

A Matter of Faith

**Tampa Developer Debra Koehler
Acquires Church Properties
for Two LIHTC Projects**



Vista 400, Tampa, Florida

Sometimes you just don't know where your next deal – or two – will come from. For Florida developer Debra Koehler, president of Tampa-based Sage Partners, LLC, you might say that the two low-income housing tax credit properties that she's currently developing were heaven-sent opportunities. They resulted from successful negotiations with two churches.

One deal, Vista 400 (formerly known as Methodist Place), named for its views of downtown Tampa, involves the substantial rehabilitation of a 14-story affordable apartment building for seniors that was acquired from a local Methodist church. The second, Metro 510, also on East Harrison Street, is a new construction project for families being built on a vacant site acquired – along with the church itself – from a separate church, St. Paul African Methodist Episcopal (AME) Church.

Koehler, a Methodist herself, happened upon these opportunities with business partner Todd Turner during a routine search for their next deal.

"We wanted to focus on the Tampa area. We were get-

ting our company off the ground and had just completed a high-rise preservation community in St. Petersburg," she says. They learned about Methodist Place, a 200-unit Section 236 apartment building for seniors with project-based Section 8 rent subsidies. Located across the street from the United Methodist Church of Tampa, the property was owned by an entity of the church, the United Methodist Retirement Center.

Koehler tracked down the chairman of the board of the church entity, gave him a tour of the completed St. Petersburg project, and "told him about our track record, what we do, and how we would like to do the same thing with Methodist Place."

Church officials were receptive. The property "was 40 years old and they didn't have the needed funds for capital repairs," says Koehler. "They felt it was necessary for the benefit of the residents to have somebody come in that could arrange the financing to bring it up to code, replace all the major mechanical systems, and rehab the interiors of all the units and the common areas."

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Not One Opportunity But Two

As luck would have it, Koehler then spotted vacant land next to the African AME church across the street – it owned the entire block – and decided to investigate. “Through some local connections we were introduced to the pastor as well as the head of the church board. Then, we met with the pastor and lay leader.”

The church, built in 1914, was in severe disrepair, and the congregation had dwindled to less than 20 active members. “The hierarchy of the AME Church and the congregation were ready to move on,” says Koehler, “and the District [of the church] was ready to sell the asset because it would help them use the funds elsewhere to further their ministry.”

The city of Tampa, though, wanted to preserve it. Over the years, the church had been the site of speeches by Martin Luther King Jr., Thurgood Marshall, Jackie Robinson, and president-elect Bill Clinton. The adjacent



Debra Koehler

vacant lot had been occupied by Tampa’s first African-American public school before it was torn down.

Koehler and Turner met with officials of St. Paul AME, and eventually struck an agreement to buy the entire church property. They signed separate contracts for this, and for Methodist Place, on August 19, 2009.

Funding Packages

Sage Partners subsequently stitched together the financing for the two developments.

Funding sources for Metro 510 include equity generated by the sale of 9% housing tax credits to Bank of America Merrill Lynch, a first mortgage from the bank, federal Section 1602 “exchange” funds, a city loan of redevelopment dollars, and a deferred developer fee. The Florida Housing Finance Corporation (FHFC) awarded the housing credits and Section 1602 dollars.

Debra Koehler currently serves as Chairman of National Housing & Rehabilitation Association and Co-Chair of NH&RA’s Developers Council.

Funding for Vista 400 include equity generated by the sale of 4% housing credits to PNC, a purchase-money mortgage from the seller, a subordinate loan of federal HOME funds from the state, a deferred developer fee, and tax-exempt financing provided by FHFC under the federal New Issue Bond Program. The bond proceeds are providing construction and permanent financing. The bonds are credit enhanced during construction by a letter of credit from PNC, and after completion by Freddie Mac. The existing Section 236 mortgage was paid off.

Timeline, Tenant Incomes

Vista 400, expected to be completed in September, is being renovated with residents in place, two floors at a time. Thirty apartments were left vacant at the outset, which allows residents to be relocated within the building for 30 days while their units are upgraded.

All 200 apartments will be LIHTC units, leased to residents at or below 60% of the area median income (AMI) at initial monthly rents of \$621 (efficiencies) or \$666 (one-bedrooms). Of the 200 units, 83% will continue to have project-based Section 8 rent subsidies, under a 20-year

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contract extension obtained by Sage Partners.

Metro 510, which consists of four floors of apartments above two floors of parking, will be completed in September 2011. All 120 apartments will be LIHTC units; 80% will be leased to households at or below 60% of AMI and 20% leased to households at or below 35% of AMI. Initial monthly rents for the 60% AMI units will be \$587 (one-bedrooms), \$700 (two-bedrooms), and \$805 (three-bedrooms); for the 35% AMI units, \$308, \$366, and \$418.

In addition to constructing the apartment building, Sage Partners is “re-purposing” the church building. The former sanctuary is being converted into a community center for after-school activities for children and tweens, with the former pulpit area turned into a performing arts stage and craft center. The former fellowship hall is being reconfigured for a library, computer room, fitness center, coffee bar/ Internet café, and management/leasing offices. The renovations will be completed in July 2011.

A time capsule, containing documents and photos

telling the history of the church and school, will be deposited in a large safe – discovered in the pastor’s office – embedded in the floor near the first-floor entrance.

Finally, the church’s stained glass windows have been restored, and will be lit at night – satisfying the city’s public art requirement for new construction projects.

Advice to Others

Koehler advises other LIHTC developers thinking of working with religious organizations to first understand the institution’s protocol and procedures for disposing of its properties. Specifically, who are the decision-makers, what is the process, and what rules govern the disposition of church property. The congregations of both Methodist churches in Tampa were involved in the disposition of their church’s property, and the transaction in each was governed by the Methodist church’s “Book of Discipline.” This is a document containing the church’s rules, including those for the disposition of church property.

“We feel very blessed to be doing both of these deals,” says Koehler. **TCA**

Vista 400 – Source and Uses Summary

SOURCES

First Mortgage (Freddie Mac/NIHP Bonds)	\$6,400,000
4% Low-Income Housing Tax Credit Equity - PNC . . .	\$5,084,604
Purchase Money Mortgage (2nd)	\$2,500,000
State HOME Loan (3rd)	\$3,923,000
Deferred Developer Fee	\$585,017
General Partner Contribution	\$100
Total Sources	\$18,492,721

USES

Acquisition of Land and Building.....	\$4,600,000
Construction Costs.....	\$6,326,356
General Development Costs (including Developer Fee and Architectural & Engineering).....	\$4,064,699
Capitalized Interest	\$764,185
Financing Costs	\$824,683
Cost of Issuance.....	\$202,155
Operating Reserve	\$300,000
Taxes and Insurance	\$260,000
Soft and Hard Contingency.....	\$1,150,644
Total Development Cost	\$18,492,721

Metro 510 – Source and Uses Summary

SOURCES

First Mortgage - Bank of America Merrill Lynch	\$2,980,000
9% Low-Income Housing Tax Credit Equity	\$17,774,972
- Bank of America Merrill Lynch	
Section 1602 Exchange Funds	\$6,020,000
City Loan (Redevelopment Monies)	\$200,000
Deferred Developer Fee	\$161,274
Total Sources	\$27,136,246

USES

Acquisition of Land and Building.....	\$2,200,000
Construction Costs.....	\$15,895,778
General Development Costs (including Developer Fee and Architectural & Engineering).....	\$6,134,247
Capitalized Interest	\$1,215,000
Finance and Administrative	\$135,000
Operating Reserve	\$429,215
Taxes and Insurance	\$186,000
Soft and Hard Contingency.....	\$941,006
Total Development Cost	\$27,136,246