

OXFORD MILLS

PHILADELPHIA, PENNSYLVANIA

Summary

Located in Philadelphia's Kensington neighborhood, Oxford Mills is a historic rehabilitation and conversion of two former industrial buildings into a mixed-use property with 114 apartments and 38,000 square feet of commercial/office space. Ninety of the apartments are rented to residents earning up to 80 percent AMI, with 68 of those reserved for area teachers. The space is designed and programmed to be a supportive environment for educators.

Dealmakers

- Successful partnership of mission-driven private developers
- Workforce housing for an underserved market
- Creative financing of affordable housing with New Market Tax Credits
- Attractive rehabilitation and conversion of a formerly derelict industrial property
- A successful model for development replicable across different markets
- Neighborhood revitalization

Overview

Location	Oxford and Jefferson Streets, South Kensington neighborhood, Philadelphia, Pennsylvania
Project Type	Mixed-use, mixed-income
Developers	D3 Real Estate Development Seawall Development, LLC
Housing Type	Multifamily rental
Site Size	2.8 acres
Units	114 units: <ul style="list-style-type: none"> • 90 affordable to up to 80 percent AMI (68 reserved for teachers) • 24 market-rate
Development Costs	\$37,800,000
Development Timeline	1873 – 1913: Original industrial buildings constructed 2011: Property acquired 2013: Groundbreaking 2014: Property opening
Funding Sources	Enterprise Social Investment Corporation (ESIC) New Markets Partners, L.P. National Trust Community Investment Corporation Philadelphia Industrial Development Corporation TD Bank
Websites	www.theoxfordmills.com www.oxfordmillsteachers.com/ www.oxfordmillsapartments.com

Development Partners

D3 Real Estate Development

D3 Real Estate Development is a private Philadelphia-based firm headed by Greg Hill and Gabe Canuso. The firm develops residential and mixed-use properties with an interest in community benefits and thoughtful design. D3 also serves as an Owners Representative to nonprofit organizations and educational clients.

Seawall Development Corporation

Seawall Development Company, a private development firm founded by the father-son team of Donald and Thibault Manekin, is based in Baltimore. The company specializes in the investment, development, and operation of real estate assets focusing primarily on mixed-use, urban redevelopment projects.

Planning and Policy

The renovation of Oxford Mills is more than the mixed-use rehabilitation of two historic buildings. It also has sought to cultivate a sense of community by attracting teachers as residents with discounted rents, designating office space to educational organizations and other nonprofits, and offering social and professional programming and events.

The collaborative, education-centered model for Oxford Mills replicates similar successful historic rehabilitation projects such as Union Mill and Miller's Court in Baltimore. Seawall Development's Donald Manekin developed this model based on his experience as a board member for Teach for America and a two-year stint as interim chief operating officer of the Baltimore school system. Teach for America, a common tenant at these properties, is a national nonprofit with offices around the country that recruits new college graduates to teach for two years in schools in low-income communities. Based in Baltimore, Seawall Development partnered with another private developer, D3 Development out of Philadelphia, to launch the model there.

“Real estate is very local. You need to know all the players. Seawall brought the concept and the lead tenant. Greg was responsible for getting the project through the community, the city, planning, and permitting.”

Donald Manekin

Founding Member,
Seawall Real Estate Development



Photography by Imagic Photography

Because of the historic status of Oxford Mills and its location in a distressed neighborhood, the project was eligible for tax credits, principally New Market Tax Credits and federal historic preservation tax credits, which were the cornerstone of making the project financially possible. These subsidies made it possible to offer discounted rents to Philadelphia teachers. Eligibility is open to all teachers, whether at public, private, parochial, or charter schools.

In Philadelphia, as in many cities across the U.S., housing costs have increased sharply, while wages for many community service fields, such as teachers, police officers, and health care workers, have remained stagnant. Thus, the demand for “workforce housing” at below-market rents to meet these housing needs.



Site Development

The South Kensington neighborhood was historically a working class, industrial area that was a center of the textile industry. As manufacturing moved elsewhere in the latter half of the 20th century, many of the large brick factories became vacant and derelict. The two Oxford Mills buildings, now listed on the National Register of Historic Places, originally were home to the Quaker City Dye Works. In the early 20th century, they became a warehouse for textile waste. In the 1960s, the 170,000-square-foot complex was converted into a lamp factory, which went out of business in the early 2000s.

The property had defaulted mortgages and was under foreclosure when D3 navigated its way in 2011 through property acquisition and local entitlements of two parcels, which include the two buildings and an accessory parking lot.

Located near the gentrifying areas of Northern Liberties and Fishtown and a few miles from downtown Philadelphia, Kensington's vacant properties have become prime real estate for redevelopment. An elevated train station stop for the Market-Frankford Line is also nearby.

Public Outreach

The City of Philadelphia can have a complex and political path for getting approvals such as the Oxford Mills developers required for the redevelopment of the property. One element in the entitlement process is getting the approval of the neighborhood's Registered Community Organizations (RCO).

RCOs were officially established by the city's new Zoning Code in 2012 as neighborhood organizations that register with the city's Planning Commission. Developers seeking entitlement approvals, a zoning variance, or other project review must present proposals to the applicable RCOs to seek the local neighborhood's support. RCO support is an important part of the next step in the development process, and involves seeking approval from the local district city council member.

Some community members expressed concerns about gentrification in the Kensington neighborhood, particularly the loss of diversity of residential use and business use. Yet the Oxford Mills project does contain a mix of residential and office/commercial uses. Working diligently through these channels, the Oxford Mills developers gained strong support for the project, receiving enthusiastic applause at an RCO presentation.

“Transforming a 150-year-old industrial building into apartments and offices presents unique design challenges. The floors don't align and ceiling heights vary. But with a thoughtful design highlighting the historic elements of the structure, great living and work space can be created.”

Greg Hill

Founder and Managing Partner,
D3 Real Estate Development

Design

The rehabilitation of the historic Oxford Mills manufacturing buildings sought to retain many of their vintage features. The apartments have been renovated in an open, modern style, with restored original hardwood floors, exposed brick, large windows, 14-foot ceilings, wood columns and timber framing. Units for teachers or other income-qualified residents are indistinguishable from the market-rate units.

Apartment amenities include wall-to-wall carpeting and walk-in closets in the bedrooms; high-efficiency heating and cooling systems; modern kitchens with Shaker-style cabinetry; an island and breakfast counter; and a washer/dryer in each residence.

Seawall Development's previous similar projects in Baltimore offered guidance for Oxford Mills, particularly establishing common space for both the residential and commercial components. The redevelopment of two separate buildings allowed for the creation of internal courtyards as an additional amenity for both residential and office/commercial tenants. The residential courtyard contains fire pits, a pergola, lounge seating, and complimentary WiFi. The 40,000 square feet of office/commercial space offers flexible space for tenants, such as 1,500 square feet in four shared conference rooms, a break room, and kitchenette.

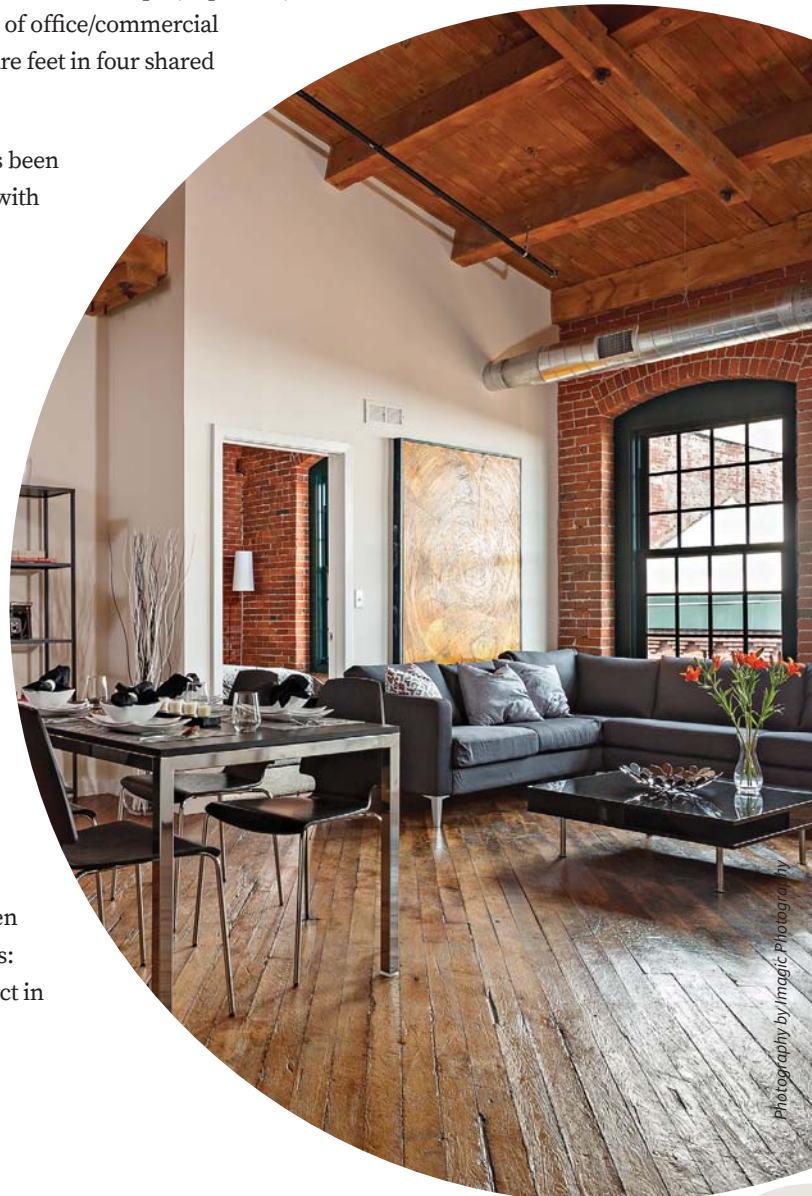
A former abandoned alley between the two buildings has been transformed into a primary public connection, restored with cobblestones, lighting and plantings.

Careful documentation of existing and proposed conditions were required to ensure eligibility for the federal historic rehabilitation tax credits. The project involved over 30 different window and door types in addition to the restoration of the wood flooring, brick, and timber framing.

Meeting building accessibility and energy efficiency requirements posed additional challenges. Accessibility was achieved with multiple elevators and regrading of the site. The historic preservation standards would not allow insulation of the historic exterior brick walls, so instead, energy efficiency was leveraged with new insulation at the roof and high-efficiency variable refrigerant flow (VRF) heating and cooling systems. The apartments meet the Enterprise Green Communities Criteria, a national framework for sustainable affordable housing. Oxford Mills has also been recognized with two 2015 Best in American Living awards: platinum for "Best Historic Preservation" and "Best Project in the North Atlantic Region."

“Creating common areas is a real centerpiece of the project, offering opportunities for collaboration in campus-like environment.”

Donald Manekin
Founding Member,
Seawall Real Estate Development



Photography by Imagagic Photography, LLC



Financing

The Oxford Mills project benefited substantially from \$34 million in federal New Market Tax Credits (NMTC) allocations as well as federal historic preservation tax credits. These programs reduced the cost of the \$37.8 million project by about 40 percent. Of the NMTC allocations, Philadelphia Industrial Development Corporation provided \$15 million, Enterprise Social Investment Corporation (ESIC) provided \$10 million, and the National Trust Community Investment Corporation provided \$9 million. TD Bank was the equity investor for the full NMTC allocation and provided the majority of the remaining financing, including \$17.8 million in term debt and \$6.3 million in historic tax credits equity.

Oxford Mills also benefited from a \$500,000 loan from an angel investor with a commitment to socially responsible development that delivers great long term value to the city. The investor's foundation also supported Seawall Development's earlier Baltimore projects and similar efforts around the world with an economic and social return for communities.

NMTCs can be a creative funding source for the production of affordable housing. First enacted by Congress in 2000, NMTCs seek to incentivize private investment in low-income communities. The tax credits are administered by the Community Development Financial Institutions Fund (CDFI Fund), a branch of the U.S. Department of the Treasury. The CDFI Fund awards credits to "community development entities" (CDE) on a competitive basis. While certain program restrictions limit the use of NMTCs for financing residential projects, it can be used to finance mixed-use projects with a residential component, such as Oxford Mills.

The federal tax credit is taken by the investor over a seven-year period. The credit rate is five percent in each of the first three years and six percent in each of the final four years, equal to 39 percent of the original investment in the CDE.

The benefits of NMTC financing must be able to justify the additional complexity and costs.

To qualify for use of NMTC, a property must be located in a "Low Income Community Census Tract" where the poverty rate exceeds 20 percent, or median family income is up to 80 percent of area or statewide median income. In addition, project preference is often given to candidates in "Severely Distressed Tracts" where the poverty rate exceeds 30 percent, or median family income is no greater than 60 percent of area or statewide median income, or the unemployment rate is at least 1.5 times the national average.

Since a "residential rental property" is not eligible for NMTC financing—defined as a structure where 80 percent or more of the gross rental income for the taxable year is from dwelling units—eligible projects must also have sufficient revenue from a nonresidential component. This restriction, which is based on revenue (not square

“Value in this project is enhanced as the vibrancy of Oxford Mills continues to stimulate other positive development in the community.”

Greg Hill

Founder and Managing Partner, D3 Real Estate Development



footage or cost,) is sometimes referred to as the “80 percent test.” A property must pass this revenue test annually for the NMTC’s seven-year period. A violation at any time during the seven-year period would be the basis for recapture of all credits.

Despite this restriction on the projects using NMTCs, the CDFI Fund has recently emphasized investments in affordable housing. In fact, some CDEs are bound by their allocation agreements with the CDFI Fund to apply a portion of their allocation to affordable housing. For NMTC purposes, “affordable housing” is defined as rental housing units in which 20 percent or more of the total rental units financed are rent restricted and occupied by individuals whose income is 80 percent or less than the area median family income. These rent restrictions must be applied throughout the seven-year NMTC compliance period.

Each of the CDEs that allocated NMTCs for Oxford Mills had slightly different priorities that the project needed to meet to be eligible for the tax credits. For ESIC, Oxford Mills had to promote investment and support education in a low-income community, while the National Trust sought to apply its credits to support the rehabilitation of historic buildings. The PIDC’s priority was to advance revitalization in Philadelphia. Despite the complexity of meeting these multiple objectives, the Oxford Mills project was a good fit for each.

“We didn’t want Oxford Mills to feel like a gated community. The conference rooms are available to residents to hold community meetings, and Oxford Mills co-sponsors the annual neighborhood cleanup day in the spring.”

Greg Hill

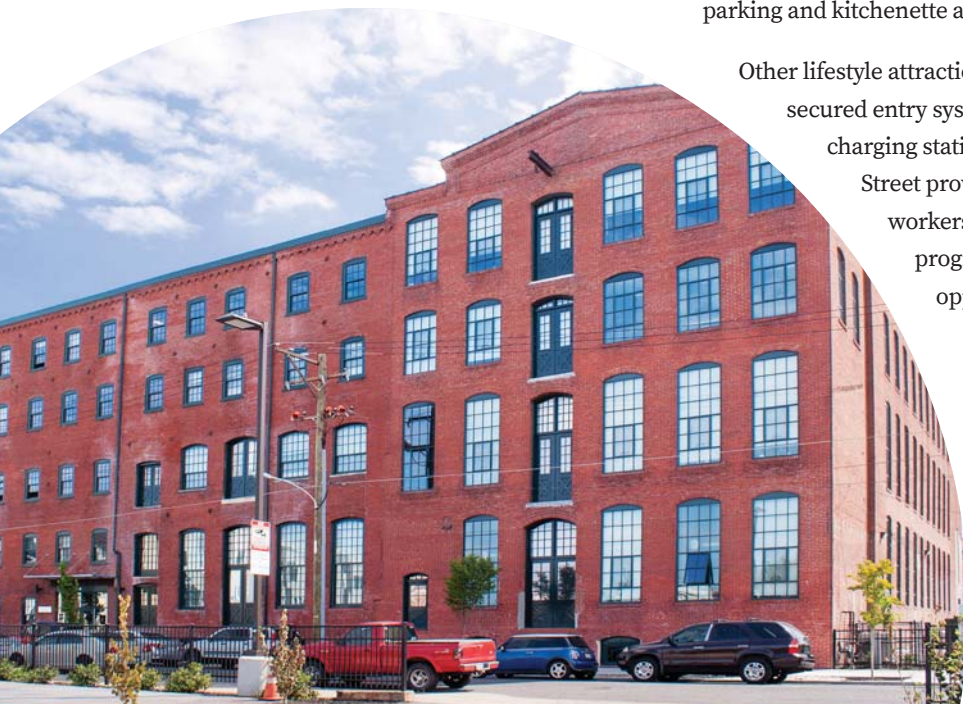
Founder and Managing Partner, D3 Real Estate Development

Marketing and Management

The residential apartments offer a variety of amenities, particularly for teachers. Market-rate rents for the one- and two-bedroom apartments at Oxford Mills range from \$1,345 to \$1,995; teachers receive a \$200–\$400 monthly discount on these rents, depending on the apartment. The qualification for teacher eligibility is done on an honor system. The property has maintained 100 percent occupancy via internal promotion. Oxford Mills maintains three different property websites to appropriately direct prospective office tenants, market-rate residents, and teacher residents.

Residential amenities include a fitness center with showers, resident lounges, and free onsite parking. In a unique touch to meet the lesson planning needs of the teacher residents, copy machines are located on each floor. In addition to the ample conference room space, there are other office amenities at no additional charge to tenants that include parking and kitchenette access.

Other lifestyle attractions include a yoga studio, bike parking, secured entry system, onsite car share, and electric car charging stations. A café on the property along Oxford Street provides a natural meeting point for residents, workers and the neighborhood. Regular social programs and events round out the efforts to create opportunities for collaboration and community.



The 40,000 square feet of office space is rented at below-market rates to educational nonprofits and small start-ups. The office tenants vary in size and include 10,000 square feet on two floors dedicated to a regional office for the anchor tenant, Teach for America. Part of the property has also been configured as an entrepreneurial office incubator that rents desk space by the day.

D3's property management arm serves both the office/commercial and residential space for Oxford Mills.

Observations and Lessons Learned

Replicate a successful model with a partner. Seawall Development produced the original historic rehabilitation into an education-centered, mixed-use property in Baltimore that became a model for Oxford Mills. Partnering with D3 to export it to Philadelphia worked well to navigate the differences in local politics and real estate markets.

Meet the need for workforce housing. Oxford Mills demonstrates how to meet an underserved housing need for local educators whose earnings have not kept pace with rapidly escalating area housing costs.

New Market Tax Credits offer creative financing. While NMTCs cannot be used exclusively for rental housing, there are valuable opportunities to leverage this resource to produce affordable units.

Intentional design for collaboration creates community. The many features that Oxford Mills incorporates to serve the educators and educational nonprofits—both design elements and programmatic features—serve the property well to create a thriving community. The success of the Oxford Mills rehabilitation, in turn, has supported revitalization of the surrounding neighborhood.



Photography by Imagic Photography

This document is a portion of NAHB's report
How Did They Do It? Discovering New Opportunities for Affordable Housing.

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How Did They Do It?

Discovering New Opportunities
for Affordable Housing

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