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Enterprise Live-Work Lofts
Moline, Illinois

Developer: Gorman & Company

Rendering by REDgrafx

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Villard Square, Milwaukee, Wisc.

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Off the Main Path

Developers Target Different Niches in Specialized Housing Projects

Rental cottages for seniors. Apartments above a public library. Permanent supportive housing units for persons with disabilities. Artists lofts.

These are but a few of the types of niche housing being produced today by developers throughout the U.S., in many cases utilizing low-income housing tax credits.

Gorman & Company, which is based outside Madison, Wisc. and focuses primarily on four states – Wisconsin, Illinois, Arizona, and Florida – is a prime example of a niche housing developer. The company, which has developed affordable housing for 27 years, wasn't always so. It was capitalized during its first decade or so by fees earned from developing traditional-looking affordable apartment projects for families and seniors, often in suburban locations. "We had an affordable housing approach that was very solid, but it was garden style," says COO Tom Capp. "We were a use in search of a site for the first decade-plus of the

LIHTC program."

The company switched its approach about 15 years ago. "More urban infill, more linking up with other community policies," says Capp. "We adopted a strategy of wanting to solve some other community problem while we built housing and while we built affordable housing."

As a result, each of the company's new projects today is anything but plain vanilla, targeting a variety of tenant populations and uses, often with architectural flair.

Essentially, Gorman & Company creates projects by providing customized solutions to problems and needs identified by local communities. "Rather than coming in, finding a piece of land, and saying, 'We've got a product that can fit on it,' and selling it to the community," Capp explains, "the vast majority of what we do now is a response to problems identified by the community.



Tom Capp

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And the housing is part of the solution and part of the leveraging of resources into the community. Say to save an historic building, position a work force, or redo an environmentally challenged site.”

Recent examples include:

- **Villard Square**, a new construction project being completed in Milwaukee, Wisc. with 47 LIHTC apartments on three floors above a brand new 20,000-square-foot public library. Built on a site acquired from the city, which had tried unsuccessfully for years to build a new library, the development consists of one condominium containing the library, which the city purchased at completion, and a second condominium containing the housing. The 47 apartments are designed as “grandfamily” or “skipped generation” housing, providing larger affordable apartments for grandparents raising their grandchildren – a growing demographic. Roseland Village Apartments in Chicago is another example (see *article on p. 2*).
- **Grand River Station**, a mixed-use, mixed-income development in La Crosse, Wisc. It addressed the city’s long but previously unmet desire to create a downtown public transit hub. The new construction project contains a ground-level transit center for buses, ground-level retail space, a mix of 72 affordable and market-rate apartments and 20 condos on the floors above, and numerous amenities. The LIHTC units are for residents earning up to 30, 50, and 60 percent of the area median income. In addition, the development in part targets artists, with some apartments reflecting a live-work theme and project amenities that include work spaces for artists and an art gallery.

Gorman & Company has developed a number of affordable housing projects targeting artists and entrepreneurs, as well as housing built for persons with disabilities or targeting employees of nearby institutions (e.g., a local hospital). Many of its projects have involved

the renovation of historic buildings, including adaptive re-use of commercial structures, using federal and state historic tax credits.

According to Capp, the company tries to take what it learns from its initial experience with each new niche type of development and replicate the “theme” at least in part in future projects. For instance, the firm years ago developed a LIHTC property in which all of the apartments were specially designed to accommodate persons with physical disabilities. “After that experience,” Capp says, “we encouraged our other develop-

ments, no matter what they were, to dedicate a higher percentage of units to be truly universally designed – full accessible.”

The company’s niche projects have utilized multiple, diverse funding sources, including low-income housing and historic rehabilitation tax credits, federal HOME dollars, local impact funds, various state and local monies, and even – for urban projects especially – federal Community Development Block Grant (CDBG) funds. In fact, at Villard Square, the city provided CDBG funds to help cover hard construc-

tion costs.

Besides development fees, Gorman & Company’s niche development projects burnish its reputation as well as foster word-of-mouth referrals and inquiries from municipal officials and community groups – fueling new deals.

Supportive Housing Developments

Developments providing permanent rental housing and services/programs that serve residents with special needs are a large niche opportunity. These projects commonly serve persons with physical or mental disabilities, individuals or families that are homeless or at-risk of becoming homeless, veterans, the frail elderly, etc.

Many states’ LIHTC programs encourage supportive housing projects, by set-asides, extra points, or other preferences. “Those are opportunities for developers to identify or capture a portion of the allocation process that would normally just go to a family or senior type development,” says market analyst Rob Vogt, a partner at Vogt Santer Insights, Columbus, Ohio. The Corporation for Supportive Housing (CSH) has pub-

The company tries to take what it learns from its initial experience with each new niche type of development and replicate the ‘theme’ at least in part in future projects.

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lished a report detailing state-by-state 2011 QAP preferences for supportive housing projects (<http://tinyurl.com/3t6njbk>).

CSH, a national intermediary, provides funding, technical assistance, and training to support the development and operation of permanent supportive housing for formerly homeless populations with special needs, particularly persons with mental health or substance abuse issues, individuals coming out of systems (e.g., prisons), the frail elderly, and kids aging out of foster care.



Brigitt
Jandreau-Smith

The field of permanent supportive housing development has changed and is still evolving, notes CSH Chief Lending Officer Brigitt Jandreau-Smith. When CSH started in the early 1990s, most of the projects it supported involved nonprofits, with one nonprofit developing the housing and a second

providing the resident services, or one nonprofit performing both functions.

Today, the picture is different. "We're seeing a lot more for-profits enter the field," says Jandreau-Smith, as the model of the permanent supportive housing that CSH supports moves more towards the integrated model, where supportive housing is included in larger affordable housing developments. A common mix is a project in which 25% of the apartments are supportive housing units and 75% are regular affordable apartments. Often both the supportive and regular apartments are LIHTC units. "The ownership will often be a nonprofit or a for-profit developer partnered with a nonprofit service provider," says Jandreau-Smith.

One reason for integrated model projects is that their scale works better and is economically viable in smaller communities, which might not be able to support a 20-unit purely supportive housing development.

CSH is currently pioneering the use of federal new markets tax credits to help finance permanent supportive housing. CSH plans to use parts of its first NMTC allocation to support three different models of projects: one with a traditional commercial component plus permanent supportive housing units; a second containing a federal qualified health center and permanent supportive housing; and a third containing permanent supportive housing plus commercial space integrated within the housing that

is used for the support services program. CSH is now underwriting three projects: Sugar Hill, in New York City; The Bell Building, in Detroit (see *Tax Credit Advisor*, June 2011, p. 35); and Paseo Verde, in Philadelphia.

Other Niche Areas

Vogt noted that the common types of proposed permanent supportive housing projects that his firm is working on or seeing are those that will serve the homeless or near homeless, single females with children, persons with mental disabilities, and veterans. Projects targeting veterans, such as homeless veterans, can benefit from the project-basing of so-called "VASH" housing vouchers from the U.S. Department of Housing and Urban Development.



Rob Vogt

Vogt is also seeing niche products in senior LIHTC housing. For instance, some LIHTC developers are constructing "cottage-style" rental housing, essentially one-story units with outside entry, often with two bedrooms and one to one-and-a-half baths, and sometimes a one-car garage and small rear patio. "They replicate the single-family environment that many of these younger, older adults are coming from," says Vogt. "The fact that these units are similar to [the single-family homes] they're coming from, except a lot smaller and newer and more efficient, holds a lot of attraction."

Affordable assisted living facilities, often developed with housing tax credits, are another niche area. Vogt noted that Iowa operates a very successful program in which housing credits help finance the building and other dollars are used to help fund the services for residents.

Enhanced Use Lease Deals

Another niche opportunity involves leasing unused or underutilized existing buildings from the federal Department of Veterans Affairs and redeveloping them for new uses, which often target or relate to veterans though this isn't required. These "enhanced use" leases are of the building and land and can have long terms.

The VA frequently issues competitive RFPs listing particular VA properties around the nation available for enhanced use lease transactions. They are posted on the VA Web site (<http://www.va.gov/assetmanagement>).

Pioneer Housing Group, Inc., a Topeka, Kansas

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