Affordable and Supportive Housing Workgroup
Session #2 Notes
January 8, 2021

AGENDA

Impact Investing	1:30-1:45
Introductions	1:45-1:55
Housekeeping (future meetings)	1:50-1:55
Recommendations/Topic Matrix Review	1:55-2:05
CT and NY Examples	2:05-2:15
Workgroup Discussion	2:15-2:55
Next Steps	2:55-3:00

Present: Abigail Smallwood, Morgan Connolly, Cullen Ryan, Dan Black, Denise Lord, Virgina Dill, Jason Bird, Jason Parent, Deb Johnson, Liza-Fleming-Ives, Melissa, Skahan, Rebecca Hatfield, Steven McDermott, Tanya Emery

What is Impact Investment?
An investment based on outcomes. Language you may hear is Pay For Success, Performance based contracting, differing from a grant agreement when you deliver services which you were paid upon the number of times met or services delivered. Performance based contracts are paid out based on specific pre-identified outcomes using data.

PFS is when upfront investment working capital loan to pay for a specific intervention, whether SH services or something else. There is a third party at the table who covers the upfront cost, if the outcomes are met, the government pays back the money to the investor.

Benefits include upfront working capital to make the services work. Government only pays if outcomes are achieved. You are only paying for something if it works.

Evaluation is a key component conducted by a third party to certify the metrics you were expected to achieve.

Examples of PFS come from Santa Clara, Denver, Massachusetts, Los Angeles
Questions for Jane

How do communities identify third party investors in these cases for PFS?

Jane: Are there other PFS projects in Maine presently?

- Yes, mostly focused on families, some that weren't brought to completion
- This really fits with the FUSE initiative we are pursuing. The thing we have going for it is there is bi-partisan support. We were also able to secure Medicaid Innovation Accelerator grant. There may be a way to put a turbo on this process with PFS and FUSE.

FUSE is often the predecessor of PFS to gather the data needed for this initiative.

Presentation of the Feedback Matrix
Comments from last session are populated into a matrix for circulation to the working group. There is room for action steps, notes timeline and those responsible. This will keep track
of everyone's comments and feedback.

ESSHI Example Discussion
Projects are prioritized for capital funding under two programs. Eligible populations under this program are vast. Most vulnerable populations are included. Once a year there is an RFP and the agency will contract with the most appropriate agency. ESSHI is in their 5th year. It is one of the "all star" programs in the country regarding PSH.

 CT DHMAS Example
Funded in the 1990s and recapitalized in 2012. DHMAS brings in services funding for projects with 20-30 units, the housing finance authority brings in capital for building. Operating funding was half of the units in the first round. They found that PBV were essential for this to work. During the 2nd re-capitalization period they had to come up with the other half of the operating subsidies. DHMAS funds $7.500/year per unit for services for PSH. DHMAS service contracts are include in the NOFA.
The interagency council on housing and homelessness was pivotal.

- ESSHI, the $25,000 for services and operating is for services or building operations? Its straight operating funding.

If PBV are available in Maine then its service funding that lacks. CT works around that by using capitalized operating reserves.

What is the goal of today's session?
How to create a structure to coordinate resources. Who could administer these funds? What agencies already work well together to move resources?

- In Maine we tend to have smaller 100% projects for PSH. On the other end we have blended LIHTC models.

DISCUSSION: POTENTIAL BARRIERS TO FUNDING COORDINATION
Common funding sources?
New funding sources?

- FUSE is intending to bring together prisons, jails and others but we're still in infancy. Medicaid IAP is coming on line.

Do municipalities fund projects?
If you receive HOME funding is that used more for affordable housing or for PSH? Same question for CDGB funds?

- Bangor gets entitlement funding from the state. The vast majority of towns compete for the rest. ITs difficult for me to conceive how other towns would use those funds for housing. Bangor tries hard to use a good amount for housing, however Bangor is a real outlier. With budgets in the state the way they are, the idea of new revenue streams for this work is challenging to imagine.

- Typically, in our CDBG program a developer will have a project in mind with a budget gap. CDBG can sometimes be a gap filler. Funds have dwindled however. Denise and I discussed the use of CARES act funding to augment CDBG. Maine Housing will be receiving $3m to supplement.

Geographic Considerations for funding coordination?
- Service Centers need to take focus because that is where services are located.
- I think it is very difficult to initiate projects like this in Maine. From the fact that we don't have expertise and bandwidth to advance and supervise the project. I don't have the staff capacity and expertise to begin like this. It's overwhelming to get started. We only had 4 counties in Aroostook counties that scored well enough for these projects or locating property close enough to amenities and services to be successful.
- I think we've identified a pinch point where service center communities are struggling with providing services and dwindling tax bases. NGOs and projects that don't pay taxes bring a greater amount of folks in need of services we can't pay for due to less revenue. A conversation needs to be had so we can continue to support these projects without the tax base. Do we lay off firefighters or continue to support non-profit development?
- We have preference for service-centers in scoring so its not concentrated in a small number of communities. But it comes down to capacity building in other communities to do this. We also have a workforce shortage in the service sector in Maine. These facilities will need staffing and operation for 40-50 years!
- We have a better luck regarding workforce issues in some rural areas but in places like Bangor, there's more competition and demand. We avoided Bangor in our last application because of that issue.

What aspects of the funding stream examples provided did you like or what would work or not work for Maine? Who needs to buy in?

- I think we have some buy-in from Maine Housing but to the extent we have more, we will see more of this housing created. Essentially its resources and the many pulls for that. MaineHousing relies on the housing trust fund almost exclusively. We need more public housing authorities committing PBV alongside Mainehousing lending theirs to PSH projects. We've seen the QAP improve to nudge people to do this but it's a long way from other states like CT or NY where everything needs to have PSH in their structure. There's room for improvement. Those kinds of changes will make all the difference in the world. "We still have to crack the services code". Our wonderful partners are stretched thin.
- When trying to solve these complex issues, all these entities are already strapped. What I love about working with an intermediary, they bring investors to the table that care about what you are trying to do. Sometimes its helpful to have investors not tied directly to Maine.

Any ideas regarding intermediaries in Maine to begin these conversations in Maine?
- I can certainly reach out. Usually, it's more specific than this. We've worked with quantified ventures and others.

Discussion: What could a potential Funding Structure look like? What partnerships already exist?
- Cullen and I have a couple projects part of northern light mercy. We've been hit incredibly hard by COVID both on human and financial resources. This will take years to recover. Health systems are very interested in this. Housing is integral to health outcomes.
- When there is a committed service provider partners it works. We need to make this the norm, not the exception!