

Impact Fund Closes Its Largest Deal With Plans for Texas Affordable Housing

Developer to Transform Former Plant Site Into New Downtown Gateway in San Antonio



Most of the aging refrigeration manufacturing warehouses are expected to be transformed into ground-up apartments geared to providing housing in San Antonio. (CoStar)

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The site of a former Texas manufacturing plant that's been vacant for three decades is expected to be transformed with capital from an impact fund's largest deal to date, the latest example of a high-profile U.S. development aimed at rejuvenating an area near a large commercial district.

American South Real Estate Fund, a real estate impact fund that backs transformative projects throughout the Southern United States, is providing \$10.6 million for a partnership to build a \$68 million project on an entire city block in San Antonio to bring more workforce housing within close proximity of the city's downtown.

San Antonio, the seventh-most populous city in America, has been the site of four investments by American South that are aimed at boosting development in overlooked areas in regions from Dallas, Texas, to Selma, Alabama. Development potential in San Antonio is relatively high on the basis of its ranking among the top three cities in the United States in population growth over the past decade, right behind Phoenix and Houston, according to federal census data.

The site of an aging manufacturing plant at [1617 E. Commerce St.](#) that once housed a commercial refrigeration business will be developed into 347 apartment units called the [Friedrich Lofts](#) as part of a public-private partnership between American South Real Estate Fund, Provident Realty Advisors, a [Dallas-based](#) real estate firm, and the San Antonio Housing Trust.

About half the apartments will be devoted to low- or moderate-income residents making considerably less than the area's median income, which is \$72,000 for a family of four, according to the U.S. Department of Housing and Urban Development.

The deal, which includes a 75-year ground lease with the San Antonio Housing Trust, closed Friday and came about after another undisclosed investor backed out of the arrangement prior to the COVID-19 pandemic. Provident Realty had been working on the project for three years and dealing with hurdles tied to the property's history, such as the need for environmental cleanup, something that often discourages investors. But the project's goal to provide workforce housing with the help of government entities and a national historical designation paired well with the impact fund's goals.

"We were having difficulty getting the financing lined up, but that's where [American South Real Estate Fund] came in," said Dave Holland, executive director at Provident Realty, in an interview. "They were looking to offer impact-related financing in urban

infill with an affordability component. It also had to be environmentally cleaned up for HUD financing. It really hit on all cylinders for them."

Not all of the city block sold in the deal, Holland said, with the seller of the property, Friedrich Lofts Ltd., retaining ownership of the 75,000-square-foot building, including the iconic signage of the property, at the corner of Commerce and Olive streets. This part of the site, listed on the National Register of Historic Places, if developed as planned, could undergo a historic redevelopment turning the building into creative office space, he added.



Dave Holland is an executive director of apartment development for Provident Realty Advisors. (Provident Realty Advisors)

Provident Realty plans to begin site cleanup and demolition on most of the city block by the end of the year. The development firm plans to apply for a HUD-insured construction loan early next year, with construction scheduled to begin in early 2021.

Initially, when Holland and his team first saw the former refrigeration plant in San Antonio, he knew it was going to be a difficult project; however, all the "easy projects" in the city were already done or under construction.

"It looked like a beast of a project," he said. "It was a project that has been vacant for 30 years, and I knew it needed to come down. It looked like a lot of heavy lifting, but every time I look over my left shoulder, I could see the Alamodome, Hemisfair Park and all the buildings in downtown San Antonio. We are steps away from downtown."

Most of the aging structures, except for the building retained by the seller, will be demolished on the six-acre site, leaving room for Provident Realty to build the apartment units wrapping a structured parking garage. On average, the apartments will total about 873 square feet, with a range of options, from a 625-square-foot efficiency unit to a two-bedroom unit totaling more than 1,000 square feet of living space.

"For people priced out of downtown San Antonio, this gives them an affordable option to live less than 2 miles from downtown," Holland added.



A conceptual rendering of the Friedrich Lofts development plan. (Provident Realty Advisors)

Compared to apartment rents at another apartment complex at a repurposed site near downtown San Antonio, [The Can Plant Residences at Pearl](#), Holland said he expects the Friedrich Lofts to be marketed at a 20% or 30% discount.

American South Real Estate Fund is an impact fund between Los Angeles-based SDS Capital Group and Shreveport-based Vintage Realty Company. Last year, the fund

provided \$3.4 million to [transform an historic hotel](#) in Selma, Alabama, and [a project in South Dallas](#) for E Smith Communities.

Looking for Blight

This San Antonio investment is American South Real Estate Fund's fourth in the city, and the impact fund is shopping more potential deals in Texas and throughout the Southern United States.

"After the plant went under 30 years ago, it pulled the entire community down with it," said Deborah La Franchi, managing partner for the impact fund who is also founder and CEO of SDS Capital Group, in an interview. "This was an opportunity for us to be hugely catalytic with workforce housing in short supply across the country, and we hope this serves as a catalyst for economic activity in the surrounding community and block."

The San Antonio plant closure three decades ago eliminated roughly 600 jobs, and the boarded-up buildings plagued the commercial corridor, contributing to a 36% poverty rate in the immediate area, La Franchi said. If the redevelopment of the property can help reverse the decline, she said, it could transform blight into opportunity for the community.

The impact fund's investment provides pre-development capital to acquire and remediate the site and give enough equity to facilitate new construction.

San Antonio is also contributing about \$1.7 million in funding from the city's inner-city tax increment reinvestment zone. The city also plans to waive permit fees, and the San Antonio Water System is also expected to waive fees.

There have been many attempts to redevelop the site over the years, but Pete Alanis, interim executive director of the San Antonio Housing Trust, said he hopes this redevelopment project will help serve as a new gateway on the east side of downtown San Antonio.

"We hope this not only brings better, quality affordable housing to San Antonio, but also helps preserve it in this part of the city," Alanis said in an interview. "This East Commerce corridor really is the east side gateway of downtown San Antonio and it's an important anchor."
