Creating Integrated Permanent Supportive Housing Opportunities for ELI Households: A Vision for the Future

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Learning Objectives

• Develop a basic understanding of the National Housing Trust (NHT) Fund

• Develop an understanding of the key principles of integrated permanent supportive housing

• Develop an understanding of the financial models designed to create integrated permanent supportive housing opportunities
National Housing Trust

- Jul. 2008: NHTF became law as part of HERA
- Source of dedicated resources put on hold
- Dec. 2014: FHFA lifts suspension to fund the NHT
- HUD estimates resources to be allocated in summer of 2016
- Jan. 2015: HUD published interim rule
- Available at 24 CFR part 93
- Modeled after the HOME Program
National Housing Trust

Key Provisions

• Each state and DC to receive a minimum of $3 million
• NLIHC offers estimates based upon funding levels
• 90% shall be used to produce, preserve or operate rental housing.
• At least 75% of funds used to benefit rental housing for ELI households
• 33% cap on amount a state may use for operating cost assistance or reserves
Next Steps

• States actively working to develop Allocation Plans
• Some opposition in Congress to the funding of the NHT
• Obama administration remains strongly supportive
• Use NLIHC’s NHT site to stay engaged - http://nlihc.org/issues/nhtf
New TAC Report

- *Creating New Integrated Permanent Supportive Housing Opportunities for ELI Households: A Vision for the Future of the National Housing Trust Fund.*
- Published April 9, 2015
- Available at [www.tacinc.org](http://www.tacinc.org)
- Companion report to NLIHC report: *The Alignment Project: Aligning Federal Low Income Housing Programs with Housing Need*
TAC Project Goal

• What can be learned from state initiatives to create integrated Permanent Supportive Housing (PSH) units that can inform future State ELI financing policy?

• Assess innovative cost-effective ELI approaches:
  – Improve understanding of recent state innovations in capital and 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.
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
- PSH is ELI: Most PSH tenants have SSI = 20% AMI (Priced Out in 2014)
- State Housing Agency innovation/partnerships create integrated PSH units using LIHTC platform
- TAC examined 3 State ELI-PSH financing models
  - Illustrate potential for replication with NHTF
  - Increase ELI-PSH “buy in” from states
Environmental Factors/State Goals

• Imperative: Increasing state demand for integrated PSH units (e.g. *Olmstead*, chronic homelessness etc.)
• Barrier: Steep cuts in HUD project-based subsidies
• Outcome: A few pioneering states “pushing the ELI-PSH 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 (QAP 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
Innovative ELI-PSH – Phase 1

• State ELI-PSH 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

• Phase 1 stimulated state efforts to “get below 30% AMI” through non-traditional financing
State ELI-PSH Phase II

- ELI-PSH Housing Finance Innovations
  - North Carolina: “Shallow” longer-term project-based subsidy
  - Pennsylvania: Enhanced LIHTC developer fee capitalizes Rent Subsidy Fund reserve
  - Maryland and Illinois: “Post-underwriting” capital grant to reduce first mortgage debt

- Potential replication using NHTF
- Final NHTF rules allow 1/3rd of allocation for operating reserves/operating subsidies
- Up to 30 year commitment for non-appropriated NHTF resources (i.e. Fannie and Freddie)
North Carolina Housing Finance Agency

- Integrated PSH program using LIHTC portfolio since 2002 (2,400 units)
- QAP mandatory 10% LIHTC set-aside for PSH "Targeted Units"
- Tenant rent in Targeted Unit = 30% of tenant gross income
- Voluntary owner participation in project-based Key Subsidy Program for Targeted Units (1,900 Key subsidies)
- Key Program appropriations “managed” over 10 year term
- State-wide payment standard approach (1 BR = $490)
- Historical average subsidy payment of $225 monthly (2006-2013)
- Outcomes:
  - Highly successful “shallow subsidy stream” for ELI units
  - Transparent and highly cost-effective 10 year “up-front” subsidy approach
  - Adds approximately 200 integrated PSH units to state supply per year
Pennsylvania Housing Finance Agency

- Rent Subsidy Fund model targeted primarily for people with disabilities
- Funded through an increase in the developer fee (generally from 15% to 20%)
- Capitalizes 15 year subsidy
- Fills gap between 50% of AMI unit and 20% of AMI through a 15 year Rent Subsidy Fund reserve
- Tenants pay 20% AMI rent (1 BR tenant rent is $297 in Philadelphia, $244 in Pittsburgh, $213 in rural PA)
- Lower subsidy cost vs. FMR ($444 vs. $726 in Philadelphia, $369 vs. $417 in Pittsburgh)
- PHFA approves Rent Subsidy Fund Escrow Agreement between developer and third party (typically a bank)
- 200-300 PSH units created across Pennsylvania
Weinberg Foundation

- Long history of philanthropic support for housing for people with disabilities
- Pioneering shift to integrated ELI-PSH model
- Demonstration approach on very small scale: Maryland and Illinois
- Utilizes capital grant to lower debt on first mortgage (post-underwriting)
- Debt service savings fund integrated PSH units at 15% of AMI
- Capital cost to write down 50% AMI unit = $100K-$125K
- Produces 15% of AMI rents for 30 years
- PSH tenants pay 30% of income
- Illinois case study in TAC report, Maryland case study in NLIHC report
Lessons/Recommendations

• State housing agencies are creating ELI units without the NHTF program
• NHTF models should address broad spectrum of ELI need
• Use LIHTC as a “mixed income” NHTF platform to finance integrated ELI and PSH units
• Use NHTF resources to develop more transparent, cost-effective, and longer term ELI subsidy models
• Use cost-based, rather than FMR-based, approaches to achieve much lower NHTF subsidy costs
Contact Us

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