



Joint Ventures and Partnerships

**Workshop Presentation for the HPD M/WBE and Nonprofit Capacity Building Course
December 7, 2020**

**Rebecca Sauer, Supportive Housing Network of NY
Daniel Magidson, Enterprise Community Partners
Erika Keller, Brisa Builders
Kirk Goodrich, Monadnock Construction**

Agenda

- Definitions
- Fundamental Principles
- Key Considerations
- Risk, Value, and Reward
- Communication and Relationships
- Guarantees and Control
- Decision-Making

What is a Joint Venture?

Undertaking with two or more (unrelated) parties to pool, exchange or integrate their resources with a view toward mutual gain

JV parties work together to achieve a mutual objective

Turn-Key

- Primary development partners not part of long-term ownership
- Provides guarantees, perhaps pre-development funding
- May have affiliated GC
- Usually exits deal at permanent loan conversion

Long Term

- Both partners share in ownership
- End of compliance period, may have Right of First Refusal
- Both parties may share in deferred developer fee and cash flow

Why Joint Venture?

- Access to development sites
- Access to financing sources
- Development expertise
- Increased staff capacity
- Community and political relationships

Key Considerations

- Selecting a Partner
- Risk, Value and Reward
- Communication and Relationships
- Guarantees and Control
- Decision-Making

Selecting a JV Partner

- Due diligence! Check all references:
 - Financial institutions
 - Former partners
 - Government agencies (HCR)
- Financial background
 - IRS 990
 - Organizational Audits
- Consider other non-profit organizations as JV partners

Risk, Value and Reward


Financial reward correlates to how much risk a partner takes on and how much value they contribute

- Reward: providing new homes, ownership interest, developer fee (cash and deferred), unrestricted funds
- Risk: cost over-runs, timing delays, guarantees, reputation
- Value: equity, access to land and financing, development expertise, political and community relationships, staff time

Communication and Relationships

- Trust and respect
- Collaboration and process for reaching consensus
- Clearly delineate roles and responsibilities upfront
- Clarify programmatic aspects

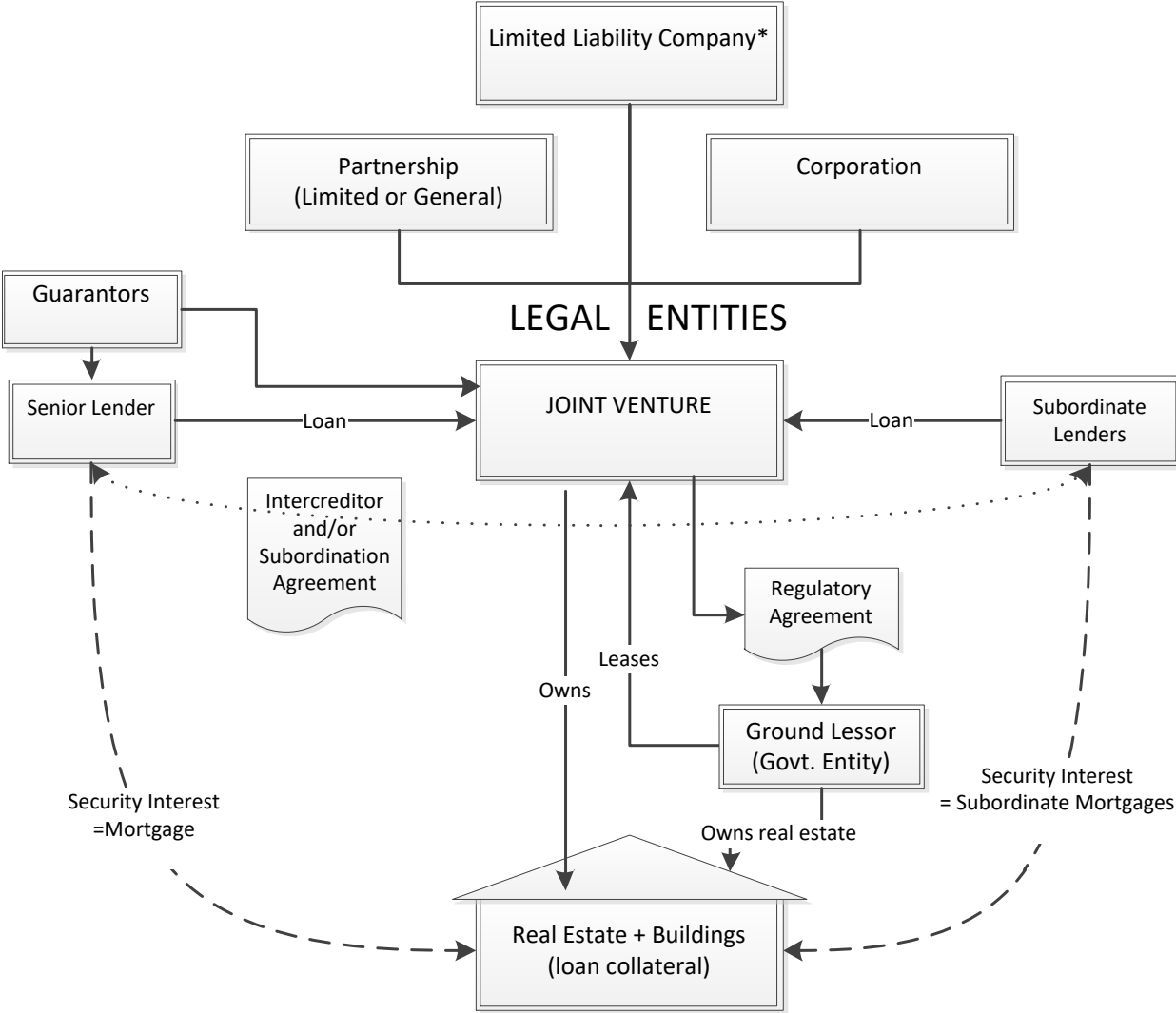
Guarantees and Control

- Ownership  split decision-making power
- Partner providing guarantees often controls financial decisions
- Non-profits can use RFP process to find a JV partner (and control process)

Decision-Making

- Be aware of internal decision-making processes
- When does the board need to be involved?
- Consider how to operationalize decision-making

Loan Structure



* Currently most popular legal entity type



Brisa Builders Joint Ventures

- **Brisa Builders, originally a HUD 202 General Contractor** began its first Development Project in 2012.
- **Currently has \$958 million dollars of development projects in its portfolio** either in predevelopment, under construction or completed projects.
- **All joint ventures, all affordable housing with deep affordability.**
- **Many faith-based developments**

Successful Hints

- ✓ ***Joint Ventures with the Original Landowners***
- ✓ ***Joint Ventures with Colleagues that bring different aspects of expertise***
- ✓ ***Joint Ventures with Community Based Organizations/ Neighborhood Organizations***
- ✓ ***Relationship Building***



(BPHN)

Bishop Philius and Helene
Nicolas Senior Residences

- A joint venture with Evangelical Christian Crusade to develop 89 units of senior housing.
- HPD SARA term sheet and 10,575 square feet of Community Facility Space to be used as a senior center with the NYC Department of Aging.



1919 Cornaga

- Supportive Housing project partnership with not-for-profit partners. 92 Units, 60 of which will be supportive housing units and 32 MIH units.
- The compact building mass will make use of Passive Housing Design strategies for energy efficiency.

Monadnock Development History of JVs



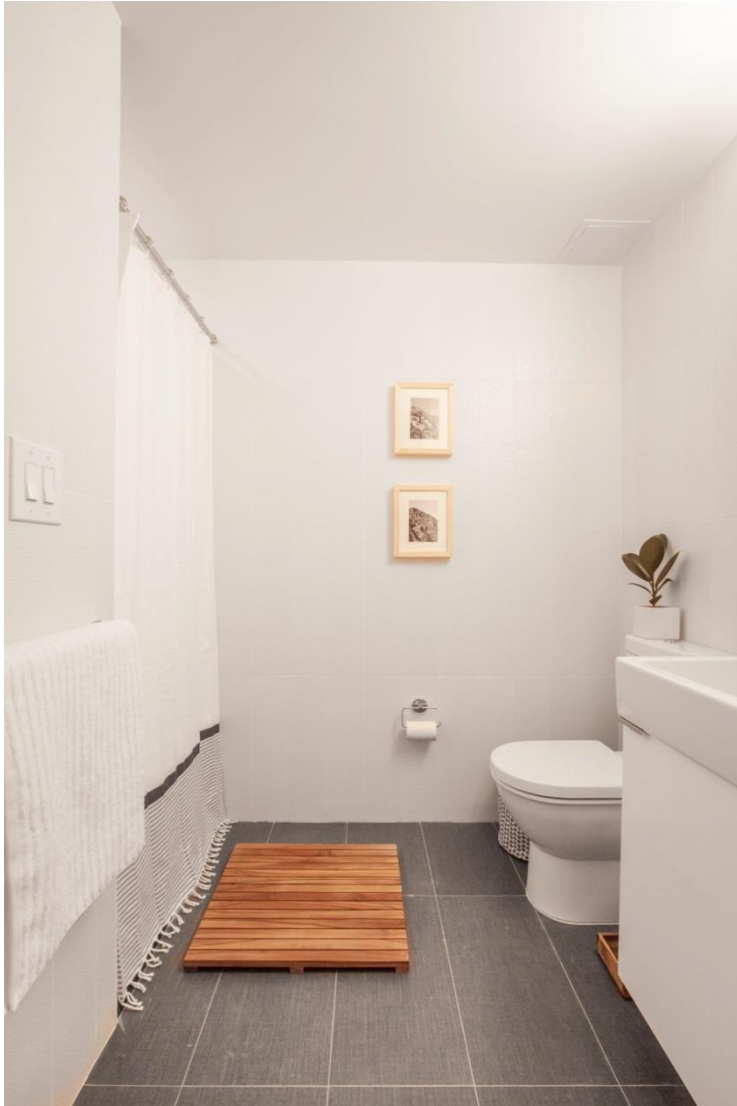
History

- 23 transactions since 2009, all JVs.
 - 12 with non-profit or both for-profit & non-profit (i.e. tri-venture)
 - 11 with a for-profit
- 3,100 units. 1.1 Billion TDC
- Managing member or co-managing member
- Annual Goal= 3 to 5 deals

Tips

- Negotiate deal **upfront**
- Be choosy, and very mindful of capacity
- Relationships are more important than the specific deal
- **Take the lead** on negotiating business deal with financial partners

Real Estate Development Consists of at least 5 elements



1. Property
2. Experience
3. Financial Strength
4. Political Contacts
5. Established Network (Do lenders, investors housing agencies, know who you are?)

+ 2 Big Challenges

- A for-profit developer who places little value on the contributions of the potential partner and offers little control and/or subpar compensation; and
- A nonprofit organization that has an inflated sense of the value they bring and, as a consequence, makes unreasonable demands for control and compensation.


7 Points to Consider When Drafting a JV Agreement



1. Define each party's share of working capital and equity.
2. List the various loan and equity guarantees and determine who will be on the hook for each.
3. Who will be running the day to day operations?
4. Decide specific roles & responsibilities.
5. Are any partners bringing unique tangible benefits that must be accounted for?
6. Which party found the deal?
7. Who is handling the politics?

Things to Keep in Mind

- Start with an even split of compensation
- Move up and down based on the answers to the points just raised
- The relationship is more important than the deal

- 
- We don't need every last cent to be happy
 - Positive word of mouth is priceless
 - Be willing to walk away if it doesn't feel right
 - Be realistic about your capacity and experience

Thank You!



Kirk Goodrich
Director of Development
Monadnock Development
kgoodrich@monadnockdevelopment.com



Rebecca Sauer
Director of Policy and Planning
Supportive Housing Network of NY
rsauer@shnny.org



Erika Keller
Chairperson/CEO
Brisa Builders
erickakeller@brisabuilders.com



Daniel Magidson
Vice President, Acquisitions
Enterprise Community Partners
DMagidson@enterprisecommunity.com