



Permanent Supportive Housing FAQ

Background

What is Permanent Supportive Housing (PSH)?

Permanent supportive housing is decent, safe, affordable, community-based housing that provides tenants with the rights of tenancy and links to voluntary and flexible supports and services for people with disabilities who are experiencing homelessness. Permanent supportive housing is a proven, effective means of reintegrating chronically homeless and other highly vulnerable homeless families and individuals with psychiatric disabilities or chronic health challenges into the community by addressing their basic needs for housing and providing ongoing support.

What is our history with this project?

As part of the last two strategic plans, a goal was set forward to determine the best use of the Transitional Living Center (TLC) property. TLC and Educare sit on 3.8 acres, of which 2.07 acres are available for development in an independent parcel. Repurposing discussions included options such as using the land to raise farm animals, the implementation of Permanent Supportive Housing units, or even plant fruit trees with the goal being to provide services within our mission and minimize the costs/environmental impact of the maintenance of grass.

Due to our need to position ourselves more solidly in the Spokane housing continuum of care along with HUD, State and City political priorities and funding, it was determined that it would be appropriate to move forward with researching PSH options. We are currently in the early stages of planning and developing a PSH project. This project, which is tentatively designed to provide 24 housing units, will meet the rising need for permanent housing for families and individuals who are experiencing homelessness or poverty – in line with Transitions’ mission to end poverty and homelessness for women and children in Spokane.

A PSH committee has been formed, which is made up of a team of management staff and a Board member. The committee has gathered a large amount of background information needed in the development of PSH. Thus far, the committee has met with numerous experts in the fields of funding, development and politics.

Financial Information

What is the cost of this project, and what are anticipated sources of funding?

This project is anticipated to cost \$4.8 million. Anticipated sources of funding are as follows. (Note that Application and Award Dates may change.)

| Source and Type | Proposed Funding | Committed/ Conditional Funding | Application Date | Award Date |
|---|--------------------|--------------------------------|------------------|------------|
| WA State Housing Trust Fund (HTF) | \$2,400,000 | | 12/15/2014 | 6/15/2016 |
| HTF UltraEfficient Incentive Funds | \$500,000 | | 12/15/2014 | 6/15/2016 |
| City HOME | \$400,000 | | 8/15/2015 | 11/15/2015 |
| County HOME/2163/2060 | \$484,000 | | 4/15/2015 | 6/15/2015 |
| Federal Home Loan Bank AHP Program (FHLB) | \$216,000 | | 3/15/2016 | 6/15/2016 |
| Capital Campaign | \$885,000 | \$115,000 | | |
| City CDBG for Offsites | \$200,000 | | 11/15/2015 | 2/15/2016 |
| Owner Land Donation | | \$100,000 | | |
| Total Residential Development Cost | \$5,085,000 | \$215,000 | | |

As noted above, we have already received a commitment of \$115,000 towards the Capital Campaign. This was received from the Smith-Barbieri Progressive Fund. \$15,000 of this commitment has been made payable to Transitions already and is designated for pre-development costs.

Project Timeline

What is the timeline for the project?

As follows is a tentative timeline for the project and milestones throughout the process. Note that the dates and items on this list may vary throughout the process.

| Category | Tasks | Date Completed or Expected Completion |
|---------------------------|---|--|
| Site Control | Closing | 1994 |
| Financing | Financial underwriting | 2/15/2015 |
| Feasibility/Due Diligence | Site survey | 3/15/2015 |
| Financing | Application for funding | 4/15/2015 |
| Financing | Award date for funding source -County | 6/15/2015 |
| Design/Permitting | Preliminary drawings completed | 6/15/2015 |
| Financing | Construction cost estimate | 7/15/2015 |
| Financing | Application for funding (City HOME): | 8/15/2015 |
| Financing | Application for funding (City CDBG): | 11/15/2015 |
| Financing | Award date for funding source (City HOME):* | 11/15/2015 |
| Financing | Award date for funding source (City CDBG):* | 2/15/2016 |
| Financing | Application for funding (State HTF): | 3/15/2016 |
| Financing | Application for funding (FHLB AHP): | 3/15/2016 |
| Feasibility/Due Diligence | Conduct Charettes (Neighborhood Impact) | 3/15/2016 |
| Feasibility/Due Diligence | SEPA/NEPA (Environmental Impact) | 4/15/2016 |
| Design/Permitting | Site plan approval | 4/15/2016 |
| Financing | Award date for funding source (State HTF):* | 6/15/2016 |
| Financing | Award date for funding source (FHLB AHP): | 6/15/2016 |
| Design/Permitting | Building permit application submitted | 7/15/2016 |
| Design/Permitting | Submit Evergreen Project Plan | 7/15/2016 |
| Design/Permitting | Final Plans and Specs Completed | 7/15/2016 |
| Construction | Selection of general contractor | 8/15/2016 |
| Financing | Capital Campaign Milestone \$1,000,000 | 9/15/2016 |
| Design/Permitting | Building permits issued | 9/15/2016 |
| Construction | Begin construction | 9/15/2016 |
| Financing | Funding for services | 12/1/2016 |
| Construction | Issued certificate of occupancy | 9/15/2017 |
| Occupancy | Placed in service - 1st Building | 9/20/2017 |
| Feasibility/Due Diligence | Capital needs assessment | 11/15/2017 |
| Occupancy | Placed in service - Last Building | 12/15/2017 |

*approximate

Feasibility Study

What is a feasibility study?

The feasibility study, as conducted by our developer, Community Frameworks, is intended to determine if the PSH project is reasonable and achievable. Specifically, the feasibility study will do the following:

1. Assist in determining the project scope and total development budget,
2. Assess the financial feasibility for the capital development including potential financing options, and
3. Prepare preliminary operating budget including staffing levels, operating expenses, ongoing subsidies, developing operating pro forma for first 15 years of project, development schedule, contingency plans, and risk assessments among other items.

When will the feasibility study be completed?

The feasibility study is in progress now. We anticipate meeting to discuss the feasibility study with the developer on February 26 from 8am – 930am, Umpqua Bank, at 111 N. Wall-- main entrance. The conference room is on the 5th floor. Parking is available in the Parkade, Riverpark Square or metered on the street parking. Preliminary information from the feasibility study does not indicate any potential major obstacles. Once we have the full information from the feasibility study, we will then be able to make an informed decision regarding the future of our PSH project.

Pre-development Loan

What is the pre-development loan?

Through Impact Capital, we have applied for and been approved for a Phase I Pre-Development Loan from their Community Development Loan Fund (CDLF), which assists non-profit organizations with very preliminary site investigation costs associated with preparing initial applications for grants and project financing. This is an interest free loan offered in the total amount of \$85,000. The loan is distributed in three disbursements of \$27,800, \$23,200 and \$31,500, respectively. Each disbursement is dependent upon meeting milestones throughout this phase.

What are the actual costs expected to be during the pre-development process?

Through the Feasibility Study phase of pre-development, the costs are estimated to be as follows:

| Pre-development Item | Estimated Cost |
|---|-----------------------|
| Feasibility Study Costs | \$ 16,500.00 |
| Architectural Fees to 12/31/14 | \$ 12,487.50 |
| Estimated Architectural Fees for Feasibility Study | \$ 5,400.00 |
| Impact Capital Loan Application Fee | \$ 1,500.00 |
| Sub-total | \$ 35,887.50 |
| Smith Barbeiri Progressive Fund Designated Donation | \$ (15,000.00) |
| Current potential impact on reserves | \$ 20,887.50 |

For a full accounting of estimated costs during the entire pre-development phase, please see the attached Exhibit A: Impact Capital Predevelopment Budget.

What are the repayment terms of the loan?

If the Board approves the Impact Capital loan and the project continues to move forward, we are responsible to repay the entire outstanding principal balance of the loan at the close of financing from the first available construction, bridge or permanent financing. If the Board approves the Impact Capital loan but the project is determined to not be feasible and does not move forward, we are responsible to repay the entire outstanding principal balance of the loan by February 1, 2018, likely out of our reserves. If we were to request an extension of the maturity date beyond that date, there would be a loan extension fee of \$2,000.

What is the impact on our reserves from the pre-development loan?

As of December 31, 2014, our reserves totaled \$877,887. At this point, our current potential impact on reserves is \$20,887.50 should we choose to move forward with the Impact Capital loan (see chart above). Should the project move forward, there is no impact on our reserves, as the loan would be repaid through the first available construction, bridge or permanent financing. It is important to remember that the total loan is distributed over three disbursements, and we are only responsible to pay back what we have borrowed.

What are the risks of delaying further pre-development work at this time?

The anticipated schedule is largely built around applying for the Housing Trust Fund in the spring of 2016. In order for us

to submit a competitive application we would need a commitment of local funding and other funds raised. The first public application would be the City's HOME funding round, which will likely be due in August. We would likely apply for City CDBG in November to cover the offsite work including paving Hemlock and sidewalks. In the spring of 2016, we would apply for the County, FHLB and HTF. If all remains on the anticipated schedule, private fundraising efforts would pay off during this year as well, resulting in a good amount of capital campaign commitments by next spring.

It would be possible to delay predevelopment work for a few months and still meet the August application date, but this delay would cause administrative hardship and timeline compression on staff and others involved in order to complete the work needed on schematic design, cost estimating and land due diligence. If we do not apply for City funds in 2015, it is unlikely we would compete well for the Housing Trust, further delaying the schedule by one year.

Next Steps

What does the Board need to do at this point?

The Board of Directors is being asked to make a recommendation to the Board of Members regarding the pre-development loan. The BOM will then consider the recommendation and make a determination at that time.

What's our next decision point after the pre-development loan?

After the presentation of the feasibility study on February 26, we will reconvene at the March Board meeting to discuss the results and next steps.

Who's Who

Architect: Heylman Martin

Over the past three decades, Heylman Martin has worked with a number of Spokane's nonprofit human services providers to design buildings to serve women and children, the homeless and disengaged, the abandoned and isolated, the underbelly of our community. The element they strive to move sincerely create is a sense of dignity when designing centers, shelters and homes for the homeless and underserved.

Developer: Community Frameworks

Since 1974, the mission of Community Frameworks has been to support and develop affordable housing as a foundation upon which individuals, families and neighborhoods can build vital communities. To accomplish this mission, they develop affordable multi-family and supportive housing, provide homeownership opportunities for hard working families, and teach and counsel families on budgeting, credit, and homeownership topics.

Lender: Impact Capital

The mission of Impact Capital is to be the leading catalyst in building and advocating for equitable, vibrant and sustainable communities. They invest in communities by providing early bridge financing for strategic real estate investments. They take the riskiest part of the financing package, thereby attracting other investors to the table. Since 1994, Impact Capital has leveraged more than \$2.1 billion in development.

Transitions PSH Committee:

Edie Rice-Sauer, Executive Director

Pat Nolan, Finance Director

Mary Tracey, Development Director

Jamie Borgan, New Leaf Program Director

Marilyn Nelson, TLC Program Director

Sr. Pat Millen, OSF (Board member)

EXHIBIT A

IMPACT CAPITAL PREDEVELOPMENT BUDGET

SOURCES AND USES OF PHASE 1 LOAN:

| <u>Itemization of Costs</u> | <u>Total Predev Cost</u> | <u>Impact Capital Request</u> | <u>Other (Foundation grant)</u> |
|---------------------------------|--------------------------|-------------------------------|---------------------------------|
| Soft Costs | | | |
| Architect | \$25,200 | \$25,200 | \$2,400 |
| Survey/Boundary Line Adjustment | \$8,000 | \$8,000 | |
| Hazardous Materials Consultants | \$3,500 | \$3,500 | |
| Soils Consultant | \$2,500 | \$2,500 | |
| Development Consultant | \$41,500 | \$28,000 | \$11,100 |
| Legal Fees | \$4,500 | \$4,500 | |
| Title Commitment/Insurance | \$800 | \$800 | |
| Escrow and Recording Fees | \$500 | \$500 | |
| Permits | \$6,500 | \$6,500 | |
| Construction cost estimator | \$3,000 | \$3,000 | |
| Sub-total | \$96,000 | \$82,500 | \$13,500 |
| | | | |
| CDLF Application Fee | \$1,500 | \$0 | \$1,500 |
| Remaining CDLF Loan Fee | \$2,500 | \$2,500 | \$0 |
| TOTAL | \$100,000 | \$85,000 | \$15,000 |

* Any change in line item of 10% or \$1,000 or more (whichever is greater) shall be subject to Impact Capital's written approval. Impact Capital reserves the right to approve any professionals or consultants paid from Loan proceeds.

IMPACT CAPITAL PREDEVELOPMENT FUNDS SOURCE:**

| | |
|-------------|----------|
| Federal | No |
| Non-Federal | \$85,000 |

** Be advised that agencies expending \$750,000 or more in Federal Funds annually must conduct an annual audit by an independent auditor. The audit must be completed in accordance with OMB Circular a-133 "Audits of Institutions of Higher Education, and Other Nonprofit Organizations." Any audit findings must be resolved within six months of the date of the audit report.

This loan contains the following fund sources which triggers additional conditions outlined in Exhibit C:

| Source | YES | NO |
|-----------|-----|----|
| WSHFC | X | |
| State HTF | | X |