

Joint Venture Ensures Affordability For 55 Years

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OAKLAND, CA—This low-income housing transaction includes a recapitalization through HUD that will preserve affordability even if the property is resold.

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Mohr 1 Apartments will get new outdoor lighting and landscaping.

OAKLAND, CA—The average cost of a home in California is \$440,000, two-and-a-half times the average national home price. This is not a recent phenomenon: the **legislative**

analyst's office states that housing prices first began escalating between 1970 and 1980, but has continued the alarming trend with no signs of abating any time soon.

The state's average rent is also outpacing the national average at \$1,240 per month, which is 50% higher than the rest of the country. Affordability is far more critical for this region with home prices surging in recent years. According to a recent study by **RealtyTrac**, the median price for a three-bedroom apartment in the San Francisco-Oakland-Hayward region would cost more than \$3,000 per month, more than 44% of the region's average wage. With increasing demand in coastal communities and not enough housing stock, steep competition increases both purchase prices and rents, and forces people inland to find housing they can afford.

As the region faces dangerous tipping point, a \$119 million joint venture will prevent the rent on 203 units from skyrocketing to market rates. The deal will protect the affordability of these homes for the next 55 years, even if they are sold. This low-income housing transaction includes a recapitalization through the **US Department of Housing and Urban Development**.

Community Preservation Partners (CPP) acquired two multifamily housing properties and has committed to investing more than \$17 million for improvements and resident services at both sites. Irvine, CA-based CPP, which specializes in affordable housing rehabilitations and community enrichment, has purchased **Mohr 1 Apartments** for \$59 million and **Oak Center Apartments** for \$22 million through a joint venture with **Related Affordable**. Work at both properties has begun and continues through October.

"The Bay Area has been plagued with rising rents and a huge portion of the working class population and their families are being priced out of their homes," said **Anand Kannan**, president of CPP. "By acquiring and rehabilitating the Mohr 1 and Oak Center communities, we are protecting hundreds of families from possibly losing their homes."

CPP will invest \$5.9 million for the rehabilitation of Oak Center Apartments, plus soft costs for furnishings. The 77-unit complex at 1601 Market St. includes a mix of townhomes and apartments. Enhancements will be made to the property's roofing, walking paths, gating and security systems. Additionally, CPP will improve the interiors of each home by adding new floors, windows, countertops, microwaves, energy-efficient dishwashers, drought-

resistant fixtures and carpeting for the upstairs units. With reserves and financing costs, the total preservation cost for Oak Center is about \$36 million.

CPP will invest \$11.2 million on the rehabilitation of Mohr 1 Apartments, which is located a few blocks from Oak Center, at 741 Filbert St. The 126-townhome community will get the same interior improvements as Oak Center, and CPP will provide additional enhancements for new outdoor lighting, landscaping, community barbecue areas and a full revamping of the complex's security system. CPP also will improve the basketball court, clubhouse, computer room and the exterior façade. With reserves and financing costs, the total preservation cost for Mohr 1 is about \$83 million.

“Between the improvements inside and outside of each resident's home and our resident services programs, we can greatly enrich the lives of people we serve through our rehabilitation projects,” said Jack Aronson, director of development acquisitions at CPP. “The Bay Area has an enormous need for such services. We plan to pursue many more affordable housing rehabilitation and acquisition opportunities in the region.”

Additionally, CPP will add WiFi to both communities and offer residents a variety of programs ranging from an afterschool learning center and tax preparation classes to social programs that support parenting, literacy and wellness.

Aronson tells GlobeSt.com: “When these types of properties are bought by for-profit developers, they come in and raise rents. We essentially came in with a preservation mindset and intend to address physical maintenance while keeping families in their homes. The renovations will be done with residents in place so we cause no disruption to them.”

The combined transaction, which closed with a private owner, was the largest deal CPP has made since being founded in 2004 as the development arm of **WNC & Associates**. It joins five other Bay Area projects to bolster the company's affordable housing portfolio in the region. Other recent local CPP projects include: **Park Sunset** in San Francisco with 30 units, **Northgate Terrace** in Oakland with 202 units and **Courtyard Plaza Apartments** in San Jose with 81 units.