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Silver Street Development closes \$65 million acquisition of Pequot Highlands

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Salem, MA Silver Street Development Corporation (SSDC) has added Pequot Highlands, a 250-unit development, to its portfolio, an acquisition that was completed in the face of a myriad of difficulties to the satisfaction of both the selling party and the involved local and state agencies. The final architecture of the deal, which closed December 22, involved SSDC committing to \$65 million in total development costs, \$20 million of which are apportioned for a large-scale rehabilitation, with a 100% increase in affordability (from 100 to 200 low-income units) and financing via tax exempt bonds issued by MassHousing.

Ever since its construction in 1971, Pequot Highlands has been an important source of affordable housing for the community. As a flagship property of the prior owner, it boasted amenities including playgrounds, gazebos, a basketball court, a computer center, and views of both the ocean and the Boston skyline, but in recent years it had been beset by architectural issues due to the deterioration of the brick façade of the mid and high-rise towers which together constitute the complete residential offerings of the property. Seeing an opportunity to preserve an important asset while extending affordability to the community, SSDC, traditionally adept at navigating the complex financing and government regulatory issues inherent in uniquely challenging acquisitions, was able to structure the deal with the following general terms, ensuring maximum value for the seller while expanding and extending affordability and committing substantial funds to a robust rehabilitation of the property:

Pequot Highlands - Salem, MA

- \$65 million committed in total development costs;
- \$20 million committed to rehabilitation costs;
- 125 units (50%) subsidized via a continuation of project-based Section 8 vouchers on a 15-year contract with the Salem Housing Authority;
- 200 units (80%) affordably restricted via the Tax Credit Program until 2098;
- Financing secured through tax exempt bonds issued by MassHousing; and
- Equity investment by Boston Financial Investment Management.

This marked expansion of affordability at Pequot Highlands was the direct result of the flexibility and cooperation of the MassHousing. MassHousing recognized Pequot's status as a critical asset in need of large-scale rehabilitation and, being well aware of SSDC's ability to both complete the acquisition and see through to fruition the rehabilitation process, financed the project via tax exempt bonds. "We could not have closed this complex acquisition," said Chris Poulin, principal, "without the deep understanding, commitment and support of Mass Housing, DHCD, the Salem Housing Authority and Boston Financial."

The rehab will allow for an \$11 million façade overhaul, which will see the red brick, popular in the 1970s, replaced with modern, insulated, and energy efficient metal paneling and windows, and over \$9 million in updates to both common and private space within the complex, the façade delivering a projected 10% reduction in energy use alone. Silver Street is aiming, with this rehabilitation, to reposition Pequot Highlands within the community, transforming the property into a contemporary vision of community living.

The finesse applied throughout the structuring of the Pequot Highlands' acquisition and rehabilitation illustrates both the vitality and commitment of Silver Street's partner network and SSDC's ability to maneuver despite complex and demanding circumstances, demonstrating an approach to deal-making within which investors, government agencies, and, current and future tenants all stand to benefit.

Silver Street Development is an organization dedicated to the quality preservation, operation, and growth of affordable housing in the United States. Since their inception they have pioneered acquisition and development strategies, including our implementation of one of the first Section 236 decouplings and our frequent, successful employment of complex bond capitalizations, that have changed the face of subsidized and affordable housing. Through the course of their evolution from a local developer to one of the top 30 affordable housing owners in the United States, their team, comprised of industry leaders with over 20 years of experience each in the multi-family housing market, has developed an unmatched expertise in the industry as well as fruitful and longstanding relationships with industry leaders. With a growing portfolio of over 10,000 units, and with offices located in Portland, Maine, Wilmington, North Carolina, and Washington, DC, Silver Street Development Corp. has never been in a better position to offer secure and beneficial affordable housing opportunities to sellers, investors, and residents alike.

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