



March 29, 2013

Loan deal helps housing group buy properties, hold down costs

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Mount Baker Housing Association has used an unusual loan deal to buy three 1960s apartment buildings in southeast Seattle to upgrade and preserve them.

The \$7.4 million interest-only loan package was provided by Rainier Valley Community Development Fund. It covers the entire cost of buying the buildings and is structured so the association pays the deferred interest at the end of a four-year term.

This frees up the nonprofit development group to use money from the rents (minus expenses) to pay for the renovation while it applies for permanent financing.



Photo by Matt McCallor [\[enlarge\]](#)

Mount Baker Housing Association bought and rehabbed this 21-unit apartment building at 8630 Rainier Ave. S. It has been renamed Beach Court Apartments.

“It’s kind of unheard of for banks to do this,” said Conor Hansen, a developer with Mount Baker, but he said it aligns with the fund’s mission to help revitalize the Rainier Valley.

The package has an interest rate of just under 3 percent.

Mount Baker owns and operates affordable housing in Southeast Seattle. Over the last year it has used the loan package to buy:

- A 26-unit apartment complex at 8340 Rainier Ave. S. in Rainier Beach for \$2.6 million from Diamond Head Apartments LLC. A phased rehab will start this summer on the building, now called Valley Commons.
- A 21-unit apartment building at 8630 Rainier Ave. S. in Rainier Beach for \$2.1 million from Ki Rainier Apartments LLC. The rehabbed complex is now called Beach Court Apartments. Two units will be added.
- A 30-unit apartment building at 5231 39th Ave. S. in Columbia City for \$2.6 million from Boyd Islander Apartments LLC. Renovation is set to start next month on the complex, now called Thirty-Ninth Avenue Flats.

Work on the buildings includes painting, security gates, new hard-surface flooring, countertops, plumbing fixtures and appliances, as well as replacing or refurbishing cabinets. New entrances are created, and the buildings are re-branded.

Hansen estimates that it typically costs about \$250,000 to build a new affordable apartment in Seattle, including land costs. MBHA’s cost to buy and rehab is about \$175,000 per unit, he said.

The association is keeping expenses down for these three buildings by doing much of the work in-house and revamping apartments when tenants leave, saving on the relocation costs.

Hansen said there's sometimes resistance in public housing circles to spending public money on rehabs because these units already have affordable rents.

However, he said, the buildings Mount Baker bought were outdated and had extensive deferred maintenance. The rehabs extend their life as affordable housing and help clean up the neighborhood without changing its character, he said.

MBHA raises rents on some of the renovated apartments to bring them up to what is charged for affordable apartments in the area, Hansen said. However, he said, the goal is to “keep everyone in place.”

The loan agreement with Rainier Valley Community Development Fund requires that 51 percent of the apartments be rented to people who make 80 percent or less of the area median income. That's \$51,550 for a two-person household or \$45,100 for a one-person household.

David Essig, the fund's director of community development, said Mount Baker's loan package comes from U.S. Department of Housing and Urban Development block grants.

Because the money is used for acquisitions and not renovations, he said MBHA does not have to pay prevailing wages on the rehabs, which helps make the apartments more affordable.

Essig said MBHA is buying properties that have been “under-invested in” along the Rainier Avenue corridor — properties where “the living environment was going downhill.”

That work aligns with his organization's goals, he said, because it improves the apartments “without displacing existing residents to the extent that we can.”

Bellwether Housing is the financial consultant on the loan package; Coast Real Estate Services is the property manager for the buildings; and Sparks Interiors provides assistance with the color schemes.

MBHA owns and operates about 300 affordable apartments from Mount Baker to Rainier Beach.

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