

FLORIDA COUNCIL ON HOMELESSNESS
Housing Committee Report

November, 2004

COMMITTEE GOALS:

1. **Identify and assemble the resources to create a supportive housing pipeline to provide an additional 12,000 units for the homeless by 2012, with the intent that 50% of them are occupied by chronically homeless persons.**
2. **Recommend ways to substantially increase the production of housing affordable to households with incomes below 30% Area Median Income (AMI) as needed to prevent and exit homelessness.**

(Proposed recommendations are designated by an arrow. Information points are bulleted.)

Production of Housing Affordable to Extremely Low Income Households (20% to 30% AMI)

The first step in eliminating the need for operating subsidy is to eliminate all debt in the capitalization of the project. The 3030 vision campaign has recommended that FHFC provide incentives to developers to establish rents at the level needed to cover operating costs for 30 percent of the units in all developments. (See attached 3030 Vision recommendations) This alone would suffice to serve extremely low income households at 20% to 30% of area median income, who do not have special service needs.

Households at the lower end of that range (20%) may also have to pay more than 30% of their income in rent and utilities, which is not allowed if HUD funding is involved. At present, HUD establishes the maximum tenant contribution at 30% of the household's income.

Supportive Housing

Supportive housing is defined as independent housing, as opposed to custodial and institutional housing arrangements, with a comprehensive service delivery system individualized to residents' needs and preferences. It is integrated into neighborhood settings and subsidized to achieve affordability by extremely low income households and individuals.

The Council's Strategic Plan is aligned with the national goal established by President Bush of providing 150,000 additional supportive housing units by 2012 targeted to the chronically homeless. The national goal is based on research documenting that the chronic homeless population represents only 20% of the homeless population but consumes over 50% of the resources of the homeless system.

Utilizing the HUD formula for calculating each State's pro rata share of homeless assistance funding, Florida's share of the national goal translates into 6,000 additional supportive housing units for the chronically homeless by 2012.

Nationally, it is estimated that one third of supportive housing units are occupied by individuals who were previously chronically homeless. The Council assumed that the percentage of units

targeted to the chronically homeless could be increased to 50% during this period. Thus, the goal of 12,000 units by 2012 was established.

Progress During 2004

- Resource mapping for housing and services in Florida was completed by Florida Supportive Housing Coalition through a contract with the Technical Assistance Collaborative.
- Four projects were approved under the homeless set-aside administered by Florida Housing Finance Corporation, three of which are moving toward implementation.

Key Findings to Date

- Most of the developments of new supportive housing in the state are relatively small.
- In contrast, the cost of implementing projects with tax credits, requires a fairly large project to make it worthwhile. Larger projects are only appropriate and feasible in medium and large cities. There have to be enough complementary dollars available from the Continuum of Care and local entitlement jurisdictions.
- Smaller areas are best served by simpler funding programs, including HHAG, SAIL only (no tax credits), and HOME (both local and state).
- There is a desire to achieve a balance between project-based housing and scattered site housing in all of the continuums. Each has specific advantages and disadvantages so it is optimal to offer some of each.
- Both scattered site and project-based supportive housing require operating subsidies. The larger continuums of care are already at the stage of renewals only except for the first priority bonus from McKinney-Vento Homeless Assistance Grants. Outside Miami-Dade, which received a \$2 million bonus, other large continuums received \$750,000, which only funds 20 to 25 units under the Shelter Plus Care program for five years.
- The alternative sources are PHA's exercising preferences and project-basing some of their Section 8 vouchers and the State providing operating subsidies through programs it controls, including HOME (for non-entitlement areas) and various programs administered by DCF related to specific populations – mental illness, substance abuse, families, youth, etc.
- Currently, HUD is not funding services for new projects under the Priority One funding. A funding stream other than HUD McKinney funds is needed to provide customized, comprehensive services to the varied populations that comprise the homeless. Changes in the State's Medicaid programs need to be part of the answer, but it is probably not the whole answer. Most of the available funding is organized in categorical "silos" making it necessary to pool funds from various programs to create a comprehensive services program able to meet the needs of residents with multiple, varying needs.
- There is a lack of awareness about the availability and effectiveness of the Predevelopment Loan Program administered by FHFC as a capacity-building tool. Organizations can receive funding as well as technical assistance to formulate a project.

Required Elements to Provide Supportive Housing

Providing supportive housing requires three types of funding:

- Capital funding for acquisition or development. (Many housing programs, including the State housing trust fund and federal housing credits require that new housing be produced through construction or rehabilitation)

- Funding to cover operating deficits
- Supportive services funding

In addition to monetary resources, supportive housing requires:

- A system for collaboration and coordination of resources controlled by unconnected agencies and department across various levels of government.
- Sponsor agency capacity and motivation to undertake a difficult process with considerable financial risk to the sponsor organization.

Capital Funding: Housing Development

Programs Administered by the Office on Homelessness:

- Increased funding for HHAG– Council recommends 25% increase, from \$5,000,000 to \$6,250,000. (Approved)
- Reclassify HHAG as capital funds so that these funds will not have to be expended by the end of the State fiscal year and can serve as the catalyst for new projects. (Approved)
- Eliminate the policy that precludes entire continuums of care from applying if one project is behind schedule. Any penalties should apply to the individual sponsor and not the continuum as a whole. (To be considered at the November Council meeting).

Programs administered by Florida Housing Finance Corporation:

We have learned that the available operating subsidy, as well as the size of the continuum, limits the size of projects that can be successfully formulated. Almost all of the 28 Continuums of Care in Florida are using their federal homeless assistance grants for renewal funding of existing projects. HUD provides a bonus for placing a new permanent housing project as the #1 priority. Except for Miami-Dade, the metropolitan continuums received a bonus of \$750,000 (Miami-Dade received \$2,000,000 last year). Under the Shelter Plus Care program, which is the logical use of this funding, \$750,000 provides enough subsidy for 20 – 25 units, depending on unit size, for five years, the required duration. With the 80% requirements, the largest projects possible are 25 to 31 units versus 40 to 50 units under the 50% requirement. The transaction cost and the risks inherent in using tax credits make it unrealistic if not downright impossible to use tax credits for these small projects.

In contrast, Miami-Dade was able to subsidize 77 single room occupancy units at the Royalton. This 100-unit project, though much smaller than the typical tax credit project, is certainly worth the effort and expense. The Hillsborough/Tampa Continuum of Care was only able to provide operating subsidies for 20 of the 148 units at Valencia Lakes. They also do not have enough local capital dollars to make it possible to capitalize a large operating reserve like Harding Village in Miami-Dade had, for part of the operating subsidy.

Reducing the percentage of units targeting the homeless in a given project accomplishes other desirable goals as well. It reduces the concentration of the homeless population and the stigma associated with a particular building. The non-homeless units can be used to prevent homelessness by housing poor populations that are “at-risk” of becoming homeless, but do not fit the definition of “homeless”. In some instances it would be possible to structure some internal operating subsidy, thereby reducing the need for operating subsidies.

- Alter the definition of a “homeless set-aside” project to require that 50% of the units instead of 80% of the units, be targeted to this population. These projects would have to pay 3% interest pursuant to legislation requiring 80% of the units to be for the homeless in order to qualify for a 0% loan. (New)
- Amend the statute to provide that projects that set-aside 50% of the units for the homeless qualify for a 0% loan. (New)
- Simultaneously with the combined cycle, provide a simpler application for set-aside projects requesting only SAIL or HOME funds, perhaps the application that was used for the demonstration round a few years ago.(New)
- Structure SAIL loans for homeless projects owned by non-profits as forgivable in Year 16, whether they are tax credit projects or not, since it is unrealistic to expect repayment. Alternatively, require repayment only if the non-profit disposes of the property or ceases to operate it for extremely low income people. (New)
- Confirm that funds recaptured from projects for the homeless will be re-offered to projects for the homeless (Approved).
- FHFC should enact policies to target 30% of the units produced to extremely low income households. (See attached recommendations presented to FHFC by 3030 Vision Campaign)

Legislative Initiative:

Land is becoming increasingly difficult and expensive to obtain. A way for the State to directly affect the availability of sites for development is to:

- Adopt legislation replicate the Federal McKinney-Vento provisions for the disposition of surplus state property to give preference to the homeless in the use of those sites. (42. USC Sec11411)

As the state implements the de-institutionalization of the mentally ill and the developmentally disabled, there is an opportunity to redevelop these sites as mixed population communities targeting a portion of the housing created for the homeless.

Federal Programs:

- Provide assistance to Continuums of Care and individual sponsors to incorporate and take advantage of the Section 811 programs and HOPWA to serve the homeless. Section 811 can provide both capital and operating subsidies. Yet in 2003, only 10% of the grants available to Florida non-profits were claimed. These projects are limited in size and require that the sponsor be supported by another funding stream.

Operating Subsidies

This section addresses the operating subsidies required to reach households with incomes below 20% of Area Median Income. In Florida, a disabled individual receives \$562 per month, which translates into 17% of the statewide area median income. Hence, the actual operating costs, without debt service, must be subsidized.

This funding component is the most difficult to provide. The primary source of operating subsidies has been the federal Section 8 program, which is designed to make up the gap between the tenant's contribution (at 30% of their income) and market rate housing. For several years now, there has been no increase in the number of Section 8 vouchers funded and waiting lists throughout the State are long. Governments at all levels are reluctant to establish operating subsidy programs that increase rapidly over time as additional units are brought into the system.

Additional subsidies can be incorporated in the original financial structure of a development project in addition to eliminating all debt. Under current policies and practices, this can be done in one of two ways:

- Capitalizing a sinking fund using tax credit equity to cover the operating deficits expected throughout the 15-year tax credit compliance period. This requires added capital resources up front and a re-capitalization of the project at the 15-year mark.
- In mixed-income projects, use higher rent units to subsidize a smaller percentage of "below-operating-cost" units.

For development purposes, the operating subsidy must be of sufficient duration, with reliable renewals to be considered in underwriting the project for funding purposes.

Other potential sources of operating subsidy for development are:

- HUD homeless assistance grants through the Continuum of Care prioritization process (limited to the first priority bonus in most continuums).
- Public Housing Authorities can project-base up to 20% of their allocation of Section 8 vouchers for ten years. (PHA's have limited incentive to do so unless there is a shortage of housing stock) This has the added advantage that

households desiring to move will have priority on a Section 8 voucher of their own.

Recommendations to provide operating subsidies for existing housing (no development):

- FHFC and local entitlement cities should prioritize the use of HOME funds for rental assistance for special needs populations, including the homeless, on a transitional basis. (New)
- The State should find ways to provide housing subsidies to individuals leaving State systems of care (foster care, institutions for the mentally ill and the developmentally disabled, correctional facilities), during a transitional period. (New)
- Local public housing authorities should establish preferences for the homeless (although there is a financial disincentive to do so).
- Operating subsidies provided to special populations by the State, through the Department of Children and Families and AHCA should target the homeless and those at risk of homelessness. (New)
- Presumptive disability status under Social Security for chronically homeless to provide income (and be able to pay some rent) immediately. (refer to Broward New Samaritan initiative) (New)

Comprehensive Services linked with Housing

Traditionally, specialized services are organized according to area of need. Practitioners working with the homeless have found that this population usually has multiple needs that can be addressed most effectively in a comprehensive and coordinated manner. Because this approach runs counter to the traditional services delivery system, serving the homeless requires creating a flexible funding mechanism for comprehensive service delivery. Alternative ways of addressing this need are described below:

- Substantially increase the Challenge Grant program to serve this need beyond the existing recommendation of increasing funding by 25% - from \$2,116,025 to \$2,645,031. (Additional increase – New)
- Pursue pooling of resources under various state programs for specialized populations to create a fund for comprehensive services in supportive housing.(New)
- As the state implements the plan to “capitate” behavioral health services in the coming year, the Council recommends that services provided in the community, linked with housing be identified as an eligible service and that a plan for providing supportive services be required of administrators as part of the selection process.(Approved)

- Authorize new local funding option for homeless services – surcharge on traffic citations and food & beverage tax.(New)

Integration and Full Utilization of Existing Resources

The Housing Resource Inventory demonstrates the need for collaboration and targeting of existing resources. In the 1990's local officials got more control over federal housing funds. However, local control has created myriad programs and agencies that have little relationship to one another (97 independent PHA's, 35 HOME jurisdictions and 28 Continuums of Care for the homeless). Without an affordable housing "system" in place it is more difficult to implement a state-wide agenda.

A state-wide framework for collaboration and coordination of locally administered resources is needed to facilitate linkages between federal and state funding streams needed to expand supportive housing. This will require organizing the stakeholders at the local level, including representatives of state departments, particularly the Department of Children and Families and Workforce, and a designated regional housing facilitator, trained to maximize available resources. It would be desirable to have a housing facilitator assigned to each Continuum of Care. (Refer to Tennessee model)

Pending Proposals

Recognizing the need for local interagency councils as well as the need to align local, state and federal efforts:

- The Office on Homelessness is seeking funding to organize a series of Policy Academies in 2004 bringing together interagency teams from continuums of care serving similar communities. Three academies are planned, one for large metropolitan areas, one for medium-sized cities, and a third for small cities and rural areas.
- The Florida Supportive Housing Coalition is seeking funding to organize local supportive housing coalitions or networks that would include the homeless as well as other special needs populations at risk of becoming homeless.

Sponsor Agency Capacity and Motivation

Supportive housing is an effective intervention without a rational system to fund it. Hence, developing it is still a Herculean task with considerable risk. In contrast to affordable housing, it requires more effort and time to assemble added layers of funding yet the remuneration calculated as a percentage of total project cost, is much less because projects are smaller.

Existing supportive housing providers who already operate housing with services are the best prospects for undertaking additional development. Mental health centers, public housing authorities, faith-based service providers and statewide or national organizations involved in supportive housing are the most likely candidates to develop supportive housing. With mental health centers and public housing authorities undergoing major changes and threats to their core funding, the interest in undertaking new ventures at this time is limited.

- A joint initiative by the Office on Homelessness and FHFC to publicize the availability of the FHFC Predevelopment Program and the Catalyst program through the Continuum of Care channels. These two programs provide predevelopment funding and technical assistance in one package. (New)
- A regional housing facilitator would be in the best position to assess the capacity and interest of local organizations, determine their capacity building needs, and connect them with available resources. (New – see recommendation under *Integration and Full Utilization* above.)
- FHFC should increase the development fee as a percentage of total development cost to 25% for projects under 100 units to provide a financial incentive to undertake small, work intensive development for the formerly homeless. (New)

It will take time for organizations to gear up and invest the resources required to initiate supportive housing developments. A new organization is expected to apply in the '05 State cycle several others are planning to do so in '06.

