



Selecting a Development Partner

Many organizations that do not have the capacity to take on supportive housing development activities, or do not want the responsibility of developing a housing project, decide to partner with another non-profit organization that has development expertise. Projects involving two or more partners (or co-sponsors) require a clear delineation of the roles of each organization in the development process and the ownership structure.

It is helpful early in the project to develop a Memorandum of Understanding (MOU) or other formal, written agreement between the partners, that lays out the responsibilities of each organization and identifies those decisions and actions that require the involvement and consent of all parties. For example, the more experienced housing developer may develop the project budgets, but a joint committee of the partners may select the architect. Some issues that will require thoughtful negotiation include the division of the developer's fee and the number of representatives from each organization that will sit on the Board of the new entity created to develop and own the housing.

Selecting a Non-Profit Partner

An organization that has decided to partner with a more experienced **non-profit** housing developer, may wish to ask the following questions when interviewing and assessing prospective partners:

1. Describe your agency's experience in developing projects that are similar to the proposed project in terms of housing type, number of units, target tenancy, integration of support services, and sources of financing. Describe any unique areas of expertise.
2. Who will be the person or persons from your agency responsible for project management and who will be responsible for supervision of the project manager? What kinds of specific skills does each have? What other responsibilities do these individuals have? How is the agency's administrative structure organized with regard to oversight by the Executive Director and Board of Directors?
3. Describe your agency's experience in working with a social service provider during the development of permanent supportive housing. What, specifically, will you expect from your social service agency partner during the development, construction, marketing and rent-up phases of the project? Which decisions do you believe should be made jointly and which by your organization exclusively? How do you think joint decisions should be made? How do you propose to communicate about project progress and challenges?
4. How have you involved potential tenants or consumers in this process?
5. What development related activities will you contract out?

Note: This document is included within the *Development* section of CSH's *Toolkit for Developing and Operating Supportive Housing*, which is available at [link to address]. This document has been adapted from CSH's publication *Not a Solo Act*, which is available at www.csh.org/publications.)

Selecting a For-Profit Partner

Partnering with a **for-profit** developer is also an option for less experienced groups that want to develop new supportive housing units. Such partnerships are not seen as often in supportive housing development, in part because making a profit on such development is usually not often feasible, or the potential profits are extremely limited.

In some cases, however, the for-profit developer and the non-profit developer may decide a partnership is advantageous. An experienced for-profit developer can bring the expertise, reputation and political clout necessary to get a project built; a non-profit partner can bring to the table funding sources that the for-profit would not have access to on their own. The for-profit developer may also need to include an affordable or supportive housing component in a larger, market-rate development because of inclusionary zoning requirements or other local restrictions.

It can also be difficult for a non-profit and a for-profit developer to reconcile their different reasons for undertaking a project for a hard-to-house population. Further, if the partnership does not ensure that all of the development decisions support the non-profit's mission and its original vision for the project, the project may not create the best environment for the target population. An organization that has decided to partner with a for-profit developer, must closely examine the partner's motivations for being involved in the project in order to anticipate and identify aspects of the project and the partnership that will need to be carefully considered. Examples of such issues include:

- Decisions regarding the design of the apartment interiors;
- The number and location of the supportive housing units;
- The amount of program or community space in the project; and
- The structuring of the project financing to maximize affordability and ensure long-term viability.

The non-profit partner must be particularly sensitive to decisions that will determine the level of building maintenance required in the years to come, such as the quality of the building materials and finishes, and the mechanical and electrical systems. One effective strategy for ensuring the for-profit's long-term interest in the project is for the partnership agreement or MOU to require that the organization appoint a representative to sit on the project's Board after the project is occupied.

Distribution of the developer's fee can be another significant issue when working with a for-profit developer - each partner should receive a portion of the developer's fee to compensate them for their involvement in the development of the project. Even in situations in which the for-profit takes on most of the responsibility for completing the development tasks, the project could not be completed without the non-profit's involvement - the organization should be compensated for the value and effort they contribute to the project. Furthermore, developer's fee dollars are extremely useful for non-profits, providing a significant source of unrestricted funds, funds which may help provide the resources necessary to initiate another development effort in the future.

In addition, simply because a for-profit developer has a track record of completing market-rate projects quickly, it does not necessarily mean that they will be able to complete a subsidized project more efficiently or more quickly than an experienced non-profit housing developer. When a project is financed with many government funding sources (which is the case with supportive housing

projects), the timing associated with applying for, securing, complying with and disbursing these funds tends to determine the overall project timeline. Even a for-profit developer, no matter how efficient and aggressive, will not be able to avoid those realities, and may be less familiar with some of the requirements and process for acquiring such financing.

Note: The *Development and Finance* section of CSH's *Toolkit for Developing and Operating Supportive Housing*, available at www.csh.org/toolkit2/development, includes more tools and materials related to working with a development partner – see the tools under *Building the Development Team*.