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TEB Revival Renews 11 Apartment Buildings in Kansas City

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Kansas City, Mo.'s Armour Boulevard historic district has seen a lot of changes over the years. In the late 19th century, the tree-lined street of single-family homes was a premiere address. From 1917 through 1930, apartment buildings replaced many of the early single-family homes. As cars enabled city residents to move farther away from downtown Kansas City, buildings could no longer command market-rate rents. In the mid-20th century, blight crept in as residents moved out. In the 21st century, however, more than a dozen renovated historic properties have drawn young professionals back to the neighborhood. A tax-exempt bond (TEB) transaction and historic tax credit (HTC) investment will enable renovations of 11 more apartment buildings along Armour Boulevard.

Photo: Courtesy of The Pembrook Group LLC
Antheus Capital, through its affiliate MAC Properties, is renovating 11 buildings, including the Bellerive, near Kansas City, Mo.'s Armour Boulevard.

"This is going to be great; preserving and upgrading much needed housing and it'll reinvigorate the neighborhood," said Stuart Boesky, Pembrook Capital Management's president and chief executive officer. Pembrook arranged the bond financing for the transaction.

Antheus Capital, through its affiliate MAC Properties, has purchased and is renovating the 11 mostly vacant buildings located within a two-block radius of Armour Boulevard in Kansas City's Hyde Park neighborhood. Antheus calls the scattered properties the Commonwealth Portfolio, a reference to Armour Boulevard's 1890s moniker, Commonwealth Avenue. The transaction includes the renovation of 600 apartments, half in one building and the other half in the remaining 10 buildings. The majority of the units will be market-rate, but, as a condition of its financing, Antheus will set aside 20 percent of the units for families earning no more than 50 percent of the area median income. Antheus has completed renovations on one building and plans to com-

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plete renovations on the other 10 buildings in the next 12 to 18 months.

"The major benefit of this project is that it's a large portfolio of rental properties. With 600 apartments coming on line, the Commonwealth Portfolio will create new opportunities for quality affordable housing," said Nicole Blumner, assistant vice president and project manager in the historic, new markets and renewable investment group at U.S. Bancorp Community Development Corporation (USBCDC). USBCDC is providing nearly $18 million in tax credit equity in support of the development.

Acquisition and redevelopment costs for the Commonwealth Portfolio are estimated at $60.5 million, with $32 million of the financing coming from the sale of TEBs issued by the Industrial Development Authority of the City of Kansas City, Mo.

Additional financing for the Commonwealth Portfolio came from developer equity, a city of Kansas City grant and state and federal HTC equity from USBCDC, which will be provided in several installments.

"On a difficult deal in challenging times, it was incredibly important to assemble the right team to execute our financing. We're very happy with the ultimate results," said Antheus partner Eli Ungar in announcing the deal.

Antheus's vested interest in the Hyde Park neighborhood influenced USBCDC's decision to invest in the scattered site project. Prior to the Commonwealth Portfolio transaction, Antheus had renovated 10 other buildings in the neighborhood, including six in which USBCDC had invested. USBCDC worked with Antheus and consultants to ensure that the buildings included in the portfolio would meet the National Park Service's renovation requirements.

"They come in and provide a lot of investment for and in a specific community. We see this as a good thing," Blumner said, adding that U.S. Bank and USBCDC have a long-standing commitment of serving the needs of customers and communities in Kansas City. "Our partnership with Antheus on a targeted initiative is helping to revive and revitalize this historic quarter."

The Return of TEBs

Pembrook has refocused on the TEB market after leaving the market for three years because of a lack of market demand. According to Boesky, the TEB market is picking up as bond authorities become more willing to provide bonds for multifamily housing, and the strength of the apartment market and the relative value for investors make it a great time to invest. "The interest you receive is about 30 percent more valuable than on taxable bonds. This represents a great alternative for a development to find flex-

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ible capital," Boesky said, noting that TEB rates are equivalent to taxable first mortgage bonds, but are exempt from federal income tax and the alternative minimum tax. ❖

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