

DESIGNING A MASSACHUSETTS SUPPORTIVE HOUSING PRODUCTION INITIATIVE

A concept for a state-led, interagency program to finance the production of new permanent supportive housing



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THIS CONCEPT PIECE is a project of the Western Massachusetts Supportive Housing Initiative. The goals of the initiative are to 1) improve the integration of supportive housing services into affordable housing developments that have units targeted to individuals and families who are chronically homeless or at risk of homelessness, and 2) ensure the long-term commitment of funding for appropriate support services. The initiative is sponsored by HAPHousing and the Western Massachusetts Nonprofit Developers Group, a coalition of twenty organizations that develop or help finance affordable and supportive housing in western Massachusetts. This project is funded by a 2008 Production Support Program - Capacity Innovation Grant of the Massachusetts Housing Partnership.

The opinions and recommendations contained in this report are those of the authors and not meant to represent those of any public or private agency or individual mentioned within it.

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INTRODUCTION

In December 2007, the Massachusetts Commission to End Homelessness recommended a broad based housing plan to end homelessness in the commonwealth. Within its recommendations, the plan calls for creating permanent supportive housing opportunities for people with the longest histories of homelessness, and creating a “one stop shopping” mechanism for funding supportive housing. As the Commission’s plan was under development, a number of local communities across the state also established plans to end homelessness with the development of new permanent supportive housing as a key element. The reason for the widespread interest in supportive housing is that there is clear evidence that it works in ending homelessness among individuals and families with the most complex needs. So how do we produce more of it?

Permanent supportive housing can be created in two ways. The first is through the leasing of existing apartments, providing the tenant with assistance in paying rent (usually via a portable rent subsidy), and offering individualized support services. This is the approach utilized in several existing and successful supportive housing programs within Massachusetts, including Home and Healthy for Good¹, the Housing Options Program², Western Massachusetts’ REACH³ program, and the CSPECH⁴ program of the Massachusetts Behavioral Health Partnership (“MBHP”). Leasing approaches offer a high degree of flexibility in location and the ability to place people quickly into housing.

The second way to create supportive housing is the development of new apartments (through property acquisition, new construction, and/or rehabilitation), providing the housing at affordable rents through place-based subsidies, and offering individualized support services, some of which may be located on site. Development approaches take longer, but add to the stock of supportive housing that is available for the long term. When developed by mission-driven nonprofit housing organizations working in partnership with local service agencies, the housing holds several advantages for tenants and funding agencies: longer-term affordability, less

Supportive housing is decent, safe, affordable community-based permanent housing providing tenants with the rights of tenancy and linked to voluntary and flexible supports and services designed to meet tenant needs. It is a proven, effective means of reintegrating families and individuals with chronic health challenges into the community by addressing their basic needs for housing and ongoing support. Supportive housing comes in all shapes and sizes, and is designed to meet the needs of both the people to be served and the communities where it is located.

discrimination, more convenient access to services, better control over housing quality, and less tenant isolation.

The nonprofit housing development community could play a critical role in ramping up the production of permanent supportive housing. Grounded in local community development efforts and experienced in navigating the state’s housing development programs, nonprofit developers are a natural partner for local service organizations that lack experience or capacity in housing development.

Enlisting more nonprofit housing developers in this work is possible if several barriers to creating supportive housing are addressed in the way that supportive housing is funded.⁵ The pages that follow articulate a vision for a model supportive housing production program that would address these barriers. The concept is presented here to provide a platform for discussion and planning among agencies and stakeholders on what it would take to significantly increase the production of supportive housing over the next 3-4 years and how it could be financed. During planning, aspects of the concept could be tested on individual projects currently in development. Following the program description are recommendations for next steps to move from a program concept to an actual program.

PROGRAM CONCEPT: MASSACHUSETTS SUPPORTIVE HOUSING PRODUCTION INITIATIVE

I. OVERVIEW

The proposed Massachusetts Supportive Housing Production Initiative (“SHPI”) is designed to create permanent, affordable, service-enriched housing opportunities for individuals and families facing long-term or repeated homelessness. The purpose of SHPI is to enable the households to stabilize their lives and to regain a stake in their communities.

SHPI would be a collaborative program sponsored by the Massachusetts Department of Housing and Community Development (“DHCD”), MassHousing, the Department of Mental Health (“DMH”), the Department of Public Health (“DPH”), the Department of Children and Families (“DCF”), the Department of Transitional Assistance (“DTA”), the Interagency Council on Homelessness and Housing (“ICHH”), and the Massachusetts Housing Partnership (“MHP”). The program would provide capital financing, project-based rental assistance, and support service funding for permanent supportive housing development projects sponsored by nonprofit organizations.

Through the program, several funding resources would be available through a single Request for Proposals (“RFP”). These would work in tandem: 1) capital funding through DHCD, MHP and/or MassHousing; 2) federal and state project-based rental assistance through DHCD and local housing authorities; and 3) service funding through DHCD, DMH, DPH, DCF and DTA. The RFP would be issued once each year. The goal would be to fund at least 300 new SHPI housing units statewide each year. DHCD would be the point of entry for all funding applications under the RFP.

SHPI would leverage additional resources from the federal government (through agencies such as the U.S. Department of Housing and Urban Development (“HUD”), the Veterans Administration (“VA”), and the Substance Abuse and Mental Health Services Administration (“SAMHSA”) and from local housing authorities, municipalities, one-stop employment centers, and community service agencies.

An Interagency Supportive Housing Taskforce, a committee of the ICHH, would review and rank applications received under the RFP. The Taskforce members would include staff from DHCD, MHP, MassHousing, DMH, DPH, DCF, and DTA.

Successful applicants would receive an invitation to proceed, which constitutes a reservation of capital, rental assistance, and service funding for their projects. Upon receipt of the invitation to proceed, applicants would be expected to make timely progress toward obtaining a final commitment of financing from DHCD, closing on the financing, completing development, and placing the developed units in service.

II. TARGET POPULATIONS

SHPI projects would serve individuals and/or families facing homelessness along with other adults and families in an appropriate mix as described below. Adults and families may be mixed in a single development project.

ADULTS

The adult component of SHPI would create new permanent supportive housing units serving single adults facing frequent or long term homelessness. Many of these supportive units for adults would be integrated within larger developments that also provide new affordable housing units.

Context

At any one time, close to half of the beds and resources of emergency shelters are dedicated to serving individuals experiencing frequent or long-term homelessness, even though they comprise only about 20 percent of homeless adults served by the shelters over the course of a year.⁶ They are often among the “high-end” users of crisis and inpatient service systems. As municipalities struggle to respond to increasing homelessness and the impacts on community quality of life, the gridlock and overcrowding within the shelters has become a paramount concern.

Massachusetts Supportive Housing Production Initiative

Development of at least 300 units each year through multifamily projects offering a blend of supportive and affordable housing.
One-stop funding through joint Request for Proposals issued by state-level interagency collaborative.

Adults

Families

Target Populations

Homeless or at risk of homelessness, multiple barriers to housing stability
Priority for projects serving chronically homeless adults or young adults transitioning from youth systems

Homeless or at risk of homelessness, multiple barriers to housing stability
Priority for projects serving families experiencing frequent homelessness or domestic violence, DCF-involved families, or families headed by young adult mothers transitioning from foster care

Unit Creation Goals

At least 150 units each year, of which 75 are for target adults

At least 150 units each year, of which 75 are for target families

Key Features

- Housing development by nonprofit housing developers working in partnership with community providers of support services
- Single or multi-site developments ranging in size from 8-40 apartments, depending on community context
- Apartments for target families and individuals integrated with other affordable apartments
- All tenants have access to non-clinical, housing-based case management supports
- Specialized services available to target adults, including health, behavioral health, and vocational supports
- Service providers proactively reach out to tenants, but tenants' use of services is not a condition of ongoing tenancy

Benefits to the Commonwealth and Communities

- Targets households frequently involved with crisis or child welfare systems, and provides a more stable, cost-effective option
- Saves dollars and resources otherwise spent on repeated emergency, crisis, and inpatient care
- Increases the supply of permanent supportive housing - a proven means of ending homelessness for vulnerable households
- Forges working partnerships between the human service and housing sectors at the state and community levels

Serving chronically homeless individuals within housing, however, requires a deep understanding of their needs and solid skills and experience in assertive engagement and in providing permanent supportive housing. It also requires clear strategies for ensuring that their health needs are addressed. Lifetime mental health problems have been found in over 60 percent of chronically homeless people, and greater than 80 percent have experienced lifetime alcohol and/or drug problems.⁷ Many have chronic medical conditions, and these conditions may have gone untreated.

Chronically homeless adults are more likely to be disconnected from mainstream treatment systems. For this reason, many are not enrolled in benefit programs for which they may qualify, such as Social Security Disability Insurance (“SSDI”), Supplemental Security Income (“SSI”), and Medicaid. Disability claimants who are homeless are denied benefits at significantly higher rates than other claimants, often because they cannot negotiate the arduous application process, rather than for lack of severe impairments that meet disability criteria.

People with long histories of homelessness are more likely to be isolated, alienated from their families, and resistant to help. However, they can move directly from homeless settings to housing with supportive services where there are few barriers to entry (called “low demand” supportive housing) and remain stably housed. Research has shown that 80 percent or more of formerly chronically homeless people who move into supportive housing remain housed one year later, and 3 of 4 are still housed two years out.⁸ Low demand supportive housing avoids complex application processes, does not require applicants to be “housing ready”, and does not place conditions on tenancy other than what is in the lease. Participation in services is not a condition of continued occupancy.

Once in supportive housing, individuals are able to access the help they need to apply for benefits, and many become enrolled. This opens the door for a portion of supportive housing service costs to be reimbursed with Medicaid dollars.

Supportive housing also plays a role in preventing chronic homelessness by offering a stable option for young adults transitioning from foster care who are at high risk of homelessness, especially those with disabling conditions or complex

needs. Effective supportive housing services engage young adult tenants as partners, providing connections to mentors and offering opportunities for tenants to learn and practice independent living skills.

Target Adults

A “Target Adult” eligible for a SHPI supportive housing unit would be defined as an individual (age 18 and older) who:

- Is homeless⁹ or at risk of homelessness¹⁰; and
- Has multiple barriers to housing stability which may include mental illness, chemical dependency, a chronic health condition, and/or cognitive limitations that may impact their ability to function in housing; and
- Has an income at or below 50 percent of area median income at the time of entry into the housing.

Priority would be given to projects that propose to serve, among target adults:

- Individuals experiencing an extended or repeated pattern of homelessness (homeless one year or more, or has experienced four or more episodes of homelessness within the past three years¹¹); and
- Young adults (age 18-23) transitioning from youth systems such as foster care or residential programs.

FAMILIES

The family component of SHPI would create new units of permanent supportive housing for homeless and at-risk families facing multiple barriers to stability in their housing and employment. As in the Adult component, many of these units would be integrated within larger developments that would also provide new units of affordable housing for families.

Context

For most families, homelessness is a short, episodic event that can be addressed with a housing subsidy or other affordable housing options and a mix of some services. Evidence has shown, however, that there are some homeless families that

need the additional, more comprehensive services found in permanent supportive housing in order to end their homelessness and maintain their housing stability. Often, these are families with a history of DCF involvement who are at risk of child removal or foster care placement. They are most often headed by a single parent or guardian, without family or social networks to rely on for help, and may have had long histories of repeated homelessness. Oftentimes, the mother is young, may demonstrate limited functioning in relation to childrearing and housekeeping, and has a history of foster care herself.

Permanent supportive housing for families is not identical to that for single adults. Services are family-centered and have a wider focus, including parenting, education, and child care. Children often comprise the majority of tenants in family projects, and need developmentally appropriate activities and services distinct from their parents' services. A significant percentage of women and children living in family supportive housing will have histories of past or current family violence. Supportive housing programs need to take a "trauma informed" approach that is sensitive to the special needs of people who have experienced trauma. Also, many families in permanent supportive housing may be newly reunified or have current interaction with the child welfare agency. Supportive housing projects must be prepared to support healthy parenting, family reunification, and family preservation efforts.¹²

Target Families

A "Target Family" eligible for a SHPI supportive housing unit would be defined as one or more adults with at least one dependent child, who:

- Is homeless or at risk of homelessness; and
- Faces multiple social and economic barriers to housing stability¹³; and
- Has an income at or below 50 percent of area median income at the time of entering the housing.

Priority would be given to projects that propose to serve, among target families:

- Families that have been homeless repeatedly (experienced four or more

episodes of homelessness within the past three years);

- Victims of serious or chronic domestic abuse who cannot return home because of the abusive situation;
- Young adult mothers transitioning from foster care who are at high risk of homelessness; and
- Families who have present involvement in the DCF system and/or are reuniting after DCF out-of-home placement.

III. HOUSING APPROACH

SHPI supportive housing units would be created through housing development (acquisition of property and new construction or rehabilitation) by nonprofit housing development organizations, working in partnership with experienced providers of support services. The housing would be in the form of single or multi-site developments ranging in size from 8-40 apartments, meeting the needs of both large and small communities. Each housing unit would be an individual apartment with its own kitchen and bathroom.

In developments of 25 units or less, at least 25 percent and up to 100 percent of the housing units would be set-aside for target adults and/or families. In developments over 25 units, a minimum of 25 percent and no more than 50 percent of the units would be reserved for target adults and/or families. The remaining units will serve other households with incomes at or below 120 percent of area median income at the time of entering the housing, or such lower limit as may be agreed to by the project sponsor and DHCD.

In developments of any size, priority would be given to developments that maximize the integration of target adults or families with other adults and families. The purpose is to minimize stigma and to advance the integration of persons with special needs into the community. Priority would also be given to developments that evidence readiness to proceed, including site control and local zoning approvals.

All housing units must be affordable to the population to be served. Rents should be set at rates where the target population is expected to pay no more

KEY PRINCIPLES OF SHPI SUPPORT SERVICES

Essential components of services to be provided

- Focused on the strengths and needs of each individual client;
- Provides help to the client in identifying goals and needs, in developing plans to achieve their goals, and in gaining access to appropriate community-based services, including clinical services, employment and education, natural supports (family, peers, faith communities, etc.) and general community resources;
- Available for as long as is needed by the individual or family.

Values of services to be provided

- Committed to maximizing client choices and options;
- Focused on client's strengths, gifts and potential contributions;
- Guided by an expectation of hope and recovery;
- Recognizes the importance and value of employment and work.

Competencies of service team

- Skilled in on-going outreach and engagement of clients;
- Experienced with development of life skills that support the client's ability to succeed in permanent housing;
- Knowledgeable about community resources and the means of accessing them;
- Possesses the attitudes, knowledge, and skills necessary to work effectively with the population to be served by the housing;
- Internally coordinated with clear lines of communication, supervision and accountability.

Soundness of the service design

- Not duplicative of existing services serving the target population;
- Provides for adequate linkages to the treatment system, particularly in regard to relapse prevention and relapse management;
- Flexible and responsive service approach that recognizes, and can adapt to, an episodic pattern of service demands.

than 30-40% percent of income for housing costs (rent and utilities), or as otherwise consistent with state and federal rental voucher programs. Housing units would need to meet HUD's housing quality standards and other state and federal codes, and provide for the safety and security of the tenants. They also would need to be accessible to public transportation, or there should be clear alternative arrangements for providing transportation for residents to community services, shopping, and recreation. Where feasible, developments should provide common areas and space for on-site services and recreation.

Where appropriate, projects sponsors would be encouraged to design projects that contribute to neighborhood revitalization efforts, which could include renovation and reuse of abandoned or foreclosed properties or creation of mixed use developments.

IV. SERVICE APPROACH

The role of support services staff is to work in partnership with the individual or family to achieve personal goals. Services provided should promote housing retention, community integration, wellness, choice, and independence. A fundamental component of all service delivery is effective outreach and engagement to the tenant to build trust and a positive working relationship. For tenants with long histories of homelessness, this process may involve a series of interactions and shared experiences over an extended period of time.

HOUSING-BASED CASE MANAGEMENT

The core baseline service that should be available to all tenants of SHPI developments is flexible, supportive case management that focuses on what the individual or family needs to live and work in the community. This is also referred to as "housing-based case management" to distinguish it from the more intensive, clinical-based case management services that may be required by some tenants. Housing-based case management is a non-clinical approach that focuses on service coordination as well as helping the tenant build skill sets around maintaining housing, employment and social connections. Non-clinical case managers are the lynchpins that enable permanent supportive housing to work. They deal with the day to day

stresses in the lives of tenants and help them to retain housing.

The role of the case manager includes building trust, assisting tenants to access needed services and mainstream resources, helping tenants qualify for and maintain benefits (including SSI/SSDI and Medicaid), accompanying tenants to appointments when needed, assuring care coordination, helping tenants learn how to navigate health care and employment systems, and identifying and addressing early signs of decompensation or relapse – in other words, “doing whatever it takes” to maximize tenants’ stability and self determination and resolve behaviors that are likely to result in eviction.¹⁴ For tenants who need and want such services, the case manager may also provide or coordinate assistance in developing skills for daily living (such as shopping, managing finances, maintaining an apartment, apartment safety, and nutrition and cooking). The case manager assists tenants with community-building activities, and coordinates the work of the service team with that of property management.

SHPI housing-based case management services should be provided by the organization that is primarily responsible for the supportive housing services. Tenants must be able to access case management services where they live (meaning that case management services come to the tenants), but the case management offices may be located on or off site. Case management services should be available at times convenient to the tenants, including non-traditional hours such as after school, evenings, and weekends. There should be 24-hour a day, 7 day a week access to staff on-call. Participation in services should not be a condition of tenancy in the housing.¹⁵

Project sponsors should provide access to housing-based case management services by all tenants of the development, regardless of whether or not they have identified special needs, and encourage tenants to take advantage of the services offered. The purpose in doing so is to create a more stable tenancy overall and eliminate any stigma associated with receiving services.

SPECIALIZED SERVICES

Beyond the core of case management services are the more specialized services

that vary in type and intensity based on individual needs. These may include medical and wellness services, mental health services, chemical dependency services, medication monitoring, vocational services, parenting supports, or other services.

For adults and families living in supportive housing units, access to primary and behavioral health care services is critical. These services do not have to be based on site, but should be available to the tenant either where they live or at locations accessible to the tenant. The type and intensity of services provided should be tailored to individual needs, and participation in such services should not be a condition of tenancy.

Behavioral health care should include ongoing, flexible and individualized community and recovery support services provided by professionals, peers and paraprofessionals, as appropriate. The delivery of behavioral health care services should be integrated with the delivery of primary care services; and for tenants with co-occurring disorders, the delivery of mental health services should be integrated with the treatment of substance use disorders. Integrated care focuses on concurrent, coordinated clinical treatment rather than a parallel or sequential treatment approach.

Employment services cut across all populations in supportive housing. While housing-based case management services can help tenants connect with and navigate mainstream employment services through the state’s network of Career Centers, the Career Centers themselves can help with job training, placement and job development. The Career Centers can also play an important role in serving as an “intermediary” between the employer and the tenant seeking employment. Supportive housing services should be available to help tenants with job readiness and retention.

Services to Target Adults

The supportive services to target adults must take into account the high rates of serious mental illness and substance addiction among people with long histories of homelessness. Intensive case management, provided by a behavioral health agency, is usually required immediately following entry into supportive housing and through the first year or so of tenancy. Intensive case management and Assertive Community

Treatment¹⁶ service models provide highly individualized, comprehensive, and locally-based treatment and wrap-around supports for people with serious and persistent mental illness. Less intensive services may be required once the tenant is stabilized.

The service provider should base its approach to services on promising and evidence-based practices (including service integration, critical time intervention, trauma-informed services, and motivational interviewing). For services to target adults, the desired average staff to client ratio of the service team is 1:10-15. The caseload can be larger for clients once they have begun to stabilize in the community.

Services to Target Families

Supportive services for target families must be individually designed and comprehensive enough to support adults and children, promoting self-sufficiency, family and housing stability, and employability. To be eligible for funding, service providers would need to demonstrate successful experience providing supports to both adults and children.

Service strategies should provide:

- **Family-centered support** that addresses children's needs, parents' needs, and the needs of the family as a whole, delivered in a culturally-competent manner;
- Support, training and socialization in **family life skills** that address the everyday demands of running a household and maintaining a home, and that promote the healthy and safe development of children and adults; and
- A plan for promoting **positive relationships** and a sense of community among adults, children and families as a whole. This may include peer support, mentoring, and collaboration with educational institutions and available community resources.

For services to target families, the desired average staff to family ratio of the service team is 1:6-10 (this is an average – some families will require intensive services, while others will need more moderate services). The caseload can be larger for families once they have begun to stabilize in the community. Ideally, the service

team will leverage additional, in-kind resources from the broader community, including volunteers, school-based services, services through community health centers, and behavioral health services.

V. ELIGIBLE APPLICANTS FOR FUNDING

Eligible applicants for funding under the RFP would be project sponsors who are nonprofit organizations experienced in the development of affordable housing, and who apply together with their nonprofit service provider partners. The project sponsor must be able to demonstrate that providing housing is a primary purpose of the organization.

The service provider partner must have a demonstrated track record in the delivery of supportive services to individuals and/or families who require services in order to live independently in the community, particularly homeless individuals and families. Where there is more than one service agency involved, there must be a single fiduciary for service funding that will assume primary responsibility for the success of the service program.

The joint submitting organizations would need to provide a written Memorandum of Understanding ("MOU") that clearly delineates the respective roles and responsibilities of each party with regard to the proposed housing's development, ownership, and operation, and defines strategies for coordinating the activities of team members. The application review would place strong emphasis on the quality of the relationship between the development project sponsor and service provider, and on the team's financial strength and track record in constructing and managing affordable housing and providing high-quality services.

VI. FUNDING PLAN

As this concept paper is being written, the Commonwealth of Massachusetts, and the country as a whole, are experiencing one of the worst economic downturns in several decades. Yet, signs of recovery are beginning to emerge, bringing prospects for a healthier economy in 2011 and beyond. The Commonwealth can use this intervening period to plan and coalesce the components of the Supportive

| Timing of SHPI Conditional Funding Commitment and Expenditures | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|
| Commitment = | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
| Expenditure = | 7/09-6/10 | 7/10-6/11 | 7/11-6/12 | 7/12-6/13 | 7/13-6/14 |
| SHPI RFP | | | X | | |
| Capital | | | | | |
| Operating | | | | | |
| Services | | | | | |

Housing Production Initiative so that it is ready to be launched via an RFP in 2011. Capital outlays for projects selected through the RFP would most likely occur in State fiscal year 2013. Rent subsidies and service funding outlays would begin the following fiscal year as construction nears completion.

The funding plan for SHPI employs four funding strategies:

1. **Target existing resources.** Existing public resources could be used to help finance a portion of supportive housing services. Among these are Temporary Assistance for Needy Families (“TANF”); Medicaid options and waivers; foster care funds redirected to supportive housing as part of family reunification and foster care prevention; redeployment of a portion of funds now going to funding repeated shelter and motel placements for high risk families; and State and Federal employment and job training funds. A portion of existing capital funding and rent subsidies could also be deployed.
2. **Use State funds to leverage Federal dollars.** Many Federal programs, such as HUD’s Shelter Plus Care and Supportive Housing Program, require a commitment of matching funds before they can be awarded. Over the past 15 years, the Commonwealth has leveraged hundreds of Federal rent subsidies through these programs by providing matching dollars, such as through the DMH Homeless Initiative. Additional Federal rent subsidies can be leveraged with a

dedication of state funding for SHPI supportive services.

3. **Use State and Federal dollars to leverage private investment.** Federal low income housing tax credits can be used to leverage private investment in new projects. Corporations (and private philanthropy) are more likely to invest in housing efforts when the State takes a leadership role in committing and coordinating public resources.
4. **Authorize new State dollars.** Beyond existing and Federal resources, new State investment will be required. This new spending will supplement and leverage funds from these other sources. It will also create flexibility in funding, so that the housing can serve all of the families and individuals who need to be reached.

Through SHPI, capital, operating and service funding resources would be available through a single RFP issued jointly by the participating funding agencies. The intent is to streamline the application process and coordinate the various funding sources toward a common set of goals over the life of the project mortgages.

CAPITAL FUNDING

Massachusetts has an array of State-funded capital financing programs that can be utilized for the development of affordable housing. Each program, however, has its own set of regulations, restrictions and per-unit caps. SHPI would provide a simplified approach to capital financing that eliminates the complexity inherent in patching together numerous sources of “gap” financing.

SHPI capital funds would be used to cover total project development costs (to reasonable limits) and may be used to capitalize project operating reserves. For small projects (those under 25 units), a single deferred mortgage loan through DHCD or MHP would serve as the primary source of capital financing for the project. The 30-year loan would carry 0-1 percent simple interest. Larger projects of 25 units or more would be financed through two primary sources: private equity investment through the low income housing tax credit program (9 or 4 percent), and a deferred 30-year mortgage loan. DHCD would establish a priority within its tax credit qualified allocation plan for projects financed through SHPI.

Because permanent supportive housing projects serve households with very low incomes, the rental income (even with partial subsidies) is usually insufficient to cover both ongoing operating costs and debt service on loan financing. In deferred loans, payments of loan principal and interest are deferred until the end of the loan term (upon sale or refinancing or the property). If the project income is projected to be sufficient to support debt service, the form of the loan would be adjusted.

SHPI would place a priority on projects that integrate target adults and families with other households. For this reason, the source of the mortgage financing must allow for a mixed tenancy and for housing units ranging in size from studios to four bedroom apartments. State programs that could potentially serve as the vehicle for the mortgage financing include the Affordable Housing Trust Fund, the Housing Innovations Fund, the Housing Stabilization Fund, or the federal HOME Program.

Using an existing program may require DHCD, MHP, MassHousing or the state legislature to waive for SHPI certain program requirements currently in place. It may also require adding dollars to the program through the issuance of general obligation bonds to ensure there are sufficient capital dollars to cover both SHPI projects and other affordable housing projects in the pipeline.

An alternative to using an existing program would be for MHP or MassHousing to issue new tax-exempt private activity bonds to finance the project mortgage loans. The debt service on these bonds would then be paid by the Commonwealth.¹⁷ In larger projects, the loans could be used in tandem with 4 percent low income housing tax credits.¹⁸

RENTAL ASSISTANCE

Target adults and families served by SHPI would have incomes below 50 percent of area median income (“AMI”), most of them less than 25 percent of AMI. Because of the limited incomes of the target populations, rent subsidies or operating reserves would be necessary to cover the difference between what the tenant could afford to pay (30 percent of their income) and the cost of operating the housing (utilities, insurance, maintenance and repair, etc.). The subsidy resources must be “project-based”, meaning they are tied to the housing. In integrated projects, the remaining

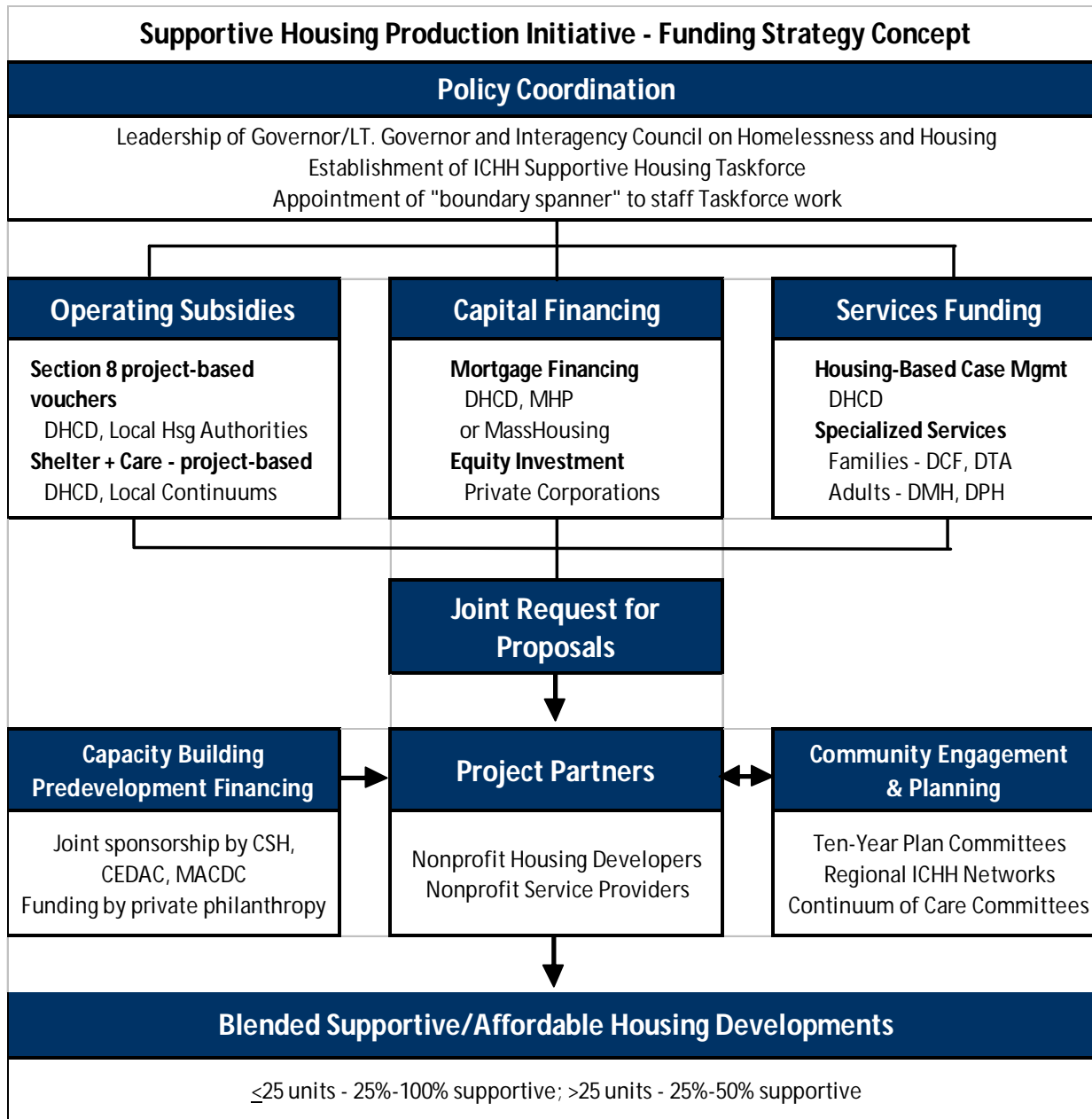
units would be targeted to other households with incomes at or below 100 percent of AMI. For projects targeting these affordable units to families with incomes below 50 percent of AMI, additional rent subsidies may be required.

Under SHPI, DHCD would project-base a portion of its HUD Section 8 vouchers. DHCD currently issues RFPs on a periodic basis for Section 8 project-based subsidies for existing projects. When it does so, it places various caps on the subsidies per project (typically no more than 8) and on the number of total subsidies available for units serving people with disabilities. Under SHPI, DHCD would project-base subsidies specifically for SHPI projects without imposing these caps. Developments selected under the SHPI RFP could access subsidies for up to 25 percent of a building’s units (per HUD requirements) plus any units targeted to people with disabilities, the elderly, or to families participating in a program of supportive services¹⁹ - to a maximum of 100 percent of the units. The SHPI RFP would serve as the competitive process for selection of new projects to receive the vouchers.

Each project would maintain its own waiting list; its tenant selection plan would require DHCD approval. DHCD’s Section 8 administrative plan would be amended to give priority within SHPI-funded projects to SHPI-eligible clients who require services in accordance with the disability preference criteria outlined in the plan (eligibility would be documented by the project’s service provider).

Some tenants that would be served by SHPI may not qualify for Section 8 vouchers due to past rental history, or because the project may wish to target a specific disability group. For projects where this is anticipated to be an issue, DHCD may serve as sponsor for applications to HUD to secure project-based Shelter Plus Care subsidies. Alternatively, DHCD could provide a preference in its Section 8 tenant-based voucher program for households currently holding DHCD-administered Shelter Plus Care tenant-based certificates and who are no longer in need of the intensive supports offered through Shelter Plus Care. The Shelter Plus Care subsidies freed up through this approach could then be converted (with HUD consent) to sponsor-based or project-based subsidies for a portion of the new housing units.

Preference under the SHPI RFP would be given to projects that are able to secure project-based rental subsidies from sources other than SHPI, such as local housing.



authorities, Continuum of Care programs, or the HUD Section 811 program.

In single site developments of 25 units or more, project operating budgets are likely to include the cost of providing a staff presence at the entry to screen visitors and serve as an extra measure of security for the tenants and project. For projects where income from rents and rental subsidies alone is insufficient to cover this cost, a portion of the equity investment may be used to capitalize an operating reserve.

SUPPORTIVE SERVICES FUNDING

Services in permanent supportive housing developments represent a hybrid between mobile, person-centered services that follow the client wherever he or she lives; and flexible, place-based services that support the clients living in the housing. For many people who have experienced frequent homelessness, the availability of both can be critical to ensuring housing stability and community integration.

SHPI would ensure funding for both types of support services:

- **Housing-Based Case Management** would be funded through DHCD. The source of these funds would be an additional appropriation to (or a redirection of existing funds within) DHCD's line items for Services to Homeless Families (7004-0101) and Services to Homeless Individuals (7004-0102). Providing the funds through DHCD would ensure that the case management services would be available to *all* tenants regardless of their eligibility for specialized services from agencies such as DMH, DPH, DTA and DCF. This provides a baseline set of services that lends stability to the development's operations, reducing turnover, evictions, and property maintenance, and improving resident satisfaction and occupancy rates.²⁰

The estimated cost of the housing-based case management is approximately \$3,000/unit for projects serving single individuals and \$4,000/unit for projects serving families. This provides case management at a staff to tenant ratio of approximately 1:30 for adults and 1:20 for families.

- **Specialized services to target adults and families** would be funded by different agencies depending on the target populations.

- **Family-specific services**, such as the work of family support specialists, child/youth education specialists, peer counselors, and vocational counselors (to assist with job readiness and retention) would be funded jointly by DTA and DCF. DTA would serve as the fiduciary agent for both agencies, since not every family will be involved with the child welfare system. The estimated average cost of these specialized services would be approximately \$10,000 per target family. This funding would come from redirected existing dollars or services, or from new appropriations. Some of these services may be reimbursable under TANF.

DMH would also ensure that target families who need mental health and substance abuse services are prioritized for these services. The housing-based case manager would link families to primary care services through local health centers.

- **Specialized services to target individuals**, such as intensive case management, mental health and substance abuse counseling, peer supports, vocational and benefits counseling, and integrated primary care services would be funded jointly by DMH and DPH. DMH (or another entity such as MBHP) would serve as the fiduciary agent for both agencies, similar to the combined funding structure of the Aggressive Treatment and Relapse Program ("ATARP"). The estimated average cost of these specialized services would be approximately \$7,000 per target adult. Some of these services may be reimbursable under Medicaid. This funding would come from redirected existing dollars or services, or from new appropriations.

For projects selected through the SHPI RFP, the lead service provider would be eligible to receive annual service funding for housing-based case management services from DHCD and funding (and/or a service guaranty) for specialized services from DMH/DPH (for adults) and/or DTA/DCF (for families). This eligibility for service funding would be subject to the availability of funding, the approval of the organization's final service program plan, the demonstrated feasibility of the housing project (as determined by DHCD), and the service provider's compliance with state contracting requirements.

DMH/DPH and DTA/DCF service funding could be used together in a single project serving both target adults and target families. When this is the case, DMH and DTA would seek to develop a single service contract with the service provider through either of the two agencies.

The annual amount of the service contracts would not decrease as long as the project owner is substantially in compliance with the terms of a Referral Protocol Agreement (“RPA”) executed by the project owner, the service provider, and the service funding agency. The RPA would specify the conditions relating to tenancy and referrals under which DHCD, DMH/DPH and DTA/DCF (the “service funding agencies”) would provide service funding, and specify timelines for tenancy referrals when there is a vacancy.

Should a service funding agency withdraw or discontinue funding from a service provider for reasons related to cause, the project owner would be allowed to select a new service partner acceptable to the service funding agency. Should funding be withdrawn or discontinued from a service provider for reasons not related to cause (such as state funding cuts), and as a result the service provider would be unable to fulfill its service responsibilities, DHCD would have the authority to release the project owner from the requirements of the RPA and the loan agreement relating to the reservation of project units for target adults and families.

VI. ASSURING QUALITY²¹

The Interagency Council and the participating funding agencies would establish a quality assurance program to ensure that SHPI is meeting its operational goals. Through this process, it would examine a number of factors, including the following.

- Whether eligible tenants are quickly identified and accepted into the housing;
- Whether tenant characteristics match the eligibility criteria of SHPI;
- The percentage of tenants who remain in supportive housing after one year, two years, etc.;
- Of those who exit the housing, the proportion who leave for another stable housing situation;

- The percentage of tenants receiving services, and the type of services they receive;
- Tenant perceptions of the safety and cleanliness of the housing, housing policies, quality and appropriateness of services, and responsiveness to tenant needs;
- The percentage of tenants who are employed and/or are on SSDI or other income supports;
- The financial stability of the housing;
- Tenant utilization of high cost crisis services and institutions before and after entry into supportive housing, including shelters, emergency rooms, correctional institutions, hospitals, outpatient health and mental health services, and child welfare involvement.

Some of this data would be gathered through project and service provider reports. Other data, especially data on tenant utilization of high cost services, may need to be gathered from public agency records and data matching for tenants who agree to participate in a research study.²²

VII. PREDEVELOPMENT AND CAPACITY-BUILDING

Through SHPI, the Commonwealth would partner with philanthropy, regional networks, and nonprofit intermediaries to strengthen the skills and partnerships of nonprofit developers, service providers, and property managers who would create and operate the housing. The model for this capacity-building work is the Opening New Doors (“OND”) Institute, developed by the Corporation for Supportive Housing (“CSH”) and replicated by CSH in several states. Under OND, project teams would receive over 80 hours of training and individualized technical assistance, as well as predevelopment resources, to assist in planning and completing their projects.

In the course of OND, project partners would work closely to develop individual supportive housing plans. These plans would include:

- a memorandum of understanding between the partners
- a community support plan
- detailed program and project concepts

- support services plan
- property management plan
- engagement strategies designed for specific target populations
- tenant selection plan
- operating policies and protocols
- preliminary project budgets

This teamwork would serve as the foundation for successful projects and solid applications under the SHPI RFP.

OND could be implemented through a joint partnership between CSH, CEDAC, and MACDC through the Mel King Institute for Community Building. Funding for OND would come from private philanthropy. OND could be held concurrently in western and eastern portions of the state, and co-sponsored by regional networks within those areas. Ideally, OND would be launched twelve months prior to the targeted release of the SHPI RFP.

CONCLUSION

Massachusetts has a solid infrastructure of experienced nonprofit organizations skilled in creating affordable housing opportunities in communities both large and small. Through SHPI, the Commonwealth could capitalize on this base of expertise and local relationships to jump start the creation of supportive housing units statewide.

By bringing together the worlds of housing development and human service delivery, SHPI creates a new model for supportive housing production in Massachusetts. It addresses existing barriers to creating supportive housing by making the financing process more integrated, more streamlined, and more responsive to the needs of project sponsors, tenants and local communities. The initiative also sets forth new standards for supportive housing design and operation to ensure that the housing fosters tenant independence and wellness.

In the midst of an economic recession that strains state budgets and pushes increasing numbers of families into homelessness, planning a new initiative may seem unwarranted. Yet, this time of crisis presents a clear opportunity to advance significant reforms that will create new homes and a solid future for the state's most vulnerable individuals and families.

FROM CONCEPT TO REALITY: RECOMMENDED NEXT STEPS

The concept for the Massachusetts Supportive Housing Production Initiative (“SHPI”) outlined on the previous pages was inspired by successful practices and programs within Massachusetts and well as in a number of other states, particularly Connecticut. The value of offering a program concept is that it provides a starting place and focus for discussion, analysis, and planning. It can serve as a springboard for engaging agencies on what is possible and needed, and for asking “What if...?” “Why not..?” and “What would it take ..?”

With this in mind, we offer the following recommendations to supportive housing stakeholders for turning what is now a draft concept into a real program – a process that is likely to take 18-24 months.

ORGANIZE FOR ADVOCACY

- Enlist allies to assist in leadership cultivation – philanthropy, advocates, intermediaries, business, and government leaders at the highest level possible. Engage leaders who can effect change.
- Develop brief, quality materials with data and information on the need and cost effectiveness of supportive housing and the benefits of a production program.
- Identify a statewide advocacy organization that will take the lead in organizing and directing advocacy efforts for the new program.
- Build a base of advocates. Engage potential advocates by holding “Supportive Housing 101” forums, regional trainings, and statewide briefings.

ENGAGE THE STATE

- Use key allies to cultivate support and leadership for a program by the Governor’s office and Lieutenant Governor.
- Secure the buy-in of a trusted leader with influence and stature to lead the effort to establish a program. This could be a state agency director, the Lieutenant Governor, or someone from the Governor’s office.

- Individually engage the leaders of DHCD, MHP, MassHousing, DMH, DPH, DCF and DTA on the program vision and design, and secure their feedback, ideas and interest.
- Engage the staff of the Interagency Council on Homelessness and Housing and present (with state agency allies) the concept to its membership. Secure agreement by the ICHH to establish a Supportive Housing Taskforce to hammer out a program plan, budget and timetable.
- Work with the ICHH and state leaders to appoint a “boundary spanner” – a trusted individual who would support the interagency collaboration, keep agencies focused and engaged, help broker agreements, and run interference between agencies. This role could be performed by a talented staff person or a consultant, or by an outside intermediary organization.
- Arrange visits for key agency staff to supportive housing sites that serve adults and families. These visits to sites - both within and outside Massachusetts - can provide valuable inspiration and program ideas.
- Work with DHCD and key service agencies to test out aspects of the program concept on actual supportive housing projects in the pipeline.
- Enlist the Massachusetts congressional delegation in sponsoring supportive housing forums in their home districts – invite state legislators and local mayors to take part in the events.
- Work with allies within the legislature to draft authorizing legislation for a Supportive Housing Production Initiative.

BUILD CAPACITY

- Enlist the partnership of CSH, CEDAC, and MACDC in sponsoring an Opening New Doors Institute (described on page 13). Secure financial support for the Institute from philanthropy.

Timeline for Recommended Next Steps

| Calendar years: | 2009 | 2010 | | | | 2011 | | |
|---|----------------------------------|------|----|----|----|---|----|----------|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Organize for Advocacy | Enlist allies, identify adv lead | | | | | | | |
| | Develop materials | | | | | | | |
| | | | | | | Build base of advocates | | |
| Engage the State | Cultivate leadership | | | | | | | |
| | Interagency planning | | | | | | | |
| | | | | | | Agency budget proposals | | |
| | | | | | | Draft authorizing legislation | | |
| | | | | | | Legislative approval | | |
| | | | | | | | | SHPI RFP |
| Build Capacity (Opening New Doors) | Secure OND \$ and partners | | | | | | | |
| | Plan OND | | | | | | | |
| | | | | | | Hold OND trainings, provide predevelopment assistance | | |

ENDNOTES

¹ Home and Healthy for Good is a Housing First program targeted to chronically homeless individuals. The program provides funding, via DHCD, for a portion of rental and/or service costs. The program is coordinated by the Massachusetts Housing and Shelter Alliance.

² The Housing Options Program (HOP), operated in Greater Boston, provides housing assistance to low-income disabled persons who are homeless or at risk of homelessness. HOP is a collaborative effort of DHCD, DMH, DMR, DPH, Executive Office of Health and Human Services (EOHHS) and Massachusetts Rehabilitation Commission (MRC). The program combines portable Section 8 Housing Choice Vouchers with support services. Each participating human service commission commits funds to support direct services and activities of the lead service agency, JRI Health.

³ REACH (Regional Engagement and Assessment for the Chronically Homeless) funds outreach, engagement and housing stabilization services coordinated with existing regional affordable housing resources. It is funded through the ICHH.

⁴ "CSPECH" stands for Community Support Program for People Experiencing Chronic Homelessness. CSPECH is a Housing First program for chronically homeless individuals with a diagnosed mental illness and chemical dependency. The services are funded through MassHealth.

⁵ A summary of these barriers is provided in the accompanying report, "Creating Sustainable Supportive Housing in Western Massachusetts: An Analysis of Barriers and Local Opportunities."

⁶ Caton, Carol L. et al, "People Who Experience Long-Term Homelessness: Characteristics and Interventions," *Toward Understanding Homelessness: The 2007 National Symposium on Homelessness Research*. Washington, D.C., U.S. Department of Housing and Urban Development, 2007. p. 4-7.

⁷ Burt M, Aron LY, Lee E, Valente J, *Helping America's Homeless*. Washington, DC: Urban Institute Press, 2001. Cross-tabulation estimate.

⁸ Caton, op.cit, p. 4-24.

⁹ "Homeless" for purposes of SHPI would mean that the individual or family is:

- Sleeping in an emergency shelter;
- Sleeping in a place not meant for human habitation such as cars, parks, abandoned buildings, streets/sidewalks;

- Graduating from, or timing out of, a transitional housing program;
- Staying in a hospital or other institution for up to 180 days but was sleeping in an emergency shelter or other place not meant for human habitation immediately prior to entry into the hospital or institution; or
- A victim of serious chronic domestic abuse, and is unable/unwilling to return to the home because of the abusive situation, so alternative housing must be obtained.

¹⁰ "At risk of homelessness" for purposes of SHPI would mean that the individual or family is:

- living in a situation where the person/family is at great risk of losing their housing, or
- residing in institutional or recovery programs without housing available upon release;
- living in an inappropriate housing situation. Examples are persons living in units without heat or running water, persons living in unsafe or abusive environments, and persons living in overcrowded or illegal or unsafe dwelling units.

In the case of families, the term "at-risk of homelessness" would also include families living doubled up with other families in accordance with the McKinney-Vento Homeless Assistance Act Subtitle B – Education for Homeless Children and Youth which defines "homeless children and youth" as "children and youths who are sharing the housing of other persons due to loss of housing, economic hardship or a similar reason."

¹¹ The Massachusetts Commission to End Homelessness adopted a nomenclature of "tiers" to characterize the subpopulations experiencing homelessness and to frame categories of responses. For individuals, Tier 3 was identified as "chronically and long-term sheltered homeless persons with moderate service needs" and Tier 4 as "chronically and episodically street homeless persons with intensive service needs."

¹² "Supportive Housing for Families: An Overview of Key Considerations", Corporation for Supportive Housing, April 2007.

¹³ The Massachusetts Commission to End Homelessness adopted a nomenclature of "tiers" to characterize the subpopulations experiencing homelessness and to frame categories of responses. For Families, Tier 3 was identified as "families with complex economic challenges" and Tier 4 as "families with complex social and economic challenges."

¹⁴ Post, Patricia, *Defining and Funding the Support in Permanent Supportive Housing*. National Health Care for the Homeless Council and Corporation for Supportive Housing, February 2008.

¹⁵ While participation in services should not, as a rule, be a condition of tenancy, there are limited circumstances where this may be required. For example, if the housing project is receiving Section 8 project-based voucher assistance for more than 25% of its units, a family occupying a unit above the 25% may be required to participate in at least one qualifying support service for at least one year, unless the family is disabled or elderly. This is a regulatory requirement under the current federal Section 8 program.

¹⁶ The ACT model has been highly-researched and well-established as an effective community-based intervention for people with severe mental illness. The ACT model employs a multidisciplinary team that includes specialists such as psychiatrists, nurses, social workers, and rehabilitation specialists, plus consumers providing peer support.

¹⁷ Connecticut currently uses State-backed tax –exempt bonds through its housing finance agency to finance supportive housing under its Next Steps initiative.

¹⁸ New York State and New Jersey have used tax-exempt bond financing in combination with 4 percent low income housing tax credits to finance supportive housing. More information is available from the Corporation for Supportive Housing via its website, www.csh.org, or <http://documents.csh.org/documents/pubs/BondsPlus4PercentLIHTCsFINAL.pdf>.

¹⁹ Under DHCD's existing Section 8 Administrative Plan, a "family participating in a program of supportive services" has at least one member receiving at least one "qualifying" supportive service. Eligible services include 1) household training, 2) job training, 3) services and resources to achieve economic independence and self-sufficiency, 4) counseling for parents and other kinship relations caring for children with needs, 5) remedial education, and 6) substance abuse treatment. It is not necessary that the services be provided on site or by the project sponsor if DHCD's regional Section 8 administrator has approved the service. Families in the units above the 25% limit (only) must sign a DHCD-developed "PBV Contract of Family Participation," which requires that the family participate in one or more services and achieve certain goals during the contract term, which is a year or more.

²⁰ Meyer, Diana A., et.al., *Creating Opportunities for Families Through Resident Services: A Practitioner's Manual*. Enterprise Community Partners, Inc., 2006.

²¹ The Corporation for Supportive Housing ("CSH") has produced a set of tools centered on seven Dimensions of Quality that can serve as a common framework for assessing and planning for supportive housing quality. These tools offer key indicators of quality, an assessment tool that organizations can use to evaluate their projects, and links to helpful publications and training materials. The tools can be found on the CSH website at www.csh.org/dimensionsofquality. In Connecticut, CSH and the Connecticut Department of

Mental Health and Addiction Services have launched a formal supportive housing quality assurance program. More information can be found at www.csh.org/ctqa.

²² An example of this kind of study is the Home and Healthy for Good Progress Report issued in March 2009. See http://www.mhsa.net/matriarch/documents/HHG%20March%202009_Web_Site.pdf