

Housing Models

Monday, January 24, 2022

Part 2



CDBG
CARES Act



Recap of Part 1: Short-Term Housing Models

	Rental	Owner
Short Term Solutions	<p>Housing Models:</p> <ul style="list-style-type: none"> ❖ Emergency assistance ❖ Non-congregate housing <ul style="list-style-type: none"> ▪ Single room occupancy apartment ❖ Innovative and supporting housing models <ul style="list-style-type: none"> ▪ Repurposed hotels ▪ Tiny houses* ▪ Housing related services ▪ Legal services for eviction prevention 	<p>Housing Models:</p> <ul style="list-style-type: none"> ❖ Home repair ❖ Innovative and supporting housing models <ul style="list-style-type: none"> ▪ Foreclosure counseling ▪ Legal services to prevent foreclosure
Long Term Solutions	<p>Housing Models:</p> <ul style="list-style-type: none"> ❖ Permanent supportive housing ❖ Rental Rehabilitation ❖ Scattered site rental development ❖ New multi-family housing development* <ul style="list-style-type: none"> ▪ Mixed income development ▪ Mixed use development ❖ Innovative and supporting housing models <ul style="list-style-type: none"> ▪ Adaptive reuse of industrial and commercial space ▪ Accessory dwelling units 	<p>Housing Models:</p> <ul style="list-style-type: none"> ❖ Owner rehabilitation ❖ Acquisition/rehabilitation/resale ❖ New single-family housing development ❖ Innovative and supporting housing models <ul style="list-style-type: none"> ▪ Funding models such as cooperative housing, down payment assistance, community land trust*, and revolving loan funds* ▪ Services such as homebuyer counseling ▪ Houses created from unconventional materials or methods*

Earlier, we looked at housing models that are more compatible with short-term goals.

DISCUSSION:

Recall – What did we go over before the break? What did you learn that you maybe hadn't thought of before?



This Afternoon's Session

	Rental	Owner
Short Term Solutions	<p>Housing Models:</p> <ul style="list-style-type: none"> ❖ Emergency assistance ❖ Non-congregate housing <ul style="list-style-type: none"> ▪ Single room occupancy apartment ❖ Innovative and supporting housing models <ul style="list-style-type: none"> ▪ Repurposed hotels ▪ Tiny houses* ▪ Housing related services ▪ Legal services for eviction prevention 	<p>Housing Models:</p> <ul style="list-style-type: none"> ❖ Home repair ❖ Innovative and supporting housing models <ul style="list-style-type: none"> ▪ Foreclosure counseling ▪ Legal services to prevent foreclosure
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Now, we will begin discussion of the housing models that address long-term solutions for community housing needs.



Discussion

Please put answers in the chat, and we will read them out loud for the presenters to weigh in.

What are your most pressing, long-term housing challenges? What approaches have you taken to address them?



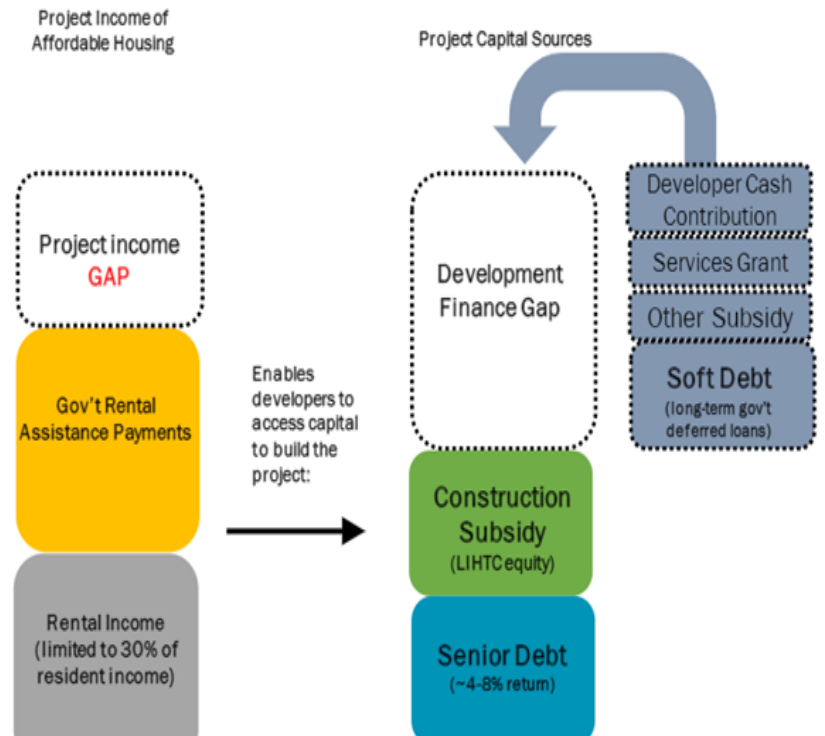
Long-Term Rental Permanent Supportive Housing

What is it?

- Permanent Supportive Housing (PSH) is housing designed to provide permanent housing and supportive services for people with disabilities and special needs.
- Developer should have prior experience in developing PSH
- Strong local mental health or service agency to provide services is also a required.

Perm Supportive Housing

- 1) Resident Focused Design – meeting best practices for residents specific needs
- 2) Community buy in
- 3) Property Management experienced with target population, onsite services and public subsidy compliance
- 4) Long Term Rental Assistance
- 5) Long term Supportive Services Provider Integration (on Development)
- 6) Ongoing Supportive Services Programing and or resources.



Discussion

- Is there rental assistance (PBV, HAP Contracts) capacity in your community?
- Have you coordinated with your CoC?
 - PSH is the only type of permanent housing funded through HUD's Continuum of Care (CoC) program for the homeless. While the CoC program only provides a minimal amount of acquisition or construction funding, does provide vital funding for supportive services, building operations, and leasing costs that enable PSH programs to operate.
- Is there a high quality service provider to serve the residents?
- Is there an operating source to pay the service provider?

Poll

Let's review...

Property managers for permanent supportive housing should be familiar with?

- A. Recordkeeping and reporting requirements for CDBG
- B. Fair housing compliance
- C. Condition of windows
- D. All of the above

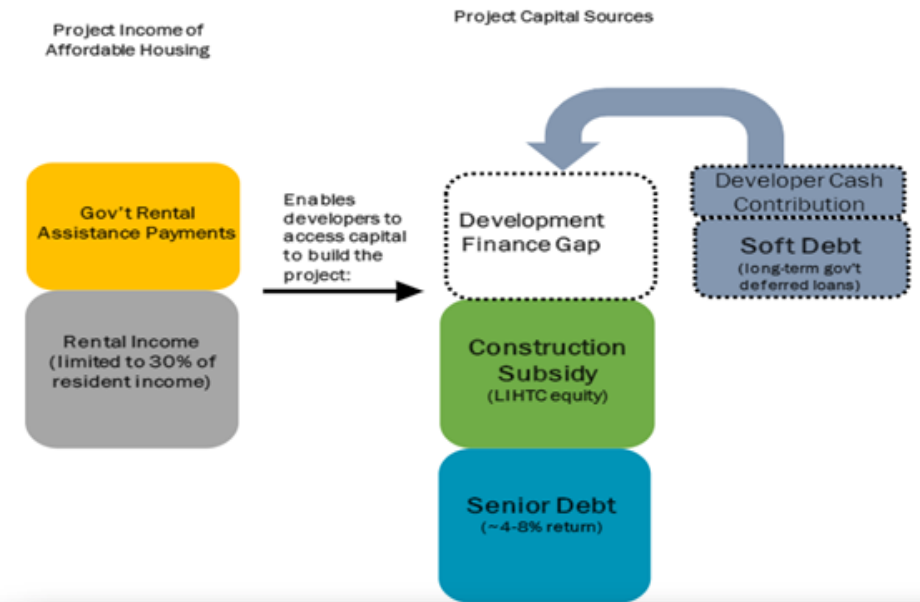
Long-Term Rental Rental Rehab

- Rental rehabilitation could be done in conjunction with code enforcement to offer an additional incentive to property owners to improve property.
- Targeting this activity to a specific neighborhood, along with a variety of other efforts, could help to create positive change in the neighborhood
- Units could be single family scattered site, or multi-family.

Model Capital Stack

Rental Rehabs

- 1) Community Buy in
- 2) Local development subsidy
- 3) Long term rental assistance
- 4) Management experienced with managing public subsidy compliance
- 5) Ability to guarantee large financial obligations (for LIHTC)



Discussion

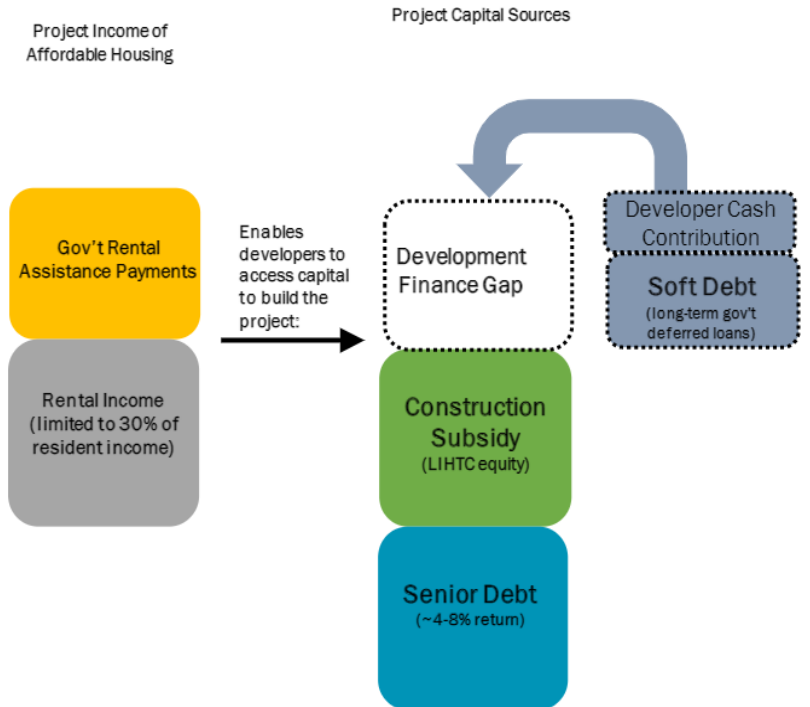
- Does the owner have rehabilitation experience? Rehab can be challenging even for seasoned developers.
- Does the owner have sufficient capital in case of cost overruns?
- Rehabilitation expenses can be hard to capture; make sure you have a hard cost contingency line item in your budget – not less than 10% of the hard costs.
- Phase I and possibly a Phase II environmental study will be required. Make sure your project engineer/contractor has properly scoped-out and priced the environmental work necessary to complete the project.
 - Capacity to deal with lead-based paint, asbestos, mold, and other hazards
- Is property occupied? Will have to comply with Uniform Relocation Assistance Act.

Long-Term Rental Scattered Site

- Organizations should include uniform components to units and should develop durable units to reduce the amount and costs of maintenance over the long run.
- Scattered site rental programs must seek economies of scale to be economically feasible.
- Agencies conducting scattered site rental development must have adequate management fees to professionally manage properties.

Scattered Site Rental

- 1) Community Buy in
- 2) Local development subsidy
- 3) Long term rental assistance
- 4) Management experienced with managing public subsidy compliance
- 5) Ability to guarantee large financial obligations (for LIHTC)
- 6) Ability to property manage multiple properties(s), including tenant relations, rent collection, maintenance and building systems across multiple properties and geographies



6



Discussion

- Make sure lender permits SSR mortgages and permits different building types; assume that lender will require properties to have locational proximity.
- Operating costs are often higher for this model; impact to long term cash flow.
- Property management will be more time consuming and expensive.
- Account for asset management costs; financial monitoring required.
- Services for SSR development can also be challenging; dispersed nature of the units makes it more difficult to provide some services, which is one more reason why clustering is important.
- Providing services to scattered site tenants is difficult without partnering. If an organization is focused on housing development and management, it does not make sense to add case management to their core work.

Poll

Let's review...

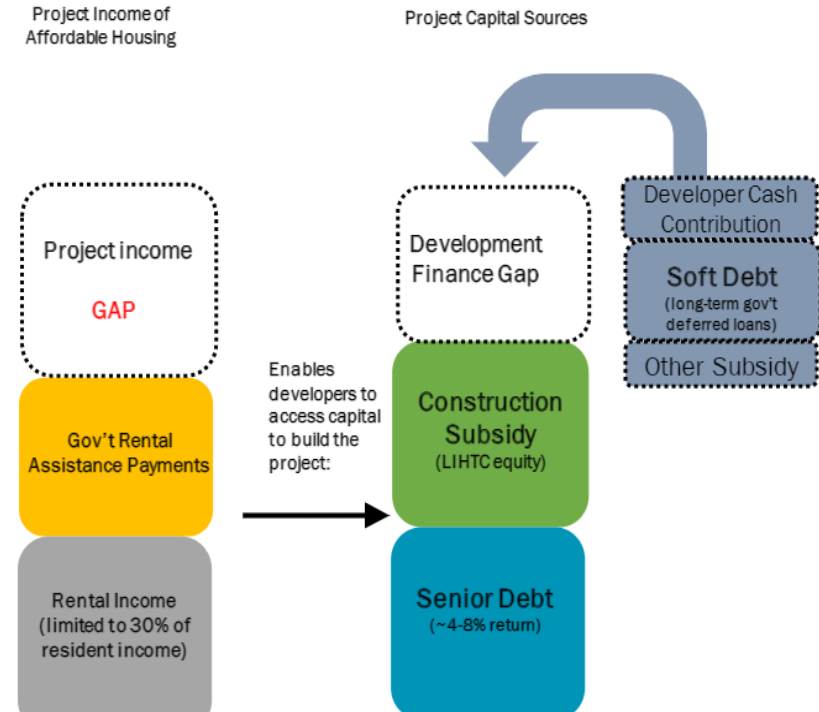
Which of the following long term housing solutions is particularly challenging and expensive due to the lack of economies of scale?

- A. Rental rehabilitation
- B. New single family housing development
- C. Scattered site Rental
- D. All of the above

Long-Term Rental New Construction Multi-Family

- Mixed income development
- Mixed use development

- 1) New Housing Development (rental)
- 1) Site and amenities designed to maximize competitiveness for state and federal gap financing
 - 2) Community Buy in
 - 3) Local development subsidy
 - 4) Long term rental assistance
 - 5) Management experienced with public subsidy compliance



Discussion

- Settling on a site, finalizing a development plan that both delivers the required density and economies of scale, and finally financing and building the development can take months or years.
- Developers must assemble a development team, including architects, general contractors, consultants and financiers who are as experienced as possible with development type and ownership structure under consideration.
- Because many of the gap funding programs (LIHTC for instance) are highly competitive and have highly specific requirements, the ability of the development team to understand how a given site, building design, and financing package will work together is critical.
- Utilities services and amenities must be considered to increase marketability
- A good market study can help in assessing likely vacancy rates, but also be aware that vacancies may vary considerably from unit to unit.
- Having adequate operating, maintenance and replacement reserves is critical to success.



Additional Considerations

We're posing these questions as additional considerations. Please feel free to put your answers in the chat to contribute to the exchange between your peers and presenters.

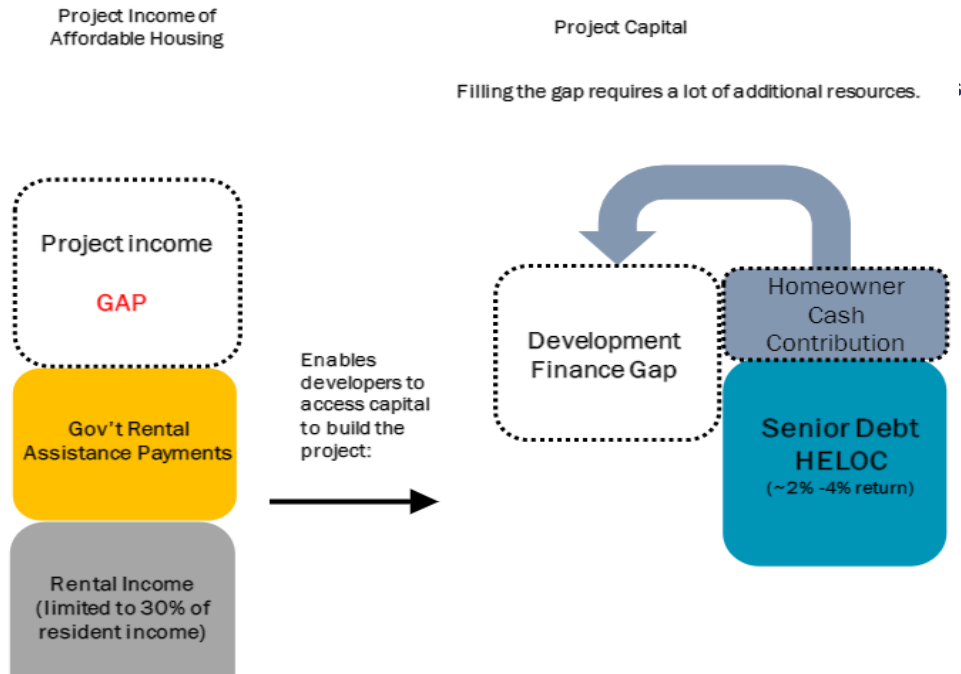
- What does your locality's Consolidated Plan identify as a housing priority?
- CV funds must be used to prepare, prevent, or respond to coronavirus. What form of housing or housing assistance would meet the requirements of the CDBG-CV requirements in your community?
- Does your locality or state provide any form of rental subsidy? If so, what?
- Does your locality or state provide any form of service subsidy for permanent supportive housing? If so, what is it?



Long-Term Rental Innovative and Supporting Housing Models

ADUs

- 1) Willing individual builder/owners
- 2) Understood entitlements pathway
- 3) Flexible financing – mortgage friendly (refi or HELOC)
- 4) Rental assistance
- 5) Landlord and tenant education from Fed. Housing Counselors (or other TA provider)



Accessory dwelling units

- An accessory dwelling unit is an independent, smaller second residential unit sharing a lot with another single family primary dwelling unit.



Discussion

- ADUs can be created as a second internal unit, as additions, or as a separate building. A common example is turning an area over a garage into an apartment.
- Affordable alternative for students, extended family (such as seniors needing to be near other family), or for those looking for lower cost housing.
- Can be a source of income for the owners of the primary home.
- Primary challenge to creating this type of housing is local zoning requirements, which often limit lots to one dwelling.

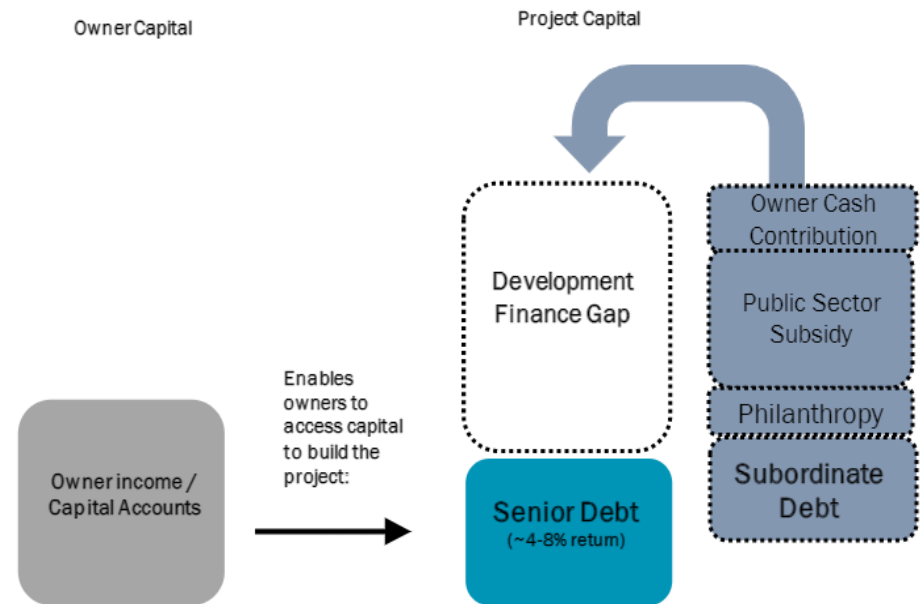
Long-Term Owner Occupied Owner Rehabilitation

- Repairs are made by a procured contractor to a single system of a home, which is owner occupied by an income eligible household.
- Repairs are of a limited scope and are typically made with a single source of funding.
- Often offered to the existing homeowner as a grant.

Model Capital Stack

Home Repair

- 1) Motivated government and philanthropic sectors providing capital that allows for flexible credit and underwriting standards
- 2) Roster of approved contractors
- 3) Homeowners with need and some income to support a new financial obligation
- 4) Ongoing Professional services and support
- 5) Pipeline and supporting outreach infrastructure



Discussion

- Home repairs are usually funded with a single funding source, and it is important to ensure that home repair qualifies as an eligible activity within the program from which you are seeking funding.
- Home repairs can be done with CDBG funds, they are ineligible within the HOME program
- Other types of funds may also be available within a community to assist households with needed repairs such as the Weatherization Assistance Program
- United States Department of Agriculture, Rural Development Department offers Single Family Housing Repair Loans & Grants to eligible households in rural areas, and the Area Agency on Aging has home repair programs for seniors. Coordination among these types of resources may help you to meet local needs more effectively.
- Home repair is best kept simple. Home repair programs perform best when you center your efforts on basic health and safety issues like replacing a furnace, installing a new septic system, or doing an electrical upgrade. The focus should be on one system.



Poll

Let's review...

What funding source cannot be used for the replacement of a furnace as a home repair?

- A. CDBG
- B. CDBG-CV
- C. HOME
- D. Private funds
- E. All of the above



Poll

Let's review...

A CDBG funded homeowner subsidy for private owner rehabilitation can take the form of

- A. A grant
- B. A soft second forgivable loan
- C. An unforgiven loan requiring payments
- D. All of the above

Long-Term Owner Occupied Acquisition/Rehabilitation/Resale

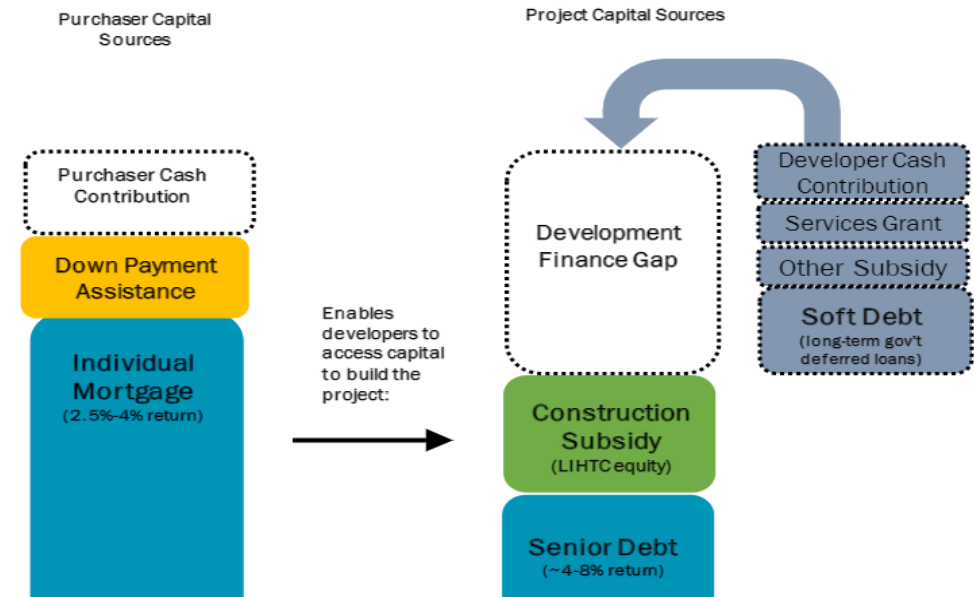
- Carefully select homes that are structurally sound, and that can be rehabilitated for a reasonable amount,
- Consider the resale value and usability of this home, post-rehabilitation. Will it be laid out well to accommodate use by a modern family and have curb appeal?
- Seek to buy homes at a discount. Work with your local land bank or purchase foreclosed homes.

Model Capital Stack

Acquisition Rehab/Sale (Ownership)

Successful developments Frequently feature:

- 1) Willing Seller
- 2) Fast acting acquisition capital
- 3) Local development subsidy
- 4) Down payment assistance
- 5) Buyer education from Fed. Housing Counselors
- 6) Buyers Pipeline and supporting outreach infrastructure



Discussion

- Rehabilitating homes likely to be “gut rehab” - where the old plaster or drywall is removed to the studs, and new mechanicals are installed. Will allow you to save some of your older, dilapidated, housing stock.
- Need for both a homebuyer subsidy and a development subsidy in these projects. The development subsidy will pay for costs of acquisition and rehabilitation that are above the market value of the fully rehabilitated house.
- Homebuyer subsidy will capture the need for funding to cover the gap between what the homebuyer will be able to afford in monthly payments, and what the monthly payments would be at market rate.
- Homebuyer subsidy offers this by offering a soft second loan on the property covering the affordability gap. Loan would typically not require payments as long as the original owner retains this property as their primary residence, and is often forgiven over time throughout the affordability period.



Long-Term Owner Occupied New Construction Single-Family

Condos

- A condominium (condo) is an ownership structure in which each unit is owned separately..

Coops

- Residential housing option that is actually a corporation - owners do not own their units outright. Instead, each resident/cooperator is a shareholder in the corporation.

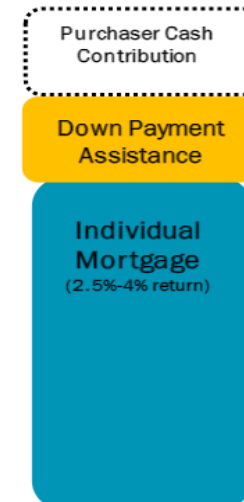
Model Capital Stack (Homeownership)

New Housing Development (Ownership)

Successful developments Frequently feature:

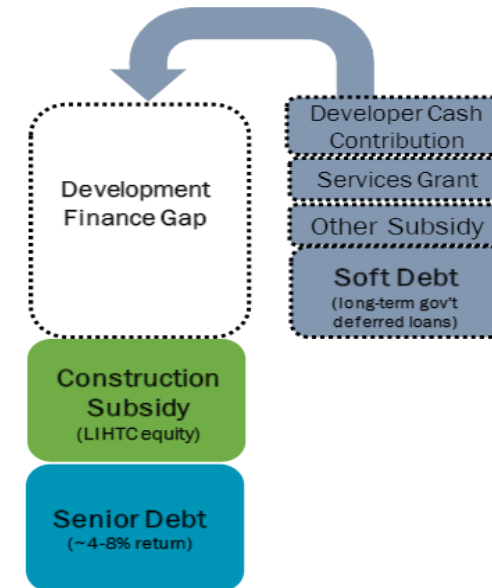
- 1) Local development subsidy (land or capital)
- 2) Down payment assistance
- 3) Buyer education from Fed. Housing Counselors
- 4) Buyers Pipeline and supporting outreach infrastructure

Purchaser Capital Sources



Enables developers to access capital to build the project:

Project Capital Sources



Discussion

- A condominium (condo) is an ownership structure in which each unit is owned separately. It is the most common ownership structure employed in multifamily homeownership scenarios. Ownership usually includes a nonexclusive interest in certain community property such as common areas like lobbies, outdoor spaces, and community rooms.
- A housing cooperative or "co-op" is a type of residential housing option that is actually a corporation whereby the owners do not own their units outright. Instead, each resident is a shareholder in the corporation based in part on the relative size of the unit that they live in. Cooperatives are less common than condos nationwide but are frequently the favored structure within certain markets such as New York City and Washington DC.
- In addition to the cost of the unit itself, residents are also typically responsible for a monthly fee paid directly to the condominium or cooperative association. In exchange for this fee; sometimes called a condominium fee, HOA fee, or maintenance fee, residents are entitled to services outlined in their homeownership agreements. The services typically include maintenance for shared building assets and systems, and sometimes resident services including security and individual unit maintenance.



Long-Term Owner Occupied Innovative and Supporting Housing Models

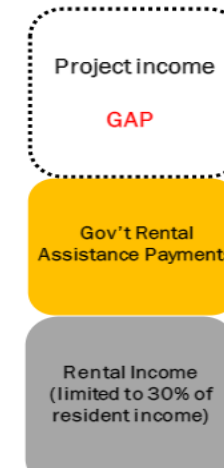
Community Land Trust –

- Nonprofit corporation that is typically place-based and owns land for community benefit.

Community Land Trust

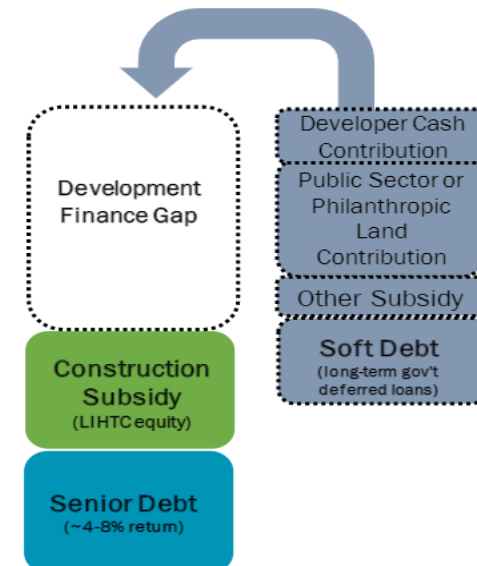
- 1) Fast acting and patient capital for acquisition
- 2) Local development subsidy (land or capital)
- 3) Management experienced in working with resident owned housing
- 4) Ongoing Professional services and support
- 5) Buyer education from Fed. Housing Counselors
- 6) Buyers Pipeline and supporting outreach infrastructure

Project Income of Affordable Housing



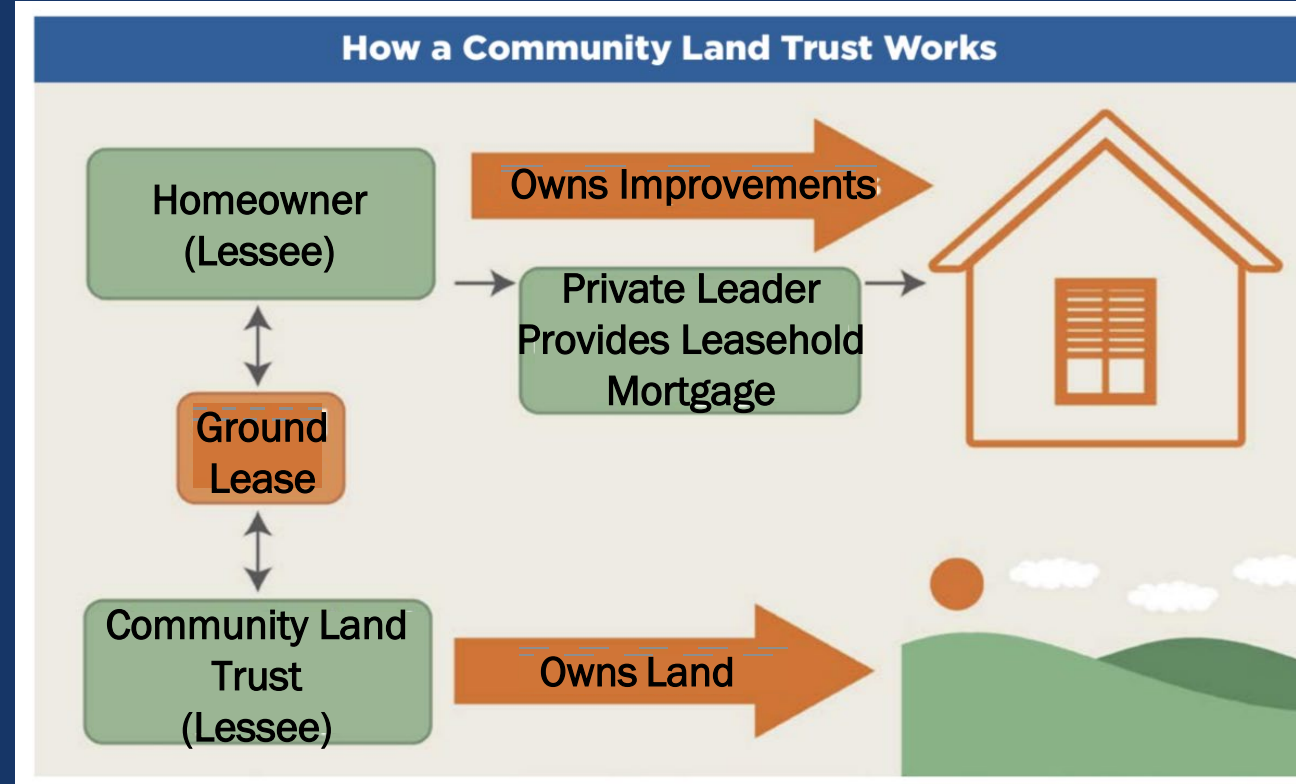
Enables developers to access capital to build the project:

Project Capital



Discussion

- Community land trusts, or CLTs, are a form of nonprofit corporation that is typically place-based and owns land for community benefit.
- CLT retains ownership of the land – thereby ensuring that it remains a community resource through a “ground lease”.
- CLT can impose specific limitation on the resale price, or maximum rent that can be charged for any housing built on their land.



POLL

Let's review...

Under a Community Land Trust, the CLT:

- A. Sells the land and house with covenant/restrictions
- B. Lease the land to a home purchaser through a “ground lease”
- C. Retain ownership of the leased house, but sell the land
- D. None of the above

POLL

Wrapping Up

Are there any housing models presented today that you have not tried implementing in your community?

- A. Yes, I'm intrigued by some new ones and will see if I can implement them.
- B. No, I've tried them all at various points.

POLL

Wrapping Up

Do you feel prepared to tackle the housing needs in your community?

- A. Yes, I'm ready to go.
- B. I'm tentative, but I feel like I've got the background to do it.
- C. Not yet, but I'm collecting the tools I need.

Word Cloud

Wrapping Up

Fill in the blank with a single word in the following sentence to describe the goal for housing in your community in 2022:

In the coming year, I hope we can provide housing that is _____ for the residents of my community.

Example: safe, healthy, etc.



Thank You

Feel free to contact us if you have any questions about what you have heard today.

- **Madeline Fraser Cook**, Director, Government Investments and Technical Assistance, [LISC](#)
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- **Matthew Leber**, Manager, Housing Development Systems & Innovation, [LISC](#)
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