

COMMERCIAL REAL ESTATE

A Teardown Builds Up a Delaware Housing Development

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Square Feet

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WILMINGTON, Del. — At the start of the 20th century, a Quaker cotton mill owner established the affordable-housing community the Flats on the west side of this city. Its goal was to provide decent housing. And at the time, it distinguished itself by providing central heating and indoor plumbing.

Today, some residents of the Flats are preparing to move away, though they will be back in a few years, in freshly constructed homes that will be less expensive to heat and cool.

The development, which will eventually replace all 430 homes over the next decade, is expected to help revitalize the neighborhood first brought to life by the mill owner William Poole Bancroft, and bring more tax dollars to the city, said Jeff Flynn, acting director of economic development for Wilmington, Delaware's largest city.

“The Flats is integral to the legacy of Mr. Bancroft in the City of Wilmington, and this neighborhood is part of Wilmington's urban fabric,” Mr. Flynn said in an

interview. “When we’re trying to attract people to live in this city, we need to have strong neighborhoods.”

By continuing to provide affordable housing to working-class families, the Flats will improve Wilmington’s ability to sustain a wide cross-section of residents, Mr. Flynn said.

Jamear Jackson expects to move early next year from her two-bedroom row home at the Flats that she shares with her husband and their 5-year-old daughter. Ms. Jackson, 30, and her husband, Fred, together had an income of about \$30,000 in 2013.

While it may be disruptive to leave their home of the last four years, Ms. Jackson said that she had no objection and that she was looking forward to moving back to a bigger and more energy-efficient home there in about two years.

The family expects to pay a little more rent for the new house than their current \$645 a month, but they are hoping that lower utility costs in the rebuilt home will result in smaller combined monthly bills.

The Flats, overseen by the nonprofit Woodlawn Trustees, has been providing housing for “people of modest means” since it was constructed from 1902 to 1913 and is now home to about 1,750 people.

The community, with its tree-lined streets and shared lawns, was a pioneer in the United States in offering inexpensive rental accommodation to anyone, regardless of their affiliation with an employer, said Vernon J. Green, chief operating officer of Woodlawn, a real estate company that directs profits to the provision of affordable housing and the preservation of open space.

While Woodlawn has imposed no strict income requirements on its residents, most earn 30 to 60 percent of average median income in New Castle County, which for a family of four is about \$75,000 a year, Mr. Green said.

Woodlawn hired Jonathan Rose Companies, a New York-based real estate developer and consultant to affordable housing and other projects, to write a master plan for the 10-acre site, which is being developed by HDC MidAtlantic, a developer of affordable housing.

Paul Freitag, director of real estate development for Jonathan Rose Companies, said the Flats had distinguished itself from some other affordable housing projects by focusing on common green areas. In addition, the

redevelopment plan is unusual in its emphasis on environmental improvements like energy savings and water conservation, Mr. Freitag said.

The Flats has been financially self-sustaining for most of its lifetime, unlike many other affordable housing sites that are subsidized with tax credits or other government support. But the aging of its housing stock, with rising costs for maintenance, means it can no longer pay its own way. The redevelopment will depend on the federal Low Income Housing Tax Credit and other financing sources.

The credit will pay for 60 percent of the \$100 million to \$120 million cost of rebuilding the complex in seven phases over the next 10 to 15 years, said Rodney A. Lambert, Woodlawn's president and chief executive. Additional help will come from sources including grants and funding from the Delaware State Housing Authority.

The credit will mean that longtime tenants whose earnings have risen over the years will for the first time be subject to a check on their income when they reapply for the new housing. As a result, they may no longer be eligible to live in a community where two-bedroom houses rent for an average of \$780 a month and three-bedroom houses cost about \$890 a month.

Rents in the complex are significantly cheaper than in the surrounding area of West Wilmington, where a two-bedroom house costs an average of \$975 a month and a three-bedroom house typically costs \$1,145.

When construction is underway, residents will be housed in units that have been left vacant in anticipation of the redevelopment. Woodlawn will pay for them to move out and move back into newly developed homes.

Ben Price, a neighbor of Ms. Jackson's and a resident of the Flats for the last 14 years, said he was looking forward to the changes. "It's a positive thing," he said. "It's going to keep me in the area."

Mr. Price, 63 and retired from housekeeping at a hospital, said he pays about \$600 a month in rent for his current house, and is hoping he will be able to afford the new rent.

In the first phase, scheduled to begin early next year, 80 units will be torn down, and 170 people in 63 currently occupied units will be relocated. In place of the demolished structures, 72 units will be built. When all seven phases are complete, the Flats will have 450 new apartments or houses.

Mr. Lambert of Woodlawn said officials considered renovating the existing structures, but concluded that they were too small and energy-inefficient. In houses with little or no insulation, and rudimentary electric heating along baseboards, tenants pay \$100 to \$200 a month just for utilities, Mr. Lambert said. He estimated that residents would halve their energy bills in the new houses, and that combined rent and utility costs would be lower than at present.

The project will also expand living spaces that may have been acceptable a century ago but are no longer desirable to residents, especially in the younger generation, which has shown more interest in renting homes than buying them.

Master bedrooms in existing units typically measure eight feet by 10 feet; living rooms are often 10 feet by 11 feet; and bathtubs are only 42 inches long, Mr. Lambert said. "You can barely get a thigh and a leg in there."

Officials considered building fewer rooms in the existing houses, but that would have converted, for example, a two-bedroom to a one-bedroom, and reduced the overall housing stock by as much as 30 percent. And the occupied buildings would still be obsolete, Mr. Green said.

The agreed solution was to build anew, expanding each unit by 30 percent.

The redeveloped complex will also offer social services like employment training for residents and the outside community.

Jim Kelley, head of direct banking for Capital One, noted the bank's contributions to local revitalization projects and called the redevelopment an important step forward in revitalizing Wilmington's west side.

"It will be a game changer for the residents and for the community," he said.

When complete, the project will allow Woodlawn to perpetuate its provision of affordable housing.

"This is our mission," Mr. Lambert said. "We want to do this for another 100 years."