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 waiver 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