



Partnerships for Housing Preservation

August 10, 2023

Today's Agenda

- 3** PRESERVATION NEXT OVERVIEW
- 10** FIHPP BASICS
- 19** PARTNERSHIP STRUCTURES OVERVIEW
- 24** CASE STUDIES
- ~5 MIN BREAK~
- 38** PARTNERSHIPS TOOLKIT
- 43** Q&A + FINAL REFLECTIONS

A Special Thank You to the Funders of Preservation Next

Mackenzie Scott



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PRESERVATION NEXT

Preservation Next Overview

Preserving Affordability in Small to Medium Multifamily Properties and Protecting Residents from Displacement

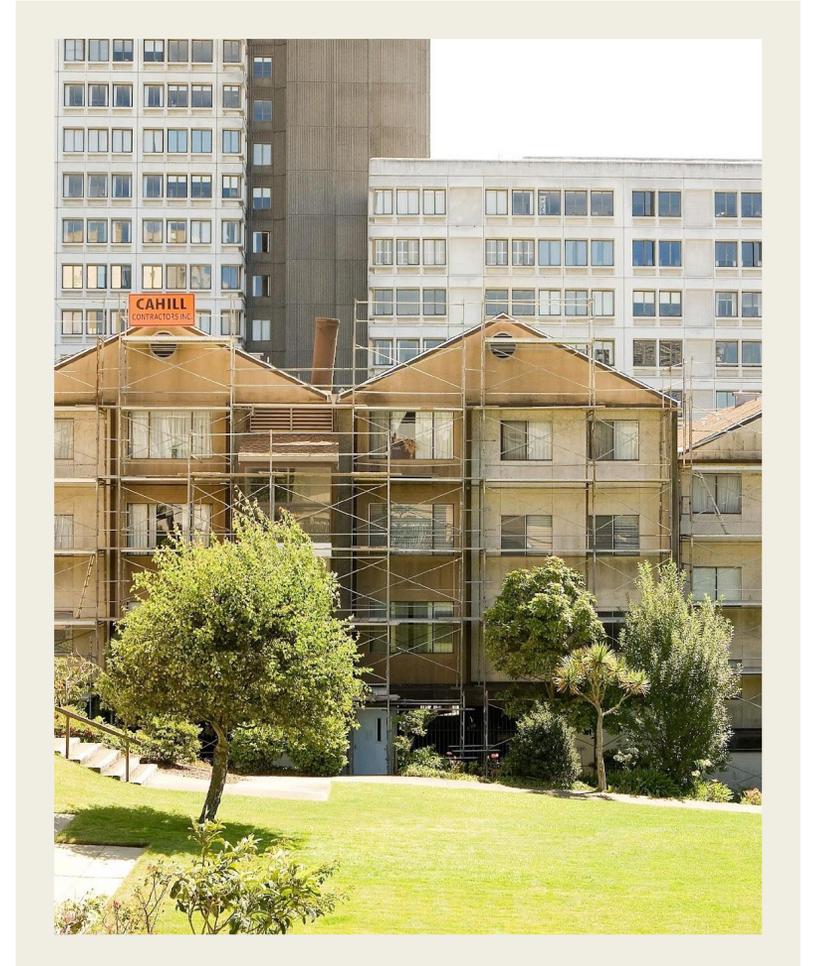
Solutions at the intersection of renter and owner stability to promote an eviction prevention-first approach

Through **Preservation Next**, Enterprise is committed to preserving affordable small to medium multifamily homes and ensuring that residents have access to safe, healthy, and resilient places to live.

To truly preserve these homes and protect affordability for residents now and into the future, we must:

- Protect existing affordability where it currently exists.
- Provide housing stability and prevent displacement of existing residents and families.
- Invest in healthy, sustainable, and resilient homes.
- Foster responsible stewardship by mission-aligned owners.

Small and medium sized properties provide a crucial foundation for affordable housing in this country: **80 percent of homes in these buildings are available to people who earn less than 80 percent of the area median income**



Meet Our Preservation Next Team

National Staff



Sara Haas

ENTERPRISE, SENIOR DIRECTOR, SOUTHEAST

At Enterprise, Sara leads affordable housing preservation programming in Miami and Atlanta, the Keep Safe Florida Resilience program, and the National Preservation Next program. Prior to joining Enterprise, Sara developed and managed national AmeriCorps VISTA programs at Habitat for Humanity International and Points of Light. Sara lives in Atlanta with her husband Stew, son Eli and dog Dolly Parton.



Meaghan Vlkovic

ENTERPRISE, VP AND MARKET LEADER, SOUTHEAST

Meaghan leads Enterprise's programmatic work in the Southeast region, focused on providing an array of resources to affordable housing and community development partners. This includes capacity building assistance for proactive preservation and production of housing, and helping communities plan for future development, such as transit-oriented development opportunities.



Jessie Wang

**ENTERPRISE, PRESERVATION FELLOW,
PRESERVATION NEXT**

At Enterprise, Jessie supports program development and delivery for the National Preservation Next program. Prior to joining Enterprise, Jessie conducted applied research and technical assistance to assist a variety of community-based organizations and affordable housing advocates in Chicago, where she resides.

PRESERVATION NEXT

Meet Our Preservation Next Team

Northern and Southern California Market and National Staff



Ruby Harris

SENIOR DIRECTOR OF CAPITAL SOLUTIONS AND PARTNERSHIPS, SOUTHERN CA

At Enterprise, Ruby is a thought partner with CBOs and tasked with creating new capital pathways to increase affordable housing. Ruby joins Enterprise with 22 years of experience in the community development field. Her experience ranges from nonprofit management, program and product design, public policy, and lending to grant-making. Notably, Ruby launched the Small Sites Program for the City and County of San Francisco, a \$100M endeavor to preserve NOAH properties.



Elizabeth Richards

SENIOR PROGRAM DIRECTOR, SOUTHERN CA

Elizabeth Richards is Senior Program Director for Enterprise Community Partners in Southern California, managing the Local Rental Owners Collaborative initiative in partnership with the Chan Zuckerberg Initiative. Elizabeth's twenty-year career in affordable housing began in Chicago with a focus on supportive housing, policy, and finance. She's been with Enterprise for ten+ years and has worked nationally across Enterprise markets.



Geeta Rao

SENIOR DIRECTOR, NORTHERN CA

At Enterprise, Geeta oversees the Northern CA office's programmatic work and operations. She brings 20 years of experience in affordable housing and community development: program design and implementation, policy development, technical assistance, and legislative advocacy. Geeta serves on the leadership team of Bay Area Housing for All (BAHA), an effort to place a \$10-20 billion housing measure on the 2024 ballot for the San Francisco Bay Area, and led Enterprise's co-sponsorship efforts of AB 1487, which created the Bay Area Housing Finance Authority (BAHFA).



James Yelen

SENIOR PROGRAM DIRECTOR, UPWARD MOBILITY

James is a Senior Program Director on Enterprise's national Upward Mobility team. He focuses on the role that community wealth building and inclusive capital strategies can play in advancing economic opportunity, resident power-building, and a sense of belonging for the variety of communities Enterprise works with.

FIHPP Webinar Series

August 10 | Partnerships for Housing Preservation

**September 14, 2023 | Developing a Financial
Stability and Business Plan**

October 2023 | Asset Management Strategies

Who's in the room?

- What kind of organization are you representing?
- What is your experience with development partnerships?
- What geography are you representing?

Today's Presenters

- **Debbie Chen** - Director of Real Estate Development, Little Tokyo Service Center
- **Faizah Barlas** - Director of Finance & Ops, Beverly Vermont Community Land Trust
- **Francis McIlveen** - Land + Liberty Consulting
- **Cassidy Bennett** - Staff Attorney, Legal Aid Foundation of Los Angeles
- **Lydia Lopez** - Co-Director for Organizing and Partnerships, California Community Land Trust Network
- **Leo Goldberg** - Co-Director for Policy and Capacity Building, California Community Land Trust Network

Preparing for **FIHPP**

The Foreclosure Intervention Housing Preservation Program

The Backstory

SB 1079	Advocating for Funding	FIHPP Signed into Law in July 2021
<p>SB 1079 (2020) creates opportunity for tenants and nonprofits to compete at foreclosure auction.</p>	<p>CA Community Land Trust Network and partners champion the creation of a funding stream to support the acquisition of market rate buildings in or at risk of foreclosure.</p>	<p>\$485 for the acquisition of rehab of 1-25 unit buildings at risk of foreclosure</p> <ul style="list-style-type: none">● Loans and Grants with long-term affordability requirements● Flexible funding supports conversion to homeownership● Administered by team of nonprofit lenders

FIHPP-Eligible Properties

1-25 unit buildings...

→ In foreclosure

→ At-risk of foreclosure

- There is a mortgage delinquency of at least 90 days.
- There is a delinquency on two or more property tax payments.
- The owner of the property is a debtor in a bankruptcy proceeding.
- There is tenant-initiated litigation against the owner of the property on the basis of lack of habitability.
- The property has outstanding citations from a local government body for habitability problems.
- A local government body has identified the property as at risk of foreclosure.

168 Sickles in San Francisco, a 12-unit complex acquired and renovated in 2021 through a JV between SFHDC and MEDA



Using FIHPP Funds

- Pre-Acquisition Transaction Costs (e.g. due diligence reports, earnest money deposits)
- Pre-Acquisition Project Management Fee (staff and overhead expenses for identifying a FIHPP-eligible project for acquisition, developing the project budget, submitting the application for FIHPP funding, etc.)
- Direct acquisition and rehabilitation costs
- Acquisition-related transaction costs, including Interim Project Management Fee (planning and overseeing rehabilitation, etc)
- Reserves

FIHPP Sponsor Eligibility

FIHPP Sponsors will need to qualify by demonstrating experience with the various activities they propose (e.g. acquisition, rehabilitation, managing rental units, managing homeownership units, co-op conversion).

Experience threshold:

- “Must have successfully acquired and rehabilitated at least two (2) properties in the last 10 years”
- Exceptions: “If there are insufficient qualifying applications in a given IFM’s geographic service area after a three-month” ... somewhat broader affordable housing experience requirement



Before and after: Stuart St. Apartments in Berkeley, a partnership between Bay Area CLT and McGee Ave Baptist Church

FIHPP Eligibility continued

Capacity Requirements:

- Project Management Experience
- Property Management Experience
- Construction Management Experience
- Experience – Homeownership
Units/Conversions to Cooperative
Ownership
- Financial Stability Plan

Commitment to Racial Equity:

- Sponsor Profile
- Analysis of racial disparities in target area
- Description of actions to address racial disparities
- A forward-looking plan

FIHPP “Joint Eligible Sponsor” Requirement

“If an entity does not fully meet the relevant experience and capacity requirements to become an Eligible Sponsor, that entity may jointly apply to become an Eligible Sponsor with another entity that does fully meet those requirements.”

- Junior partner will be FIHPP Payee
- Contract term of at least 10 years
- “Equitable” division of project management fees between partners
- One time “Partnership Incentive Fee” available for senior partner

FIHPP “Joint Eligible Sponsor” Requirement continued

Partnership Incentive Fee:

“FIHPP funds may be used to provide the more experienced and/or resourced entity with a one-time Partnership Incentive Fee per Eligible Sponsor partnership. The Partnership Incentive Fee is payable from the first award of FIHPP funds to the joint Eligible Sponsor entities. The Partnership Incentive Fee is not available to joint Eligible Sponsor entities that are affiliated.”



Sugar Pine Village rises in South Lake Tahoe - a partnership between Saint Joseph Community Land Trust and Related California

FIHPP Implementation Timeline

	Description
2022 - July, 2023	Development and of draft and final guidelines; RFP process for fund manager
July, 2023	Fund Manager Selected – LISC – and they begin program development
2024	Program launch
2024	Launch of technical assistance to support for sponsors

Preparing for Preservation Partnerships

Not Legal Advice

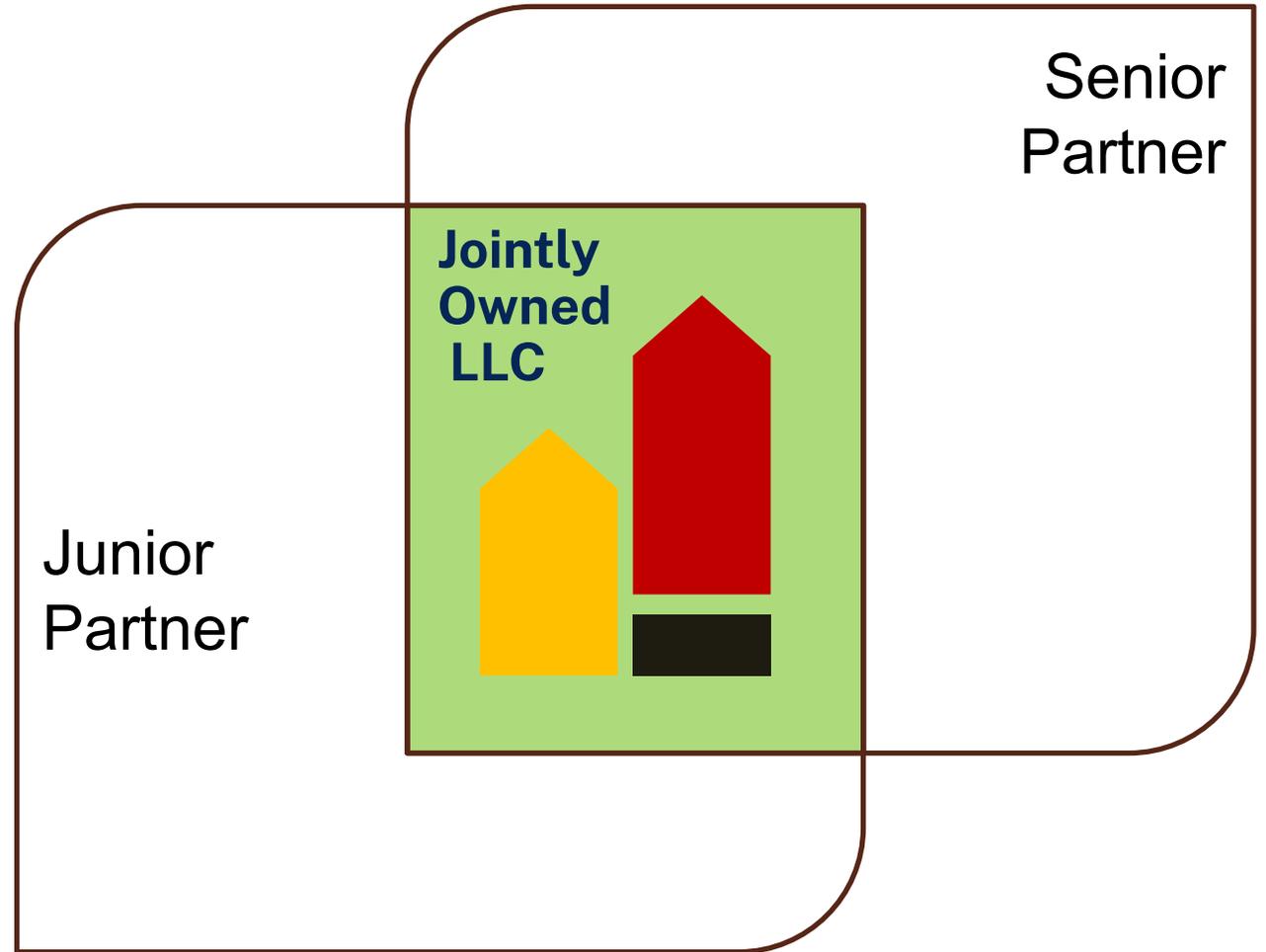
Partnerships for Housing Preservation Toolkit



Partnerships Overview

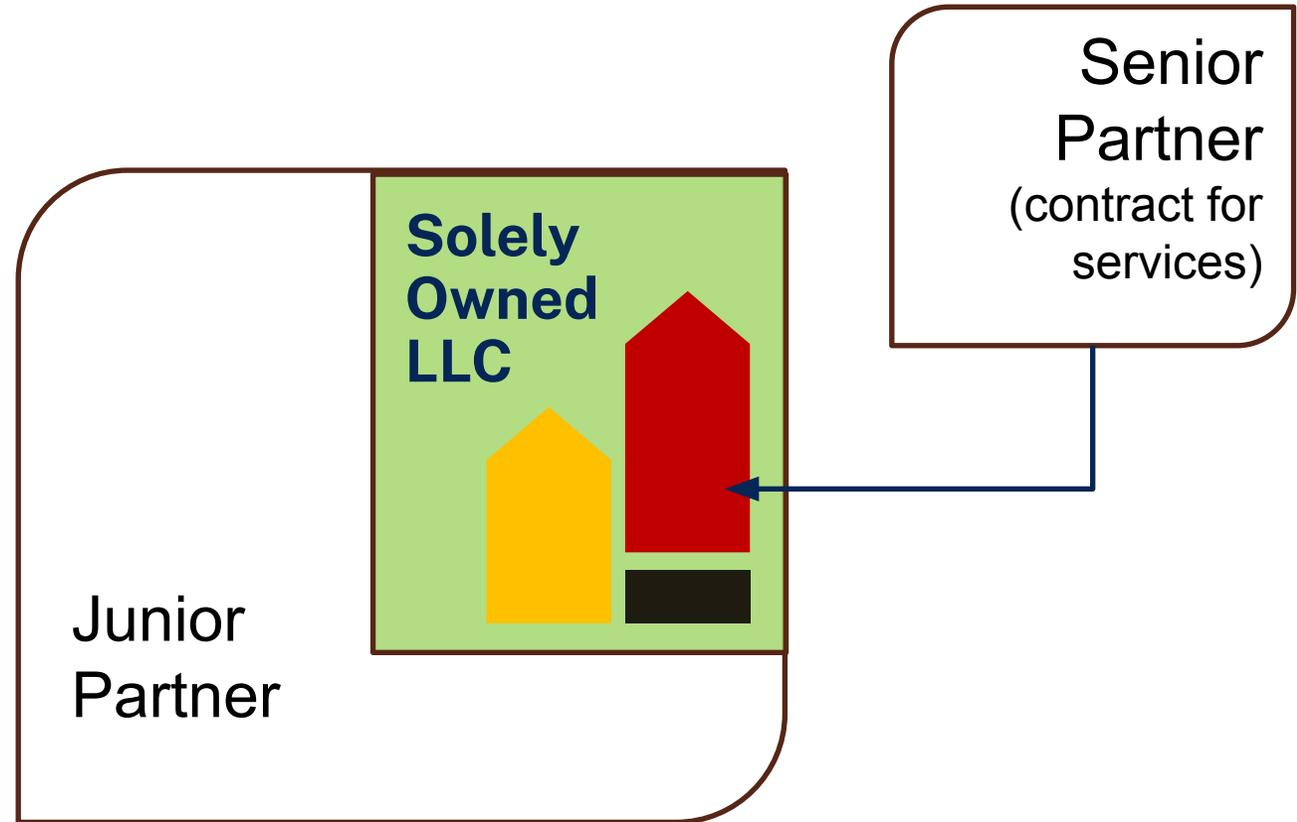
Ownership Structures for Preservation JVs

- Junior & Senior Partners own a share of the LLC.
- The LLC owns the project.
- Both Partners' liability limited to their ownership share/investment in LLC.



Ownership Structures for Preservation JVs

- Junior Partner's solely owned subsidiary LLC owns the project.
- Contracts with 'Senior Partner' to provide development services (e.g. through a Development Services Agreement).

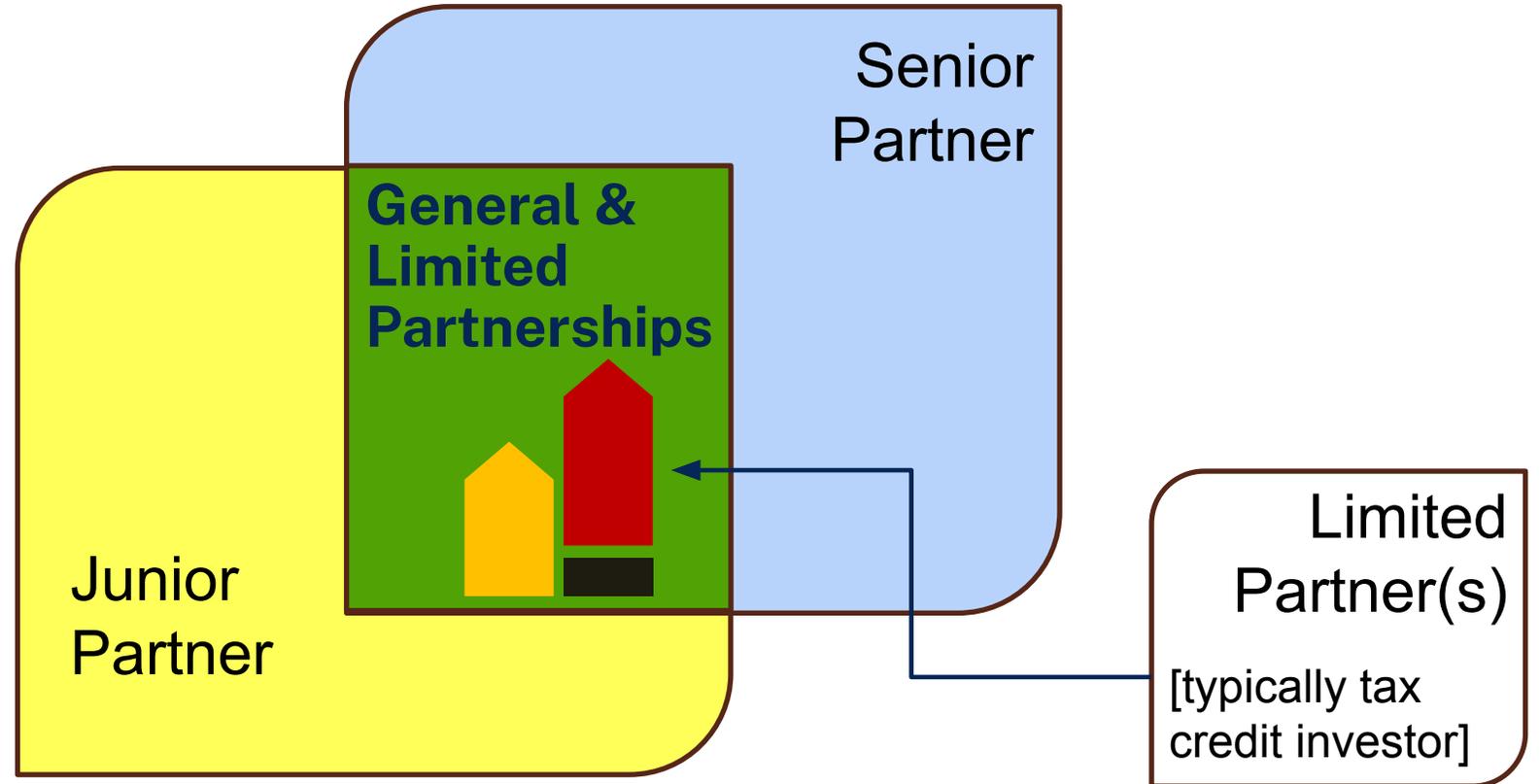


Ownership Structures for Preservation JVs

- Junior & Senior partners are often both Co-general partners, and both Partner organizations have general liability.
- Most common in LIHTC projects

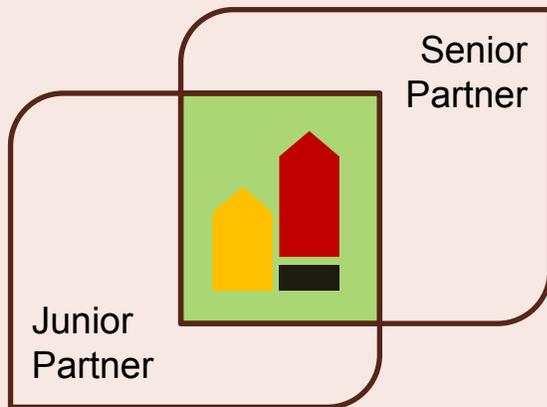
Common share of ownership:

Limited Partner	99.99%
Managing General Partner	0.0051%
Co-General Partner	0.0049%

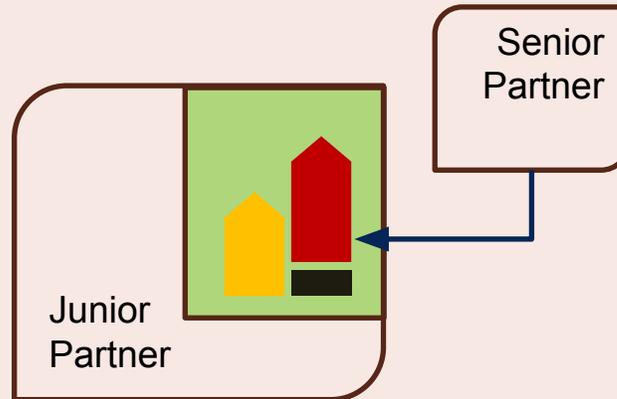


Ownership Structures for Preservation JVs

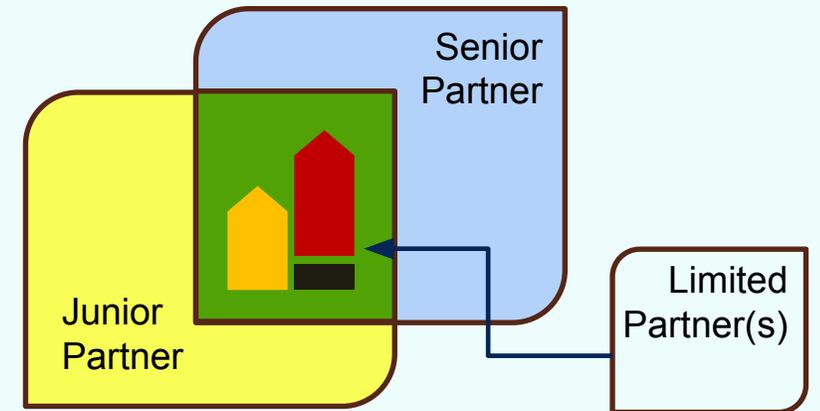
Joint Owned LLCs



Solely Owned LLC with DSA



General & Limited Partnerships



Most common in non-LIHTC preservation projects

Most common in LIHTC projects

Case Studies



Little Tokyo
Service Center

Partnerships for Housing Preservation

Debbie Chen, Director of Real Estate



- 1 Overview of LTSC Real Estate Development**
- 2 Approach to Community Partnerships**
- 3 Defining Roles & Responsibilities**
- 4 Case Study: Fideicomiso Comunitario Tierra Libre (FCTL)**
- 5 Recommendations**



Overview of Little Tokyo Service Center

Evolution from Junior Partner to Senior Partner
Preservation of the San Pedro Firm Building



Little Tokyo
Service Center

Growing Need for Preservation

LTSC Real Estate Development Department
Portfolio: 1022 Units 275 Preservation/Rehab Units 22 Community Partnerships



Little Tokyo
Service Center

Approach to Joint Ventures & Community Partnerships



Mission Alignment

Uplift other low-income communities of color



Development of Community Assets

Help develop housing and create and preserve community assets



Community Control & Self-Determination

Goal of community control and self determination

Preservation Process: Roles & Responsibilities





Case Study: Partnership with Fideicomiso Comunitario Tierra Libre

PROJECT INFO AND PROGRESS TO DATE



LOCATION: Unincorporated East LA

DATE BUILT: 1930

UNITS: 11 (across 2 buildings)

TDC: \$2,990,250

ACQUIRED: May 2021

PREDEVELOPMENT: July 2021- Jan 2023

REHABILITATION START: Late March 2023

REHABILITATION COMPLETE: Early 2024

Partnership Structure

Project Phase	FCTL	LTSC
Site Identification	Identify Potential sites	Feasibility Analysis
Predevelopment I	Secure County funding; Engage with residents and community	Engage in negotiations with Owner; Due Diligence
Acquisition	Communications with County & residents	Escrow Closing, Construction Contract
Predevelopment II/Rehab	Relocation support	Design, Permitting, Construction
Resident Outreach & Support	Monthly tenant meetings	Regular construction updates
Long-Term Operations	Conversion from rental model to ownership model	Interim Property/Asset Management

Key Items to Discuss in Partnerships



- Capital Contribution
- Political & Community Capital
- Division of Labor
- Capacity Building/Technical Assistance
- Risk – Guaranties and worst case scenarios
- Developer Fee splits
- Ownership interest

Recommendations



- Communicate often and build relationships early
- Look for mission alignment and other points of intersection
- Know your priorities
- Know your limits
- Know your assets

Beverly-Vermont CLT/ Brilliant Corners Partnership

Why did you structure the partnership like you did?

How did the collaboration function?

Learnings from the partnership: what you'd do the same; what you'd do differently?

Things to look for in a development partner?

4-unit building in Koreatown

Señoras for Housing Kenmore



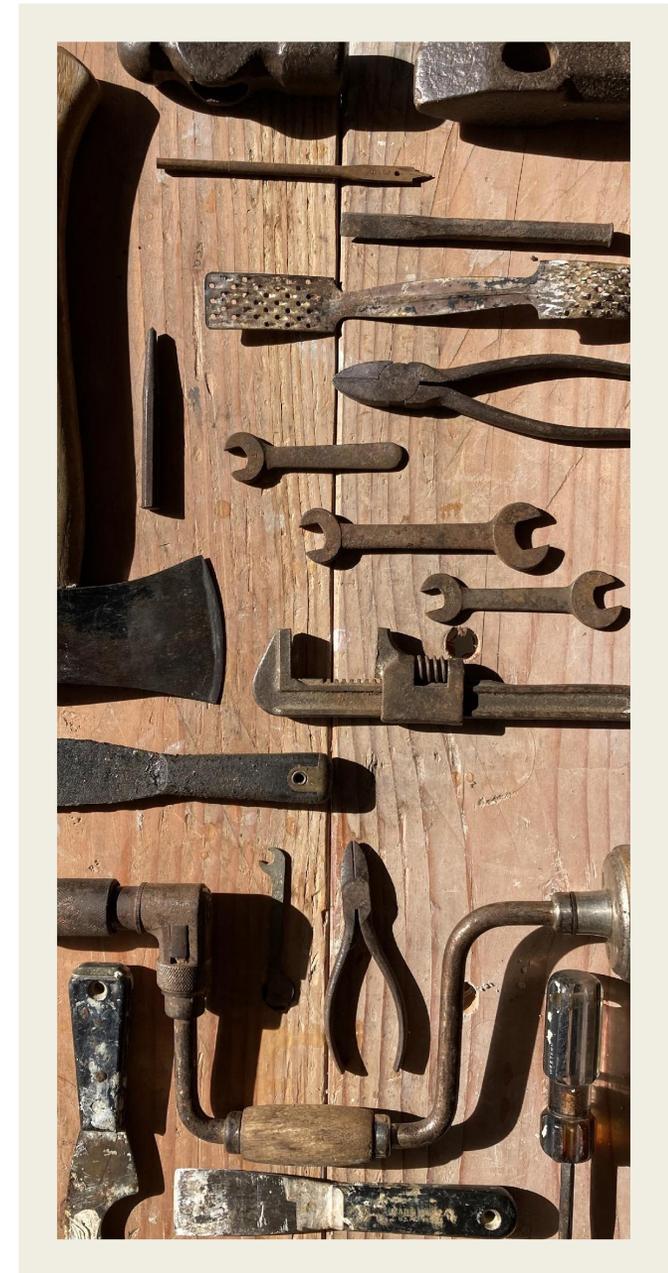
5-unit building in North Hollywood

Seller looking for buyer who would preserve current tenants

Partnership Structures and Using the Toolkit

Toolkit - Overview

- 13 interviews (CLTs, CDCs, LA acq/rehab folks)
- Research - various reports, papers and tools from JVs
- Best practices
- Case studies
- Lessons learned (successful v.s failed)



Partnerships for Housing Preservation Toolkit



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How to use Sample Documents

Sample legal partnership agreements

- Discussions to have with your partner
- Legal Counsel
- MOU Sample One: Joint LLC Ownership
- MOU Sample Two: Sole LLC Ownership
 - LLC Operating Agreement
 - MOU Sample Two Addendum

Resources & Tools

Sample Legal Documents

The included sample legal documents are meant for informational purposes only. They have been anonymized so that the original parties are removed, but they are not meant for filling in the blanks. As discussed in the short blurbs below, the partners involved in these agreements chose them for their specific situations, relationships, funding, locations, responsibilities, experiences, and a variety of other considerations. Consultation with an attorney and the involved parties should be undertaken before signing any partnership agreements.

MOU Sample Model #1: Joint Ownership Structure

This MOU is a sample agreement between a CLT and a CDC, where the CLT was the junior partner and the CDC was the senior partner. LLCs would be created for each project and jointly owned and operated. During projects, the CDC would be the managing partner, but at completion of construction, the CDC would exit and allow the CLT or tenant organization to take over completely. The CLT and CDC staff worked collaboratively to create a chart accounting for the breakdown of responsibilities, including those that would be affected by certain phases or funding.

MOU Sample Model #2: Junior Partner as Sole Owner

This MOU is a sample agreement between a CLT and a CDC, where the CLT was the junior partner and the CDC was the senior partner. The CDC was working with the CLT here on an advisory basis. The CLT was to create an LLC for each property and then add the CDC as a partner, but only for the duration of the construction of the project. The MOU also accounted for a conversion to cooperative ownership if the tenants choose that.

MOU Sample Model #2 Addendum

This was an addendum to the original MOU to add an additional property/project address to the understanding of the first MOU.

LLC Operating Agreement Sample

This document is the agreement that the CLT in Sample #2 used to form the LLC for their initial project.

Sample Joint Venture Activities and Legal Documents

Sample Joint Venture Activities and Legal Documents have some examples and an overview of legal documents (particular types needed at particular junctures in a large JV with a public entity as the land owner).

MOU Sample #1

Joint Ownership Structure

Responsibility	[JUNIOR PARTNER]	[SENIOR PARTNER]
Identify Project sites (size, location, alignment with mission)	Primary	Approval
Analyze Project feasibility and determine eligibility based on funding source requirements	Primary	Review
Submit initial offer on Properties and enter into escrow	Approval	Primary
Due diligence of site and Property	Approval	Primary
Resident outreach, engagement, and training (if applicable)	Primary	Review
Apply for/secure financing	Joint	Joint
Identify and contract any professional services needed for development of Projects (costs to be borne by the Project)	Review	Primary
Acquisition closing/close of escrow	Approval	Primary
Predevelopment		
-Secure entitlements/approvals (including any maps, if applicable)		
-Obtain final tract map/lot split (if applicable)		
-Secure building and other permits	Review	Primary
Prepare/revise proforma	Review	Primary
Relocation (if applicable)		
-[SENIOR PARTNER] to ensure compliance with relocation law		
-[JUNIOR PARTNER] to conduct resident outreach and coordinate logistics of relocation placement	Joint	Joint
Construction/rehabilitation:		
-Develop scope of work		
-Select general contractor		
-Negotiate and sign contract	Approval	Primary
Oversee construction period		
-Manage change orders or scope change		
-Obtain certificate(s) of occupancy	Approval	Primary
Manage conversion to permanent financing (if applicable)	Approval	Primary
Applying for the welfare exemption (if applicable)	Primary	Review
Property management		
-Lease-up		
-Rent collection		
-Property maintenance		
Upon project completion, [JUNIOR PARTNER] or a third party designated jointly by both parties will assume Primary responsibility, and [SENIOR PARTNER] will no longer have any responsibility or role	Approval	Primary

Memorandum of Understanding

By and Between

[JUNIOR PARTNER]

And

[SENIOR PARTNER]

This Memorandum of Understanding ("MOU"), entered into as of [MONTH] [DAY], [YEAR], sets forth the basic understanding of [JUNIOR PARTNER], a California nonprofit public benefit corporation ("JP"), and [SENIOR PARTNER], a California nonprofit public benefit corporation ("SP") (together with [JUNIOR PARTNER], the "Parties," or individually, the "Party"), in connection with proposed affordable housing projects (the "Projects") for tenant populations that may include, but not be limited to, low-income families and other individuals at properties to be identified (the "Properties").

Recitals

Whereas, [SENIOR PARTNER] is a California nonprofit public benefit corporation who [DESCRIPTION OF ACTIVITIES] in [GEOGRAPHIC AREA] for the purpose of [ORGANIZATION'S MISSION STATEMENT];

Whereas, [JUNIOR PARTNER] is a California nonprofit public benefit corporation who [DESCRIPTION OF ACTIVITIES] in [GEOGRAPHIC AREA] for the purpose of [ORGANIZATION'S MISSION STATEMENT];

Whereas, the Parties hereto wish to explore the feasibility of a joint collaboration to develop the Properties in a manner that will be mutually beneficial to both Parties both financially but also in a way that is accretive to each organizations' business models with the goal of creating housing opportunities that prioritize affordability for households at or below [XX%] AMI where feasible;;

Whereas, in advance of executing a more complete partnership agreement or other instruments, this MOU is intended to set forth the current working relationship of the Parties with respect to the intended Projects as well as to outline some of the basic terms and conditions that will be included in future agreements including those described below;

Your Reflections (then Q&A)

**For the
Toolkit,
these slides
and more:**

<https://www.enterprisecommunity.org/resources/preservation-next-foreclosure-intervention-housing-preservation-program-fihpp-webinars>