

## CASE STUDY: THE HACIENDAS APARTMENTS

**Financing Amount:**  
\$7.7 million

**Facility Type:**  
Affordable Senior Housing

**Location:**  
Indianapolis, IN

**Project Objective:**  
Acquisition &  
Rehabilitation

**Sources of Funding:**  
Taxable, fixed-rate notes insured by the FHA Sec. 221(d)(4) program, privately-placed tax-exempt bonds, 4% LIHTC equity and a CDBG-D grant

### Background and Challenges

In May of 2008, a tornado touched down at 38th Street in Indianapolis, Ind., that devastated a multifamily affordable housing property named Falcon Point Apartments. The site was rendered uninhabitable, displacing hundreds of residents and creating a void for quality affordable housing in the area.

Years later, a plan was formed to rebuild the apartment complex with a new name—The Haciendas Apartments. The new 200-unit complex will feature 15 two-story walk-up style apartment buildings with a mix of one-, two- and three-bedroom units. The borrower was awarded 4% low income housing tax credits (LIHTCs) and a \$10 million Community Development Block Grant-Disaster (CDBG-D) for construction and acquisition costs. The borrower then had to find additional construction funds as well as permanent loan proceeds to complete the financing structure. Lancaster Pollard recommended using the FHA Sec. 221(d)(4) program to provide both construction and permanent loan financing.

### Financial Solution

The \$7.7 million FHA-insured loan will be used in conjunction with the LIHTC equity, CDBG-D grant, as well as tax-exempt bonds issued by the Indiana Housing & Community Development Authority (IHCDA) to complete the substantial rehabilitation of the project. Benefits of FHA financing include a low interest rate, long term and amortization, and a substantial developer fee.

Lancaster Pollard guided the borrower through the HUD/FHA loan process and coordinated activities with the IHCDA and the LIHTC syndicator. In addition, the firm used its investment banking capabilities to issue and underwrite the tax-exempt bonds. Lancaster Pollard was able to create a competitive bidding process and ultimately privately placed the bonds with a large national bank. The winning bid resulted in a low interest rate on the bonds that will be fixed for 18 months.

### Outcome

In addition to major structural work to repair the building, renovations will include new roofs, doors, windows, plumbing, electrical, as well as new outdoor gathering places such as a playground, gazebos and a splash park. Additionally, due to an arrangement with the Indianapolis Housing Agency, 10% of the apartments will be reserved for single-parent households and victims of domestic violence.

Once complete, The Haciendas Apartments will play an important role in redeveloping a blighted area and providing much-needed quality affordable housing.