

Case Study: Providing Free Campus-Wide Connectivity to Low-Income Residents through a Redevelopment Project

LSC SERVICE
CORPORATION



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Categories:

- ◆ Campus-Wide Internet Access that is free to low-income residents

About the Organization

Organization Name:

Bay Interfaith Housing, Inc.
(nonprofit owner)

Main Contributor:

Jay Magee, Board President

Organization Type:

Affordable Housing for Older Adults, Independent Living

Organization Description:

As a Christian outreach, the mission of Bay Interfaith Housing Corp. is to meet the spiritual, social, economic, and physical needs of older adults, regardless of faith, by providing safe, secure, clean, reasonably priced, and well-managed housing facilities and by making services, activities, and programs available to increase the quality of life and independence of the older adults we serve.

Partner Organizations:

LSC Service Corp.
(management company)
Knickerbocker Senior Apartments LLC
(tax credit partnership)

Project Description

Bay Interfaith Housing, Inc. (nonprofit owner), along with LSC Service Corp. (management company), began to explore a needed rehabilitation and modernization for the Knickerbocker Senior Apartments. At the time it was 168 units of affordable housing. The board decided a low-income housing tax credit (LIHTC) redevelopment was the best option to leverage the needed capital to fully rehabilitate and modernize the building. This modernization included all-new units and a reduction from 168 to 148 units, creating larger, more accommodating one-bedroom units. The project also included the rehabilitation of common areas and mechanicals. Lastly, this modernization also included the implementation of campus-wide Wi-Fi that would be included in rents for all residents/tenants living in the affordable units.

Connectivity Model

Campus-wide connectivity Wi-Fi model that would be included along with cable television service in the rent.

Infrastructure Business Model

We chose a partnership with an internet service provider (ISP) called [Spectrum](#). This partnership was created when Bay Interfaith Housing accepted a 9% [LIHTC award](#) which was a substantial rehabilitation that included a HUD 221(d)4 loan. Spectrum offers a model in which the needed infrastructure is installed and maintained by Spectrum (at no cost to the owner) in exchange for a five-year service agreement for either Wi-Fi, cable, or both.

Ongoing Service and Operations Business Model

Bay Interfaith Housing had used a HUD 202 mortgage to build Knickerbocker Apartments. The mortgage came due and was paid off prior to the LIHTC redevelopment. The LIHTC redevelopment was the chosen method of rehabilitation and during this process, a variety of debt service structure options are available. Bay Interfaith Housing chose a HUD 221(d)4 mortgage along with some other gap funding (hard and soft debt) that allowed the revenue and expenses to be adjusted to meet the modern way in which the building needs to run. This included adding campus-wide Wi-Fi that was included as an expense to be paid out of units' rents.

Implementation Approach

Nine percent Low Income Housing Tax Credit redevelopment through the Ohio Housing Finance Agency. The Qualified Action plan in 2017 included an exceptional development characteristic that could earn an extra three points called “free resident Wi-Fi.” In turn, Bay Interfaith Housing chose to include this in its development application. This application, and all of its requirements, were reviewed by HUD through the underwriting process and closing of the HUD 221(d)4 and the renewal of the housing assistance payment contract. Wi-Fi and cable, estimated at \$41 per month per unit, were always included as an expense, paid with rents, during this approach.

Outcomes

The outcomes for this project include Wi-Fi and hardwired internet in units, secure Wi-Fi in common areas, and a computer lab on the ground floor. This Wi-Fi can be used by residents with smart phones, tablets, and smart televisions. It is effectively free for low-income residents who qualify for subsidy. It saves each resident, including those ineligible for affordable units or subsidy, money on their cable and internet, compared to what they’d pay if they were to contract for these services individually. Eligibility requirements for a subsidized unit are determined annually by HUD and is usually around 60–80% of area median income. Eligibility requirements for an affordable LIHTC unit range from 30%–60% of area median income.

The internet provides increased access to information and services. These services include health care, government programs, state programs, and local programs. Groceries and other services can be ordered online, and many other appointments can be scheduled. Finally, residents are able to utilize modern internet-based communication tools like video conferencing, which increases access to their families during the COVID-19 pandemic.

Challenges and Pitfalls to Avoid

Make sure to reach out to all available internet service providers to see what type of bulk packages are offered and at what rate(s). These rates can include just internet, just cable, or both. Make sure to include these expenses in all initial underwriting for the project redevelopment to ensure the building can afford it. Ensure what type of broadband infrastructure the ISP needs to install ahead of time, to avoid any construction delays or unexpected impacts to the installation schedule. Always include the chosen contractor in the conversation with the ISP. Make sure the agreement with the ISP provides a ramp-up monthly fee model. If the

building is under construction (for acquisition rehab), the building will be anywhere from 25%–40% vacant and you want to avoid paying for 100% of the units’ internet and cable services until the end of the construction.

Bulk Service Monthly Agreement

Month	Units*	Fee per Unit	Total Monthly Fee
1–3	149	\$13.53	\$2,015.97
4–9	149	\$20.50	\$3,054.50
10–12	149	\$30.75	\$4,581.75
13+	149	\$41.00	\$6,109.00

* Regardless of occupancy

Make sure the pro forma and future budgets include the agreed-to increases from the ISP. Spectrum retains the right to increase the cost 5% each year of the 5-year agreement and also retains the right to increase 10%, 20%, or 25% if they choose not to increase 5% in that particular year, meaning the increase potential is cumulative. Make sure your relocation consultant is involved with this process as people move into newly renovated units so that new services can all be set up seamlessly.

Lessons Learned/Advice to Share with Others

Additional service like HBO or other premium content is the right of the tenant if they want it, with the additional cost charged to them directly by Spectrum. The ISP will provide online access to property management companies to turn on and off the service as people move in and move out. Maintenance will have to help residents install the set-top boxes or other equipment the ISP needs inside the rooms. Tenant/management would also be responsible for turning that equipment in to the ISP once the contract is no longer valid or is canceled. There is a one-time “door fee” that the property will receive; this is Spectrum paying the owner of the property for exclusivity rights over the term of the contract.