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Permanent Supportive Housing for the Chronically Homeless in the District of Columbia

Unit Generation Program Report

Presented to:

District of Columbia

-Department of Human Services

-Office of the City Administrator

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Executive Summary

In December 2004, the District adopted the *Homeless No More Plan*, designed to improve the quality of life for all residents of the District by preventing and ending homelessness within 10 years (by calendar year 2014). The *Homeless No More Plan* recommends the creation of 6,000 new units of affordable housing to be produced; 2,000 of these units dedicated as permanently supportive housing (PSH) units for chronically homeless individuals and 500 units dedicated as PSH for families with long histories of homelessness. The Office of the City Administrator (OCA) engaged the Corporation for Supportive Housing (CSH) to develop recommendations for the District's chronically homeless PSH unit generation plan.

CSH is a national organization whose mission is to help communities create permanent housing with services to prevent and end homelessness. CSH has approximately one hundred staff located within 13 offices over ten states (California, Connecticut, Illinois, Indiana, Michigan, Minnesota, New Jersey, New York, Ohio and Rhode Island) and the District of Columbia. CSH also operates targeted initiatives and consulting services in other communities around the country. In each of the communities in which it works, CSH serves as both a catalyst - bringing together people, skills and resources, and as a thought leader - designing new programs and policies, creating demonstration models, educating the public, private and nonprofit sector and serving as a leading national advocate for supportive housing.

For the development of this report, CSH worked with District agencies, local developers, service providers, advocates and a working group of local nonprofit and public leaders. This report is intended to assist the District in implementing the PSH unit generation goals for chronically homeless individuals and families as described in the *Homeless No More Plan*. This report accomplishes that by setting unit generation targets, estimating the cost of such unit generation, identifying existing and potential funding resources, determining the funding gap, and recommending next steps.

In summary, this report suggests:

- A manageable definition for the target population that enables the District to serve individuals and families that have long histories of homelessness.
- A housing creation strategy that accesses existing housing through a scattered site / leasing approach and creates new housing through renovation and new construction.
- A unit generation goal spread over a 7-year period to coincide with the end of the 10-year plan period (2014). The report identifies 260 units created since the *Homeless No More Plan* was enacted in December 2004, leaving a balance of 2,240 units to be created.
- An estimate of resource commitments required to generate 2,240 units of PSH for the chronically homeless:
 - Total capital investments: \$168,395,600
 - Annual operating costs (once all units are online): \$31,512,690
 - Annual service costs (once all units are online): \$21,534,500

I. Introduction

In December 2004 the District adopted the *Homeless No More Plan*, a 10-year plan designed to improve the quality of life for all residents of the District by preventing and ending homelessness within 10 years (by calendar year 2014). The *Homeless No More Plan* recommends 6,000 new units of affordable housing be produced over the next 10 years; 2,000 of these units dedicated as PSH units for chronically homeless individuals and 500 units dedicated as PSH for families with long histories of homelessness. The breakdown of these production goals within the *Homeless No More Plan* are outlined below:

<u>Homeless No More Plan New Unit Goals</u>		
Individuals:		
Affordable Units	1,000	
PSH for Chronically Homeless	<u>2,000</u>	
Subtotal		3,000
Families:		
Affordable Units (with or without services)	2,500	
PSH for Long-Term Homeless	<u>500</u>	
Subtotal		<u>3,000</u>
Total Production		6,000

In his *100 Days and Beyond 2007 Action Plan*, Mayor Adrian M. Fenty commits to meeting the District's goal of 2,500 units of supportive housing for the chronically homeless outlined in the *Homeless No More Plan*. Consequently, OCA engaged CSH to develop recommendations for the District's chronically homeless PSH unit generation plan. This report is intended to assist the District in implementing the goal by estimating the cost of such production, identifying existing and potential funding resources, determining the funding gap, and recommending next steps. It should be noted that this report focuses solely on the PSH for the chronically homeless subset of the *Homeless No More Plan* and is not intended to represent the entire universe of PSH housing in the District. A larger plan should be developed by the District that incorporates all of the District's affordable housing goals.

Permanent Supportive Housing (PSH)

CSH defines permanent supportive housing as "a cost-effective combination of permanent, affordable housing with services that helps people live more stable, productive lives". PSH is a proven intervention for individuals and families who are homeless long-term or repeatedly, whose needs often result in frequent and inefficient use of homeless services and increased costs of these systems. The 2,500 units of PSH for the chronically homeless will have a combination of the three essentials: permanent affordable housing, operating subsidy, and supportive services.

The Planning Framework

In November 2007, Mayor Fenty announced his goal to develop a comprehensive implementation and financial plan to advance his commitment to generating 2,500 units of PSH for the chronically homeless. OCA was charged with leading this effort in conjunction with the Department of Human Services (DHS). To help guide the development of the implementation plan, OCA and DHS convened a PSH workgroup consisting of government agencies and offices, advocates, providers, developers and consumers to provide input to the various policy decisions including:

- Revisiting the target population definition;
- Defining a *net new PSH unit*;
- Recommending PSH housing models; and
- Recommending a process for operational implementation.

A list of the PSH workgroup participants is provided in Attachment #1 of this report. With over thirty voluntary participants, the workgroup began meeting on January 10, 2008. A total of three meetings were held prior to the submission of this report. Because the workgroup was so large, it became difficult to make progress towards decision points. Therefore, it is recommended that the workgroup be provided a draft of the plan with the opportunity to provide feedback at a subsequent PSH workgroup meeting. Such feedback should be considered by OCA and DHS before a final plan is endorsed. Going forward, CSH recommends that the District develop a smaller collaborative of government representatives, developers, service providers and advocates for the purpose of providing input to PSH systems change.

II. Targeted Population

The *Homeless No More Plan* identifies the chronically homeless as the target population for 2,500 units of PSH. The *Homeless No More Plan* applied the Department of Housing and Urban Development (HUD) definition for chronically homeless individuals. HUD does not define chronically homeless families and given such, families were not defined in the *Homeless No More Plan*. In considering the homeless population in the District, the general consensus of the PSH workgroup was that the HUD definition is too restrictive – particularly because it does not include individuals and families in transitional housing/temporary housing as chronically homeless.

Homeless No More Plan Definition: Chronically Homeless Individuals - An unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or more OR has had at least four episodes of homelessness in the past three years. Individuals who are in transitional housing or permanent supportive housing programs are not considered chronically homeless even if they have been in the program for more than a year.

CSH Recommended Definition: Long-term homeless individuals and families – Homeless *adults and families* who:

Have chronic health conditions that are at least episodically disabling such as mental illness, substance use issues, and HIV/AIDS, or other substantial barriers to housing stability (e.g., domestic violence, trauma, or history of out-of-home placements), *and*

Have been homeless for long periods of time (one year or more), or repeated stays in the streets, emergency shelters, or other temporary settings, sometimes cycling between homelessness and hospitals, jails, and/or prisons.

The CSH proposed definition would allow the District the flexibility to house individuals and families who are repeated users of the homeless emergency services system, even if they are currently housed in transitional housing programs. The Community Partnership (TCP), the non-profit organization that manages the District's Continuum of Care, supports the eligibility of families in transitional housing for this initiative.¹ However, the current reliance of federal resources that meet the HUD definition tied to federal programs should be considered if the District modifies the chronically homeless definition.

Both the HUD definition and the CSH recommended definition include, but are not limited to, the following homeless populations:

- ❖ Street homeless² – Those persons who currently live on the streets or in abandoned buildings and are reluctant to accept current housing options such as emergency shelters or transitional housing programs, or face barriers in accessing these options due to their substance use, serious illness, or inability or unwillingness to comply with program rules or requirements. Street homeless usually fit into the long-term homeless (chronic and episodic) definition above.
- ❖ Individuals leaving institutional settings³ - Those persons who are leaving settings such as correctional facilities or psychiatric hospitals – a sizeable number of these individuals are very likely to become homeless soon after leaving their former setting if suitable housing is not readily available and accessible.

In addition to the chronically homeless definition for individuals and families, CSH recommends the following definition be applied in determining what qualifies as a PSH unit for the chronically homeless under this initiative:

Net New PSH Unit – A unit of rental housing that is restricted, on or after December 1, 2004, as permanent supportive housing for chronically homeless⁴ individuals or families, and is supported by any amount of government resources.

III. Unit Generation Goal

The *Homeless No More Plan* was adopted in December 2004. Since its adoption, the District has made progress towards the unit generation goal of 2,500 units targeted for chronically homeless individuals and families; this production data is tracked in the Housing Inventory Chart (HIC). TCP maintains the HIC to capture housing production within the homeless service system including shelter beds, transitional housing and PSH. The HIC is updated annually and is comprised of information contained within the Homeless Management Information System (HMIS), combined with information obtained through an annual survey of homeless service providers. The chart below summarizes PSH production for the chronically homeless based on the *net new PSH unit* definition proposed in this report.

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- ¹ “Developing Strategies for Creating Permanent Supportive Housing”. The Community Partnership. 5.
 - ² CSH, National Office.
 - ³ CSH, National Office.
 - ⁴ For this report, the applicable definition for chronically homeless is the CSH recommended definition.

PSH for Chronically Homeless Unit Generation

PSH Unit Generation Goal for Individuals	2,000	
PSH Units Generated Since December 2004	<u>(165)⁵</u>	
Balance Remaining		1,835
PSH Unit Generation Goal for Families	500	
Units Generated Since December 2004	<u>(95)⁶</u>	
Balance Remaining		<u>405</u>
Total PSH Unit Balance		2,240

Housing Creation Strategies

In determining the mix of housing models created through development (new construction and renovation) and units created through leasing, the District should consider the following:

- ❖ *Vacancy rates and market trends:* According to Delta Associates⁷, a national real estate appraisal, consulting, advisory and research firm, the stabilized vacancy rate during 2007 for Class A and Class B apartments in the District was 3.7%, up from 2.9% in 2006. The national stabilized rate was 5.8%. While the District's vacancy rate is not as high as the national average, it has grown since 2005 (2.4%) and 2006 (1.7%)⁸. The higher vacancy rate indicates an opportunity to incorporate a scattered site / leased production strategy into the District's PSH plan. It is important to note that the overall stabilized vacancy rate of 3.7% represents vacancies District wide; vacancy rates will vary throughout neighborhoods. Neighborhoods with higher vacancy rates present greater opportunities for scattered site / leased PSH units. However, placement should be made only where the condition of the housing stock is in good condition.
- ❖ *Need to bring units online quickly:* Development takes a long time – the average development schedule for new construction and rehab is 24-months. The leasing approach will bring units online quickly while the development process progresses.
- ❖ *Integration*⁹: Leasing is often seen as the best means to integrate persons with disabilities seamlessly into the community. However, development projects can successfully achieve integration as well by blending both supportive and affordable units in the same building. Some cities have "mandated" a blend of units in the design of the funding program (for example, setting a requirement that no more than 50% of the units may be targeted to persons with disabilities in projects over 30 units).

• ⁵ See Attachment #2 for a listing of projects.

• ⁶ See Attachment #2 for a listing of projects.

• ⁷ <http://www.deltaassociates.com/content/marketinformation/marketinformation.php#multi>

• ⁸ Downy, Kristin. "Rents Rise as Apartment Market is Squeezed". Washington Post. 5 July 2006. A01

• ⁹ CSH, National Office.

Given the considerations within this section of this report (vacancy rate, need to bring units online quickly and integration), CSH recommends the following production strategy:

Targeted Tenancy	Total Units	Production Strategy by Unit Size					
		Scattered Site / Leased			New Construction and Renovation		
		0 BR	3 BR	Total	0 BR	3 BR	Total
Supportive Housing Units:	2240	1250	217	1467	585	188	773
Chronically Homeless Individuals	1835	1250	0	1250	585	0	585
Chronically Homeless Families	405	0	217	217	0	188	188
TOTAL UNITS:	2240	1250	217	1467	585	188	773

The mix represents approximately 65% scattered site/leased units and 35% newly constructed and/or renovated units. TCP currently contracts with approximately 143 landlords with scattered site housing. Similarly, DMH contracts with over 100 landlords in placing its consumers into housing. Both TCP and DMH are able to quickly identify units through its pool of existing landlords. Growth of the landlord pool, coupled with the additional "set-aside" housing models defined below, makes the leased/scattered site strategy feasible within the District.

CSH recommends that supportive housing be included in the overall housing strategy of the District. Therefore, there should be various models applied to generate PSH units. Below is a list of housing strategies to be included when implementing the *Homeless No More Plan*:

Within the new construction and renovated strategies, housing models should include:

- ❖ *Single site development:*
 - Single purpose developments within the context of the plan and fitting to the neighborhood characteristics.
 - Mixed-income developments.
- ❖ *Scattered site development:* A collection of smaller buildings scattered throughout a neighborhood or area and developed together. It may also involve the purchase of individual condominium units spread among a number of housing developments. Wherever possible, CSH recommends that scattered site units are geographically clustered within a neighborhood to achieve management and service economies.

Within the leasing strategy, housing models should include:

- ❖ *Single site set-aside units:* Multiple units within a larger building where the landlord has specifically "set-aside" the units for the targeted households.
- ❖ *Single site master-leased private market units:* Master leasing involves the leasing of an entire apartment building, or a set of units within a building, by a sponsor organization from a private owner. The sponsor then leases the individual apartments to targeted

households. In some cases, the owner may make renovations to the building to bring it up to code as a condition of entering into the master lease agreement.

- ❖ *Scattered private market units:* Individual apartments leased from private landlords. Units can be houses, a unit within a duplex, or one or more units in apartment buildings. Wherever possible, CSH recommends that scattered site units are geographically clustered within a neighborhood to achieve management and service economies.

Production Timeline

The *Homeless No More Plan* was adopted in December 2004, to end homelessness within 10 years, by 2014. Although the *Homeless No More Plan* clearly states ending homelessness by 2014, it was also intended to be the District's 10-year plan. Since the *Homeless No More Plan* was not adopted until the end of the 2004 calendar year, CSH suggests implementing the production strategy over the next 7 years, through 2014. With limited resources and commitments to housing production outside of PSH for the chronically homeless, a 7-year timeline makes the production goal feasible.

	Unit Production by Year															
	2008		2009		2010		2011		2012		2013		2014		Total by Unit Size	
	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR
New Construction / Renovated Units	20	43	160	40	100	20	80	20	65	25	80	20	80	20	585	188
Scattered Site / Leased Units	350	20	240	40	155	40	140	40	135	25	120	25	110	27	1250	217
TOTAL UNITS GENERATED:	370	63	400	80	255	60	220	60	200	50	200	45	190	47	1835	405

As outlined on the chart above, the initial year of the unit generation plan is 2008. Production in this year is significantly higher than later years because of specific initiatives already underway within the District. These include the Mayors November 2007 commitment to develop 350 units of PSH within 1-year and the development of 4300 12th Street SE, approximately 28-units.

IV. Financing

The financing section of this report estimates resources required to produce 2,240 units of PSH for the chronically homeless population. It should be noted that each project will determine the financing needs based on the unique needs of the project. The financial modeling worksheets attached to this report are intended to recommend a production strategy, estimate the cost and identify potential resources that might be pursued in developing the plan; the financial modeling worksheets do not represent resources or unit commitments that have been dedicated by the District for this report. A summary of cost estimates by year is listed in the table below¹⁰:

- ¹⁰ Worksheet #1, Table #4 outlines when the resources would actually be expended, based on when the units come online. Newly constructed and renovated units are expected to come online two years following the capital financing commitment. Scattered site/leased units are expected to come throughout the year as landlords and sponsors are identified and the resources are committed to the unit.

Summary of Cost Estimates	2008	2009	2010	2011	2012	2013	2014
Leased Units – Move-In Commitments Required:	\$456,000	\$360,000	\$258,000	\$ 240,000	\$ 207,000	\$ 189,000	\$ 180,600
Capital & Acquisition Commitments Required:	\$17,030,000	\$42,000,000	\$24,700,000	\$21,000,000	\$19,775,000	\$21,000,000	\$21,000,000
Operating Commitments Required:	\$6,014,556	\$12,733,116	\$17,179,926	\$21,166,206	\$24,707,406	\$28,157,646	\$31,512,690
Supportive Services Commitments Required:	\$4,093,900	\$8,677,900	\$11,719,900	\$14,453,900	\$16,878,900	\$19,237,400	\$21,534,500
TOTAL FINANCING COMMITMENTS:	\$27,594,456	\$63,771,016	\$53,857,826	\$56,860,106	\$61,568,306	\$68,584,046	\$74,227,790

Capital Costs

To estimate capital costs for newly constructed and renovated units, CSH engaged local developers, lenders, DC Department of Housing and Community Development (DHCD), DC Housing Finance Agency (HFA), DC Office of Property Management (OPM) and the Office of the Deputy Mayor for Planning and Economic Development (DMPED). To estimate costs associated with placement for the scattered site / leasing strategy, CSH engaged TCP.

For newly constructed and renovated units, the average total development cost¹¹ for efficiency and one-bedroom units is \$185,000; the average total development cost for two- and three-bedroom units is \$310,000. For the scattered site / leased units, the average placement cost is \$1,800 for families and \$1,200 for individuals. The average placement cost into leased units includes miscellaneous costs (e.g., move-in expenses, furniture allowances, etc.). It is assumed that units created through the leasing strategy will not require renovation.

Production Strategy	Total Number of Units	Total Development Costs			Development Costs Per Unit	
		0 BR	3 BR	Total	0 BR	3 BR
Leased Units:	1467	\$1,500,000	\$390,600	\$1,890,600	\$1,200	\$1,800
New Construction and Renovated Units:	773	\$108,225,000	\$58,280,000	\$166,505,000	\$185,000	\$310,000
TOTALS:	2240	109,725,000	58,670,600	168,395,600		

Capital expenditures are one-time costs and are expected to occur the year following the initial financing commitment. For this initiative, the majority of the capital expenditures will likely come from DHCD, DMH and DHS (for acquisition costs only).

- **DHCD:** This agency facilitates the coordination and production of affordable housing in the District, overseeing resources including HOME funds, Housing Production Trust Funds (HPTF), Community Development Block Grant (CDBG) funding, Department of Mental Health Capital Grant funds and

¹¹ Total development costs consist of construction costs, development costs, developer fees and acquisition. An annual development cost increase of 3% is assumed throughout the 7-years of the plan. The acquisition assumption is \$35,000 per unit.

the 9% Low Income Housing Tax Credit Dollars. These resources leverage one another, along with private financing, to support affordable development throughout the District.

In the DHCD May 2007 Request for Funding Proposals, DHCD prioritized funding proposals that included developments for special needs populations, such as persons and families moving from shelters to permanent supportive housing.¹² In addition, \$30 million in surplus funding was allocated to the HPTF. Of this, \$11 million was specifically identified for PSH.

DHCD is challenged with balancing the allocation of limited resources across the entire spectrum of affordable housing. To encourage a broad mix of models – as well as mixed-income / mixed-populations – CSH encourages DHCD to develop incentives for the inclusion of PSH units in mainstream affordable housing projects. To implement this inclusion strategy, not only will partnerships between nonprofits developers, property managers and service providers have to be fostered, but the District should promote the engagement of the for-profit affordable housing development community as well; thresholds¹³ for 9% Low Income Housing Tax Credit projects is an example of inclusion. CSH and Enterprise Community Partners performed a state-by-state analysis of 2007 Qualified Allocation Plans and identified two states with PSH unit thresholds; In North Carolina, the greater of 5 units or 10% of total units in the project must be dedicated as PSH. In Louisiana, 5% of the total units in the project must be dedicated as PSH. Both of these states have target populations for PSH. In addition, three states were recognized for promoting PSH with a modified threshold model; Maine – all developments must have a resident services coordinator; Massachusetts – requires all developments to reserve 10% of the units at or below 30% of AMI; and Oregon – requires submission of a resident services plan for all developments.¹⁴

- **DMH:** The Department of Mental Health recently entered a Memorandum of Understanding with DHCD, where DHCD will oversee DMH capital funding of approximately \$14 million. A significant percentage of the chronically homeless population is severely mentally ill. In the 2007 Continuum of Care point-in-time count, TCP reports 1,439 chronically homeless individuals in shelters and 321 chronically homeless individuals unsheltered. In the same report, TCP documents 777 severely mentally ill individuals in shelters and 148 severely mentally ill individuals unsheltered and homeless.¹⁵ Therefore, CSH recommends DMH dedicate a portion of its capital dollars for the chronically homeless population with mental illness.
- **DMPED:** The Deputy Mayor for Planning and Economic Development Office develops and oversees most of the housing initiatives in the District; this is a prime opportunity to include PSH. DMPED has nine key initiatives for development and revitalization of the District. New Communities is one of the key initiatives that could include PSH. For example, the Barry Farms/Park Chester/Wade Road New Communities Revitalization Plan calls for 654 replacement units along with affordable and market-rate units for a total of 1,110-units. Similarly, the Lincoln Heights/Richardson Dwelling New Communities Revitalization Plan will be a mix of replacement units, affordable units, and market-rate units for a total of 1,469-units. With public subsidy for

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- ¹² Request for Proposals. District of Columbia Department of Housing and Community Development. 11 May 2007. 11.
 - ¹³ A specific threshold requirement where only the developers committing to the requirement will be eligible to receive Low Income Housing Tax Credits.
 - ¹⁴ Tassos, James. Housing Credit Policies in 2007 that Promote Supportive Housing. November 2007. 8-9.
 - ¹⁵ Washington DC Continuum of Care 2007 Application. Exhibit 1. HUD Form-40090-01. 33.

capital and operating costs already allocated to these significant neighborhood revitalizing plans, the District has an opportunity to include PSH by (1) committing service dollars for a portion of the units and additional operating dollars (2) facilitating for-profit developer and service provider partnerships. In these two examples, even if only 5% of the units were targeted for the chronically homeless population, 129-units would be produced. PSH inclusion of this sort will maximize leveraging of local and federal public funds such as Tax-Increment Financing and HUD HOPE VI financing, as well as private resources. This strategy will also encourage integrating PSH into mixed income settings and populations.

- **HFA:** The Housing Finance Agency oversees the tax-exempt mortgage revenue bond program and allocates 4% Low Income Housing Tax Credits. Typically, PSH projects are small in scale and do not yield enough units to support the pricey bond issuance costs and debt service during operations. CSH recommends that the HFA consider a product to issue bonds over multiple developments. This product could be modeled after Industrial Development Agencies and lenders that have used this strategy in areas, such as rural areas, where projects are small with lower income targeting.

Operating Subsidy

Operating subsidy is the resource required to assist individuals and families in paying rent. CSH recommends that individuals and families in the District’s PSH do not pay more than 30% of Area Median Income (AMI). Considering the targeted number of units to be generated over the next 7 years, CSH calculates the estimated operating subsidy as follows:

Production Strategy	No. of Units			Fair Market Rate Rent		Annual Subsidy Costs for Units
	Total	0 BR	3 BR	0 BR	3 BR	
Leased Units:	1467	1,250	217	\$1,097	\$1,516	\$20,395,164
New Construction and Renovated Units:	773	585	188	\$1,097	\$1,516	\$11,117,526
TOTALS:	2240	1,835	405			\$31,512,690

Based on FMR, the above table estimates an annual cost of \$31,512,690 once all 2,240 units of the newly generated PSH are in place. These estimates are based on FMR and do not incorporate the 30% of income contribution from the tenant.

Of the District’s existing resources, CSH recommends allocating a portion of the Local Rent Subsidy Dollars and the Housing Choice Vouchers towards this initiative.

- **Local Rent Supplement Program (LRSP):** In fiscal year 2007, the District of Columbia Housing Authority (DCHA) received \$11.8 million in LRSP. Of that, \$6.5 million (for approximately 600 vouchers) was allocated to tenant-based vouchers and \$4 million was allocated to project / sponsor based. Although these dollars were allocated, they were not all spent. CSH recommends that the Administration identify the dollar amount that was not used and use it towards one-time expenditures under the chronically homeless PSH plan.

In fiscal year 2008, DCHA received \$19.2 million in LRSP. Of this, \$7.4 million is new program funding. This new funding was allocated between tenant-based (\$2.2 million)

and project / sponsor based (\$5.1 million). DCHA issued a Request for Proposal (RFP) for this subsidy in January 2007. The RFP closed in February 2008. DCHA awarded bonus points to projects / sponsors that agreed to accept chronically homeless referrals that will contribute towards the chronically homeless PSH initiative.

- **Department of Mental Health (DMH):** DMH receives approximately \$5.5 million annually to fund its Housing Bridge Subsidy Program. Through this program approximately 675 clients have been served. In 2009, DMH anticipates serving an additional 45 clients. DMH also operates a Supported Independent Living (SIL) Program funded at \$2,293,382 for fiscal year 2008 and \$2,523,975 for the 2009 fiscal year. SIL serves approximately 461 clients. As discussed in the capital financing section of this report, a portion of these dollars should be allocated towards PSH units for chronically homeless persons with mental illness.
- **HUD Funding:** H.R. 2764, the Consolidated Appropriations Act, was signed into law in December 2007. This bill provides \$37.6 billion for HUD, which is \$1.4 billion more than previous funding. This budget includes \$1.586 billion for the McKinney-Vento homeless assistance program and \$16.4 billion for the Section 8 Tenant-Based Rental Assistance program which will allow for an additional 14,300 new vouchers, including \$75 million for Veterans Administration Supportive Housing (HUD-VASH) vouchers and \$20 million for Family Unification Program (FUP) vouchers. These resources should be pursued for PSH in the District.

Supportive Services

The intensity of the service delivery strategies should be based upon the expected service needs of the target population(s), and will vary by the depth/breadth of services and the length of time services are typically offered/accessed. Below are descriptions of various levels of services intensity¹⁶.

1. Highly Intense Services

- *Types of services provided:* Case management, mental health, substance use treatment, prevocational and vocational services, parenting skills classes, age-appropriate services for children in families, transportation and recreational programs, access to health and dental care, and services to support housing retention.
- *Recommended ideal case management ratio:* 1 to 10-15 for singles, 1 to 6-8 for families.
- *Length of services:* Services are available for as long as needed by the individual or family. Case managers typically meet with clients at least once per week.
- *Services configuration based on housing model:*
 - *Single site:* On-site service provider(s), including case managers, and/or mobile service team (often modeled on Assertive Community Treatment teams). Community-building and educational activities coordinated on-site.
 - *Scattered sites or units:* Case managers who travel to tenants' units, and/or mobile service teams (often modeled on Assertive Community Treatment teams). Additional community-building and educational activities are generally offered at the service provider's office or in a community space.

• ¹⁶ CSH, National Office.

2. Medium Intensity

- *Types of services provided:* Case management, services to support housing retention, and linkages to mainstream resources.
- *Length of services:* Typically, lead service provider sees tenant weekly for six months to a year, at less frequent intervals (such as once a month) for a one to two-year period thereafter, and then on an as-needed basis to support tenant connections to community-based services.
- *Services configuration:*
 - *Single site:* On-site service provider(s), including case managers, and/or mobile service team. Community-building and educational activities coordinated on-site.
 - *Scattered sites or units:* Case managers who travel to tenants' units, and/or mobile service teams. Additional community-building and educational activities are generally offered at the service provider's office or in a community space.

3. Low Intensity

- *Types of services provided:* Housing assistance, limited case management and linkages to mainstream resources
- *Length of services:* Duration of services typically limited by tenant but can be quickly reactivated if necessary.
- *Services configuration:* Services are provided in tenants' homes by individual case manager or a mobile service team at single or scattered sites, or tenants can access services at the provider's office. Community-building activities may be limited, and tenants are likely referred to community-based resources for any educational activities.

Supportive Service Costs

Targeted Tenancy	No. of Supportive Housing Units	Annual Cost Per Unit	Total Annual Cost
Single Adults and/or Youth:			
High Service Intensity	1,101	\$10,000	\$11,010,000
Medium Service Intensity	551	\$8,000	\$4,404,000
Low Service Intensity	184	\$4,000	\$734,000
Individuals Average		\$8,800	
Families with Children:			
High Service Intensity	243	\$15,000	\$3,645,000
Medium Service Intensity	122	\$12,000	\$1,458,000
Low Service Intensity	41	\$7,000	\$283,500
Families with Children Average:		\$13,300	
TOTALS:	2,240		\$21,534,500

The above matrix assumes that, of the total population (individuals and families) served through the production of these units, 60% will receive highly intense PSH services, 30% will receive services at medium intensity, and 10% will require services at low-intensity. These assumptions are assumed over the

entire term of stay, in other words, individuals and families may receive services at various levels over time as their needs change, but it is estimated that the above represents an average of what can be expected throughout the overall program.

V. Engaging the Philanthropic Community

The philanthropic community should be engaged to create a funding stream for financing supportive housing. The District should establish a collaboration of organizations, who are dedicated to supportive housing, to design a PSH fund that could be used to cover some of the gaps in PSH financing. The District should also contribute to this fund with "savings" associated with the homeless system. For example, equity from the sale of property formerly dedicated for shelters and administrative savings from decreased shelter use as the availability of PSH increases and is used to permanently place individuals and families.

VI. Summary of CSH Recommendations in this Report

- Rollout a draft of the District plan for chronically homeless PSH, providing an opportunity for the PSH workgroup to provide feedback.
- Create a housing plan that incorporates all of the District's affordable housing goals.
- Amend the *Homeless No More Plan* definition of chronic homelessness individuals and families.
- Apply the recommended *net new PSH unit* definition as the rule for determining the number of units generated under the chronically homeless PSH initiative.
- Develop a smaller collaborative of government representatives, developers, service providers and advocates for the purpose of providing input to PSH systems change.
- Include various models within the PSH unit generation plan, including single site, scattered site and mixed income.
- Implement the production strategy over next 7 years, with 2008 as the initial year.
- Develop incentives, such as thresholds for tax credit projects, to encourage the inclusion of PSH units in mainstream affordable housing projects.
- Incorporate PSH into neighborhood revitalization initiatives under the DMEPD.
- Identify the LRSP dollar amount that was not used in 2007 and use it towards one-time expenditures towards the chronically homeless PSH initiative.

VII. Next Steps & Additional Recommendations

This report is intended to provide direction in implementing the District's *Homeless No More Plan*. The next step towards fulfilling the District's PSH goal is putting a plan into operation.

Next steps should include:

- Identify a point person in each agency that will be the PSH contact person who is versed in the agency budget, systems, and policies.
- Establish an Interagency Memorandum of Understanding (MOU) between the agencies that have committed to capital, operating and service financing. At minimum, this should include DHS, DMH, DCHA and DHCD. Create a system to annually review available resources to be dedicated or directed to the creation of PSH.
- Develop a comprehensive financing RFP to create a streamlined application approach to financing. Not only will this help developers navigate funding applications, it will also bring units online faster.

- Participate in peer-to-peer exchanges with other cities to foster innovative ideas and learn from promising practices.
- Develop procedures for the referral process for the chronically homeless PSH units including investing in outreach and engagement that is tied to placement.
- Develop a quality assurance system to monitor the District's investment into the PSH stock. Incorporate an annual review of the PSH plan into the monitoring system.
- The Affordable Housing Alliance, Coalition for Nonprofit Housing & Economic Development, Fair Budget Coalition and the Washington Legal Clinic for the Homeless have been working together over the past several years in support of a system for PSH. In February 2008, this group sent a letter¹⁷ to Mayor Fenty with objectives to be considered in developing the PSH plan. CSH recommends the administrative consider the objectives as policy is developed to implement a unit generation plan. Specifically:
 - Develop long-term affordability under covenants that guarantee affordability ensuring that residents receive affordable housing and services for as long as they need it and funding is available;
 - Develop 2,500 units of PSH for the chronically homeless as well as other housing for the balance of the homeless population and those at-risk of homelessness;
 - Develop the majority of housing in mixed-income and mixed-population developments to avoid concentration of extreme poverty;
 - Develop a financing plan for the entire unit goal (6,000 units) in the *Homeless No More Plan*;
 - Incorporate consumer choice in the development of policy;
 - In considering the operational development of the PSH plan, develop a process to address changes in consumers household needs – for example, family size growing thus requiring a larger unit; and
 - Participate in capacity building to ensure that the plan is implemented with services that are designed to meet consumer needs and be delivered within the various housing models incorporated into the plan.
- In July 2007, Mayor Fenty announced the creation of approximately \$117million, annually in new revenue, to finance the creation and preservation of affordable housing throughout the District. A portion of the dollars generated should be committed to the creation and preservation of PSH.
- In August 2006, the Comprehensive Housing Strategy Task Force issued its housing strategy report, *Homes for an Inclusive City: A Comprehensive Housing Strategy for Washington, DC*. This report included nine specific recommendations to integrate housing for persons with special needs into all types of housing in neighborhoods throughout the city.¹⁸ These recommendations should be incorporated into the District's affordable housing plan.

• ¹⁷ Affordable Housing Alliance, Coalition for Nonprofit Housing & Economic Development, Fair Budget Coalition, Washington Legal Clinic for the Homeless. Letter to Mayor Adrian M. Fenty. 29 February 2008.

• ¹⁸ Comprehensive Housing Task Force. *Homes for an Inclusive City: A Comprehensive Housing Strategy for Washington, DC*. August 2006. 43-45.



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March-08
Worksheet #1: Program Summary and Timeline

Table 1: Unit Generation Plan Summary	
TOTAL NUMBER OF UNITS:	2240
TIME FRAME IN YEARS:	7

	Unit Production by Year														Total Units				
	2008		2009		2010		2011		2012		2013		2014			Total by Unit Size			
	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR		0 BR	3 BR		
New Construction / Renovated Units	20	43	160	40	100	20	80	20	80	20	65	25	80	20	80	20	585	188	773
Scattered Site / Leased Units	350	20	240	40	155	40	140	40	135	25	120	25	110	27	1250	217	1467		
TOTAL UNITS GENERATED:	370	63	400	80	255	60	220	60	200	50	200	45	190	47	1835	405	2240		

	Financing Commitments by Year										Total Costs
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Scattered Site/Leased Commitments:	\$456,000	\$360,000	\$258,000	\$240,000	\$207,000	\$189,000	\$180,600	\$189,000	\$180,600	\$1,890,600	
Capital & Acquisition Commitments:	\$17,030,000	\$42,000,000	\$24,700,000	\$21,000,000	\$19,775,000	\$21,000,000	\$21,000,000	\$21,000,000	\$21,000,000	\$166,505,000	
Operating Commitments:	\$6,014,556	\$12,733,116	\$17,179,926	\$21,166,206	\$24,707,406	\$28,157,646	\$31,512,690	\$31,512,690	\$31,512,690	\$141,471,546	
Supportive Services Commitments:	\$4,093,900	\$8,677,900	\$11,719,900	\$14,453,900	\$16,878,900	\$19,237,400	\$21,534,500	\$21,534,500	\$21,534,500	\$96,596,400	
TOTAL FINANCING COMMITMENTS:	\$27,594,456	\$63,771,016	\$53,857,826	\$56,860,106	\$61,568,306	\$68,584,046	\$74,227,790	\$74,227,790	\$74,227,790	\$406,463,546	

	Financing Expenditures by Year										Expenditures
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Scattered Site/Leased Expenditures:	\$456,000	\$360,000	\$258,000	\$240,000	\$207,000	\$189,000	\$180,600	\$189,000	\$180,600	\$1,890,600	
Capital & Acquisition Expenditures:	\$0	\$17,030,000	\$42,000,000	\$24,700,000	\$21,000,000	\$19,775,000	\$21,000,000	\$21,000,000	\$21,000,000	\$166,505,000	
Operating Financing Expenditures:	\$2,277,523	\$7,226,026	\$11,507,421	\$16,992,912	\$21,045,641	\$24,578,612	\$27,867,149	\$30,096,210	\$31,512,690	\$173,104,181	
Services Financing Expenditures:	\$1,533,583	\$4,881,723	\$7,839,160	\$11,598,490	\$14,367,057	\$16,780,887	\$19,038,224	\$20,564,500	\$21,534,500	\$118,138,125	
TOTAL FINANCING EXPENDITURES:	\$4,267,106	\$29,497,749	\$61,604,581	\$53,531,402	\$56,619,698	\$61,323,499	\$68,085,973	\$71,660,710	\$53,047,190	\$459,637,906	

Table 1: Targeted Tenancy by Production Strategy and Unit Size

Targeted Tenancy	Total Units	Production Strategy by Unit Size					
		Scattered Site / Leased			New Construction and Renovation		
		0 BR	3 BR	Total	0 BR	3 BR	Total
Supportive Housing Units:	2240	1250	217	1467	585	188	773
Chronically Homeless Individuals	1835	1250	0	1250	585	0	585
Chronically Homeless Families	405	0	217	217	0	188	188
TOTAL UNITS:	2240	1250	217	1467	585	188	773

Table 2: Mix of Permanent Supportive Housing and Affordable Housing Units (By Building)
Note: This Table describes the unit mix for the newly constructed and rehabilitated buildings only.

Building Size	Unit Mix				Year Online
	Supportive Housing Units		Scattered Site / Leased		
	0 BR	3 BR	0 BR	3 BR	
20 Units (Set-Aside or Mixed)	20				2008
43 Units (2 Buildings)		43			2008
160 Units (Set-Aside, Mixed or Multiple Single Site)	160				2009
40 Units (Set-Aside, Mixed or Multiple Single Site)	40				2009
100 Units (Set-Aside, Mixed or Multiple Single Site)	100				2010
20 Units (Set-Aside, Mixed or Multiple Single Site)	80	20			2010
80 Units (Set-Aside, Mixed or Multiple Single Site)	80				2011
20 Units (Set-Aside, Mixed or Multiple Single Site)	65	20			2011
65 Units (Set-Aside, Mixed or Multiple Single Site)	65				2012
25 Units (Set-Aside, Mixed or Multiple Single Site)	80	25			2012
80 Units (Set-Aside, Mixed or Multiple Single Site)	80				2013
20 Units (Set-Aside, Mixed or Multiple Single Site)	80	20			2013
80 Units (Set-Aside, Mixed or Multiple Single Site)	80				2014
20 Units (Set-Aside, Mixed or Multiple Single Site)	20	20			2014
TOTAL NEW CONSTRUCTION AND REHABILITATION UNITS:	585	188	0	0	

Total Number of Units Planned:	2240
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Production Strategy	Total Number of Units	Total Development Costs			Development Costs Per Unit	
		0 BR	3 BR	Total	0 BR	3 BR
Leased Units:	1467	\$1,500,000	\$390,600	\$1,890,600	\$1,200	\$1,800
New Construction and Renovated Units:	773	\$108,225,000	\$58,280,000	\$166,505,000	\$185,000	\$310,000
TOTALS:	2240	109,725,000	58,670,600	168,395,600		

Building Size	Unit Mix						Year	
	Supportive Housing Units		Total Development Costs					
	0 BR	3 BR	0 BR	3 BR	Building	Year		
63 Units; Multiple Buildings	20	43			\$3,700,000	\$13,330,000	\$17,030,000	2008
200 Units; Multiple Buildings	160	40			\$29,600,000	\$12,400,000	\$42,000,000	2009
120 Units; Multiple Buildings	100	20			\$18,500,000	\$6,200,000	\$24,700,000	2010
100 Units; Multiple Buildings	80	20			\$14,800,000	\$6,200,000	\$21,000,000	2011
90 Units; Multiple Buildings	65	25			\$12,025,000	\$7,750,000	\$19,775,000	2012
100 Units; Multiple Buildings	80	20			\$14,800,000	\$6,200,000	\$21,000,000	2013
100 Units; Multiple Buildings	80	20			\$14,800,000	\$6,200,000	\$21,000,000	2014
773 TOTAL NEW CONSTRUCTION AND RENOVATED UNITS:	585	188			\$108,225,000	\$58,280,000	\$166,505,000	



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Worksheet #4: Capital Sources for New Construction and Renovated Units

Total Number of Units Planned for New Construction or Renovated:	773
Total Development Costs for New Construction and Renovated Units:	\$166,505,000

Table 1: Sources of Capital Financing and Amounts Required for New Construction and Renovated Units			
<i>Note: The following information is based upon assumptions regarding the portion of the total development costs that each source will cover based upon the typical structuring of such projects.</i>			
Type of Financing / Financing Source	Terms of Financing	Amount of Financing Per Unit	Total Amount of Financing
Low Income Housing Tax Credits	Equity	\$10,770	\$8,325,250
DHCD Supplemental Housing Trust Funds	TBD	\$38,810	\$30,000,000
DHCD Capital Dollars	TBD	\$45,278	\$35,000,000
DMH Capital Dollars	TBD	\$4,398	\$3,400,000
DHS Acquisition Dollars	TBD	\$45,278	\$35,000,000
LRSP - Unused Fund	TBD	\$6,468	\$5,000,000
HUD's Supportive Housing Program	TBD	\$2,587	\$2,000,000
DHS Housing First Fund	TBD	\$21,604	\$16,700,000
TOTAL CAPITAL FINANCING:			\$135,425,250
TOTAL DEVELOPMENT COSTS FOR NEW CONSTRUCTION AND REHABILITATION UNITS (FROM WORKSHEET #3):			\$166,505,000
GAP IN CAPITAL FINANCING SOURCES:			\$31,079,750



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Worksheet #5: Operating Subsidy Sources for All Supportive Housing Units

Total Number of Supportive Housing Units Planned for Production:

Table 1: Sources of Operating Subsidies and Amounts Required for All Supportive Housing Units

Note: This Table documents the operating subsidy sources required for the first year all supportive housing units are online, based upon current Fair Market Rate Rents. It will be necessary to project cost increases for future years of operations.

Sources	# of Supportive Housing Units		Fair Market Rent		Average Subsidy Per Unit	Total Annual Subsidies for Units (Year 1)
	0 BR	3 BR	0 BR	3 BR		
Allocated Federal Vouchers	TBD	TBD	\$1,097	\$1,516	TBD	\$5,495,000
Local Rent Supplement	240	60	\$1,097	\$1,516	\$14,165	\$4,249,440
TCP CH Initiative	127	76	N/A	N/A	\$12,547	\$2,547,026
DHS Housing First Fund	TBD	TBD	\$1,097	\$1,516	TBD	\$4,519,400
DMH Bridge Subsidy	TBD	TBD	N/A	N/A	TBD	\$1,100,000
DMH Supported Living	TBD	TBD	N/A	N/A	TBD	\$458,677
DMH Residential Facilities	TBD	TBD	N/A	N/A	TBD	\$1,649,237
TOTALS:						\$20,018,780
TOTAL SUBSIDIES NEEDED FOR ALL UNITS FOR YEAR 1 (FROM WORKSHEET #5):						\$31,512,690
GAP IN OPERATING SUBSIDIES FOR YEAR 1:						-\$11,493,910



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Worksheet #6: Supportive Services Costs and Sources for All Supportive Housing Units

Number of Supportive Housing Units Requiring Supportive Services:	2240
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Table 1: Annual Service Costs for Supportive Housing Units (By Targeted Tenancy)			
<i>Note: This Table documents the services costs for the first year all units are online, based upon current data. It will be necessary to project service cost increases for future years of operations.</i>			
Targeted Tenancy	# of Supportive Housing Units	Annual Cost Per Unit	Total Annual Cost
Single Adults and/or Youth:			
High Service Intensity	1,101	\$10,000	\$11,010,000
Medium Service Intensity	551	\$8,000	\$4,404,000
Low Service Intensity	184	\$4,000	\$734,000
Individuals Average			
Families with Children:			
High Service Intensity	243	\$15,000	\$3,645,000
Medium Service Intensity	122	\$12,000	\$1,458,000
Low Service Intensity	41	\$7,000	\$283,500
Families with Children Average:			
TOTALS:		2,240	\$21,534,500

Table 2: Annual Services Sources and Calculation of Gap in Services Financing			
Funding Source	Terms	# of Supportive Housing Units Served	Annual Amount Per Unit
DMH	TBD	TBD	TBD
DHS HUD Grants	TBD	TBD	TBD
DHS - TANF	TBD	TBD	TBD
DHS Housing First Fund	TBD	TBD	TBD
TOTALS:			\$13,319,575
TOTAL SERVICE COSTS FOR YEAR 1 (FROM TABLE #1 ABOVE):			\$21,534,500
GAP IN SERVICES SOURCES FOR YEAR 1:			-\$8,214,925

PSH Work Group Meeting,

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ATTACHMENT #2: Unit Production December 2004 - December 2007

SECTION I: Chronically Homeless Targeted Projects - Individuals		
<u>Sponsor</u>	<u>Program</u>	<u>No. of Units</u>
Pathways to Housing	Serial Inebriates	36
Pathways to Housing	Chronically Homeless Initiative I	40
Green Door	Chronically Homeless Initiative II	26
Pathways to Housing	Chronically Homeless Initiative III	31
Green Door	Chronically Homeless Initiative III	4
Community Connections	Chronically Homeless Initiative III	5
Community Council for Homeless	HUD Permanent Housing	11
US Veterans	Ignatia House	12
	TOTAL	165
Homeless No More Commitment for Individual Units		2,000
Less Total Produced to Date (listed above)		(165)
Balance Remaining		1,835
SECTION II: Chronically Homeless Targeted Projects - Families		
<u>Sponsor</u>	<u>Program</u>	<u>No. of Units</u>
Building Futures	HOPWA	9
House of Ruth	Hope Rising	12
The Community Partnership	Shelter Plus Care	74
	TOTAL	95
Homeless No More Commitment for Individual Units		500
Less Total Produced to Date (listed above)		(95)
Balance Remaining		405