

‘At risk’ affordable senior housing saved

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Downtown Denver avoided a housing “disaster” with the acquisition of a three-property HUD-subsidized apartment portfolio.

A California-based national affordable housing buyer paid \$9.75 million for Goldrich & Kest’s 184-unit Denver portfolio comprising the Argonaut, El Tovar and Drehmoor properties.

The U.S. Department of Housing and Urban Development-subsidized communities have been in service since 1971 and were at risk for conversion to market-rate housing with the sale.

“If this project was sold to a condo converter or market-rate developer, it would have created a housing disaster in downtown Denver. Many residents would have ended up on the streets,” said Erik Robinson of Hendricks & Partners. “All of the parties involved, including the seller, understood this.

“While we received many offers because of the location and architectural appeal of these historic structures, in the end, Denver, CHFA and HUD all came together with (lender) Red Stone in a very complex transaction to save this critical project for long-term affordable housing,” added Robinson, who co-listed the properties with Hendricks & Partners’ Frank Farrell.

The city of Denver provided tax-exempt bond financing under its affordable housing preservation ordinance, the Colorado Housing and Finance Authority allocated low-income housing tax credits for the rehabilitation of the portfolio, Red Stone Partners, a national real estate finance company that focuses on financial products and programs for the multifamily housing industry, purchased the bonds and HUD renewed the Section 8 subsidy in the form of a long-term extension of a Housing Assistance Payment contract.

“Goldrich & Kest was happy with the sale not only because the right thing was done in preserving this housing but because we were able to sell the portfolio at a favorable price utilizing bond financing, tax credits and the long-term HAP contract extension,” added Farrell.

The most recognizable of the three properties included in the acquisition is the Argonaut at 1505 Grant St. and 233 E. Colfax Ave., facing the Colorado State Capitol building.

Originally constructed as a hotel around the turn of the century, the Argonaut comprises 52 studio and 32 one-bedroom, one-bath units. The five-story building also includes 10,620 square feet of retail space

on the ground level.

El Tovar Apartments also is located across from the Capitol building at 1515 Grant St. The 25-unit U-shaped, three-story building was built in 1932.

Amenities at both properties include air conditioning, electric ranges, elevators and laundry facilities, for example.

The Drehmoor at 215 E. 19th Ave. consists of 75 one-bedroom apartments that average 528 sf.

The four-story horseshoe-shaped property features units that include air conditioning, electric ranges and resident storage lockers, while common area amenities include a club room with kitchen, piano and television lounge, elevator and laundry facilities.

All three apartment properties – property-based Section 8 housing – are age restricted to residents 62 or older, or to disabled individuals of any age, who pay 30 percent of their income to live there. Section 8 covers the difference.

The buyer plans to remodel units with new kitchen and finishes, adding community amenities and remodeling all of the common areas. As well, “much needed” mechanical work will be completed in addition to new roofs and modernizing the elevators.

The long-vacant commercial space at the Argonaut also will be revitalized by the buyer. The 1970s green rock panels will be removed in an attempt to restore the historic façade. Currently, no commercial leases have yet been signed; however, the buyer is looking to occupy the space with an upscale lunch eatery or coffee shop – possibly dividing the space to accommodate up to four retailers.

“The buyer has a great reputation to take a rundown property and greatly improve it,” Red Stone Partners’ Senior Vice President Dawn Morgan said of the buyer, which last year acquired its first Colorado property in Fort Collins.