A Friend in Need

by Jean Van Ryzin

PARTNERSHIPS HELP BUILD NEW AFFORDABLE SENIOR HOUSING.

Building new senior independent living and assisted-living facilities is a team sport. In today's environment, creative providers must partner with public agencies, lenders, developers and other not-for-profit organizations to create sustainable housing properties.

- A Pittsburgh provider teamed with government, a for-profit developer and a syndicator experienced in tax-credit financing to build a building offering a wide array of modern services and amenities.
- Two Michigan providers joined forces to build an affordable apartment complex using tax credits, state and federal money and a capital campaign.

These days, not-for-profit providers wanting to build new affordable senior housing are finding sage advice in the old Beatles' song, "I'll Get By With a Little Help From My Friends."

With federal funds for new construction dwindling, not-for-profits say the key to creating new housing for low-income seniors is to find friends and make them partners in the endeavor. Then, add a generous helping of financial creativity.

"We've found that partnerships are the only way to get at the oxymoron of 'affordable' assisted living," says Jim Pieffer, senior vice president of Presbyterian Senior Care (PSC), Pittsburgh, Pa. "We work together with the community to develop units affordable to seniors at or below 50 percent of the median income in the area."

In Pittsburgh, PSC is doing its share as one side of a government/for-profit/not-for-profit triangle that just opened its third new affordable senior housing complex in the area. Its partners include the Pittsburgh Housing Authority, which serves as a funder and asset manager for the projects; Affirmative Investments, a Boston-based, for-profit developer and co-general partner that developed the projects' financing structure; and the National Equity Fund, an investor. PSC is co-general partner and manager of the properties.

Having friends like these enabled PSC to do the creative financing necessary to build the kind of projects it wants for its residents.

"I've done lots of HUD Section 202 and other affordable housing projects, and I have to say that this is the first that exceeded my expectations," Pieffer says of Fairmont Apartments, the third building PSC opened this summer.

Fairmont offers much more than basic living for low-income seniors. The 60-unit building includes nursing and service coordination, meals in a dining room and café, exercise and wellness activities in a fitness room, a library with computers, an art room and laundry facilities on each floor. Built in a budding arts corridor in Pittsburgh's east end, the building blends well into its urban environment and is culturally sensitive to the predominately African American residents. In fact, it already has been nominated for several design awards.

Creative Financing

The financing necessary to make Fairmont Apartments a reality involved creativity and negotiations among all players, Pieffer says.

PSC started with money from the city housing authority, but that only covered about half of what was needed for construction. Tax credits were the next source of funds. Tax credits provide investors a dollar-for-dollar reduction of their federal income tax liability over a 10-year period in exchange for a 15-year investment in qualified low-income housing projects.

The partners then got additional funding from the city's community development block grant (CDBG) program. Because it's located in an area that desperately needed a catalyst for redevelopment, Fairmont Apartments serves two vital needs: quality affordable housing for area seniors and active first-floor retail space to spur investment in the neighborhood. The local Community Development Corporation owns the commercial space. A child day care center and upscale coffee shop have submitted letters of intent to lease it.

The redevelopment factor was a key element that attracted the National Equity Fund (NEF) as an investor in the project. Based in Los Angeles, NEF is the nation's largest not-for-profit tax credit investor in affordable senior housing and assisted living.

"We're very interested in using tax credits as a community development tool," explains Debbie Burkart, NEF vice president of acquisitions for supportive housing and assisted living. "Tax credits are a great tool

to turn around neighborhoods and meet lots of needs at once."

The next piece of the puzzle for the Fairmont project was rent subsidies. PSC and its partners received commitments from the city housing authority to provide 40-year subsidies for 50 of the 60 units, which in turn helps PSC keep rents down for the remaining 10 units.

The end result is that seniors with incomes as low as $7,200 per year—the baseline Supplemental Security Income for seniors over 65—have the opportunity to live in private, one-bedroom apartments and have access to meals, service coordination and activities. Fifty of the 60 tenants pay 30 percent of their income toward rent—less than $200 per month. The remaining 10 units rent at $475 per month, in comparison to the $645 per month market rate in the area.

Beyond saving money, living at Fairmont allows many seniors to avoid premature placement in a nursing home. To meet residents' ongoing needs, PSC has formed a partnership with the local PACE program, just two blocks away.

PSC's experience shows that creativity and partnerships are crucial elements to building new affordable senior housing. Partners are out there if you look for them, NEF's Burkart says. Examples include not-for-profit and community foundations; city HOME and CDBG funds; and state HOME, affordable housing funds and donation tax credits. HOME is a housing program that provides federal dollars to states and local governments to build affordable housing. Another good source of low-cost money is the Federal Home Loan Bank's Affordable Housing Program.

"If you can combine other resources with tax credits, you can get your capital costs to nil," Burkart explained. "Partnerships also can provide rent subsidies to make your project even more affordable."

A Patchwork Quilt

Presbyterian Villages of Michigan (PVM), Southfield, Mich., found its partners in the form of another not-for-profit provider—Lutheran Homes of Michigan—as well as a local group formed to create a continuing care retirement community in Alpena,

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Resources

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National Equity Fund, Los Angeles, Calif.
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Mich. Together, they're getting ready to break ground on a 48-unit affordable apartment complex that will be within walking distance of Alpena Community College.

"Residents will be able to walk to educational and wellness activities that we don't have to duplicate," explains Brian Carnaghi, PVM's executive vice president of planning and finance. "Sharing resources helps keep our costs down."

The financing for Alpena Village is a "patchwork quilt," Carnaghi said, that includes a small local capital campaign, tax credits, federal HOME money and a mortgage from the Michigan Housing Development Authority. The project also will be supported by market-rate cottages using an equity condominium model. In addition, the partners are considering accessing a new Michigan program designed to increase the stock of affordable assisted living by allocating Medicaid waivers to residents in their apartments. The intent is to keep residents out of more costly nursing homes.

"It's a lot of paperwork and legal structuring, but at the end of the day, you have to go where the money is," says Carnaghi.

Tips for the Wary

The message from these providers is that new affordable senior housing development is possible—but it may involve leaving the comfort zone of some providers' experience.

"At first, our board had great reluctance in going outside the HUD 202 model because it was comfortable, and it was what they knew," Pieffer explains. "But you can't be afraid to step out of that. You have to be willing to take risks."

There's no magic formula, he adds. "You have to explore every avenue and look at every opportunity. Everything is up for grabs, and you can never be afraid to say, 'Here's what we want to do. How can you help us?'"

It pays to work with a partner that has experience with tax credits and creative financing, says Carnaghi. Having a local not-for-profit that knows the "lay of the land" can make a big difference. "Our local nonprofit helped to take down city obstacles like payment in lieu of taxes agreements and zoning deadlines," he explains. The group also had a relationship with a congressman on the House Energy Committee, which they're hoping will pay off with earmarked funds for geothermal technology being incorporated into the building design.

Realistic expectations and patience are crucial, too. "It takes perseverance to mix four or five different sources of funding and make it work," Pieffer says. "For one project, we had to submit our proposal three times. You have to be creative to do the right thing."

Despite the obstacles, the best advice is to plan for success, Pieffer adds: "Get a couple of passionate champions, and you can get it done." fA

Jean Van Ryzin is a Maryland-based writer specializing in aging services issues.