Joint Ventures

Presented by:

A Survey of Joint Ventures in Supportive Housing Development

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Services for the Underserved

Intro to SUS

- Services for the Underserved is a 39 year old social services agency
- We serve over 7500 individuals and families each year facing challenges such as mental illness, intellectual/developmental disabilities and HIV/AIDS, often compounded by histories of homelessness, substance use, poverty, trauma and unemployment.
  - Growing Veterans division
- In 2014 SUS merged with Palladia, another longstanding social service agency with expertise in serving households facing addiction, HIV/AIDS, homelessness, and domestic violence.

Intro to SUS (cont'd)

- The combined agency, under SUS umbrella:
  - Has 2000 employees
  - $190 million annual operating budget (2016)
  - Owns or leases more than 100 buildings, totaling almost 1.5 million square feet of RE in NYC
  - 15 LIHTC properties in operation (with 6 more in construction and development)
  - Has over 1100 units of LIHTC development in the pipeline (to be complete by 2020)

SUS Development Partnership Models (current)

- Sole developer (City owned land, or private)
- 50/50 Co-development (acquisition/predev loan, all guarantees, all dev fee, co-managing, year 15)
- Turnkey- developer acquires land and takes construction risk/reward & majority (or first) dev fee, SUS takes post-conversion operating deficit and compliance risk
  - Many options here, including sharing long term ownership and risk

SUS Development Partnership Models (current cont'd)

- Master Lease (with or without HDFC)
  - SUS leases block of units for consumers, using services funding to provide on site social services, as well as provide some rent subsidy (rent level varies on program, but usually well below 60%)
  - Akin to housing partnership, SUS creates HDFC to take record title to property (sales tax and Mortgage Recording Tax exemptions), as well as own 50% of GP for 420-c purposes
    - LP owner provides indemnification
    - But audit, tax returns etc.

Risks & Rewards

Master Lease v. Development Partnership

- Dependent on organizational direction and capacity
- Master Lease better if:
  - Risk averse
  - Avoiding staff investments
  - Significantly less economic upside (some upfront and small annual payments for HDFC structure)
- Development Partnership better if:
  - Seeking higher ROI
  - Higher risk tolerance
  - Investing in RE development team

- Strategies to mitigate development risk:
  - Utilize financial partners (Syndicator, bank, gov't agencies, brokers, architects)
  - Status as repeat player enhances bargaining ability
  - Comprehensive due diligence
    - Be willing to drop properties

What to look for in a JV Partner

- Shared Commitment to Affordable and Supportive Housing
- Experience with Affordable and Supportive Financing and Regulations
- Experience Working with NFP
- Trust and Transparency
- Mutual Respect

Assignments for the NFP

- Before entering into a JV, ask, “Can we develop this alone?”
- Work with Board of Directors to assess level of acceptable risk
- Determine what you bring to the table and what your negotiating position is

Recommended Reading

Joint Venture Partnerships for Supportive Housing Development”

Supportive Housing Network of New York

www.shnny.org