COVENANT

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Covenant project. MHDC on Friday approved tax credits for a variety of low-income housing projects across the state.

The award is a major step toward beginning construction this year, according to Covenant Place executive director Joan Denison.

"We would begin site preparation in early fall, and we would hope to break ground between late October and November," Denison said.

However, Covenant remains dependent on obtaining the needed approvals.

"Some of this will be based on how fast things move forward with the MHDC component just voted on, in terms of them ramping up their side on the underwriting process," said Denison. "We have not been able to be in touch with them in the last three months, so we will be first understanding that."

Beginning this fall would allow for an anticipated completion and relocation for Phase I residents in fall 2016. Included in the work are significant water detention, sewer, traffic and other site improvements that will benefit the entire Millstone Campus.

Construction drawings are presently out to bid. Once final construction figures are determined, cost risk is assumed by McCormack Baron Salazar, developer of the project.

The approximately $3 million awarded to Covenant includes $1.26 million in federal and state Low Income Housing Tax Credits (LIHTC), $750,000 in state "HOME" funds and about $1 million in Affordable Housing Assistance Program (AHAP) tax credits. Tax-credit awards are used to generate equity for a low-income housing project.

The three stages of the plan would replace the existing Covenant Place buildings with new structures. The project would also extend existing federally subsidized housing assistance for the project by two decades.

Phase I of the redevelopment is projected to cost roughly $20 million. Equity will include more than $8 million generated from the award of state and federal LIHTC credits and from $1 million in AHAP credits.

An additional $5.75 million is expected from a Housing and Urban Development mortgage through a Federal Housing Administration lender. The $750,000 HOME program award is funded as a second-mortgage loan.

The remainder of the approximately $20 million for Phase I will come from private fundraising. Of about $4.4 million required, Covenant has raised about $2 million so far.

The agency is working to raise needed philanthropic funds for Phases I and II. The total required for both phases is about $12 million, which includes the $4.4 million for Phase I. In addition to the $2 million already raised for Phase I, about $1 million for Phase II will come from the funds of Covenant's existing foundation, which can be drawn upon once the new Phase I building and entity are up and running.

Covenant leaders have indicated a desire to be comfortable with the first two phases before proceeding with either, Witte said.

"As we have consistently said, we need to have all the Phase I funds and a good portion of the Phase II funds committed before we will be willing to move forward with Phase I," he said. "I cannot give you a hard and fast number. It will depend on the facts and circumstances at that moment."

Of the 101 units in Phase I, 66 will have HUD Section 8 subsidy contracts, making them affordable for residents with lower incomes. Residents eligible for Section 8 subsidy pay only 30 percent of their income, after the deduction of medical expenses, for rent and utilities. HUD has agreed to extend Section 8 contracts for all three phases by 20 years, to 2039.

Rent for a non-Section 8 unit in Phase I is expected to be about $750 per month, including utilities, Denison said.

After the Phase I building is complete, residents from the current Covenant I building would be moved into the new facility. After moving residents, Covenant I would be demolished, creating space that would be used for Phase II, a $26.75 million project that would replace the existing Covenant II structure and create a senior community center where Covenant Place residents and St. Louis County seniors would have access to resources and services, programs and affordable meals.

Phase III, a $35.47 million project that would replace the CHAI apartments, is not anticipated for another six to seven years. A determination on the efficacy of that project will be depend on factors including the market, community needs, financing, tax credits and donor commitments.

A great deal of attention has been focused on Missouri's LIHTC program, and whether it serves the low-income housing needs of the state in the most efficient manner possible. Witte was asked what would happen with Phase II or III if the program were significantly altered.

"If both the state and federal programs were discontinued, we would have to look at other options," he said. "Housing for vulnerable elderly, people who are no longer able to work, will most likely continue to be a priority and addressed in some fashion in the future.

"Typically, if a program of the magnitude of the existing one were to be discontinued, it would be phased out over a period of years. All that makes it even more important to get our entire project done as quickly as possible."