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Developing and Operating Supportive Housing

Presented by:
Corporation for Supportive Housing
Housing Development Center
Neighborhood Partnerships
Oregon Opportunity Network

November 20, 2009 9am - 4:30pm

Special Thanks To:

Neighborhood
Partnerships

Neighborhood
Partnerships



HUD



Oregon Housing and
Community Services

Agenda

- Welcome and Introductions
- Context for the Day
- Panel – Supportive Housing in Oregon
- Paying for Services and Developing Service Partnerships
- Developing Supportive Housing
- Operating Supportive Housing
- Group Exercise
- Lessons Learned – PSH Evaluation in CT
- Conclusion and Evaluation

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Context for the Day



A Home for Hope

A 10-year plan to end homelessness in Oregon

Action Plan



A recommendation to Governor Kulongoski from the
Ending Homelessness Advisory Council
June 2008

November 2009

August 2009 Status Report on 10 Year Plans to End Homelessness in Oregon

(United States Interagency Council on Homelessness--Status Report created by US Census Bureau)

Released May 2008 the Washington County 10 Year Plan has projected the ten year costs of an aggressive plan to develop permanent supportive housing to end homelessness among long term homeless persons, hard to house families and homeless youth. The plan also features a strong governing board comprised of elected officials and prominent citizens. In January 2009 Washington County held its third Project Homeless Connects.

Yamhill County completed its 10 Year Plan in September 2008. Led by the county commission the plan unifies local housing resources and social services. The efforts of all key agencies are joined: public housing authority, community action agency, mental and substance abuse, as well as shelter and short term emergency services. The first Project Homeless Connects was held in February 2009.

The Portland/Multnomah 10 Year Plan is one of the most advanced in the nation. In 2005-2008 there were large decreases in street homelessness with a 70% decrease in the long term homeless population. Strong City Commissioner and County Commission leadership coupled with aggressive street outreach remain the hallmark of this plan. There have been six Project Homeless Connects events.

Marion and Polk counties released a joint plan in March 2009. The plan has strong leadership from county commissioners, the Mayor of Salem and prominent local citizens. Day to day plan operations are coordinated by the local community action agency. The plan was released during their first Project Homeless Connects event.

The Clackamas County plan was released in June 2007. It takes a comprehensive approach to serve a wide spectrum of homeless and very poor persons. Clackamas is one of four urban counties who partner to house the most challenging of homeless families through the Bridges to Housing program.

The Lincoln County plan was launched in October 2007. Commissioner Bill Hall championed the local plan and serves as co-chair of the state homelessness council. The plan is fulfilling its ambitious action steps of bringing in permanent supportive housing and coordinated services to this rural, coastal community. This county will hold its third Project Homeless Connects in October 2009.

Elected officials from the three counties came together in April 2009 to announce the formation of an ambitious regional plan to end homelessness in central Oregon. This area was formerly one of the fastest growing areas in the country and now is one of the hardest hit by economic recession. It is planning its third regional Project Homeless Connects. Over 1300 homeless and at risk persons were served by their last event in January 2009.

Anticipating release in the fall of 2009 the Benton County plan is nearly complete and features close cooperation with the neighboring county plans in Linn and Lincoln counties through its links with a common community action agency. A thorough community process of plan development has been led by the county commission.

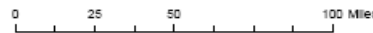
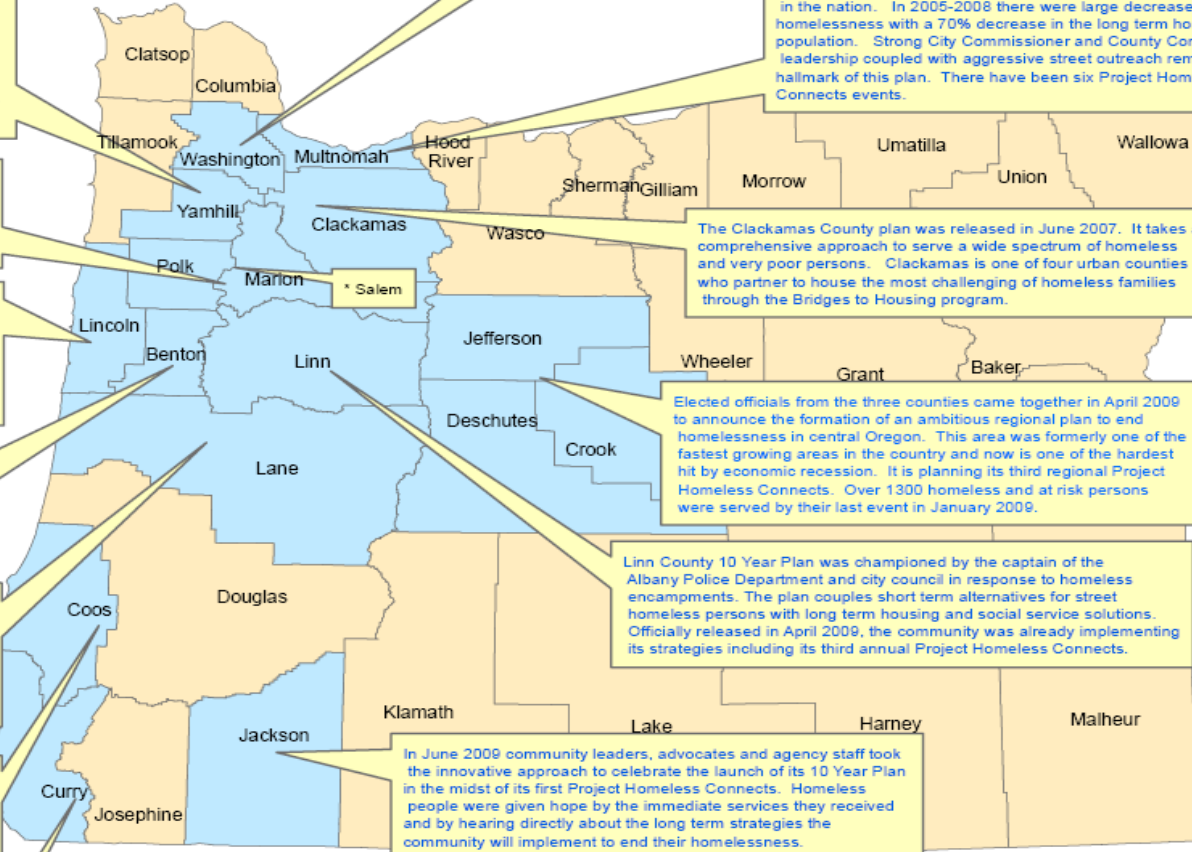
Linn County 10 Year Plan was championed by the captain of the Albany Police Department and city council in response to homeless encampments. The plan couples short term alternatives for street homeless persons with long term housing and social service solutions. Officially released in April 2009, the community was already implementing its strategies including its third annual Project Homeless Connects.

The Lane County Project Homeless Connects events serve as a national model of administrative and financial organization for these single day events. Led by the Mayor of Eugene and the Lane County Commissioners Lane County is organizing its extensive social service network through its 10 Year Plan structure. Several local programs have long served as state wide best practice models.

Working with its community action agency Coos County Commissioners launched the County 10 Year Plan to End Homelessness in March 2009, entitled "When We All Have Homes". The plan outlines specific year one and year two goals for its Housing First strategy, homeless prevention and coordination of services.

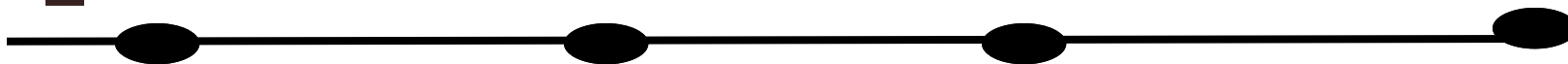
In June 2009 community leaders, advocates and agency staff took the innovative approach to celebrate the launch of its 10 Year Plan in the midst of its first Project Homeless Connects. Homeless people were given hope by the immediate services they received and by hearing directly about the long term strategies the community will implement to end their homelessness.

The Curry County Ten Year Plan to End Homelessness was completed in June 2009. "Any Port in a Storm" describes the plan's strategy to simplify access to services and housing by creating three, linked, ports of entry into its homeless services and housing system. The plan was organized by county government inclusive of elected leaders, prominent citizens, advocates and agency directors.



Governor Kulongoski signed several new laws in 2009 establishing state wide policies for ending homelessness, including new funds for low income housing. These policies ensure a Housing First strategy for the entire state. Under the auspices of the Governor's Ending Homelessness Advisory Council the state released its over-arching state plan to end homelessness in June 2008. Homelessness has been increasing rapidly in the rural areas of the state and the state has taken strong leadership through Oregon Housing and Community Services to support the local 10 Year Plans.

Continuum of Needs and Responses to Homelessness



Situationally Homeless

Short term rent assistance, emergency aid. Information and referral. Permanent affordable housing.

Homeless with moderate service needs, significant chance of success with short term support

Short and medium term rent assistance, short term services and information and referral. Permanent affordable housing.

Significant barriers to housing placement or success in stabilizing

Permanent, affordable low-barrier housing plus access to intensive services to gain stability and break cycles of homelessness.

Heads of Household permanently unable to work – individuals or families facing ongoing, chronic issues

Permanent Supportive Housing — permanent affordable housing and coordinated supportive services available to tenants.

Housing First

A "Housing First" approach is critical to successfully ending homelessness.

Ending homelessness requires reducing the duration of each spell of homelessness, and prevention of new episodes.

Housing First approaches address immediate barriers to housing so that homeless people can move into permanent housing as quickly as possible.

Housing First programs usually address service needs through home-based case management, which helps stabilize the family, ensure that they will have sufficient income to sustain their housing, and prevent a recurrence of homelessness.

Adapted from National Alliance to End Homelessness

What is Permanent Supportive Housing?

Permanent, affordable housing which offers residents direct access to a range of **supportive services**

Permanent supportive housing allows residents who have special needs to achieve stability and independence

Permanent Supportive Housing

Housing

- **Permanent:** Not time limited, not transitional.
- **Affordable:** to very low income people.
- **Independent:** Tenant holds lease with normal rights and responsibilities.

Services

- **Flexible:** Responsive to tenants' needs. Focused on housing stability.
- **Voluntary:** Participation in services is not condition of maintaining tenancy.

Adapted from Corporation for Supportive Housing

Permanent Supportive Housing – effective *and* cost effective

- ER visits down 57%¹
- Emergency detox services down 85%²
- Incarceration rate down 50%³
- 50% increase in earned income
- 40% rise in rate of employment when employment services are provided
- More than 80% stay housed for at least one year⁴

1 Supportive Housing and Its Impact on the Public Health Crisis of Homelessness, CSH, May 2000

2 Analysis of the Anishinabe Wakaigun, September 1996-March 1998

3 Making a Difference: Interim Status Report of the McKinney Research Demonstration Program for Homeless Mentally Ill Adults, 1994

4 See note 1 above

Adapted from Corporation for Supportive Housing

Supportive Housing in Oregon Training

November 2009

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Housing Stability plus Positive Family Outcomes

Bridges to Housing experience in Portland metro area




- Increased use of mainstream services, such as childcare, education and training programs, primary health care providers and primary dentists.
- Increased family safety.
- Decreased family instability – less referral to foster care and child welfare system.
- Decreased instability in children’s educational or child care settings.

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Supportive Housing Panel of Practitioners

Special Thanks To:
Betty Tamm, Umpqua CDC
Cyndy Cook, Housing Works

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Developing Supportive Housing

Roles for Developers of Supportive Housing

➤ Turnkey



➤ Master Lease



➤ Full Service



Phases of Development

- **Vision for Project**
- Finding a Site
- **Choosing a Team**
- **Project Proformas**
- Predevelopment
- Construction
- Lease Up
- Stabilized Occupancy

Phases of Development

- Vision for Project
- Choosing a Team
- Preliminary Underwriting

Project Vision



- Who do you want to serve?
- Is there a need for this project?
- Where will you try to locate the project?
- What type/size of complex will best serve this population?
- What services/treatment will this population need?
- What design features do I want to consider?

Vision and Design

- Unit Sizes
- Common Areas
- Private Meeting Space for Services
- Sturdy Construction
- Accessibility Features



Your Development Team

- Architect
- Contractor
- Consultant
- Service Provider
- Funders
- Legal/Accounting
- Property Manager



Assembling the Operations Team Structure

- Three Driving Factors:
 - Type of Property Management (2)
 - Service Model (2)
 - Type of Tenancy (3)

- Twelve Possible Variations

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What's the most common operating staffing structure in your community?

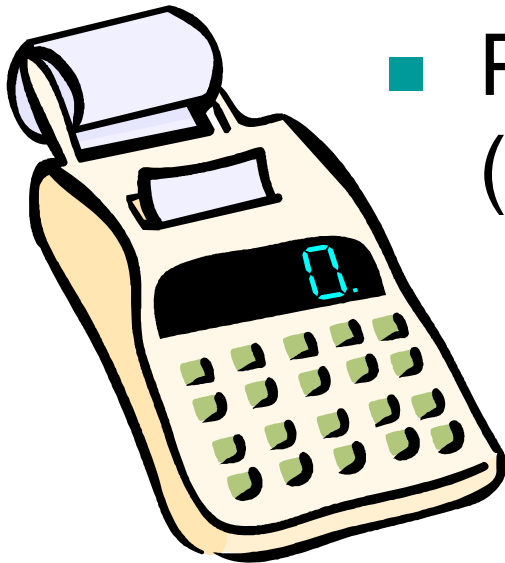
Underwriting Supportive Housing

What makes Supportive Housing Different?

- Focus on Operating Proforma
- Little or No Debt Financing
- More Services
- Higher Reserves

What is the Project Proforma?

- Plan for project **Operations**
- Plan for project **Development**
(Sources and Uses)



Fundamental Questions on Project Feasibility

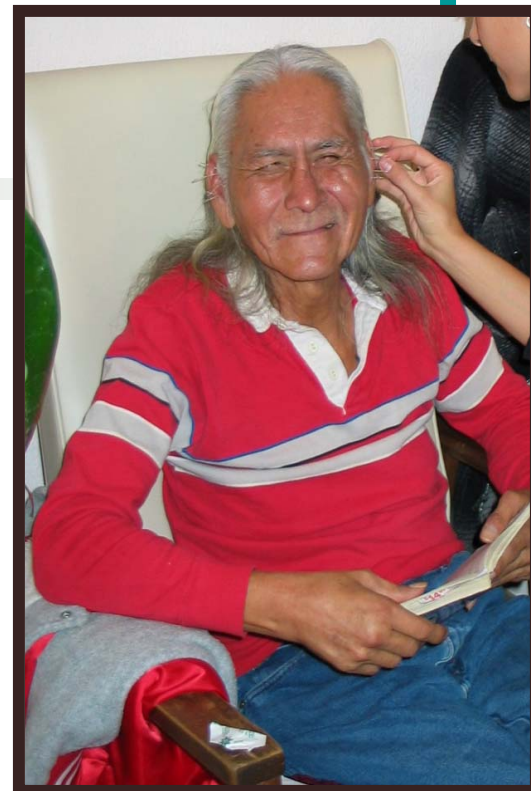
- **Operating Feasibility**
 - How much rental income will be generated?
 - What expenses will need to be paid to operate the building?
 - **The rent roll**
 - **The operating budget and cash flow analysis**

Who Are We Housing?

- Single Adults/ Families
- People with Physical & Mental Disabilities
- People w/ Alcohol & Drug Addictions
(prior to treatment or in recovery)
- People with Chronic Mental Illness
- People transitioning from Corrections System

Single Adults:

- Family Size: 1
- Sample Income Source: **Social Security Income**
- Monthly Income: **\$623**
- MFI: **21%**
- Affordable Rent @ 30% Housing Burden: **\$187**
- Dollars per Month Remaining after Rent: **\$436**



Picture courtesy Central City Concern Acupuncture Clinic

Single Parents

Family Size: **3**

Income Source: **TANF**

Monthly Income: **\$528**

MFI: **14%**

Affordable Rent @ 30%

Housing Burden: **\$158**

Dollars per Month Remaining after Rent: **\$370**



Families with Children

- Family Size: **6**
- Income Source: **Full-Time Minimum Wage Job**
- Monthly Income: **\$1,400 (gross)**
- MFI: **29%**
- Affordable Rent @ 30% Housing Burden: **\$420**
- Dollars per Month Remaining after Rent: **\$980**



Operating Expenses

- Difficult to isolate the PSH factor in expenses
- Wide ranges depending on population, size of property, age of property, level of services attached to housing operating budgets

Operating Expenses - Major Differences from Affordable Housing

- On-site staffing or security levels
- Resident services
- Maintenance and turnover

Operating Expense Line Items to Watch

- Off-site property management
- On-site property management
- Legal and accounting
- Security
- Maintenance
- Turnover

Operating Expense Line Items to Watch

- Security
- Resident Services
- Replacement Reserves
- Operating Reserves

Affordability

Minimum Rents Needed to Cover Operating Expenses (year 1)

Op Exp per unit	Min Rent	Affordable Rents		
		SSI Income	TANF (HH 3)	Minimum Wage
5,000	\$417			
6,000	\$500	\$187	\$158	\$420
7,000	\$583			

Affordability



Rent Subsidy or Operating Subsidy

**You will need subsidy
just to cover project
expenses**

Rent Subsidy Types

- Fixed Rent Programs
- Income-Based Programs
- Subsidy Programs

Rent Subsidy Example

# of Units	BR Size	% AMI	Tenant Monthly Rent Payment	Monthly Subsidy Payments	Total Monthly Rent	Total Annual Rent	Vacancy Allow.	Net Rent /Year
20	1	17%	\$159	\$541	\$700	\$168,000	10%	\$151,200
10	1	30%	\$281	\$419	\$700	\$84,000	10%	\$75,600
30	2	50%	\$469	\$336	\$805	\$289,800	5%	\$275,310
60			\$20,050	\$25,090	\$45,150	\$541,800		\$502,110

Real Estate Finance 101

DEVELOPMENT BUDGET

Schedule of Sources and Uses of Funds

Budget for capital funds used in the acquisition and improvement of the real estate.

USES

Hard Costs

Acquisition		
Construction	+	
Contingency	+	

Soft Costs

Professional fees	+	
Financing fees	+	
Start-up costs	+	
Developer fee	+	
Contingency	+	

Reserves

Capital	+	
Operating	+	
TOTAL USES	=	

SOURCES

Equity		
Owner's	+	
Investor's	+	
Loan	+	
Grant	+	
TOTAL SOURCES	=	

November 2009

OPERATING BUDGET

Schedule of Income and Expenses

Annual budget for the operation of the real estate once development is complete.

INCOME

Gross Residential Rent		
Gross Commercial Rent (if any)	+	
Other income	+	
Vacancy Allowance	-	
EFFECTIVE GROSS INCOME		

EXPENSES

Real estate taxes		
Insurance	+	
Utilities	+	
Maintenance and repairs	+	
Building payroll	+	
Management, admin. & marketin	+	
TOTAL EXPENSES		

TOTAL EXPENSES

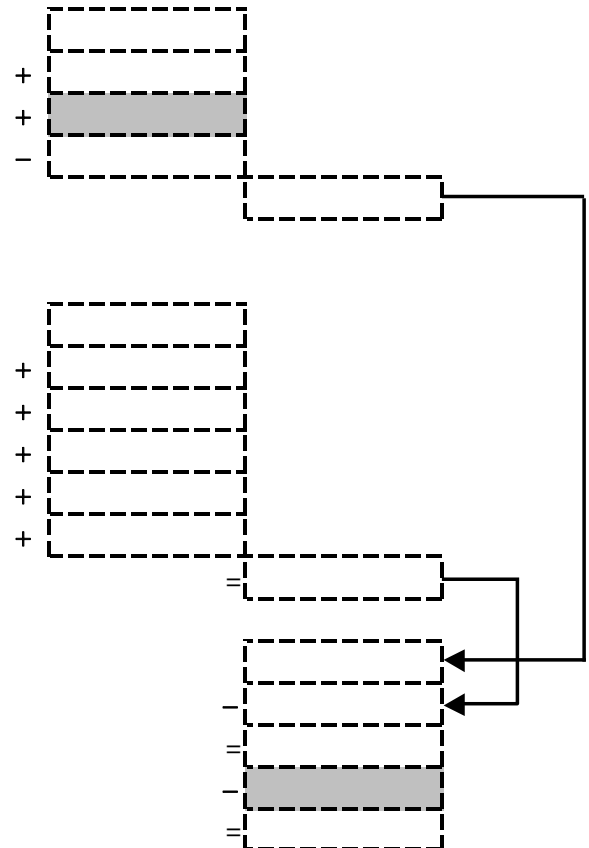
EFFECTIVE GROSS INCOME

TOTAL EXPENSES

NET OPERATING INCOME

Debt Service

Cash Flow



Supportive Housing in Oregon
Training

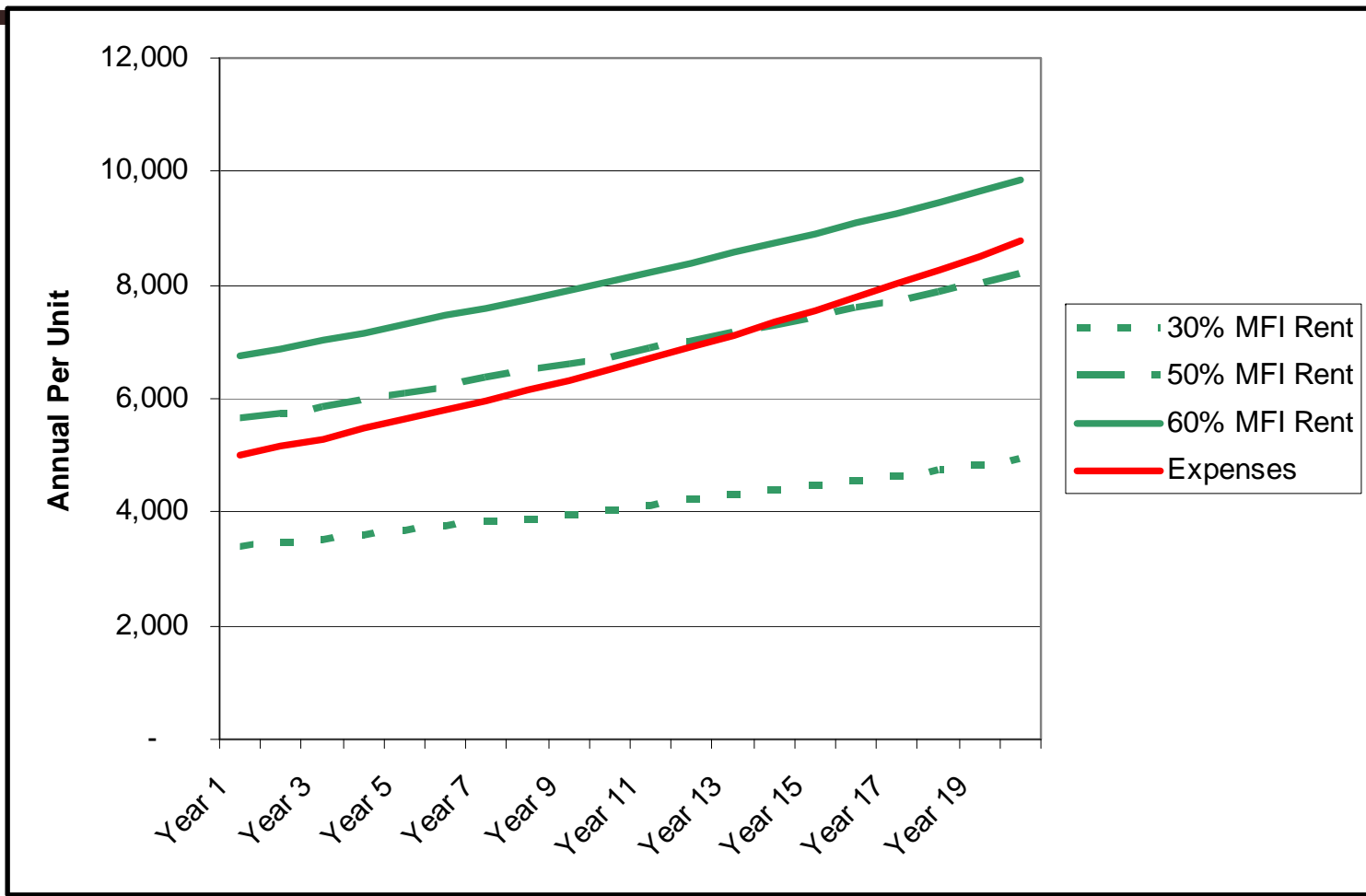
Underwriting Supportive Housing

Debt

Lower Rent Potential +
Higher Expenses
=
Limited Debt Capacity



Income and Expenses Over Time



Underwriting Solutions

- No Debt or Size debt to DCR at end of loan term
- Operating/Rent Subsidy
- Blended Populations



Underwriting Supportive Housing

Services

- Formal, Specific Agreements with Service Providers
 - Contract with provider for services
 - Space available to providers to come on site
 - Residents come to housing through/with service program
 - Service provider leases units

Underwriting Supportive Housing

Services

How will they be funded?

- Project pays through operating budget
- Provider brings services to client
- Project reimbursed for particular services
- Project collects a fixed fee per client

Underwriting Supportive Housing

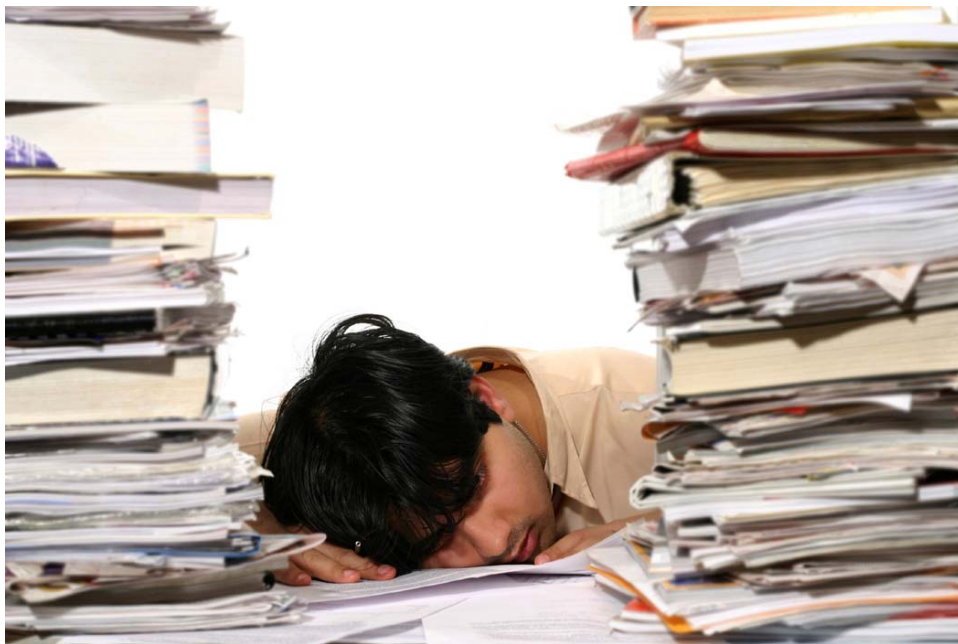
Reserves

- Operating Reserves
- Replacement Reserves



Underwriting Supportive Housing

Legal Stuff: Who carries the risk?



- **Agreements with Funders**
- **Plan B: Exit Strategies**

Underwriting: Sample Funding Sources

HUD 202/811

++ PLUS ++

- Grant
- Long term rent subsidy
- Covers majority of capital costs

-- MINUS --

- Basic project funded
- Challenging to combine with other funds
- Minimal cash to owner
- HUD regulations

Underwriting: Sample Funding Sources

LIHTC

++ PLUS ++

- Equity
- Familiar



-- MINUS --

- Requires additional funding sources
- Complex rules
- Investors not excited about supportive housing populations

Underwriting: Sample Funding Sources

Housing Plus

++ PLUS ++

- Grant
- Can be used for rent subsidy and services
- Funding specific to Supportive Housing

-- MINUS --

- Rent and service subsidies only last four years
- Requires additional resources



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Operating Supportive Housing

Applicable Federal Laws and Regulations

- Equal Protection Clause
- Fair Housing Act
- Americans with Disabilities Act
- Rehabilitation Act of 1973
- Age Discrimination Act
- HUD regulations
- Confidentiality laws



Other Rules and Regulations to Consider

- State and local landlord-tenant law



- Local housing authority regulations



- Agency rules, policies, and procedures

Your Role in Compliance

- Complying with the Fair Housing Act
- Ensuring reasonable accommodation
- Maintaining tenant confidentiality



Developing Property Management Policies for PSH

- Joint training for all staff
- Partners develop tenant placement process
- Service provider develops criteria for client readiness
- Joint screening criteria and policies between owner, manager and service provider



Tools for Tenant Screening*

- Option A: Tailor the screening criteria to fit the target population
- Option B: Admission is based on referral by service provider
- Other Approaches:
 - Reasonable accommodation
 - Create separate screening criteria for PSH units

* Tools should be used in consultation with your attorney

Intake Steps of a PSH Qualified Tenant

- Initial pre-qualifying interview
- Develop application package
- Service provider makes referral
- Property manager screens application
- Property manager makes final selection decision

Conditions of Tenancy

- Service Usage
- House Rules
- Tenant Agreement
- Dealing with Behavioral Issues
- Grievance Process

Evictions

- Formal process same as with any other housing
- Principle of PSH – going the extra mile to support housing retention

Tools to Prevent Eviction

- Crisis intervention by service provider
- Mediation by a neutral third party
- Referral to alternative housing within the owner's portfolio or comparable unit in the same building*

*This option should be approached carefully due to potential legal risks

General Criteria for Evictions

- Non-payment of rent or utilities
- Damage
- Pursuing a criminal activity
- Causing physical harm
- Interfering with other tenants' peaceful enjoyment

Steps You Could Take If Tenant has Violated Lease

- Notification to tenant and service provider
- Service provider responds quickly
- Service provider and tenant present a remedy
- Compliance monitoring
- If remedy does not work, then property manager proceeds with the eviction

Developing Supportive Housing in Rural Oregon



Wrap Up and Evaluation