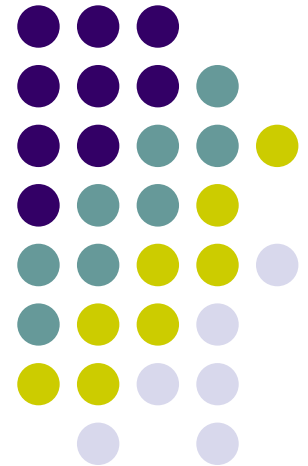




Developing Permanent Supportive Rental Housing

TRANSCRIPT

Part One of a Two-Part Introduction to Working
with Florida Housing Finance Corporation
2021





Welcome to Florida Housing Finance Corporation's two-part general orientation on the affordable rental development process, focused particularly on developing permanent supportive housing.

My name is Nancy Muller. I'm going to be taking you through this training. This is Part 1 of the 2-part training, focused on what supportive housing is and the broad outlines of what the development process entails. This presentation will last about an hour. You can stop and start the presentation as needed.

If you find this presentation helpful, you might decide to listen to Part 2 of this training – what to expect in working with Florida Housing through the application process and what happens once you get a funding award. If your organization is wondering whether to get into the housing development arena to serve your consumers, this webinar is intended to help you think about this.

I'll talk about different types of rental housing, working with the community in bringing supportive services to the table, and guidelines for providing access to services.

We'll also go over the steps in the development process, with particular attention to the predevelopment phase – that is, all the planning done before you ever seek funding to build – because this groundwork makes the difference in developing a successful project. I'll also briefly talk about the application, development, lease-up and property management phases.

Finally, we'll end with some useful questions for you to use in thinking about whether housing development is the right line of business for your organization.

What Does Florida Housing Do?

- Public corporation of the State of Florida – the state's key financial lender for affordable housing.
- Both homeownership & rental programs.
- Working with local governments, private developers, nonprofits, and private lenders.



Before we continue, I'll briefly describe what Florida Housing does:

We are a public corporation of the State of Florida – We're the state's financial lender around affordable housing;

Think of us like a public interest bank -- we administer the bulk of the state's affordable housing programs;

We have both homeownership & rental programs. On the rental side, we finance the construction of housing that is built by nonprofit and for profit developers in the private sector; on the homeownership side, we work through private lenders to provide low interest mortgages and down payment assistance to homebuyers;

We also administer the State Housing Initiatives Partnership, or SHIP, a program providing funding to local governments to implement local housing programs;

We have a 9-member board of directors appointed by the Governor, and a staff of ~135.



Here's an older 42-unit property in Duval County originally built in 1956 that was rehabilitated with Florida Housing funding in 2011.

It's a Homeless property, with a minimum of 50% of the units required to serve individuals or families experiencing homelessness. The nonprofit organization that received funding for this rehabilitation, Ability Housing, owns the property and can choose to target more than 50% of the units for people experiencing homelessness, but it's up to the property owner whether it wants to set aside a higher proportion of units for these residents than Florida Housing's minimum requirement.



Here's a newer permanent supportive housing property completed in 2015 by Blue Sky Communities in partnership with nonprofit Boley Centers. A portion of units at this property are provided for veterans with special needs, and the focus here is vets who are or had been getting services at the local VA hospital.

Blue Sky is a for profit developer that often partners with non-profits to focus on a particular special needs population.

Objective of this Training

To provide information and guidance
to assist you and your organization to think
about getting into the development and
operations of permanent rental housing or
supportive housing for persons who are
experiencing homelessness and/or have special
needs



This webinar is meant to be an orientation for those of you wondering if you should get into the housing arena to serve your consumers, or other agencies' consumers. Developing affordable rental housing is a big step, and we hope this overview will help you understand the issues you must consider, from developing a project concept and determining feasibility, to application for funding, to construction, lease-up, coordinating supportive services and managing a sustainable housing development over many years.

This will give you a taste of what your organization must consider along the way. Once you complete this training, we'll provide contact information in case you are interested in next steps, including more detailed training to get you going.

Additional Training Available in Part Two

- Go to FHFC's related webinar: [Working with Florida Housing](#)
- From predevelopment preparation to application through the RFA process
- What happens if you are selected for funding, including credit underwriting and asset management



As I said earlier, Part 2 of this training is more focused on working with Florida Housing Finance Corporation if you want to apply to us for funding.

This sister webinar takes you from the pre-application process through application and – if you get selected for funding – into credit underwriting, construction and then property operations. We hope you will check this out if you don't know much about working with Florida Housing.

What do we mean by
Permanent Rental Housing?

- Affordable rental housing leased for continued occupancy for as long as the tenant complies with lease requirements.
- The lease shall be for a minimum term of seven (7) months and have no limits on length of tenancy. Typical leases are 1 year long.
- Looks like any other rental housing.

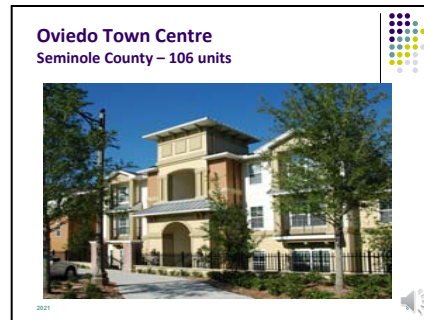


Let's talk about a couple types of rental housing that Florida Housing finances: "Permanent Rental Housing," or "Affordable Rental Housing" is one type.

Most of the funding that Florida Housing has available is used to build multifamily rental units – that is, apartments or attached units – that are then leased to tenants for as long as they comply with lease requirements. That means the housing is not just available for a short time to a tenant. And tenancy in this housing is not based on a tenant participating in programs or completing certain service requirements – it is based on the tenant's ability to pay rent and meet standard lease requirements. There's more to it than that, but in general terms, this is what we mean by permanent rental housing, also known as rental housing or affordable rental housing.

Florida Housing sees Housing as a Platform for People's Lives.

To us, this means that housing serves as the foundation upon which people can set and achieve goals in other aspects of their lives – health, education, family and economic self-sufficiency.



Here's another property financed by Florida Housing.

This is a larger 2006 general occupancy, or what we sometimes call a “family” apartment complex in which all the units must serve any type of households as long as they have incomes at or below 60% of the area’s median income. In Seminole County, that’s currently about \$35,000 for a 2-person household, with a maximum rent of \$982 per month.

These days almost every general occupancy property we build, as well as supportive housing properties, are required to set aside at least 10% of their units for extremely low income residents, so in this case that would be about \$19,000 for a 2-person household, and a maximum monthly rent of \$540.



Onto Permanent Supportive Housing. This type of housing provides a foundation upon which supportive services are offered and provided to assist residents to live independently in their communities.

- Ideally these service providers work with property and housing management to support tenant stability and ensure that the housing remains a positive community asset for the long-term.
- It's useful to think of supportive housing as the scaffolding for the delivery of more effective and responsive community services tailored to the needs of each resident. If you are currently serving consumers, you know that their housing stability is critical to their ability to use services and succeed in their lives.
- We think of supportive housing as Permanent, that is, not short term, or “transitional” housing for folks till they get on their feet or complete a program. It's also affordable, and independent – that is, not licensed in some way; and it is tenant centered. Group homes, Assisted Living Facilities, and other specialized licensed residential facilities, as well as units within a condominium complex or any single room occupancy development, are typically not eligible for Florida Housing funding. ALFs to serve elders are allowed under certain circumstances, but that is not the focus of this webinar.
- At Florida Housing, we emphasize and require most of our developments that serve homeless and special needs households to focus on community-based services coordination. Our developers don't have to be service providers themselves, but they do have to understand and have experience in working with supportive service providers. Our best applicants for funding are those who understand what it means to coordinate services specific to each resident and know how to work with and integrate property management services with community-based service providers to ensure the best support for each resident.

We have successful properties in which the owner just provides the housing and manages the property and coordinates with community-based service providers; and we have owners who both manage properties AND provide some or all services.

- Non-Profits that “do it all” like this have found that they are most successful when they have separate housing development, property management and services divisions in their organizations. We don't want to see the manager at a property both coordinating maintenance and resident services. But it is critical that whoever is managing these functions is collaborating with each other to best support the residents toward the objective of housing stability.

Speer Commons 8 units, Pasco County



2021



This small, 8-unit property is the first phase just being completed of a larger property that, when completed, will have a total of 56 apartments of supportive housing. At this property, the nonprofit developer, Youth and Family Alternatives, will serve a combination of populations: persons with developmental disabilities, Youth Aging Out of the Foster Care system and other low income families.

Karis Village

88 Units, Miami-Dade County



2021



Here's another supportive housing property, built in 2018 to serve persons experiencing homelessness. This Miami-Dade property was co-developed by nonprofit Carrfour Supportive Housing and for profit Green Mills Group.



Florida Housing operates according to a best practice called “Housing First.” This term means providing households experiencing homelessness with decent and stable permanent housing as quickly as possible, regardless of their sobriety or participation in treatment or other programs.

The approach is guided by the belief that people need basic necessities such as food and a place to live before attending to other needs, such as finding employment or health care. In other words, Housing First does not mandate participation in services before a new resident is housed or even once they are housed. What many properties find is that, once a resident is stabilized, they are likely to want to engage with services to help them.

Florida Housing requires properties getting funding to adhere to these principles when managing properties. Participation in any services or programs is not a requirement of tenancy. This means that properties may not restrict the length of a household’s tenancy, as long as the household meets the lease commitments.



Types of PSH

- **Single-site**
Apartment buildings exclusively or primarily housing individuals and/or families who are formerly homeless and/or have chronic health challenges.
- **Scattered-site**
Rent subsidized apartments leased in open market (scattered-site).
- **Integrated**
Apartment buildings with mixed tenancies, but w/ units set aside for formerly homeless/others.

2021



Here are different types of permanent supportive housing:

- Single site, where all the units are at one property, and all units are primarily serving a formerly homeless or special needs population;
- Scattered site, where one organization is managing individual leases for its residents across multiple sites; and
- Integrated properties, where only a portion of the units are set aside for special populations, and the rest are general occupancy.

Community Integration is Essential

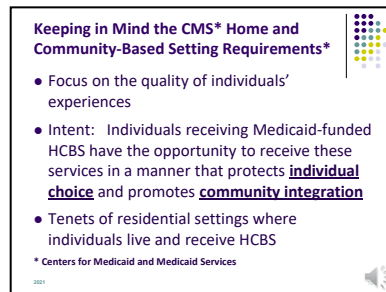
- Units are located in within safe neighborhoods with close proximity to:
 - Transportation
 - Employment opportunities
 - Services
 - Shopping, recreation and socialization
- Staff supports tenants in developing and strengthening connections to their community



2021

If you apply for funding from Florida Housing to build permanent supportive housing, the application will ask you to describe factors related to how easily your residents living at the property will be able to access the amenities and services needed to live well in the community. Critical to this is the ability to access public transportation, but proximity to services and stores is also a way to provide access.

In addition, it will be important for your organization to have experience and the capacity to help your residents access these services, particularly transportation, so they can succeed in living independently.



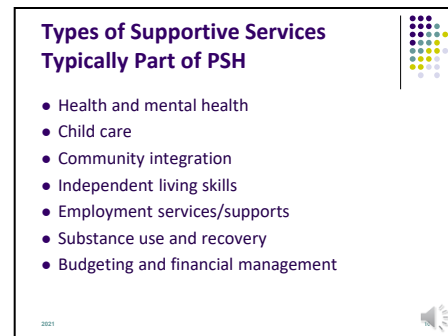
Florida Housing has a goal of ensuring that individuals receiving “Home and Community Based Waivers” can live at properties financed by Florida Housing. We’ve worked with service providers, the Centers for Medicaid and Medicare, and state agency partners to ensure that our program requirements are appropriate and responsive to waiver tenets. We’ve implemented an approach to our Requests for Applications and program requirements to ensure that property owners and managers are keeping in mind the tenets of residential settings in their work.

The tenets focus on the individual’s own choice and expectations for their quality of life. Any residential or non-residential setting where individuals live and/or receive Home and Community Based Services must have five qualities:

- 1) The property must be integrated in and support full access of individuals to the greater community so a resident can seek employment, work in competitive integrated settings, engage in community life, control personal resources, and receive community-based services.
- 2) The property should be selected by the individual from among setting options, including non-disability specific settings and options for a private unit in a residential setting.
- 3) The setting should ensure an individual’s rights of privacy, dignity and respect, and freedom from coercion and restraint.
- 4) The property should optimize individual initiative, autonomy, and independence in making life choices.

And finally:

- 5) The property should facilitate individual choice regarding services and supports, and who provides them.



And here are the types of services that are commonly provided to residents of supportive housing either on- or off-site. These services can be community-based or provided directly by your agency, but tenancy should not be based on a resident's willingness to use your own organization's services, as long as they are meeting the terms of the lease.

Factors that might influence your service design include:

- The population you expect to serve, such as youth, families, veterans, or persons experiencing chronic homelessness
- The cultural background and/or expectations of these tenants
- Where the residents were living before moving into your housing (for example, on the streets, or in a long-term institutional setting)
- And of course, the service options, partners and expectations of your community.

Services are:

- **Flexible:** Responsive to each tenants' needs and goals
- **Voluntary:** Participation may not be a condition of tenancy
- **Independence:** Focus on housing stability

2021



As a reminder, these are the core principles of service provision, as we've said: flexible, voluntary and focused on housing stability in an independent setting.

PSH + Supportive Services



A PLATFORM for Health, Recovery and Personal Growth

2021



In summary, services make the difference in helping vulnerable persons obtain and sustain housing.

Allowing tenants to quickly access housing (first), they can then use services as a platform for health, recovery, and personal growth.

Typical Timeline for PSH RFAs

- Permanent Supportive Housing (PSH) RFAs are generally issued in the Winter-Spring
- Each RFA is preceded by a workshop and draft RFA for public review and comment
- Three key PSH RFAs each year (already issued in 2021)
 - SAIL Financing for Smaller Permanent Supportive Housing for Persons with Special Needs
 - Housing Credit/SAIL Financing for Housing for Homeless Persons
 - Financing for Housing for Persons with Disabling Conditions /Developmental Disabilities
- Funding typically available each year for these RFAs

Before we go over the development process, I want to step back, because we get a lot of questions about what funding is available for those seeking to develop supportive housing. We have three key opportunities each year that are targeted to those wanting to develop rental housing for persons with special needs and/or households experiencing homelessness. After you go through this webinar, I recommend you seek out Part 2 of this training. That webinar and associated resources will provide a useful ground upon which to begin to understand Florida Housing's funding opportunities and requirements that go with it.

But for now, this slide shows a few key points – the 3 Requests for Applications, or what we call RFAs – that we issue each winter/spring targeted to these populations. And just a note about the process – before each RFA is issued, we publish a draft of the RFA and hold a workshop to go over that draft and answer questions or take comments about changes organizations think would make the RFA more responsive or address other concerns. This is a good time both to learn about what we expect in your application and to provide comments about what you wish was different in the RFA to meet the needs of your approach to serving your consumers. These solicitations are built with public input, but also are based on best practices, both what we have learned over time and what our stakeholders and others tell us works best. Typically if we are planning to issue an RFA to provide funding for homeless housing, we will take the homeless RFA we issued last year and update it to bring in new ideas and approaches. We are always interested in what stakeholders think about what we are doing, so your comments and ideas are valuable to us.

The workshops are recorded and placed on the Florida Housing website, so we encourage you to go back and review these workshops to hear about these updates and why they are implemented. If you haven't applied for funding with us before, you may want to start with the smallest, what some believe is the easiest RFA, the first one listed on the slide: -- SAIL Financing for Smaller Permanent Supportive Housing for Persons with Special Needs. This RFA funds somewhere between 4 and 50 units per property, depending on the county where the housing will be located.

The development experience requirements are less onerous than the other two RFAs, mainly b/c of the smaller size of the proposed property and simplicity of the funding source, which is the State Apartment Incentive Loan program. However, it is possible to partner with an experienced nonprofit or for profit developer to apply for funding in any of these 3 RFAs. At Florida Housing we think partnering with an experienced developer is your best bet to be successful in your funding application, as well as learning the development and property management ropes.

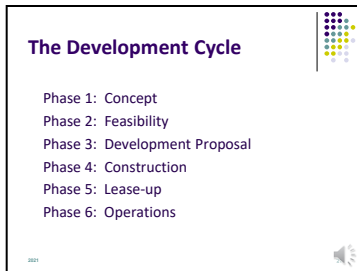
Steps in FHFC Funding Process

- Predevelopment work, including site control & ability to proceed
- Pre-application meeting w/ FHFC
- Fill out & submit application
- Applications scoring, ranking & funding selections
- Credit underwriting & financing approval
- Closing on financing
- Construction inspections & financing draw approvals
- Lease-up & meeting funding commitments
- Property management & compliance

This slide shows you the key steps in working with Florida Housing through the development process, and in our sister webinar, we talk more about what each of these steps means when you seek funding from Florida Housing. These are typical for any housing development, except there are a few additional things to think about when building affordable housing financed by Florida Housing – or really any public program funding. The reason to come to Florida Housing, a local government or other public funding source is to get lower cost funding to build housing for your consumers. That's what allows you to set your rents at a lower level that is affordable to them.

But in exchange for this low-cost funding, you will make a set of commitments you wouldn't ordinarily make to a bank for conventional financing. For example:

- You'll commit to serve certain lower income levels and maintain rents that are affordable to folks at these incomes;
- You may commit to set aside a certain percentage of your units for special demographic groups, such as people experiencing homelessness;
- You will likely be required to maintain these requirements for certain number of years, anywhere from 15 to 50 years, depending on the program.
- You will have to commit to providing certain resident services or programs, and your property may be required to be built to certain standards. For instance, the property may have to include green building features and accessibility features.
- And finally, over the affordability period, you will be required to prove your compliance with a number of these requirements by sending reports to the funder. In addition, third party property inspections may be required.



OK, now let's move on to talk about the development process. These are the very high-level phases of the development cycle, and they are at times iterative and interdependent. There are multiple players, and timing can at times be critical, as with any project. As we go over the development process, you must determine whether developing housing is right for your organization. Ask yourself 3 key questions:

1. Does it fit with the mission, strategic plan, and structure of your organization?
2. Do you have at least one staff person with the interest, time, business (and ideally) real estate skills to carry out development responsibilities, or at least can do project management if you are working with an experienced developer? Who can develop a supportive services approach and plan? Do you have someone who can JUST focus on the development project?
3. Is your Board willing to play an increased role or delegate significant new responsibilities for the project?

In summary, before diving into a development project, ask yourself, Is your organization ready to be a developer?

We'll come back to these questions later through a set of self assessment questions. Planning for such a project can sometimes take 2-3 years. And the project itself – after the time it takes to apply for and win a funding award – can take 18-24 months to occupancy – longer in cases of limited experience. And that raises these questions:

- How will the financial aspects of this project impact your organization?
- Do you have the ability to attract development team members who can help you succeed?

This slide lists 6 phases, and I'll go over each phase at a very high level to orient you.



The first phase is the Concept Phase – for this phase, there are a lot of questions for your organization to answer.

Starting with: What is the foundation for the project? The vision. . .

- Does this project fit a critical piece of your organization’s mission? The broader community’s objectives? Your partners’ missions? Do you have the right partners for this?
- This is the time when you develop a concept that will act as a blueprint for decisions throughout the development process and operations.
- And while developers of general occupancy apartments don’t need to think about community support exactly, they – and you – could face NIMBYism – the Not In My Back Yard syndrome, so for any affordable housing it’s ideal to get local government support for the proposed development, even if it’s just making sure local government staffs know about your plans. They can also provide you with information on other resources and what else is going on in the community that you might not have known about.
- For supportive housing, which really takes a village to successfully operate over many years, community support EARLY in your process is even more critical. In this case “community” depends on the residents you hope to serve. Again, the local government is important to talk to, particularly human service and housing offices. Additionally, the local homeless Continuum of Care, local services agencies – learning how each can assist with the project, and how your proposed development may help them.
- Talking also to the housing coordination staff at the regional Managing Entity might be very useful. Seven regional managing entities throughout the state contract with the Dept of Children and Families to provide funding through service providers for behavioral health services. Each of these “ME’s” as they’re called, include housing coordination functions in their systems of care.
- The Concept Phase will be useful to identify preliminary funding, both for the building phase, but also for the next 30 years, running the property after it’s been funded. In other words, will collected rents be enough to pay for all operations? That depends on the incomes of the residents you’ll be serving.
- We’ll dive more into financing later and talk about organizational capacity with our

next slide.

Concept Phase:
Organizational Capacity

- Non-profit boards ideally are community-based boards with a variety of representatives and experience
- Board composition is critical per FHFC requirements.
- Ideal are non-profits with community-based boards. At least 50% of board members may not be related to tenants, staff or other board members.

I want to spend a bit more time on your own organization’s capacity and readiness to take on housing development.

Let’s go over some requirements that Florida Housing has in place for non-profit eligibility to seek funding. We’ve learned over many years that non-profits come in all shapes and sizes. Some organizations are non-profit in name only – for example, their boards may consist of just 3 people, all of whom are related to the director of the nonprofit, so it’s more of a family organization. We’ve also seen a couple non-profit housing developers with a member-based organization in which the members are the parents or guardians of the tenants who live at the property and who exert enormous, often undue, influence on the staff leadership in such a way that professional decisions about tenant selection and other management duties can be compromised. In these situations, board decisions may be based on personal interests rather than a broader mission basis. These organizations have struggled to maintain high quality professional staffs, and decision making has often been turbulent.

While we fund developments owned by both nonprofits and for profits, Florida Housing prioritizes nonprofit developers for Supportive Housing development, because it is harder to serve special needs and homeless populations, and we find that a mission-based business is best suited to take on this work and successfully serve these residents. But we are looking for nonprofits with community-based boards that have directors who add expertise from a variety of points of view to help the organization make important financial decisions.

Thus, we now require Boards of Directors affiliated with a nonprofit applicant to have at least 50 percent, plus one, of its directors be unrelated to: 1) Any tenants or applicants for tenancy; 2) Any compensated management or staff of the Non-Profit; or 3) Any other members of the Board. There is more detail to this, but that’s it in a nutshell. This encourages nonprofits to have a variety of professionals on their boards.

Concept Phase:
Organizational Capacity

- Staff or volunteers related to tenants may not make decisions regarding tenant selection or coordination of services.
- Bylaws must facilitate objective, experienced governance.
- Non-profit operations may not be overseen/determined by membership decisions.



2021

In addition, nonprofits receiving funding from Florida Housing may not allow persons who are legally or informally related to residents of the development to be employees or volunteers in positions that make decisions related to the development's operations, tenant selection, or coordination or provision of supportive services. Our financing does not go to volunteer housing and services projects – these are complex, professional businesses that we are financing.

Finally, nonprofit applicants must have bylaws that facilitate and ensure objective and experienced governance of the nonprofit. The structure and operation of the nonprofit, including both day-to-day administration and Board functions, may not be overseen by membership driven decisions.

Concept Phase:
Organizational Capacity

- Does your organization have experience working with other partners on this type of housing or providing services in a PSH environment?
 - Who do you need on your team?
 - What is your experience with housing development, housing management, resident services coordination, provision of supportive services?
 - Florida Housing and other financiers want to see experience or joint ventures with partners who bring the right experience to the table.



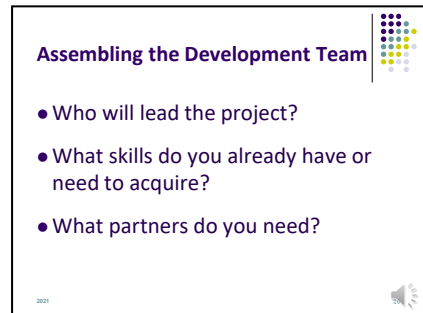
As you consider the feasibility of developing and managing rental housing, you must be realistic about what experience and expertise your organization brings to the table.

When it comes to developer experience, Florida Housing generally has two levels of experience requirements, depending on the type and amount of funding being offered.

For the smaller Request for Applications I talked about earlier, at least one Principal of the Applicant must have completed at least one rental housing development with no less than 50 percent of the total number of units that are in the new proposed development. So if you want to build a 20-unit property, one of your Principals must be able to show they've built at least a 10-unit rental property.

For larger proposed developments with more complex financing, such as federal mortgage revenue bonds or Low Income Housing Tax Credits, developer experience requirements are much greater. If you do not have the level of experience required to seek these funding opportunities, you can seek a development partner and develop together through a joint venture.

In the Florida Housing funding application, you will have to describe your organization's experience and partnerships with others with expertise to ensure that residents living at housing financed by Florida Housing have the opportunity to succeed.

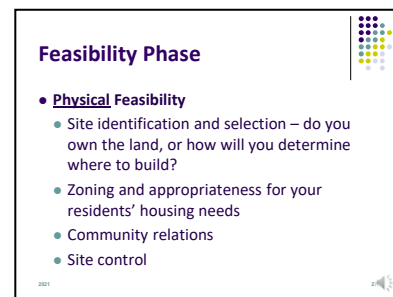


We urge you to read the requirements in the request for applications you are considering to ascertain what experience and capacity we are seeking. Once you understand this, you can work on building new partnerships or solidifying those you have for this project. The types of things Florida Housing will ask for include:

- The Applicant's or other entity's experience in operating and managing a property, including performing functions specific to the needs of the residents you intend to serve in your new housing property.
- The Applicant's plan to provide access to grocery stores and other amenities, as well as specific supportive services and resources that address the particular needs of the intended residents.
- The Applicant's prior experience and success, including working with partners, in assisting residents in meeting their needs, goals and expectations related to housing stability and self-sufficiency.
- So you can see that Florida Housing places a high premium on prior experience. Your organization likely has critical knowledge of the population you want to serve. You'll have to partner with an experienced developer and management company to ensure your partnership has the range of experience outlined just a moment ago.

In summary, as you are assembling your Development Team, it's important to remember, It's Not a Solo Act!

- It's critical up front to begin assembling your development team.
- Who will lead the project?
- What skills do you already have or need to acquire?
- What partners do you need, and who are partners you want who can fulfill those needs?



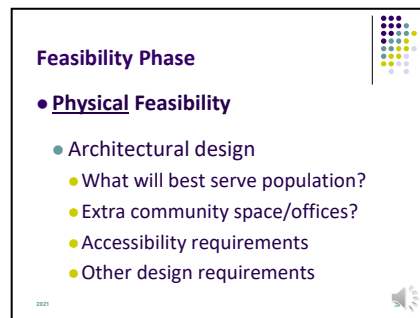
Once you have some key conceptual decisions made – and it's not as though these phases are completely linear – you will circle back through these as needed, but assuming your organization has made initial conceptual decisions, then the Feasibility Phase is made up of two key questions: **WILL** your project work? And **HOW** will your project work?

The Feasibility Phase can be broken down into 2 primary buckets:

- Physical Feasibility – that is, land and bricks & mortar – (the structure), and
- Financial Feasibility – How are we going to build this? And then, once it's built, how are we going to operate over the long run?

Let's talk about the physical bucket:

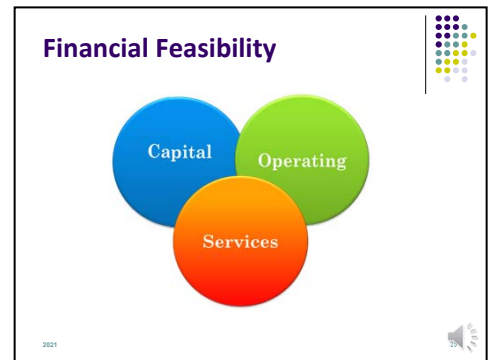
- First, location – do you already have land, or are you being offered land perhaps even as a donation?
- If you have land, does its location make the most sense when thinking about the population you want to serve? Is it near community-based service centers? Grocery stores or other shopping? Is public transportation near your site?
- Is it appropriately zoned for the type of housing you want to build? Will the neighbors accept the project? Does the location fit into the broader community approach to serve your population?
- If you don't already have a site, these are all important questions, in addition to the cost of the land, and how quickly you can acquire the land in terms of moving forward with the project. Typically to access funding from Florida Housing, you don't have to have purchased the land, but you do have to show that you have control of the site – for instance, a contract with the current owner, which you'll proceed with only if you get development funding. There are various ways to carry this out.



Then for the buildings and housing, there are questions about:

- Architectural design – What is needed to best serve your target population? Are there special requirements? Do you need extra community space for offices for service coordinators or case mgt workers to meet with residents onsite?
- What about accessibility requirements for your population? Maybe those you want to serve have mobility impairments that require particular accessibility designs in the units or around the property. Florida Housing already requires some accessibility features depending on the populations you plan to serve, so it's useful to review the most recent RFAs to get a sense of those requirements – and you'll need an architect who is also willing to evaluate funders' requirements.
- Florida Housing also has a set of green building and other design requirements that are important to take into consideration on the front end. Don't wait to review these requirements and then be forced to incorporate them later.
- Special Requirements? Due to population or location of the property? What does the community want?

KEEP IN MIND that all these factors have an impact on the financial feasibility of the project.



Picture project financing as three interlocking buckets: Capital, Operating and Services.

Your project will have a budget and/or plan for each of these aspects, and there are different funding sources for each of these.

Each financing source comes with its own timelines, regulations and demands.

Starting with the **Capital** – this is what will be used to build the project.

- Depending on who or what you are relying on for funding, accessing this funding can often take quite awhile, mainly because the funding may only come around once a year and then be very competitive.
- We find that with specialized properties, which includes supportive housing, organizations are likely to be piecing together a number of capital subsidies to get a property built, not just funds from Florida Housing.

Then on to **Operating** funds – this is really the plan for how you will keep the project running sustainably for many years.

The last bucket is **Services**, which Florida Housing does not fund.

Financial Feasibility

- **Capital (Development) Budget – Sources for:**
 - Acquisition & predevelopment financing
 - Construction or rehabilitation financing
 - Permanent financing
- **Operating Budget**
 - Create a schedule of Income and Expenses
 - Regular maintenance, utilities, taxes, etc, PLUS unplanned expenses
 - Do we need Operating Subsidies, and if so from where?



Let's talk about the property's operating budget – because so often, a nonprofit wanting to build housing will just be thinking about how to get an award of funds to build a property, and then will figure out the rest later.

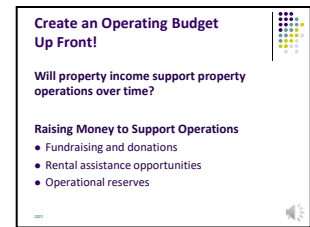
You MUST consider how you will find the funding for 30-50 years of operation (depending on your commitments to your funders), and in fact if you are awarded funding for development, during credit underwriting the financial analysis will include an evaluation of whether the property can get through the first 15 years of operations.

So how will you pay for operations? Besides regular expenses for property staff, there is the maintenance of units, buildings and grounds; insurance and taxes, and on and on.

Then there are those unplanned events: hurricanes, unplanned vacancies, unexpected increase in expenses, such as insurance.

And based on who you plan to serve, it's possible your income from rents likely won't cover all expenses.

For low income general occupancy properties serving families and elders with incomes at 50-60 percent of the area's median income – so households with \$25-\$32,000 of income per year – the rents generated at these properties will likely take care of operations over many years as long as occupancy rates are very good.



But for supportive housing properties, which often serve folks with much lower incomes, if you set rents at a level they can truly afford, your income stream will be lower and additional funds will be needed to ensure that the property is kept in good condition and is responsive to tenants over many years. Thus, learning on the front end about what is available in terms of additional operating support is critical when determining feasibility.

So how do you raise money?

- Some nonprofits are excellent fundraisers and use donations to bolster a variety of projects, which can include housing.
- There are also rental assistance opportunities from the local public housing authority or even local governments, but access to these opportunities is dependent on where the property will be located, the particular demographic you plan to serve, and how well your organization is tied into local partnerships that support these housing endeavors. There are not enough of these funds to go around, so access is also quite competitive.
- This requires your organization to do research on what options are available if your assessment of who you will be serving suggests you will need additional subsidy to maintain the property.
- There are also ways to put some front-end funds from Florida Housing into operational reserves to last a few years, which will give you time to craft a plan to raise money for the longer term.

This means that building an operating budget is important to give you a reality-based view of what you should expect and what will be required.



Financial Feasibility

- Services Budget and/or Plan**
 - Which services model will work best for your organization?
 - Funds to pay for resident services coordination
 - Funds needed to pay for case management?
 - Funds needed to pay for services?
- Remember that residents will need access to community-based services** – location and public transportation are critical components in planning

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I want to speak briefly about your plan to provide or coordinate access to services. There are several models of service provision through PSH, but the main ones are:

- o Organizations that do both housing and services, where service provision may be handled in small or large part by your organization, with part of the supportive service framework coming from your community-based service partners.
- o Organizations that are solely housing focused, but provide COORDINATION to resident services, which is the minimum required by Florida Housing. In this situation, the nonprofit partners with community service agencies, regional managing entities and managed care organizations to ensure that residents of their property are getting the supports they need to live independently and successfully in their communities.
- o At a minimum, you will need funding for a resident services coordinator. And the qualifications/experience of that person will depend in part on who you plan to serve. Florida Housing has some basic requirements for this position, so you'll want to check that out, but these are minimum requirements.
- o In addition, you'll want to either find a site that is close to public transportation, or you will need to provide access through your own transportation or partner with others who provide transportation to make sure residents have easy access to their community-based services – and all amenities such as grocery stores and pharmacies.

The Predevelopment Loan Program

- FHFC will lend up to \$750,000 in predevelopment funds at 1% interest over 3 years.
- Repaid when receive development funding from FHFC or other funder.
- Can pay for land acquisition, soil tests, architectural services, consulting, etc.
- Free technical assistance provided by FHFC to help create a Development Plan for the project.
- This loan must be repaid even if a developer does not obtain construction financing.



To get to the Development phase, your organization will have to move through what is referred to as “the Predevelopment Phase.” This is the period when you will be determining financial feasibility as well as other things to get ready to apply for development funding.

You’ll have to spend some money to prepare to apply for your development funding, for instance, for land acquisition, hiring an architect, soil tests, a development consultant if needed, etc.

If you need predevelopment funding assistance, Florida Housing can help, and there are also other entities out there that can lend funds for predevelopment.

This slide provides the basic outline of our Predevelopment Loan Program. If you obtain a predevelopment loan from Florida Housing, you will be required to repay it at the end of 3 years, which should be enough time to get your development funding. But before you even close on the loan, Florida Housing will assign a technical assistance provider to work with you for free to assist you in thinking through the development concept and a specific plan – who the builder will be, who you want to serve, whether there is a market for such housing, how many units, and the projected development cost, along with realistic sources of financing that are available.

This assessment process will help you feel comfortable that you have a realistic concept and if you decide not to proceed after the plan is done – all this has occurred before you have to sign on the dotted line for these funds. Your organization can decide at this point that you are not comfortable proceeding, and that will be fine, you won’t have to pay for the technical assistance already provided.

The important thing to remember is that the predevelopment phase will require you to spend money to prepare to apply for funding, so you must have available funding for this purpose.

Feasibility Determined

- Site selected based on size, location, cost, & environmental conditions
- Analysis of regulatory restraints (zoning, etc.)
- Schematic design – space allocations consistent with income projections
- Cost estimates completed w/ detailed development and operating budgets
- Financing sources/constraints identified
- Development team finalized
- Partners for service supports/coordination finalized



So now let's say that you've gone through and met the thresholds to determine feasibility:

- You've selected your site based on factors you identified as important, such as access to transportation;
- You have the zoning and infrastructure available to the site;
- Your initial design suggests you can build a community that meets your intended residents' needs;
- Your cost estimates have been completed and you've identified the funding sources for both development and operations.
- AND, you've got a development team in place, as well as your key service supports – now it's time to move into your formal development proposal. . .



During this phase, you will not only be putting together your funding proposals for submission to your bank, Florida Housing and other funders, you will also be finalizing and documenting your agreements with your development and property teams:

The development team – architect, developer and/or general contractor, services coordination team, and any project managers. The more complete these partnerships are, the happier your funders will be as long as you’ve met their requirements, which you should have evaluated in the feasibility phase.

At this point and before you fill out an application for development funding from Florida Housing, you must understand what the RFA requires in terms of community partnerships and how you will ensure access to services. You will be required to explain these aspects of your proposed development in a set of application narratives that will be scored by FHFC. So beginning to develop your management and supportive service plans with key partners EARLY is critical.

At any point along the way – except once you’ve applied for competitive funding and the competitive process is still open – Florida Housing would LOVE to hear from you with your questions, your project ideas, and issues related to how your project can take advantage of Florida Housing’s funding. You can come visit us in person once this pandemic has run its course, or set up a call with us. You can call one person to ask questions, or ask to talk to several people to lay out your ideas. You are the folks on the ground doing the hard work, and we at Florida Housing are doing our best to make resources available to you so you can serve your consumers. Even if we haven’t talked to you before, we would love to meet you and hear about what you are trying to do.

Construction Phase

- Most expensive and riskiest part of process.
- Limited control and least involvement day-to-day.
- Mitigate risk by:
 - Insisting on detailed contract documents
 - Establishing clear owner, architect, and contractor roles
 - Establishing construction period protocol.
 - Hiring an owner's representative / construction manager who is a licensed contractor or architect

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Let's say you get an award of financing. This means you will now move into the credit underwriting and then construction phase.

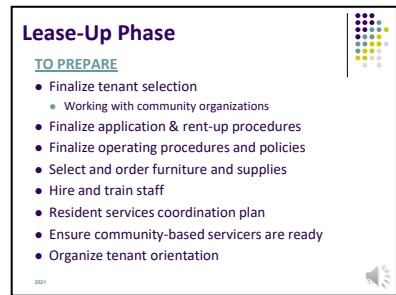
The construction phase is where the big dollars flow.

It's the phase in which you encounter the biggest risks – cost overruns are big concern.

And while risk is everywhere during this time, it's manageable with planning.

There are important ways to reduce risk:

- Your selection of Partners earlier in the process;
- The quality and regularity of communication between partners; and
- The detail and quality of the written agreements, including how to handle challenges that will surely occur during construction.
- Whatever role your organization plays, whether you have the experience to be the developer or have brought one on to do this work, your organization's project manager is your KEY Teammate during this time: this is the person who can act as liaison between you, the developer or general contractor and architect, and funders – and working hard to keep your project on schedule AND within budget.

A presentation slide titled "Lease-Up Phase" with a sub-header "TO PREPARE". It contains a bulleted list of tasks: Finalize tenant selection (with a sub-bullet "Working with community organizations"), Finalize application & rent-up procedures, Finalize operating procedures and policies, Select and order furniture and supplies, Hire and train staff, Resident services coordination plan, Ensure community-based servicers are ready, and Organize tenant orientation. The slide has a decorative grid of colored dots in the top right corner and a small speaker icon in the bottom right corner.

Lease-Up Phase

TO PREPARE

- Finalize tenant selection
 - Working with community organizations
- Finalize application & rent-up procedures
- Finalize operating procedures and policies
- Select and order furniture and supplies
- Hire and train staff
- Resident services coordination plan
- Ensure community-based servicers are ready
- Organize tenant orientation

Let's talk briefly about the rest of the phases of a development.

The Lease-Up Phase should start before construction on the property is completed and has its certificate of occupancy, with the goal of starting to move people in on Day 1. By the time you get to the Lease-Up phase, much of the preliminary work already should be done.

You will either have a management company in place to run the property and bring on staff for this purpose, or you must go about bringing on these staff yourself. Furniture for the offices, common areas and outside must be ordered and placed on site, and planning for move-in must occur to be as quick as possible, while still providing staff and new residents alike time to complete the process.

Florida Housing will require you to have a completed (and approved) Tenant Selection Plan outlining the procedure you will go through to seek and choose residents – what I mean by this is how prospective tenants will be identified, and the process a candidate will have to go through to apply for tenancy. Ideally, you will start lease-up prior to the property being ready to move in, so that folks will be ready to take up residence as soon as possible after the property is open.

Florida Housing also has a set of requirements to mitigate barriers to entry into housing, spelled out in the RFA. For instance, the maximum application fee that can be charged. Most organizations use an experienced management company to run their properties, and the right company is one that has experience and particular capacity to run a supportive housing property. Such a company will have experience implementing a tenant selection plan that is responsive to the needs of your organization and community; however, your organization **MUST** oversee this process and remain vigilant and in communication with your community partners in order to assure your priorities are being met. Tenant selection requires balancing the safety of your property and residents with bringing new tenants on to the property who may need some supports to help them live thoughtfully and successfully in the community.

Operations Phase

- Tenant selection and leasing
- Property maintenance
- Accounting and reporting
- Resident community-based services coordination and other resident activities committed to in application
- Compliance monitoring and reporting
- CREATE A PROPERTY MANAGEMENT PLAN!

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Onto the Operations phase. . .

Here is a list of the key property management activities once your property is up and running.

In exchange for receiving public funding for your property, you will be required to comply with a set of requirements, such as ensuring that your residents meet income requirements and that rents are not higher than the maximum allowed by the program. Florida Housing will monitor your compliance with these requirements, and you will have to send a monthly report to us with household information about the residents you are serving. While we don't release information about individual households, we do aggregate it to better understand who we are serving.

We think it makes good sense to develop a property management plan, with a timeline for compliance and property maintenance activities, as well as action steps for releasing a unit when a tenant leaves, and all the other aspects of running a property. Florida Housing does have orientation sessions on property management and there are other trainings out there for new property managers. You will want to bring on someone who has experience with this work.



At the beginning of this training, we asked you a few questions about your organization's preparedness to take on such a project.

The following slides provide a more detailed, very useful set of questions your organization can use to evaluate the appropriateness, willingness and capacity of your organization to take on such a project.

Project Fit with Strategic Plan, Mission and Structure



- Is this project consistent with our strategic plan and any major new commitments over the next two years?
- Are the finances and leadership of our organization expected to be fairly stable over the next several years?
- Do we have annual audited financial statements, timely and professional monthly statements and a sufficient fund balance?
- Are the accounting staff (and legal department, if any) prepared to make changes to accommodate real estate development, ownership or operation?

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I won't go over each slide with you – these are meant to help you go through a self assessment of organizational readiness to get into the housing arena, and you can go over these slides later.

This first slide looks at the broad focus of your organization and how a housing project would integrate into that.

Organizational Abilities – Do we have staff with the interest, funding support, time, business and real estate skills to:



- Directly coordinate the development process, as a single owner's project manager?
- Oversee a development consultant as a single owner?
- Actively participate in a shared owner structure in which the other owner takes much of the responsibility during development?
- Serve as the owner's representative, oversee property management and services, and provide asset management services?

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This second slide about your organization's abilities is a critical one to consider. We have watched nonprofits get first time funding from Florida Housing, thinking that they will somehow carry out all of the work to get through credit underwriting and into construction without considering how they will take on a huge new set of responsibilities. These questions get at this issue.

Organizational Abilities – Do we have a staff person or can the project financially support a new appropriate staff person to:

- Plan for needed services during the development process?
- Coordinate needed support services?
- Directly provide needed support services?
- Involve tenants/ residents in the project?

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This third set of questions relate again to organizational ability – and more specifically how you expect to take care of the supportive services side of resident needs.

However, your organization manages this intensive new project – and hopefully it becomes a line of business – it's crucial that you have at least one person assigned to be the project manager during the development phase. Even if you are partnering with an experienced developer, to get what YOU want out of the project, this will take a full time person representing your organization, someone who does not have an entire other set of full time responsibilities in your organization.

It might be helpful to talk to another nonprofit about how they got started, and what they wish they'd done differently when they were first getting going in housing development.

Is the Agency Board of Directors willing to:



- Play an increased role if the proposed form of shared ownership requires it?
- Delegate authority for significant business decisions to the executive director or board committee in order to make timely real estate decisions?
- Call special meetings, if necessary, in order to make real estate decisions in a timely manner?
- Acknowledge and support the additional staff time required for this project, relative to other projects?

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This fourth set of questions will help you and your board evaluate how the board will handle this new project.

Thank You!



- **Questions?**

- Contact Zach Summerlin in the Policy Unit at 850.488.4197 or Zach.Summerlin@floridahousing.org
- www.floridahousing.org

- **Check out Part Two of this Orientation**

- Florida Housing Finance Corp's RFA process
- From preparation to RFA application, and what happens if you are selected for funding, including credit underwriting and asset management

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And with that, we are at an end. This has been an orientation to the affordable development process. If your organization is interested in understanding more about what it will mean to get into the development process, there are additional, more detailed trainings that become available throughout the year.

And remember, the Predevelopment Loan Program can be a useful planning and technical assistance tool. Even if you end up not going through with the loan, you will still receive free technical assistance with creating a development plan and receive some ideas about potential partners. If you would like more information about any of this, please contact us.

In addition, we have an orientation to Florida Housing's Request for Application process, including the steps you'll have to take with us if you are awarded financing. That's Part 2 of this training, and you can find a link to that training where you found this link. To contact us with questions or for more information, see the information on this slide.

Thanks very much for joining us.