

An Overview of

The New York Shelter Acquisition and Predevelopment Fund

April 28, 2023

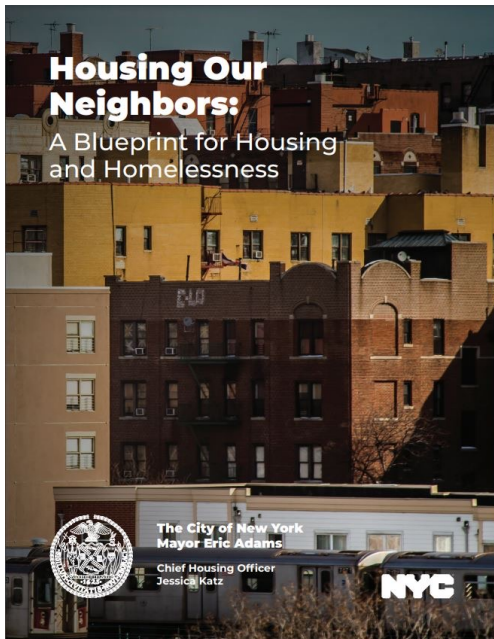


SeaChange

The New York Shelter Acquisition and Predevelopment Fund is ...

- A \$15 million revolving loan fund announced by Mayor Adams on March 8th.
- Supports nonprofit homeless service providers in building, owning and operating high-quality shelters.
- Helps to alleviate the upfront financial burden that can prevent even experienced, mission-driven nonprofit providers from developing and owning sites.
- Loosely modelled off the NYC Acquisition Fund with:
 - First-loss capital from DHS/HDC (\$5.0 million)
 - Philanthropic capital (\$10 million) from the New York Pooled PRI Fund, the Jennifer and Jonathan Allan Soros Foundation, and Reed Community Capital
 - SeaChange Capital Partners as the nonprofit manager
- Initial investment period of four years.

Mayor Adams committed to launching the New York Shelter Acquisition and Predevelopment Fund in Housing Our Neighbors: A Blueprint for Housing and Homelessness



Key Benefits of the Fund

- More competitive financing in a tight real estate market
- Higher quality, nonprofit-owned shelters
- Development and operation of facilities by nonprofits

Encouraging Nonprofit Owned Shelters

- For many years, the primary way to create a homeless shelter was for a not-for-profit operator under a 9-year contract with DHS to lease an existing building from a for-profit landlord but these are often expensive (profit and financing cost), short-term, and subject to uncertainty.
- In 2017, a change in policy made it possible for nonprofits to secure 30-year contracts to finance (through Credit Tenant Lease Financing) high-quality purpose-built shelters.
- Longer-term purpose-built shelters can be optimally designed to serve client needs, lower costs, provide for long-term public use and offer opportunities for shelter + affordable housing in the same project.
- However, the 30-year contract/ CTL mechanism does not allow access to capital prior to contract registration which creates an upfront financial burden that can prevent even experienced, mission-driven nonprofit providers from developing and owning sites.

What projects will be eligible ...

- Project sponsors are pre-qualified, nonprofit developers of shelters (JVs with for-profit developers permitted on an exceptional basis provided long-term nonprofit ownership of the shelter);
- Each household (or single person) has their own sleeping room(s); occupants are reasonably expected to stay for a minimum of 30 days;
- Evidence of site control;
- Receipt of an award letter from DHS and an indication that the project is actively in negotiations with DHS; OMB-approved building rents letter by closing;
- Proposed shelter includes at least two of the following: a public amenity; staffing and operational design reflecting best practices; associated affordable housing;
- Construction is expected to begin within 12-18 months;
- As-of-right under zoning (including appropriate use group to allow residency for 30 days or more), additional discretionary approvals on a case-by-case basis dependent on evidence of support.

What loans are available...

- Amount: Up to \$3.75 million (before any co-lenders)
- Term: 12-18 months with 90 day-extensions (due on date of construction financing)
- Rate: 7.0% accrued until take out with construction/permanent. Accrued interest is forgiven if the project does not move forward.
- Recourse: 25% recourse to nonprofit (100% to any for-profit JV partner)
- Collateral: A mortgage on otherwise unsecured land and improvements
- Eligible costs: Acquisition costs including deposits, appraisal, architectural/engineering, environmental site assessments, CEQR/SEQR/NEPA, geotech, green engineering, insurance, legal fees, origination fees, permits, expediting, carrying costs, e.g., property taxes or other municipal charge
- Closing Fees: 1% plus reimbursement for any-third-party costs (up to 0.5%)

How do we apply . . .

- Three elements of the application and approval process:
 - A high priority project where financing is a constraint
 - A pre-qualified nonprofit
 - Detailed materials and review
- Credit Committee makes final decision and has representatives of DHS, HDC, SeaChange, and the philanthropic funders.
- Application: Available at seachange.org/shelterfund/
- Credit Committee meets on an as-needed basis.
- Prior to completing an application please check-in with your DHS representative and/or John MacIntosh (jmacintosh@seachange.org)

Questions