Bracey Houses Redevelopment Options: A Report to the New Rochelle Municipal Housing Authority

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1.Executive Summary

We were asked by the Chair of the New Rochelle Municipal Housing Authority to explore options for redeveloping Bracey Houses in a manner that brings the Housing Authority and low-income residents of New Rochelle more benefits than NRMHA's prior redevelopment projects.

The two major areas of dissatisfaction around NRMHA's Queen City redecelopment were loss of control over the project, and the amount of money that went to a for-profit developer. Now that NRMHA has the leeway and capacity to take a stronger hand in the RAD conversion of the Bracey Houses than it did with Queen City, it can exercise a range of options to retain more control and money in this deal.

The Project: Bracey Houses, a public housing project in an advantageous location that can be leveraged both to provide better services to existing residents and to support the low-income population in the surrounding area

NRMHA's Goals: Redevelopment options for Bracey Houses that will give NRMHA more control and money than they were left with under the Queen City development deal. Ultimately, the goal is to expand housing at the Bracey Houses site, increase on-site services at Bracey, and increase housing within New Rochelle more generally. Additionally, the NRMHA chair asked us to explore the possibilities for including a low-income limited-equity cooperative on the redeveloped property.

In assessing NRMHA's options for the Bracey redevelopment, we made two assumptions: that the redevelopment would include a RAD conversion, and that it would be financed using the Low Income Housing Tax Credit (LIHTC).

- **RAD:** Because traditional public housing subsidies have been so diminished over the past several decades, changing the legal status—and thus the source of operating subsidy for a project—is virtually required both to finance redevelopment and to continue operating public housing into the future. A RAD conversion brings about that needed change.

- **LIHTC:** While not all RAD conversion redevelopment projects use LIHTC as a source of capital, a major rehab of a large number of units that includes new construction in a high-cost area like New Rochelle is almost certain to require use of this federal affordable housing development subsidy.

Given these assumptions and the specific context of New Rochelle Municipal Housing Authority, and of the Bracey Houses, this report lays out a number of possibilities for retaining more control and money in the Bracey redevelopment.

The alternative model that would give the maximum control and money to NRMHA is to take on *self*-development, along with the assistance of consultants. In addition, there are also a range of middle options that give NRMHA more control and money, without the full responsibility of self-development.

Control: Development structure options range from self-development, to working with a nonprofit developer-owner (which would be socially aligned with NRMHA). The alternative ownership structure option is to act as sole managing entity of the project's owner (a limited liability company or limited partnership, as required to make use of LIHTC).

Money: This section analyzes possibilities for retaining excess income from the development process and operation of the project. The main opportunity for increasing NRMHA's income in the project would be to direct the full developer fee to NRMHA through opting to self-develop Bracey Houses—which could be tens of millions of dollars. Beyond the developer fee, NRMHA could also increase total income through a combination of increasing operating revenue and decreasing operating expenses. Non-residential rents such as from commercial space, as well as using HUD's 'Section 18 Blend' program—rather than the more traditional Section 8-based programs—could both increase operating revenues. And further revenue may also come from including supportive housing in the redevelopment project.[1] NRMHA may additionally be able to decrease operating *expenses* relative to the Queen City project by retaining more ownership and responsibility.

Low-Income Limited Equity Cooperatives: And lastly, as requested by NRMHA's Chair, we also include information and resources on another development possibility: low-income limited equity cooperatives. This section analyzes possibilities for incorporating a cooperative in the Bracey redevelopment, including leasing a block of units in a rental building to a cooperative corporation (possibly established by NRMHA), and leasing land to an ally organization to develop a separate cooperative building.

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[1] See Addenda, page 25, for a description of supportive housing programs in New York State.

2.LSLS Background

Lincoln Square Legal Services, Inc. (LSLS) is the nonprofit tax-exempt entity through which Fordham Law School faculty and students provide free legal services as part of the Law School's clinical teaching program. This report was produced by LSLS's Community Economic Development Clinic (CED Clinic) directed by Prof. Brian Glick, a New Rochelle resident. The law students who did the main work include Sarah Konnerth, Tim Whitteaker, Tatiana Hyman, Charlie Metzger and especially Faith Meixell who stayed with this project to the bitter end, long after the close of the academic year. Much of the understanding shared here grew from extended discussion with Sheila Small, NRMHA chair; Michael Yellin, NRMHA commissioner; Gerrald Ellis, a former student in Fordham's CED Clinic who is now counsel to the New York State Housing Finance Agency (HFA); and Russell Hubley, an Assistant Vice President in HFA's Finance & Development group.

3. NRMHA Options for Approaching the Bracey Houses Redevelopment

3.A. Background on Bracey Houses Redevelopment

3.A.1. NRMHA Goals for Bracey Houses

NRMHA seeks to redevelop the Bracey Houses to meet the needs of current residents and other low-income residents in New Rochelle. Bracey is located on the edge of downtown New Rochelle. The City of New Rochelle is currently in the process of rezoning the land underlying the Bracey Houses. That rezoning is expected to enable NRMHA to significantly expand the amount of residential units on the site. Thus, NRMHA would like to redevelop the site to include more housing units along with possible commercial space, a health center, a community event space, and a small business incubator.

One of NRMHA's goals is to structure the redevelopment of Bracey Houses to funnel development and operation funds back into the Housing Authority to better serve the community. Rather than enable a private developer to profit from the developer fee and future rental streams, NRMHA seeks to instead direct that funding to potential future low-income housing development elsewhere in New Rochelle. Additionally, NRMHA seeks to arrange the development process so that NRMHA's capacity is increased as well: through the ability to bring on new staff, and opportunity to learn from the consultant and development process how to approach future development.

3.A.2. Previous NRMHA RAD Conversion and Redevelopment: Queen City Tower

In pursuing RAD conversion and redevelopment of the Bracey Houses, NRMHA has a broad set of goals. Several of these goals were developed in response to how a recent NRMHA RAD conversion—of the Queen City Tower property—played out.

In 2018, NRMHA redeveloped Queen City Tower (Queen City), using a HUD federal housing program called Rental Assistance Demonstration (RAD). RAD was passed by Congress in 2012 to preserve and improve affordable housing for low-income families. It allows public housing authorities (PHAs) to permanently convert the legal status and source of funding for public housing. This generates additional sources of private financing and operating income. See page

12, for information on the mechanics of RAD and Addenda, page 20, for a list of tenant rights under RAD.

In the Queen City redevelopment, for-profit developer PRC both developed the property and served as the managing member of the project-owner LLC. NRMHA maintained a *legal* (not substantive) interest in the property by retaining fee ownership of the land and leasing it to the project owner under a long-term ground lease. NRMHA was paid to manage the property. However, these ownership and development structures did not give NRMHA adequate control over the project and its revenues.[2]

Queen City's conversion was financed by a mixture of debt (a mortgage loan funded by fixed-rate, tax-exempt bonds), Low-Income Housing Tax Credits (LIHTCs),[3] and a subsidy from the New York State Housing Finance Agency (HFA). Under the various agreements governing the transaction, NRMHA was entitled to 50% of the developer fee, a property management fee, a ground lease fee, and 50% of the project's operating surplus. PRC kept the rest of the developer fee and operating surplus as well as the considerable, less visible income generally available to a for-profit business in control of housing development and operation.

A core concern of NRMHA leaders is that PRC may have ended up keeping a large share of the proceeds. Although PRC's work was adequate and tenants were satisfied with the quality of the renovations, NRMHA nonetheless lost control of the project and much of the revenues it generated. Thus, a primary goal for Bracey's redevelopment is to retain significantly more of its profits, so that NRMHA might better serve the New Rochelle community and its other tenants outside the Bracey Houses. Rather than profiting a private developer, NRMHA hopes to use RAD as a means for enhancing its services to existing residents and to New Rochelle's low-income population more broadly.

3.B. Alternatives to Queen City Deal Structure

One way to assess possibilities for Bracey is to examine ways that the Bracey deal could differ from the Queen City deal. The two main areas of concern around the Queen City deal were **control** and **money**. We will examine possible ways for NRMHA to retain more of each in the following sections.

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[2] NRMHA's powers vis-à-vis the Queen City owner entity may be relevant here. Pursuant to Section 5.01(a) of the co-development agreement, an affiliate of NRMHA had (1) powers of review and approval over "[a]ll documents evidencing the Owner Entity's rights and obligations with regard to the members, including but not limited to the payment of development fees, guarantees, and pledges" and (2) "the right to receive all documents and reports that the Developer, Managing Member or the limited partners receive."

[3] See Addenda, page 22, for a primer on LIHTCs.

3.B.1.Question 1 -- Control: How NRMHA can maintain more control of the Bracey Houses, post-redevelopment.

Given a shortage of viable financing alternatives, NRMHA is unlikely to achieve its goals for Bracey without undertaking another RAD conversion. Fortunately, within RAD's general framework, NRMHA may be able to avoid or mitigate the issues that plagued the Queen City RAD conversion by adopting different models of ownership and development.

In order for NRMHA to retain more control over the Bracey conversion, LSLS recommends NRMHA first consider self-developing and self-operating Bracey Houses. This option would bring NRMHA the maximum amount of control and allow NRMHA to retain the maximum amount of income. However, this option also brings significant responsibilities.

Alternatively, there are also a range of middle options that NRMHA might pursue that require taking on less responsibility than self-development, but allow NRMHA to retain more control and money than in the model used in Queen City.

This section will first describe how the range of possible ownership and development options could affect the project outcomes. It will then lay out several of the options, ranging from the Queen City model to self-development.

LSLS also recommends NRMHA hire a consultant at the earliest opportunity to help it make decisions regarding these ownership and development models. See Addenda, page 27, for further information about organizations that are experienced in providing these services in the New York area.

3.B.1.a.Ownership Model Options

Much of the control question in a redevelopment project stems from how ownership interests are apportioned. Queen City had a typical RAD conversion ownership structure: the PHA continued to own the land, but the private developer acquired the controlling ownership interest in the buildings. Where a private developer has that type of ownership, the PHA can exert some ongoing control via the ground lease and a "control agreement."[4] To gain significantly more control over the redevelopment process and the resulting project, a PHA may also retain control of the project owner entity itself rather than forfeiting it to the developer.

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[4] A control agreement is another way for a PHA to exert control over a developer-owner. https://nlihc.org/sites/default/files/RAD-Outline-Updated-0518.pdf

LLC Ownership Interest

In the Queen City deal, PRC had control of the owner entity LLC, even though NRMHA technically retained part ownership.

The Queen City project, and many other affordable housing projects, have a limited liability company (LLC) as owner because that is the most effective way to enable investors to use LIHTC tax credits in exchange for their equity contributions. The below chart[5] shows a typical relationship among several parties in a LIHTC-financed RAD conversion project. The light blue boxes[6] show the ownership structure in that relationship. The Owner Entity that owns and operates the property is comprised of the investor member (which has no control and only exists to make use of the LIHTCs), and the managing member (which has all the control). In Queen City, PRC had dominant control of the managing member and thus, dominant control of the project. However, if NRMHA were the sole or dominant party within the managing member, it would have full control of the project.

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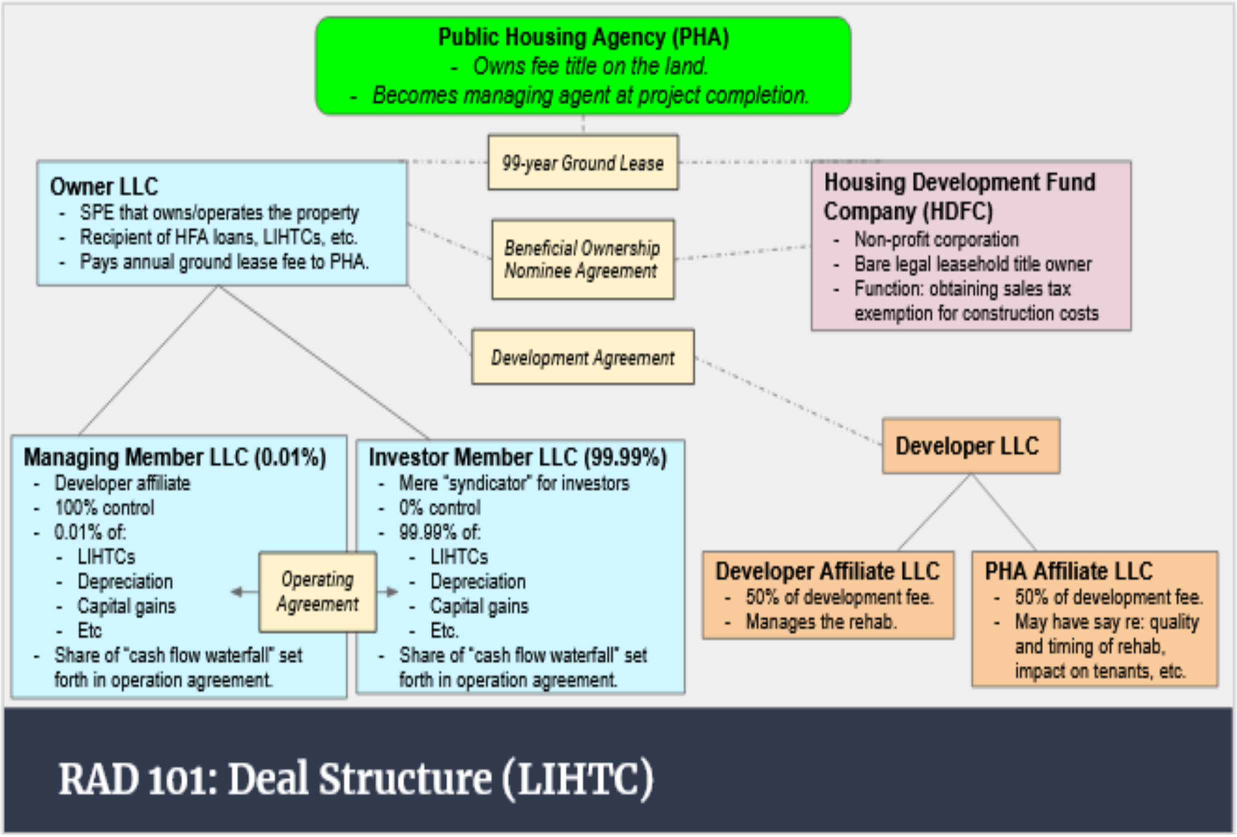
[5] The chart is described further in the LIHTC section of the Addenda (page 22).

[6] Owner LLC, Managing Member LLC, and Investor Member LLC.



Acting as managing member would impose significant obligations on NRMHA, not least responsibility for compliance with LIHTC regulations. But NRMHA could contract out complex technical tasks like LIHTC compliance. Moreover, HUD and HFA indicate that PHAs with significant prior RAD experience have handled the role capably.

Control of the project owner entity could deliver substantial financial benefits to NRMHA. For the Queen City deal, NRMHA's share of the operating surplus was limited by the terms of the Owner Entity Operating Agreement. By contrast, as managing member of the Bracey project owner, an NRMHA affiliate would be entitled to whatever is left of the sum of Section 8 subsidies, tenant rents, and commercial rents after operating expenses. As we discuss below,[7] Section 8 subsidies for a project of this kind could be substantial.

Other Control Tools: Worthwhile but Likely Inadequate

In contrast to sole membership in the Owner Entity LLC, other possible ownership interests would do far less to limit a developer's ability to extract profit from Bracey. While both ground

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[7] See Section 3.B.2.a, page 12.

leases and control agreements could technically give quite a bit of power to NRMHA, on a practical level, neither would be as powerful as full ownership.

Ground lease: In the Queen City project, NRMHA retained an ownership interest partly through the long-term ground lease restricting the land's permissible uses. A ground lease is used when the owner of the land (here, the PHA) leases that land to another entity that will own the building (here, the project owner-developer).[8] Ground leases are typically for 99 years. Even if the housing authority were to have the leverage to get good substantive provisions into the ground lease, it would still prove difficult to monitor and enforce, given the for-profit developer's control.

Control Agreement: Another tool for reserving some decision-making power to the PHA is a "control agreement," which, like the ground lease, is a type of agreement between the PHA and the project owner. Control agreements can include terms that grant the PHA consent rights over certain acts of the developer-owner, including project disposition, leasing, tenant relocation, choice of management agent, budgeting, withdrawals from reserves, and waitlist administration. Like the ground lease, however, control agreements are limited in their utility to the PHA.

Sources and Further Reading

- National Housing Law Project RAD advocacy guide (2016)
- HUD repositioning guide for medium/large PHAs
- Terner Center report on RAD's early days

3.B.1.b.Development Model Options

Another layer of the question of how to retain more control for NRMHA in the Bracey deal is what *development* model to employ. These models illustrate the possible relationships between the PHA and any developer partners, which each have benefits and downsides. Possible relationships with a developer could include: turnkey developer, co-developer,[9] or project owner. The amount of control over development decisions and finances that NRMHA has will vary

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[8] *An Advocate's Guide to Public Housing Conversions Under Component 1 of the Rental Assistance Demonstration* has additional context for how to design a stronger ground lease: National Housing Law Project, *An Advocate's Guide to Public Housing Conversions Under Component 1 of the Rental Assistance Demonstration* (2016), page 44, https://www.nhlp.org/wp-content/uploads/2018/02/RAD-Advocacy-Guide-2.0-FINAL-with-Appendix.pdf.

[9] HUD defines co-developer as "one who serves as co-general partner in each limited partnership during the period when its guarantees remained in place, or perhaps for the full 15-year tax credit compliance period." See here, page 66.

based on these arrangements. In the Queen City deal, for instance, for-profit developer PRC dominated both the project owner and the development process.

3.B.1.c. Development-Ownership Models

While development and ownership are two distinct phases of housing redevelopment, development models and ownership interests often overlap and combine, such that decisions in one area will affect the other. In combining development and ownership concerns, there are three main models. Self-development, which leads naturally to full PHA ownership, would give NRHMA the most control. 'Turnkey developers,' which carry out the bulk of development work, but leave the project after construction, are the model that retains the second-most power for NRMHA. And working with a nonprofit developer-owner in the same role that PRC took in Queen City is the option with the third most control retained for NRMHA.

HUD highlights several primary PHA-developer deal points that NRMHA should be aware of when negotiating control over Bracey (see Addenda, page 29).

3.B.1.c.i.Self-develop & Consultant

The first possibility is that NRMHA acts as its own developer, working closely with a consultant organization.

There are some organizations, such as Enterprise, that PHAs can hire as consultants to help them (1) figure out whether self-development would be feaible and what would be needed to accomplish that, and (2) carry out development and ownership. Here, an organization serving as consultant would assist with development by helping NRMHA determine what it has the internal capacity to plan and execute, along with what additional team members[10] would be needed.

This appears to work well for PHAs that have had successful prior experience with mixed finance projects and implementing major rehabilitation or redevelopment. Consultants are typically paid through the developer fee for the project that they are consulting on. Consultants that play specific roles (e.g., tenant relations) may be paid through a line item in the development budget.

[10] Team members could include: architect, legal, construction, property management, and financial services.

Further information on possible consultant organizations can be found in the Addenda, on page 27.

Examples:

- The Municipal Housing Authority for the City of Yonkers (MHACY) may be a valuable resource for NRMHA in self-developing Bracey with help from a consultant organization. MHACY is nearing completion of a $500 million RAD overhaul of its entire 1,700-unit public housing stock. In 2018, MHACY's then-Executive Director Joseph Shuldiner testified that the Authority was self-developing approximately 200 of the units and would use that experience as a model: "Going forward, we would probably only self-develop, so our developer partner would be ourselves." Moreover, the nonprofit consultancy/lender Enterprise New York appears to have been deeply involved in this portion of MHACY's work, although its precise role is somewhat unclear. LSLS therefore recommends reaching out to MHACY for a debriefing on their experiences with the self-developer model. Additionally, NRMHA may inquire with MHACY about possibly 'renting out' MHACY staff that have developed an expertise in development.

- A PHA in Franklin, Virginia also self-developed with a consultant.[11] They used a development team of small firms including an architect on design and construction, a development consultant for financing and grant applications, and a local attorney for tax credit/mixed-finance transactions. Under this model, the PHA was able to access LIHTCs, debt funding, loans, and use their own funds to support the project.

3.B.1.c.ii.Turnkey Developer

A second option is a turnkey developer, which handles all the responsibilities of a traditional developer, from design through construction to completion, but does not retain ownership after conversion. Rather, ownership would transfer back to an entity controlled by NRMHA once the project has been developed and is ready for use.[12] Turnkey developers may be either for-profit or nonprofit developers.

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[11] HUD, *RAD Spotlight on Franklin, Virginia: Full Conversion of a Small Portfolio,* https://www.hud.gov/sites/documents/RAD_CS_Franklin_VA.pdf.

[12] *See here for a more detailed explanation of turnkey delivery services.* HUD referred to this option in their Guide to Public Housing Repositioning for medium and large PHAs as "Fee Developer without Long-Term Ownership" (page 65). HUD states that either a PHA can be sole general partner, or the fee developer can be part of the general partnership during development, after which time they exit the partnership and the PHA becomes the sole general partner.

Turnkey development is a popular choice for PHAs that do not have the capacity to take an active role in every aspect of the design, supply procurement, and construction process. However, PHAs that choose this option may lack some authority over construction and design decisions, depending on how they structure the deal.[13] Additionally, turnkey developers often require at least half—and often more—of the developer fee.

Example: A PHA in Portsmouth, Virginia used a turnkey developer to redevelop 146 units undergoing a RAD conversion. Under this development model, they were able to use mixed financing including LIHTCs.

3.B.1.c.iii.Nonprofit Developer

The last option is to keep the same general model as in the Queen City deal, but replace the for-profit developer with a nonprofit developer. Nonprofit developers have helped produce affordable housing that meets the needs of low and moderate income families across the country. They are attractive development partners given their commitment to preserve long-term affordability of housing.[14] Nonprofit developers can either be turnkey developer or play the same role that PRC did in the Queen City deal—as developer and owner.

LSLS has identified few nonprofit developers operating in New York State, outside of New York City.[15] However, nonprofit developers have been used in RAD deals in both New York City and San Francisco.

Example: San Francisco divided their public housing buildings into 8 clusters with each led by a development team of either a nonprofit developer or a for-profit developer and nonprofit community-based partner.[16]

3.B.2.Question 2 -- Money: How NRMHA can retain more redevelopment and operating income with the Bracey Houses project.

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[13] See here, here, and here for general discussion on turnkey development for commercial purposes.

[14] See here for discussion on the strengths and weaknesses of nonprofit developers as in comparison to for-profit developers.

[15] See Addenda, page 29, for suggestions on locating a nonprofit developer.

[16] See here pages 12-13 for more information about the San Francisco project.

NRMHA's goals for the Bracey Houses redevelopment include (1) directing funds back into NRMHA's operations rather than to a for-profit company, and (2) setting up a revenue structure that may allow NRMHA to receive the excess income after development and operations of Bracey Houses.

There are two types of this potential 'profit' for NRMHA: (1) from the development sources (all the money that comes in *while* construction is underway), and (2) from operations revenue (all the money that comes in each month once the buildings are in operation, in the form of rents and rental subsidies). While both types of income are sized to the project's needs, there are possible areas where income may exceed the uses for which it is earmarked. Indeed, this type of surplus is what attracts so many for-profit companies to operate in the RAD conversion and affordable housing development space. HUD rules may be flexible to support a PHA accruing both types of profit—for use, of course, to support other low-income housing endeavors.

This section will first describe the dynamics that may allow a PHA to obtain excess income, how a RAD conversion allows a PHA to increase several kinds of income, and how a PHA may use that additional income for other affordable housing goals. This section will also explain how many of the key financing decisions that would result in excess income will be determined by decisions about ownership and development structure. This section will then explain one possibility for increasing operating income: using HUD's 'Section 18 Blend' program rather than the more typical Section 8-based programs.

3.B.2.a.How RAD Enables PHAs to Receive Surplus Income

In a RAD conversion, a PHA exchanges its share of HUD-allocated public housing support for a contractually guaranteed Section 8 subsidy. Section 8 turns out to be a more stable stream of income, which can then also be used to leverage private debt.[17]

3.B.2.a.i.Development Surplus

In the Queen City deal, because a for-profit developer held the control, a significant amount of the surplus fees and payments went to it. One of the biggest sources of development income is the developer fee, which in the Queen City deal, was split between PRC and NRMHA. Developer fees are typically determined as a percentage of the total development cost—so, they

[17] See Addenda, Sources and Uses Section 4.A (page 19), for a description of development budgets and how redevelopment projects are financed.

can be quite substantial (tens of millions of dollars). As discussed in the previous section, if NRMHA self-develops, that fee would go directly to the NRMHA.

HUD allows excess loan proceeds (from a bond-financed mortgage, for example) to be "used to support other purposes consistent with the PHA's mission, e.g., renovations to other properties."[18] HUD similarly allows excess equity proceeds (from LIHTC financing) to be used "to support other Affordable Housing Purposes."[19] However, the quantities of both sources of funding will be determined in part by HFA's determination of the project's requirements, so the excess funding from these sources will likely be limited.

3.B.2.a.ii.Operations Surplus

Like the contract that NRHMA has had with HUD for Bracey Houses for years (Section 9), a Section 8 or Section 18 Blend[20] contract provides rental subsidy to NRMHA to fill the gap between operations costs and rents paid by tenants. However, in contrast to traditional public housing subsidy, these other alternatives are fully funded by Congress to support the project's operations. In some cases, these payments may even be generous enough to help support other NRMHA endeavors.

Additionally, the amount of surplus could also be increased by spending less on certain expenses – for instance, by paying less to independent vendors than a for-profit owner would pay to its subsidiaries.

One consideration related to a possible operations surplus is the effect that it would have on a project's development budget. Increasing a project's expected operations income also increases the project's borrowing power: as with a homeowner's mortgage, higher monthly income increases the amount that one can pay on debt service each month, and thus the amount that one can borrow. While more borrowing power is good, it may also have the effect of decreasing the total amount of grants that HFA will provide to the project. Because grants are allocated based on need, lesser need may result in lower subsidy.

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[18] HUD, *Rental Assistance Demonstration –Final Implementation, Revision 3* (2017), pg 36, https://www.hud.gov/sites/documents/17-03HSGN.PDF. However, HUD notes that the source of financing (your state's housing finance authority, for example, may have limits on use of excess proceeds).

[19] HUD, *Rental Assistance Demonstration –Final Implementation, Revision 3* (2017), pg 39, https://www.hud.gov/sites/documents/17-03HSGN.PDF.

[20] See Section 18 Blend and Tenant Protection Vouchers, page 13.

3.B.2.b.Section 18 Blend and Tenant Protection Vouchers

One way to get more operating income, and as a result, get more borrowing power, is to make use of an alternative operating income source from HUD. While most RAD conversions result in a traditional RAD Section 8 contract, the 'Section 18 Blend' option may provide more income for a project like Bracey Houses. Whether to pursue this option will be a significant financing decision for NRMHA.

3.B.2.b.i.The RAD/Section 18 Construction Blend

There are two types of rental contracts that result from a RAD conversion: the traditional RAD contract, and a Tenant Protection Voucher (TPV) contract. Both contracts are calculated to fill the gap between the 'contract rent' and what tenants pay, but TPVs set the contract rent higher.[21] Especially for high-rent areas like New Rochelle, the difference can be substantial: TPVs may have a contract rent that is around one and a half times the level of RAD Section 8 rents.

HUD has created a way for PHAs to obtain TPVs through a "blend" of RAD and Section 18 Demolition/Disposition. The Section 18 Blend allows PHAs to receive TPVs for a certain percent of total units, while the rest of the units keep the standard RAD Section 8 contract rent.

Due to typical construction costs in New Rochelle, Bracey may qualify for TPVs for up to 60% of units. In this best-case scenario, Bracey's contract rent may exceed the RAD contract rent by as much as about half. And even if only 20% of the units were TPV-eligible, the rent premium could still exceed 19%. To determine exactly where Bracey lies in that range will require further study of the project's anticipated hard construction costs.

3.B.2.b.ii.Potential Downsides of Using the Section 18 Blend

The Section 18 Blend allows a RAD redevelopment to increase rental subsidies, while keeping the core benefits of the RAD program. But blending has some potential downsides that NRMHA should note.

First, if using the Section 18 Blend, NRMHA would need to clarify how to ensure that the TPVs may be "project-based," and what type of consent process that would require from tenants. In

[21] HUD sets the TPV contract rent at the lowest of: the owner-requested amount, a PHA-determined amount not exceeding 110% of FMR, and the "Reasonable Rent" (i.e., what someone would pay off the street).

other HUD programs, TPVs are typically "tenant-based," which means that they could be carried by the tenant to other private housing, rather than attached to the tenant's public housing unit. A contact at HFA has indicated that a process of tenant consent may be necessary to attach the TPVs to Bracey Houses. NRMHA would need to explore this question further with HFA and/or a consultant.

Another potential downside, which likely will not affect NRMHA's decision, is that HUD prohibits the more lucrative type of LIHTCs for projects using the Section 18 Blend. However, because the competition for 9% LIHTCs is so stiff, especially for RAD conversions, this prohibition may have little practical effect.

Sources and Further Reading

- HUD materials regarding January 2021 expansion of RAD/Section 18 blending options:
  - Overview
  - Webinar slide deck
  - Webinar transcript
- Outside analyses of blending:
  - Nixon Peabody LLP
  - Reno & Cavanaugh PLLC
  - Novogradac
- HUD FAQs:
  - TPVs
  - PBVs
- HUD repositioning guide for medium/large PHAs
- HUD high-cost areas
- HUD RAD Notice (rev. 4)
- 2020 RAD rents

3.C. Another Development Possibility: Low-Income Limited Equity Cooperatives

Aside from the central questions of control and money, there is an additional possibility for the Bracey Houses redevelopment project that we looked into at the request of NRMHA's Chair: low-income limited equity cooperative units. Limited-equity cooperatives are a type of housing cooperative[22] that have limited resale prices in order to ensure long-term affordability. These co-op units, which have below-market prices and are income-restricted, are affordable to low-income and middle-income households. In exchange, residents accrue 'limited equity' from their ownership.[23]

The main benefit of limited-equity coops is that they provide a homeownership opportunity to low- and middle-income households, and they secure that affordability permanently by sheltering buildings from market pressure. By providing some equity, limited-equity co-op homeownership may also provide a pathway for starting to address wealth inequality.

3.C.1.a.Apportioning A Segment of One Building to a Cooperative

One way to include co-op units in the Bracey redevelopment is to lease some of the additional units that will be added to Bracey Houses out to a residential cooperative. Currently, Bracey Houses has 100 units. Beyond reconstructing those units, the redevelopment plan could also add up to 200 additional units. The additional buildings will include other uses such as a health center, community center, and commercial spaces. It may also be possible to similarly lease an entire block of units in one of those buildings to a residential cooperative.[24]

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[22] In a housing cooperative, the residents jointly own the cooperative through a corporation, which holds title to the property.

[23] One guide explains that "When a cooperator in a limited-equity co-op decides to sell, she typically receives back the cost of her initial investment plus interest — but only a small profit (typically a percentage of the equity accrued), which puts the brakes on the speculative nature of the private real estate market."

[24] It is unlikely that NRMHA would be able to convert any of the *current* 100 public housing units to limited equity co-ops: HUD does not currently have a program for converting public housing into a limited-equity cooperative, and the project-based Section 8 contract that PHAs undergoing a RAD conversion receive is not available for homeownership use. Additionally, as a policy matter, NRMHA would not seek to *require* existing tenants to buy into a co-op.

The cooperative is structured as a corporation which is owned by the cooperative shareholders and 'rents' the units to those shareholders.[25] After Bracey leases a block of units[26] to a cooperative, the cooperative will be responsible for finding shareholders and filling the units. The cooperative corporation will also autonomously run the cooperative, as a kind of building within a building.

The cooperative corporation is one of three main parties in housing cooperative development: the developer, the sponsor, and the co-op corporation. In this project, NRMHA would act as developer and building owner, and the new cooperative corporation would be formed after development. The sponsor, which creates the co-op corporation and sells the unit shares to residents, could be an ally nonprofit organization, or it could be the PHA itself in some form. Whether NRMHA can directly act as sponsor is a question that would require further research.

One other note about the option of leasing a block of units to a low-income limited equity cooperative is that including the co-op units within a broader rental building may make financing the Bracey redevelopment project somewhat more complicated. So, if NRMHA wants to go this route, further research and analysis would be needed to explore what type of financing would be feasible for the co-op portion of the project.

3.C.1.b.Limited Equity Cooperative as an Entire Building

Alternatively, NRMHA would also be able to section off a portion of the Bracey lot to be developed separately as a limited equity co-op. That the Bracey Houses plot includes currently underdeveloped land—the parking lot area—opens up the possibility of transferring some land to a separate entity to construct and operate a co-op.

Two ways that the undeveloped land could be used as a site for developing a coop are if (1) NRMHA transfers the site to a nonprofit organization or community land trust, which could develop the coop, or (2) NRMHA ground leases the land to an entity—related to NRMHA or not

[25] In this way, co-op residents are both the landlord and the tenants, in a sense.

[26] The block of units would likely be separated into a separate legal unit called a 'condo unit,' and that condo unit (containing 40 apartment units, for example) would be leased by the cooperative. This same process is often also used for commercial units.

—that could develop the coop.[27] A ground lease would enable NRMHA to ensure long-term affordability for the co-op units.

HUD allows either type of "disposition" of public housing property if keeping the property as is "is not in the best interests of the residents."[28] Specifically, in the case of underdeveloped land such as a parking lot, the PHA has to show that the undeveloped land currently "exceeds the needs of the development," or that leasing it away is "incidental to, or does not interfere with, continued operation of the remaining portion of the development."[29] Seemingly, an underutilized parking lot would easily qualify.

Example: Highland Green Apartments in Melville, NY. While limited-equity cooperatives are not a common model of new development in New York, there is at least one recent example of a newly constructed limited equity cooperative subsidized by the state: Highland Green. This project was financed by LIHTC, and 80% of the units were affordable to families with incomes below 60% of the New York area median income. While this co-op was not developed by a PHA or on PHA land, the finances of this deal may nonetheless inform the possibilities for NRMHA.

Projects like Highland Green have a typical affordability profile for LIHTC projects: a certain number of units must be affordable to households up to 60% of the area median income. Area median incomes (AMIs) are calculated by HUD, which averages incomes across metropolitan areas. In New Rochelle, 60% of the area median income for a family of four is $71,580. So while co-ops targeted to that income band may fill a need for middle-income New Rochelle residents, they would not be affordable to lower-income residents. One possibility for filling the gap between LIHTC requirements and lower-income residents is the Section 8 Homeownership Voucher,[30] which could subsidize potential co-op shareholders who have incomes below 50% AMI (for a family of four, that's $59,650 and lower). Unlike rental vouchers from the Section 8 program, homeownership vouchers are only available for individual households, not as a project-based subsidy that a developer can use to help finance the building.

Sources, History, and Further Reading:

[27] NRMHA may be limited in directly constructing or operating a co-op due to the Faircloth Amendment, which prohibits new public housing units beyond limits set in 1999. https://www.hud.gov/sites/dfiles/PIH/images/FAIRCLOTH-GUIDANCE_rev.pdf.

[28] 24 CFR § 970.7(a)(5) and § 970.17.

[29] 24 CFR § 970.17(d).

[30] https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/homeownership

- *Limited-Equity Co-Ops*, Urban Omnibus (Jan. 10, 2018)
- Highland Green Apartments
- HUD's current homeownership conversion programs
- An assessment of HUD's former cooperative conversion program

4.Addenda

4.A. <u>Overview: Sources & Uses</u>

In planning ahead about the RAD conversion and redevelopment of Bracey, the possible 'sources and uses' for the redevelopment will guide what is financially feasible. 'Sources' refers to where the money will come from, and 'uses' refers to what the money will be used for. Total Development Cost refers to the sum of the development-phase uses, which must be covered by the total sources. The Total Development Cost is relatively fixed, so the challenge in financing preservation and construction projects is putting together enough sources. Typically, the largest development sources are debt financing (for example, a mortgage financed by HFA-issued bonds), LIHTC, and state subsidy.[31]

Development Phase (Construction and Permanent Financing)

- Sources
  - Debt financing (can include a mortgage financed by HFA-issued bonds). *This debt is leveraged by future income of the project, including, for example, Section 8 rental subsidy and commercial rent.*
  - LIHTC
  - State/local subsidy
  - PHA funds (if there are any reserves to be transferred)
- Uses (Total Development Cost)
  - Hard costs: construction
  - Soft costs: professional fees (e.g., attorney, architect), loan fees, relocation costs
  - Reserves
  - Developer fee

As with sources and uses in the development phase, income and expenses need to balance in the operations phase.

Operations Phase

- Income
  - Section 8 payments from HUD
  - Residential rent payments
  - Commercial rents (including possible health center, small business incubator)
- Expense
  - Debt service

[31] In the Queen City deal, the construction loan financed by HFA bonds accounted for almost half of construction financing, LIHTC accounted for over a third of the permanent financing, and the Public Housing Preservation subsidy was a quarter of the permanent sources.

- Property expenses (including common utilities, maintenance, property management fee)
- Reserves

4.B. RAD General Background

The Rental Assistance Demonstration (RAD) program converts public housing from government ownership and traditional public housing funding (Section 9) to private ownership and project-based Section 8 funding. Section 8 gives PHAs more funding stability. That plus the change in legal status allows them to leverage public and private financing, including low-income housing tax credits.

RAD allows projects under the public housing program to convert their assistance to long-term, project-based Section 8 rental assistance contracts. PHAs can choose between two forms of Section 8 Housing Assistance Payment (HAP) Contracts: project-based vouchers (PBV) or project-based rental assistance (PBRA). These two options are essentially the same from the tenant's perspective (they both cap resident rents at 30% of household income), but have a couple differences in terms of funding. PBRA has higher rent caps, and has no limit on the percent of units in a project that can qualify. Meanwhile, PBV has slightly lower rent caps (meaning less operating subsidy) and can only support up to 50% of units in a RAD conversion. See HUD's Guide to Choosing Between PBVs and PBRAs for Public Housing Conversions for more details).

4.B.1. Tenant Rights under RAD

PHAs should be aware of the following key resident rights under RAD:

No rescreening of tenants upon RAD conversion: At conversion, tenants cannot be subject to rescreening, income eligibility, or income targeting. Current tenants will be grandfathered for conditions that occurred prior to conversion, but will be subject to any ongoing eligibility requirements for actions that occur after conversion.

Relocation: RAD program rules prohibit the permanent involuntary relocation of residents as a result of conversion. All RAD relocations must be consistent with applicable fair housing and civil rights laws, including, but not limited to, the Fair Housing Act, Title VI of the Civil Rights Act of 1964, and Section 504 of the Rehabilitation Act of 1973. See the HUD RAD Relocation Notice for information on the sequencing of relocation planning activities

Right to Return: Residents who are temporarily relocated because of unit rehabilitation or construction retain the right to return to the RAD project once the repairs are completed and the unit is in a decent, safe, and sanitary condition.

- Note: Persons with disabilities returning to the RAD project may not be turned away or placed on a waiting list due to a lack of accessible units; their accessibility needs must be accommodated.
- Note: If proposed plans for a project would preclude a resident from returning to the RAD project, the resident must be given an opportunity to comment and/or object to such plans.

Relocation Assistance: Tenants in public housing who are displaced from their homes are generally eligible for relocation assistance. Assistance may include moving expenses, increased housing costs during temporary relocation, and counseling about other types of available housing assistance. Tenant eligibility depends on: 1) whether the relocation is temporary or permanent, and 2) whether tenants qualify as displaced persons under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), [see 49 CFR 24.2(a)(9)].

- Temporary: less than 12 months -- Reimbursed for all reasonable out of pocket expenses associated with the temporary relocation

- Permanent: 12 months or more -- Receive referrals to replacement properties, help in filing payment claims and other necessary assistance to help the tenant successfully relocate, payment for moving expenses; and payments to enable the tenant to rent a similar replacement home.

Demolition and Reduction of Units: Tenants cannot be permanently, involuntarily displaced due to RAD conversions.

- Note: Conversion plans are allowed to include the partial or complete demolition of the RAD project and replacement of assistance on-site or off-site.

Phase-in of Tenant Rent Increases: If a tenant's monthly rent increases by more than the greater of 10 percent or $25 purely as a result of conversion, the rent increase must be phased in over 3 or 5 years. PHA must create a policy, in place at conversion, setting the length of the phase-in period at three years, five years, or a combination depending on circumstances

Tenant Organizations: For PBV and PBRA properties, residents have the right to establish and operate a resident organization for the purpose of addressing issues related to their living environment. These residents are eligible for resident participation funding to be used for resident education, organizing around tenancy issues, and training activities. Project owners must provide $25 per occupied unit annually for resident participation, of which at least $15 per occupied unit shall be provided to the "legitimate resident organization" at the covered property.

Tenant Grievance Procedure:

- RAD PBV Grievance Procedures: PBV program rules require the RAD developer to provide an opportunity for an informal hearing, in addition to other alternative requirements.
- RAD PBRA Grievance Procedures: Residents must be provided with notice of the specific grounds of the project owner's proposed adverse action, as well as their right to an informal hearing with the project owner, and right to be represented by person of choice, among other things

Waiting Lists: For PBV conversions, PBV program required to establish and maintain a voucher-wide, PBV program-wide, or site-based waiting list from which residents for the RAD project will be admitted. For PBRA conversions, the project owner can use a project-specific or community waiting list.

4.C. LIHTC Primer

As with the RAD conversion from Section 9 to Section 8 operating income, Low Income Housing Tax Credit (LIHTC) will almost certainly play a role in the Bracey redevelopment. As the single-largest subsidy for low-income rental housing development in the U.S., LIHTC plays a huge role in financing projects like the Bracey Houses redevelopment.[32] While qualifying for LIHTC can inject a significant amount of capital into a project,[33] however, LIHTC also brings a number of complications and downsides. The primary considerations for NRMHA around LIHTC are (i) compliance, (ii) its implications for the project's deal structure, and (iii) the Year 15 reposition.

4.C.1.How it Works

[32] Unfortunately, this system, which enriches investors, is primarily how the U.S. Congress has opted to help finance affordable housing development in the U.S. for the last several decades.

[33] Over one-third of Queen City's permanent financing was from LIHTC.

LIHTC provides capital needed for the construction or preservation of affordable housing developments, including privately-owned nonprofit or for-profit affordable housing developments, and also for public housing preservation projects. LIHTC works by offering a tax credit to investors in exchange for putting equity into an affordable housing deal. There are two types of credit: the 9% credit and the 4% credit. The percentages refer to the percent of development costs (with a number of adjustments) will be awarded as a credit. The 9% credit provides a higher level of tax credit, and thus a higher amount of equity to the project. 9% credits are offered competitively, and 4% credits are offered as of right for developments with tax-exempt financing.

Investors: Developers, who would not be able to realize the benefit from tax credits, "sell" the credits to investors. The investors can then use the credit to reduce their federal tax liability by the amount of the credit for the next ten years. Investors additionally benefit from the LIHTC deal through building depreciation, capital gains if the building is sold, and other benefits – such as CRA credit[34] for banks.

Developer[35]: The developer initially applies for tax credits from one of two New York State agencies,[36] which issues tax credits based on the development cost of the project, the type of credits the project qualifies for, the number of affordable units, and some other factors. The developer then sells those credits to the investor. The developer uses the proceeds from the sale of LIHTC as equity for the development. The amount of equity that a developer can get from a LIHTC deal is based on the cost of the project, the type of credits (4% or 9%, and by the 'price' that investors will pay. In exchange for LIHTC, the developer has to abide by a number of requirements, including rent caps, affordability period, reporting requirements.

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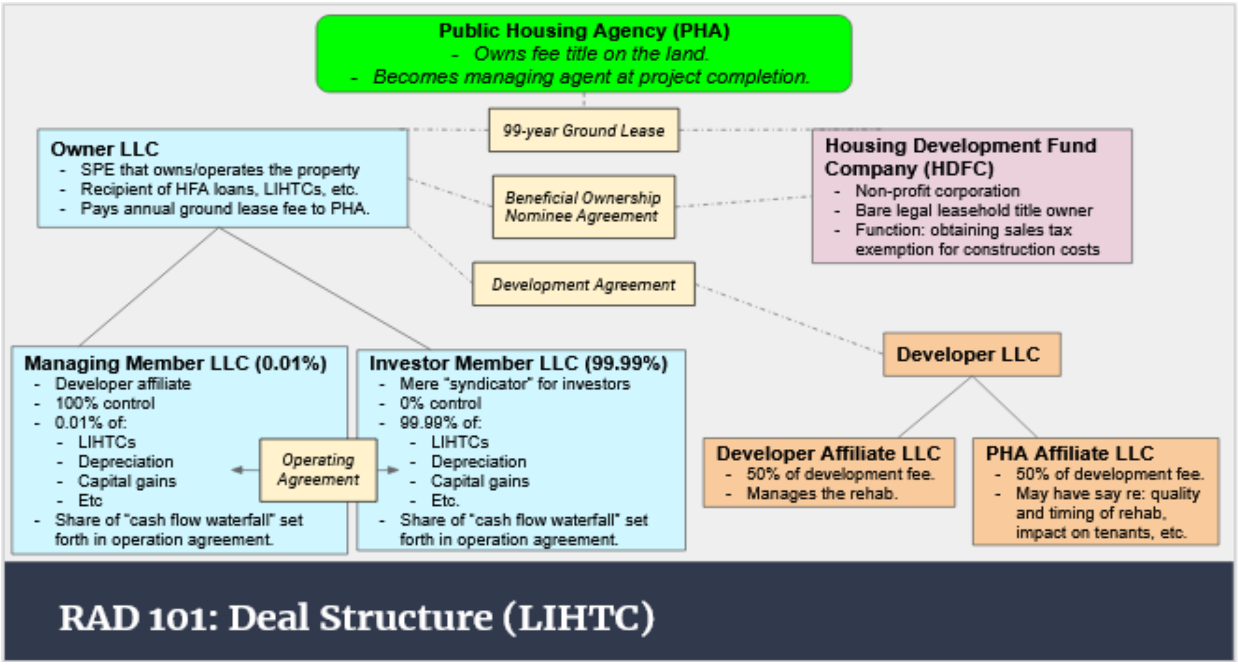
[34] The Community Reinvestment Act (originally enacted in 1977) encourages banks to increase lending in redlined communities. Buying LIHTCs qualifies as a 'community development activity' that improves the bank's standing under CRA.

[35] The developer may be the PHA, a turnkey developer, or a partnership between the PHA and a nonprofit or for-profit developer (as with the Queen City project). See the Development Model Options (page 9) for more discussion.

[36] The Housing Finance Authority issues 4% LIHTC and Department of Housing and Community Renewal (HCR) issues 9% LIHTC.



Investors become a part of the owner entity because they provided the equity. To give them the credits, without yielding control, the investors and the developer form either an LLC or a limited partnership, which allows the developer to maintain control of the property, while the investor gets the tax benefits and has no control. The LLC they form (called 'Owner LLC' here) owns and operates the property. The HDFC entity, also shown here, is a type of nonprofit that allows the owner to receive tax exemptions. The HDFC technically owns the development (as a 'bare legal leaseholder'), but the Owner LLC controls the property (via a 'beneficial ownership nominee agreement').

This complicated structure is needed to (1) get equity from investors into the development, and (2) qualify the project for further tax exemptions from New York State.

4.C.2.Ramifications for Development

Compliance: LIHTC entails highly complicated IRS reporting requirements.[37] These requirements can be onerous and expensive to fulfill. Additionally, investors are likely to require a robust reporting plan, because their receipt of the tax credits for 10 years depends on the project's fulfillment of the affordability requirements and its correct reporting.

[37] In the Queen City deal, for example, there was a subcontractor hired specifically for the purpose of fulfilling these requirements.

Deal Structure: The IRS requirement that LIHTC credits are used by *an owner* requires that the developer of a LIHTC project form an entity with the investors (here, 'Owner Entity LLC'). This deal structure requires the participation of multiple entities, leading to many layers of complexity. This result may create opportunities for outside control of the project. Lawyers can play a role in ensuring that despite the convoluted ownership structure, the PHA retains as much control as possible. In the Queen City deal, for example, both the developer and owner entity were controlled by the private developer PRC. However, it is possible for the PHA to be its own developer (likely with the assistance of a consultant), and/or control the owner entity.[38]

Year 15 Reposition: After the fifteen-year LIHTC compliance period ends, the investor will exercise its right to exit the partnership. The investor has received its full benefit, and so the managing member may be required to buy out the investor in order to take full ownership. The main downside of this process is that it is time-consuming and can require refinancing. However, buildings frequently need an influx of capital around year 15 anyway for building rehabilitation, so these processes are often combined.

Which Type of Credits: Although a federal tax credit, LIHTC is allotted via state housing agencies. 4% credits are available for projects that qualify for tax-exempt bonds from HFA.[39] The more valuable credit, 9% LIHTC, is available through a competitive application process from NYS Department of Homes and Community Renewal (DHCR). States only receive a limited amount of 9% credits, so the application for those is much more competitive. New construction has priority over preservation deals for 9%. Larger projects, which benefit from economies of scale, most often receive 4% credits. Projects applying for both types of credits are rated on a variety of criteria, laid out in the state's Qualified Allocation Plan (QAP). Beyond the fact that 9% credits give more capital for the same size project, the primary considerations for NRMHA around which type of credit to seek are (i) which credits they are likely to qualify for, and (ii) whether other funding sources would conflict with either type of credit.

4.D. Supportive Housing

Supportive housing combines affordable housing with social services for people who are homeless or at risk of housing instability. Housing and Support Services, under the New York State Office of Temporary and Disability Assistance, administers support services programs

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[38] See page 9 (Development-Ownership Models) for more discussion.

[39] Because private activity bonds also have a cap, and are in high demand in New York, 4% LIHTC credits also have a de facto limit.

through which eligible applicants can obtain funding to facilitate activities and projects related to supportive services. Each program has its own requirements and funding cycles. The majority of funding is awarded through a competitive Request for Proposals process.

Application to NRMHA Goals

NRMHA could consider the following supportive housing funding options for the designation of housing units to the eligible target populations or for the provision of essential social services in partnership with a non-profit organization. The programs mostly designate funding for the operation of support services rather than for the construction of units. However, eligible uses for each program range from personnel expenses, operational expenses, and rehabilitation/new construction costs. A short summary of each program is below and the full details of each can be found here: https://otda.ny.gov/programs/housing/faq.asp#hopwa-q3.

4.D.1.NYS Support Housing Programs

1. Solutions to End Homelessness Program (STEHP)
    1. STEHP funding is designated for homeless families and individuals at-risk of homelessness according to HUD definitions. Not-for-profit corporations and charitable organizations are eligible to receive funding for a range of essential services, including mental and physical health services. Eligible costs including personnel expenses and funds received must be supplemented by a 25% match of funds from other sources.

2. Homeless Housing Assistance Program (HHAP)
    a. HHAP provides funding to various entities including not-for-profit corporations and organizations, generally with experience in housing development or management or in the provision of social services. Projects must serve homeless individuals or families and funding can be used to acquire, construct, or rehabilitate housing for homeless households.
    b. HHAP strongly encourages the development of projects that serve mixed income levels such as a project that houses both homeless and low-to-moderate income tenants and includes commercial space, but the HHAP funds can only be used toward the housing for the homeless. Non-housing services are necessary for HHAP projects and funding cannot be used to support the ongoing provision of services.
    c. Rents must be maintained at the public assistance shelter allowance or 30% of adjusted gross income.

3. Housing Opportunities for Persons with AIDS (HOPWA)

a. HOPWA provides public housing agencies with funding to provide services to low-income persons living with HIV/AIDS. Eligible projects include project- or tenant-based rental assistance; supportive services; short-term rent or mortgage payments to prevent homelessness; and technical assistance in establishing/ operating a community residence.
b. Personnel and non-personal costs are permissible under the HOPWA program. The new Request for Proposals are anticipated to be released Spring 2023.

4. New York State Supportive Housing Program (NYSSHP)
    a. Eligible applicants for NYSSHP include not-for-profit corporations that must manage, own, or operate housing. Funding can be used for services that support single adults, young adults, and families in various at-risk situations.
    b. Supportive housing units that are eligible to be funded by the program include private rooms for single/young adults and dwellings for families. Units must be within a building or portion of a building operated by an eligible applicant.
    c. Eligible activities include but are not limited to counseling, employment/ educational assistance, and life skills training on-site and off-site for participants residing in the eligible units. A minimum of 80% of the grant must be used for costs directly associated with the provision of support services to the tenants and the other 20% can be used for non-personal services costs such as office, security, or recreational supplies, staff travel, or food for resident gatherings.
    d. All applicants for this program must provide a dollar-for-dollar match for State funds provided under the program. Periodic reporting is also required.

5. Empire State Supportive Housing Initiative (ESSHI)
    a. Applicants for ESSHI must be not-for-profits that have demonstrated experience in housing for homeless families or families at risk of homelessness. The applicant must be a not-for-profit organization, and eligible applicants partnering with a housing developer should identify the capital project team (if known). The ESSHI contract must be between the not-for-profit awardee and the State contracting agency responsible for providing
    b. Buildings may be constructed by the same entity applying for the service and operating funding and/or in partnership with a private or not-for-profit housing developer. The housing developed must be affordable to the homeless population.
    c. Eligible projects include projects that support homeless persons who are also experiencing one of several disabling conditions or life challenges, including recent release from incarceration, living with HIV/AIDS, having experienced of domestic violence, chronic homelessness, etc.

Recent Example of Supporting Housing Leveraged in New Rochelle

- 11 Garden Street - 77/219 units of affordable housing were leased to domestic violence survivors through New Destiny Housing Corp. The 77 units were funded through the ESSHI program. The project had a multi-tiered affordability structure including affordable rents ranging from 30 – 80% area median income, adjusted for household size. The housing designated to domestic violence victims had a rent level of 60% AMI. (Source: page 68 – https://www.newrochelleny.com/DocumentCenter/View/13034/IDA-October-28-2020-Draft-Packet)

4.E. Possible Consultant Organizations

Name	Services	Past PHA Clients	Contact Info	Additional Notes
Enterprise *National* *Nonprofit*	Technical assistance during RAD conversion Assist with financing and development plans Facilitate multi-stakeholder working group meetings throughout the phases	San Francisco, Yonkers	Website	HFA has had good experiences with this consultant in RAD deals. See the discussion of the Municipal Housing Authority for the City of Yonkers (MHACY)'s RAD conversion brought about with use of Enterprise as a
Forsyth Street *Local* *For-profit*	Help PHAs explore available options and execute complicated financing transactions with multiple sources of debt, equity and subsidy for both preservation and new construction projects Analyses of applicable regulations and financing programs Modeling of alternative financing structure Guidance through the various stages of executing a project—from zoning and entitlement analysis to construction and	NYCHA Yonkers: helped them self-develop Utica	Website 212-697-1640	HFA has had good experiences with this consultant in RAD deals

Name	Services	Past PHA Clients	Contact Info	Additional Notes
Edgemere Development Corporation *Local* *For-profit*	General Consulting services include: 1) project concept development, 2) financial modeling and project feasibility analysis, 3) analyze special needs and supportive housing populations, 4) identify and work with stakeholders, 5) prepare applications and secure public, private, and bank financing, 6) negotiate with investors; assist with direct tax credit investment, 7) coordination of multiple and multilevel relationships including SHPO, financing agencies, environmental agencies; and of local approvals, 8) assembly and oversight of third parties and the development team, 9) monitor construction through rent-up, 10) direct project attorneys and accountants, 11) provide construction period accounting, 12) conversion of construction period financing to permanent financing, and 13) organization development including computerization and board transition	Albany: RAD and Section 18 blend Hornell	Website 585-325-1450	Recommended by HFA
Smith & Henzy Advisory Group *National* *For-profit*	Can serve as developer, owner, and consultant General Consulting services include: 1) feasibility analysis, 2) Pre-construction: Prepare and advise on development and operating budgets; coordinate meetings across entire development team; prepare and file all necessary applications; and manage and procure all due diligence, 3) Monitor all requisitions during construction to make sure development is on schedule and budget, and 4) Post-construction services: Coordinate documentation to convert construction financing to permanent mortgage; assist in securing all outstanding capital contributions from equity investor; advise on any final business issues related to stabilizing the development As developer, they have worked on RAD	Florida, Buffalo, Bronx	Website 561-571-7424	Recommended by HFA

4.F. Developer Agreements Deal Points

The following is a list of deal points that NMRHA could negotiate if it decides to engage a developer partner to convert Bracey under RAD:

- Developer fee split
- Sharing of pre-development expenses

- Sharing of cash flow
- Responsibility for guaranties (construction completion; permanent loan conversion; operating deficit)
- Property management
- Oversight of resident engagement and relocation
- Role of the NRMHA in long-term ownership and control

4.G. Large Nonprofit Developers that May Operate In New Rochelle

- Nonprofit Developers
    - Catholic Homes NY/Catholic Charities
    - Community Builders
    - Volunteers of America (VOA)
    - Help USA
- The New York State Association for Affordable Housing (NYSAFAH) may be a good place to start in locating a nonprofit developer for the Bracey Houses.

4.H. Additional Resources

- HUD has a number of resources about RAD conversions. The RAD Resource Desk, specifically, has a wealth of resources specifically for staff of PHAs. See also these resources on PHA that are 'repositioning.'
- There are several local urban planning programs that have experiential programs (often called a 'studio' or 'practicum') for students that may be able to offer housing development design assistance to NRMHA (Rutgers, Pratt, CUNY/Hunter, New School, NYU, and Columbia are all likely to have such a program).
- HUD runs the *Innovation in Affordable Housing Student Design and Planning Competition* each year.