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center for aging services technologies

Case Study:

Adding Free Campus-Wide Connectivity to Tax-Credit Residents through a Redevelopment Project

LSC SERVICE CORPORATION

Franciscan Village of Our Lady of Angels

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Categories:

- Free Campus-Wide Internet Access

About the Organization

Organization Name:
Our Lady of Angels Apartments, Inc. (nonprofit owner)

Main Contributor:
Don Macbride, Board President

Organization Type:
Affordable Housing for Older Adults, Independent Living

Organization Description:
To provide older adults with housing and related facilities to meet their physical, social, and psychological needs.

Partner Organizations:
LSC Service Corp. (management company)

Franciscan Village II L.P. (tax credit partnership)

A tax credit partnership is created when a development of this type takes place. It creates a for-profit entity that includes the equity investor (limited partner), the non-profit owner (general partner), and the developer partner (special limited partner).

Project Description

Our Lady of Angels Apartments, Inc. (nonprofit owner) along with LSC Service Corp. (management company/co-developer) began to explore a needed rehabilitation and modernization for the Franciscan Village Apartments. In addition, the current HUD mortgage was coming due, and a decision had to be made about what the next steps for affordability might be. Franciscan Village has three buildings with a total of 176 units on the same plot of land. 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 acquisition of an attached rectory building that was previously owned by the church next door, and the creation of an atrium that would connect all three buildings through a large communal building space. The project also included the rehabilitation of existing 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. The project is 100% subsidized through a housing assistance payment (HAP) contract. The capital stack for this LIHTC redevelopment did not include a new HUD mortgage.

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 Our Lady of Angels Apartments accepted a 4% LIHTC award, which was a substantial rehabilitation that included tax-exempt bond financing. 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

Our Lady of Angels Apartments had used a HUD 202 mortgage to build Franciscan Village Apartments. The mortgage was coming due, and the HAP contract was expiring in 2024. The 4% LIHTC redevelopment was the chosen method of rehabilitation, and during this process a variety of debt service structure options are available. Our Lady of Angels Apartments chose a tax-exempt bond financing with some other gap funding (hard and soft debt) that allowed the revenue and expenses to be adjusted to meet the modern

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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

Four percent Low Income Housing Tax Credit redevelopment through the Ohio Housing Finance Agency. Although this product attracts less equity, it was enough to meet the needs of the building. The Qualified Action plan in 2020 included much-needed points to include high-speed internet access in all units, provided for a minimum of five years. In turn, Our Lady of Angels Apartments chose to include this in their development application. This application, and all of its requirements, did not need to be reviewed by HUD through the underwriting process because we were not using any HUD financing to fund the project. We did however renew our HAP contract for another 20 years. Wi-Fi and cable, estimated at $41 per month per unit, was always included as an expense, paid with rents, during this approach, and presented to all authorities having jurisdiction for approval.

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. 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.

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.