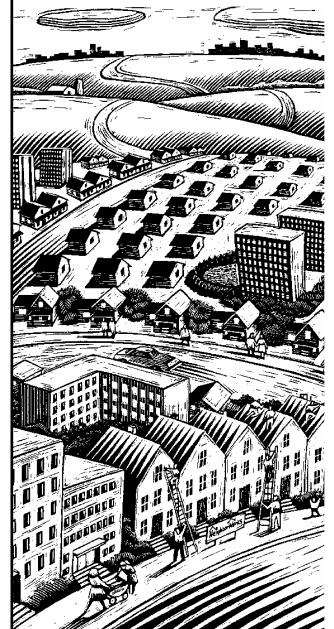


# **Strategies for Successfully Marketing and Stabilizing the Occupancy of Mixed-Income/Mixed-Race Properties**

**A Case Study of Parkview Terrace in  
Poway, California**

**October 2005**



# **Strategies for Successfully Marketing and Stabilizing the Occupancy of Mixed-Income/Mixed-Race Properties**

**Parkview Terrace**

**In Poway, CA**

**October 2005**

**Produced by  
Judy Weber  
VIVA Consulting**

**This work was funded by a Ford Foundation Grant from their “Flexible Capital” Grant Funding Programs for the Development or Preservation of Mixed-Income/Mixed-Race (MI/MR) Developments and Practical MI/MR Research Assessments. The grant was awarded to NeighborWorks® America who partnered with Abt Associates and Viva Consulting to conduct the study.**

The opinions, claims and all other statements expressed in this report represent solely the author's own views and do not necessarily reflect those of NeighborWorks® America. NeighborWorks® America accepts no legal liability or responsibility for any claims made or opinions expressed therein.

## Site at a Glance: Parkview Terrace in Poway, California



Property	Residents	Neighborhood
<p>92 units, 1 to 4 BR units</p> <p>35 LIHTC units @ 35% AMI 57 LIHTC units @ 50% AMI</p> <p>Average Unit Size = 2.50 BRs</p> <p>13 two-story garden style buildings clustered around 3 courtyards</p> <p>Built in 1998</p> <p>Owned by The Bowron Group Limited Partnership</p> <p>Sponsored by Community Housing Works</p> <p>Managed by The John Stewart Company</p> <p>-----</p> <p>Annual Moveout Rate &lt;14%</p>	<p>270 residents</p> <p>2004 Median Income: \$28,292 (45% of AMI)</p> <p>Below 30% AMI: 24% 30% to 59% AMI: 32% 60% to 80% AMI: 32% &gt;80% of AMI: 11%</p> <p>11% Black      64% White 10% Hispanic    15% Asian</p> <p>72% of households have children 43% of all residents are children</p> <p>79% of households have one or more employed household members. Half of the households without employment are retired.</p>	<p>6,098 residents (census tract)</p> <p>2004 Census Tract Median Income: \$ 51,161 (82% of AMI)</p> <p>8% poverty rate</p> <p>3% Black      62% White      6% Other 20% Hispanic    9% Asian</p> <ul style="list-style-type: none"> <li>• Located in downtown Poway, the increasingly upscale “City in the Country” 15 miles north of San Diego.</li> <li>• Across from City Hall, elementary school, other apts and condos. Very close to Boys and Girls Club, new skateboard park, and fire dept.</li> <li>• Within easy walking distance of Walmart, restaurants, pharmacies, banks, churches. “Everything’s here.”</li> </ul>

### Keys to Success

- A strong development team that combined the ability to acquire sufficient financing, a track record of developing high quality properties, and dedication to providing affordable housing.
- Thoughtful design to create a property with curb appeal and a desirable living environment.
- A location with a strong real estate market that provides strong demand for the affordable units and low turnover.
- A desirable location with good schools, shopping, activity centers, job opportunities, and a neighborhood accustomed to racial diversity.
- Site-based afterschool Learning Center focuses on academic achievement, reinforcing success goals for residents.

## **Section 1: What Type of Mixed-Income Property is this and Why Does it Work?**

Parkview Terrace was built in 1998 and is a 92-unit mixed-income, mixed-race property in Poway, California. Poway has grown in just 30 years from a rural farming community with a trailer park image to a very desirable community of multi-million dollar homes with a renowned public school system. It is just 15 miles northeast of San Diego.

Although Parkview Terrace's initial tenant eligibility is capped at 50 percent of AMI, long resident tenure—spurred by an exploding real estate market and plentiful employment—finds 43 percent of households now at or above 60 percent of AMI. The immediate neighborhood, one of the lower income ones in the city, offers an extraordinary mix of modest residential, retail, municipal, recreational and educational opportunities, all within a few blocks.

### **a. What Mixed Income/Mixed Race Model(s) Does Parkview Terrace Typify?**

1. Parkview Terrace typifies the model where a mixed income/mixed race property has been developed as *a requirement through a regulatory process*. In this case, a court decree known as the Smith Judgment mandated that new housing development in Poway include a certain percentage of affordable housing. All Parkview Terrace households must be at or below 50 percent of the Area Median Income (AMI) at the time they move in.
2. Parkview Terrace is also *located in a "hot real estate market"* where rental and single-family home costs have escalated 37 percent in the past three years.<sup>1</sup> The cost of conventional rentals or homeownership has grown beyond the reach of most of Parkview's residents. At the same time its immediate downtown neighborhood is experiencing modest gentrification and has everything at hand. These factors result in extremely low turnover at the property and negligible vacancies.

### **b. Why is Parkview Terrace a Successful Mixed Income/Mixed Race Property?**

Parkview Terrace's success is attributable to combining sound real estate principles with a strong real estate market in an already racially and economically diverse neighborhood.

1. *The City selected a strong development team* for Parkway Terrace that combined an experienced non-profit developer and a seasoned and respected for-profit developer. Anxious that all aspects of the first affordable housing project to be built after the consent decree went smoothly, the City wanted a team that would

---

<sup>1</sup> Median home prices jumped from \$392,500 in 2002 to \$539,000 in 2004 and rents rose from \$777 to \$1,062 in the same period. (Source: North County Times article of March 10, 2005 entitled "Nonprofits launch affordable housing education program.")

make the development a success. The non-profit partner helped ensure the project would be awarded tax credits and brought development experience and a long-term commitment to maintaining the property as affordable housing to the project. The for-profit partner had a track record of successfully developing high quality properties in a timely manner. The partnership delivered an award-winning development on schedule and under budget. Nearly \$875,000 in savings was achieved, \$200,000 of which was used to fund a resident services reserve and \$675,000 of which was returned to the City.

2. *Thoughtful design that creates pride in the community is a core strategy.* Parkview Terrace was designed to be both attractive and create a desirable living environment. It has interior courtyards, sitting areas, tot lots and laundry rooms that are strategically placed among well kept lawns, tree and shrubs. The laundry rooms have walls of windows that overlook the tot lots. This makes it convenient for parents to watch their children and do their laundry at the same time. Every unit has as much “distinguishable space” of its own as feasible. This means apartments have individual unit entrances and ground floor units have patios. The property never distinguishes itself as being “affordable” by its appearance and management reported that residents say this is important to them. Maintaining the excellent curb appeal is an ongoing operating priority.
3. *A location with a strong real estate market means quality, affordable alternatives are scarce and affordable housing is in high demand.* The resulting low turnover stabilizes both revenues and expenses. Parkview residents rarely leave because of the higher costs and lack of availability elsewhere. The gap between their rents and those in the conventional market can exceed 85 percent and there are few other affordable choices. The last 5 move-outs occurred when two households bought homes and three were required to leave because their incomes exceeded 80 percent of AMI. The sponsor encourages home ownership and considers the move-outs successes.
4. *A location with a strong job market provides opportunities for residents to find employment or find a higher paying job.* The resulting increases in household incomes makes the rent burden less than at initial move-in and creates opportunities for saving. Increasing numbers of households are above their initial eligibility threshold creating a greater income mix. This has come about through good, consistent local job opportunities that have fueled increases in household incomes. The South Poway Business Park alone is home to 313 businesses with 12,000 employees. Although the property has two income tiers set at 35 percent and 50 percent of AMI at move-in time, household incomes range from \$7,664 to \$51,775<sup>2</sup> creating an income band that matches many mixed-income properties with less restrictive income limits.

- Below 30% AMI: 24%

---

<sup>2</sup> As of February 2005

- 30% to 59% AMI: 32%
- 60% to 80% AMI: 32%
- >80% of AMI: 11%<sup>3</sup>

5. *Parkview Terrace takes advantage of a desirable neighborhood environment for a MI/MR property.* While Parkview’s neighborhood is one of the lowest income ones in the City, it looks and functions more like a middle than a low income neighborhood. The poverty rate in the census tract is just 8 percent. Children can walk across the street to the elementary school or new skateboard park. Just two blocks away is a large community center featuring a Boys and Girls club as well as programs for seniors. Parkview provides residents with swimming passes for the center’s pool (paid for from the property’s annual operating budget). The multifamily rental and condominium properties across the street are in good condition and are good neighbors. Parkview is also just two blocks from the main downtown retail shopping district which is experiencing modest revitalization. Racial diversity is more prevalent in this neighborhood than others in the City and the white/minority mix at the property mirrors that of the neighborhood. Residents from Parkview do not “stand out” in any particular way in the community.
  
6. *Resident services focus on educational offerings, primarily for children, that any family would value.* The non-profit has implemented a vision of resident services based on a Learning Communities model that provides computer centers, adult classes, homework support and after-school activities. The emphasis of resident services is on increasing school performance with after-school homework assistance and access to computers. The sessions are structured and homework must be finished before other activities commence. Because \$200,000 of the development cost savings were set aside for a resident services fund, Parkview also has a contingency to continue these services if they have cash flow problems.

**c. What Hypotheses about Successful Mixed Income Housing Does This Property Support?**

Park View Terrace is a successful example of the following hypotheses about mixed-income housing.

1. *Mixed-income housing cannot be successful unless the fundamentals of real estate development are followed.* Parkview Terrace typifies a property with sound real estate fundamentals: good financing, experienced partners, a terrific location, a strong market, an excellent design and a sound operating budget. Parkview Terrace’s intent was to be and remain affordable while looking like a market rate development. With virtually no land acquisition costs, a significant financial contribution from the City, low income housing tax credit proceeds, and only 22 percent of its permanent funding sources coming from “hard debt,” the

---

<sup>3</sup> These households are still eligible for Parkview Terrace Housing once their income relative to the median is adjusted for family size.

property can charge an affordable rent, have sufficient operating funds and service its debt responsibly. In addition, both replacement and operating reserves are funded regularly at rates that will make routine replacements as well as periodic capital upgrades achievable. Also, the absence of land acquisition costs allowed CHW to carry out its philosophy that careful design, while sometimes more expensive on the front end, creates a community of value in which residents take pride. Realistic operating budgets and paying attention to revenue maximization have occurred from the start. Revenues and expenses have tracked well with the initial projections. Its location near many amenities and jobs and in the City's most racially and economically diverse area was also sound for MI/MR housing.

2. *Mixed-income housing works best over the long run when every partner in the transaction has financial incentives focused on long-term success.* The two initial partners, a for-profit and a non-profit, had very different financial goals. The for-profit cared that it was associated with a good project, the property was developed as planned, initial occupancy was stabilized quickly and it was paid its development fee as planned. Once these goals were met, the for-profit happily relinquished its partnership role. The non-profit shared its partner's goals, but had a longer-term incentive to maintain positive cash flow. The budget targets (thus far met) are for \$60,000 in cash flow to be split between the non-profit and one of its investors, the City. The non-profit uses its share of cash flow to fund asset management oversight of the project. The City's desire to meet the consent decree and the financial interests of Tax credit investors ensure that the property continues to serve households with income below 50 percent of the median.
3. *Community building in mixed-income settings requires ongoing efforts by management and residents to limit conflict and build a workable community among people of different backgrounds.* The property is located in a neighborhood accustomed to economic, racial and cultural diversity. But the sponsor was also proactive in creating a site design that encourages resident interaction in shared courtyards and constructed community meeting and learning space conducive to regular resident activities. The resident services coordinator reports that community activities bring people of different race and ethnic groups together and participation is even across groups.
4. *Mixed-income housing succeeds when residents experience upward mobility, their rent burden decreases and they don't have to move, unless by choice.* Many tax-credit residents who meet the eligibility requirements may easily be paying more than 40 percent of their income for rent when they first move in. If their income decreases for any reason, they quickly fall behind in their rent. However, at Parkview, where the local job market is strong and 79 percent of the households are employed, the rent burden as a percentage of income has lessened over time for many households. This results in greater ease in paying rent on time, little eviction activity and few collection issues (tenant accounts receivable were 1.3 percent in 2004). All these events have a positive effect on the bottom

line. It also contributes to a more stable community where people know their neighbors, look out for each other's interests and take pride in calling their apartment community home.

## **Section 2: History of the Property**

### **a. Development History**

Parkview Terrace was the first property built in Poway as a result of the so-called Smith judgment. This court decree established specific affordable housing requirements that the City of Poway had to fulfill in a timely manner. The City issued an RFP and selected the partnership of the non-profit Community Housing of the North Country ("CHNC" - a forerunner of Community Housing Works) and the for-profit Central Pacific Housing and Development Corporation ("CPHDC") as developer. This partnership presented an attractive option to the City, which was interested in the long-term affordable mission a local housing non-profit would bring, and the expertise and resources a private, for-profit developer could provide.

The City designated a site directly across from City Hall in a neighborhood where much of the City's low income housing is within a half mile. The City also participated in the selection of the lenders and equity partners. It required that all units be at or below 50 percent of AMI and that when a household reaches 80 percent of AMI they are required to move from the property. Also, at the time, the State's LIHTC scoring criteria gave preference to developments with low and very low income households and Parkview's income mix was designed to score well. The community preferred a development for seniors, but the City wanted Parkview to be for families. The unit mix reflects the family nature of the property, although there are 9 retired households at Parkview Terrace today.

The City initially wanted Parkview Terrace to be designated for Poway residents only. Ultimately, a tenant selection plan was adopted using a priority system favoring Poway residents or individuals working in Poway. The 35 percent AMI tier rent was affordable to a minimum wage earner.

The project was completed under budget by \$875,000 (the sponsor felt the City purposely over budgeted as a cushion against any unforeseen local concerns the property might face) and ahead of schedule in September 1998. Approximately \$200,000 of the savings was used to fund a resident services coordinator reserve through 2012 to operate an after school program on site. Parkview Terrace was operating at 100-percent occupancy within 45 days of completion.

### **b. Ownership and Management Team**

The Bowron Road Group Limited Partnership owns Parkview Terrace. Initially, the partnership had two general partners (CHNC and CPHD) and two limited partners (Related Capital VI, L.P. and Related Corporate VSLP, L.P.). Today, the partnership has one general partner, Community Housing Works (CHW), which was formerly



CHNC. As planned, CPHC withdrew as a general partner after achieving stabilized occupancy and receiving its developer fee.

CHW is the result of the 2002 merger that combines over 20 years of experience of two community organizations: San Diego Neighborhood Housing Services, founded by neighborhood activists in a City Heights garage; and Community Housing of North County, founded by interfaith leaders. CHW has developed 1,100 apartments in 23 affordable housing complexes, with a focus on housing families with children and immigrant populations. CHW also houses and provides transitional housing to homeless children and adults, people with AIDS, and people with disabilities. It trains and assists community leaders. It actively provides educational enrichment at its properties with after school programs, computer learning centers, and scholarships. It also assists in homeownership opportunities by providing downpayment loans and offering classes for first-time homebuyers.

CHW maintains two offices – one in City Heights in San Diego and one in Escondido, in North County (a county the size of the state of Connecticut). CHW has 35 full time and many part-time staff. Its properties have won numerous local and national design and planning awards, including two Fannie Mae Maxwell Awards for Excellence and three American Institute of Architects awards.

The John Stewart Company, one of California’s largest multi-family managers of affordable housing, has managed Parkview Terrace since 2002. There is a site-based management office within the community building and the resident manager has lived and worked at the property for six years.

### **Section 3: Property, Residents, and Neighborhood**

#### **a. Basic Property Information**

Parkview Terrace has 92 units in 13 two-story garden style buildings clustered around 3 courtyards. There are 160 on-site parking spaces, 90 of which are covered. There are two detached laundry rooms with nearby tot lots for active recreation. There is also 2500 square feet of community space that houses a computer center, meeting hall, a full kitchen, a management office and public bathrooms in two adjacent buildings. Unit and building design, finishes, landscaping and capital improvements have all been intentionally geared to delivering and maintaining high quality housing. For example, units are designed so that all have windows or “eyes” on the courtyards, which helps ensure that they remain safe and attractive green spaces as well as community socializing places. At turnover, carpeting in the dining areas is being replaced with tile flooring (it is now preferred to carpeting by the market, flows naturally from the kitchen and is easier to maintain). Landscaping is upgraded regularly.

As *Table 1* shows, Parkview Terrace is structured for a mix of qualifying incomes where 38 percent of the units are at or below 35 percent AMI and 62 percent are at or below 50

percent AMI. Currently, 11 households have vouchers. Voucher holders have steadily increased over time by about 2 households per year.

*Table 1: Unit and Income Mix: Parkview Terrace*

<b>Unit Composition</b>	<b>1 BR</b>	<b>2 BR</b>	<b>3 BR</b>	<b>4 BR</b>	<b>TOTALS</b>
35% AMI	7	11	13	4	35
50% AMI	2	20	27	8	57
<b>TOTAL UNITS</b>	<b>9</b>	<b>31</b>	<b>40</b>	<b>12</b>	<b>92</b>

## **b. Resident Characteristics**

While Parkview Terrace is two-thirds white, it has a uniquely even distribution of residents among its African American, Asian and Hispanic residents. More commonly, one of these minority groups predominates in both neighborhoods and in properties. In this case, the neighborhood is more heavily Hispanic, while the property has nearly equal populations of different minority groups (See Tables 2 and 3).

CHW staff speak proudly about the diversity among the minority population at Parkview Terrace. They value the property’s appeal to a mix of minorities, and not just to one. They believe this balance contributes to overall community harmony. They believe this keeps the property from being stereotyped or stigmatized as a place where only certain groups of people live or are accepted.

More than three-quarters of the households (79%) have at least one member who works and 11 percent of the households are retired.

*Table 2: Resident Characteristics*

<b>Resident Characteristics</b>	<b>Numbers</b>	<b>Percentage</b>
<ul style="list-style-type: none"> <li>• <b>Households</b> <ul style="list-style-type: none"> <li>○ White</li> <li>○ Asian</li> <li>○ Black</li> <li>○ Hispanic</li> <li>○ Manager’s unit</li> <li>○ TOTAL</li> </ul> </li> </ul>	<p>58</p> <p>14</p> <p>10</p> <p>9</p> <p><u>1</u></p> <p>92</p>	<p>64%</p> <p>15%</p> <p>11%</p> <p>10%</p> <p><u>1%</u></p> <p>100%</p>
• <b>Number of children under 18</b>	78	29%
• <b>Number of households with at least one working adult</b>	73	79%
• <b>Median household income</b>	\$28,292	55% of census tract median
• <b>Median Income of households over 80% of median</b>	\$44,964	88% of census tract median

### c. Neighborhood Characteristics

Parkview Terrace is located in the heart of downtown Poway, a community of 48,393 residents. The housing in the immediate neighborhood is comprised of an even mix of modest rental and homeownership (primarily condominiums) properties that are in good condition. While the neighborhood is among the City's least affluent, its median income (\$51,161) is still 82 percent of the Metropolitan Statistical Area.

Table 3: *Summary Neighborhood (Census Tract) Information*

Characteristic	Number
<b><i>Neighborhood Population</i></b>	
Number of Households	2,111
Number of Residents	6,098
<b><i>Neighborhood Income Levels</i></b>	
2004 HUD Estimated MSA Median Family Income	\$62,400
2004 Est. Tract Median Family Income	\$51,161
Tract Median Family Income %	82%
% Below Poverty Line	8%
<b><i>Race/Ethnicity</i></b>	
% White (non-Hispanic)	62%
% Asian	9%
% Black	3%
% Hispanic	20%
% Other race	6%
<b><i>Neighborhood Housing</i></b>	
Total Housing Units	2,165
Median Age of Housing Stock (years)	25 years
% owner occupied	48%
% renter occupied	50%
% vacant	2%

Parkview closely resembles the split between whites and minorities in its neighborhood, but has a more even mix among minorities than the census tract, with fewer Hispanics than the neighborhood. Overall, the share of minorities in the neighborhood and the property is twice as high as the City (see Table 4).

Table 4: *Racial Mix at Parkview Terrace and Census Tract*

Race	Parkview Terrace: 2003 Households	Parkview Terrace: 2005 Households	Census Tract: 2000 Population	Poway Population: Chamber of Commerce: 2005

White	69%	64%	62%	83%
Asian	12%	15%	9%	7%
Black	11%	11%	3%	2%
Hispanic	8%	10%	20%	8%
Other/Unknown	0%	0%	6%	0%

Smart Growth Location

CHW’s Executive Director exclaimed, “This is a PERFECT smart growth location!” Residents can walk to City Hall, church, Walmart, an elementary school, a pharmacy, hospital, grocery stores, restaurants, a movie theater, bowling alley, a skateboard park, and a large community center. While the immediate neighborhood has been known more for its fast food restaurants and low rent retail establishments, this is changing as more moderate and upscale retail tenants have started to move in. The property is a block away from the main city thoroughfares, yet relatively residential. Also across from Parkview Terrace is an elementary school and a large Boys and Girls club is just a few blocks away. Poway is known throughout the region for its excellent public schools.

Affordable Neighborhood Has Moderate Income Appearance

Parkview Terrace is across the street from some affordable rental properties as well as a moderate-income condominium community. All are in relatively good condition. Conventional apartment communities a half-mile or so away from the neighborhood are nestled among modest single family homes and new condominiums, but some are less well kept. A modest, but well maintained, non-profit mobile home community is nearby, but is visually screened by fencing.

## Section 4: Initial Stabilization of Occupancy

Parkview Terrace achieved 100 percent occupancy within 45 days of construction completion.

### a. Quality Design Creates Pride and Community

CHW has always had a strong interest in fitting into a neighborhood and they use award-winning architects to create both visually appealing and well functioning designs. Parkview was no exception. Parkview Terrace won a coveted 1999 Pacific Coast Builders Award of Merit and a 1999 Award of Excellence from the California Redevelopment Association. It was also featured on the cover of the 1999 Urban Land Institute book, *State and Local Affordable Housing Programs*.

CHW's underlying value proposition is "Community and pride are created through design." They have long-standing relationships with a small number of architects and have refined their design criteria over time.

Specific design decisions were made at Parkview that aligned the mission of providing housing for lower income families with the goals of creating attractive, marketable and sustainable communities in which residents would take pride. Examples include the following:

- Buildings are clustered around three attractively landscaped courtyards.
- Landscaping is varied in each courtyard.
- Each unit has a private entrance and everyone "owns" some exterior space (either a small patio or stairway and landing to a second floor unit).
- Units are sited so that there are "lots of eyes" on the common spaces and grounds.
- Parking is at the perimeter of the property, not at each unit entrance. While this is less convenient for the resident, it creates a more peaceful yet accessible shared courtyard spaces.
- There is a 2500 square foot community facility in two buildings that house the management office, afterschool program, computer center, meeting hall, full kitchen and public bathrooms. The meeting hall is rented by residents for functions such as birthdays, family gatherings, parties.
- Units have good quality finishes and are of good size (2 bedroom apartments are 860 square feet; three bedrooms are 1050 square feet).
- Good exterior lighting rather than manned security.
- Two freestanding laundry rooms (with many unshaded windows that discourage loitering and untoward behavior) are strategically located at the ends of two courtyards and while visible from the parking lot and the courtyard are not eyesores. They have never been vandalized.
- A couple of well designed and well placed tot lots. They can be seen from the units and the laundry rooms and are in good condition.

In addition, management practices are such that there is little evidence of unkempt common areas (no abandoned cars, little inappropriate storage in exterior spaces, no graffiti) and the property has the obvious look and feel of a mixed income property with market units. In fact, many of the nearby conventional market properties with significantly higher rents are much less attractive.

### **b. Local Preferences are Well Conceived and Implemented**

While the City initially wanted Parkview to be exclusively for Poway residents or employees, they had to compromise. The ultimate resident selection plan gives preferences to Poway residents in the following way:

- Qualified Poway residents displaced by any Agency activities have first priority.
- Employed individuals who have successfully graduated from a transitional housing program within 12 months of their application date have second priority.
- All other applicants are evaluated and ranked in the following way:
  - i. Qualified Poway residents not living in publicly assisted housing: 3 points, OR
  - ii. Qualified individuals employed in Poway not living in publicly assisted housing: 2 points, OR
  - iii. All other qualified individuals: 1 point

Fair housing requirements are upheld at all times. There have been no challenges to the implementation or the consent decree. This not only contributed to a smooth rent up but also has been integral to the property's long-term stability. The manager reports that Parkview residents do indeed come from Poway or a within a few towns away.

### **c. Smart Growth Location, Strong Partners, Mixed Neighborhood, High Performing Schools, and a Strong Job Market are All Key**

Parkview Terrace is exceptionally well placed in a central, pleasant and well maintained location where employment is plentiful (2,500 jobs were added to the South Poway Business Park in 2004 alone<sup>4</sup>). It is hard to think of a reason to criticize this location. The City has been an excellent partner and has monitored activities at Parkview carefully in a positive, helpful way to assure all elements of the consent decree are honored. Parkview's success has been beneficial to CHW in gaining support to create an additional affordable property in another Poway neighborhood. The neighborhood's diversity in terms of minority populations has also been a key to the property's success. "There is no tipping point." The strength of the school system has also been a key in retaining families with a desirable elementary school directly across the street.

In January 2002, CHW engaged John Stewart Company to manage Parkview (and most of its other properties). Since the advent of more focused asset management a few years

---

<sup>4</sup> "Nonprofits launch affordable housing education program," from North County Times, March 10, 2005.

ago, the goal has been able to maximize rents to achieve cash flow of \$60,000 that becomes residual receipts that are split between CHW and the City. CHW uses its share to fund allowable asset and incentive management fees.

**d. Tax Credit Rents are Way Below Market and In Short Supply**

CHW has an ownership role in four of the only six affordable developments built in upscale Poway since 1998. CHW joined with Wakeland Housing and San Diego Interfaith Housing Foundation, the two other non-profit affordable housing groups developing housing in Poway, to create a collaboration called Housing Solutions to build support for their efforts. Despite their successes, the need remains acute. With market rents escalating, the Waiting Lists at all CHW properties in Poway, including Parkview Terrace, are very long and have been closed. Parkview’s Waiting List currently has 321 names, with nearly half on the one bedroom list. With an annual turnover rate below 14 percent, only 13 households a year are moving out.

Parkview’s rents are comparable to other tax credit rents in Poway, but are 65 to 89 percent below conventional market rents (see Table 5).

*Table 5: 2004 Rent Schedule at Parkview Terrace*

Unit Size	Parkview 35% AMI Rents	Parkview 50% AMI Rents	Section 8 Voucher Rents	Market Comps: LIHTC (2003) <sup>5</sup>	Market Comps: Market (2003) <sup>3</sup>
1 BR/ 1 Bath	403	601	887	366 - 546	995
2 BR/ 1 Bath	473 480	716	1,109	436 - 651	1,250
3 BR/ 2 Bath	524	787 822	1,472	460 – 776	1550
4 BR/ 2 Bath	550	834 - 904	N/A	499 - 822	N/A

**Section 5: Maintaining High Occupancy Rates and Profitability**

**a. Demand is So High that 100% Occupancy is Routine**

The vacancy rate has been very low throughout Parkview Terrace’s existence (0.5 percent in the last three years). This has a direct impact on the bottom line which has routinely beat an essentially break even pro forma.

<sup>5</sup> Market comparability study prepared by John Stewart Company: 9/24/03

## **b. Staying on Track with the Pro Forma Means a Positive Bottom Line**

Asset management sets the goals – and the tone – for ongoing operations. CHW has 2.5 asset managers for 24 properties (approximately 1200 units). There are formal quarterly meetings with the property manager, including an annual budget meeting. Asset managers also participate in property inspections, often with the property manager and also with investors. There are also occasional team meetings and the current management company was described as being the best at understanding CHW’s mission and viewing CHW’s asset manager as a real team player.

CHW initially had a history of offering rents below the tax credit rents. However, with the introduction of asset management a few years ago, properties like Parkview have been getting their tax credit rents up to the maximum allowed at turnover. In turn, Parkview has seen its revenues meet or exceed the initial pro forma budgets.

## **c. Property and City In Sync on Value of Education**

CHW actively provides resident services at its properties as a strategy in moving the families in its properties beyond low-wage work. At Parkview Terrace there is a cheerful, bright Learning Center that focuses on educational achievement. The Learning Center is open to 1<sup>st</sup> to 12<sup>th</sup> graders of Poway Villas (a nearby 60-unit CHW property) and Parkview Terrace to come do their homework or activity sheets, read or play games on Monday and Tuesday from 2:30 pm – 5:30 pm and Wednesday from 12:00 noon to 5:00 pm. Every day after homework is completed, students may use computers/educational software to play games and support their learning. 12 to 15 children attend on a typical day and most are in 1<sup>st</sup> to 6<sup>th</sup> grades. In addition to staffing the Learning Center, a part-time Resident Services Coordinator (who works for CHW) plans about 6 social events a year, produces a monthly newsletter, provides resume assistance, sets up email/internet access, and provides links to community services and resources to adults.

CHW also promotes volunteerism among its residents to help run programs and activities at the Learning Center. CHW also advertises its Financial Fitness classes to its Parkview Terrace residents. These classes put participants on the road to qualifying for home ownership.

The Resident Services Coordinator interacts with the CHW asset manager, but reports to CHW’s Director of Resident Support Services. The RSC also collaborates with the property manager when there are any issues of mutual concern.

The Parkview Terrace Resident Association is small. They are seeking new members so the association may become energized or not. The resident manager thinks the lack of resident concerns, coupled with their busy lives, minimizes interest in the Resident Association.



## Section 6: Financing Sources and Costs

### a. Low Cost Funding Sources and Negligible Land Costs Keep Annual Debt Requirements Low

Parkview Terrace was able to secure sufficient sources of project funding so that only 22 percent was “hard” debt in the form of a first mortgage note. The sources of permanent funding are summarized as follows:

*Table 6: Sources of Permanent Funds for Parkview Terrace*

Sources of Permanent Funds	Amount	Percentage of Total Sources
Total San Diego Community Foundation Contribution (City Funds)	\$ 3,683,730	41%
Net LIHTC proceeds	\$ 3,236,106	36%
Affordable Housing Program proceeds through Bank of America Community Development Bank	\$ 90,000	1%
Total Conventional Loan (Pacific Life) @ 8.24% - hard debt	\$ 1,945,820	22%
<b>Total Sources</b>	<b>\$ 8,955,656</b>	<b>100.00%</b>

### b. Development costs

It cost \$97,344 per unit to develop Parkview Terrace. This was considered a bit on the high side at the time when negligible site acquisition costs are taken into account.

*Table 7: Distribution of Project Costs for Parkview Terrace*

Type of Cost	Amount	Percentage of Total Costs	Cost Per Unit
Land	\$ 21,000	0.23%	\$ 228
Total Construction Costs	\$ 6,064,894	67.72%	\$ 65,923
Total Soft Costs	\$ 2,869,762	32.04%	\$ 31,193
<b>Total Project Costs</b>	<b>\$ 8,955,656</b>	<b>100.00%</b>	<b>\$ 97,344</b>

### c. NOI Regularly Beats Proforma; Non Profit and City Share Cash Flow

A combination of progressive rent increases, low vacancies, and modest hard debt requirements has resulted in sufficient funds for operations and cash flow. CHW and the city share up to \$60,000 in cash flow annually and this is monitored carefully and achieved regularly. CHW’s share of the cash flow is identified in Table 6 (below) as the asset management, limited partner asset management and incentive management fees. The City’s share comes from the cash flow line.

At the same time, reserves are building nicely and had balances of \$227,033 (\$2,468 per unit) in replacement reserves and \$261,090 in operating reserves (more than 5 months of routine operating and hard debt requirements) at the end of 2004. CHW's asset management goal is to have 6 months of operating reserve funds.

*Table 8: Change in Revenues, Rent Loss and Associated Marketing Expenses Over Time; Comparison of initial projections vs. actuals (in dollars)*

	1999 projected	1999 actual	2002 projected	2002 actual	2004 projected	2004 actual
Gross Rental Revenues	542,172	542,220	592,472	584,390	628,553	715,082
- Vacancies	(27,109)	(8,474)	(29,624)	(3,196)	(31,428)	(3,703)
- Bad Debts		(2,396)		(249)		(4,874)
+ Other Income	9,936	34,680	4,720	16,796	5,007	24,173
= Effective Rental Income	524,999	566,030	567,568	597,741	602,132	730,678
- Legal	(1,400)	(2,408)	(1,575)		(1,704)	(672)
- Marketing	(740)	(9,171)	(832)	(836)	(900)	(1,235)
- Decorating	(1,000)	(3,919)	(1,125)	(1,813)	(1,217)	(11,328)
- Total Other Operating Expenses	(269,514)	(231,752)	(303,166)	(300,869)	(327,904)	(428,350)
- Replacement Reserve	(37,000)	(43,542)	(39,845)	(41,669)	(41,862)	(43,785)
- Operating Reserve	(15,735)	(18,081)	(15,632)	(18,825)	(15,632)	(18,017)
= NOI	199,610	257,157	205,393	233,729	212,913	227,291
- Hard Debt	(175,260)	(159,653)	(175,260)	(161,424)	(175,260)	(157,862)
- Asset Mgmt Fee	(20,800)	(20,800)	(23,397)	(23,397)	(25,306)	(25,306)
- Limited Partner Asset Mgmt Fee	(3,060)	(3,060)	(3,247)	(3,248)	(3,378)	(3,379)
Incentive Mgmt Fee				(11,610)		(1,631)
- Capital Improvements or R/R Expenses	0	(24,503)	0	0	0	(5,497)
= Cash flow	490	49,141	3,489	34,050	8,969	33,616

