Guide to Service Funding in Supportive Housing

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CSH
The Source for Housing Solutions

National Equity Fund INC
an affiliate of LISC

Acknowledgements

A Guide to Service Funding in Supportive Housing

Owners, property managers, service providers, and government policy makers all recognize the value and stability that comes from providing services for residents in affordable and supportive housing. Yet resources to cover the cost for these services are inconsistent, severely constrained, and have limited accessibility when developers and providers are planning and implementing housing developments. Over the past year, CSH and National Equity Fund have collaborated on a project to explore innovative resources to fund services in supportive and affordable housing.

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The Annie E. Casey Foundation is a private philanthropy focused on strengthening families, building stronger communities, and assuring access to opportunity. Since1976 the Tides Center has worked with innovative partners to accelerate toward a world of shared prosperity and social justice.

Project Organizers

About CSH

CSH transforms how communities use housing solutions to improve the lives of the most vulnerable people. We offer capital, expertise, information and innovation that allow our partners to use supportive housing to achieve stability, strength and success for the people in most need. CSH blends over 20 years of experience and dedication with a practical and entrepreneurial spirit, making us the source for housing solutions. CSH is an industry leader with national influence and deep connections in a growing number of local communities. We are headquartered in New York City with staff stationed in more than 20 locations around the country. Visit www.csh.org to learn how CSH has and can make a difference where you live. If you have questions or want additional information on the resources featured contact us at consulting@csh.org

About National Equity Fund

National Equity Fund, Inc. is a leading syndicator of Low Income Housing Tax Credits and one of the nation's largest investors in permanent supportive housing. The Chicago-based non-profit has played an integral role in creating affordable housing options for 30 years. NEF's professionals understand that supportive housing, which includes supportive services for individuals and families facing complex challenges, has proven to be the most effective and efficient means of breaking the cycle of homelessness. It improves mental and physical health, and enhances opportunities for employment for our tenants. NEF has extensive experience working with government programs and are experienced policy advocates for the most vulnerable people. Visit www.nefinc.org to learn more about NEF's permanent supportive housing investments.

INTRODUCTION

Supportive housing is a combination of affordable housing and supportive services designed to help vulnerable individuals and families use stable housing as a platform for health, recovery and personal growth. Coordinating and building access to services is equally valuable for residents in affordable developments serving low and moderate income households as in supportive housing developments for the most vulnerable individuals and families.

Quality affordable and supportive housing requires resources for capital to build or renovate the housing unit, revenue to support operations at the property, and funding to support direct service or coordination to connect residents to services. While the resources for capital and operations are by no means sufficient or easy to access; identifying and securing funding to sustain the range of services to meet resident needs is sometimes the most difficult. This challenge stems from the need for property owners and providers to identify and coordinate resources from a wide range of sources – public and private – and to repeat the resource search year after year to maintain continued services for existing and new residents.

The Guide to Service Funding in Supportive Housing is targeted for a cross section of stakeholders interested in developing and sustaining quality supportive and affordable housing with services. New policy initiatives in housing and healthcare across the current landscape have generated significant changes that impact both the delivery and availability of resources for services in supportive housing. The Guide features new and updated resources and mechanisms to streamline funding of services linked to affordable and supportive housing. There is no silver bullet, nor a single 'go-to' source for service funding. Nor does this Guide 'list' each and every source from federal, state and private sources. However, **this Guide to Service Funding in Supportive Housing** does highlight promising funding structures and introduces innovations that have, and can be deployed in communities around the country.

Policy makers, funders, developers, service providers, and investors are the innovators in these funding models. But as the target audience for this Guide, they are also those looking to understand, expand and replicate the new funding models. This Guide highlights **FAST FACTS** about the new and existing resources, **KEY ELEMENTS TO PROMOTE SERVICE FUNDING**, and **BENEFITS AND CHALLENGES** related to implementing the approaches. **KEY ELEMENTS AT WORK** and **CASE STUDIES** provide greater detail, and highlight practical examples of how the strategies are being implemented in local communities.

Featured Resources

RECOMMENDATIONS

The Guide to Service Funding in Supportive Housing highlights a number of innovative and effective programs currently being utilized and tested to improve availability and efficiency of service funding in supportive and affordable housing. Some of the most effective tools and resources are those that have been around for some time, but are being deployed in new or more effective mechanisms. The Guide is not a full list of resources for services, but seeks to showcase efforts that 'stretch' existing resources and expand the pool of funders and investors interested in resource funding. Most importantly, we want policy makers, funders, developers and providers to learn from what others are doing, and seek opportunities to explore and replicate the highlighted efforts.

A number of common denominator **KEY ELEMENTS** highlighted in the research demonstrates strong and promising practices that will support and expand service funding for the future.

- **INCREASE OPPORTUNITIES TO COORDINATE FUNDING**
  The Coordinated Funding structure has funders develop shared priorities to target beneficiaries and improve service delivery. The required discussions between funders break down barriers and 'silos', help realize common goals and benefits, and leverage resources to produce stronger projects and programs. Coordinated funding enables organizations to maximize the expertise of cross-sector agencies, and make for stronger funding decisions.

- **SEEDING INITIATIVES**
  Flexible and multi-year funding from philanthropy and government to 'seed' initiatives and demonstrations help to test innovative models of service delivery and funding structures. The results will inform and expand broader implementation for the future enabling other communities and organizations to follow suit.

- **ATTRACT NEW INVESTORS**
  There are many stakeholders across communities that have vested interest in supporting services for vulnerable populations. Medicaid and partners in the health system are just one recent example of investors that can bring new resources. Sharing quality information along with analysis of needs, gaps, and demonstrated successes will help earn their interest and support. For Medicaid, conducting a crosswalk of services covered proved effective in identifying the gaps, and building the business case for policy changes and investment.

- **CONNECT WITH BROAD CONSTITUENCIES**
  By building and sharing data and results communities can connect with the broader constituencies to gain support for funding. Community input gained from public forums and voter referendum will highlight need, help to prioritize resource commitments, and most importantly connect to what can be accomplished on the local level.

I. Medicaid & Health System Funding

Fast facts about the Resource

Supportive housing includes flexible, voluntary, and tenant-driven services. It offers residents with complex health challenges the opportunity to improve their health in a supported and integrated environment. Evidence continues to show that supportive housing improves health outcomes and reduces health care costs, as well as costs to other public systems.

Medicaid and other health systems funding are increasingly becoming likely resources for supportive housing services that enable tenants to access and remain in housing. In the development process for supportive housing, funding for supportive and housing retention services has often lacked a reliable funding source. A variety of policy initiatives, including those introduced under the Affordable Care Act (ACA) enable many more individuals with complex health challenges, in particular those experiencing chronic homelessness and targeted for supportive housing, to become eligible for Medicaid. This coverage has been achieved both through states electing to expand Medicaid income eligibility and through service coverage changes enabled through Medicaid State Plan Amendments and Waivers. The Centers for Medicare & Medicaid Services (CMS) issued guidance in June of 2015 outlining housing related services and activities for persons with disabilities for which Medicaid can assist in funding coverage, including individual transition services to housing and tenancy supports.[1] This guidance presents an opportunity to access and connect Medicaid funding for the provision of critical services in new supportive housing developments and highlights the importance of understanding Medicaid as a potential funding source for supportive housing services.

When considering how Medicaid might pay for supportive housing services, it is important to remember that first and foremost Medicaid is a health insurance plan, not a social services program. Therefore, Medicaid's ability to reimburse for any service starts with whether the beneficiary has an illness. Medicaid currently pays for primary, behavioral and some substance use services. Statutorily, Medicaid insurance cannot pay for room and board directly. Increasingly, states are seeking CMS approval to pay for tenancy support services, including:

- Housing-based case management
- Primary and behavioral health care navigation
- Pre-tenancy supports: Housing search, assistance with leasing and subsidy paperwork \
- Transportation assistance & financial/budgeting support
- Care coordination
- Tenancy supports to help people remain in housing.

With an increased focus on coverage for health-related services and improving connections to housing as a social determinant of health, the broader health care system, continues to be a valuable resource to leverage in the development of supportive housing.

[1] https://www.medicaid.gov/federal-policy-guidance/downloads/cib-06-26-2015.pdf

Medicaid Key Elements to Promote Services Funding

States and providers can take the following steps to more strategically use Medicaid to pay for supportive housing services.

- **Conduct a Crosswalk of Supportive Housing Services and those covered by Medicaid**
  Because people who need supportive housing are often eligible for Medicaid, it can seem as though Medicaid already covers all of the services they need. But more often than not, the specific tenancy supports that help people access and remain in housing are not expressly covered in most state Medicaid plans. As well, although most state plans name case management as an eligible service, people who need supportive housing often need far more intensive levels of case management than that which is paid for by most state Medicaid programs. Conducting a crosswalk of the specific services provided in supportive housing with a state's Medicaid program will identify the gaps that prevent paying for tenancy supports in supportive housing and the opportunities for covering these services more strategically for Medicaid beneficiaries with the greatest needs.

- **Make the Business Case for Supportive Housing**
  While many people with high needs are eligible for Medicaid, without stable housing the health care system is often unable to engage them in services in a cost-effective way. Medicaid ends up paying a disproportionate amount for those who are high utilizers of emergency health care services. If Medicaid paid for the pre-tenancy and tenancy supports in supportive housing, states could achieve cost savings and restore dignity for many people with disabilities and housing instability. Cross-referencing health care cost data and housing status allows states to determine the cost-savings that can be achieved with supportive housing and make the business case for change.

- **Create a Medicaid Supportive Housing Services Benefit**
  Using the Medicaid mechanisms such as State Plan Amendments and Waivers, states can create a Medicaid benefit that specifically covers pre-tenancy supports, tenancy supports, and moving supports for people who are highly vulnerable. In "Creating a Medicaid Supportive Housing Services Benefit: A Framework for Washington and Other States" CSH lays out the five factors that decision makers must address to create a Medicaid supportive housing services benefit: benefit eligibility, the package of services to be delivered, state Medicaid plan changes, financing and reinvestment strategies, and the roles of managed care and supportive housing service providers in operationalizing the benefit.

- **Measure Success and Reinvest Savings**
  Aligning Medicaid and supportive housing is a new prospect for most states. Early-adopters of supportive housing and Medicaid integration should measure their success to pave the way for others. States that are successful in using Medicaid more intentionally to address the needs of people who need supportive housing should take their efforts to scale by reinvesting cost savings into services to create new units of supportive housing.

- **EDUCATE. ENGAGE. PARTNER**
  Health care and supportive housing professionals are beginning to learn about each other's fields. It is important that both sectors educate each other about the people they serve and how they deliver services to create a common understanding from which to build new partnerships. Policy makers and decision-makers, particularly Medicaid Directors, need to understand that supportive housing is a solution to the problems of chronic homelessness and unnecessary institutionalization and that they have the power to use Medicaid to significantly enhance their ability to create supportive housing.

BENEFITS & CHALLENGES

Benefits

- **NON-TIME LIMITED RESOURCE**
  Unlike other sources of services funding in supportive housing, Medicaid funding is tied to eligible beneficiaries and therefore available to those in supportive housing for as long as the services are medically necessary. This consistency in funding is a more sustainable foundation for services funding than, for example, a federal or local grant to fund supportive services that will expire in one, three or five years.

- **MORE COMPREHENSIVE SERVICE DELIVERY**
  Medicaid policy changes have greatly expanded opportunities for primary care and behavioral health providers to better serve beneficiaries with high needs. New efforts to include tenancy supports in Medicaid programs will ensure people receive the level of services they need to be successful in housing while also facilitating partnerships between housing and health care providers.

Challenges

- **CHANGE HAPPENS SLOWLY**
  The ability for supportive housing service providers to bill Medicaid for an enhanced range of housing related services is often linked to policy changes, such as development of state plan amendments and Waivers, and federal approvals of such plans, which can take a considerable amount of time. This alignment can be a challenge if trying to coordinate expanded Medicaid funding for services with the timing of a new supportive housing development.

- **OTHER SOURCES OF SERVICES FUNDING WILL STILL BE NEEDED**
  Even with policy changes and expansion, some critical services needed to ensure tenants' housing stability in supportive housing are not covered by Medicaid. Additional services funding resources will be needed in addition to Medicaid funds. Policy makers need to understand that Medicaid helps to build a foundation for adequate service funding, but it is not a silver bullet. Flexible dollars will continue to be needed for engagement, transportation, coordinated access, and serving people who are not determined Medicaid eligible.

- **LICENSING, CREDENTIALING, AND CONTRACTING**
  Access to Medicaid is restricted to those organizations and individuals that are authorized to perform eligible services and to bill for these services. If agencies that provide supportive housing services aren't eligible to bill Medicaid, this source will not flow through to them. Provider

capacity must be developed at the same time that state Medicaid offices and managed care organizations are learning about supportive housing.

MEDICAID KEY ELEMENTS AT WORK TO PROMOTE SERVICE FUNDING

CSH works closely with and tracks the progress of states to pay for supportive housing services with Medicaid. Look for the link on CSH's website csh.org to find the **SUMMARY OF STATE ACTIONS: MEDICAID AND SUPPORTIVE HOUSING September 2016** for highlights on actions states and other entities have taken to improve service delivery and financing of the services delivered by supportive housing providers.

CASE STUDY: LIFELONG MEDICAL CARE, BERKLEY, CA.

Background

LifeLong Medical Care (LMC) founded in 1996 with the merging of two local healthcare clinics, has built a partnership model with supportive housing owners serving hundreds of supportive housing units in the San Francisco Bay area. These partnerships enable LMC to bring integrated primary and behavioral healthcare to supportive housing settings.

LMC operates as a federally qualified health clinic (FQHC) to provide medical services, and is also a provider of behavioral health care services, and case management. LMC's access to Medicaid funding and various federal and local service grants is an excellent fit for partnership with local housing developers with access to capital funding for new units of supportive housing.

LMC is clear to maintain its role as the service provider, with no plans to expand into owning or developing housing. Working closely with developers LMC gains direct access to the housing resources for the individuals they serve. LMC executes contracts or memorandum of understanding (MOU) with property owners/developers to define the roles of each entity between the service provider, property owner/developer, and property management staff. LMC is often involved in the project concept/design phase and is able to weigh in on space for health care practitioners to see patients and shared common space for staff to run community meetings and groups.

Resource and Financial Structure

Under their FQHC licensure, LMC is able to bill and receive Medicaid reimbursement for its primary and behavioral services provided to eligible beneficiaries. LMC's service model also includes placing permanent support/case management staff on site; also funded through the agency's access to Medicaid funds. This on-site staffing model benefits and provides additional support to the property management and housing staff. Where eligible and feasible, the housing provider may provide certain services that are subsequently billed and paid by Medicaid through LMC.

A partnership with LMC can also improve access to capital resources for the housing provider. Because of the robust service package LMC is able to deliver, developers can increase a project's competitive advantage for limited capital resources, such as low-income housing tax credits or capital grants from government and private resources.

Outcomes

While LMC does not own or develop any housing themselves as an organization; as a top service provider in their community, the agency has executed partnerships to provide services in nine different supportive housing sites within the local community and for nearly 200 scattered site supportive housing units. Properties with LMC as the lead service provider produce powerful housing stability rates and strong health outcomes for residents.

II. Coordinated Funding Strategies

Fast Facts About the Resource

Housing developers and service providers need 'one stop shop' access to multiple resources to fund the full supportive housing package – capital, operating and services funding, but in most communities this does not exist. Coordinated Funding strategies make sense for applicants and funders, by reducing the number of funding applications and strengthening the overall financial feasibility of a development by securing multiple and complementary funding sources in a single transaction. Sound Coordinated Funding initiatives require funders to:

- Set common priorities.
- Align the timing of competitions.
- Use common application forms.
- Collaborate in the review and award of funding.

Coordination of capital for acquisition, construction and rehabilitation; supportive services including behavioral health, housing retention and case management; and operating subsidies such as housing vouchers and operating reserves requires the involvement of the following agencies and organizations:

- City and County Departments of Human Services,
- City and County Departments of Mental Health/Behavioral Health/Substance Abuse Treatment
- Departments of Housing and Community Development
- State and local Housing Authorities
- Housing Finance Agencies
- National, state-based, and local philanthropic organizations

Target Population

Selecting the target population is one of the most important aspects of coordinated supportive housing funding. Funders need to determine that they can all serve the same target populations in a single round based on the eligibility criteria attached to the funding source and adjustments to the priorities that may already exist. Examples of population priorities in supportive housing include people experiencing homelessness or chronic homelessness, people with disabilities, and people existing institutions (hospitals, jails, and long-term care facilities).

Coordinated Funding Key Elements to Promote Service Funding

- **Shared Priorities**
  When funders have different priorities, it can take years to assemble all the sources needed to fund a project. Identifying shared priorities among funders for the population to be served and the model to be used (single-site, scattered site, or integrated supportive housing) enables funding of complete supportive housing projects on an annual basis.

- **A MEMORANDUM OF UNDERSTANDING**
  This agreement among all funders can document the shared priorities, outline the processes for review and approval of resources, as well as commit the funding available.

- **COMMON APPLICATION AND REPORTING FORMS**
  A common application form captures the capital, operating, and service projections of prospective projects, reduces time spent putting the same information into multiple forms, and ensures that all funders are reviewing the same information. One applicant workshop with all funders represented is very helpful in explaining the requirements of the application.

- **ALIGNED TIMING OF COMPETITIONS**
  When funders have different timelines, it can be difficult for both funders and providers to ensure project sponsors leverage all necessary sources for full project funding. When funders do not align the timing of funding, they can find themselves needing to place conditions on their awards to prohibit their funds from being used until other sources are committed. Communities can avoid these unnecessary and expensive delays when funders have the same application cycles. Using a web-based application form that meets the requirements of all funders instead of printed documents also saves time and energy for both recipients and funders.

- **COMMON REVIEWS.**
  Funding decisions are most sound when each funder can hear the perspective of others. For example, funders of affordable housing that want to serve a specific population need the input of service funders to ensure the target population has the services they need to be successful. In some cases, this coordination of funding decisions means an appointed group of representatives review and approve funding actions. In other instances, each funder reviews information individually, shares the results, but retains the right to make final approvals of funding awards.

BENEFITS & CHALLENGES

Benefits

- **LEVERAGES RESOURCES AND IMPROVES FINANCIAL FEASIBILITY OF PROJECTS**
  When developers and providers can demonstrate that funding for significant components of a project are secured, it can attract additional investors to the development based on the improved feasibility and likelihood of success.

- **PROMOTES COORDINATED APPROACHES TO SERVICE PROVISION**
  The Coordinated Funding structure has funders develop shared priorities to improve service delivery and reduce disjointed or overlapping housing and services provisions. Coordinated approaches can reduce the overlap for providers applying to multiple funding sources, and create efficiencies in service delivery.

- **SAVES TIME AND MONEY FOR REDIRECTION TO SERVICES**
  By reducing overlap in funder review responsibilities and oversight, funders can potentially allocate resources directly for services or for other types of supports such as capacity building and training.

- **FOSTERS COORDINATION AMONG DEVELOPERS, SERVICE PROVIDERS, AND PROPERTY MANAGEMENT TO APPLY JOINTLY FOR FUNDING.**

  Under a coordinated funding application, prior planning by the partner organizations is essential in order to develop a comprehensive proposal that addresses the scope of work, assures capacity of the partners, and understands relevant market conditions.

Challenges

- **NEED FOR HIGH LEVEL OF COORDINATION BETWEEN FUNDERS**

  The effort involved in developing shared priorities among multiple funders cannot be underestimated. Releasing established standards and requirements may necessitate both legal and political analysis to determine funding priorities, scoring criteria, review and award authorizations, and to draft the RFP.

- **ADDRESS CONFLICTING RESTRICTIONS**

  An often seen example of conflicting regulations is the human service funding restrictions requiring services for populations at or below poverty level versus housing restrictions target populations below a certain % Area Median Income. These standards serve similar target populations, but require different metrics. Coordination of restrictions among funders requires planning and the involvement of decision makers able to resolve these differences.

- **CHANGE MANAGEMENT**

  Transitioning between individual funding awards and coordinated funding applications needs lead up time and clear communication to the potential applicants. Gaps in funding due to the change in process can place financial burdens on providers and political pressure on funders. Recipients relying on consistent funding year after year will seek gap funding to align and adapt to the change in approach and to develop the necessary partnerships to access coordinated funding.

COORDINATED FUNDING KEY ELEMENTS AT WORK TO PROMOTE SERVICE FUNDING

Coordinated Funding is a streamlined approach to service funding resulting in single coordinated process for service providers and developers. Coordinated funding can result in quicker deployment of resources in support of efforts to end homelessness and house vulnerable populations.

CASE STUDIES: KING COUNTY, WA

Background

The decision to collaborate on a joint funding announcement was driven by participation in CSH's *Taking Healthcare Home Initiative*[2] and the recognized need to increase rapidly the number of supportive housing units for people experiencing chronic homelessness, as outlined in the King County's 2005 Ten Year Plan to End Homelessness. Prior to the creation of the King County Homeless Housing Funder Group, funder resources were fragmented and lacked sufficient funding for development and the cost of supporting ongoing operations.

The first joint funding round was initiated by the King County Housing Authority (KCHA) offer of 25 housing choice vouchers to serve people experiencing chronic homelessness in the suburban and rural areas outside of Seattle. Knowing that these individuals would need services, KCHA approached the King County Mental Health Chemical Abuse and Dependency Services Division (MHCADSD) to leverage Medicaid and chemical dependency service funding. Together the two funders sought additional flexible dollars to pay for outreach and engagement for people not served by Medicaid, and furnishings for apartments. The success of the initial pilot prompted funders to increase the size of the program in subsequent years. 2015 King County Combined RFP .

Eventually, a homeless housing funder group was created that included key housing and service funders in Seattle and King County.

- City of Seattle Human Services Department and Office of Housing,
- King County's Housing Finance Program
- King County's Mental Health, Substance Abuse Treatment Division,
- ARCH, a suburban consortium providing housing funds,
- The Gates Foundation,
- United Way,
- The Washington Families Fund,
- The Seattle Housing Authority, and
- The King County Housing Authority.

Resources and Financing Structure

The funders worked to align common priorities and publish one annual Notice of Funding Availability (NOFA) for all sources. The King County Funder group eventually integrated its capital, operating, and service application forms with a common application form used by the state Department of Commerce and the Housing Finance Agency so that agencies could use one workbook for all applications.

[2] http://www.rwjf.org/content/dam/farm/reports/program_results_reports/2011/rwjf70616

Among the resources incorporated into the various funding rounds have included HOME funds, housing authority supportive housing vouchers, and service funding including Veterans and Human Services (V-HS) Tax Levy, document recording fees, and local Mental Illness and Drug Dependency (MIDD.) All funders participate in one pre-bid workshop for prospective applications, with each providing an overview of their fund source and addressing any questions. Funders meet together to review applications, and each application is reviewed by a capital, operating, and service funder to ensure quality in each category. Capital funds are leveraged to ensure that federal funding is allocated in the most strategic way to produce the greatest number of housing units each round. While all decision-making remains in the hands of the respective agencies overseeing the funding, staff recommendations are aligned with partner funders and nearly always led to final awards.

Staffing to support the Funders group was initially paid for by the CSH *Taking Health Care Home Initiative*. This role facilitated bringing funders together and guided and their collaboration in setting priorities and aligning timing of allocations. When the paid position ended, the role was rotated among participant funders.

Outcomes

Project sponsors no longer need to pull together multiple funding streams with varying terms, priorities, application and renewal dates. A financing system is created that sets common priorities for housing models and target populations resulting in more units created and supported, in less time. In its 2014 NOFA, King County committed to allocate approximately $49.3 million dollars under the Coordinated Funding through six public and private funders combined.

CASE STUDY: WASHINGTON, D.C.

Background

In April 2013, Washington D.C.'s Department of Housing and Community Development (DHCD) announced its first ever Unified Housing Request for Proposals. Prior to the Unified RFP, a key barrier to increasing the quality and number of supportive housing units was the lack of coordination - requirements and timelines - between city agencies. Creating a Unified RFP helped to break down these silos, and instituted an important and more efficient tool to provide resources to developers and service providers to increase quality affordable housing to reduce homelessness and improve quality of life for residents. Key partners in D.C.'s Unified RFP included:

- D.C.'s Department Housing and Community Development
- District of Columbia Housing Authority
- The D.C. Department of Human Services
- The D.C. Department of Behavioral Health
- District of Columbia Housing Finance Agency

Resources and Financing Structure

The initial Unified RFP combined funding through the local housing and service departments including:

- 9% Low Income Housing Tax Credits - set aside of $3.3 million in tax credits; with estimated capacity to generate over $31 million equity. Additional 4% tax credits are also available through the annual tax exempt bond authority.
- Housing Production Trust Fund - $70,000,000
- Housing Opportunities for People With AIDS (HOPWA) TBD
- Department of Behavioral Health Capital Financing $ 4,000,000
- Project-Based Housing Choice Vouchers - 50 vouchers
- Local Rental Support Program vouchers - 100 vouchers
- (Public Housing) Annual Contribution Contract - 300 units
- Department of Human Services funding $2,000,000 for two year contracts

Outcomes

By coordinating capital, operating and services funding, D.C. agencies are able to increase the number of affordable and supportive housing units developed, decrease the time needed to develop those units, and improve the capacity of developers and service providers. 2015 was the third year that D.C. agencies have offered the Unified RFP for affordable and supportive housing.

III. State and Local Initiatives

❖ California's Proposition Funding for Housing and Services: Proposition 63 and Proposition 41

Fast Facts About the Resource

California has a long history of initiating and instituting state policy and funding through the direct ballot process to the voting public. Resources and programs for special needs housing and support services have benefited from using the State's voter referendum mechanism. The benefits are substantial: 1) elicits and solidifies broad community support through the presentation of initiatives to the electorate directly, 2) promotes legislative continuity, and 3) builds in flexibility to develop program parameters to meet the ongoing needs and changes in the environment.

Two highlights of the proposition process in California that have proven effective in funding supportive housing and services are the Prop 63- Mental Health Service Act (initially passed in 2004) and the recent Prop 41 – Veterans Housing and Homeless Prevention Program (approved in 2014). These initiatives bring new state supported resources to address long standing needs in the community and foster collaboration across government, community and private agencies to unify efforts to address common goals.

Proposition 63 – The Mental Health Services Act (MHSA) authorized increased funding for the provision of mental health services to support local mental health programs for all populations: youth, transition age youth, adults, older adults, and families. A broad range of services are supported from prevention, early intervention, and ongoing case management to infrastructure, technology and training to build and maintain a strong mental health support system.

- Funding for the MHSA is generated from a one percent state tax on personal income in excess of $1 million. In the most recent year with information available (FY2014-2015) more than $1.4 billion was budgeted.[3]
- California Mental Health Services Authority, (CalMHSA), the state agency responsible for MHSA funding, distributes general funding directly to counties and to service providers in counties. Some of the funding is set aside for competitive awards from key state agencies for housing and health services.
- The availability of the ongoing resources promotes opportunity for flexible and creative use to leverage other resources. Among the clear successes of the MHSA Program is the dedication of resources to the Mental Health Service Act Housing Program.

Proposition 41: The Veterans Housing and Homeless Prevention (VHHP) legislation authorizes the financial assistance to construct and renovate affordable, supportive, and transitional housing for low income veterans and their families.

- The Veterans Housing and Homeless Prevention (VHHP) Bond Act of 2014 authorizes $600 million in state general obligation bonds to provide multifamily housing. This legislation continues

[3] http://www.dhcs.ca.gov/formsandpubs/Documents/Legislative%20Reports/Mental%20Health/MHSA_Expend_Report-Mar2014.pdf

and updates California's previous commitment in 2008 (the Veterans' Bond Act 2008) to fund efforts to reduce veteran homelessness.

- The VHHP was designed and proceeds of the state revenue bonds are administered by the California Department of Housing and Community Development in collaboration with the California Department of Veterans Affairs. The Program provides coordinated funding for capital development and operating supports for housing with set asides for supportive and transitional housing for homeless veterans and their families.
- The full funding authorization under this program is being distributed in funding rounds of over the next several years to support a pipeline of affordable, supportive and transitional housing for veterans.

The VHHP targets individuals that have served in the U.S. military or the National Guard, regardless of discharge status, and currently have incomes not exceeding 60% of area median income. Not less than 45% of funding must serve veterans and their households who have incomes at or below 30% of area median income. In all VHHP units, the goal is that residents do not pay more than 30% of their income toward rent. If a development can leverage additional rent subsidies the rent levels may be set in accordance with those funding sources.

California Proposition Funding Key Elements to Promote Service Funding

- **Collaboration across Agencies**
  Both programs rely on the expertise of multiple state and local agencies to make decisions about the funding awards. The State housing agencies provide the financial underwriting analysis for the capital development funding. State and local service agencies apply their expertise to assess the capacity of the service plans and service partners committed to the developments, and in some instances these agencies make referrals for qualified tenant applicants.

- **Leverage Funding Allocations**
  While these two specific programs provide the capital and operating resources to create affordable and supportive housing for target populations, the funding awards require development owners to partner with lead service providers to develop a strong service plan and to demonstrate commitment of funding resources from the local funders to support the plan long term.

- **Capitalized Operating Subsidy Reserve (COSR)**
  This program component utilized by both the MHSA Housing Program and the VHHP Program provides an upfront reserve to cover projected shortfalls in operating costs. Generally, this reserve is warranted when the mandated rent restrictions significantly reduce rental income and make it insufficient to cover the cost of operations at the property. COSR supports funding for supportive services by permitting participating developments, including affordable and supportive housing, to include certain service coordination costs and case management costs in their operating budgets.

- **Service Coordination**
  Service coordination is information, referrals, and connections to community services to assist residents with housing stability, financial strength and growth, and improved quality of life, especially for populations that that may have difficulty accessing resources in the community. A strong service coordination program, under the VHHP and MHSA Housing Program will foster peer support and advocacy, facilitate transportation to connect to community services and also to employ strategies to engage residents in building and community activities. Participation is voluntary for residents.

Benefits & Challenges

Benefits

- **Promotes comprehensive service planning**
  Affordable and supportive housing targeted for special needs populations benefits when developers partner with service providers in the community coordinated efforts during the planning and predevelopment phases of development. Strong service plans include identification of types of services, capacity and quality of service providers, staffing ratios, and referral and service delivery processes. A key element of MHSA funding is that services are required to be voluntary, flexible, responsive to individual resident needs, and culturally and linguistically appropriate.

- **Fosters strong relationships between property owners and service providers within a community**
  Working together to develop a comprehensive service plan to address the needs of the common clientele can foster learning between and among partners, and help to expand expertise and achieve efficiencies in their respective roles.

- **Lessons learned from tracking outcomes**
  Robust reporting on service activities enables the state agencies and the providers to learn from practices that benefit clientele and can inform future policy and funding decisions.

Challenges

- **Requires developers and providers to search for service funding**
  The California VHHP and MHSA Housing Programs provide vital resources to create quality housing for the target populations with opportunities to allocate and leverage resources for support services. However, despite the collaboration and coordinated funding, supportive housing owners and their partner service providers must continue to search for resources to fund a comprehensive service program over the multiple years.

- **Resources are highly competitive**
  The need for supportive housing for special needs populations in California is significant and clearly extends beyond the availability of these proposition resources. Although a significant source, they are still not enough. The State continues to identify and leverage existing resources to support high quality and innovative projects to progressively lessen the demand.

CA Prop Funding Key Elements at Work to Promote Service Funding

Case Study: California MHSA Housing Program

Background

The MHSA Housing Program provides capital and operating funding for projects demonstrating the development and service capacity to produce and operate quality supportive housing. This successful initiative utilizes MHSA resources through collaboration between the Department of Healthcare Services (DHCS) and the California Housing Finance Agency (CalHFA) to develop permanent supportive housing for persons who have serious mental illnesses and are at risk of homelessness. Through these joint efforts, CalHFA monitors development, financial and occupancy compliance at the properties, and DHCS supervises the delivery of services, including evaluation of how the MHSAHousing Program meets the needs of the target population. County mental health departments determine eligibility of applicants.

Resource and Financial Structure

The Capitalized Operating Subsidy Reserve (COSR)[4] enables the MHSA and the VHHP Programs to provide funding for a qualified project's service coordination and case management services should the operating expenses exceed the income at the property. An upfront operating expense reserve is funded based on estimated operating expenses at the property for the target units, and is held (and disbursed) by the CalHFA. The target units have additional rent restrictions to assure affordability at 30% of income for the residents. A Capitalized Operating Subsidy Reserve Agreement between CalHFA and the project documents the terms of the COSR reserve including amount of funding, the rent levels on the target units, the eligible uses, documentation for operating reserve draw requests, and the term of the reserve funding available; which may extend for up to 20 years. Developments that receive rent or operating subsidies from other sources can also apply for MHSA COSR funding based on gaps in other funding awards.

[4] http://www.calhfa.ca.gov/multifamily/mhsa/termsheets/MHSATermSheet.pdf

III. State and Local Initiatives
❖ Partnerships with Criminal Justice Systems

Fast Facts About the Resource

Providers are seeking innovative ways to fund supportive housing services to address the significant barriers faced by individuals with histories of arrest, incarceration, mental illness, substance use, and homelessness. Partnerships between local and state departments of corrections, other state service agencies, and local community providers are showing some promising results for this especially difficult population to serve and to place in housing. Supportive housing is a proven intervention to stabilize individuals facing the challenges of chronic homelessness and can increase access to health services for individuals with disabilities and substance use disorders who otherwise are cycling between jails, hospitals, shelters and prison. Research[5] has shown that supportive housing decreases an individual's likelihood of rearrests and simultaneously increases their access to mental health and substance abuse treatment services.

State General Revenue. Partnership with criminal justice systems within a state can bring forward new resources for services or redirect existing resources to support evidence-based intervention of supportive housing. States are committing billions of dollars of state general fund resources annually; resources collected from annual tax revenue, fees and in some instances state debt borrowing, to fund their criminal justice systems. These state general fund resources are paying for costs associated with the physical plant and operations at prisons and institutions, oversight of parole programs, and implementation of community residential and non-residential programs. It is feasible and has been demonstrated effective for states to leverage allocations to parole and community programs with other state and community human service and housing programs to address the housing and service needs of the population re-entering the community from prisons.

Federal Justice Grants to States and Communities. A number of competitive federal grant funds are available to states and community partners that specifically encourage initiatives that address the high levels of incarceration, recidivism, and homelessness among the population re-entering the community with a criminal justice history. **The Byrne Justice Assistance Grant (JAG**) is a federal competitive grant that prioritizes funding for efforts to reduce recidivism and rearrests. **The Second Chance Act** provides states, local governments or tribal entities comprehensive planning and implementation grants to improve community based support for those released from incarceration. In the current Second Chance Act legislation the program prioritizes programs that target individuals with histories of homelessness.
Permanent Supportive Housing for the Reentry Population[6] through Pay for Success is a new collaboration between the Department of Justice and the Department of Housing and Urban Development to support Pay for Success Supportive Housing initiatives to serve individuals that are at high risk of becoming homeless or are homeless and have frequent interaction with the criminal justice system. This

[5] Culhane, D. P., Metraux, S., & Hadley, T. (2002). Public service reductions associated with placement of homeless persons with severe mental illness in supportive housing. *Housing Policy Debate, 13,* 107-163. http://repository.upenn.edu/cgi/viewcontent.cgi?article=1067&context=spp_papers

[6] https://www.whitehouse.gov/the-press-office/2015/11/02/fact-sheet-president-obama-announces-new-actions-promote-rehabilitation

new initiative provides resources for communities to create partnerships, target populations, and identify investment resources to test cost-effective ways to address the needs of persons cycling between the systems. The pay for success model builds on leveraging private investment for proven services, and reinvesting savings accrued from decreases in rearrests and incarceration.

Target Population

The target population is those individuals who are cycling through incarceration and homelessness, and experience complex behavioral health challenges. Partnerships with criminal justice system partners can target individuals who are homeless prior to entering a jail or the prison system, as well as those who are at risk of becoming homeless upon exiting a correctional facility. Successful interventions often include case management, referrals and supports as part of the discharge planning from prisons as well as once placed in the community. Pairing flexible planning and service funding with traditional capital and housing subsidies from housing authorities and finance agencies is an effective means to meet both housing and service needs. In some instances, state budgeted resources can also be used for referral coordination, case management as part of the discharge planning while the individuals are still incarcerated. Some of the key partners include:

- City and County Departments of Human Services,
- Departments of Rehabilitation and Corrections/Department of Corrections and Community Supervision,
- City and County Departments of Mental Health/Behavioral Health/Substance Abuse Treatment,
- Departments of Housing and Community Development,
- Housing Authorities (LIHTC, voucher programs), and
- Community providers.

Criminal Justice System Key Elements that Promote Service Funding

- **Shared Priorities**
  Cross-discipline learning to understand the respective policies and requirements is essential for partners representing the housing, homeless and criminal justice systems as they develop and approach new service model with shared priorities.

- **A Memorandum of Understanding**
  This agreement among all parties will document the shared priorities, outline the processes for referral to housing and services and elaborate on the commitment of resources for services, operating costs, and capital.

- **Shared Data**
  In order to understand and record cost savings and utilization data, sharing agreements and procedures between the partners will be needed. Because the cost and utilization data sharing may include state and local agencies that have legal obligations to protect client privacy (Corrections, Mental/Behavioral Health, Addiction Services, hospital data, and shelter HMIS data) data sharing agreements should follow requirements set down by guiding laws and regulations.

Benefits & Challenges

Benefits

- **Identifies common outcomes and benefits**
  It doesn't take long for agency and service provider partners to identify the shared benefits that can result from collaboration. Corrections departments seek to reduce recidivism, housing providers require resources to subsidize rents for those with limited incomes, and service providers seek to deliver quality services to address needs of this same population

- **Promotes coordination and referrals to service provision.**
  When corrections departments invest in housing support services their staff members are encouraged to become familiar with the housing resources and the homeless system services available. Once liaison staff in jails and prisons attend the cross-discipline learning sessions, they can become heavily invested in making referrals for services and housing, thereby reducing the likelihood of recidivism.

- **Addresses longstanding barriers to housing**
  A number of housing authorities around the country are testing policies that lift restrictions on formerly incarcerated individuals having access to public and assisted housing. The New York City Housing Authority's Families Reunification Pilot Project is just one example of not only lifting restrictions but of encouraging reconnections with family.

- **Leverages resources through cost savings**
  Corrections and other justice systems represent a significant percentage of the expenditures for state governments. Through partnerships, it is possible to track tax dollars previously directed to cover costs of arrests, trials, conviction and jail services now freed up to be redirected to supportive housing services.

Challenges

- **High level of coordination between partners**
  It cannot be underestimated the effort involved in developing share priorities, shared funding, and shared data requires time and effort from multiple partners. In highly regulated systems, like criminal justice, it may be difficult to institute the flexibility necessary to implement a partnership that maximizes all resources.

- **Increase in service costs**
  Costs of billable health and other services may increase as individuals are newly diagnosed or receiving treatment services that they previously did not have access to without already having stable housing. While many of these services are Medicaid billable, administrative costs associated with care coordination and referrals to service providers may also increase. This challenge can be addressed by redirecting funds saved from fewer rearrests to case management services within jails and post-release.

- **Access limitations for the formerly incarcerated**
  While efforts are being made to lift limitations on public housing and other housing subsidies for persons with criminal backgrounds, there are still significant restrictions that keep the formerly

incarcerated from reuniting with family members living in assisted housing. In addition, current definitions that prioritize chronically homeless with disabilities for supportive housing do not include many who are exiting criminal justice institutions. Equally significant, residents in assisted and public housing fear that lifting restrictions will increase drug activity and criminal behaviors in their communities.

Criminal Justice Key Elements at Work to Promote Service Funding

Case Study: Returning Home Ohio

Background

In 2006, the Ohio Department of Rehabilitation and Correction (ODRC) partnered with the Corporation for Supportive Housing (CSH) to design a reentry supportive housing pilot, Returning Home Ohio (RHO) that provided pre-release coordination and post-release supportive housing to individuals with a disability who were homeless at the time of arrest and/or at risk of homelessness upon release. For the pilot program, disabilities were defined to include developmental disorders, severe addiction, and serious behavioral health problems. An ideal pathway from incarceration to housing was identified by the Returning Home Ohio study[7] to include identification and pre-discharge counseling, referral for housing, and wrap around services to help remain stabilize in the community. Best results are achieved when housing and services are ready upon release.

Resources and Financial Structure

During the pilot project, ODRC invested over $5 million in state general fund resources which was used for rental subsidies, tenant assistance, supportive services, program evaluation, and project management. These resources were administered by a range of service provider partners under contract in the program.

Outcomes

Following the positive outcomes achieved by this pilot project the ODRC agreed to expand Returning Home to other Ohio cities. The most notable outcomes included[8] 1) Returning Home Ohio (RHO) participants were 1) 60% less likely to be re-incarcerated, 2) 40% less likely to be rearrested for any crime,3) received more mental health and substance abuse services (290% more) and received them sooner (on average 15 days earlier) than the comparison group.

[7] "The Role of Supportive Housing in Successful Reentry Outcomes for Disabled Prisoners," Jocelyn Fontaine, Urban Institute. http://www.huduser.gov/portal/periodicals/cityscpe/vol15num3/ch3.pdf

[8] "The Role of Supportive Housing in Successful Reentry Outcomes for Disabled Prisoners," Jocelyn Fontaine, Urban Institute. http://www.huduser.gov/portal/periodicals/cityscpe/vol15num3/ch3.pdf

Case Study: Family Reunification Pilot Project, New York

Background

The **Family Reunification Pilot Program** is an initiative run jointly by the New York City Housing Authority (NYCHA), Department of Homeless Services, and Vera Institute for Justice, Community Supported Housing, and 12 nonprofit service providers. A key component was the lifting by NYCHA of the barriers that limited formerly incarcerated individuals from living in public housing for this pilot that aimed to move 150 former inmates into public housing to be reunified with family members. The initiative is built upon findings that if formerly incarcerated individuals are able to be reunified with their family members they are less likely to be reincarcerated, and are able to reduce their experiences of homelessness and living in shelters.

Services are available to the individuals and their families leading up to and for six months following reunification. If the reunification is successful, the tenants' exclusions are permanently waived and they are added to the lease. Eligibility criteria [9] established by NYCHA for the pilot keep in mind both safety concerns and the service provision. Candidates must be related to apartment leaseholder, including domestic partnership; must agree to work with case managers for at least 6 months on employment, social support and substance abuse treatment, if necessary; and cannot be registered sex offenders or been convicted of methamphetamine production on federally subsidized property.

Resource and Financial Structure

The Family Reunification Pilot Project was supported with funding from a private foundation - the Tiger Foundation, the U.S. Department of Housing and Urban Development, and the U.S. Department of Human Services.

Outcomes

Outreach continues by the partners and government agencies for The Family Reunification Pilot to fill spaces for 150 returning family members. The Pilot has served over 50 individuals to date, and as of November 2015, no new convictions have been reported for any of the program participants. Additionally, it is reported that many of the returning individuals were able to avoid the homeless shelter system completely or have very limited time in the shelter- a change from how things were previously.[10]

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[9] NYCHA, "Family Re-Entry Pilot Program" brochure, http://www1.nyc.gov/assets/nycha/downloads/pdf/re-entry-brochure-20151109-en.pdf

[10] Public News Service. City Pilot Project Allowing Ex-Offenders into Public Housing Shows Progress, http://www.publicnewsservice.org/2015-11-27/criminal-justice/city-pilot-project-allowing-ex-offenders-into-public-housing-shows-progress/a49160-1#sthash.rVmdIYSm.HeOvr9l9.dpuf

III. State and Local Initiatives:
❖ King County Washington - Veterans and Human Service Tax Levy

Fast Facts About the Resource

A voter initiative in King County, Washington State in 2006 set the foundation for funding of housing and support services to meet the needs of veterans, their families, and other vulnerable populations in the County which encompasses the City of Seattle and the surrounding regions and communities. The initial voter referendum instituted a property tax levy in the amount of $.05 per $1000 of assessed property valuation for the purpose of funding services for human service needs. The **Veterans and Human Service Property Tax Levy** (V-HS) when initially approved was estimated to provide an estimated $13.3 million each year, and was authorized for six years. Specific language in the levy authorization allocates the resources to be divided 50% to benefit veterans, military personnel and their families; and 50% for regional health and human services for the broader population demonstrating need.

In 2011, based on positive impact of the dedicated funding, the voters approved continuation of the special levy for a subsequent six year period. *The Veterans Human Service Levy Service Improvement Plan 2012-2017* outlines the projected funding levels to be received from the levy at $101.6 million over the full period, as well as the priorities and target activities for continuation of this important resource.[11] The King County Department of Community and Human Services (DCHS) is the County agency designated to oversee the planning, allocation of funding and reporting for the V-HS Levy Program. Of note the current plan emphasizes services for veterans, and specifically veterans with incarceration histories, additional funding for supportive housing, continued investment in infrastructure and community capacity to deliver services, and to expand coordination of services for the target populations under health care reform.

King County V-HS Levy Key Elements to Promote Service Funding

- **Collaboration across Agencies**
  The strategies and investments outlined in the Service Plan encourage coordination of information and services between local service providers, county level agencies that serve the veterans and homeless populations, and State and federal resources for veteran services and housing. The V-HS Levy has funded coordinated outreach efforts, prevention, permanent supportive housing, on-site support services in housing, and has been a key resource under the Coordinated Funding Combined Notice of Funding for Homeless Housing (See section on Coordinated Funding in this Guide.)

- **Technology and Data Sharing**
  Creating data sharing systems has been a significant focus of the V-HS Levy Program with specific emphasis on improving access and leveraging resources at all levels of government. Resources have been invested in a 211 Community Information Line to both refer callers to eligible and accessible programs and to document information on service needs.

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11 http://www.kingcounty.gov/~/media/operations/DCHS/Levy/Docs/2012_SIP_FINAL.ashx?la=en

- **Alignment of Priorities**
  The V-HS Levy Service Plan 2012-2017 specifically emphasizes alignment of its investments and activities with other County initiatives and plans: *the King County Ten Year Plan to End Homelessness, The Five Year Plan to End Veteran Homelessness, The King County Strategic Plan and the King County ,King County Equity and Social Justice Initiative.* Specific population targets include assisting veterans and military personnel and their families, homeless individuals and families that are the highest utilizers of the crisis service systems. At the same time investments are being made in programs to stabilize individuals and families who can benefit from early intervention to prevent declines and significant drains on the county's service system.

- **Addressing Local Needs**
  The V-HS Levy resources are made available across the County, to assure resources are available to address the specific needs of local communities. Reporting on program activity and fund expenditures of each type of program across the geographic regions helps to identify specific needs of the different communities.

- **Accountability and Oversight**
  Built into the legislative initiative the V-HS Levy Program implements oversight and accountability requirements that include review by two public oversight committees, public participation in priority and program design, performance evaluation, and extensive reporting on program and financial outcomes. This reporting of the positive results on the initial V-HS Program Levy contributed to the community support for continuation of the special levy for the subsequent period.

Benefits & Challenges

Benefits

- **Solidifies broad community support**
  Authorization of supplemental property tax levies in Washington State is delegated to the counties, and requires approval by the electorate. The original and subsequent ballot measures for the V-HS Levy, including extensive reporting on results, enabled the broader community to recognize, and proactively authorize funding to address the needs of vulnerable populations.

- **Increases dedicated resources**
  King County has seen the results of the investment of resources to reduce veterans homelessness and address the health and human service needs of their families and other vulnerable populations in the community. The County strategically invests these special levy resources to coordinate with existing plans and maximize resources to address priority needs.

- **Lessons from tracking outcomes**
  Robust reporting on outcomes of the investments activities enables the County agencies, the providers, and the community to learn from practices that benefit clientele and can inform future policy and funding decisions.

Challenges

- **REQUIRES DEVELOPERS AND PROVIDERS TO SEARCH FOR SERVICE FUNDING**
  The V-HS Levy provides important resources and continues to be used effectively to leverage other state and federal resources for veterans and homeless populations. However, despite the collaboration and coordinated funding, supportive housing owners and their partner service providers must continue to search for and line up resources to fund a comprehensive service program over the multiple years.

- **RESOURCES ARE HIGHLY COMPETITIVE**
  The need for services for veterans and vulnerable populations are significant. While the V-HS Levy brings dedicated resources to invest in solutions, the resources are always limited, and must be prioritized. In the current 2012-2017 Service Improvement Plan allocations to some activities had to be reduced in order focus on higher priorities. The funding for outreach and supportive housing services do remain dedicated and coordinated in the RFP for Homeless Housing.

KING COUNTY V-HS LEVY FUNDING KEY ELEMENTS AT WORK TO PROMOTE SERVICE FUNDING

Outcomes

The most recent reporting for 2014 from the King County DCHS on the results of the V-HS Levy Program highlighted many positive outcomes for individuals and families served.[12] Several of the key performance results that relate specifically to service funding in supportive and affordable housing are:

- Through the Combined RFP, the V-HS Levy invested capital funding for the creation of 183 housing units in three developments for homeless and at risk households. This adds to the total 1,841 housing units supported by the V-HS capital funding since 2006.
- Supportive housing services are provided on-site at 17 sites housing veterans, and homeless individuals and families. Nine-six percent of the households in the housing stability programs have retained their housing for at least a year.
- The County continues to calculate cost offsets– reductions in crisis care, emergency shelter, and criminal justice interventions – resulting from the housing placements funded with V-HS Levy and other leveraged resources.

12 http://www.kingcounty.gov/~/media/operations/DCHS/Levy/Docs/2014_VHSL_Report_r9-3.ashx?la=en

IV. Federal Resources

❖ Low Income Housing Tax Credit Program

Fast Facts About the Resource

The Low Income Housing Tax Credit (LIHTC) Program initiated in the Federal Tax Code in 1986 has become the largest capital financing program for the development of affordable rental housing in the United States. Annually States (and some large cities) receive an allocation of the LIHTC based on a per capita distribution. Federal tax credits are not appropriated, but budgeted as a reduction in tax revenue.

The LIHTC provides federal tax incentives to encourage financial investments in qualified affordable rental housing. Each tax credit allocation is awarded competitively to projects and is based on a percentage of the development costs which may include acquisition, construction, and other costs associated with the development. The LIHTC award will generate a federal tax credit to the owners and investors in the development in each of ten years that the development maintains qualified occupancy in the units and compliance with the tax credit program requirements. Affordable housing owners can sell their allocation of credits to investors who pay cash upfront for the credits received over the ten year period. This equity often provides the majority of capital financing for the project. Investors in the LIHTC include financial institutions, private corporations, and private equity companies. While the LIHTC Program is essentially a resource targeted to finance the construction or renovation of affordable housing, there are opportunities for this resource to also generate funding for related services in affordable and supportive housing.

Target Population

- Properties are awarded tax credits based on the commitment to provide affordable rental units to residents at or below a targeted income. All developments must ensure that at least 1) 40% of the units have rent levels and are occupied by households with incomes at or below 60% or area median income or 2) 20% of the units will rent at levels and be occupied by households at or below 50% area median income. In order to maximize the LIHTC award, many developments set aside all of the units for income eligible households.
- States can establish priorities for award of the LIHTC to developments that propose to address identified housing needs in the community. Common priorities chosen by states in recent years include chronic homelessness, housing for persons with disabilities, or housing in areas with strong employment opportunities.

LIHTC Key Elements to Promote Service funding

- **Qualified Allocation Plan Sets Priorities**
  Each allocating agency (generally the state's housing finance agency) is required to establish a Qualified Allocation Plan (QAP) to inform applicants on the priorities and selection criteria for the federal tax credit awards to qualified projects in their jurisdiction. QAPs are drafted to include threshold criteria, incentive points, or access to a higher award of tax credit for those developments that propose to address specific identified needs in the community. Setting these incentives in the QAP is a key vehicle communities have to direct the LIHTC resources to developments that will meet the priority housing and service needs of residents, including higher need vulnerable populations.

- **Calculation of Tax Credit Awards**
  The calculation for LIHTC awards is prescribed in the federal tax code with specific language relating to acquisition, construction, and related costs that are used to determine the tax credit basis. Allocating agencies can establish criteria to 'boost' the award or increase allowances for related costs such as reasonable developer fee to reward those projects that take extra effort to meet priorities. These innovative structures have created opportunities to generate tax credit investment to cover service funding.

- **Operating Budget Designations**
  The owner and property manager of an affordable housing development will develop an annual operating budget projecting the costs necessary to effectively operate the housing. These costs usually include property management and maintenance, utilities, taxes and insurance, and on-site staffing. Costs to make debt payments are also projected. Depending on the revenue stream projected, some developments are able to budget and expend operating revenue to cover costs for providing resident services, such as front desk staffing, resident referrals to community services, resident workshops or limited case management.

- **Tax Credit Compliance and Reporting**
  The tax credit allocating will monitor compliance with the LIHTC tax credit requirements. Key commitments included in the development proposal for which tax credit were awarded will be documented, and properties will be held accountable to meet these commitments. In addition, certain states will request additional reporting on activities carried out to meet priority populations, efforts to connect residents to services, and also certain outcome results.

- **Service Partnerships**
  Many affordable housing developments whether general or targeted for supportive housing populations benefit from linking residents with services that will help them to retain their residency, advance their economic status, and/or connect with health and education services in the community. Property owners connected to their communities learn how to access resources from the established providers in the community. Residents benefit from connections to community amenities, employment opportunities and are better able and interested in reinvesting both financial and personal time in their community.

Benefits & Challenges

Benefits

- **Leverages private investment resources for affordable rental housing**
  The LIHTC generates significant private capital for development of affordable rental housing, and with certain incentives these resources can also support the provision of services to property residents.

- **Targets resources to support priorities within a community**
  Many states across the country have established priorities for developers to create affordable rental housing to serve residents with high needs, lower incomes, and create increased job and educational opportunities. Creative incentives in the LIHTC can direct resources to support the priorities set at the local level.

- **Fosters strong relationships between property owners and service providers within a community**
  Working together to develop a comprehensive service plan to address the needs of the common clientele requires coordination and planning by the partner organizations. When competitive allocations of tax credits require these partnerships they build on this coordination to help both service providers and property owners achieve efficiencies in their respective roles.

- **Tracking outcomes creates stronger properties**
  Robust reporting on service activities and the corresponding property and resident outcomes required by housing finance agencies will enable the property management and ownership to learn from practices that will benefit residents, future operations and conditions at the property. Most affordable rental housing developments are financed using multiple funding sources and the efforts of funders to create efficient, consolidated reporting across funding sources will ensure they gain a fuller understanding of activities at the development, and encourage future funding based on demonstrated outcomes. For property owners the benefit is a reduction in the number of reports to be completed.

Challenges

- **Targeted for development costs with limited funding available for services**
  While LIHTC is a significant resource generator for capital development, the mechanisms for directing these resources for services are limited. Additional grant and program funding will likely be needed in order to support and maintain services at a level that sufficiently meet the needs of residents, especially those developments that serve vulnerable populations.

- **LIHTC resources are highly competitive**
  The application process for LIHTC involves a complex scoring system that balances a community's priorities and project cost effectiveness. Even very strong projects with targeting for services may not 'score' sufficiently to receive an award, and may need to reapply in subsequent years.

- **Priorities may shift from year to year**
  Many LIHTC allocation agencies will review their QAP scoring incentives each year to determine if the priorities proposed will match the current need in the community. CSH publishes annually **Housing Credit Policies Report** highlighting QAP priorities to benefit supportive housing and services.

LIHTC Key Elements at Work to Promote Service Funding

Using the QAP, states set priorities and criteria for allocating the LIHTC resources. While capital development is the primary focus, communities can use innovative strategies for directing resources to support related service activities in the affordable rental developments. Developers can also leverage service sources by demonstrating their success in receiving tax credit allocations to create single-site or integrated supportive housing.

CASE STUDY: PENNSYLVANIA HOUSING FINANCE AGENCY QAP RESIDENT SERVICES RESERVE

Background

In Pennsylvania the housing finance agency and other related state service organizations have long recognized the value for affordable housing developments including service supports for residents. Specific grant funds have been allocated from state agencies to incorporate supports like budgeting and financial management workshops, assisting residents to connect with health services, tutoring for students or general case management that can help to stabilize residents in their housing, improve life skills, and have a positive impact on the long term viability of the property. However, when resources are more limited, Pennsylvania incorporated incentives in the LIHTC Program to encourage owners to designate a portion of the equity investment earned from the tax credits for service funding. Participating owners can also designate funding for a rent subsidy benefit for very low income residents.

Resource and Financial Structure

Through an innovative structure in the QAP, the agency incentivizes developers to set aside funding in an escrow account for annual draws to cover the costs for services. The QAP permits owners to request a five percent (5%) higher developer fee in its tax credit basis[13]. The agency will award tax credits on this higher developer fee, and the amount of the equity investment generated from the higher tax credit award is deposited in an escrow held for the project to be spent annually for resident services. Owners will deliver a resident service plan, developed in conjunction with community service partners, for the property that addresses the anticipated service needs of the resident population. An online reporting system allows the agency staff to monitor the service delivery and also targeted outcomes.

Hamlin Heights is a proposed affordable rental development of 40 units in Wayne County in Northeastern Pennsylvania. The development received a LIHTC award in 2015, including a boost in the tax credit award to fund a service funding escrow for the targeted elderly tenant population. The equity projected from this increased tax credit award will support the staff at the development to meet the minimum service standard set by the state agencies over the required 15 year compliance period. While not sufficient on its own to pay for all services at Hamlin Heights, the property owners are committed to seek additional funding to supplement the service activities.

Outcomes

Pennsylvania Housing places significant value on property owners in their multi-family rental housing portfolio building in services to support residents, and will allocate a portion of their annual allocation of federal tax credits to generate funding for services. In May 2015 approximately 15% of the developments awarded LIHTC elected to allocate resources for services and/or a special rent subsidy escrow which can also assist the developments to meet the housing needs of lower income residents. Other states can learn from this innovative structure to encourage resident services in their jurisdictions. In addition, the Housing Service staff in Pennsylvania are able to review activities and outcomes of the resident services provided for all their properties through their web-based monitoring systems.

[13] http://www.phfa.org/forms/multifamily_program_notices/qap/2016_allocation_plan.pdf

IV. Federal Resources

❖ New Market Tax Credits

Fast Facts About the Resource

The Community Renewal Tax Relief Act [14](2000) established the New Markets Tax Credit Program (NMTC) to encourage investments to revitalize and create economic opportunities in low income and distressed communities. Investors provide an equity investment into a community development entity that in turn lends or invests proceeds into a qualified project. The Program's design incentivizes capital investment in commercial enterprises to redevelop commercial property, create new or expand businesses, generate employment opportunities, or deliver services that improve economic opportunity and quality of life in a distressed community benefitting underserved populations. The annual federal budget allowance for the NMTC Program is awarded on a competitive basis to community development entities based on their qualifications to carry out the program and invest in a pipeline of eligible businesses.

The design of the NMTC favors investment in real estate development projects that can clearly demonstrate job creation and community impact. NMTC investments in health care, educational, and other service facilities are very common, and help to address the capital needs of these providers to expand and improve access and delivery of services in underserved communities. NMTC investments can be used in mixed-use developments linking affordable or supportive housing and related service facilities such as health care. NMTC investments benefit qualified low-income communities and businesses located in and serving those communities.

NMTC Key Elements to Promote Service funding

- **Community Development Entities (CDE)**
  NMTC investments are made into Community Development Entities. These organizations work as the intermediary between investors and the qualified businesses to structure the transaction, distribute resources, track the use of proceeds, and monitor the outcomes proposed and achieved.

- **Qualified Business to Expand Services**
  The most direct way to connect NMTC investments to services in affordable and supportive housing is to invest capital in the development of a service facility in or near a residential development. Equally effective, but less prevalent is targeting investment proceeds to expand working capital for a service provider, enabling that provider to link services to residents they serve in the community.

- **Community Impact**
  To satisfy a key goal of the NMTC program all businesses must demonstrate impact as measured by job creation and retention, income generation, expanding access to commercial goods and services, and delivery of important social services like education, health, and childcare.

[14] https://www.gpo.gov/fdsys/pkg/BILLS-106hr5662ih/pdf/BILLS-106hr5662ih.pdf

- **COMMUNITY BENEFIT AGREEMENTS**
  More and more NMTC transactions are utilizing Community Benefit Agreements between the CDE and the qualified businesses to document the impact and outcomes projected and to record reporting obligations for all partners. Support for services in affordable and supportive housing can be achieved and targeted in these agreements with the specific commitments for job creation, delivery of services, affordable rental space for nonprofit service providers, and financial support and counseling for organizations to deliver services that benefit the community.

BENEFITS & CHALLENGES

Benefits

- **LEVERAGES PRIVATE INVESTMENT RESOURCES FOR ECONOMIC DEVELOPMENT**
  The NMTC generates significant private capital for communities that do not have access to capital for economic and community development. A CDE has the ability to further leverage resources by pooling investments from a variety of sources for investment into a consolidated transaction. Investment partners include private corporations, financial institutions, philanthropic organizations, and other equity providers. Expanded tax revenue generated from economic activity in the area also contributes to greater benefit for the community.

- **CONNECTS BUSINESSES IN THE COMMUNITY WITH LOCAL RESIDENTS AND SERVICE PROVIDERS**
  The NMTC program clearly focuses on economic and quality of life benefits for underserved communities. However, the expanding businesses also reap the benefits of gaining access to new or expanded markets for their goods and services.

Challenges

- **TARGETED FOR DEVELOPMENT COSTS WITH LIMITED FUNDING AVAILABLE FOR SERVICES**
  The NMTC program requires that the eligible investments be retained for seven years, but expended over a shorter period. These requirements lend favor to investments in real estate developments. Working capital investments for business operations including operations of service providers are generally financed with shorter-term or flexible financial resources and under NMTC require an innovative structuring. Service providers will likely need additional grant and program funding in order to support and maintain services at a level that sufficiently meets the needs of residents, especially those developments that serve vulnerable populations.

- **NMTC RESOURCES ARE HIGHLY COMPETITIVE**
  The application process for NMTC involves a complex system for assessing the capacity of the CDEs, the quality of the proposed investments, and includes complex investment transactions. Partners looking to use this resource should collaborate with previously funded NMTC recipients, strong partners, or consultants to complete the application.

NMTC Key Elements at Work to Promote Service funding

Resources and Financial Structure

It is possible to structure the NMTC transactions to provide and incorporate funding for working capital to support operations of business and specifically services provided by businesses that support the community. However, limitations related to the term of the investment, timeline for expenditure of investment proceeds, and need to demonstrate community impact can make the these structures more complex. In order to include working capital as an eligible use of the proceeds the qualified business must demonstrate that 1) resources are directed, expended and reported for specific designated business service, 2) the funding level is 'reasonable working capital' for the type of business or service being delivered, and 3) meets the NMTC eligible criteria (% of overall business) for the location of the properties and employees delivering services. For example, a project can allocate a portion of the NMTC proceeds for capital improvements to a community health center that is co-located with an affordable or supportive housing development. In addition to the capital infusion, the NMTC proceeds can provide resources for operating costs at the health center for up to 3-6 months of operations.

IV. Federal Resources
❖ Substance Abuse and Mental Health Services Administration (SAMHSA) Service Funding

Fast Facts About the Resource

The Substance Abuse and Mental Health Services Administration (SAMHSA), a branch of the U.S. Department of Health and Human Services is a source of federal grant funding for behavioral health services in the community for populations with mental health, substance use and addiction conditions. Many of the SAMHSA competitive and block grant programs available support service activities that benefit individuals and households in affordable and supportive housing. Two SAMHSA grants that particularly apply to services for homeless and formerly homeless individuals include:

- **Cooperative Agreements to Benefit Homeless Individuals (CABHI**) for states and communities is a multi-year grant program that seeks to expand and enhance state or local non-profit programs that provide evidence-based treatment services, permanent supportive housing, peer support services, and care that is accessible, comprehensive, and integrated with other services.
- **Grants for the Benefit of Homeless Individuals – Services in Supportive Housing (GBHI-SSH)** is a multi-year grant program that supports communities, through their non-profit service providers, to expand behavioral health services. Funding does not cover housing costs, however it intends to complement housing solutions through funding supportive services for homeless individuals including: substance abuse treatment, mental health services, outreach, screening and diagnostic services, case management and referrals, job training, educational and housing services. The grant also covers operational costs for training, and care coordination including supportive services in outpatient and residential settings, and primary care referrals.

Grant funding is available under multi-year awards (currently three years) to support both community infrastructure and direct service delivery. All grantees awarded a GBHI-SSH or CABHI grant are required to collect and report program related outcomes and data through the Government Performance and Results Modernization Act of 2010. Understanding the impact of the services for clients helps to inform improvements to the service intervention, and provides continuing evidence to sustain ongoing funding. Up to 20 percent of the total grant award can fund data collection, including incentives for survey participants.

Target Population[15]
Both CABHI and GBHI-SSH grants target veterans who experience homelessness and chronic homelessness, as well as individuals (non-veterans) and families who experience chronic homelessness. SAMHSA funds must be used to serve individuals with substance use disorders, serious mental illnesses (e.g., diagnostic criteria including but not limited to schizophrenia, bipolar disorder, and SMI functional criteria), or co-occurring substance use and mental disorders.

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[15] http://www.csh.org/wp-content/uploads/2014/03/Combined-GBHI-SSH-and-RHD-CABHI-States-Pre-Review-RFA-PPT-3-20-14.pdf

SAMHSA Key Elements To Promote Service Funding

- **Community Planning**
  SAMHSA grants encourage opportunities for communities to engage in cross-sector planning and discussions to build a stronger and effective service delivery program for the target populations. SAMHSA resources can be used to build the infrastructure, develop policies, fill service gaps, and make improvements to systems that deliver services. Expanding workforce capacity, training on best practices, and direct service funding are all activities that help to support service delivery by local providers.

- **Realistic Grant Proposals**
  The grant application becomes the grantee's scope of work, and sets up the monitoring and evaluation activities needed to receive continued annual funding under the grant. It is critical that public and non-profit agencies are careful to develop realistic goals, and not over-promise results. Program planning should include involvement from agency leadership, grant managers, as well as the community agencies that will have responsibilities for implementing and delivering services.

- **Data Collection**
  All SAMHSA grantees are required to collect data for each individual client enrolled in the grantee program at initial contact (baseline), six months, and in some cases at discharge. Funding for Years 2 and 3 is contingent on successful enrollment and corresponding data collection for at least 80 percent of the grantee's beneficiaries that were projected enrollments for that time period. Data collection efforts are one of the quality standards that SAMSHA uses to evaluate its funding programs and determine best-practices.

Benefits & Challenges

Benefits

- **Innovative and evidence-based program expansion encouraged**
  Because of the flexibility and broad range of services covered by SAMHSA's grant programs, grantees are able to develop and grow innovative, promising practices and contribute to SAMHSA's evidence-base through the program's outcome evaluation. This innovative funding reinforces a 'proving ground' giving providers up to three years to demonstrate the effectiveness of their program interventions; and build the case for future service funding.

- **Flexible dollars for services and operations**
  The SAMHSA GBHI and CABHI grants allow for extraordinary flexibility for service funding, program evaluation, staffing, operations and infrastructure; enabling grantees to target resources to meet needs and gaps identified in the community. Adjustments to budget lines to respond to changes in the community during the grant period can be proposed, and unused funds can be rolled over, with approval, for expenditure during the following fiscal year, with the exception of the final grant year when all funds must be spent within that year.

- **PEER SUPPORT SERVICE FUNDING**
  Not all state Medicaid programs cover peer support services despite being an evidence-based practice that supports residents in supportive housing. Both CABHI and GBHI clearly incorporate peer supports as a covered service for their grant funded programs.

- **PROGRAM EVALUATION CONTRIBUTES TO SUSTAINABILITY PLANNING**
  SAMHSA requires that grantees not only collect program data, but conduct evaluation of client outcomes throughout the life of the multi-year grant. Grantees often use evaluation outcomes to demonstrate to SAMHSA and other future funders the effectiveness of the grantee program model to produce successful client outcomes. Strong evaluation outcomes can support efforts to gain sustainable funding through Medicaid state plan amendments, for local dollars for services that otherwise may not be covered, and for private foundations that target specific outcomes related to housing, health, mental health and recovery. With evaluation results in hand, the SAMHSA grant programs support sustainability planning for community services.

Challenges

- **DATA COLLECTION**
  The evaluation requirements for GBHI and CABHI grants can seem overwhelming for agencies that are not accustomed to regular data collection on client baselines, follow-ups and discharge reporting. Actual interviewing for the required data collection can take up to 3 hours per individual depending on an individual's cognitive abilities, level of functioning and sobriety. Up to 20 percent of the grant budget can cover evaluation services, and it is advised that staff time for data collection be included to the maximum in the grant proposal and budget.

- **POST-GRANT SUSTAINABILITY**
  Some grant recipients found that certain staff members and services could easily be covered through Medicaid billing or additional local grant opportunities, however costs associated with operations (rent, technology, client incentives for continued evaluation, and office/clinic equipment) were more difficult to sustain. This challenge can be overcome through planning early on with development staff. Additionally, free technical assistance provided by SAMHSA is available to all grantees throughout the duration of the grant.

SAMHSA Key Elements at Work to Promote Service Funding

SAMHSA GBHI and CABHI grants supplement and fill the gaps in hard to fund programs.

Case Study: Park Center, Nashville Tennessee

Background

Park Center in Nashville, Tennessee is a subgrantee of SAMHSA Cooperative Agreement to Benefit Homeless Individuals (CABHI) grant from the Tennessee Department of Mental Health and Nashville Metropolitan Homelessness Commission.[16] These grant funds are targeted to fund a number of the agency's Homeless Outreach and SOAR staff who provide housing and supportive services for Veterans and individuals experiencing chronic homelessness. Additional case management services to address housing retention are provided through partnership with Mental Health Cooperative.

Outcomes[17]

The SOAR Coordinator and Park Center's Homeless Outreach Services has demonstrated a high level of success assisting individuals with the SSI/SSDI application process and connecting individuals to critical services in the community. Since its inception, Park Center has successfully connected over 644 individuals with disability benefits, an important first step to recovery, employment and housing. Park Center shows a success rate of 98% upon initial application for disability benefits compared to the national average of 37%.

16 http://soarworks.prainc.com/files/2015.02SOAReNewsletter.pdf

17 https://parkcenternashville.org/programs/homeless-outreach

V. Innovation in Service Funding
❖ Social Impact Investment: "Pay for Success"

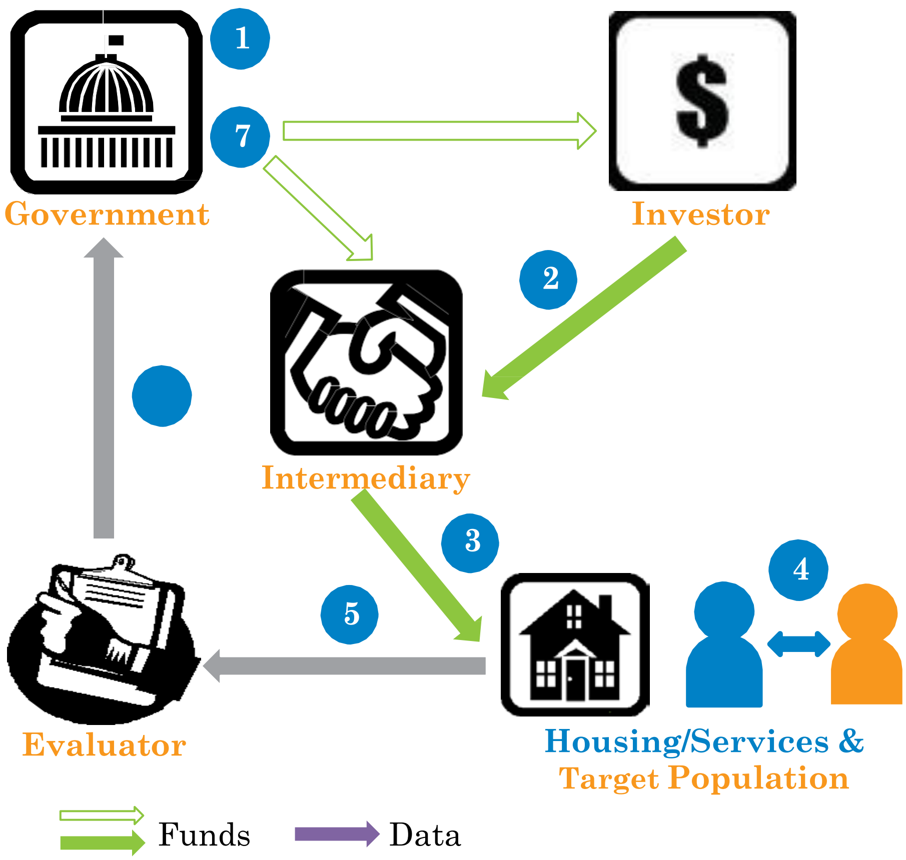
Fast facts about the Resource

In recent years, the field of social impact investing and the concept of "Pay for Success" have gained increasing recognition. Social impact investing has potential to support implementation of proven service interventions achieving targeted positive outcomes. Social impact models can create opportunities to produce cost savings across systems and potentially generate returns on investment for investment partners. More than 20 states are currently pursuing social impact investing as a mechanism to reform public resource investment in long-supported service activities. Social impact investing presents a tremendous opportunity to diversify and expand investment in services in supportive housing, increasing access and opportunity for the people who need it most.

Pay for Success refers to performance-based contracting between government and organizations (typically non-profit organizations) responsible for implementing an evidence-based service intervention benefitting a specific target population. Social Impact Investing is one vehicle or mechanism that supports Pay for Success programs. Social impact investment provides a new and innovative way to finance services in supportive housing by:

- Introducing new institutional and philanthropic investment partners to deliver the needed upfront working capital required to implement the proven intervention to achieve targeted outcomes.
- Establishing a model for direct payment for services based on results, with repayments from state or local government partners made based on achievement of agreed upon metrics, rather than solely on the services performed.
- Generating savings by successfully executing the service intervention. Savings can be used to repay and increase return to the investors, and/or can be reinvested into the project or program, allowing further growth or expansion.
- Enabling housing and service providers to work closely with the target population, ensuring each individual can select the housing and service options that best meet their needs;
- Deploying technical expertise long-term to coordinate and monitor the activities and transaction.

The chart below illustrates how this approach works.



1. **Government** selects a desired intervention and contracts with all relevant parties.
2. **Investors** provide the upfront capital to finance the intervention.
3. **Intermediary** provides the service provider(s) with the working capital to implement the intervention.
4. **Service providers** deliver the transition supports, rental assistance, and services to the **target population.**
5. Outcomes and costs are tracked and provided to the third-party **evaluator**.
6. The **evaluator** determines whether the agreed upon metrics have been achieved.
7. **Government** makes success payments to either the intermediary for distribution or directly to the investors if outcomes are met.

Social Impact Investing Key Elements to Promote Service Funding

- **Concrete, Discrete Problem addressed by a Proven Service Intervention**
  Stakeholders rely on solid data available on the discrete issue to be addressed, the target population to be served, and a track record of success and cost effectiveness for the intervention to achieve an identified outcome.

- **Innovative Partners**
  Social impact investing brings together partners willing to change how programs are operated and funded. Philanthropic and institutional investors provide the upfront funding to implement the service intervention. For government partners pay for performance requires both the vision and the political will to employ a new model. Experienced, high capacity non-profit housing and service providers deliver quality housing and services to the target population. An experienced

intermediary can bring all the partners together and oversee ongoing implementation.

- **CREDIBLE DATA AND CONCRETE METRICS**
  All parties agree upon the metrics to be tracked by rigorous third-party evaluation to determine the payments. This evaluation data continues to build the evidence that supportive housing is a cost-effective intervention.

BENEFITS & CHALLENGES

Benefits

- **POTENTIAL FOR MORE SUSTAINABLE FUNDING**
  Social Impact Investing represents a new source of revenue to fund services in supportive housing developments. Critical services are often funded through time limited federal grants, local foundations, or private fundraising not attached to the permanent housing development. With Social Impact Investing funds invested at the outset to pay for services and funds captured through public costs savings of the proven intervention have the potential to accrue as the supportive housing intervention continues for the target population.

- **REDIRECTED COST SAVINGS**
  Local and state governments can use Social Impact Investing as a lever to quantify and capture public savings, as well as an opportunity to strengthen cross-systems collaboration. Social Impact Investment could potentially support services across a larger number of developments as the available funding and savings will allow.

- **ATTRACTING AND LEVERAGING PRIVATE RESOURCES**
  There is potential for providers and developers to 'scale' proven service interventions by leveraging private investment dollars. Directing resources to a comprehensive package of services will attract investors. In current Social Impact projects, housing developers are able to be extremely competitive and leverage other existing resources such as project-based vouchers, Low-Income Housing Tax Credits, and Medicaid funding for services.

- **FLEXIBLE SERVICES FUNDING**
  This private investment can fund a comprehensive package of services that may be needed in supportive housing (e.g. education, employment, child care); an advantage over other more limited sources, which may be available to fund specific activities.

Challenges:

- **COMPLEXITY HINDERS REPLICATION**
  The field of Social Impact Investing is still relatively young, and the complexity of the overall financial structure requires significant amount of time to compose and finalize each transaction. This longer timeline can present a challenge to coordinate with the already significant timeline for new housing development, financing, and construction.

- **LONGER DURATION, BUT STILL TIME LIMITED FUNDING**
  Social Impact Investing offers a new and more sustainable supportive service resource. There are still some limitations based on the targeted amount of savings projected to repay investors within a

realistic time frame.

- **Specific to certain populations**
  Because Social Impact Investing relies on already established cost-saving supportive housing intervention, it currently is limited to specific target populations for which evidence exists that the supportive housing intervention will result in public cost savings. Some of these target populations include: frequent or "high utilizers" of health or other crisis resources, residents of institutions who choose and are able to live in the community, those exiting state prisons with chronic health conditions, and families involved in of the child welfare systems.

Social Impact Investing Key Elements At Work to Promote Service Funding

Case Study: The Denver Social Impact Bond (SIB) Initiative

Background

The City of Denver, like many other communities around the country, faces limited resources to invest in existing preventive programs for the individuals experiencing homelessness who also struggle from mental health and substance abuse challenges. As a result, too many of these individuals frequently interact with the crisis care and justice systems. These current interactions are extremely costly and ineffective. According to a 2014 report from the Denver Crime prevention and Control Commission, the top 300 high-utilizers of these crisis response systems cost the City upwards of $11.4 million per year.[18]
Local leadership realized that lacking an effective intervention, this target population will continue to be very costly to the City. . Equally significant, the City recognized that without a consistent source of funding, additional units of supportive housing targeting the most vulnerable homeless populations are extremely difficult to finance and create.

In 2014, Denver committed to developing a Pay for Success Project (locally called the Social Impact Bond "SIB" Initiative) and shifting its spending from short-term band-aids to long-term, sustainable solutions. The SIB initiative targets homeless individuals who also struggle with mental health and substance abuse challenges who are included among the top 300 high utilizers of the crisis response system, including the criminal justice system. Through its partner organizations, CSH and Enterprise Community Partners, the City & County of Denver will serve 250 homeless individuals over 5 years. The program will deploy proven interventions that combine the Housing First approach with intensive case management. The Housing First approach is an evidence-based model that centers on providing those experiencing homelessness with housing as quickly as possible without barriers, and then providing services as needed. The housing model uses existing scattered-site housing units in the short-term and building new permanent supportive housing units for the long-term. Both housing models will include either mobile or onsite service delivery including intensive case management, physical health, behavioral health, substance abuse, and daily needs.

Resource and Financing Structure

Launching in early 2016, the initiative will be the first in Colorado to combine existing services and housing development resources together into a new innovative funding structure. Additional resources dedicated to the effort include State of Colorado Low-Income Housing Tax Credits to finance the construction of new units of supportive housing, and Medicaid reimbursement for behavioral health service will fund a significant portion of the supportive services provided to the target population.

In addition to these public resources, the SIB has secured investment from commercial and philanthropic investors including: a commercial bank, a national community development financial institution (CDFI), as well as national and local foundations.

[18] http://www.denvergov.org/sirepub/cache/2/hpzdofffpfhwtkroqk23xhew/69234812112015033311222.PDF

The private investment dollars will pay for housing subsidies and also supportive services not covered by Medicaid reimbursement. This investor pooled funding will be repaid via success payments from the City based on anticipated costs savings. The size of the SIB transaction is estimated at $8-9 million over the five year initiative based on the projected savings achieved through the intervention. The success payments will start at the end of year one based on two identified outcomes: housing stability and reduction in jail days for the target population. The City will make success payments based on their annual budgeting process and terms outlined in a contract with the Denver SIB initiative partnership.

Outcomes - Credible Data and Metrics

The City and County of Denver will fund, outside of the SIB transaction, a rigorous program evaluation conducted by the Urban Institute that will include a Randomized Control Trial (RCT), to measure the effectiveness of a policy or intervention by demonstrating what would have occurred in the absence of the intervention. In the case of this initiative, the RCT design will be able to compare the trajectories of high-utilizers who receive priority placement in supportive housing and those who receive usual care. This comparison will continue to build the body of evidence of supportive housing as an effective and cost-saving intervention.

Case Study In the Making: Keeping Families together

Background
There is a relatively small but significant subset of extremely vulnerable families that have long histories of homelessness as well as extensive (and often times multi-generational) involvement in the child welfare system. These families often have complex health challenges, experience extreme poverty, and have taxing family situations**.** CSH's *Keeping Families Together* initiative combines targeted intensive case management, supportive housing, and partnerships with state child welfare systems to keep families together and housed. Communities have achieved significant reductions in public costs by targeting this intervention to vulnerable families, including reduced child welfare involvement, and reduced reliance on the foster care system.

In the initial pilot in New York City, *Keeping Families Together* targeted 29 families into stable homes that had, over the past twenty years, collectively spent 17,451 days in shelter at a total cost of $1.4 million. The same families used 75,931 days in foster care at a cost of $7.4 million.[19] Keeping Families Together's evaluation results demonstrated that 90% of families stayed housed, and child welfare involvement decreased, as indicated by a case closure rate of 61% and an 87% reduction of reported abuse and neglect cases. 100% of children returned from foster care, and school attendance increased.[20]

The initial demonstration was supported by philanthropic investment to implement and evaluate the program. The model is now being replicated in six states and rigorously researched by the U.S. Department of Health and Human Services (HHS)'s Administration for Children, Youth, and Families (ACYF). This federally endorsed, cost-saving intervention is ripe for a Pay for Success opportunity.

Resource and Financial Structure
In this example, the Pay for Success model could allow communities to scale the Keeping Families Together Initiative based on the proven cost-saving results of the supportive housing intervention. The first step to replicate is to identify the target population and the proven intervention, including the housing development and service providers able to carry out the program. Once these elements are confirmed, the next step is to engage the funding partners including potential government partner willing to make direct payments based on results, as well as investors, both commercial and philanthropic that have an interest in participating and providing the upfront capital. All partners will then review and agree to the metrics for performance, and work through the (many details) for financial investment, cost savings projections, and repayment.

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[19] CSH and Robert Wood Johnson Foundation. (2011). Keeping Families Together webinar: Can supportive housing strengthen vulnerable families and keep their children safe? Retrieved from

[20] CSH. (2012). Keeping Families Together business plan: A roadmap for national scaling and replication. Retrieved from http://www.socialimpactexchange.org/sites/www.socialimpactexchange.org/files/2012%20CSH%20KFT%20Business%20Plan%20FINAL.pdf

V. Innovation in Service Funding
❖ Strong Families Fund

Fast Facts About the Resource

Strong Families Fund (SFF) is a ten year initiative launched by philanthropic sponsors the Kresge and Robert Wood Johnson Foundations, designed to demonstrate and document the impact of Resident Services Coordination (RSC) to deliver improved resident and property outcomes in affordable housing developments. A key goal of this initiative is to identify new and sustainable funding models to support the delivery of service coordination. To meet these goals, SFF uses a pay for performance model to incentivize data collection, track property and resident outcomes, and engage mainstream systems and funders in the scaling and sustainability of the SFF effort.

SFF combines access to capital for affordable rental housing preservation and development with a source of funding for service coordination programs. In addition to the philanthropic resources, the financial partners in the SFF program include Low Income Housing Tax Credit investors and providers of low cost loans. Technical assistance is available to the properties in all key aspects of the SFF Program including development of their resident service coordination program, expanding capacity for tracking data and outcomes, and building a community engagement strategy.

Target Properties and Participants

- SFF is targeted for affordable family developments seeking financing under the Low Income Housing Tax Credit (LIHTC) Program. Residents in the properties will meet the income guidelines of 60% and 50% of area median income as required under the LIHTC program.[21]
- SFF seeks to engage properties at a common starting point during the initial project financing phase in order to track performance measures over a ten year period. Given the time frame required for development, projects undergoing preservation or rehabilitation are the primary candidates to participate in SFF; however developments that are creating new units through new construction or substantial rehabilitation can also participate if the development schedule fits with the SFF timeline.

Strong Families Fund Key Elements to Promote Service Funding

- **Resident Service Coordination**
  Resident Service Coordination (RSC) is often the vital link - information, referrals, and connections to community services – to assist residents to maintain housing stability, financial strength and growth, and improved quality of life. Many affordable housing developments already provide RSC for their residents; however property owners struggle to identify and sustain funding for RSC from operating budgets, foundation grants, and access to constrained local service resources.

- **Resident and Property Outcomes**
  Tracking the resident and property outcomes is an essential component of the SFF Program. The Outcome Priority Areas in focus are: *Work, Income, and Assets; Children, Youth and Education; Housing*

[21] Section 42 of the U.S. Tax Code outlines the requirements for the Low Income Housing Tax Credit Program. https://www.gpo.gov/fdsys/pkg/USCODE-2011-title26/pdf/USCODE-2011-title26-subtitleA-chap1-subchapA-partIV-subpartD-sec42.pdf

Stability; Community Engagement and Stability; and Health and Wellness, based on the work initiated by SFF partner the Stewards for Affordable Housing for the Future (SAHF). While participation in service coordination and direct service is voluntary for residents, each property will identify and track those outcomes most applicable to the needs of their resident population.

- **Pay for Performance Incentives**

  Pay for Performance refers to the concept of performance-based contracting between government or other funders and the organizations responsible for implementing an evidence-based service intervention for the benefit of a target population. In the Strong Families Fund initiative the participating projects can 'earn' resources for resident service coordination based on their successful delivery of service coordination, and achievement of benchmark outcomes for both the property and residents.

Benefits & Challenges

Benefits

- **Leverages philanthropic resources for service funding in affordable rental housing**

  The philanthropic partners understand the value of resident service coordination for residents in affordable housing. The investment in the Strong Families Fund Initiative seeks to advance this understanding to a wider group of investors and community stakeholders in order to increase and continue the investment from a broader base of supporters.

- **Engages community**

  Many affordable housing developments, whether general or targeted for supportive housing populations, benefit from linking residents with services that will help them to retain their residency, advance their economic status, and/or connect with health and education services in the community. Property owners connected to their communities learn how to access resources from the strong institutions in the community. Residents benefit from connections to community amenities and employment opportunities. They are also better able and interested in reinvesting both financial and personal time in their community.

- **Achieves cost savings**

  A key goal of SFF is to demonstrate positive resident and property outcomes. These positive outcomes may also translate into actual cost savings for property owners as efficiencies are realized to reduce security costs, maintenance, and the time and effort spent resolving controversies between neighbors and the surrounding community. Potential cost savings for community partners will identified to demonstrate the

- **Builds the longitudinal data to support evidence based practices.**

  Tracking the resident and property outcomes across a variety of properties in a longitudinal study is an essential component of the SFF Program. This extensive data will benefit property owners to understand the impact of delivery of resident coordination services on their properties and guide their own decisions about operating budgets and staffing.

- **SUSTAINABLE FUNDING FOR SERVICE COORDINATION**
  Most importantly, SFF seeks to build the case for sustainable funding for service coordination from invested partners. These partners – investors in the property, community institutions like hospitals, schools and government funders - have an interest in seeing the property and residents succeed. If convinced that service coordination and delivery is a key element of the success, then the business case can be made for investors and other mainstream systems to consider resident service coordination as a viable component of their own investment and service delivery strategy.

Challenges

- **RESOURCES TO PAY FOR SERVICES**
  Property owners struggle to identify the limited resources to pay for resident service coordination. While SFF provides access to new resources, they are paid under a pay for performance model, with funding released based on successful achievement on targeted measures. Under SFF, property owners will need to identify upfront funding for resident service coordination at their developments. In addition, properties under SFF and in general are finding that revenue constraints in their communities have cut the capacity of service providers to deliver services.

- **QUALITY OF RESIDENT SERVICE COORDINATION TO MEET RESIDENT NEEDS**
  Each of the participating properties will be responsible to design and deliver a quality resident service coordination program that meets the needs of their residents. SFF recognizes that one of the challenges of a longitudinal study is that there will be changes in the tenancy, as well as policy and resource changes in the community that will need to be accommodated in the program design and implementation. Technical assistance is available for property owners to help adapt their programs and their tracking activities to respond to the changes in the environment.

- **DOCUMENTING REAL COST SAVINGS OR OTHER BENEFIT TO COMMUNITY STAKEHOLDERS**
  A primary goal of the SFF Initiative is to identify and attract sustainable funding sources for resident service coordination. The data tracking effort seeks to collect data across uniform performance measures, tie and connect these outcomes to the delivery of quality resident service coordination, and gather sufficient information that will build the case for investment in services in the future. This is not a small effort given the changing conditions and competing demands placed on our community institutions.

SFF Key Elements at Work to Promote Service Funding

Background

Up to seven affordable family developments are participating in the SFF Program; with the first property closed in May of 2015. Additional properties are currently undergoing underwriting and capacity assessment. The SFF timeline is projected to have financial closings in 2016, resident service coordination set-up in 2016-2017, and SFF performance measure tracking in 2017 through 2025.

Resource and Financial Structure

SFF Properties undergo both a financial underwriting for the capital investment and review for capacity to deliver quality resident service coordination. Closing on the debt and LIHTC investments occur concurrently with the commitment to resources for the resident service coordination. During the construction and development period, the property owner will set up the framework for resident service delivery, design the resident survey to establish baselines for the outcome measures, and develop systems for tracking resident and property outcomes over the term of the SFF Program.

An innovative financial structure proving of great value to the properties is the philanthropic operating cost guarantee available to participating properties to replace a portion of the required operating reserve capitalized prior to lease up at the LIHTC property. The equity that would typically be used to finance this operating reserve is reallocated to cover the cost for resident service coordination set up and implementation during the first two years of the SFF Program at the individual properties.

In subsequent Years 3-10, the SFF Program participating projects will have access to Outcome Payments (up to $90,000 annually) paid in whole, or part, based on satisfactory performance of both outcome measures targeted and on delivery of an effective resident service coordination program in the prior year.