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Affordable Housing Finance

GREEN SCENE

Green Building Sprouts in Detroit

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BY CHRISTINE SERLIN

DETROIT Partners nonprofit Northwest Detroit Neighborhood Development, Inc. (NDND), and for-profit Capacity Development, LLC, didn't know the financial challenges they would face when they started Rouge Woods Apartments.

The 1960s building where they wanted to create affordable housing had sat vacant for years in Brightmoor, one of the city's most blighted neighborhoods, and had been gutted by arson.

Just as the developers received their low-income housing tax credit reservation, the economic crisis hit, equity offers dropped, and investors had no appetite for projects in Detroit.

"We're at the bottom of the barrel. The financial markets and banks have had the least amount of interest. We were without a syndicator, and the clock was ticking to get these tax credits in place," says Michael Chateau, project developer for NDND.

The developers persisted and found a tax credit investor—Key Community Development Corp.—to make this \$3.8 million, 23-unit project a reality.

The other layers of financing on the project included a permanent loan from Bank of America; Detroit Community Development Block Grants and HOME funds; Michigan State Housing Development Authority HOME funds; Federal Home Loan Bank Affordable Housing Program funds; Development Corporation of Wayne County funds; and green grants from Kresge Foundation and Enterprise Green Communities.

Seventy-five percent of the one- and two-bedroom units at Rouge Woods, which is expected to be completed in December, will serve households earning less than 40 percent of the area median income (AMI), with the other 25 percent at 60 percent of the AMI. Eight units will target special-needs residents.

Rouge Woods isn't the first green project for the developers. As standards continue to change, they've been adding green elements along the way in their subsidized single-family homes in Northeast Detroit.

They consulted with WARM Training Center in Detroit to do an energy audit and to come up with a strategy to make the three-story building green.

The major green element is geothermal—18 300-foot wells will provide geothermal heating and cooling for the units. Each unit will have a heat pump that will control the flow of air.



Workers drill 18 300-foot wells, which will provide geothermal heating and cooling for Rouge Woods Apartments in Detroit. With all of the green elements at the property, residents should save 30 percent to 35 percent on their electric bills.

"How can we afford geothermal? A couple of grants, which paid for half of the additional cost. The other part of it is, because we're going to own for 45 years, you have the ability to realize the payback," says John O'Brien, executive director of NDND. "It's a perfect situation with thermal or solar, because you're investing the money up-front, so you're able to get the payback."

Chateau adds that the residents will see savings immediately, and they are estimating that with all the green elements, residents will save 30 percent to 35 percent on their electric bills.

The development also will feature an exercise room that recycles energy from the residents' use of the facility. Energy will be captured to power some of the smaller equipment in the room. Chateau says the developers have started referring to it as the "Fred Flintstone Room" and hopes that it will encourage the benefits of exercise while generating electricity at the same time. Other green elements include energy-efficient windows, Energy Star appliances, and drought-tolerant landscaping.

The developers even made the most out of cutting down some trees for parking. The usable lumber went to a building trade school. And two benches and a bulletin board also were created for the project out of the recycled wood.