



## THE AFFORDABLE HOUSING STUDY COMMISSION

### **Nonprofit/For Profit Partnerships Workgroup Conference Call Summary December 9, 2008**

Workgroup Members: Tom Smith, Ann Kashmer, Lloyd Boggio, Paul Curtis, Dorothy Ellington, Ellen Ramsey, Gregg Truxton

Other Study Commission Members: Maria Barcus

Participating Public: Joy Beaton, Florida Community Loan Fund; Mark Plonskier, Gateway Housing; Patricia Roset-Zuppa, Shimberg Center

Staff: Odetta MacLeish-White

Workgroup Chair Tom Smith called the meeting to order at 10:10am.

The workgroup quickly identified the traditional roles taken on by nonprofit and for profit partners in a joint venture, and Chairperson Tom Smith referred the group to p.38 of Rachel Bratt's March 2007 report, *Should We Foster the Nonprofit Housing Sector as Developers and Owners of Subsidized Rental Housing?* This page provides a detailed chart listing the strengths and weaknesses of nonprofits and for profits in the development and management of affordable housing and can be found as Attachment A to this summary.

**For Profit Roles:** overall development expertise, access to capital and financial resources for guarantees, relationships with lenders for long term financing.

**Nonprofit Roles:** access to local, state and federal grants aimed at nonprofits, sometimes access to land at low or no cost, community relationships, relationships with local government.

The workgroup then attempted to define why nonprofit/for profit partnerships sometimes fail.

- The workgroup agreed that unscrupulous for profit developers have taken advantage of less experienced nonprofits to negotiate partnerships that were detrimental to the nonprofit.
- The workgroup also agreed that some nonprofits overvalue the assets they are bringing to the bargaining table, and negotiations stall when they demand greater concessions from their for profit partner. On the other side of this coin, some nonprofits undervalue the assets they bring to a partnership and, through a lack of experience, do not negotiate aggressively for a portion of the development fee.
- Finally, miscommunications or lack of communication can slow down the negotiation process or stop a deal altogether.

With the problem outlined, the workgroup moved onto discussing approaches for addressing each issue.

### Trusted advisors can help nonprofits navigate development issues.

Financial and legal advice from trusted sources is critical to helping nonprofits understand:

- the development process;
- the terms of partnership being offered by a for profit;
- the value of their contributions to the partnership; and
- if funding is secured, what to expect after closing and during construction and management periods.

Further, inexperienced nonprofits need help identifying resources for funding and a trusted, experienced advisor can help with this as well. Dorothy Ellington pointed out that hiring consultants is too expensive for many nonprofits, and the Study Commission's recommendations or findings should take into account the limited means nonprofits have at their disposal.

Maria Barcus explained that statewide development entities, such as the ones developed in Washington State and North Carolina and her company, can partner with nonprofits in all stages from identifying resources, structuring a partnership, completing applications, closing on funds and going through construction. These services are provided in return for a portion of the development fee.

The workgroup agreed that even when professional help is available, it is critical for someone from the nonprofit – whether a board member or staff person – have some experience with either property development or financial practices. This person can help others in the organization understand the information given to them from their advisors.

To answer the question about cost, Lloyd Boggio pointed out that a for profit partner should be willing, and should expect, to foot the expense of hiring a consultant to represent the nonprofit partner's interests. This benefits the entire partnership by facilitating the negotiations and ensuring each side understands its role and can fulfill its commitments. Nonprofits should demand this feature in their partnership agreements and if the for profit refuses, the nonprofit should not partner with them.

### Add a Partnership Workshop to Catalyst Training

A workshop on the roles and responsibilities in a for profit/nonprofit joint venture could be developed by the Catalyst Program to help nonprofits understand how to negotiate these partnerships.

### Provide nonprofits and for profits a mechanism to find each other for partnerships

Gregg Truxton asked how for profit and nonprofit developers find potential partners. Tom Smith and Lloyd Boggio explained that they utilize a number of approaches:

- Ask trusted nonprofits to recommend other nonprofits;
- Attend rule development workshops for various state funding programs;
- Ask their own financial or legal advisors if they know of any nonprofits;
- Contact the local government (SHIP or Community Development departments) for names.

The workgroup developed the idea of a clearinghouse to help bring nonprofit and for profit developers together. This clearinghouse could be maintained by the Florida Housing Coalition:

<b>Nonprofits</b>	<b>For Profits</b>	<b>Consultants/Attorneys/Statewide Development Entities</b>
Contact information	Contact information	Contact information
Completed developments along with financing mechanisms utilized	Completed developments along with financing mechanisms utilized	Completed developments
Brief description of organization's mission and target population	Brief description of organization	Brief description of organization
Type of development the organization is interested in developing	Type of development the organization is interested in developing	Area(s) of expertise

The Florida Housing Coalition could perform a minimal background check on the for profit developers to determine if they are out of compliance with any state agency. Additionally, this site could post written information on the roles and responsibilities of each party in a joint venture, some pointers or tips for nonprofits to be aware of when negotiating a development agreement and any other topic that might be relevant to forming a joint venture. Florida Housing Finance Corporation could link to this website.

Public Comment

Joy Beaton: the Florida Community Loan Fund has just adopted its 5 year strategic plan and the clearinghouse would be a big step forward in supporting a more effective and high performing affordable housing delivery system in Florida. It might be useful to add a Q&A section to the website. It should be remembered that the state is made up of very different regions, and there may be regional organizations to include in this clearinghouse.

Marc Plonskier: For profit developers have played a number of roles in joint ventures ranging from acting as a consultant to a nonprofit to assemble equity, debt financing, bidding construction contract to partnering with a nonprofit that brought only the social service component to the deal to working with nonprofits and local governments on broader revitalization efforts for an entire neighborhood.

Ann Kashmer: local governments should be part of the target market for the clearinghouse.

In closing, Workgroup Chair Tom Smith pointed out that the Neighborhood Stabilization Program has money available right now for rental and non-homeownership deals so nonprofits should try to set up partnerships with for profits to take advantage of this funding. Ellen Ramsey pointed out that there are a number of restrictions on the use of this money and groups that wish to use NSP funds must be a part of the local city plan, otherwise they are not eligible to receive NSP dollars.

The call was adjourned at 11:45am.

## ATTACHMENT A