



**Area Agencies on Aging  
Opportunities for Housing  
n4a Annual Conference**

**July 31, 2017**

**Area Agencies on Aging:  
helping people age in place**

# HOUSING: SUPPORTING THE MISSION OF AAA

# Area Agencies on Aging

Addressing social determinants and integrating health services for 40 years

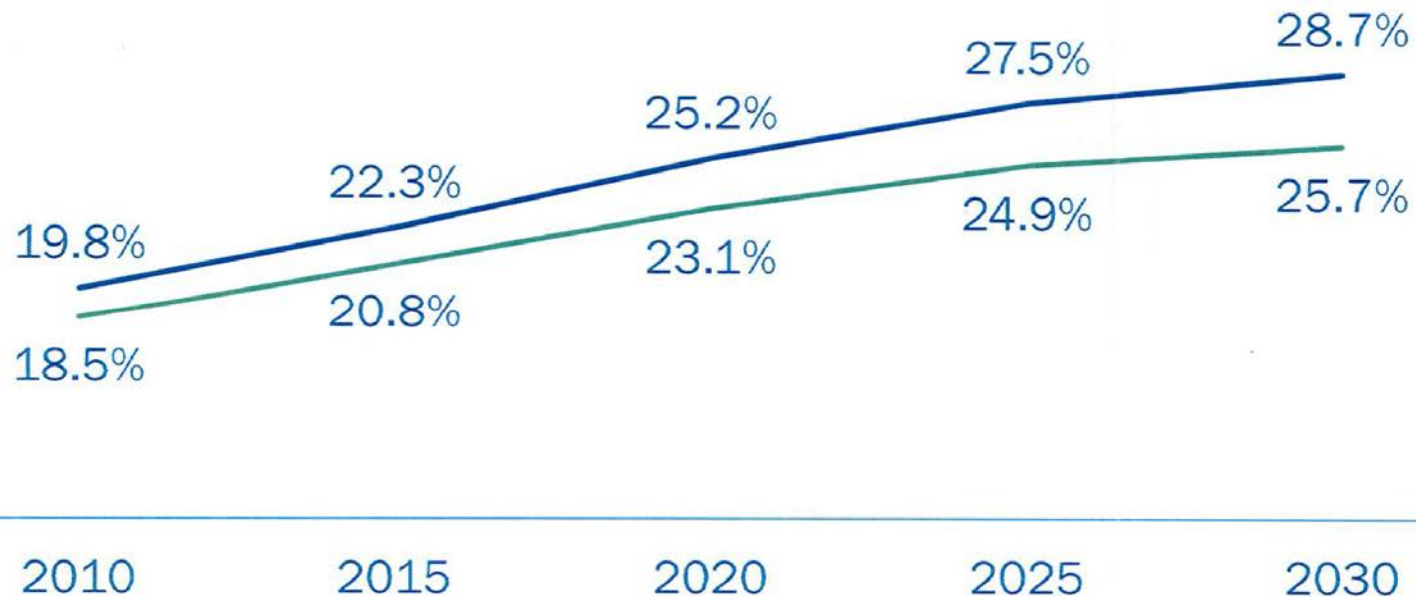


# Housing is Safe, Affordable, and Integrated with Health Services



# Housing Meets the Needs of a Changing Demographic

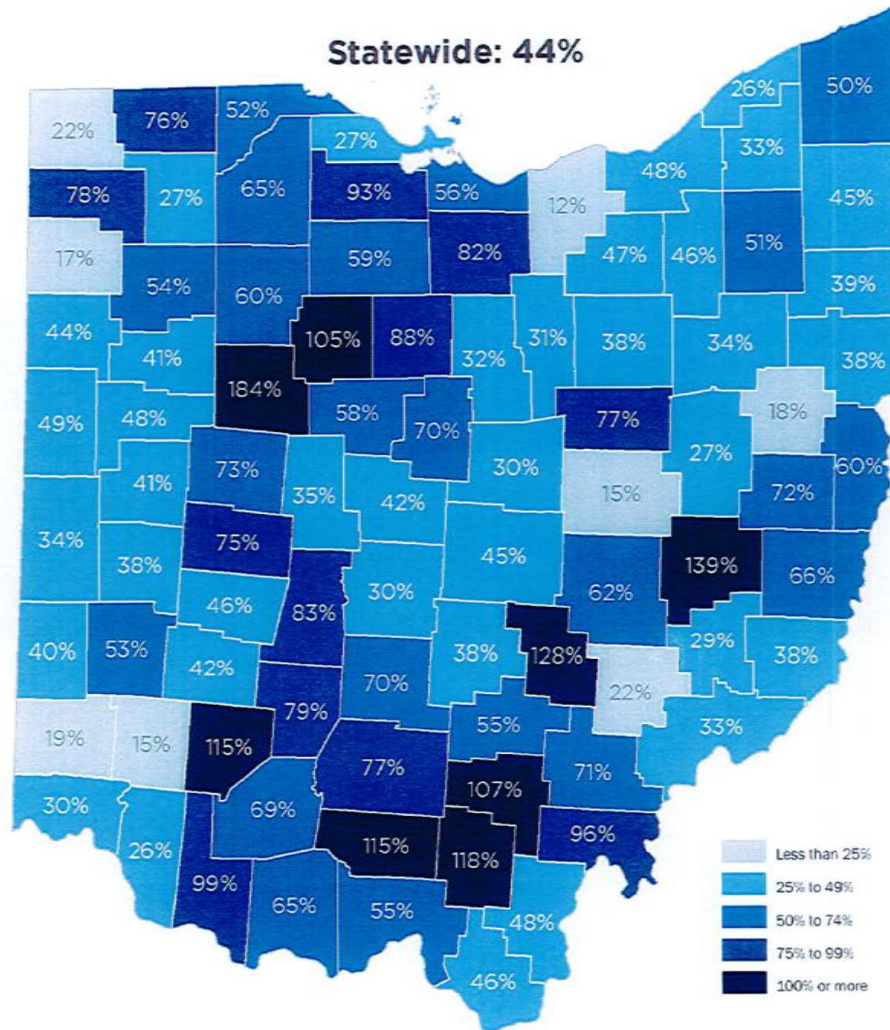
Projections of population aged 60 & older as a percentage of total population



Source: Miami University, Scripps Gerontology Center. Retrieved from: <http://www.ohio-population.org/wp-content/uploads/2015/07/Ohio-60-.pdf>

—US —Ohio

# Illustration of Unmet Senior Housing Need



HUD section 202, Ohio Housing Finance Agency senior units, and estimated share of public housing and rural development units as a percent of very low-income households with an individual aged 62 or older.

# What do AAAs Have to Offer?

## Community Connections

- 40 years of building goodwill in local communities
- Established boards with longstanding relationships within their communities

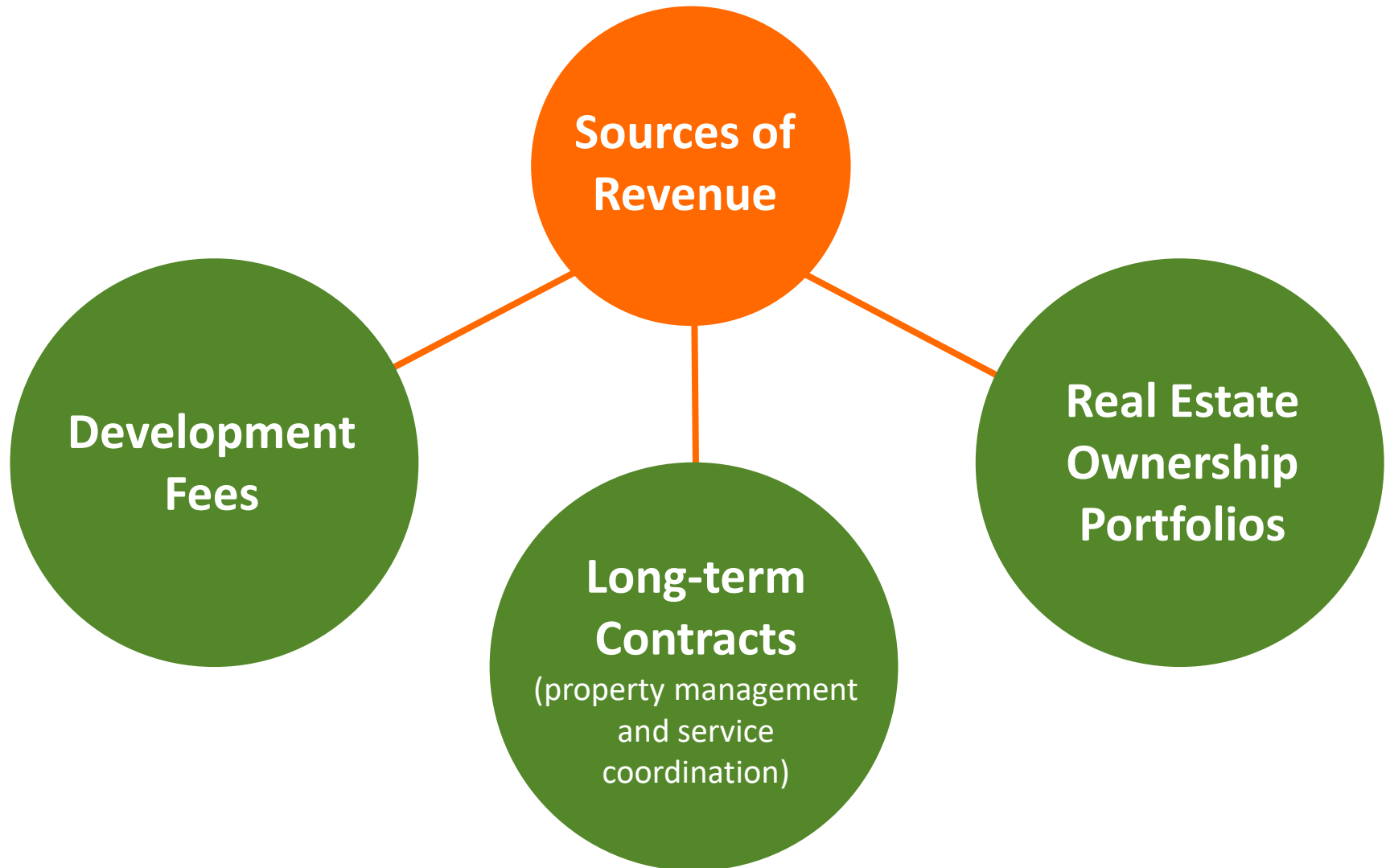
## Experience

- Savvy non-profits managing multi-million dollar budgets and 30-50+ contracts
- Proven experience working with federal, state, and county governments, along with private health plans and other payers

## Range of Services

- 25+ years of experience in case management—linking low-income seniors with long-term services and supports
- Comprehensive screening and assessment practices
- Ability to assess and coordinate in-home care while maximizing family support

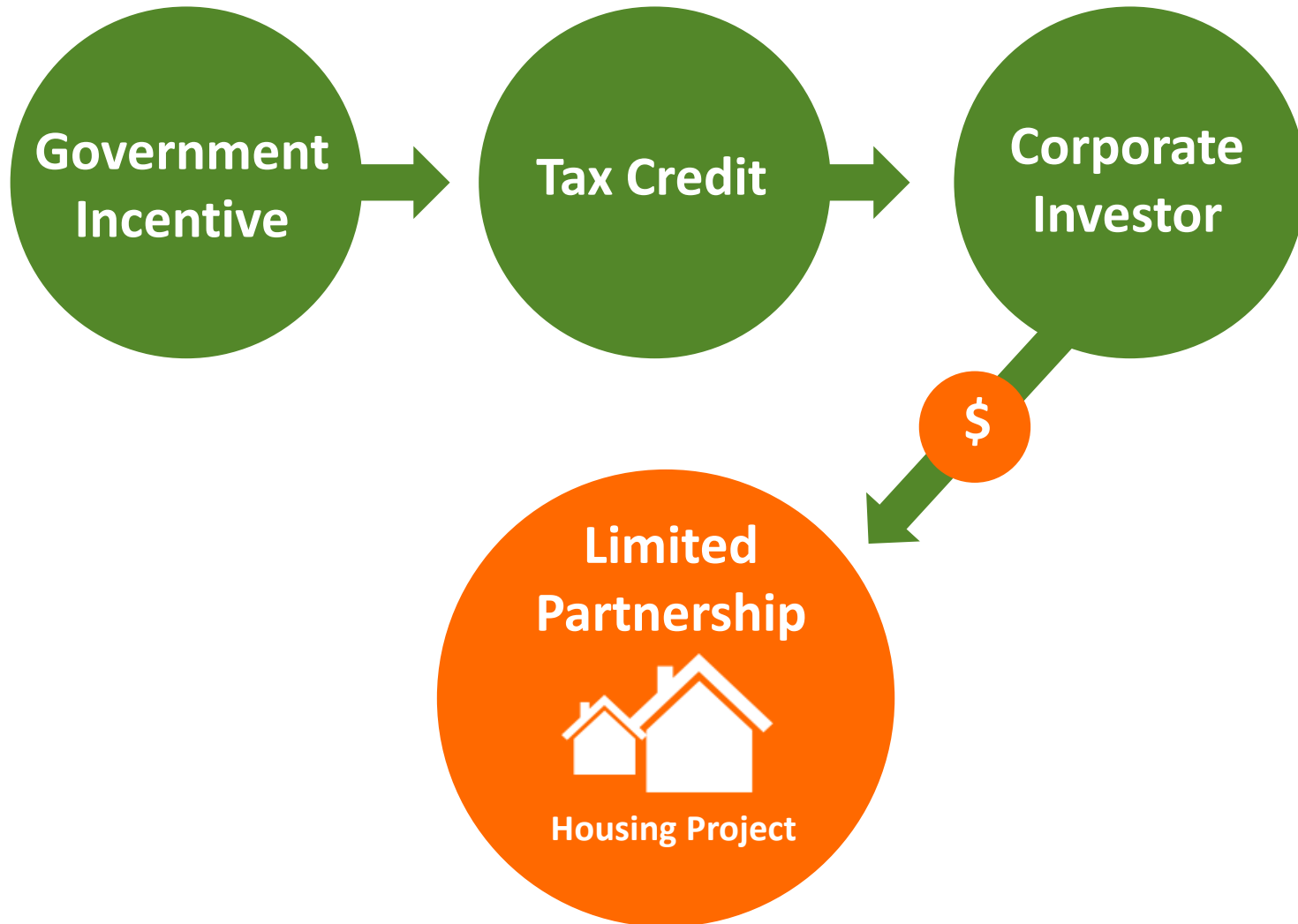
# Opportunities to Expand Your Mission





# HOW IT WORKS

# Tax Credit Investment Process



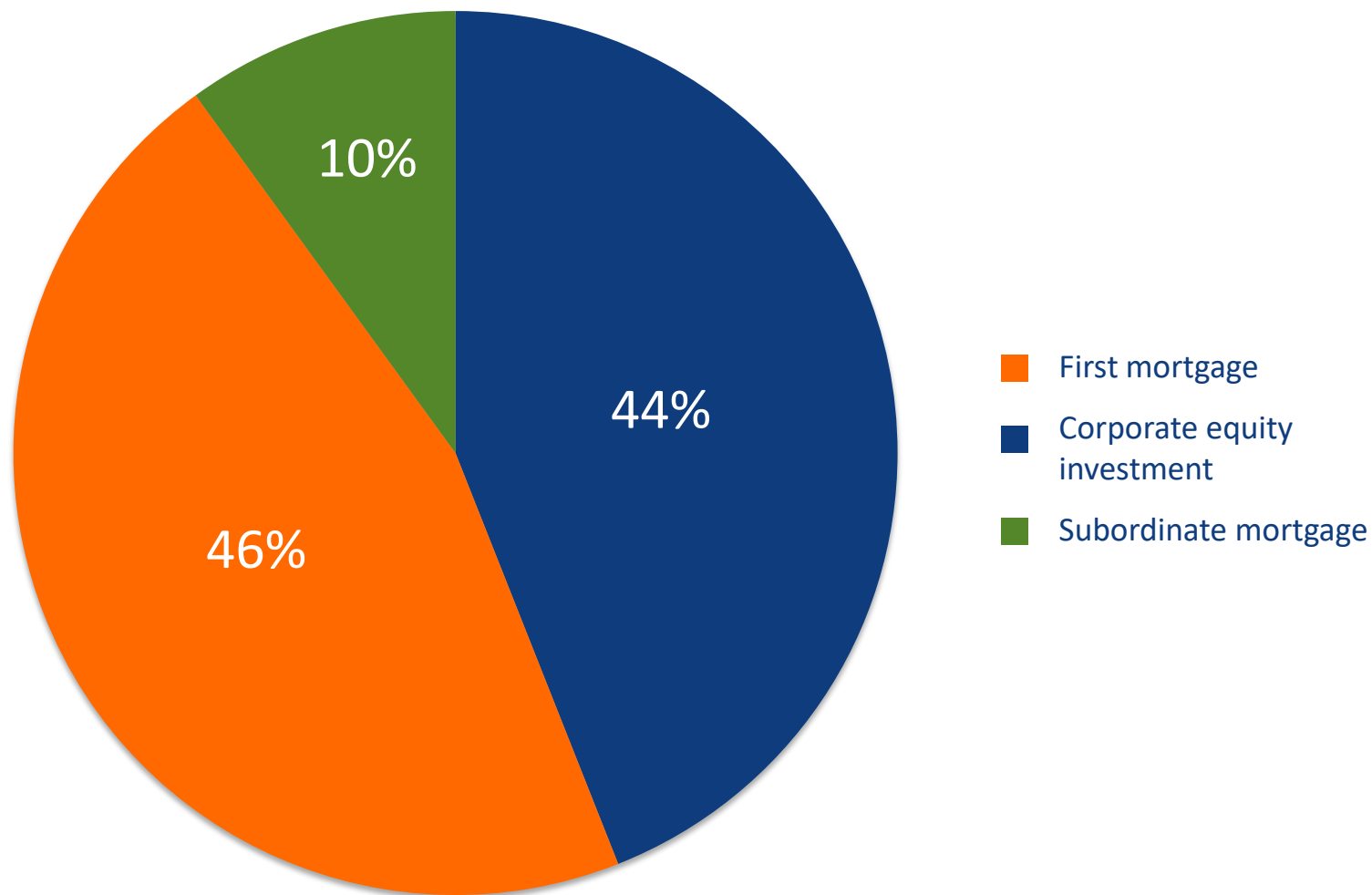
# 4% Tax Exempt Bond

**18 Month Process**

**No Competitive  
Application  
Required**

**Builds Capacity**

# Source of Funds 4% Tax Credit Transaction



# Development: Ownership Structure/Partners



# Development Strategy

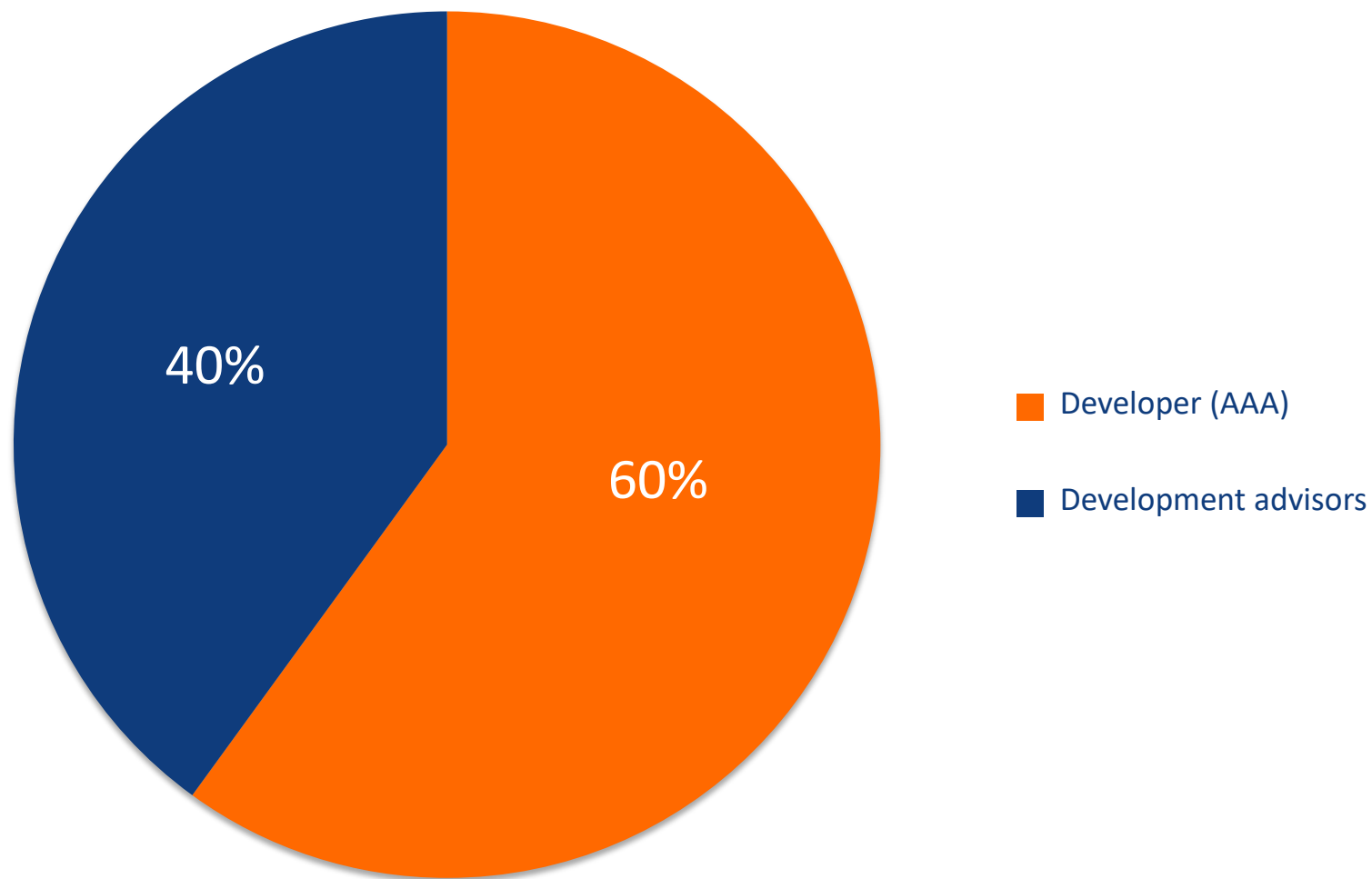
## Ownership Structure/Partners

- AAA is developer and becomes part of general partnership with limited partner(s)
- Direction Home is development advisor contracting with Community Building Partners

## Potential Sources of Development Revenue

- If AAA can get donated land, there is an immediate payoff at the first of two closings
- AAA earns development fee at project completion (up to 15%)
- AAA can take over ownership after 15-year compliance period

# Distribution of Development Fees and Overhead



# Potential Sources of Development Revenue for the AAA

1

- Acquisition/Construction Closing (first closing)
- Potential for \$6-8000/unit, if AAA receives donated land

2

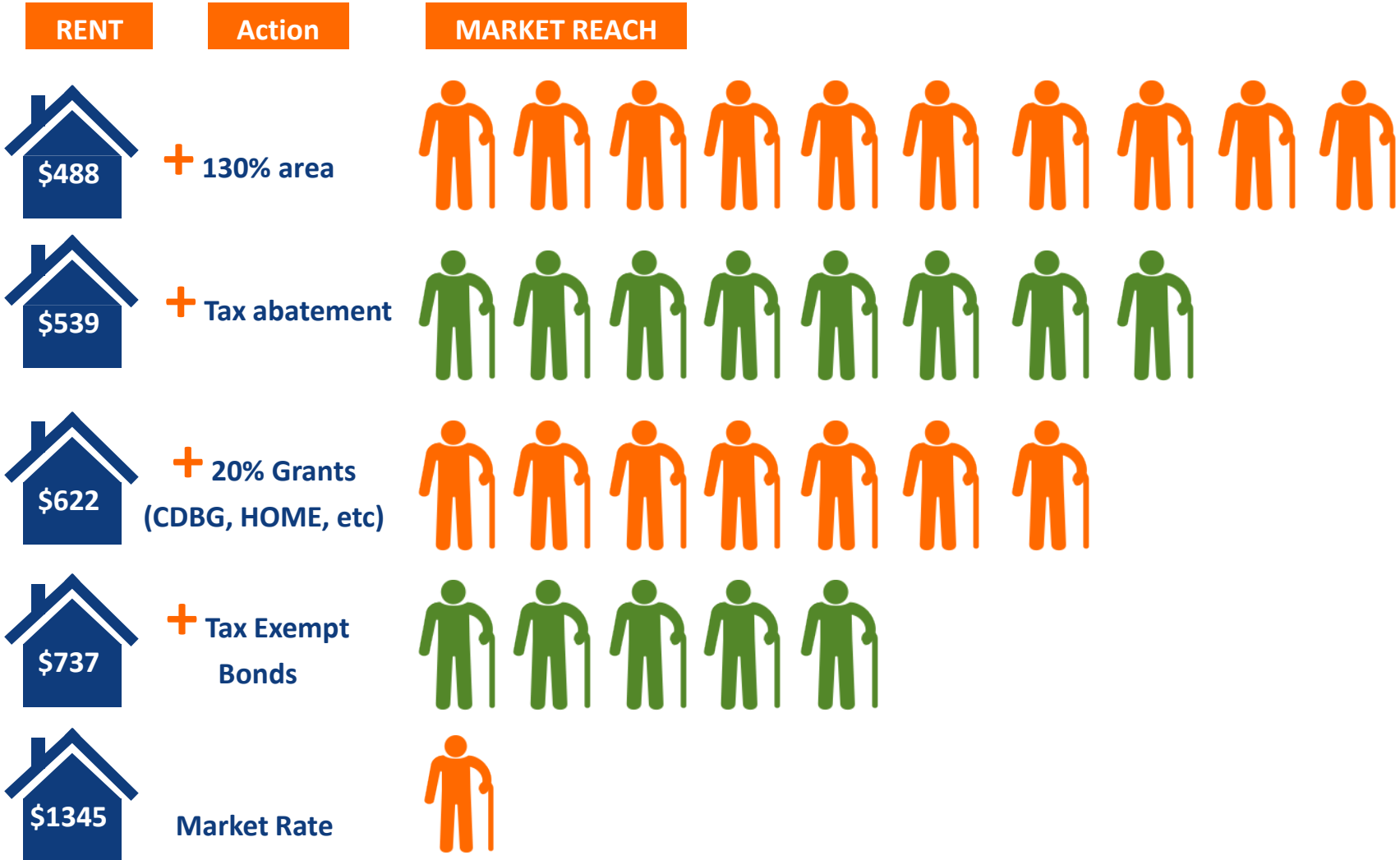
- Completion of Housing Project (permanent loan closing)
- Potential for up to 15% of total project for development fee (ex. \$1M)

3

- Year 16: Retirement of Limited Partner (AAA gets value of project)
- Potential of \$2-4 M, depending on size of project

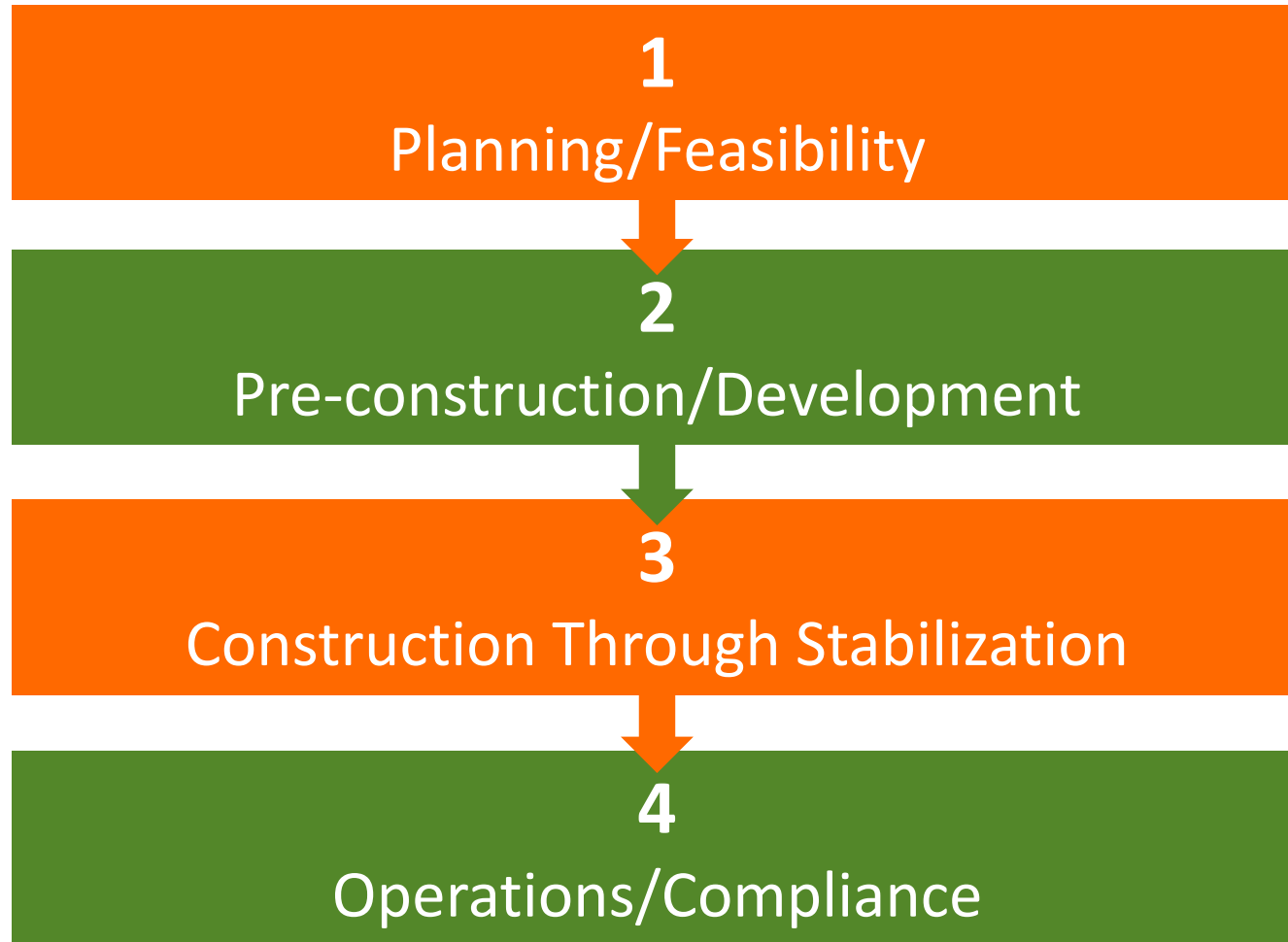


# Achieving Affordability



# PHASES OF DEVELOPMENT

# Four Stages of AAA Housing Initiative



# Phase 1: Planning/Feasibility 4-6 months

- **Concept and site development: Lock into an area with an eye toward geography, livability, market area, local support, possible gifts of property, and feasibility.**
- **More potential sources of funds will drive down the rents—expanding the market and the range of seniors that can be served**
  - Example of funds include: LIHTC, HOME funds, CDBG, tax abatement, historic tax credits, local funds, etc.

## Phase 2: Preconstruction Development 4-6 months

- Good design with a focus on people aging in place
- Appraisal underwriting, tax exempt process, zoning, building plan, construction costs
- Market study, construction drawings, AIA contractor
- Loan commitment and checklist (100 files)
- Marketing plan
- Acquisition and notice to proceed

# Phase 3: Construction through Stabilization

## 12-18 months

- Build the project
- Activate marketing and outreach
- Income certify potential residents
- Integrate property management/intake with service enrichment (resident orientation, service plan development)
- Quality assurance
- Take hand off of property with certificate of occupancy

## Phase 4: Operations/Compliance 15-30 years

- On-going property management
- Report to investors
- Meet compliance for grants and subsidies

# What AAA's can gain from Housing Development

**EARN** development fee for AAA

**EARN** annual management fees

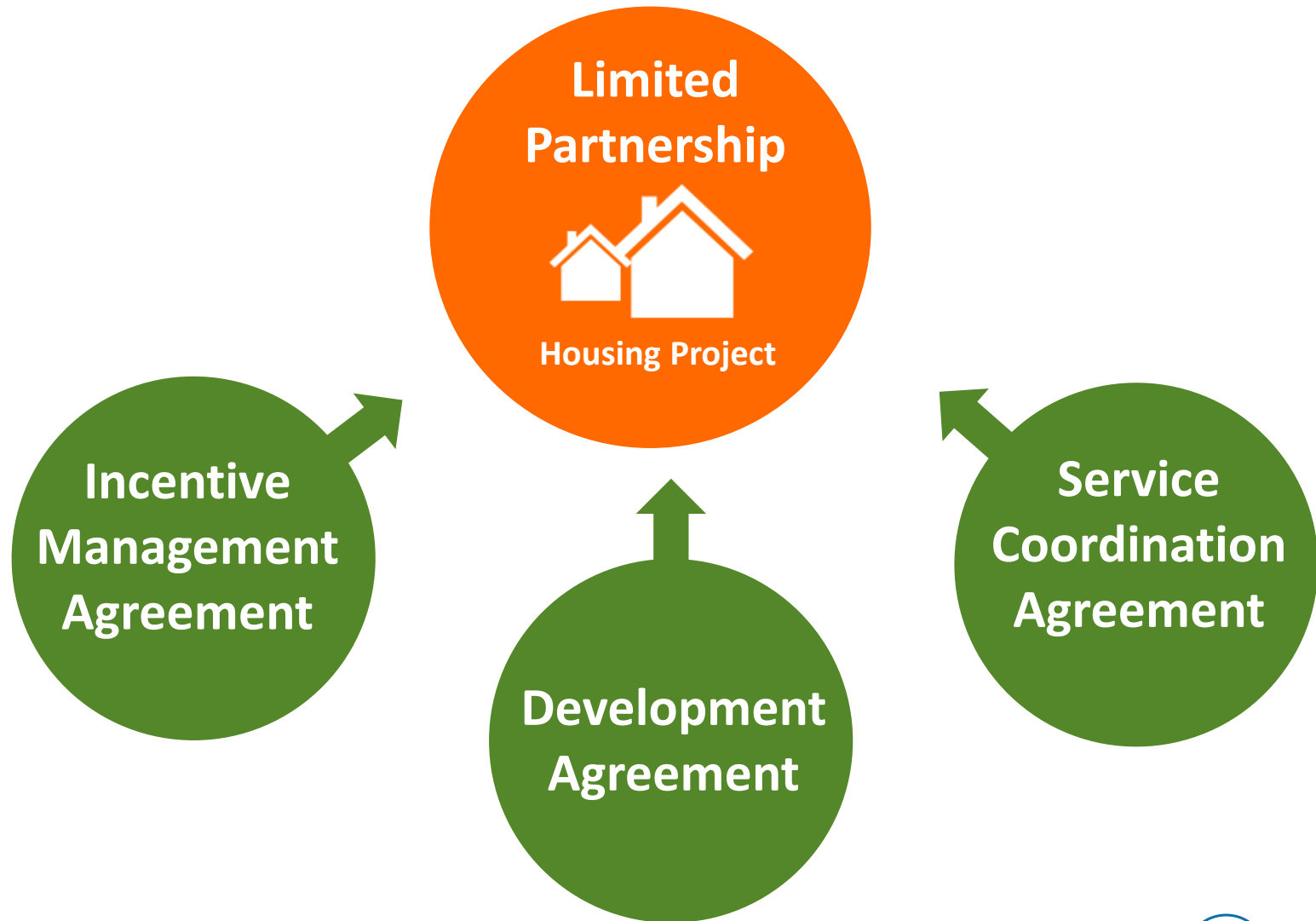
**OBTAIN** residual real estate equity in Year 15

**CONTRACT** to provide supportive services  
in congregate setting

**HIGHER** profile in communities



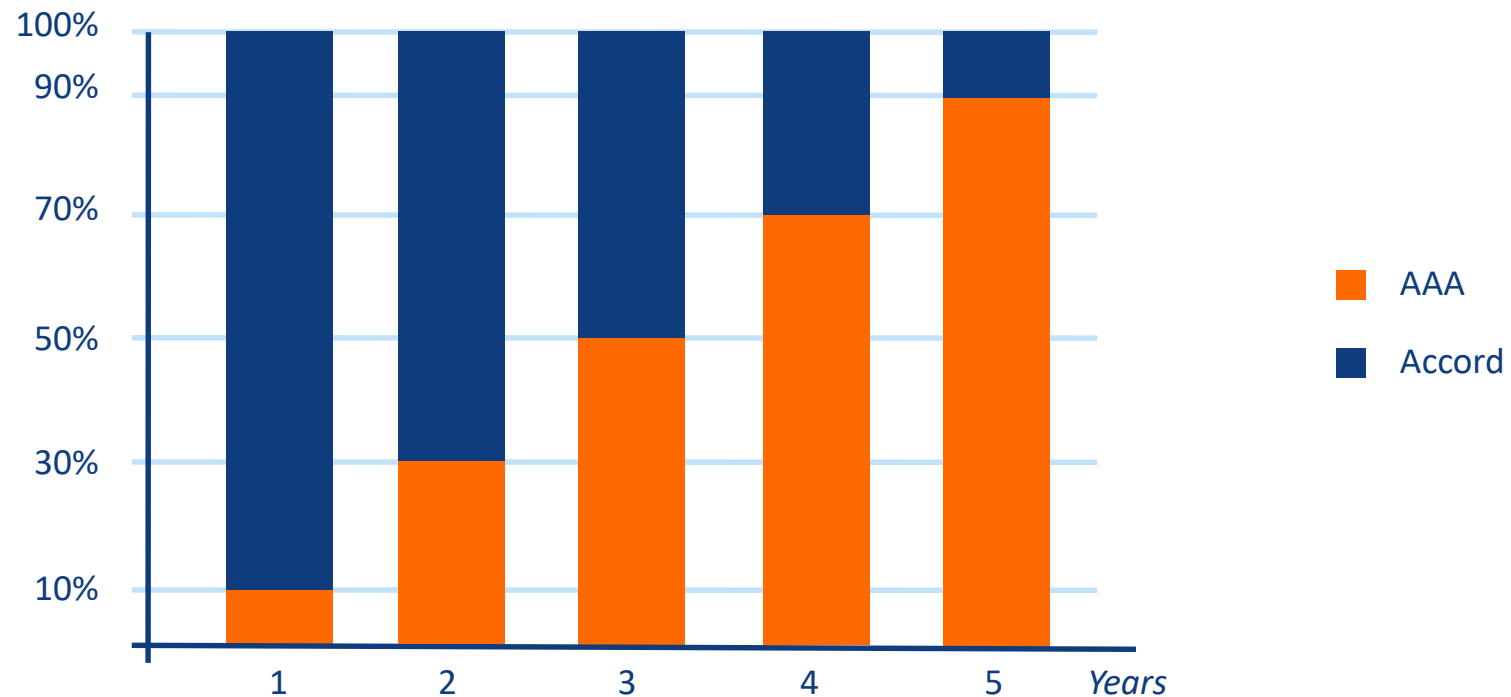
# Long Term Contracts between AAA and Housing Partnership



# Annual Revenue Sources in Housing Services

- **Property Management:**

Potential to move into role of property manager as skills are developed over five years, splitting fee with Accord Management.



# Annual Revenue Sources in Housing Services

- **Service Coordination:**

Example is \$60,000 per year

- **Incentive  
Management Fee:**

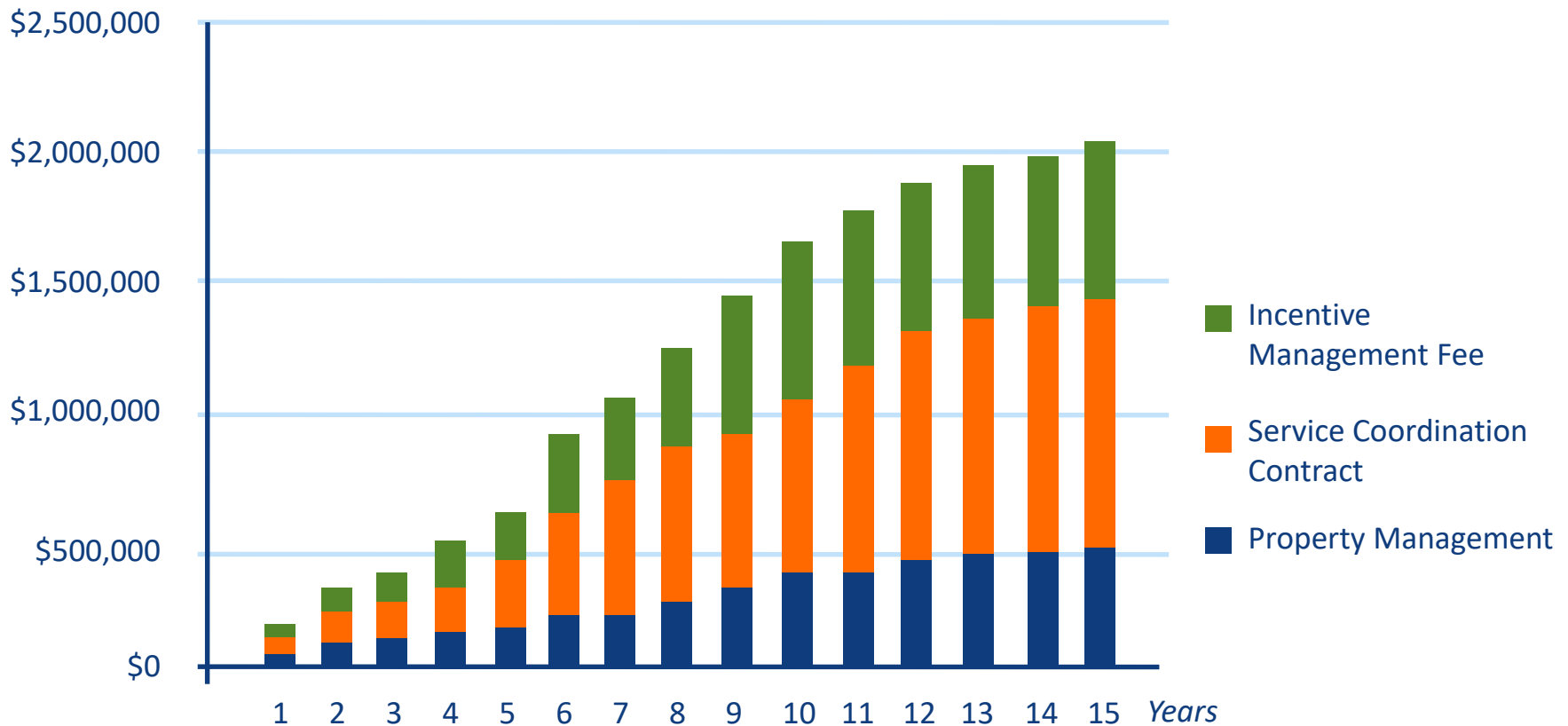
Fees for keeping occupancy up, keeping turnover low, and controlling costs

# Other Potential Business Lines

- Service coordination – for AAA related properties and other developer/owners
- Property management
- Housing based “Health centers”
- Co-venture with health plans or other payers in integrating health and LTSS

# Potential Services Revenue Stream by Adding One Project Every Years

AAA annual income growth (1 per yr)



# Risks and Mitigating Strategies

## Entitlement Risk (for building)

- Zoning and entitlements secured before purchase and before start of construction
- Zoning endorsement on title policy
- Building permits acquired at closing

## Construction Completion Risk

- Construction contract with completion guaranty
- Contractor provides payment and performance bond to support its guaranty

## Leasing Risk

- Lease-up reserve funded at the outset from partnership proceeds

# Risks and Mitigating Strategies continued

## Interest Rate Risk

- Construction and permanent loan rate set for 18 – 40 years

## Tax Credit Delivery Risk

- Property management company provides annual tax credit compliance guaranty

## Operating Risk

- Operating reserve funded at the outset from partnership
- Debt service reserve funded at the outset from the tax exempt bond

## Insurable Property Damage Risks (fire, liability, etc.)

- Insurance is an expense of property operating budget

# Housing Design and Structure

- Housing can be tailored to community need in terms of size, design, make up of 1 and 2 bedroom units, total number of units, and income mix.





# Housing Design and Structure

- Converting schools to senior housing often provides an opportunity for historic tax credits to be combined with low-income housing tax credits.



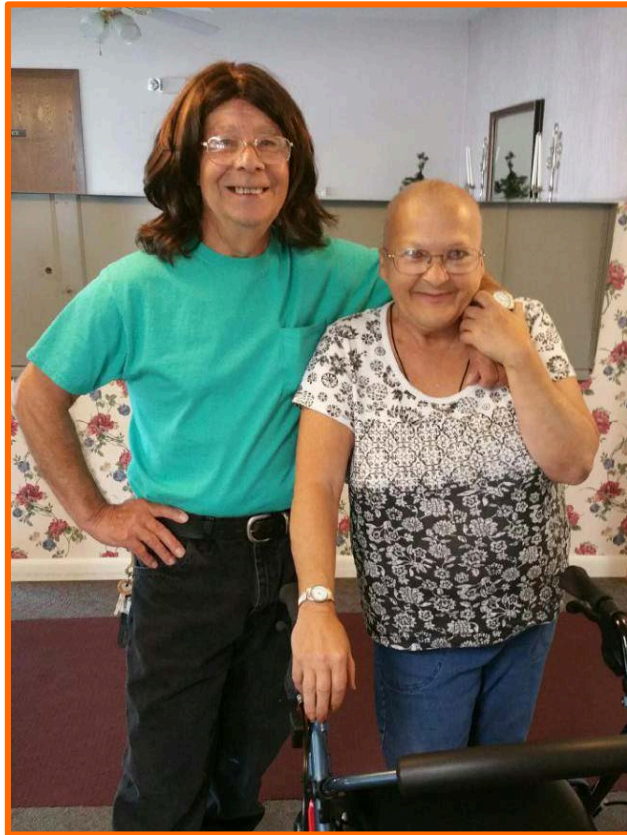
# Community Building Partners: Joe Recchie



- 35 years of development experience including senior housing, brownfield development, multifamily market rate and low income housing, mixed use, renewable energy development, property management
- Involved in the development of over \$1.5 billion in community development investment including over 160 projects, 9,000+ housing units, and 400 grants.
- <http://praxia-partners.com/results/our-family/community-building-partners/>



**ESTABLISHED AAA HOUSING:  
BILLIE JOHNSON, CEO, AREA OFFICE ON  
AGING OF NORTHWESTERN OHIO**

















**PREPARING TO LAUNCH HOUSING:  
DUANA PATTON, CEO, AREA AGENCY ON  
AGING OHIO DISTRICT 5**

# Having a House Vision

## Having Unified Commitment at All Levels

- Strategic Goal
- Board
- Leadership

## Intentional Relationship Building

- Local Officials
- Other CBOs
- Health Systems
- Chamber, Economic Development, etc.
- Other Boards

## Tell Your Story and Your Vision

- AAA Value Proposition
- Housing isn't just bricks and mortar
- Thinking outside the box

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Community Building Partners:  
<http://praxia-partners.com/results/our-family/community-building-partners/>