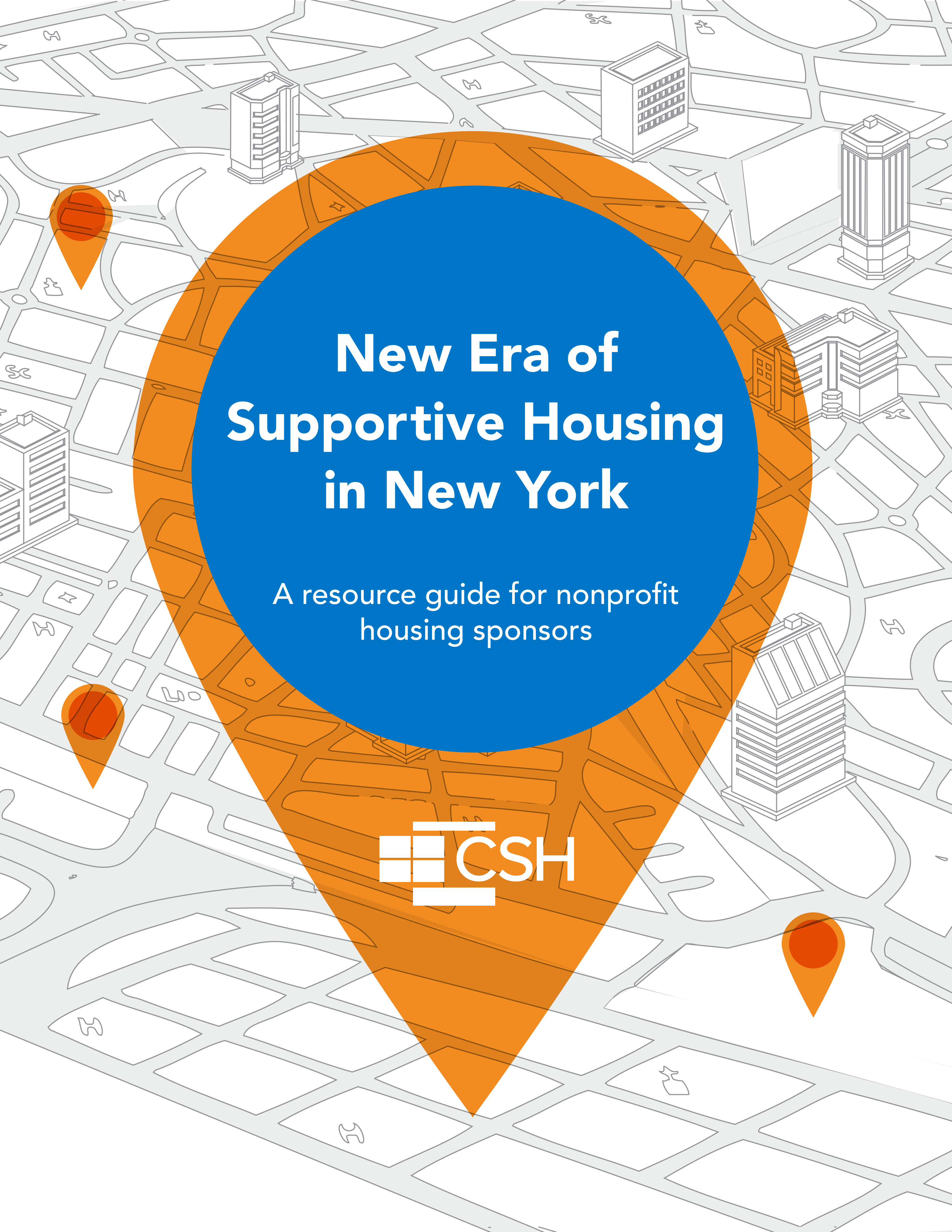

New Era of Supportive Housing in New York

A resource guide for nonprofit housing sponsors

CSH

INTRODUCTION

In 2017, the State and City of New York announced new financing initiatives for creating supportive housing in New York. They are known as the NYS Empire State Supportive Housing Initiative (ESSHI) and the NYC 15/15 Initiative. Together, they are expected to produce 35,000 new units of supportive housing over the next 15 years, 27,500 of which will be new construction.

This is a resource guide for nonprofit housing sponsors interested to pursue supportive housing development in New York State. It covers all the latest information about new supportive housing financing programs, and incentives for supportive housing in the recent changes to the NYC Zoning Resolution known as Zoning for Quality Affordability (ZQA).

The focus of this guide is on the early project planning and feasibility stages of development. It offers practical information on co-development partnerships, site selection, acquisition, and tools to help your staff and board of directors assess readiness risk tolerance. Both experienced supportive housing sponsors and those new to development will find useful information to guide planning for your organization's next supportive housing residence.

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NEW FINANCING INITIATIVES

NYC 15/15 and NYS ESSHI offer capital, service and operating financing programs that leverage 9% low income housing tax credits and/or 4% bond financing from State or City sources. The State and City programs are designed to work together and can be leveraged into a single project. Nearly all new congregate supportive housing in New York State is an integrated model, with up to 50-60% of the units supportive and remaining units for qualifying low-income households.

NEW YORK CITY 15/15

NYC 15/15 service awards are administered through the NYC DSS (formerly NYC HRA and NYC DHS). Operating and capital financing is managed by NYC HPD. Applications for services are accepted through an open RFP to HRA. Once the services are awarded, HPD will match with operating award.

SERVICE FINANCING

Up to $17,500 per unit for supportive services only ($25,000 per unit for certain populations) under a 5-year renewable contract with NYC DSS. Rolling RFP issued Spring 2017 by NYC HRA (DSS).

OPERATING FINANCING

NYC HPD 15-year project based rental subsidy contract for up to the fair market rent (FMR) on supportive units. This award DOES NOT trigger prevailing wages.

CAPITAL FINANCING

Supportive housing Loan Program (SHLP) provides up to $125,000 d/u and maintains a set-aside of the agency's annual 9% tax credit allocation for supportive housing deals. The competitive RFP is issued in the late summer with awards announced in early to mid-winter. SHLP funds can be leveraged with 9% LIHTC or 4% bond financing from HPD, HDC or HCR. Projects that are larger than 100 units are typically best suited for the 4% program. Deals between 70-100 units, work better with 9% tax credits.

Eligible populations

- Chronically homeless individuals and families (meeting the HUD chronic homeless definition) referred from the NYC shelter system
- Priorities in New York City are for those households with the highest needs (SPMI, SUD, co-occurring) and those with the longest stay in shelter

NEW YORK STATE EMPIRE STATE SUPPORTIVE HOUSING INITIATIVE (ESSHI)

NYS ESSHI RFP is administered by the ESSHI Interagency Working Group, comprised of all State agencies involved in housing and services for the homeless. NYS OMH is the lead agency, however projects can serve multiple populations under NYS HCR, NYS OASAS, NYS OCFS, NYS OPDV, NYS OTDA, NYS OPWDD and the NYS DOH including the AIDS Institute. While the working group manages the RFP, once awarded, sponsors will contract directly with the state agency most appropriate for their target population.

SERVICE & OPERATING FINANCING

Up to $25,000 per supportive unit under a 5-year renewable contract. RFP opens once per year in the late spring with conditional awards in the fall. Sponsors must secure capital within 12 months of receiving the ESSHI award to maintain status. Extensions granted on a case by case basis.

CAPITAL FINANCING

Capital is administered through NYS HCR and NYS OTDA and is designed to be leveraged with 9% LIHTC or 4% bonds issued by NYS or NYC agencies.

Supportive Housing Opportunities Program (SHOP): SHOP provides up to $140K per supportive unit ($200K d/u in NYC and other areas of the state) in integrated supportive housing projects. Can be leveraged with 9% LIHTC through the NYS HCR UFR each winter.

Medicaid Redesign Team (MRT) Funds: The MRT capital provides up to $140,000 per d/u ($200,000 in NYC) eligible high-end Medicaid users. There is substantial overlap in the ESSHI and MRT eligible populations. An open RFP issued in Spring 2014. Leveraged with 4% bonds financed by HCR or HPD.

Homeless Housing Assistance Program (HHAP): NYS OTDA (HHAP) capital for the homeless units in an integrated project. Can be leveraged with 9% LIHTC, 4% bonds and all other NYC and NYS capital programs. Rolling RFP opens each spring.

Eligible ESSHI Populations

- Individuals with serious mental illness (SMI)
- Individuals with Substance Use Disorder (SUD)
- Persons with HIV or AIDS
- Victims of domestic violence
- Military service with disabilities (including veterans with other than honorable discharge)
- Chronic homelessness as defined by HUD
- Youth who left foster care within the prior five years and who were in foster care at or over age 16
- Homeless young adults between 18 and 25 years old
- Adults or young adults reentering the community from incarceration or juvenile justice placement
- Frail or disabled seniors
- Individuals with I/DD
- Individuals who are MRT high cost Medicaid populations

NEW ZONING INITIATIVES

In 2016, the New York City Council passed the Zoning for Quality and Affordability (ZQA), a package of changes to the NYC Zoning Resolution designed to modernize the zoning code and promote housing affordability in more efficient, higher-quality buildings in New York City.

AFFORDABLE INDEPENDENT RESIDENCE FOR SENIORS (AIRS):

A new classification, Affordable Independent Residence for Seniors (AIRS), has been introduced to the Zoning Resolution. AIRS allows higher floor area (FAR) to residential buildings (or the portion thereof) which house low-income residents, aged 62 and over. The "AIRS bonus" allows for up to 5.01 FAR in some districts, unlocking potential on sites that may not otherwise be feasible for residential development.

For many sponsors, housing the low-income elderly is a natural extension of services they already provide to formerly homeless and aging residents in supportive housing. As the supportive housing building typology works well for seniors, the AIRS bonus is driving innovation in supportive /senior hybrid projects.

COMPARATIVE ZONING ANALYSIS						
	Hybrid Supportive/Senior Housing				Supportive Housing	
Use Group	UG3		UG2 (AIRS)		UG3	
	FAR	ZSF	FAR	ZSF	FAR	ZSF
Max Permitted	2.43	21,263	3.90	34,125	2.43	21,263
Max Proposed	1.90	16,625	2.00	17,500	2.43	21,263
Estimated Units	65 studios				45 studios	
Estimated Square Feet	34,125				21,263	

This chart compares the hybrid approach with a typical supportive housing zoning scenario. The hybrid model assumes half supportive and half senior units and takes the higher FAR of 3.90 on the portion of the building that will house seniors. The "AIRS bonus" results in an estimated 14,000 square feet or 20 additional units.

Lot Area 8,750
Zoning district R6

***UG3:** Use Group 3: Community Facility w/ sleeping accommodations (supportive units)*
***UG2:** Use Group 2: Residential (Senior Units)*

SUPPORTIVE/SENIOR HOUSING MIX

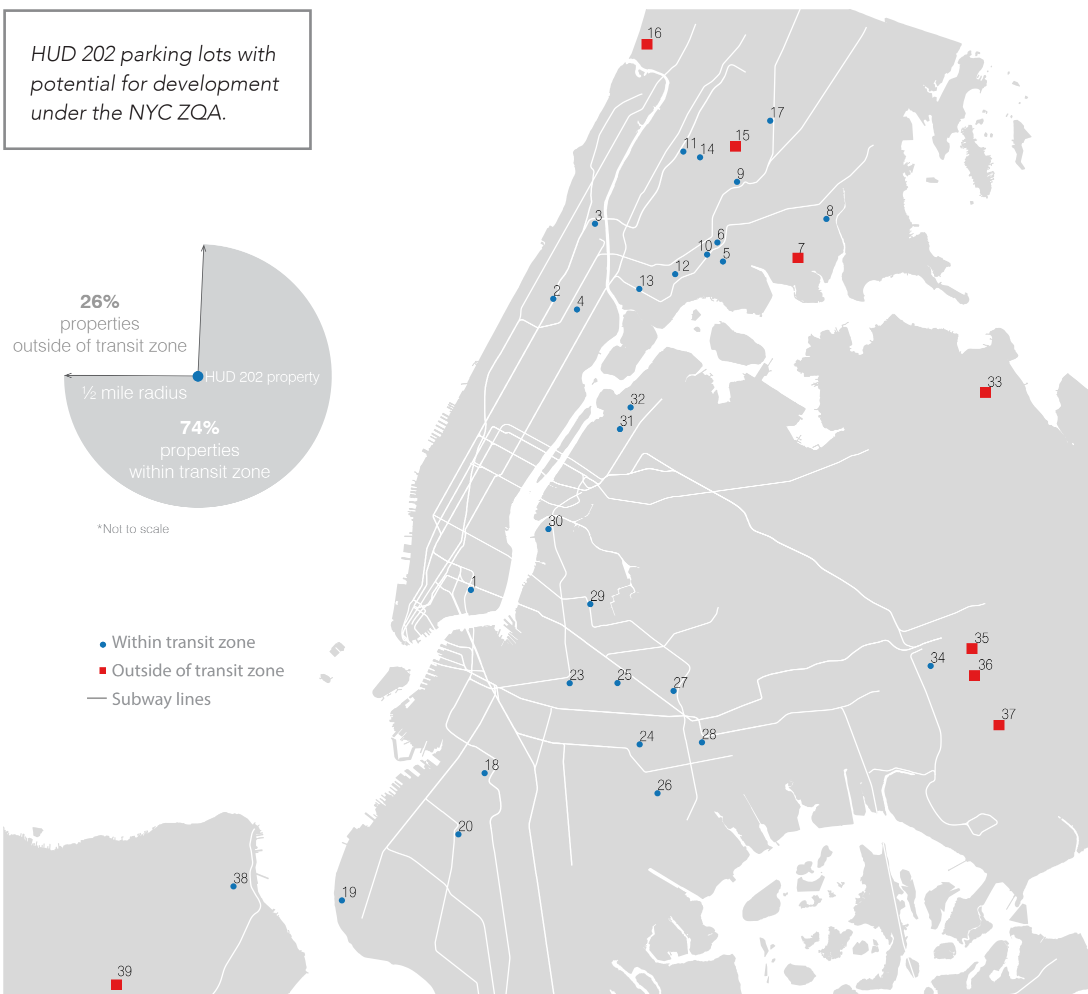
Sponsors seeking to leverage the AIRS bonus in a supportive housing project can seek capital financing through HPD's Supportive Housing Loan Program. In this scenario, the project is planned and financed as a typical SHLP building with 60% of the units for the formerly homeless backed by service and operating awards through ESSHI or NY 15/15. The remaining 40% of the "community" units will be for low-income senior citizens "aged 62 and older." In this way, the project takes advantage of the AIRS zoning bonus on the portion of the building for low-income seniors while still creating new supportive units.

UNDERUTILIZED PARKING LOTS

Another important provision of the ZQA allows development of new senior housing on underutilized parking lots controlled by HUD 202 senior housing sponsors. According to a study commissioned in 2015 by LiveOn New York, at least 29 of these parking lots are located within the "transit zone" with easy access to subways and public transit options, and may be feasible for senior housing development. HUD 202 owners with feasible properties may be interested to sell land or air rights, or to partner on a new project. For supportive housing sponsors exploring the supportive/senior hybrid model, a partnership with a HUD 202 parking lot owner may be a new development opportunity.

Source: "Paving the Way for New Senior Housing in New York", Live On New York, 2015

HUD 202 parking lots with potential for development under the NYC ZQA.



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PART 3

PARTNERSHIPS

The emergence of the integrated model, scarcity of sites and a complex real estate market are prompting new partnerships for supportive housing development.

Nonprofits may be motivated to joint venture by access to land or financing guarantees, development and management expertise, or the desire to develop larger or more complex mixed-use projects. For-profit developers are typically attracted to partnerships by access to public land and subsidies, below market-rate debt, construction profits, zoning and tax incentives or local support.

Both ESSHI and NYC 15/15 financing programs allow single owner and shared owner partnership developments. Loan terms require that a nonprofit partner retain 51% long-term controlling interest in the general partnership. However, managing control may shift over time to reflect the capacity, expertise and assumption of risk of each partner in the project.

CO-DEVELOPMENT PARTNERSHIPS IN SUPPORTIVE HOUSING

In a co-development partnership model, partners share responsibility for Ownership, Project Development, Support Service Delivery and Property Management of the completed project. Joint Ventures can be created between two or more nonprofit housing providers or with for-profit development or management companies.

SINGLE OWNER MODEL.

The sponsor is commonly a service provider agency who contracts with a partner to develop the building. Sometimes called a "turnkey model", there is temporary shared ownership between the Sponsor and Developer with ownership control shifting to the Sponsor-owner upon completion and permanent finance conversation. In the Single Owner set up, risks and rewards of ownership fall upon the single owner as the responsible organization. The development partner exits the deal at permanent conversion, typically earning some or all the development fee.

SHARED OWNER MODEL.

The sponsor may be a social service provider who partners with a developer or property manager to support the financing or operations of the building. In this model, two or more organizations co-own the building as general partners, and share long-term business and legal responsibility for the development, operations, management and service delivery in the completed project. In a co-ownership situation, the service provider is actively involved in the early development stages providing expertise on capital, service and operating financing, building design and community support. Shared ownership spreads the responsibilities, the risks and economic benefit of the development among partners. Management control of the GP may shift over time reflecting the expertise and capacity of each partner at different stages in the development process.

EVALUATING PARTNERSHIP OPPORTUNITIES

One of the main benefits to a supportive housing joint venture is that each partner brings expertise to the table, increasing the overall capacity of the development team. This can be in terms of access to land or financing, development and construction expertise, or service and management experience.

The decision to joint venture is one that should be carefully considered, accounting for organizational mission, project goals and the specific terms of the proposed deal. Be sure to research any potential partners paying special attention to their mission as housing developers, experience with non-profit joint ventures generally and supportive housing specifically.

The goal of supportive housing is to keep tenants with special needs housed in the long term. This requires flexibility in meeting the needs of residents, whereas a traditional for-profit model is focused on maximizing profits in the short and long term. Successful joint ventures take into consideration the cultural differences between for-profit and nonprofit development models accounting for the "double bottom line" that exists in supportive housing.

Ultimately, the joint venture breaks down along the lines of control and risk throughout development process. Solo development allows a sponsor to control all decision making in development, construction, operations, management and service delivery, and receive the full financial benefit of the deal. Solo development means that one entity carries the full risk and all guarantees for the deal. The joint venture spreads the risk, management control and the financial benefits of the project among partners at different stages in the process.

Solo versus Joint Venture Development

SOLO DEVELOPMENT	JOINT VENTURE DEVELOPMENT
Pros:	**Pros:**
▪ Full control over development, construction and management decisions ▪ Full control over long-term building operations and service delivery program ▪ Maximize financial benefits of the project	▪ Risk spread across partners ▪ Guarantees spread across partners ▪ Access to development sites ▪ Ability to develop larger or more complex mixed-use projects

Cons:	**Cons:**
▪ Sponsor takes on all or most of the development and operating risk ▪ Sponsor must raise all required guarantees	▪ Shared control over development, construction and management decisions ▪ Shared control (potentially) of building operations and service delivery ▪ Process inherently more complex with more decision makers involved ▪ Shared financial benefits of the project

NEGOTIATING PARTNERSHIP AGREEMENTS

A partnership agreement describes terms and conditions for the joint venture. It addresses the key issues related to management, financing and operations of the completed project. A typical tax credit project will create a General Partnership (GP) ownership entity to manage the property. The partnership agreement allocates roles, responsibilities and controlling interest of each party to the GP at distinct phases. Risk is spread among the partners by allocating management control at different stages. The distribution of economic benefit, developer fee and cash flow reflects the risk taken by each partner in the joint ventures.

Successful supportive housing Joint Ventures:

- Commit to a shared statement of project goals
- Learn about and build trust in partner's expertise
- Explicitly state expectations and assumptions
- Regularly communicate along clearly understood lines of authority
- Plan for shared decision-making, compromise and conflict resolution
- Plan for emergencies and an end to the relationship

MANAGEMENT

- *Role and Responsibilities* lead on various tasks, chain of command, reporting and accountability
- *Decision-Making process*
- *Exit Strategy* nonprofit Right of First Refusal in Year 15
- *List of Major Decisions* requiring consent of both parties should include at minimum:
    - Target Population(s), Tenant Mix
    - Service Delivery and Funding
    - Development Team Selection including lender, investor, architect, consultants
    - Project Financing including agency, lender and investor terms
    - Building Design including units and all common spaces

FINANCIAL

- Allocation of pre-development costs, capital contributions, percent interest, cash flow and developer fee split among partners
- Allocation of project guarantees which may include construction and completion, rent up, social service and operating
- The party holding guarantees typically has controlling interest for the duration of the guarantee period

OPERATIONAL

- Marketing, tenant selection, and rent-up
- Ongoing service delivery and asset management including tax credit compliance

SITE CONTROL

Site Control is a major motivating factor for joint ventures as development partners are increasingly brought together over access to land. In some cases, a nonprofit may have site control but lack the development expertise and capital to develop affordable housing. In other cases, a for-profit may control land but lacks access to the financing, zoning incentives or community relationships needed to make the site feasible for supportive housing.

Projects on private land in New York City can be built "as of right" with support from the local councilperson and community board for the financing. Outside of New York City, you can expect multiple rounds of environmental and design review by local zoning and planning boards during pre-development. Sponsors should anticipate at least one year and likely longer in pre-development to work on support from elected officials, local review boards and other stakeholders.

Because of the nature of supportive housing serving those with mental illness and other chronic disabilities, sponsors have long understood the challenges inherent in siting new projects.

Most deals will encounter some degree of "Not in my back yard" NIMBY opposition from neighbors and local stakeholders. Acceptance of the project typically comes only after an iterative and often-lengthy process of negotiation and compromise.

In evaluating potential development sites, the team should consider the recent experience with other supportive housing in the area (good or bad) and develop a robust outreach strategy that leverages community relationships and effectively responds to local concerns. Sites should be accessible to public transportation and nearby commercial centers and essential services. Sites in close proximity to incompatible land uses or far from essential services should be avoided.

SITE SELECTION: EVALUATING LAND OPPORTUNITIES

A "back of the envelope" analysis should be completed as a first step toward determining feasibility of a new project. Most sponsors will need an architect for the zoning analysis and may need a development consultant for market research and to "run the numbers" to model out a financing strategy. This basic analysis will provide enough information to determine if the site is worth pursuing based on market and site conditions, availability of financing and organizational housing development goals.

CONSTRUCTION SOURCES		
Bank Loan	11,754,499	44%
SHLP	8,250,000	31%
Tax Credit Equity	4,415,466	16%
Deferred Fee	2,594,396	10%
Total	**27,014,361**	
PERMANENT SOURCES		
Bank Loan	3,695,858	14%
SHLP	8,250,000	31%
Tax Credit Equity	14,718,221	54%
Deferred Fee	350,282	1%
Total	**27,014,361**	
USES		
Acquisition	2,000,000	7%
Construction Costs	18,742,500	69%
Soft Costs	3,377,466	13%
Development Fee	2,894,395	11%
Total	**27,014,361**	

Sample Sources & Uses budget for a proposed 75-unit new construction supportive housing residence assuming 9% LIHTC, HPD SHLP subsidized loan and a private bank loan.

M&O EXPENSES	
Supplies/Cleaning/Exterminator	$17,750
Heating	$42,600
Electricity & Gas	$23,288
Repairs	$48,750
Legal	$11,250
Accounting & Audits	$16,000
Benchmarking	$495
Elevator Maintenance & Repair	$13,200
Management Fee	$55,654
Super & Staff Salaries	$93,000
Water & Sewer	$38,766
Fire & Liability Insurance	$45,000
LIHC Monitor Fee	$12,600
Security	$125,000
Replacement Reserve	$18,750
M & O before tax and debt svc.	$562,103
RE Taxes assumes 420c	$0
Total	$562,103
$3,958 *per room* . $7,495 *per unit*	

Sample M&O budget for proposed 75-unit new construction supportive housing building. Estimates based on NYC HDC 2017 underwriting standards. M&O is supported by a NYC 15/15 or ESSHI contracts paying up to the FMR.

LAND ACQUISITION: MAKING A PURCHASE OFFER

Negotiating a land acquisition can be tricky business. In a tight land market, supportive housing sponsors must be prepared to act quickly when opportunities arise. Nonetheless, it is essential that a rigorous due diligence is performed prior to entering negotiations with a seller. A hastily prepared offer may create unnecessary risk as you move further into the development process. If your organization has sufficient resources and the Board of Directors is in support, you may consider ordering an appraisal and Phase 1 Environmental Assessment prior to making an offer. In other cases, the Board may want a "handshake" deal, such as a verbal agreement to purchase price from the owner, before spending resources on these due diligence items. In any case, be sure to engage your architect, attorney and development consultant in preparing the offer package and negotiating contract terms with the seller.

While each local market and development site is unique, the following principles can be helpful in guiding negotiations with land:

- ***Know the local market:*** Land markets are in constant flux but are on a steady rise in NYC and many places across NYS. The better you know the market prior to making an offer, the easier your contract negotiation will be.
- ***Get to know the seller:*** There are as many motivations to sell land as there are land owners. Find out proposed deal structure (ie. sale or long-term lease, nominal disposition) or other special conditions to the transaction.
- ***Due diligence period:*** There can be a lot of pressure to move quickly into a land transaction. Ensure that there is a sufficient due diligence period built into your offer and don't forget to build in time for board approval.
- ***Don't Over Pay for land:*** Be sure that the deal can support the acquisition cost and the offer is supported by an as-is appraisal acceptable to State and City agencies that reflects your proposed development plan.

SITE ACQUISITION: SECURING FINANCING

After a potential development site has been identified, the sponsor will have to move quickly to secure acquisition financing. A rigorous due diligence process is the best strategy for mitigating short and long- term risk associated with borrowing. The more that is known about the site prior to purchase, the faster and easier it will be to secure development capital and move towards construction closing.

Depending on site conditions and the complexity of the project, the due diligence period may be anywhere from a few weeks to many months. During this time, your team should meet with the agency providing construction financing to the project. An acquisition lender will require a soft commitment from the sponsoring agency (HPD/HDC or HCR) as a condition of closing.

CSH has made over $138MM in loans to supportive housing developers across New York State for the development of over 15,000 supportive and affordable housing units. CSH provides loans to assist in real estate acquisition (<130% LTV) and pre-development loans to bridge costs required in the earlier phases of development. Loans are typically a 2-year term and are designed to be taken out at the construction loan closing. Click here to find out more about our loan products.

CSH is also an originator of the NYC Acquisition Loan Fund, a public-private investment partnership that provides loans of up to 120% LTV to nonprofit developers. CSH uniquely offers loans to satisfy the Fund's 5% equity requirement to nonprofit project sponsors.

Acquisition Financing Due Diligence items:

Land Conditions

- Appraisal
- Phase 1 Environmental Study
- Zoning analysis with proposed use, bulk, height, FAR est. d/u, discretionary actions
- Site Plan/Schematic Drawing
- Property survey

Building Plan

- Area Map/Neighborhood Characteristics
- Community outreach strategy
- Target population
- Service plan
- Management Plan
- Tenant involvement plan

Organizational Capacity

- Organizational Experience & Board Capacity
- Organizational Financials
- Development Team Profile

Financing

- Development Budget
- Operating Budget
- Service delivery budget
- Estimated development timeline
- Soft financing commitment issued by City or State agency

PREPARING FOR DEVELOPMENT

Development is a complex and risky undertaking that requires time, expertise and collaboration. Careful planning is the best strategy for mitigating risk and increasing the chances of completing a successful project.

ORGANIZATIONAL SELF-ASSESSMENT

An organizational self-assessment is an extremely useful exercise as your Board and staff prepare to take on a new development project. The assessment will guide decision-making on ownership and development strategies, partner selection, property management and service delivery. The assessment process should be transparent and involve staff, board members and other internal stakeholders.

There are many ways to engage your organization around the topic of development, including email surveys, facilitated conversations or workshops, or by interviews with individual staff and board members. Whichever method you choose, a majority of stakeholders must come to consensus on the fundamental goals and anticipated outcomes of development activities early in the process. Otherwise, you risk wasting time and money pursuing projects that may not meet organizational expectations.

The following mini-questionnaire is designed to guide an initial high-level conversation about goals and capacity for housing development. It should be used in the earliest stages of concept development to help decision makers to get on the "same page" from the start.

The tool on page 15 is a detailed checklist of your organizational capacity for ownership, development, management and service provision in the completed project. If you have more than one X in the 'unlikely' column of each section, or more than 5 X's in the 'unlikely' column overall, you may consider partnering with a group that can bring capacity in areas where your team is weak. For more detailed organizational assessment tools, see CSH Toolkit for Development and Not a Solo Act. These resources offer further detailed information and tools for evaluating partnerships and completing an organizational assessment.

Development Kick-off Questionnaire

- How does development fit with our organizational mission and strategic plan?
- Is development part of a larger housing plan? Do we expect future developments?
- How will development and building operation activities fit our administrative structure?
- Does development fit with our model of service delivery?
- How does this fit with other organizational obligations and commitments (financial, human resources or programmatic)?

The Owner has the ultimate long term financial and legal responsibility for the property, representing the long-term interests of the project and its residents. The owner drives the planning and development process.	Definitely	Maybe	Unlikely
Do we have the Plan to implement and ensure the long term operating success of the project?			
Do we have experience ownership of an asset of similar size and scope?			
Does our Board support ownership and willing to play an increased role for this project?			
Do we have a plan for staffing and funding the various roles of the owner?			
Are we on solid financial ground with audited financials, professional monthly financials?			
Do we have experience collaborating with managers, developers and other project partners?			
Are we prepared to take on the long term obligations and risks of project owner?			
Are we comfortable with the "double bottom line" services and property management of supportive housing?			

The Developer is responsible for bringing all real estate development activities to completion, taking a project from the concept stage through to full occupancy.	Definitely	Maybe	Unlikely
Do we have experience developing a project of similar size and scope?			
Do we have staff to coordinate day- to day development activities?			
Do we have staff to provide consistent oversight and follow-up on major decisions?			
Do we have connections and expertise to assemble a supportive housing development team?			
Do we have financial capacity to hire a development consultant to fill capacity needs?			
Do we have experience collaborating with managers, developers and other project partners?			
Is our BOD in favor of development and willing to play an increased role for this project?			
Are we on solid financial ground with audited financials, professional monthly financials?			
Do we have a sufficient fund balance and ability to risk up-front cash?			

Support services lead service provider or coordinator ensures that a comprehensive array of supportive services is designed and delivered to tenants.	Definitely	Maybe	Unlikely
Do we have experience with service delivery in supportive housing projects of similar size and scope?			
Do we have experience coordinating services with management to prevent evictions?			
Does the BOD support the role as service provider and willing to play an increase role as need?			
Do we have a plan for staffing and funding the role of service provider?			

Property Management is responsible for the day to day operation of the building, handling rent collection and maintaining the physical financial health of the asset.	Definitely	Maybe	Unlikely
Do we have experience managing supportive housing projects of similar size and scope?			
Do we have experience coordinating services with management to prevent evictions?			
Does the BOD support the role as property manager and willing to play an increase role as need?			
Do we have a plan for staffing and funding the role of property manager?			
Are there management considerations related to the specific needs of your target population?			

MANAGING DEVELOPMENT RISK

Every development comes with some degree of risk. Unlike a contract fee for service model, development requires the organization to take on debt and guarantees during pre-development, construction and operations. There will be some up-front expenses that will not be paid back for many months or years depending on the time frame for your deal. While risk can never be entirely eliminated, incorporating the following principles in all stages of the process will ensure that you are well positioned to successfully complete a development project.

Guiding Principles for Concept Development Stage

- *Know yourself:* Consider your organizational mission and goals as they relate to housing development. Make an honest evaluation of your board, staff and financial capacity for development and key relationships within the supportive housing industry.
- *Know your image:* Public perception of homelessness is especially divisive in the current housing crisis. A sponsor's relationships, experience, linkages and past success with affordable supportive housing are crucial both in gaining support and ensuring long-term success of the project.
- *Know your team:* Supportive housing development is a collaborative undertaking, involving a multitude of partners and professionals to get the job done. Consider your relationships with professionals in the industry, and your financial capacity to assemble a development team.
- *Stay current:* Supportive housing development is a complex and constantly evolving environment. Staying on top of current trends make you well positioned to recognize and act quickly on potential development opportunities when they arise.

DEVELOPMENT TEAM SELECTION

The Development Team is the group of professionals that brings a project to fruition. It is essential to select a team that has the experience and capacity to complete your project. Supportive housing is unique in design, financing and approval processes required to get to project closing and construction completion. Your team should have experience with affordable housing generally, and with the State and City agencies financing and issuing approvals for your project-type specifically. Once the team is in place it can be stressful and costly to make a change, so choose carefully and trust mightly!

PROJECT SPONSOR is typically a nonprofit housing and support services provider. The sponsor can develop solo or work with a development partner.

ARCHITECT is responsible for design development and construction management and is involved in all approval and permitting processes.

PROJECT ATTORNEY drafts and reviews legal documents associated with the various transactions occurring throughout the development process. The firm must be experienced with affordable tax credit housing development. In-house counsel may advise on aspects of the deal.

DEVELOPMENT CONSULTANT is responsible for securing funds required to develop the project. This can include acquisition, construction and permanent financing from private lenders or government agencies. May also act as project manager responsible for maintaining project schedule and team coordination.

ENVIRONMENTAL AND ENERGY CONSULTANTS perform required testing including Phase 1 and 2, and the SEQR/CEQR studies and any mitigation plans required for closing. Green building programs like NYSERDA, LEED, Passive House and others may require additional consultants.

AGENCY PARTNERS issue bonds and tax credits and capital loans. Rental and service subsidy contracts are coordinated by ESSHI at the state level and NYC DSS in the city Capital Lenders may include NYSHCR, NYS OTDA, NYC HPD, NYC HDC.

PRIVATE LENDERS include banks or other private lending institution and offer financing for acquisition, pre-development, construction or permanent phases.

TAX CREDIT SYNDICATOR is an intermediary between the project sponsor and the tax credit investor. The syndicator works with the sponsor to negotiate pricing, timing of equity payments and other terms of the equity investor.

GENERAL CONTRACTOR coordinates all aspects of construction, including bidding, site preparation, the hiring and management of sub-contractors and on-time, on-budget construction and delivery of the completed building.

MANAGEMENT COMPANY handles all aspects of the building operations. This includes rent collection, managing tenant leases, management of building staff, maintenance and operating schedule and expenses and Low- Income Housing Tax Credit monitoring and certifications.

BUILDING MANAGEMENT: ON OUR OWN OR WITH A PARTNER?

For nonprofit sponsors, this decision has most to do with your experience managing supportive housing tenants in tax credit financed housing. Sponsors should use the results of their self-assessment to guide decision making. If your organization scored low in the property management section of your organizational self-assessment, a partnership with an experienced partner could both reduce risk and improve long term outcomes for the project.

Management and service plans are closely integrated in supportive housing to ensure that tenants remain stably housed in the long term. Supportive housing requires flexible screening criteria, coordination with service providers and prioritization of housing stability. Service providers and property managers must be prepared to work with the inherent tension that comes from this arrangement and have strategies in place to resolve disagreements. Owners must be prepared to acknowledge the "double bottom line" of services and property management; quality support services are essential to maintaining the physical and financial viability of the project over time.

These sample questions can be adapted for evaluating potential management partners:

- Describe your experience in managing integrated supportive housing buildings similar in scope to the proposed project including housing type, number of units, target population, integration of support services.
- Describe your philosophy of property management for integrated supportive housing. What specifically will you expect from the tenants and what should they expect from you? How have you involved tenants in management activities?
- How do you propose to handle client information sharing between your company and the social service agency staff?
- Describe your experience in working with a social service provider to manage supportive housing.
- What specifically will you expect from your social service agency partner during rent-up, screening, house rules enforcement, eviction, and hiring of on-site staff?
- Which decisions do you believe should be made jointly and which by you exclusively? How do you think joint decisions should be made?
- How will you communicate with the owner and the support services providers about building?
- How will you manage the day to day activities of financial and operational management? How will you coordinate financial and operations reporting with the owner?

PRE-DEVELOPMENT

Once the site has been secured the project moves into the pre-development phase. Depending on the scope and complexity of the project, pre-development will last at least 2-3 years or longer. In this phase, the development team must raise service, operating and capital financing, secure environmental and public approvals, develop the building design, secure community support and negotiate the business and legal terms with funders, investors and development partners.

Subsidy

SERVICE AND OPERATING FUNDS		Q1	Q2 State Fiscal Year April 1	Q3 City Fiscal Year July 1	Q4
State	NYS ESSHI		Application Due	Awards Announced	
City	NYC 15/15	Rolling RFP			

CAPITAL FUNDS		Q1	Q2	Q3	Q4
State	HCR SHOP		Awards Announced	RFP Released	Application Due
State	HCR 9%LIHTC		Awards Announced	RFP Released	Application Due
State	HCR MRT	Open RFP			
State	OTDA HHAP		Rolling RFP Opens		
State	HCR 4% Bonds	Open RFP			
City	HPD SHLP	Open RFP			
City	HPD 9% LIHTC			Application Due	Awards Announced
City	HDC 4% Bonds	Open RFP			

Supportive Housing requires 3 types of financing; service (on-site services), operating (rent support) and capital (bricks and mortar). Service and operating funds are secured first and then used to leverage capital dollars. Anticipate at least 4-6 weeks for application preparation and then a minimum of 12-16 weeks for award to be made. NY 15/15 and ESSHI financing programs can be combined into a single project depending on timing and other considerations in pre-development.

Limited resources, projects compete annually on a set schedule

Ongoing or open resources, projects apply when project meets threshold

CONSTRUCTION CLOSING

Once pre-development tasks are competed, the project can move to construction closing. The lead up to closing is an approximately 3-month period of intense negotiation and activity. There are volumes of documents that must be drafted, reviewed and negotiated before closing can take place. Your organization should plan for extra capacity during this period as closing tasks are extremely time intensive.

FINANCING COMMITMENTS

Projects must secure three layers of financing; service, operating and capital. Layering the commitments requires strategic planning and familiarity with the agencies and program requirements in supportive housing finance and service delivery. New York State and City operate on different fiscal calendars. Projects seeking to combine State and City resources must carefully consider the annual subsidy calendar in developing the development timeline and critical path toward construction closing.

PUBLIC APPROVALS

Most new development requires multiple layers of public review and comment prior to closing. Even projects that are developed "as of right" on private land will require the sponsor to meet with local committees, elected officials and stakeholders depending on your project scope and jurisdiction. In NYC, the key parties are the local Councilperson and community board. Outside of New York City, discretionary approvals are managed by the local municipality with jurisdiction. The locality will determine the lead agency for the SEQR review and require "site plan approval" minimally and additional approvals depending on the location and scope of the project.

ENVIRONMENTAL APPROVALS

Environmental conditions identified in Phase 1 are further investigated during pre-development. This may include a Phase II investigation, preparation and approval of mitigation plans such as the RAP and CHASP. In all cases, a SEQR or CEQR review will be conducted and if federal funds are involved, the NEPA review is required. Environmental review is lengthy, complex and extremely technical. Sponsors will need a qualified environmental consultant with experience on NYC HCR or NYC HPD/HDC projects to complete this work.

DESIGN DEVELOPMENT

Both New York State and City have created supportive housing design guidelines. These guidelines should be consulted early in the design development process. The standard supportive housing typology has a higher proportion of smaller units with space for support services on the ground floor and/or cellar. Supportive units are generally studios or one-bedrooms while the "community units" or "workforce units" may be one bedrooms or larger depending on the goals of the project, the demand in the local housing market, local zoning requirements and community preferences.

CONSTRUCTION BID

The last step of pre-development, the sponsor will review bids and select the General Contractor. Bid selection is a careful process of evaluating the proposed costs and terms. If the bids "come back too high", there may be a period of "value engineering" where the owner, architect and GC look for design efficiencies and/or alternative materials to reduce construction costs. In projects where the GC will be providing completion guarantees, those business terms are often negotiated alongside the final construction bid.

DEVELOPMENT CRITICAL PATH

The critical path to development begins with a concept and ends with the successful long-term operation of a supportive housing residence. The charts below illustrate major milestones, key activities and approximate time-frames required in each phase in the development process.

CONCEPT DEVELOPMENT

Estimated 1-2 years

The goal of this phase is to define your development concept. This involves creating a feasible strategy for land acquisition, design, financing, management and service delivery in the completed project. It is essential that sponsors complete a self-assessment of their own organizational and financial capacity for development, and that the Executive Staff and Board of Directors have agreed upon clearly articulated organizational housing goals.

PRE-DEVELOPMENT

Estimated 2-3 years

During pre-development the team works to "prove" the concept through ongoing due diligence and to secure financing, design and public approval strategy. Pre-development and closing activities are highly interdependent as the project moves toward closing.

CLOSING

Estimated 3-6 months

The lead up to closing is a 3-month period of intense negotiation and activity. Volumes of documents must be drafted and negotiated before closing can happen. Even with a consultant, you will need extra staff capacity during a closing. This is NOT a good task for your Executive Director as few EDs have the sufficient bandwidth to manage a closing alongside an already demanding schedule.

CONSTRUCTION PHASE

Estimated 18-24 months

One of the most important roles of the owner/developer is to oversee the construction period. Construction delays can be extremely costly and could jeopardize equity financing and developer fees if the project gets stuck. Delays tend to occur during site preparation and foundation construction, and at the end with securing the occupancy permits. Thorough sub-surface investigations and early planning with adjacent property owners can help mitigate risk of significant delays.

RENT UP/ CONVERSION

Estimated 6 months

The completed building must be occupied before a project can convert to permanent financing. Sponsors are responsible for rent up on both supportive and "community" units in accordance with special needs tenant eligibility and tax credit regulations. Your rent up and marketing plan must be carefully designed and strictly followed so as to avoid placing a tenant who is not eligible under one or another of the tenant eligibility requirements for service, operating or capital subsidies.

OPERATIONS

Estimated 15+ years

Most supportive housing projects will have long-term affordabilty and tenant eligibility requirements. For most NYS and NYC projects, sponsors must agree to at least 40 years as a term of the capital financing. The tax credit period lasts 15 years, at which time the investor parter will leave the deal. Sponsors should be clear about the exit strategy in "Year 15" and their rights and responsibilities at that time. It is common that a nonprofit partner will negotiate a "right of first refusal" to purchase the property in Year 15.

	OWNER	DEVELOPER	PROPERTY MANAGER	SERVICE PROVIDER
CONCEPT DEVELOPMENT	☐ Drive development process ☐ Maintain industry contacts ☐ Gather community input/support ☐ Coordinate staff and Board			☐ Advocate/raise awareness for supportive housing ☐ Maintain industry contacts
PRE-DEVELOPMENT	☐ Assemble development team ☐ Select Development Partner ☐ Site Control	☐ Preliminary financial modeling ☐ Zoning and preliminary design analysis ☐ Site selection analysis ☐ Feasibility analysis ☐ Secure acquisition financing ☐ Negotiate partnership agreement		☐ Community Support/ Outreach Plan ☐ Secure linkage agreements with local providers
CLOSING	☐ Oversee and coordinate pre-development and closing activities ☐ Survive the Closing	☐ Create financing strategy and identify lending partners ☐ Secure firm financing commitments ☐ Conduct environmental analysis ☐ Public approvals ☐ Construction bidding ☐ Negotiate GC Contract ☐ Design development		☐ Secure service and operating funds ☐ Create service delivery plan ☐ Develop service and operating budgets

	OWNER	DEVELOPER	PROPERTY MANAGER	SERVICE PROVIDER
CONSTRUCTION	☐ Oversee all aspects of construction management activities ☐ Manage coordination with project funders and investors ☐ Oversee construction schedule and activities ☐ Monitor changes to design and/or construction scope ☐ Ensure delivery on-time and on-budget completed project	☐ Coordinate all construction management activities ☐ Manage and negotiate scope and design changes ☐ Maintain construction schedule and resolve delays ☐ Attend regular site meetings and construction team calls ☐ Monitor requisitions, change orders and payments		
RENT UP/ CONVERSION	☐ Oversee/coordinate initial rent up and permanent loan conversion		☐ Initial Rent up for conversion ☐ Tenant selection ☐ Tax credit compliance reporting ☐ Rent collection, lease signing, tenant agreements	☐ Tenant eligibility screening and selection ☐ Coordinate with referral agency and property manager ☐ Prepare tenants for move-in
OPERATIONS	☐ Coordinate all aspects of building management and service delivery. ☐ Maintain long term physical and financial health of the asset ☐ Oversee long term management and compliance		☐ Compliance with all local, state, federal regulations ☐ Day to day management and oversight of physical plant ☐ Marketing, rent collection, lease up, rules enforcement ☐ Tenant eligibility screening	☐ Coordinate management with services ☐ Coordination of on-site service delivery ☐ Maintain service and operating contracts on supportive units

GLOSSARY

AREA MEDIAN INCOME (AMI): The median income of each Metropolitan Statistical Area (MSA) based on all wage-earners in the area. HUD issues a listing of AMIs each year to determine eligibility for both federally and locally funded affordable housing programs and depends on family size.

CLOSING: The occasion where the sale of real estate and/or the making of a loan is finalized. Sometimes called "settlement."

CONGREGATE SUPPORTIVE HOUSING: A housing program in which all living units are located in a single building or complex.

FAIR MARKET RENTS (FMR): Rental rates set by HUD, that represents the estimated monthly rent for an apartment. FMRs determine the eligibility of rental housing units for Section 8 and NY 15/15 rental programs.

HUD: The U.S. Department of Housing and Urban Development.

HUD CHRONIC HOMELESS: A "chronically homeless" individual is defined to mean a homeless individual with a disability who lives either in a place not meant for human habitation, a safe haven, or in an emergency shelter, or in an institutional care facility if the individual has been living in the facility for fewer than 90 days and had been living in a place not meant for human habitation, a safe haven, or in an emergency shelter immediately before entering the institutional care facility. The individual also must have been living as described above continuously for at least 12 months, or on at least four separate occasions in the last three years, where the combined occasions total a length of time of at least 12 months. Each period separating the occasions must include at least seven nights of living in a situation other than a place not meant for human habitation, a safe haven, or in an emergency shelter.

INTEGRATED SUPPORTIVE HOUSING: Housing program in which all units are located in a single building complex and are integrated with non-supportive units. A typical integrated congregate supportive housing project will have 50-60% supportive units with remaining units available for any low-income qualified individual in the community.

JOINT VENTURE: A partnership between two or more entities in the development, management, services provision of supportive affordable housing.

LEADERSHIP IN ENERGY & ENVIRONMENTAL DESIGN (LEED): A rating system devised by the United States Green Building Council (USGBC) to evaluate the environmental performance of a building and encourage market transformation towards sustainable design.

National Environmental Policy Act (NEPA): US Federal environmental law that promotes the enhancement of the environment and established the President's Council on Environmental Quality (CEQ). NEPA review is required on projects seeking federal funds.

LOW INCOME HOUSING TAX CREDIT: A congressionally created tax credit (Internal Revenue Code Section 42) available to investors in low-income housing designed to encourage investment that helps finance construction and rehabilitation of housing for low-income renters.

NIMBY: Not in my back yard: Neighborhood opposition to low income homes built near their own homes or businesses.

PHASE 1 ESA: An environmental site assessment report that identifies potential or existing environmental conditions and contamination liabilities. The analysis typically addresses both the underlying land as well as physical improvements to the property.

PHASE 2 ESA: An assessment of a site for potential contamination. Phase II is needed when the Phase I ESA results indicate a "recognized environmental condition" such as "the presence or likely presence of any hazardous substances or petroleum products in, on, or at a property that may require remediation.

PERMANENT HOUSING: The term "permanent" typically refers to affordable rental housing in which the tenants have the legal right to remain in the unit as long as they wish, as defined by the terms of a renewable lease agreement. Tenants enjoy all of the rights and responsibilities of typical rental housing, so long as they abide by the (reasonable) conditions of their lease.

PREVAILING WAGES: Mandatory wage rates and reporting requirements tied to HUD HOME and Section 8 subsidies. Prevailing wage requirements have the effect of significantly increasing construction costs for projects in New York City and States

SUBSIDY: In affordable housing, money put into a deal to lower the monthly debt service on an individual home or in a larger project. Low interest second mortgage loans are the most common source of subsidy. Tax credit investments can also act as a subsidy. Rent subsidies reduce rents paid by tenants and service subsidies pay for on-site services in supportive housing.

VERY LOW INCOME: A person or household whose gross household income does not exceed 50% of Area Median Income, adjusted for household size. This income category often includes preschool teachers, paramedics and retail clerks.

LIST OF ACRONYMS

AIRS	Affordable Independent Residence for Seniors
CEQR	City Environmental Quality Review
CHASP	Construction Health and Safety Plan
ESSHI	Empire State Supportive Housing Initiative
FMR	Fair Market Rent
HHAP	Homeless Housing Assistance Program
HUD	US Department of Housing Preservation and Development
LIHTC	Low Income Housing Tax Credits
MRT	Medicaid Redesign Team
NYC 15/15	New York City 15/15 Supportive Housing Initiative
NYC DHS	Department of Homeless Services
NYC DSS	Department of Social Services
NYC HDC	Housing Development Corporation
NYC HPD	Department of Housing Preservation and Development
NYC HRA	Human Resource Administration
NYS DOH	Department of Health
NYS DOHMH	Department of Health and Mental Hygiene
NYSERDA	New York State Energy Research and Development Authority
NYS HCR	Housing and Community Renewal
NYS HFA	Housing Finance Agency
NYS OASAS	Office of Alcohol and Substance Abuse
NYS OCFS	Office for Child and Family Services
NYS OMH	Office of Mental Health
NYS OPDV	Office for Prevention of Domestic Violence
NYS OPWDD	Office of People with Developmental Disabilities
NYS OTDA	Office of Temporary Disability Assistance
RAP	Remedial Action Plan
SEQR	State Environmental Quality Review
SHLP	Supportive Housing Loan Program
SPMI	Serious and Persistent Mental Illness
SUD	Substance Use Disorder
UFR	Unified Funding Round
ZQA	Zoning for Quality & Affordability

About CSH

CSH has been the national leader in supportive housing for over 25 years. We have worked in 47 states to help create stable, permanent homes for individuals and families. This housing has transformed the lives of over 200,000 people who once lived in abject poverty, on our streets or in institutions. A nonprofit Community Development Financial Institution (CDFI), CSH has earned a reputation as a highly effective, financially stable organization with strong partnerships across government, community organizations, foundations, and financial institutions. Our loans and grants totaling over $600 MM have been instrumental in developing supportive housing in every corner of the country. Through our resources and knowledge, CSH is advancing innovative solutions that use housing as a platform for services to improve lives, maximize public resources, build healthy communities and break the cycle of intergenerational poverty. Visit us at csh.org to learn more.

About Project Urbanista

Project Urbanista, LLC is an urban planning practice specializing in supportive and affordable housing development. Our clients are nonprofit organizations, service providers and public agencies working to integrate innovative housing opportunities into their communities. We guide clients through the complex development process to create affordable housing that meet the needs of homeless, disabled, low-income senior citizens and other vulnerable New Yorkers.

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