

Middletown Apartments

1809 Debarry Ave
Orange Park, FL 32073



Project Partners

- Prudential Mortgage Capital Company (PMCC)
- Local Initiatives Support Corporation (LISC)
- Florida Housing Finance Corporation (FHFC)
- Miami-Dade County, Office of Economic and Community Development (OECD)
- U.S. Department of Housing and Community Development (HUD)

The Preservation Challenge

Middletowne Apartments is a 100 unit family complex in the Orange Park community just outside of Jacksonville, Florida. With 85% of Middletowne's units covered by project-based Section 8, this property provides a significant housing asset for lower-income residents of this stable suburban community. Poor management in a tough market had led to operating deficiencies and the subsequent deferral of critical maintenance needs.

POAH's Role

The relatively low rents and higher vacancy in the Jacksonville market created only limited opportunity for recapitalization proceeds. With high rehabilitation needs, but little NOI with which to garner new debt, POAH looked for other sources of capital to help with rehab needs at this property. Fortunately, the ultimate deal structure used to acquire these properties did allow for loan proceeds to be used between properties.

Although less important in the Jacksonville region than in Miami, the ability of a non-profit owner to secure a real estate tax abatement was again a determinant in POAH's decision not to pursue tax credit equity. By Florida state statute, non-profit owner entities of affordable housing developments are entitled to full tax abatements; a critical boost to operating income for these properties. As with the refinancing of Meadows and Manor, this decision ultimately turned out to be a boon for the transaction as the bond and equity market fell silent near the end of 2008 as POAH was closing these deals. Although POAH had originally pursued a 501c3 bond execution, stagnant bond markets and rising interest rates moved POAH from this execution to a conventional debt product with a shorter term and lower interest rate. Without tax credit or bond rules to complicate matters, POAH was able to use loan proceeds from the refinance of Cutler Meadows and Glen to fill the financing gap at Middletowne Apartments.

Renovations at the property focused heavily on major building systems. With deteriorating

second floor exterior walkways providing access to unit entryways, POAH worked creatively with its contractor and architect to find a way to rebuild these pathways without losing access to units. Additionally, new roofs, new heating and air conditioning systems, and new plumbing in the bathrooms and kitchens will greatly prolong the physical health of this property. POAH has also partnered with One Economy to bring wireless internet access to the site.

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