# Innovative Permanent Supportive Housing Approaches

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TAC
TECHNICAL ASSISTANCE COLLABORATIVE

# Learning Objectives

- Integrated Permanent Supportive Housing Approaches
- Overview of Section 811 PRA
- Update on FY 12 Section 811 PRA implementation and FY 13 NOFA

# TAC Project Goal

- What can be learned from innovative Permanent Supportive Housing (PSH) initiatives to inform future State ELI financing policy?
- Assess cost-effective ELI approaches:
  - Improve understanding of recent innovations in capital and unit subsidy financing
  - Advocate for broad spectrum of ELI need (e.g. 20% of AMI and below)
  - Promote effective mixed income ELI-PSH models
  - Inform future state National Housing Trust Fund (NHTF) strategies.
- Section 811 Project-Based Rental Assistance Resource Overview

# ELI Innovation: Integrated Permanent Supportive Housing

- PSH:  Evidence-based housing approach for people with most significant and long term disabilities
  - Deep subsidies
  - Voluntary long-term services
- <u>PSH is ELI</u>:  Most PSH tenants have SSI = 19% AMI (national average)
- State Housing Agency innovation/partnerships create <u>integrated</u> PSH units through LIHTC platform
- TAC “testing” 3-4 State PSH financing models
  - Illustrate potential for replication with NHTF
  - Increase ELI-PSH “buy in” from states
- Draft -- State Housing Agencies now reviewing TAC case studies

# Environmental Factors/State Goals

- Barrier:  Steep cuts in HUD capital and subsidy resources
- Imperative:  Increasing state demand for integrated PSH units (e.g. Olmstead)
- A few pioneering states “pushing the ELI envelop” below 30% of AMI using innovative capital/subsidy approaches
- Strong partnerships with State HHS/Medicaid agencies to build PSH outreach and referral “infrastructure” (now required for Section 811 PRA program)
- Result:  Shift from high debt/high subsidy to more capital intensive model with lower cost subsidy
- Potential compatibility with National Housing Trust Fund program

# Evolution of ELI-PSH

- State Housing Finance Agencies (HFAs)
- Systems approach with LIHTC program as platform
- Variety of QAP policies
- Traditional HFA PSH model
  - Relatively high debt/high subsidy cost
  - Project-based subsidies (S+C, VASH, PBV)
  - Tenant-based subsidies (marketing requirements)
  - Both single site PSH and scattered-site
  - High rent subsidy cost (e.g. 110 percent rents) to cover debt service
- No “net” increase in ELI supply

# ELI-PSH Phase I

- HFA ELI innovation:
  - Goal: Achieve deeper targeting in LIHTC properties (ELI w/o PBV)
  - Strategy: Mixed income integrated model with lower-debt/cross-subsidy approach
  - QAP policies benefitting special needs groups, including increasing supply of integrated accessible units and PSH units
  - LIHTC equity/gap financing to achieve 30% AMI rents
- Outcomes:
  - Strong developer participation
  - Difficulty reaching ELI populations below 30% of AMI
  - Higher vacancy rates
- Stimulated effort to “get below 30% AMI” through non-traditional financing

# State ELI-PSH Phase II

- ELI-PSH Housing Finance Innovations
  - North Carolina:  Shallow state subsidy
  - Pennsylvania:  Enhanced LIHTC developer fee capitalizes rent reserve
  - Maryland and Illinois: “Post-underwriting” capital grant
- Potential replication using NHTF
  - Final NHTF rules?
  - Potential waiver strategies?

# North Carolina
# Housing Finance Agency

- Integrated PSH program using LIHTC portfolio since 2002
- State appropriated Key Program (project-based) finances up to 10 year subsidy commitment (2,200+ PSH units)
  - QAP mandatory 10% LIHTC set-aside for PSH units
  - Tenant rent in PSH unit = 30% of tenant income
  - Voluntary owner participation in Key Program
  - State-wide payment standard approach (1 BR = $490)
  - Historical average subsidy payment of $205 monthly (2006-2013). Recently raised to average of $270 for 1 BR
- Outcomes:
  - Highly successful "shallow subsidy stream" for ELI units
  - Added approximately 200 PSH units to state supply per year

# Pennsylvania Housing Finance Agency

- Ten year initiative targeted primarily to people with disabilities
- Uses capitalized development funding from increased developers fee (generally from 15% to 20%) through QAP
- Utilizes 30% basis boost in Qualified Census Tracts
- Fills gap between 50% of AMI unit and 20% of AMI through a 15 year internal rent subsidy reserve
- Tenants pay the 20% AMI rent
- PHFA approves escrow agreement (including disbursement schedule) between developer and third party (typically a bank)
- Examples: 1 BR rent is $297 in Philadelphia and $244 in Pittsburgh

# Weinberg Foundation

- Long history of support for housing for people with disabilities
- Pioneering shift to integrated ELI-PSH model
- Evolving approach (small scale): Maryland, Illinois and possibly Pennsylvania
- Utilizes capital grant to lower debt on first mortgage (post-underwriting)
- Capital Cost for 50% AMI unit = $180K-$190K
- Produces 15% of AMI rents for 30 years
- Potential to replicate with other private funding sources
- Efficient in terms of no ongoing admin. support required

# Brief Section 811 History

- HUD's first supportive housing program – provided capital grants and operating subsidy to non-profit housing/services groups
- In mid-1990s, Section 811 produced 3,000+ units per year
- Problems:
  - Inefficient "boutique" program
  - Extremely high per-unit cost
  - Rigid model created "disability only" housing
  - No linkages to state affordable housing/disability policy
  - Demand and appropriations declined
  - Only 600-800 units created annually between 2007-2010
- Section 811 needed to be reformed

# Frank Melville Supportive Housing Investment Act of 2010

- Authorized major reforms to Section 811
- Project Rental Assistance (PRA) option:
  - A long-term supply of project-based permanent supportive housing (30 year use restriction)
  - Integrated housing:  No more than 25% of units in a property with Section 811 PRA funds can have occupancy preferences for people with disabilities/supportive housing
  - State-driven supportive housing policies and partnerships through PRA Agreement between State Housing Agency, State HHS, and State Medicaid Agency
  - More cost effective and efficient model

# Supportive Housing Partnership

| Critical Element | Source | Examples |
|---|---|---|
| Capital | • HFA<br>• State or local govt.<br>• Private foundation | • Low Income Housing Tax Credits<br>• Bonds/Trust Funds<br>• HOME<br>• Foundation Funds |
| Operating Subsidy | • HUD | • Section 811 PRA Demo |
| Support Services | • State Medicaid Agency<br>• State HHS Agency | • Money Follows Person<br>• Medicaid Home and Community-Based Service(HCBS) waivers<br>• Medicaid Rehab option services<br>• State-funded services |

# Section 811 PRA: How Does It Work?

- Section 811 PRA provides competitive long-term project rental assistance funding – 30 year use restriction.
- State Housing Agencies are the primary applicant
- Required:  Formal PRA Agreement between State Housing Agency and State HHS/Medicaid agencies which:
  - Identifies target population(s) to be assisted;
  - Describes methods of outreach and referral to PHA units
  - Includes state commitments of Medicaid and possibly other funding for supportive services for PRA tenants

# Section 811 PRA: How Does It Work?

- State Housing Agency policies create PRA units (i.e. using Low Income Housing Tax Credits (LIHTC), bond financing, existing housing, etc.)
- PRA tenants offered voluntary long-term care services (Medicaid and state-financed)
- States create referral and tracking system to link individuals in the PRA target population to PRA units and services offered by state Medicaid/HHS agency
- Services must include housing support/retention
- **Goal**: **Sustainable state-driven strategies to systematically expand supportive housin**g

# Examples of Section 811 PRA Unit Strategies

- Developer of 100 unit affordable rental property agrees to include 5 Section 811 PRA units as a condition of receiving LIHTC from State Housing Agency.
- Non-profit developer agrees to include12 Section 811 PRA units in a 50 unit project.
- State Housing Agency uses RFP process to identify owners willing to commit existing units for Section 811 PRA
- Looking forward:  States commit Section 811 PRA subsidies to properties financed with National Housing Trust Fund resources

# Section 811 PRA NOFAs

- FY 12 NOFA
  - Published 5/15/12
  - 35 States plus District of Columbia applied
  - 13 States awarded $98 million in PRA funding
  - Total of 3,530 new PRA units to be created
- Outcomes:
  - Higher than expected demand from states for new program
  - 35 States developed PRA Partnership Agreements for application
  - 400% increase in units, at 30% of the cost (compared to former Section 811 models)
  - Supportive housing units created “at scale” using mainstream federal housing programs and policies

# States that Applied in FY 12

| | | | | |
|---|---|---|---|---|
| Alaska | Illinois | Minnesota | New York | South Dakota |
| California | Indiana | Mississippi | North Carolina | Texas |
| Colorado | Louisiana | Missouri | North Dakota | Utah |
| Connecticut | Maine | Montana | Ohio | Vermont |
| Delaware | Maryland | New Hampshire | Oregon | Washington |
| Florida | Massachusetts | Nevada | Pennsylvania | West Virginia |
| Georgia | Michigan | New Jersey | Rhode Island | Wisconsin |
| | | | | District of Columbia |

# 13 States Funded FY 12

| State Housing Agency | # of Units |
|---|---|
| California Housing Finance Agency | 335 |
| Delaware State Housing Authority | 170 |
| Georgia Housing Finance Authority | 150 |
| Illinois Housing Development Authority | 826 |
| Louisiana Housing Corporation | 200 |
| Massachusetts Dept. of Housing Community Development | 100 |
| Maryland Dept. of Housing & Community Development | 150 |

| State Housing Agency | # of Units |
|---|---|
| Minnesota Housing Finance Agency | 95 |
| Montana Dept. of Commerce | 82 |
| North Carolina Housing Finance Agency | 562 |
| Pennsylvania Housing Finance Agency | 200 |
| Texas Dept. of Housing & Community Affairs | 385 |
| Washington State Dept. of Commerce | 275 |
| TOTAL | 3,530 |

# Update on FY 12 Awards

- New Program = New HUD policies including:
  - New HUD guidance (H 2013-24) issued 8-23-13
  - New HUD documents: Cooperative Agreement, Program Guidelines, Contracts Use Agreement, Model Lease
- "Where the rubber meets the road." States now starting implementation
  - How to "operationalize" the PRA Agreement
    - How will outreach and referral really work?
    - Will Medicaid commitments cover all the services needed by PRA tenants?
    - How responsive will owners/developers be to State Housing Agency policies to procure PRA units?
      - Qualified Allocation Plan changes?
      - RFPs for existing units?

# FY 12 Target Populations

- Must be between 18-61 per Section 811 statute
- Emphasis on ADA compliance consistent with U.S. Supreme Court's 1999 *Olmstead* decision
  - States targeted people covered by State Olmstead Settlement Agreements (Illinois, Georgia, Delaware, North Carolina) including:
    - People in institutional settings (nursing homes, board and care facilities, public mental health/IDD institutions)
    - People who are homeless
    - People at-risk of institutionalization and/or homelessness
  - State Money Follows the Person (MFP) programs
  - Chronically homeless people who meet Section 811 criteria for long-term disability

# FY13 Section 811 PRA NOFA

- Combined FY 2013 & FY 2014 appropriations in one NOFA
- $120 M in new Section 811 PRA funding for State Applicants
- 3,000 - 4,500 new supportive housing units*
- NOFA specifies…"The primary purpose of this program is to identify, stimulate, and support innovative state-level strategies that will transform and increase housing for extremely low-income persons with disabilities while also making available appropriate support and services."
- Linkage to State Medicaid community-based long-term care services and supports
- Deadline for applications was May 14th
- HUD currently reviewing applications; expects award notification end of 2014 or early 2015

* Actual number of units funded will depend on state applications selected.

# FY 13 Applications

- 34 State + DC applied
- 8 “new” state applied (new= states that did not apply in FY12)
  - Alabama, Arizona, Kentucky, New Mexico, South Carolina, Tennessee, Virginia
- 43 of 50 states or 86% of states applied in one or both rounds

# States that Applied in FY 13

- Alabama (Huntsville HA)
- Alaska
- Arizona
- California
- Colorado
- Connecticut
- Georgia
- Hawaii
- Illinois
- Kentucky
- Maine
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Missouri
- Nevada
- New Hampshire
- New Jersey
- New Mexico
- New York
- North Dakota
- Ohio
- Oregon
- Pennsylvania
- Rhode Island
- South Carolina
- South Dakota
- Tennessee
- Texas
- Vermont
- Virginia
- West Virginia
- Wisconsin
- Washington, DC

# What You Can Do

- Advocate for Section 811 PRA approach in your state
- Identify/engage state officials working on implementation (13 states)
- Learn if your state applied under either NOFA
- **Advocate with Congress for $235 million in Section 811 funding for FY 2015**
- Emphasize importance of providing National Housing Trust Fund resources to help create ELI – PRA units.

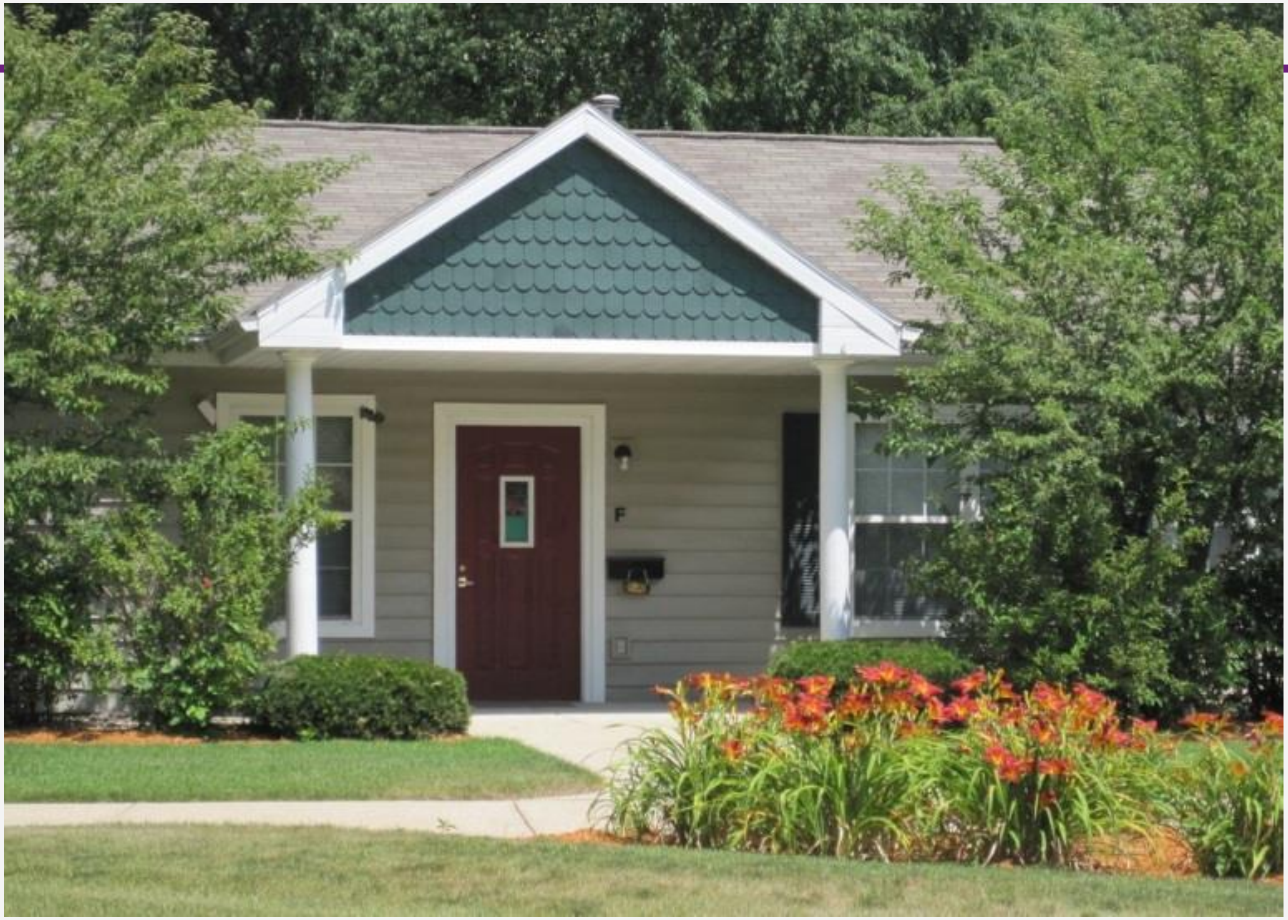
# Examples of Integrated Supportive Housing Projects

The Source for Housing Solutions

# The Franklin and Eleanor Apartments

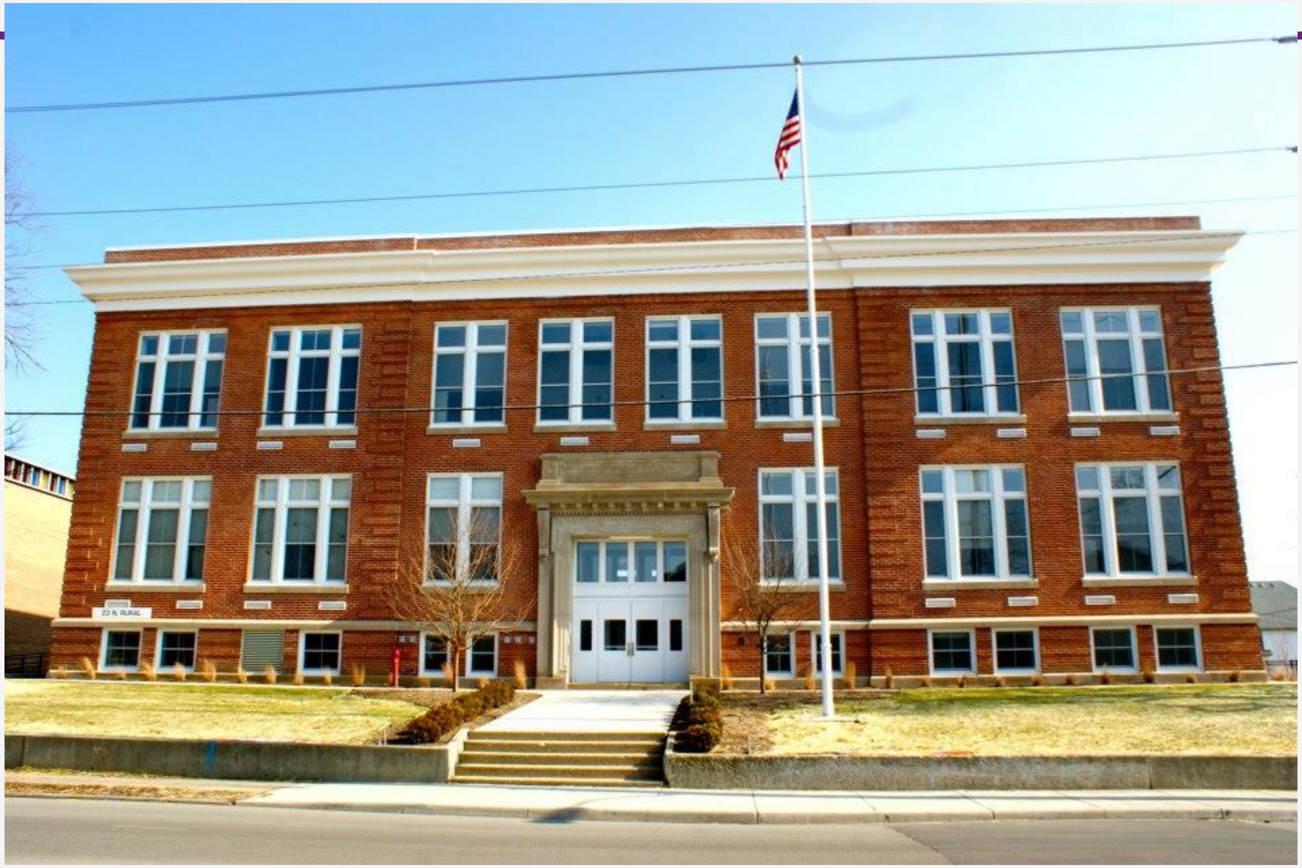

CSH
The Source for Housing Solutions

# Allegan County Supportive Housing Initiative



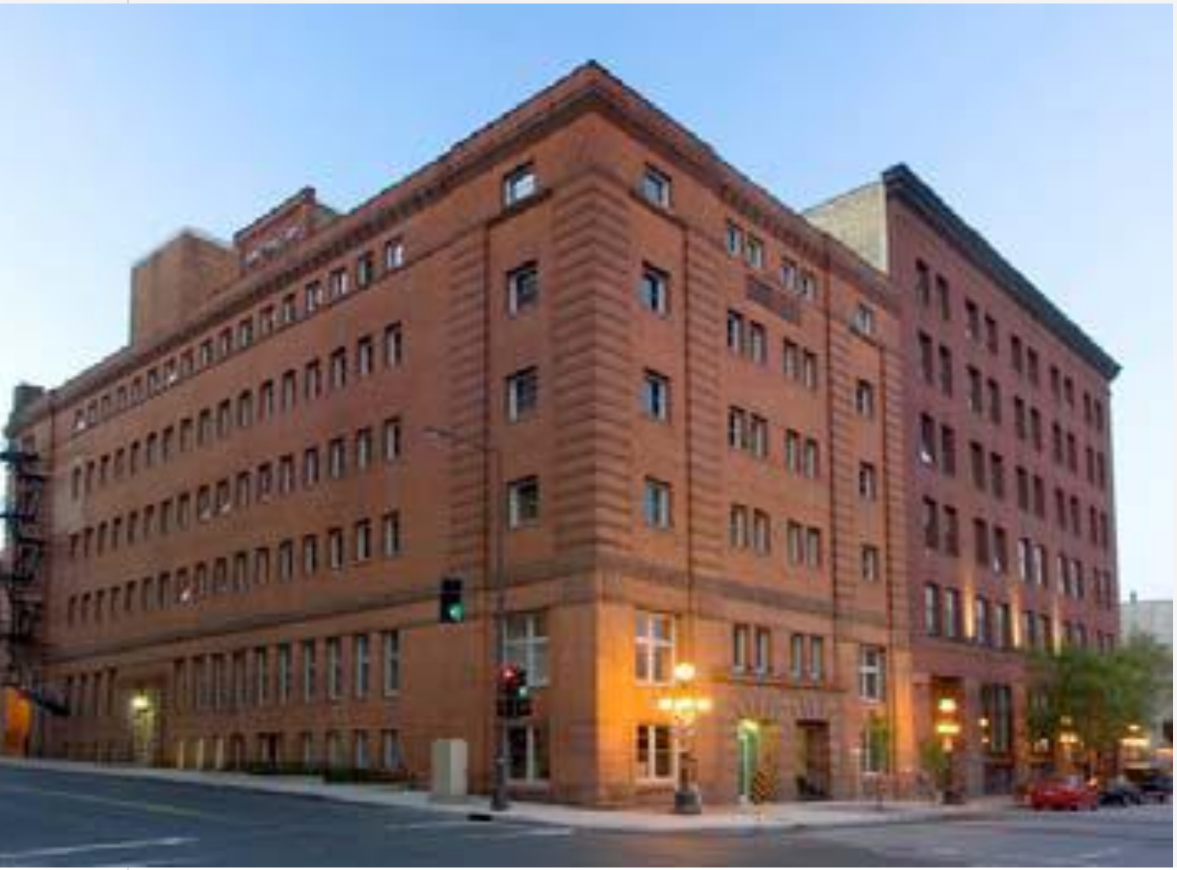

CSH
The Source for Housing Solutions

# Commonwealth Apartments



CSH
The Source for Housing Solutions

# Crane Ordway – Integrated Housing



- **St. Paul, MN**
- **70 affordable Units, 14 for people who are chronically homeless**
- **Harm reduction service model**

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# Home First Illinois

Home First Illinois

Integrated housing for people with disabilities

# For More Information on Supportive Housing Visit CSH's Website at www.csh.org

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The Source for Housing Solutions

# Contact Us

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