



Site Analysis for Supportive Housing Developments

Once a potential site for the development of supportive housing has been identified, and site control has been achieved, a thorough analysis of the appropriateness of the site must be performed. This stage in the development process is known as the “due diligence” period, consisting of a variety of analyses, studies, and investigations to ensure that purchasing the site is a sound decision for the development of the project. Certain criteria will have been used to evaluate potential sites during the site search process - analysis during the due diligence period will delve deeper to confirm the appropriateness of the site and to evaluate the site for additional criteria not possible during the site search. This deeper analysis will also be required in order to access financing for the project, so that financing sources will be confident in the appropriateness and feasibility of the site for the planned supportive housing project.

Each of the following key components of a site analysis must be performed during the due diligence period:

1. Community Acceptance Processes
2. Appraisal Report
3. Zoning Analysis
4. Environmental Analyses and Other Inspections
5. Relocation Study
6. Financial Feasibility Analyses

1. Community Acceptance Processes

The analysis of the potential support or opposition for a proposal to develop supportive housing on a particular site should begin before or during the search for appropriate sites, and is an important criterion for selecting a site. Successful strategies for gaining community acceptance include:

- *Community Advisory Committees* – The establishment of Community Advisory Committees can be a useful technique for engaging affected neighbors in the project's design and in the monitoring of operations. If community residents have an authentic and meaningful role in the planning and oversight of a project, they will likely feel they possess a higher degree of control, input and ownership of the project. This formal, structured involvement can have the effect of building support and converting potential opponents, as the Advisory Committee members will have helped to plan the project and will want to see it completed and operating successfully.

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.

- *Public Education* – Campaigns for educating the public and elected officials on issues related to homelessness and disabilities are often successful at blunting opposition to supportive housing. The case for supportive housing is compelling and well-documented, so focused public education campaigns can be very persuasive. The most appropriate forums for education campaigns will depend upon the local context, but community meetings, targeted meetings with interest groups or elected officials, local advertising and press are some of the best options. Coordinating tours of successful projects by influential stakeholders and organizing a homelessness speakers bureau have also been successful strategies in some communities.
- *Organize Local Residents and Other Stakeholders* – Organizing residents and other stakeholders in the immediate area of the site to speak-out in support can be very persuasive. In cases where an organization has a strong presence and reputation in the targeted neighborhood, local residents, businesses and faith-based communities should be approached and asked to demonstrate their support for the project (e.g., signing a petition, speaking at community meetings, writing letters to locally elected officials). Support from those most directly affected by the project can help mute the opposition from residents in surrounding areas.
- *Sponsor a “Charrette”* – A Charrette is a citizen participation technique for involving community residents in shaping the design of a project. It is an intensive process that elicits input from neighbors, and helps build a consensus around the project's plans and design. For example, if neighbors object to the scale of a new construction project, the Charrette can bring together affected parties with the project architect to explore the range of design options. Through the iterations of design and redesign, a plan that is endorsed by neighbors may emerge, and residents will feel more invested in the project and its successful development if they were part of that process.
- *Good Neighbor Agreement* – As described in the [NIMBY Report](#) (published by the National Low Income Housing Coalition, June 2001) “These voluntary agreements between a service provider and neighborhood address issues such as property maintenance and appearance, neighborhood codes of conduct, community safety, communication and agreement monitoring and compliance.” This can sometimes be used to gain support by spelling out in a formal agreement how the project will be operated.

The Non-Profit Housing Association of Northern California (NPH) has additional resources on-line in their [Community Acceptance Tool Box](#) designed to help organizations brainstorm appropriate community acceptance strategies for projects. In particular, the link entitled [List of Education Campaign's Materials and Outreach Strategies](#) provides a good one-page starting point for planning a community support campaign.

2. Appraisal Report

An appraisal is a professionally prepared report that establishes a market value for a property and will typically be required if the source of the funding to acquire the site is a bank, non-profit lender, or government agency. The source(s) of the acquisition funding will want to know that if, for some reason, the project cannot be completed, the value of the property is adequate to cover the amount of money borrowed to purchase the property.

If a funder does require an appraisal, it will be important to confirm: when the appraisal must be provided (an appraisal can take between 30-45 days to complete) and how recent the appraisal must be; how much it will cost; whether the funder required it to be prepared by an “approved” appraiser; and what type of appraisal is required.

In some circumstances, a funder may not require an appraisal but may ask for an analysis of recent comparable real estate sales to confirm that the purchase for the site is in line with the local market. A real estate professional, perhaps a broker used during the site search and purchase negotiation, may be willing to do this on your behalf, utilizing the various real estate listing services available to them.

3. Zoning Analysis

Every locality has laws and regulations regarding what can or cannot be built on each and every property within its boundaries. The goal of the zoning analysis will be to ascertain whether the development planned for the proposed site fits under those regulations. For example, if the zoning restricts the development at a site to multifamily apartments at no greater than 20 units per acre and the planned development is designed as 20 units per acre or less, it may be possible to build the project “by right” without requiring any zoning waivers. However, there are other issues to consider in a zoning analysis, and a zoning analysis should cover each of the following key criteria:

- Land use designations
- Density restrictions (units per acre, or floor area ratio)
- Parking requirements
- Height restrictions
- Set back requirements (front, rear and side yards)

To ensure that the zoning analysis is accurate, members of the development team (including the architect) should visit the local planning office early in the process (and if needed, often) to obtain clear information on the zoning regulations, the timing for the review process, and what the environmental review and design review processes will entail. These may be needed even if the building can be constructed “by right.” While the environmental and design review may not be significant factors in determining whether to purchase a site, it will be important to understand these processes and the timing for them when developing the project budget and timeline.

What if the project can't be built “by right?” The zoning regulations will also include provisions for seeking variances from the law. So, for example, if the zoning laws require that the site provide

25 parking spaces, but the site can only accommodate 23, a project can apply for a variance that presents a viable rationale for why this will not negatively impact the community and/or mitigates the absence of those 2 parking spaces.

In addition, some localities or States may have laws that encourage the development of affordable housing by offering zoning incentives in return for a certain number or percentage of units being restricted to very low income and/or special needs households, or other specific types of units.

The zoning analysis is a primary component of due diligence for all new construction projects. For rehabilitation projects, unless there will be significant changes to the building's footprint, height or visual appearance, a zoning analysis may not be necessary. However, some communities have regulations that create restrictions related to the siting of supportive housing projects, so it is always critical to understand any such regulations that may determine whether the planned project can be developed at the identified site.

4. Environmental Analyses and Other Inspections

For nearly every site, lenders will want to see a Phase One Environmental Assessment. This is an analysis of prior uses of the site, adjacent sites, information about proximate underground storage tanks, and the results of a site reconnaissance conducted by an environmental engineer. This, as well as other data, is gathered to determine if the site should be tested for the presence of hazardous materials in the soil or the groundwater. If it is determined that there is no need for any further investigation of the site, it is important that the Phase One Report Executive Summary state this clearly.

If the Phase One determines that there may be hazardous issues, the report will recommend a Phase Two Environmental Assessment be performed, involving the testing of soil and/or groundwater. A Phase Two assessment can be very costly, and often the costs cannot be reliably estimated upfront. Further, if significant environmental issues requiring remediation are identified, a plan to mitigate those concerns will be required, which can drive up the total development costs for a project substantially – and may even make the project financially infeasible.

For vacant land, the Phase One assessment is the primary type of site inspection required, unless there are other known hazardous materials or conditions in the area that will require a Phase Two assessment. When acquiring an existing building, the following inspections will also need to be conducted, both as a part of the due diligence needed to protect the purchasing organization's interests, and because most will also be required by lenders:

- Termite Inspection
- Asbestos Testing
- Lead-based Paint Testing (if building was constructed before 1978)
- Roof Inspection

For projects that will require rehabilitation of existing structures, the due diligence period should also include the performance of a site inspection or site observation report, evaluating the level of rehabilitation required and providing preliminary cost estimates for the performance of that work.

5. Relocation Study

If a potential site has current occupants, either residential or commercial, that will need to move as a result of the development project, relocation requirements must be very carefully considered. There is Federal law (the Uniform Relocation Act) and sometimes additional State law governing such relocation activities, and the requirements are very detailed and can be confusing. Relocation requirements can begin as early as when negotiations to purchase a site begin and/or when public funds are committed for the project. It may be that the ways in which relocation laws affect the planned project are not always entirely clear. As a result, it is imperative to engage the services of both a professional relocation consultant and an attorney with a background in relocation law to support the development team. If relocation laws are not closely followed, an organization runs the risk of legal action, a costly outcome for both agency resources and reputation.

The cost of relocation will include the services of these two professionals, as well as the payment of moving expenses and relocation benefits for the occupants who will be displaced. This can be a costly line item in a development budget. Whether incurring such costs, which can increase a project's total development costs and per unit costs substantially, is a financially sound decision should be discussed internally by the development team, and should also be discussed with potential sources of funding. If the relocation will involve the displacement of low-income and/or special needs households, including persons residing in rent-restricted units, the social and political impacts should also be carefully considered.

6. Financial Feasibility Analysis

Before acquiring site, it will be important to know in a general sense whether the project will be financially feasible if developed at that site. This involves preparing a preliminary financial analysis that consists of projecting the development expenses and evaluating the likelihood of assembling the funding needed to cover these expenses. This analysis should be a guide for decisions to sign a purchase contract for a site and to begin spending organizational resources on any deposits required to establish site control and on analyzing the site further. Therefore, the level of detail needed in this analysis will hinge on the organization's experience, expertise, appetite for risk, and many other factors that play into the site selection process.

Key elements of establishing financial feasibility include developing answers to the following questions:

- Will the rents support the operations of the property?
 - Need to know how many units will be developed
 - Need to know what the rent structure (how many units at what levels of rent) will be
 - Need to project the cost to operate the property on a per unit per month or per unit per year basis
- If rents will not support the operating costs fully, can rental/operating subsidies be obtained in time to support the project?

- How much will the project cost to develop? Need to know/estimate:
 - Cost of site
 - Construction cost (either per square foot or per unit, based on recently completed comparable projects)
 - Professional fees (architect, legal, consultants)
 - Environmental due diligence
 - Finance charges
 - Other soft costs
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- What sources are available to cover the development costs at the federal, state and local levels, including the approximate tax credit yield if applying for an award of housing tax credits? Is it possible to obtain enough from these sources to pay for the project?

Note: CSH's *Toolkit for Developing and Operating Supportive Housing* contains many other documents to help guide site analysis 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.