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

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TAC Report

• Creating New Integrated Permanent Supportive Housing Opportunities for ELI Households: A Vision for the Future of the National Housing Trust Fund

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• Companion report to NLIHC report: The Alignment Project: Aligning Federal Low Income Housing Programs with Housing Need
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 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
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 rent 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**
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
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:
  - Successful “shallow subsidy stream” for ELI units
  - Transparent and cost-effective 10 year “up-front” subsidy approach
  - Adds approximately 200 integrated PSH units to state supply per year
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
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