

## West Harlem Development Corporation

# Comparison of Proposals from LISC and Trust – A Side-by-Side in Proposer’s Words And Evaluation Sheet

Prepared for Affordable Housing Committee

August 8, 2014

### A. ADMINISTRATIVE

Item	LISC	Trust
1. Organization Name	Local Initiative Support Corporation (LISC)	The Trust for Affordable Housing (Walter South , Principal)
2. Founded	1979	2014 ( incorporated in NY July 7, 2014 – EIN used for WHDC’s application was that of Architectural Firm- Thorensen Linard)
3. Number of Employees	317	0
4. Organizational Budget	\$134,471,000	0
<b>EVALUATOR’S SCORE (MAX POINTS =10)</b>		
<b>EVALUATOR’S COMMENTS</b>		
<b>B. MISSION</b>		
5. Mission of organization	LISC is dedicated to helping community residents transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity — good places to work, do business and raise children. LISC mobilizes corporate, government and philanthropic support to provide local	To create permanently affordable housing by acquiring building sites and leasing them to limited equity cooperatives to construct and operate buildings in which shareholders of each building will be of mixed income levels, with 80% of residential units occupied by persons with 120% of Area Median Income or less,

	community development organizations with loans, grants and equity investments, local, statewide and national policy support, and technical and management assistance.	to preserve affordability by restricting resale to original income criteria and to support affordability by integrating into buildings mixed uses and investing in green buildings.
<b>6. Relation of Mission to WHDC's need for affordable housing in MCD 9</b>	Affordable housing is at the heart of LISC's work. The LISC model assembles private/public resources and directs it to locally-defined priorities. This enables local organizations to access national resources/expertise and funding partners to leverage their investment into remarkable impact. As the largest community development organization, LISC has invested over \$12.9billion in communities, leveraging \$38.3billion of community development nationwide; equating to over 303,500 affordable homes.	Sites acquired by the Trust with money from WHDC will be leased on condition that preference in sale of shares will be given to current residents of Community Board #9.
<b>EVALUATOR'S SCORE (MAX POINTS =15)</b>		
<b>EVALUATOR'S COMMENTS</b>		
<b>C. AFFORDABLE HOUSING IN MCD 9</b>		
<b>7. Experience of organization in affordable housing</b>	LISC NYC's strategy for meeting today's housing challenges is threefold: 1) Partner with NYC's housing department to redevelop and convey the remaining "pipeline" of city-owned housing to community-based ownership. 2) Preserve existing affordable housing resources for the future—including at-risk HUD-subsidized developments under private ownership, and financially overleveraged, private buildings at risk of deterioration and foreclosure. 3) Develop new financial and technical assistance tools to help nonprofit developers seize new development opportunities. LISC accomplishes this by working with a wide spectrum of sponsors with varying degrees of capacity. As a result, LISC understands the unique challenges and special needs of developers of affordable	The organization of the Trust is in formation. The incorporator of the Trust has over 45 years experience as a consultant to non-profit groups packaging, financing, supervising construction, renting, managing, and syndicating low income housing projects. In addition the Trust will benefit from the participation of advisory committee

	housing and provides technical assistance to help plan and structure projects from conception to completion. This translates into \$2.1billion total investment, \$4.6billion leveraged, and 33,343 affordable homes developed and preserved.	
<b>8. Understanding of role of Housing Administrator</b>	LISC's understanding of the role of the Affordable Housing Administrator is to provide services in managing the fund, oversee the development and preservation of affordable housing, and attracting new resources. As such, LISC will identify the pipeline, coordinate the development process, including spearheading deal structuring and closing, and provide construction oversight, as necessary, to ensure completion. We will leverage additional sources of financing to support development efforts, and lend our expertise to project due diligence and development plans, assessing sponsor capacity and providing technical assistance to its partners through the underwriting and development processes	With the initial \$10million 100 Units will be developed and preserved in perpetuity as affordable units.
<b>9. Description of organization's history with similar housing administrator position with examples.</b>	LISC has over thirty years of experience in assembling and deploying capital for projects that affordable housing funds target. Two examples include: 1) New York City Acquisition Loan Fund–LISC was one of the entities responsible for the formation of the New York City Acquisition Fund (NYAF), initially created as a \$192 million loan fund to support the preservation of affordable housing in New York City. LISC's affiliate NEF has served as one of the two members of the LLC from inception until the end of 2013; on January 1, 2014 LISC assumed that	The Trust is new and so cannot directly claim a history. However, the incorporator, Walter South, has developed sites in Manhattan and in New Jersey, including over 350 units of low income housing in new construction, and over 400 units of market rate housing. South also has managed several projects. The Trust has also recruited a deep bench of experience in the Advisory Committee for the Formation of a Trust for Affordable Housing, out of which the initial Advisory Members and Community Members of the

	<p>membership role. In addition LISC is an originating lender to the fund, and serves on its Credit Committee. Launched in 2006, NYAF was one of the first affordable housing acquisition loan funds in the country. NYAF assembled loan and credit enhancement support from a consortium of private lenders, six foundation/non-profit entities, and the City of New York, with five originating CDFI lenders, including LISC, holding a 2% piece of loans they originate.</p> <p>2) LISC Cook County Housing Preservation Fund—a \$30.6 million loan pool, formed in 2009, for preservation of affordable housing projects in Cook County, Illinois. Lenders to the loan pool included JPMorgan Chase, The Northern Trust Company, MB Financial Bank, and Private Bank and Trust, with LISC holding a 2% subordinate piece of each loan. The MacArthur Foundation and the City of Chicago provided \$10 million and \$2 million in credit enhancement, respectively.</p>	Trust will be constituted
<b>10. Organization’s plan for affordable housing development/preservation in MCD9</b>	<p>Program will work with HPD as part of the complex of financing for the Affordable Neighborhood Cooperative Program. LISC has identified a pipeline of HPD projects in MCD9. The program requires a rental component, WHDC’s affordable fund will be used for this and will have pay back provisions. LISC will also work with HPD to develop City-Owned affordable properties and support other City initiatives. (See detailed answer under question # 3 in LISC’s proposal).</p>	Largely a plan for land acquisition; and development of cooperative with 80% at 120% of AMI; and 20% of those with AMI below AMI. (See detailed answer under question # 3 in Trust’s proposal).
<b>11. Number of Units Anticipated to be developed/preserved within 3 years</b>	250	100
<b>EVALUATOR’S SCORE (MAX POINTS =25)</b>		

<b>EVALUATOR'S COMMENTS</b>		
<b>D. LEVERAGING OF WHDC'S FUNDS AND FUND MANAGEMENT</b>		
<p><b>12. Organization's plans for leveraging WHDC's \$10 million to preserve principal</b></p>	<p>As mentioned, LISC has identified a pipeline of buildings with HPD, through its Affordable Neighborhood Cooperative Program. HPD anticipates a need of \$50,000 per unit from the Fund. The funds will be held in the project during the 24 month construction period. In the event that the project does not convert to Cooperative, the funds will be used for the rental fallback scenario - in which case they will not be repaid. We are conservatively anticipating that this will be the case in less than half of the projects. In the majority of cases, the funds will be repaid and then committed to another project. With the assumption that 200-250 units can be preserved through this program with the Affordable Housing Fund, the Fund will leverage between \$22,000,000 and \$27,500,000. Additionally, we are seeking other projects for use of the Affordable Housing Fund, and we will underwrite loans and conduct significant due diligence to ensure that funds are repaid.</p>	<p>The Trust for Affordable Housing proposes to leverage WHDC's funds by using them for purchase of land only. Once site control is achieved additional funding for construction can be obtained readily, thereby leveraging as much as three times the initial investment in land. The initial WHDC funds would be "preserved" for affordable housing in that the land purchased with these funds will support affordable housing in perpetuity, and not be dissipated on fees, expenses, overhead or other program costs.</p>
<p><b>13. Organization's proposals for managing additional raised leveraged funds outside the \$10 million that Tides will manage as WHDC's fiscal sponsor.</b></p>	<p>LISC expects that the majority of leverage will be at the project level. In this case, leverage will be managed and disbursed from funder (i.e. HPD, financial institution) to the developer. Capital that LISC raises at the Fund level will be held at and disbursed by LISC. We do not anticipate that any leveraged funds will flow through Tides.</p>	<p>Any additional leveraged funds raised by the Trust would be raised for construction of particular buildings, and so would be dedicated for that purpose. For purposes of operational efficiency and business integrity, the Trust must be free to direct those funds as needed to complete the project. Specific disbursements of WHDC funds by the Tides Foundation would go directly to pay the seller of land the Trust purchases, or would be disbursed to cover specific additional acquisition costs, including broker's fees, legal fees, and other closing costs.</p>

<b>EVALUATOR'S SCORE (MAX POINTS =20)</b>		
<b>EVALUATOR'S COMMENTS</b>		
<b>E. GOVERNANCE</b>		
<b>14. Organization's ideas on how it will work with the WHDC Board's Affordable Housing Committee.</b>	LISC will utilize the WHDC Affordable Housing Committee to advise on pipeline development, provide support for raising funds and leverage, and ensure community engagement and buy-in. LISC has reviewed the list of members of the Committee and we recommend that an additional member with real estate finance and community development expertise be considered. LISC will provide written reports, with an agreed upon set of information and data, quarterly. At a minimum, the reports will include written narrative of progress, spreadsheet of pipeline status and financial updates.	The Trust will provide a detailed, written report on its activities at six month intervals, including full financial information on prospective and accomplished acquisitions, will show full financial and construction plans as they develop.
<b>15. Description of how the task of preservation/development will be managed.</b>	To manage the Fund, LISC will hire a full-time Community Development Officer (CDO). The main duties of the CDO include: <ul style="list-style-type: none"> <li>- Develop pipeline</li> <li>- Evaluate and assess each property's capital needs</li> <li>- Determine appropriate financing sources</li> <li>- Assess developer's capacity and provide technical services</li> <li>- Originate loans</li> <li>- Work closely with HPD and HDC to leverage programs, as well as financial institutions to bring additional resources to the projects</li> <li>- Develop and maintain partnerships</li> <li>- Liaise with WHDC Advisory Committee</li> <li>- Prepare Fund reports.</li> </ul> The CDO will be managed by the LISC NYC Housing Director.	.Mr. South, together with the assistance of professionals among the Advisory Members, will initiate the Sponsorship of the Cooperative and Lease, and will market shares. The Trust will use the services of Mr. South without fee to find sites, and acquire one, but with professional assistance as necessary
<b>EVALUATOR'S SCORE (MAX POINTS =10)</b>		

<b>EVALUATOR'S COMMENTS</b>		
<b>F. COST PROPOSAL</b>		
<b>16. Cost proposal including fees ( See attached submissions)</b>	In order to revolve funds and manage projects through completion, LISC is expecting a five-year term for the Fund. During the first 18 months, LISC will disburse funds. We expect payback within 24 months, at which point we will revolve the funds into new deals (See details in Attachment in Proposal).	Legal costs will be incurred for organization of the cooperative, and for drafting the lease agreements, construction contracts and sales contracts. There will also be soft costs of design and construction. (See details in Attachments 2 and 3 in Trust's Proposal.)
<b>17. Costs for years 1, 2, 3</b>	\$210,506, \$210,506, \$210,506 = total \$631,518 for three years (6%)	\$10 million, \$0 , \$0 = \$0 for three years (0%)
<b>EVALUATOR'S SCORE (MAX POINTS =20)</b>		
<b>EVALUATOR'S COMMENTS</b>		
<b>Overall Average Scores</b>	LISC = 89%	TRUST = 25%

