



DRAFT
**Permanent Supportive Housing
Program and Financial Analysis
for the Omaha Metro Area, NE**

Prepared for the Metro Area Continuum of Care for
the Homeless (MACCH)
by the
Corporation for Supportive Housing

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About the Corporation for Supportive Housing

The Corporation for Supportive Housing (CSH) is a national non-profit organization and community development financial institution that helps communities create permanent housing with services to prevent and end homelessness. Founded in 1991, CSH advances its mission by providing advocacy, expertise, leadership, and financial resources to make it easier to create and operate supportive housing. CSH seeks to help create an expanded supply of supportive housing for people, including single adults, families with children, and young adults, who have extremely low-incomes, who have disabling conditions, and/or face other significant challenges that place them at on-going risk of homelessness. For information regarding CSH's current office locations, please see www.csh.org/contactus. For more information about CSH's consulting and training services, please see www.csh.org/CSHConsultingGroup or contact the CSH Consulting Group at consulting@csh.org.

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CSH wishes to acknowledge all those who participated in conversations and discussions that helped to shape the *Omaha Metro Area Program and Financial Modeling*. CSH wishes to thank MACCH for their financial support of this work.



Inquiries

Readers interested in learning more about supportive housing are encouraged to also visit CSH's website at www.csh.org for additional on-line resources and materials.

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INTRODUCTION

In 2002, the National Alliance to End Homelessness and later the United States Interagency Council on Homeless encouraged all communities to create and adopt a plan to end homelessness, with a focus on chronic and special needs populations. To date, there are over 355 plans created by some 860 communities across the country, including the plan created in 2008 by MACCH and supported by the impacted jurisdictions - Homes for All: Ten Year Plan to End Homelessness. This plan outlines these important themes necessary for ending homelessness:

- Prevention of Homelessness
- Easier Access to Services
- Increased Availability of Housing
- Strengthened Public & Political Support
- Elimination of Cultural Bias and Prejudice
- Specific Options for Persons Experiencing Chronic Homelessness
- Availability of Comprehensive Data

Prior to completing "Homes for All," in 2007, Wilder Research completed an "assessment of current needs and services, and options for action" regarding homelessness in the metro area. Commonly referred to as the "Wilder Report," this document laid an important framework for ending and preventing homelessness. The report provides useful guidance on a number of strategies and based on CSH's interviews with key informants, many of these strategies are being implemented.

In October 2009, MACCH contracted with the Corporation for Supportive Housing (CSH) to develop create a program and financial analysis that would support the 10yr plan and also offer guidance to MACCH and its partners to develop an adequate supply of Permanent Supportive Housing for the Omaha area's most vulnerable populations. This analysis represents a modified version of the full-scale version that CSH has done in other jurisdictions.

This analysis provides the following:

- An estimate of new permanent supportive housing (PSH) units needed in the Omaha Metro area to effectively end long-term homelessness and significantly reduce emergency shelter use;
- Estimating the capital, operating and services costs associated with creating permanent supportive housing units;
- Identifying existing and potential funding sources; and
- Providing recommendations for implementation and financing.

This report is designed to be a living, working document and was created with a great amount of flexibility. CSH typically encourages implementing agencies (in this case, MACCH) to use this document to *start* the discussion of developing a comprehensive supportive housing development strategy. A strategy of this sort requires time, energy, and creativity from several key stakeholders including, but not limited to, local government officials with control over housing and service funding, state agencies with control over housing and services funding, the governing body of the local continuum of care funds, philanthropy, and intermediaries.

METHODOLOGY AND ISSUES IDENTIFIED

In order to determine the number of units of PSH needed for the Omaha Metro Area, CSH engaged in a program and financial modeling process. The program and financial model is an analytical process - supported by CSH tools - that combines existing community data with the substantial local and national expertise of CSH and its community partners in order to develop a concrete PSH development goal and strategy. This process has resulted in the development of a unit goal for PSH, projected financial costs for the development, operation, and delivery of services for such units, and a set of recommendations regarding the development of the units.

As part of the research process, CSH spent several months interviewing key state, regional, and local partners in an effort to gauge reliability of data, political will, available resources, and developer/provider capacity. To date, these conversations have yielded commonalities, the greatest being an overwhelming concern and desire to provide housing solutions for homeless individuals and families. Another being that there is significant support for MACCH as an implementing agency for this effort.

Some of the challenges highlighted by these conversations are common for many communities. These include:

- A general lack of resources;
- Lack of coordination between services, operating and capital funding needed to create PSH; and
- Not enough priority given to special needs populations who are homeless and with untreated mental illness or addictions (or both).

A unique challenge for MACCH is the geographic diversity of the Omaha Metro Area including two states (Nebraska and Iowa), two cities (Omaha, NE and Council Bluffs, IA), and three counties (Douglas and Sarpy Counties, NE and Pottawattamie County, IA). This geographic division further complicates the resource mapping for housing and services resources to create PSH.

This report outlines a potential scenario for creating and financing approximately 1,350 units of permanent supportive housing for individuals and families over a 5-year period. It is important to note that a range of supportive housing models and service strategies exists.

NOTE: This section will be augmented with additional analysis and information following the February site visit.

SECTION I. WHAT IS PERMANENT SUPPORTIVE HOUSING?

Permanent supportive housing (PSH) is permanent, affordable housing linked to a range of support services that enable tenants to live independently and participate in community life. It is a cost effective and successful alternative to more expensive and less efficacious emergency services or institutional settings. Supportive housing can help people with psychiatric disabilities, people with histories of addiction, formerly homeless people, frail seniors, families, young people aging out of foster care, individuals leaving correctional facilities, and people living with HIV/AIDS to live independently with dignity in the community. Tenants of supportive housing often face two or more of these categories of challenges.

Permanent supportive housing models created should be varied based upon careful consideration of a range of factors, including the housing market, tenant preferences, community standards, and other local conditions. It is important - both for neighbors and tenants - that supportive housing fit into the neighborhood and is managed by high quality property management professionals. Supportive housing can be integrated into affordable housing or mixed-use developments, and can be an important element in neighborhood revitalization efforts. Most supportive housing consists of apartments; however, in some locations single-family homes are the most appropriate housing type. While the housing models will vary, high-quality supportive housing should always include the following core features:

- *Landlord / Tenant Relationship*: Supportive housing opportunities should be provided through a typical landlord/tenant relationship so that tenants hold leases, there are no limits on the maximum length of stay, and tenancy is not conditional on participation in services.
- *Multidisciplinary Partnerships*: Well-designed and effectively managed supportive housing units are created and operated through the combined skills of people who understand housing development, people who are experienced in property management, and people who know how to work with tenants with high service needs who have not achieved positive outcomes through other service strategies and settings.
- *Flexible Services*: High-quality supportive housing involves service providers that are focused on ensuring that tenants remain stable in housing and become more involved in the community and work. Services typically include, but are not limited to: case management, medical and wellness services, mental health services, chemical dependency services, vocational and employment services, money management services, life skills training, and tenant advocacy. Services may be offered on-site, in the community, or through a mix of both. Services need to be accessible, responsive to the needs of the tenants and focused on maintaining housing stability.
- *Sustainable Financing*: The financing of supportive housing units should rely on little or no conventional or "hard" debt, and the units should also be supported by stable sources of operating subsidies, and ongoing service funding provided primarily from government sources, not philanthropy.

HOUSING MODELS

A variety of housing models will be considered in the plan to create new permanent supportive housing units. The Program and Financial Analysis presented in this report projects the need for 1,358 new units to be developed over a five (5) year period. It is important to note that several factors will influence how many of these units can be developed annually, including the availability of capital, operating, and supportive service funding. It is recommended that existing housing be utilized to meet goals, in addition to the development of new single site supportive housing projects. The models are described in brief below:

- Single-Site, Single-Purpose Development Projects: Developed either through new construction or acquisition/rehabilitation activities, such projects operate all of the units as supportive housing, but may serve tenant households of diverse composition and with diverse experiences and challenges. The size of such projects varies widely, and may range from apartment buildings of various sizes to projects utilizing single-family homes or other structures, and should always be appropriate in scale and design for the local community.
- Single-Site, Mixed-Tenancy Development Projects: Developed either through new construction or acquisition/rehabilitation activities, such projects operate a portion of the units as supportive housing, and operate other units as affordable or even market-rate housing. Once again, the size of such projects will vary widely depending upon a variety of factors, but should always be appropriate in scale and design for the local community.
- Master-Leased Housing Projects: Under this strategy, supportive housing providers lease several units within a development, a floor within a building, an entire building or development, or units in a number of buildings, from the owner(s) in order to provide supportive housing opportunities. The supportive housing provider then subleases the units to eligible tenants, and serves as the landlord for the tenants.
- Long-Term Set-Aside Housing Projects: Under this strategy, units within affordable or market rate housing projects may be dedicated (or “set-aside”) to serve as supportive housing units for this purpose through an agreement with the property owner, but the owner does not execute a master lease agreement with another organization. Such “set-aside” agreements may be negotiated during the development of a project, or after the project is already operational. Ideally, such long-term set-aside agreements are required within the project owner’s legal commitments to the organizations providing the permanent financing for the project; at other times, however, such set-aside agreements might only be executed between the owner and the supportive housing sponsor.
- Scattered-Site Housing: Scattered-site supportive housing opportunities can be created through a variety of strategies – through master leasing strategies, through the negotiation of multiple set-aside agreements, through development activities in multiple locations (which may be in a variety of building types), or by assisting households (including households with tenant-based subsidies) to directly lease individual units from private landlords. Scattered site supportive housing strategies secure units in a variety of dispersed housing settings, including houses, within a duplex or small complex, or units within larger apartment buildings. Such units are integrated into community settings and sponsors typically avoid a concentration of more than a few such units in any one site. When possible, scattered site units may be geographically clustered to achieve management and service economies.
- Projects with Shared Units: In some communities, shared apartments or shared single family homes may be appropriate housing strategies based upon the availability of funding to acquire and rehabilitate foreclosed properties. Such housing opportunities may be created through development or leasing strategies. Ideally, the shared housing projects will provide tenants with the greatest independence possible, through: separate lease agreements with each tenant; individual bedrooms; minimized sharing of facilities (such as bathrooms); and allowing tenants to have meaningful choices in determining the composition of their household.

SERVICE MODELS

There is no one formula for the design and funding of services programs within supportive housing projects. The services plan typically involves a mix of services delivered on-site and off-site. The specific mix at any given project will be based on tenants' needs, agency capacity, partnerships that have been established, resources available within the community, and available funding. Supportive housing programs may have services staff located on-site or may have mobile case management programs or Assertive Community Treatment (ACT) teams linked to the housing. Frequently, supportive housing programs have formal linkage agreements with other local organizations, such as drug and alcohol treatment programs, mental health clinics, and employment programs. In all arrangements, the staff helps to ensure that tenants make use of services and amenities in the community.

The types of services that comprise the "support" in supportive housing must be responsive to the varied needs of the people who live in the housing, and are often best determined through conversation with the target population(s). Tenants of supportive housing are individuals and families who face complex challenges -- people who have been homeless, and who also have very low incomes and often serious, persistent health issues and/or disabilities or other barriers to housing stability. These challenges may include mental health issues, substance use issues, and HIV/AIDS, and are oftentimes exacerbated by persevering and long-term poverty.

Some of the services commonly found on-site or linked to supportive housing are:

- Case management and services coordination
- Outreach and engagement
- Benefits counseling and advocacy
- Mental health services and treatment
- Substance use management, harm reduction, abstinence, and relapse support
- Primary health care and medication management
- Money management and other independent living skills training and assistance
- Transportation
- Education and vocational training
- Career/job counseling, development and placement
- Child care programs
- Youth programs
- Support/peer support in groups or one-on-one (e.g., substance use management, abstinence, domestic violence prevention, parenting, mental health, etc.)
- Activities, classes, workshops and special events to promote relationship-building, mutual aid, and community building

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 intensity:

Highly Intensive Services

- *Types of services provided:* Case management, mental health, substance use treatment, pre-vocational 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 that support housing retention.

- *Recommended ideal case management ratio:* 1 to 10-15 for individuals; 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 tenants at least once per week.
- *Service 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 manager who travel to tenant's 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.

Medium Intensity

- *Types of services provided:* Case management, mental health, services that support housing retention, and linkages to mainstream resources (clinical and social supports).
- *Length of services:* Typically, leader 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.
- *Service configuration based on housing model:*
 - *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 manager who travel to tenant's 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.

Low Intensity

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

SECTION II. OMAHA METRO AREA PERMANENT SUPPORTIVE HOUSING NEED

To gain a full understanding of the PSH needs in Omaha Metro Area, it is important to first develop an understanding of the number of households experiencing homelessness over the course of a year. A homeless point-in-time count (PIT) provides a snapshot of homelessness at a given moment and tends to be biased in showing high proportions of people who have been homeless for long periods of time. PIT counts significantly under-represent those whose homelessness does not last very long - but who nevertheless need, and use, emergency shelter and services. Other data sources include Homeless Management Information System (HMIS) data. MACCH oversees a functional HMIS with solid annual data that coincides with CSH extrapolations of Omaha area PIT counts using formulas developed by Martha Burt at the Urban Institute. Using data supplied by MACCH, CSH estimates that throughout the course of the year, 3,899 individuals and families experienced homelessness in the region..

Table 1: Annual Number of Homeless Individuals and Families

ANNUAL Estimates of Number / Percentage of Long-Term Homeless HOUSEHOLDS			Average number of persons per family:			3
Population	Total Homeless		Long Term-Homeless		NOT Long-Term Homeless	
	Number Over the Course of a Year	Percentage of total homeless households	Number that are Long-Term Homeless	Percentage that are Long-term Homeless	Number that are NOT Long-Term Homeless	Percentage that are NOT Long-term Homeless
Single adults	3,561	91%	821	62%	2,740	77%
Unaccompanied youth	11	0.282%	0	0%	11	100%
Families	327	8%	0	0%	327	100%
TOTAL HOUSEHOLDS	3,899	100%	821	21%	3,078	79%

In general, people need PSH if they would not be likely to obtain and/or maintain housing – even if it was housing they could afford – without ongoing support because of one or more factors that promote instability. Additionally, people who would most benefit from PSH are people who cannot be successful in services without housing.

Families and individuals who experience episodic or short-term homelessness primarily due to economic crisis, typically are not considered the “hardest” to serve and are often not the likely targeted population for PSH. PSH is an expensive investment for any community to undertake, and therefore needs to be a long-term commitment of housing and services for people who need it the most. Despite its costs, many studies have shown that it is less expensive than being homeless and produces better outcomes for people who would most benefit from this type of intervention.

For the Omaha Metro Area, CSH only estimated broad need of PSH based on general data and did not consider special populations who could also benefit from PSH. For example, other populations to consider may include:

- Individuals with co-occurring disorders who are frequent users of local jails and experience homelessness
- Families whose head of household has substance abuse problems
- Veterans
- People who cycle in and out of emergency departments of hospitals

CSH recommends further discussion on if and how to address these additional populations and whether they should be included in an overall plan.

Table 2: Estimates of PSH Need

	Number Over the Course of a Year	Percent of Homeless Population	Percentage of Population Group that Needs PSH	Number of PSH Units Needed	Number of Existing PSH Units**	Annual Turnover Rate	PSH Units Available This Year	TOTAL PSH Units Needed
Single Individuals:	3,572	92%	36%	1,289	151		10.52	1,279
Single Adults:	3,561	91%	36%	1,287	151		10.52	1,276
Long-term Homeless:	821	21%	90%	739	52	5%	2.6	736
NOT Long-term Homeless:	2,740	70%	20%	548	99	8%	7.92	540
Unaccompanied Youth:	11	0.3%	20%	2	0	10%	0	2
Families with Children:	327	8%	25%	82	44	5%	2.2	80
TOTAL ESTIMATE:	3,899	100%	35%	1,371	195		12.72	1,358

***From 2009 CoC Housing Inventory Chart*

HOUSING PRODUCTION STRATEGIES

The time frame required to produce 100% of the units must allow for sufficient adjustment in response to changes in financing mechanisms, funding availability, market conditions, and capacity in the community. CSH, having been engaged in modeling processes for communities across the country, recommends that a final unit goal be based on a combination of:

- 1) Need;
- 2) Resource availability;
- 3) Local development and operational capacity;
- 4) Political context and will; and
- 5) Time period for achievement of the goal.

CSH acknowledges that the actual rate of development will depend on the capacity of individual developers and the availability of federal, state, and local funding, both public and private. Furthermore, CSH strongly recommends that an annual review of the production goals be conducted and measured against the items listed above. As stated earlier, the program and financial modeling process is meant to be flexible enough for the local plan to capitalize on current opportunities and readjust the timeframe whenever necessary.

A variety of housing strategies can be used to create 1,358 units. This includes new construction projects and rehabilitation of existing developments, as well as leased units and shared housing options.

There are many advantages to both strategies. Assuming suitable units are available throughout the region for leasing, a scattered-site strategy will yield immediate results and will support a “Housing First” model which seeks to house individuals quickly and then provides the services needed to help them sustain permanent housing. This strategy also allows for seamless assimilation into a community and can reduce

the chance of community opposition. A major disadvantage to using this strategy is that units typically are not set-aside on a long-term basis for homeless individuals.

Contrary to a leasing strategy, new construction/rehabilitation units will take much longer to bring on-line. In fact, most projects will take a minimum of two years from the close on financing to construction completion. However, these units are often heavily subsidized with federal resources that dictate an affordability clause and therefore are required to serve very low-income or extremely low-income individuals for the long-term. Some sources may even specifically stipulate “homeless or disability” in the long-term tenancy requirements. There are challenges for funders underwriting sources with such high stipulations, but for advocates of PSH this means that as units turnover, they will continually be available for the chronically homeless.

PRODUCTION TIMELINE

Creating a production timeline for the 1,358 units is challenging and highly dependent upon available resources and local development capacity. While it is important for communities to realize their overall development goal, CSH encourages communities to exercise the flexibility inherent in the model and plan annually based on current conditions. Planning based on current conditions requires careful collaboration between all local stakeholders as well as the creation of a system that supports PSH development. Table 3 illustrates an example of a unit production strategy over a 5-year period with the assumption that the first year is all scattered-site leasing.

Table 3: Production Timeline Chart

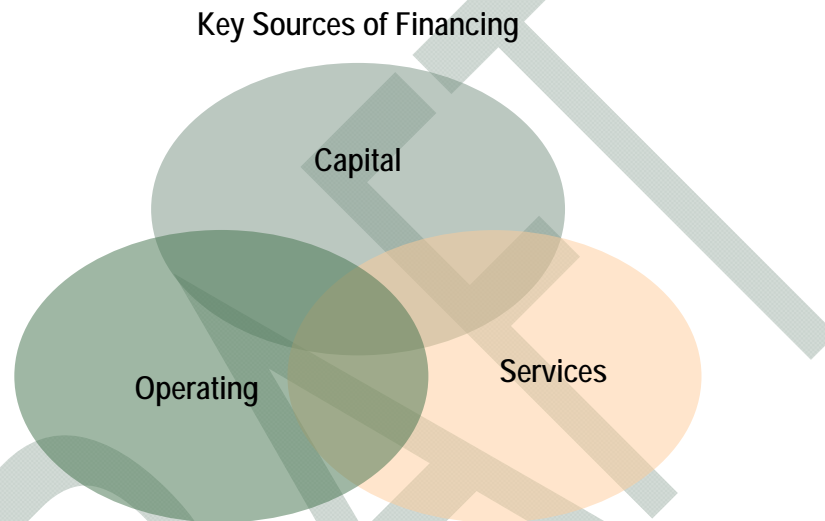
Overview of Unit Production Plans by Unit Type, Unit Size, and Year													
	Total Units	Unit Production by Year											
		2010		2011		2012		2013		2014		Total by Unit Size	
		0 BR	3 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR	0 BR	3 BR
Supportive Housing Units:	1358	270	16	262	16	262	16	262	16	262	16	1318	80
Affordable Housing Units:	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL UNITS:	1358	270	0	262	10	262	10	262	10	262	0	1318	30

Note: The data in the above table is to be used as an example of a potential strategy. Actual strategy will be provided in the Final Draft of this report.

SECTION III. COST AND RESOURCE ANALYSIS

Almost every local jurisdiction across the country is experiencing resource scarcity that has significantly slowed down the development of affordable housing. The current financial environment, which includes severely strained federal, state, and local budgets, will heavily influence the assumptions made in this financial analysis. The unpredictability of resources will have a direct affect on the strength of the production pipeline and for that reason, the goals for that pipeline should be adjusted annually to reflect available resources and paired with projects that have the capacity to move forward.

The following section discusses the funding needs and resources for supportive housing development. There are three key sources of financing needed in order to build viable, sustainable projects – capital, operating, and services.



CAPITAL FUNDING

The total unit goal to meet the needs of chronically homeless individuals in the MACCH service area is 1,358. There will likely be some capital costs associated with the production strategy that is chosen for the area whether it is scattered site or new development/rehab. Scattered-site/leased units often need minor improvements prior to move-in while the cost to rehab an old building or build from the ground up are substantially higher. Table 4 below gives an example of per unit and total development cost for leased and new construction and/or rehabilitated units. The table assumes \$100,000 per unit development cost for 1-bedroom units and \$145,000 for 3-bedroom units based on an average obtained from the Omaha Department of Housing.

Table 4: Cost Estimates

Total and Per Unit Development Costs (By Production Strategy) in Current Dollars						
Production Strategy	Total Number of Units	Total Development Costs			Development Costs Per Unit	
		0 BR	3 BR	Total	0 BR	3 BR
Leased Units:	270	\$270,000	\$0	\$270,000	\$1,000	\$0
New Construction and Rehabilitation Units:	1088	\$100,800,000	\$11,600,000	\$112,400,000	\$100,000	\$145,000
TOTALS:	1358	\$101,070,000	\$11,600,000	\$112,670,000		

Note: The data in the above table is to be used as an example of a potential strategy. Actual strategy will be provided in the Final Draft of this report.

Things to consider:

- What is production strategy mix for the area (scattered site vs. new construction or rehab)?
- How to divide the strategy by location (Omaha vs. Council Bluffs).
- When thinking about the number of leased units, consider affordable housing units already in the city's pipeline to potentially capitalize on.
- Scattered-site is faster and cheaper.
- Are there any "eye sores" in the community that the city is anxious to develop?
- Do not let the total cost be overwhelming. Remember that the goal is not to develop all in one year.

There are several funding sources available on federal, statewide, and local levels that provide capital financing for developing new supportive housing projects. Table 5 outlines a list of projected resources that can be used to support the development of 1,358 units.

Table 5: Funding Sources

Nebraska	Iowa
Low Income Housing Tax Credits (9%)	Low Income Housing Tax Credits (9%)
Nebraska Affordable Housing Program	Iowa Housing Trust Fund
HUD's Supportive Housing Program (SHP) (soon to be Hearth Act)	HUD's Supportive Housing Program (SHP) (soon to be Hearth Act)
City of Omaha: HOME, CDBG	City of Council Bluffs: HOME, CDBG
Section 811	Section 811

Low Income Housing Tax Credits

In FY 2010, the Iowa Finance Authority and the Nebraska Investment Finance Authority will allocate approximately \$6.9 million and \$4.1 million, respectively in low income housing tax credits. There is no specific set-aside for supportive housing or special needs in either state, however, included in the application for Iowa tax credits are point incentives (up to 30pts) for projects targeting units towards special needs. Although low income housing tax credits are a viable and realistic source for capital, it is important to note the challenges associated with them given the current economic environment. Experts believe that in 2010, developers will continue to struggle to find equity investors and subsequent investors needed to assemble the proper financing. It is unclear when the market will start to shift upward, and given that uncertainty, prospective tax credit applicants must ensure a thoughtfully crated project is presented that is economically feasible and viable for the long run.

Iowa Housing Trust Fund

The State of Iowa operates a State Housing Trust Fund that serves two purposes – to help fund local housing trust funds and to support the development of new affordable housing projects. In FY2010, total funding to be allocated is approximately \$5.4 million. A total of sixty percent is allocated to local trust funds the remaining (\$1.1 million) for development or for what they call "project-based".

Nebraska Affordable Housing Program

The Nebraska Department of Economic Development administers the Nebraska Affordable Housing Program (NAHP). The NAHP provides grants to nonprofits, local governments, and public housing authorities that can be used for a variety of purposes including: multifamily development, adaptive re-use, homebuyer assistance, and general operating to increase nonprofit organizations' capacity to develop

affordable housing. The NAHP is comprised of several sources including: CDBG, Housing Trust Fund, HOME, and Nebraska Homeless Shelter Assistance Trust Fund (NHSAF). The City of Omaha receives an own allocation of NAHP funds from the State and distributes funds according to the local strategic plan. Funds are limited and highly competitive. For FY2010, the State is proposing to link HOME funds up with projects that are successfully awarded LIHTC credits in 2010. In addition, there will be a set-aside for CHDO's who are targeting their development towards the homeless.

City of Council Bluffs

The City of Council Bluffs administers HOME and CDBG funds that can be used for multifamily development. Resources are very limited as the amount available for HOME and CDBG are \$1.0 million and \$300,000, respectively. In addition, the intended use of those funds is not primarily designed for multifamily development. Funds are also used for single family, emergency shelters, and transitional housing.

Other: TIF (City of Omaha), Philanthropy, General Funds

There is likely to be a gap in capital resources needed to support the development of 1,358 units. CSH encourages looking into other possible funds such as the Tax Increment Financing (TIF) program in Omaha and the foundation community. It is also highly recommended that partnerships are formed with both Omaha and Council Bluffs in an effort to gain strong local support for a supportive housing initiative. It is not uncommon that local jurisdictions allocate a portion of their general funds to support development. This allocation is typically available on a short-term basis vs multi-year funding, but it will support the overall development goal.

Affordable Housing Program (AHP)

The Affordable Housing Program of the Federal Home Loan Bank system provides grants and subsidized loans to support affordable housing opportunities nationwide. Each year, the Federal Home Loan Bank (FHLB) sets aside 10 percent of the bank's net income to fund affordable housing for very low-, low-, and moderate-income households. The majority of the subsidy is made available through a competitive application program. Projects located in Omaha would typically work with local banks who are members of the FHLB in Topeka. Funding awards can go up to \$450,000. Projects located in Council Bluffs would access funds through their local banks who are members of the FHLB of Des Moines. Funding awards are capped at \$500,000.

HUD Continuum of Care Programs

Each year, the U.S. Department of Housing and Urban Development awards Shelter Plus Care (S+C) and Supportive Housing Program (SHP) funds authorized by the Stewart B. McKinney Homeless Assistance Act of 1987. The annual application process occurs within the MACCH Continuum of Care to prioritize projects and coordinate the federal Continuum of Care proposal to receive SHP and S+C awards. A regional Continuum of Care strategy promotes the development of housing and supportive services to assist homeless persons in the transition from streets and shelters to permanent housing and maximum self-sufficiency. Starting next year, the reauthorizing language of HEARTH Act will pass on many changes to the original McKinney funding. Some key considerations for PSH and capital financing include:

- Starting in 2010, SHP, S+C, and SRO Mod Rehab will be consolidated under one grant.
- Definition of chronic homelessness: a family with a disabled head of household can now be considered chronically homeless

- At the discretion of the provider, project-based or sponsor-based rental assistance may have an initial term of 15 years with the first 5 years paid with authorized funds and the remaining term treated as renewal assistance
- The Secretary may provide grant terms of a minimum of 5 years for new permanent housing
- Eligibility for permanent housing: A new provision provides that if an individual or family is living in PSH and wants to move to another PSH site, they are still eligible as long as they previously met the requirements for the new project prior to moving into their current permanent housing project.
- The 30-percent permanent housing set-aside is codified into law
- 10 percent of the awards have to go to PSH for families with children.

Section 811

HUD provides funding to nonprofit organizations to develop rental housing with supportive services for very low-income adults with disabilities, and provides rent subsidies for the projects to help make them affordable. This is very competitive program with limited funding. This program provides funding for capital and operating. The use of an experienced consultant is highly recommended.

Things to consider:

- One stop shopping does not exist. Consider the timing of each application.
- How each funding source interacts with the other. For example, it is difficult to marry SHP (capital) and LIHTC together as SHP will reduce the amount of credits a project is eligible for.
- Find a consultant who has experience with the various funding applications.
- Find a good bank "partner" who has experience with AHP funding and who offers technical assistance.
- Work with various local and state agencies to support MACCH's supportive housing goals.

OPERATING FUNDING

"Operating sources" are defined as those sources that may be used to pay for the costs of operating and/or maintaining the housing or physical component of supportive housing. Operating costs in a project owned by a housing sponsor include all costs of maintaining the project once it is ready for occupancy, such as property management, utilities, maintenance, insurance, security, debt service or other loan payments, and operating and replacement reserves. In projects leased by the sponsor (either single site or scattered site), operating costs generally include the cost of leasing the units and any maintenance that is not covered by the owner/landlord.

In market-rate housing, the rents collected from tenants generally are sufficient to cover not only all operating costs, but also to repay conventional debt and provide a revenue stream that the owner/developer takes as profit. In affordable housing, and particularly supportive housing, the rents collected from tenants are generally not sufficient to cover operating costs because the rent charged to tenants are kept at below-market rates in order to be affordable to households with low, very low, or extremely low incomes. In high cost areas, even when a building is owned free and clear (without debt), tenant rents are not sufficient to cover operating costs. In order for project income to equal or exceed expenses, a project sponsor must secure an ongoing source of funding to supplement tenant rents. Such funding streams are known as operating subsidies, rent subsidies, or rental assistance.

Operating subsidies supplement the difference between what the tenant can afford to pay and the rent the sponsor might charge under market-rate conditions. Table 6 documents the amount of operating subsidies required to operate supportive housing projects for the first year. CSH advocates for multi-year operating subsidy commitments from funders to ensure long-term viability, but also recognizes the difficulty in obtaining long-term subsidy.

Table 6: Sources of Operating Subsidies

Total Subsidies Required for All Units						
Production Strategy	# of Units			Fair Market Rate Rent		Total Subsidy Costs for All Units Annually
	Total	0 BR	3 BR	0 BR	3 BR	
Leased Units:	270	270	0	\$614	\$1,023	\$1,989,360
New Construction and Rehabilitation Units:	1088	1008	80	\$614	\$1,023	\$8,409,024
TOTALS:	1358	1,318	80	N/A	N/A	\$10,398,384

Table 7: Potential Sources of Operating Subsidies

Operating Sources in MACCH Area	
Project-based Section 8	VASH Vouchers (Omaha)
Tenant-based Section 8	Section 811
HUD SHP & Shelter Plus Care (HEARTH)	HOPWA

Project-Based Housing Choice Vouchers / Section 8

Housing Choice / Section 8 Vouchers provide rental subsidies funded by the U.S. Department of Housing and Urban Development and administered by a public housing authority. The program serves low income individuals and families, and provides payments to landlords that make up the difference between total rent and amount that a low-income tenant pays, generally between 30% to 40% of their income.

Tenant-Based Subsidies

Tenant-based subsidies are “attached” to the tenant – that is, if the tenant moves from a unit, the subsidy leaves the unit and travels with the tenant. Tenant-based Housing Choice Vouchers are the most widespread type of tenant-based subsidies. This federal rent subsidy program pays a part of the rent for very low-income (less than 50% of area median income) tenants and is administered by local housing authorities.

HUD Shelter Plus Care Program (HEARTH Act for 2010)

Shelter Plus Care (S+C) is a program designed to provide housing and supportive services on a long-term basis for homeless persons with disabilities and their families who are living in places not intended for human habitation (e.g., streets) or in emergency shelters. The program allows for a variety of housing choices, and a range of supportive services funded by other sources, in response to the needs of the hard-to-reach homeless population with disabilities. Funding is awarded by HUD through the annual Continuum

of Care competition, and provides operating subsidies which must be matched in value by the supportive services provided to participants. The following changes that will come due to the implementation of the Hearth Act will impact CoC resources for operating costs for PSH.

- Starting in 2010, SHP, S+C, and SRO Mod Rehab will be consolidated under one grant.
- Definition of chronic homelessness: a family with a disabled head of household can now be considered chronically homeless
- Coordination of services can now be considered an operating cost.
- Sponsors housing children under age 18 may not deny admission to any family based on the age of any child under age 18.
- At the discretion of the provider, project-based or sponsor-based rental assistance may have an initial term of 15 years with the first 5 years paid with authorized funds and the remaining term treated as renewal assistance
- The Secretary may provide grant terms of a minimum of 5 years for new permanent housing

HUD-VASH Vouchers

The federal government recently approved funding to provide long-term rental assistance for homeless veterans. The City of Omaha received an allocation of 35 units in both Round 1 and Round 11 of the awards.

Section 811

HUD provides funding to nonprofit organizations to develop rental housing with supportive services for very low-income adults with disabilities, and provides rent subsidies for the projects to help make them affordable. This is very competitive program with limited funding. This program provides funding for capital and operating. The use of an experienced consultant is highly recommended.

Things to consider:

- Is there Section 8 available that could be converted into project-base?
- Short-term operating subsidy is very difficult for lenders to underwrite. Lenders/investors may require a hefty operating reserve.
- Capitalize on the VASH Vouchers as those vouchers have a 10-yr term. Include veterans in your overall supportive housing goal.
- Most communities find that operating subsidy is very difficult to find. Partnering with the local housing authority is crucial.
- Creatively think of new ways to fund operating (i.e. philanthropic community could create an operating subsidy pool that could leverage funds from a local housing trust fund).

SUPPORTIVE SERVICES FUNDING

The success of individuals and families living in permanent supportive housing requires an adequate level of funding for services in supportive housing to meet the array of needs of people who have experienced long-term homelessness. Inadequate funding can jeopardize success by increasing staff turnover, limiting the capacity of organizations to sustain high quality projects that are effective in serving people with complex problems, or imposing significant financial burdens on organizations, making them unwilling to accept as tenants people who have been homeless repeatedly or for long periods of time, or to expand their participation in supportive housing.

As discussed in Section I: What is Supportive Housing? – the types and levels of services depend greatly on the population targeted for the supportive housing units. There are some similarities and building on experience in many communities, CSH has estimates of costs of services for PSH.

Supportive Service Costs

The costs for supportive housing services vary in projects that have been established, but are generally in the range of \$7,000 to \$10,000 per unit (Table 10) for projects targeted to single adults with chronic health conditions and multiple barriers to housing stability. These costs assume that operating expenses (including maintenance, security, and property management services) are adequately funded and agencies have sufficient cash flow to fund supportive services. For families the range runs from \$10,000 to \$15,000. These are for individuals and families who would most benefit from PSH. Assuming a mix of High, Medium and Low intensity services (see Section 1 for definitions), The following table shows estimated annual costs for families and individuals needing PSH.

Table 8: Estimated costs for various service levels for PSH

Supportive Service Costs by Intensity			
Targeted Tenancy	Number of PSH	Annual Cost per unit	Total Annual Cost
Single Adults and/or Youth:			
High Service Intensity	711	\$ 10,000	\$ 7,110,000
Medium service intensity	229	\$ 8,000	\$ 1,832,000
Low Service Intensity	338	\$ 4,000	\$ 1,352,000
Individuals average		\$ 2,685	
Families with Children			
High Service Intensity	10	\$ 15,000	\$ 150,000
Medium service intensity	30	\$ 12,000	\$ 360,000
Low Service Intensity	40	\$ 7,000	\$ 280,000
Families with Children Average		\$ 3,292	
TOTALS	1,358		\$ 11,084,000

*** The data in the above table is to be used as an example of a potential costs.**

Supportive Services Funding Resources

A major challenge for supportive housing sponsors is to secure resources that can successfully be blended together to provide ongoing support for the chronically homeless tenant population. Revenue for social services costs is generally provided in one or more of the following ways:

- *Fee-for-services arrangements*, such as those provided by Medicaid, where providers are reimbursed for specific services, such as attendance at a clinic. Reimbursement is generally according to a fixed rate (per visit or per day, etc.) and occurs only when an eligible tenant receives the service.
- *Through a publicly-funded contract* under which the organization provides specified supportive services according to an established budget. For example, this is how HUD pays for supportive services in the McKinney Continuum of Care Supportive Housing Program. This is also how a contract with a local government agency may be structured.

- *Through fundraising from private sources*, such as grants from private foundations or corporations, special events, or revenues generated from businesses operated by the non-profit organization (such as thrift shops).

Potential funding sources for supportive services are identified in Table 11 below; however, it should be noted that these funds have not yet been committed. Even if all the potential funds listed were utilized, there still remains a significant funding gap for services.

Table 9: Local, State, and Federal Resources for Supportive Services Funding Sources

Potential Services Sources	
Medicaid	Mental Health Block Grant
Federally Qualified Health Centers (HCH)	Substance Abuse Block Grant (Treatment)
McKinney SHP (HEARTH)	MH – Project in Assistance to Transition from Homelessness (PATH)
Community Services Block Grant	Veteran’s Administration
Criminal Justice – State and Federal Re-entry	TANF
Ryan White, Title I and II	HOPWA
Department of Labor (WIA) – Local WIB	TLP – Transitional Living Program
Senior Services	Local Revenue
Nebraska Homeless Assistance Program	

*** The information in the above table is to be used as an example of a potential resource. If more resources are identified, they will be included in the Final Draft of this report.**

Things to consider:

- Mainstream services resources, like those listed above, are typically categorically exclusive of some population or service as it tries to target another population or service. Consideration needs to be given to which populations will be housed and which services are needed in order to match up appropriate funding sources (i.e., HIV/AIDS and Ryan White Funding or workforce training and WIA resources).
- While all of these resources are federal, they pass through the State(s), and then onto counties or in some cases, regions (Region 6 for Mental Health and Substance Abuse Block Grant in the Omaha Metro Area). Cities may also have access to some services resources, but the bulk of government funds flow through the State(s).
- Flexible resources that are not categorical are extremely helpful to leverage population specific resources. Local revenue and philanthropy can help in this arena.
- Many of these resources are already committed. However, that does not exclude their use in PSH projects. Often, people who are receiving services in these mainstream programs need housing. One method of creating PSH is to match people with services resources attached to them with housing units, thereby bringing the funding with them.
- As with capital and operating funding, for PSH, it is important to think creatively about how to use services and tie them to housing.

SECTION IV. RECOMMENDATIONS

Note: The Final Draft of this report will include final recommendations.

DRAFT