

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



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# Priced Out 2014

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- TAC Report released biannually comparing SSI incomes with community's Fair Market Rents
- Highlights the gap between rental housing costs and the monthly income of a person living solely on SSI
- In 162 housing market areas across 33 states, 1 BR exceeded 100% of monthly SSI
- Rents for 1 BR units in 15 of these areas exceeded 150% of SSI
- In eight states and DC, the average rent for a studio/efficiency unit exceeded 100% of the income of an SSI recipient

# Priced Out 2014

Metro Statistical Area	SSI Monthly Income	SSI as a % of Median Income	% of SSI Income for a 1 BR	% of SSI Income for an Efficiency
Albany/Schenectady/Troy	\$808	17.7%	97%	85%
Buffalo/Niagara Falls	\$808	21.6%	76%	72%
Nassau/Suffolk	\$808	13.2%	173%	136%
New York	\$808	16.5%	155%	148%
Rochester	\$808	20.7%	88%	72%
Syracuse	\$808	20.5%	77%	69%
Non-Metro Areas	\$808	24.5%	76%	70%
Statewide	\$808	19.9%	133%	120%

# New TAC Report

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- *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

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- 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

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- 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

# Environmental Factors/State Goals

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- 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

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- 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

# State ELI-PSH Innovation

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- States began to explore efforts to “get below 30% AMI” through non-traditional financing
- 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 1/3<sup>rd</sup> 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

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- 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

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- 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

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- 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

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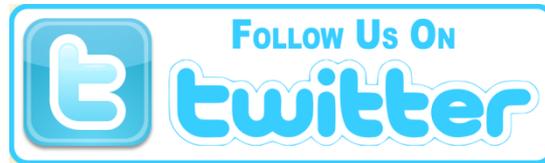
- State housing agencies are creating ELI units without the NHTF program
- NHTF models should address broad spectrum of ELI need
- Use LIHTC as a “mixed income” NHTF platform to finance integrated ELI and PSH units
- Use NHTF resources to develop more transparent, cost-effective, and longer term ELI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

# Contact Us

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