



# Site Analysis for Supportive Housing

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Once a potential site for the development of supportive housing has been identified, and site control has been achieved, a thorough analysis of the site must be performed. This stage in the development process is known as the “due diligence” period and consists of a variety of analyses, studies and investigations to ensure that purchasing the site is a sound decision. Certain criteria were used to evaluate potential sites during the site search process; analysis during the due diligence period will further evaluate the site for additional criteria unavailable during the site search. This deeper analysis also will 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*

Analysis of the potential support or opposition for a proposal to develop supportive housing should begin before or during the search for appropriate sites. It 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 useful technique in 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 a degree of control, input and ownership of the project. This formal, structured involvement can build support and convert potential opponents, since the Advisory Committee members will have helped to plan the project and will want to see it completed and operating successfully.
- *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 speaker’s bureau also have 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 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 that the project most directly affects can help mute the opposition from surrounding residents.

## 2. *Appraisal Report*

An appraisal is a professionally prepared report that establishes a market value for a property. It 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 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 requires an appraisal, it will be important to confirm when the appraisal must be provided (an appraisal can take between 30 to 45 days to complete), how recently the appraisal was performed, how much it will cost, whether the funder required it to be prepared by an “approved” appraiser and the type of appraisal 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 available real estate listing services.

## 3. *Zoning Analysis*

Every locality has laws and regulations regarding what can be built on each property within its boundaries. The goal of the zoning analysis will be to determine 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
- Setback 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) 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 when developing the project budget and timeline.

*What if the project can't be built “by right?”* The zoning regulations also will 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 two 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 be unnecessary. However, some communities have regulations that create restrictions related to the siting of supportive housing projects, so it is always critical to understand 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 that an environmental engineer conducts. This and other data is gathered to determine whether the site should be tested for the presence of hazardous materials in the soil or 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 states this clearly.

If the Phase One determines that there may be hazardous issues, the report will recommend a Phase Two Environmental Assessment, 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. That can drive up the project's total development costs 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 also will be needed, both as part of the due diligence to protect the purchasing organization's interests, and because most lenders will require it:

- 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 a site inspection or site observation report. Evaluating the level of rehabilitation required provides preliminary cost estimates for that work.

## *5. Relocation Study*

If a potential site has residential or commercial occupants who will move as a result of the development project, relocation requirements must be very carefully considered. Federal law (the Uniform Relocation Act) and sometimes state law governs such relocation activities, and the requirements can be very detailed and confusing. Relocation requirements can begin when negotiations to purchase a site begin and/or when public funds are committed for the project. The ways in which relocation laws affect the planned project may not always be 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 displaced occupants. This can be a costly line item in a development budget. The development team should discuss whether incurring such costs, which can increase a project's total development and per-unit costs substantially, is a financially sound decision. It also should 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 also should be carefully considered.

## *6. Financial Feasibility Analysis*

Before acquiring a site, it is important to know whether the project will be financially feasible if developed. This involves preparing a preliminary financial analysis, which consists of projecting the development expenses and evaluating the likelihood of assembling the funding needed to cover these expenses. This analysis should guide the decisions to sign a purchase contract for a site and to begin spending organizational resources on deposits required to establish site control and analyze 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

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

- Will rent support the operations of the property?
  - How many units will be developed?
  - What will the rent structure (how many units at what levels of rent) be?

- Can you project the cost to operate the property on a per-unit/per-month or per-unit/per-year basis?
- If rent 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

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?