

# Preservation of Permanent Supportive Housing

**Project Structuring:** Predevelopment Process, Development Financing, Regulatory Considerations

# Identifying Need

- Certain developments stand out as having both physical and financial needs
  - Physical
    - Consistent major repairs needed
      - Physical structure, systems, etc..
    - Consistent resident complaints
    - Old appliances
    - Non-conformance with current code and ADA
    - Lack of any common area and other amenities
  - Financial
    - Lack of Rent Subsidy
    - Subsidy payment amounts not keeping pace with cost of operations
    - Constant major repairs drain on budget and reserves
    - Consistent years in the red

# Project Planning – Impact on Tenants

- Consider impact on residents
- Confirm all applicable relocation laws, other regulations associated to rehab
- Start talking to residents early, community meetings, individual conversations
  - Must assess needs of all residents early on to help inform project planning, staffing levels, construction phasing, and relocation plan

# Project Planning – Resident Services and Property Management

- Regular meetings with resident services and property management early on
- Develop communication plan
- Development procedures and protocols for as many scenarios as you can think of

# Project Planning – Existing Regulatory Requirements

- Current affordability covenants
  - HCID LA
  - CRA
  - CA HCD
  - Others
- Other layers of regulation
  - Special restrictions based on location?
- Any replacement housing requirements?
  - Are you planning to reduce any units to create more services space, common areas, elevator, other ADA requirements?

# Project Planning – Determine Scope of Work

- Determining scope of work
  - Needed Repairs – What do we have to do?
  - Funder Requirements – What are we required to do?
  - Alterations / Improvements – What do we want to do?

# Project Planning – Determine Scope of Work

- Needed Repairs – What do we have to do?
  - PNA
    - Helpful, required, use in conjunction with other inspection methods
    - Architects and other consultants can perform
  - Work with prop. Mgmt. staff, resident services staff
  - Talk to residents
    - Community meetings, individual conversations
  - Spend time at buildings
  - Try to bring contractor on early to help
    - GC and subcontractor inspections
    - Destructive testing and inspections

# Project Planning – Determine Scope of Work - Continued

- Funder Requirements
  - ADA
    - Obtain CASP report
    - TCAC minimum %'s for accessible units
      - Do you need to make any wavier requests because something is completely infeasible?
    - Must research this very early, there could be significant costs to comply
  - Energy efficiency targets
  - Other requirements based on funding sources



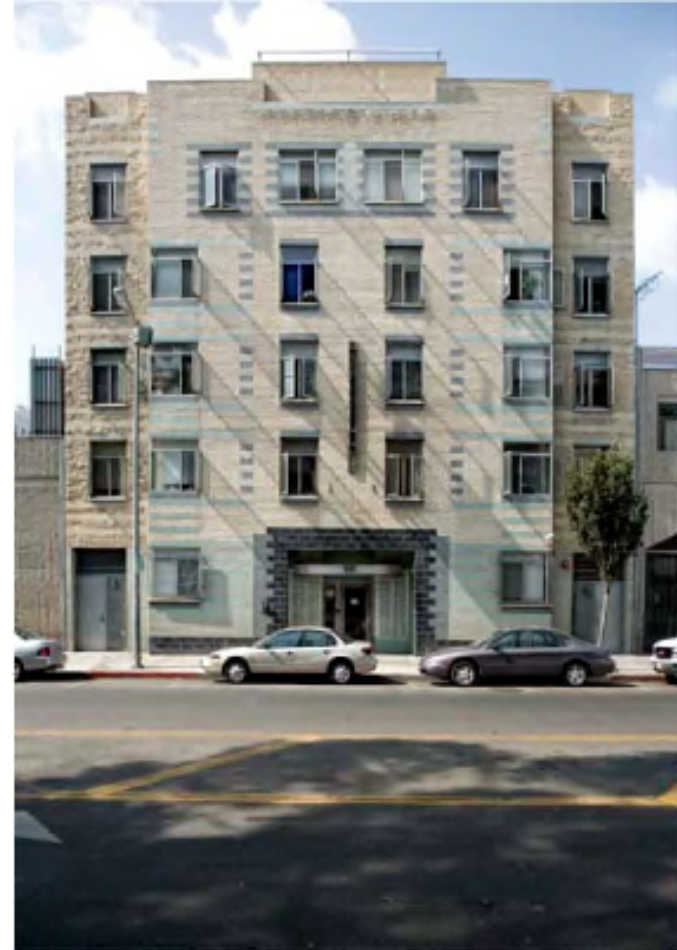
# Project Planning – Determine Scope of Work - Continued

- Alterations / Improvements
  - Talk to tenants
  - Talk to management staff, services staff
  - Determine priorities and try to find correct balance as budget is developed
    - Need to start considering what is feasible within budget and project schedule, this includes what can be accomplished with tenant in place or temporary relocation model

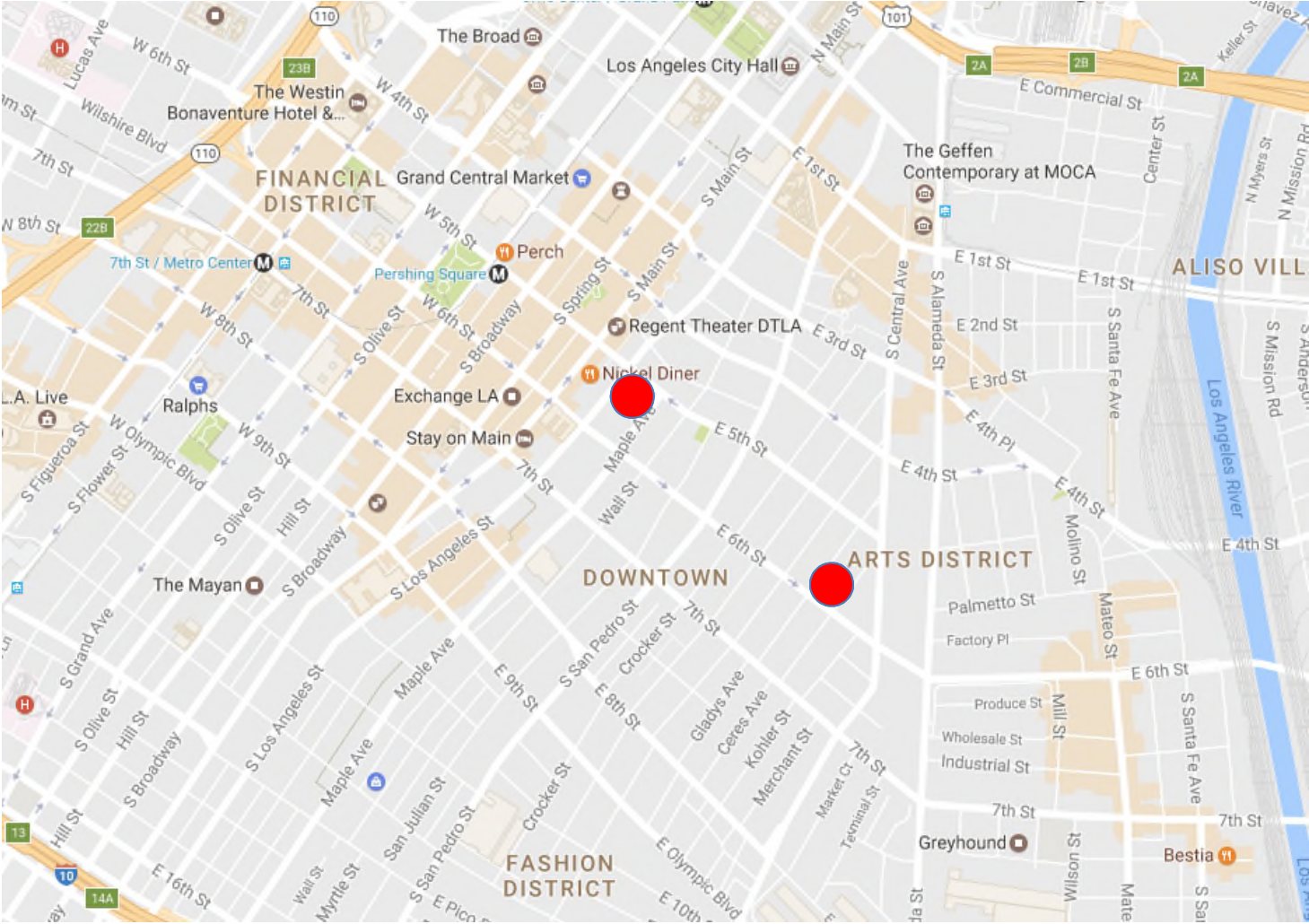
# Project Planning – Budget

- Scope informs budget, but budget also informs scope
  - Need to strike right balance within limits of available funding for rehab / preservation

# Project Financing – Case Study: Skid Row Central 1



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# Case Study: Capital Financing

- Recast Debt
  - HCID: \$2.7m principal and accrued interest
  - CRA: \$3.8m principal
- New Soft Debt
  - VHHP: \$3.1m (22 units)
  - AHP: \$2m
- State/4% Credits
- Seller Note: \$2m

# Case Study: Rental Subsidy

- Before
  - Weldon: 32 Shelter Plus Care, 24 unsubsidized
  - Rossmore: 58 Section 8 Mod Rehab
  
- After
  - Weldon: 32 SPC, 10 DHS, 12 unsub
  - Rossmore: 57 Project Based Vouchers (RAD Conversion)

# Case Study: Occupied Rehab

- Relocation – in place vs. temporary vs. perm
- Tenant Habitability Plans
  - 29 day cap
  - Tight site!
- Rental subsidy inspections

# Case Study: Special Considerations

- SRO Regulations
  - CRA: Wiggins Settlement (geography)
  - HCID: Residential Hotel Ordinance
  - CRA Loan: Replacement Housing Plan (RDA)



# Project Planning – Pre-Construction

- Resident Engagement
  - Increase contact with residents
    - Have regular community meetings
    - Introduce renovation staff
      - Relocation coordinator (very important position)
      - Contractor staff
      - Provide contact information for problems during renovation
    - Understand special needs that individual residents may have
      - Disabilities
      - Lots of stuff in unit
      - Severe damage to unit
      - Issues with timing of construction phasing
      - Other (there can be many, this requires dedicated staff person to manage, the relocation coordinator)
    - Prepare and communicate construction phasing plan and building safety plan
    - Keep residents informed
    - Keep funder partners informed

# Project Planning – Pre-Construction Continued

- Closing
  - Financial closing similar to new construction TCAC deals
  - Start working with financial partners as soon as possible
    - Especially existing funders, can be complex to restructure existing financing to work with re-syndication process
      - Important Consideration – Like new financing, restructuring existing local financing likely requires city council approvals, including committee approvals, plan timeline accordingly.
        - » Same for replacement housing plan if applicable

# Project Planning – Pre-Construction Continued

- Rehab plans
  - Refine scope
    - Work with architect, construction manager, general contractor (recommend bringing on early if possible)
    - Update cost estimates
    - More targeted destructive testing if possible
    - Start refining finish selections, other materials
    - Confirm permitting needed and permitting timeline
      - Our experience is that permitting can be about the same as new construction depending on scope