



## Site Selection Criteria and Site Search Strategies

### Overview:

The site search/site selection process is a major element of the process of developing a supportive housing project. With some exceptions, it is impossible to seek permanent financing and community support until the site is identified and site control has been secured. Prior to initiating a site search, it is very important to first develop the project concept, including defining the site and configuration requirements for the proposed supportive housing project. The site selection process is most successful when it is a methodical search for the site that best meets the criteria established – criteria such as size, location, proximity to services, price, and other critical considerations that will help to ensure the project will fulfill the needs of the future tenants. However, in many situations, such a thorough and careful site search may not be possible. The circumstances that can impact a site search include:

- An inadequate inventory of available and appropriate sites in the community;
- A very hot real estate market and competition from for-profit developers with large amounts of upfront capital at their disposal;
- A time-limited funding opportunity that doesn't provide adequate time to conduct a thorough site search; or
- A site becomes available that offers cost efficiency, political expediency, and/or other factors that, together, outweigh its deficiencies.

Regardless of the challenging circumstances that can influence the site search and selection process, the primary components of the site selection process, all described in more detail below, include:

### Establishing Site Selection Criteria:

- a. Scale
- b. Housing Type and Construction
- c. Location
- d. Acquisition or Lease Costs
- e. Zoning Considerations
- f. Community Acceptance

### Engaging in the Site Search:

- a. Exploring Diverse Potential Sources of Sites
- b. Using a Real Estate Broker
- c. Conducting a Site Search Independently

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Note: This document is included within the *Development and Finance* section of CSH's *Toolkit for Developing and Operating Supportive Housing*, which is available at [www.csh.org/toolkit2](http://www.csh.org/toolkit2).

## Establishing Site Selection Criteria

Prior to initiating the site search, or while reviewing an opportunity to acquire a site, it is essential to carefully define the appropriate criteria for the proposed project by considering the following factors:

### a. Scale

The scale, or size, of the proposed project should relate to the level of need for the housing identified, as well as to the capacity of the organization to develop and/or manage the property. Scale should also be “contextual” - that is, the project should be consistent with the height and density of the buildings surrounding it. Determining the number of units could also be based on the degree of community support for the project. The project architect can help determine the maximum allowable development area (based on zoning and floor area ratios) as well as the appropriate scale for the identified neighborhood.

### b. Housing Type and Construction Approach

The type of housing to be built is a key siting criteria, and different approaches may lend themselves best to different neighborhood locations. For instance, a development model of scattered-site one and two family houses may work best in a low-density neighborhood, whereas larger congregate projects using multi-unit buildings or commercial hotels are generally only available in urban locations.

The construction approach – new construction versus rehabilitation- will also help guide the site search. This choice is sometimes dictated by funding sources, which may be restricted to one approach or the other. Construction cost is another important consideration, with rehabilitation costs generally lower than new construction (unless unusual site issues are present or historic preservation standards are required). New construction opportunities will be limited to neighborhoods that have available (and affordable) vacant land or substandard buildings that can be demolished - and any demolition costs effectively increase the acquisition costs. Choosing a rehabilitation development strategy would direct the site search to locations where there are vacant or partially-occupied or fully-occupied buildings - the challenges, costs and inevitable delays posed by relocation of existing tenants from occupied buildings should be factored into the decision.

### c. Location

As with all real estate decisions, location is a critical consideration in identifying an appropriate site for a supportive housing development, and each of the following factors must be evaluated:

- *Public transportation* – Sites should have good access to public transportation options that serve important destinations for the tenants, such as supportive services providers, employment, health care, shopping and recreation. Many tenants will not be able to afford private transportation, so public transit becomes a necessity. In addition, proximity to good public transportation may be a requirement or provide a competitive edge for funding applications.
- *Employment opportunities* -- Sites should have reasonable access to employment opportunities and job training. While these opportunities may not be available in the immediate neighborhood,

they should be accessible through public transportation, and within reasonable commuting distance.

- *Neighborhood amenities* – Projects should be sited in neighborhoods that have key residential amenities, such as affordable shopping (especially supermarkets), public libraries, post offices, banks, parks, open space and recreational facilities. This usually means siting housing in traditional residential neighborhoods, and not in commercial, manufacturing or warehousing districts that typically lack such amenities. Proximity to neighborhood amenities may be a requirement or provide a competitive edge for funding applications.
- *Community-based services* – It is critical that supportive housing tenants have easy access to supportive services available in the community, especially to service programs with which formal linkages have been established. Depending upon the project's target population, services related to substance use and recovery, case management, crisis intervention, parenting programs, and health clinics may be needed by tenants on an ongoing or intermittent basis. If not located in the immediate neighborhood, such services should be easily accessible by public transportation.
- *Day care* – If the planned project will house families with young children, day care services must be available in the neighborhood or easily accessible near major employment centers. Lack of access to quality day care will frustrate efforts of parents who are working, participating in job training, or seeking employment.
- *Public schools and related programs* – For projects serving families, the sites should have close proximity to public education resources such as public schools, public or private pre-schools or Headstart programs, school readiness programs and after-school enrichment and recreation programs. For all target populations, easy access to community colleges, vocational programs, and other higher educational opportunities may prove important.
- *Security* – If possible, the site should not be in an area that has a high crime rate, since supportive housing tenants may be especially vulnerable to victimization. Sites should also abide by the principles of “defensible space”, which suggests low-rise buildings and open site plans that do not have hidden spaces that are conducive to crime (e.g., playgrounds or courtyards that are screened from public view).

#### d. Acquisition or Lease Costs

The cost of acquiring or leasing a development site may be the overriding consideration for selecting a property. Many public funding programs have a maximum acquisition or lease cost (total or per unit caps) that must be considered during the site search. The allowable costs will often limit the search to those communities that have lower real estate prices. Most public funders, and all private lenders, will likely require that the purchase price not exceed the appraised value of the property.

It is also critical to determine whether the funding sources' preferences lean toward purchase or lease before initiating the site search. Some public agencies do not have capital available to acquire sites, but are able to fund lease payments through annual contracts. It should be noted that there are some serious drawbacks to leasing, including that it is difficult to maintain quality, cost and control over the long-term.

e. Zoning Considerations

Zoning must also be carefully considered in making site selection decisions, since these local zoning regulations can often frustrate efforts to gain local approval. The project architect can assist you in analyzing local zoning restrictions to help guide the site search. Using zoning maps, it is possible to identify those areas where you can develop your proposed project “as-of-right” – that is, without a zoning variance. If possible, it is advisable to limit the site search to these areas, since the process of seeking and being granted a zoning variance will add time and uncertainty to the development efforts, and may give any opponents to the project additional opportunities, and additional leverage, to block the planned development.

However, it is often not possible to find available, suitably-priced sites that are politically acceptable to a community that don’t require any zoning approvals, or discretionary action by a local planning board or commission. If this is the case, a critical aspect of the due diligence will be to work closely with City planning staff to identify precisely what discretionary actions will be needed and how long the process is likely to take.

f. Community Acceptance

The potential for community opposition to a proposed development should be considered as the site search is being conducted, but depending upon the assessment of community and political support in a given neighborhood, as well as the strength of relationships with local leaders and organizational capacity, this issue may be addressed once a site that meets the project’s needs and criteria has been identified. In planning for the siting of new projects, there are significant issues that can create community acceptance problems that should be considered when identifying potential neighborhoods/blocks for development, including:

- *Outsider Organization* – Non-Profit Sponsors that select sites in neighborhoods where they do not operate housing or programs may be identified as outsider organizations, and may not be given a fair hearing by neighborhood leadership who would prefer local sponsorship. This may be a screen for simply opposing the project itself, rather than the sponsorship, or it may be a distrust of outside organizations that are not known to the neighborhood in locations. Faced with such challenges in a specific neighborhood, it may be best to seek out well-regarded, community-based partners with whom to work. Such a partnership can take many forms, from using the local organization as the services provider, property manager or co-developer, or limiting the role to focus on community outreach and education.
- *Fair Share/Saturation* – In some circumstances, community members may claim that their neighborhood is being asked to accept more than its “fair share” of supportive housing and/or other housing programs and services, or that they are already “saturated” with similar projects, and are becoming “impacted” communities. Some cities, like New York City, have fair share plans that will divert new supportive housing and other housing programs and services away from neighborhoods that are defined as “impacted” by having an unequal share of the city-wide homeless services and housing programs. If such concerns are raised, it is critical to assess whether saturation claims are legitimate or overstated and to work with local officials to evaluate this issue. In areas where such the claims seem legitimate, it may be wise to consider other locations without concentrations of similar projects. On the other hand, if research indicates that there is no fair share issue present, these results should be publicized to disarm the issue.

- *Scale/Impact* – The scale of a supportive housing project can have an undue impact on a neighborhood, and this impact needs to be a consideration in siting new projects. For example, a large congregate project in a low-density residential area could have an adverse impact, and would likely attract opposition from the neighbors.
- *Contextual Design* – Related to the above consideration, the design of supportive housing projects should be sensitive to the neighborhood context. Largely an architectural issue, designs should respect the scale, historic quality, set-back/street-line and architectural styles in the immediate area. Residents can more easily reject plans that do not fit into the context of the neighborhood. The design should communicate the goal of integrating the project into the neighborhood.
- *Available Neighborhood Services* – Projects should be sited in neighborhoods that have access to the required supportive services for the project’s target population (e.g., mental health day programs) that will not be available on-site. Without the availability of these services, the project could become vulnerable to community claims that tenants will not be able to access needed support and could pose a threat to the community.
- *Private Open Space* – While not a requirement for siting supportive housing, the ability to provide private open space for the exclusive use of tenants can help ease the introduction of new projects - and it is also a nice amenity for tenants. The provision of these spaces, which can be a landscaped seating area, recreation or garden, can disarm community concerns that new tenants will “hang out” in front of the building.
- *Zoning* – As noted in earlier in this section, zoning can be a key factor in successfully siting new projects. Some of the key aspects of a zoning analysis including evaluating the parking requirements, height restrictions and density restrictions for the proposed site. Sometimes used by local governments to try to thwart projects housing the formerly homeless or providing related services, zoning requirements should be evaluated by the project architect and attorney to determine whether the project can comply. Therefore, it is clearly preferable to avoid the need for a zoning variance when possible, and to proceed “as of right.” Moreover, some local zoning laws may violate federal fair housing laws, and may be vulnerable to legal challenges from advocates for the homeless.

## 2. Engaging in the Site Search

There are several different strategies for engaging in the site search process, including:

### a. Exploring Diverse Potential Sources of Sites

There are numerous sources of potential sites, and discussions with experienced non-profit developers and local housing agency staff often yield the most promising sources and contacts. Among the general categories of sites to consider are:

- *Privately-owned sites that are “on-the-market” or available for lease:* Usually found through real estate brokers, these are the most common source of sites, but are not always the best, so a site search should not be limited to “listed” sites.

- *HUD and FHA-foreclosed property:* Organizations can contact the regional HUD and/or FHA offices and request lists of sites in the target areas. HUD may be good source since it can sell distressed properties (both multi-family and single-family) directly to non-profits at below-market prices, and may be sympathetic to the mission. FHA generally offers single-family houses that were FHA-insured and where the owner defaulted on the mortgage

*For HUD-foreclosed homes in your city, see <http://www.hud.gov/homes/index.cfm>. For listings of HUD-foreclosed multi-family properties, see <http://www.hud.gov/offices/bsg/mfb/pd/mfplst.cfm>.*

- *Bank foreclosures:* Most private banks maintain lists of “real estate owned” (REO) properties that they are trying to sell to recover their mortgage. They tend to sell at market prices, though they may be willing to discount sales to a non-profit to gain Community Reinvestment Act (CRA) credit.
- *Publicly owned property taken for tax arrears:* Most municipalities will foreclose on properties that have extensive tax arrears, and then offer them for sale (sometimes by auction). Some cities, including New York City, have transferred properties in tax arrears directly to new responsible third parties. Local or state public agencies, including public housing authorities may also have surplus properties tracked for disposition (and support from locally elected public officials can help encourage this approach).
- *Urban Renewal sites that are not planned for development:* Many localities have old Urban Renewal sites that were acquired from private owners, but now have no plans or funding to develop. Local redevelopment agencies should have information about surplus sites.
- *Religious properties:* Religious institutions may have surplus properties such as convents or parochial schools that can be sold or leased to non-profit sponsors. This source can be attractive since they are likely to support the mission of sponsor organizations, and may sell at below-market prices.

#### b. Using a Real Estate Broker

It may prove useful to work with a real estate broker to help with your site search, since they are often knowledgeable about the residential real estate market, including the multifamily housing development market. It may be best if the broker is a “Buyer’s Broker” who will only represent the purchasing organization's interests rather than those of the seller. However, there are a number of disadvantages to using brokers, including:

- They don't always know the market that you are looking in, as their experience may be with more expensive real estate or with commercial properties;
- They can only show properties that are on the market, whereas your own research could locate better sites that are not yet technically on the market, but may be available if the owner is approached;
- Even if they act as a “buyers broker”, their allegiances may still be somewhat with the seller due to prior or prospective business relationships;
- Brokers charge a fee once the property closes, adding to the cost of acquisition, although these costs can be absorbed by the seller if negotiated into the purchase contract;

- They may not fully understand the site selection criteria, and may refer sites that are inappropriate, thereby wasting time and resources; and
- Brokers may not be helpful or knowledgeable about leasing opportunities.

In selecting a Broker, consider the following:

- Do they have recent residential experience in the targeted neighborhood(s)?
- Are they willing to act as a “Buyer's Broker” and sign an agreement spelling out their obligations?
- Do they have access to all listings, whether through the multiple listing service or relationships with other listing Brokers?
- Is their commission competitive?
- Do they have experience brokering leases as well as sales?
- Do they have good relations with leading landlords and owners?
- Have they worked with other non-profits (check references) and are they motivated?

c. Conducting a Site Search Independently

An organization with sufficient staff may find it preferable to conduct its own site search independently, rather than being dependent on a Broker, especially if focused on a single neighborhood or area. An organization might also consider engaging a development consultant to undertake the site search if it does not have the in-house capacity, while ensuring that the consultant has the knowledge base and track record to perform these activities effectively. Strategies for conducting a site search without a broker include:

- *Conducting a “windshield survey”* by driving or walking around the target neighborhood(s) noting any sites that meet the requirements, including possible buildings for lease;
- *Researching property ownership* and sales history at the municipal offices that hold property ownership data and record deeds; and
- *Contacting owners* and determining their intentions for the property (i.e., are they willing to sell, and if so, at what terms).

Note: CSH’s *Toolkit for Developing and Operating Supportive Housing* contains many other documents that may be useful for understanding site selection issues for supportive housing projects. Please see the tools under *Selecting and Securing the Project Site* in the *Development and Finance* section of the *Toolkit*, at [www.csh.org/toolkit2development](http://www.csh.org/toolkit2development).