree with the MOPD interpretations. Chapter 11 enhances the existing building board of appeals by adding two members, one of whom is a professional architect or engineer with specific architectural experience in accessibility design and one member who represents the interests of people with disabilities.

Chapter 11 was introduced to the Chicago City Council in September 2003; hearings were held the same month, and it was passed unanimously in October. Until the ordinance goes into effect in July 2004, MOPD, with support from architects and members of the advocacy community, will conduct training and education sessions. There was no significant opposition or discussion over this ordinance at City Council because all the players who had a stake in it also had a hand in creating it. The content, except for some additional scope of types of housing that will be subject to law, is not unfamiliar. There is universal relief that the law will result in legal clarity to a process that has relied on the professionalism and the systems of the MOPD.

Developing a Consistent and Predictable Process

While much of this is discussed earlier, developing and maintaining a predictable and consistent process for reviewing projects is essential to MOPD's success. The new code provides an additional level of clarity and comfort for applicants and may even lessen the labor-intensive review work that MOPD performs.

In project review, developers and architects are invited to come early and often. What distinguishes Chicago's process from the standard building code process is that they work face-to-face with developers and architects through the design process. Developers and architects are encouraged to have an initial discussion at schematic design or even earlier, and to return as the project design develops.

In their role as educators and trainers, MOPD staff members review all applicable regulations with the project architect and work with him or her to achieve a high degree of accessibility in rehab situations. Veterans of this process have remarked that the MOPD personnel help save enormous amounts of time and misunderstandings, especially when compared to the usual process of submittals and comments. By spending this time with architects, MOPD believes it is increasing the pool of future expertise and ultimately reducing its own workload.

MOPD has recognized the absolute need to perform timely reviews so as not to be the source of delays. The MOPD Director of Architectural Services also realizes that interpretations must be consistent from project to project and from reviewer to reviewer. With a staff of three reviewers, MOPD will approve 1,050 housing permits, 2,804 public accommodations, and 156 public school permits in 2003.

Initial review appointments with MOPD are scheduled through a "Review Confirmation Form" that asks for basic project information. Applicants are then required to fill out a "Project Data" sheet that helps determine compliance with the code by spelling out certain project characteristics and code requirements. MOPD provides an "Accessibility Correction Sheet" with

code citations for applicants to use as a guide when making corrections and bringing plans in for final review. All these forms are available on the MOPD Web site.

Although they have come close to creating a single source of approval, there are still circumstances where MOPD cannot be the only stop in the approvals process. For example, ultimate responsibility for Section 504 compliance lies with the local HUD officer. MOPD, with Chapter 11, has rule of law that is comparable to Section 504, but it is still careful to recommend that projects covered by Section 504 seek final approval at HUD. MOPD sign-off is comparable to fire safety sign-off; applicants must still get building permits from the Department of Buildings (DOB). MOPD and DOB are located in the same building, however, making it convenient for the two agencies to confer when necessary and also making it easier for applicants. More than one architect described MOPD's willingness to make last-minute changes giving approval and therefore making it possible to walk down the hall to DOB for final permitting.

On historic building projects, MOPD also works collaboratively. There have been few actual affordable housing projects in historic buildings, and the waiver provision in the codes generally means that preservation of historic elements takes precedence over accessibility. These projects come through the Department of Planning and Development, and MOPD will be asked to participate in meetings with the Landmarks Commission to determine what they will and will not accept. Site visits are often conducted to verify technical infeasibility, and with a determination from the State Historic Preservation Office that compliance will eliminate historic designations, a waiver is granted. There are advocates who still disagree with the supremacy of historic significance over accessibility, but the system for determinations run smoothly regardless.

Fair, Friendly, and Tough

MOPD has been very aggressive about increasing accessibility in all kinds of housing in Chicago. It has been instrumental in passing a law that will significantly increase the requirements for new construction. It has put measures in place to track and identify all projects that should be reviewed and must comply with accessibility requirements. It is working with the Department of Buildings to include an accessibility review as part of the DOB inspections for Certificates of Occupancy.

MOPD also has a fair and predictable process for reviewing projects. They have set standards so that the reviews by different inspectors will be uniform. It has trained and explained the laws and regulations to applicants; in other words, It has accepted accountability for the responsibilities of its office. It has ensured that reviews are carried out in a timely fashion and in a professional manner. It has achieved, in every way that it is able, a centralized review process for accessibility.

INTERVIEWS

Argelyn. Interfaith Housing Development, September 2003 interview by Jonathan Wilson.

Arnold, Denise. Mayor's Office for People with Disabilities, September 2003 interview by Jonathan Wilson.

Berrera, Alberto. Access Living. October 2003 interview by Jonathan Wilson.

Catlin, Jack. Architect and Task Force, September 2003 interview by Jonathan Wilson.

Hanson, David. Mayor's Office for People with Disabilities, September 2003 interviews by Jonathan Wilson.

Harris, King. Rehab Institute, Task Force, September 2003 interview by Jonathan Wilson.

King, Susan, Architect. Environ Harley Ellis, September 2003 interview by Jonathan Wilson.

Kuhnen, John. Housing Director, Lakefront, September 2003 interview by Jonathan Wilson.

Langley, David, Architect. September 2003 interview by Jonathan Wilson.

Monocchio, Rich, and John Markowski. Chicago Department of Housing (contacted).

Schoonover, Ken. Code consultant, September 2003 interview by Jonathan Wilson.