

Residents' Successful RFP Leads to Renovation and Revitalization for a Reston Affordable Housing Co-op

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Residents, federal, local, and state officials, and developer Community Preservation and Development Corporation (CPDC) gathered together to celebrate the first stage of the revitalization of Island Walk, a 102-unit townhouse affordable housing community located in the pioneering planned community of Reston, Virginia, in September. Last fall, the residents of Island Walk put forth a successful RFP for the renovation and revitalization of this community. Originally developed in the late 1970's by the Fairfax County Redevelopment and Housing Authority as a limited-equity co-op, the community deteriorated significantly, and members, originally single mothers and now a community of 17 different nationalities, were unable to address the poor quality of construction, including thin plywood siding and flat roofs with no overhang. Major repair needs built up with each passing year. The co-op, on its own, could not raise sufficient funds needed to effect permanent repairs to the property. Facing the prospect of having their homes condemned, Island Walk Cooperative put forth an RFP to purchase and rehabilitate their community.

In order to save their homes, the residents had to agree to temporarily relinquish ownership that in doing so Island Walk would be preserved as affordable housing. The co-op sold its assets, the real estate and personal property, to Community Preservation and Development Corporation (CPDC) who operates the property as a rental community with the cooperative corporation functioning as a residents' association. A portion of the proceeds from the sale were used to payoff the co-op's mortgage, and \$350,000 was set aside in the co-op's saving account so that the community might be able to repurchase the co-op since the community will have first right of refusal in 15 years. CPDC committed to keep the project affordable for 30 years (including the 15 year compliance period). If the residents repurchase the property from CPDC, they will have to deal with the affordability restriction. However, since the property was already a limited equity co-op with nearly 100 percent section 8, remaining affordable should not be a problem.

When CPDC acquired the property, they retained Quantum Property Management, who had previously been hired by the co-op. CPDC thoroughly renovates the units, building by building, and puts the residents up in a hotel for six weeks while their units are under construction. A vast majority of residents, 85 percent, decided to stay in the community, and used the approximately \$600 initial investment in the co-op as a security deposit for their apartment. The other residents took their contractual amount and left the community.

CPDC worked with the residents to develop a scope of work that would ensure that the asset would endure well past the time that the co-op would have the right to purchase it.

The work, which began in June 2004, includes replacement of all of the major systems, including replacement of the plywood siding with durable, cement-based siding and replacement of the flat roofs with sloped, trussed roofs. To increase the marketability of the project, the kitchens are being opened up to the living area, and the units will be increased in size by over 100 square feet with an addition to the ground floor. Also, a computer center and multipurpose room will be built in the community center.

CPDC also will offer community development programs to the residents of Island Walk. While the details of those programs have not yet been determined, CPDC expects that in the later years, the programs will focus on preparing the leadership of the cooperative corporation to handle the repurchase of the property for continued use as a co-op.

To secure the success of this project, CPDC's creative financing included funders Washington Area Housing Trust Fund (WAHTF), Fairfax County Redevelopment Housing Authority (FCRHA), Fannie Mae, and JER Hudson. CPDC began the project with a pre-construction loan of \$150,000 from WAHTF.

CPDC crafted a financing structure that also includes \$9,075,000 of tax-exempt bonds issued by the FCRHA, \$3,750,000 in low-income housing tax credit equity, as well as \$1.5 million in secondary mortgage financing from the FCRHA. To support the Island Walk rehabilitation, Fannie Mae, the nation's largest source of financing for home mortgages and rental housing, purchased \$7.8 million of tax-exempt bonds issued by the FCRHA.



One hundred and one of the units are subsidized by a project-based Section 8 contract. The remaining unit is "market rate" but is restricted to residents who earn less than 60 percent of the area median income).



This is a rendering of the future home of Island Walk Cooperative in Reston, Virginia.