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# HEALTH SYSTEM INVESTMENTS IN HOUSING

## *A Development Guide*



## About this Guidebook

This document was produced with the generous support of the New Jersey Housing and Mortgage Finance Agency to offer guidance to hospital and health systems executives interested in addressing social determinants of health in their communities through housing interventions. The content reflects the views of the author(s) and does not represent an endorsement by HMFA. In August 2018, the New Jersey Housing and Mortgage Finance Agency (HMFA) committed \$12 million to match hospital investments in the construction of both supportive and affordable housing. Due to high levels of interest, HMFA increased the commitment to \$30 million in 2019 to accommodate additional applications.

## About CSH

CSH is the national champion for supportive housing, demonstrating its potential to improve the lives of very vulnerable individuals and families by helping communities create over 335,000 real homes. CSH funding, expertise and advocacy have provided \$1 billion in direct loans and grants for supportive housing across the country. Building on nearly 30 years of success developing multi and cross-sector partnerships, CSH engages broader systems to fully invest in solutions that drive equity, help people thrive, and harness data to generate concrete and sustainable results. By aligning affordable housing with services and other sectors, CSH helps communities move away from crisis, optimize their public resources, and ensure a better future for everyone. Visit us at [csh.org](http://csh.org).



STATE OF NEW JERSEY  
NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY



## INTRODUCTION

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Many health systems have recognized the strong connection between health and housing. They have begun to track and address their patients' housing needs as part of their health care, and an increased number of health systems are also directly investing in housing. Across the country, the healthcare sector has acknowledged the significant role social determinants play in our overall health and wellbeing. Notably, increased attention has been paid to housing instability, ranging from unsheltered homelessness to issues around access to quality and affordable housing. Evidence shows that homelessness, housing instability, and substandard housing are all associated with a lack of health equity in communities, poor health outcomes, increased emergency department and inpatient utilization, and limited, crisis-driven engagement with the healthcare sector.<sup>1</sup>

Poor health puts people at risk of unstable housing. Unstable and substandard housing and homelessness all contribute to poor health outcomes. Furthermore, homelessness complicates access to preventative care as well as efforts to treat illnesses and injuries.

1. **Poor health puts people at risk for unstable housing:** Medical bills are the number one cause of bankruptcies in the United States. A 2019 study in the American Journal of Public Health found that 2/3 of bankruptcies were caused by medical issues, either due to medical bills or time away from work.<sup>2</sup> This then puts individuals and families at high risk for evictions and foreclosures.
2. **Experiencing homelessness puts people at risk for poor health outcomes:** The mere exposure to the elements can leave individuals vulnerable to disease and violence, while the psychological effects of living on the streets can be as severe as the physical ones.
3. **Housing instability complicates efforts to treat illnesses and injuries:** Discharging a patient from a hospital to a safe and stable environment is critical for proper wound care, follow-up on recommended treatment, access to healthy foods, and storing medications. It is impossible to take adequate care of your health without a home.
4. **Substandard housing increases poor health outcomes:** Living in a healthy home promotes good physical health, mental health, and overall wellbeing. Good health depends on having homes that are safe and hazard-free. Poor quality and inadequate housing contribute to health problems such as chronic diseases and injuries and can have harmful effects on child development.<sup>3</sup>

Given the importance of housing to health, there are a variety of ways health care systems are focusing on the housing needs of their clients. Some are screening or assessing housing status and navigating their patients to services in the community. Hospitals have embedded housing navigators in their emergency departments and inpatient units to coordinate care for their vulnerable patients. While these efforts have been successful in decreasing some utilization and increasing connection to community-based services for patients, they cannot address the fact that the nation's production of safe and affordable housing continues to fall farther behind demand every year. In many communities where these health systems operate, safe, affordable housing is extremely scarce.<sup>4</sup>

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<sup>1</sup> <https://www.healthypeople.gov/2020/topics-objectives/topic/social-determinants-health/interventions-resources/housing-instability>

<sup>2</sup> <https://www.cnn.com/2019/02/11/this-is-the-real-reason-most-americans-file-for-bankruptcy.html>;  
<https://ajph.aphapublications.org/doi/full/10.2105/AJPH.2018.304901>.

<sup>3</sup> <https://www.rwjf.org/en/library/research/2011/05/housing-and-health.html>

<sup>4</sup> <https://nlihc.org/explore-issues/why-we-care/problem>

The creation of more affordable housing with access to appropriate services can provide a lifeline both for those experiencing housing instability and those currently live in substandard housing. Furthermore, access to both supportive and affordable housing options would enable healthcare systems to better address the health of those high-risk, medically complex patients with housing instability and thereby decrease utilization.

As anchor institutions, many health systems feel a responsibility to invest in their communities. This community-driven approach has yielded both health and financial benefits: hospitals that have invested in the development of affordable and supportive housing have seen significant cost avoidance and improvements in health care quality.

## **Affordable and Supportive Housing**

Affordable housing is income-restricted housing designed to help low-to-moderate-income families attain housing stability at a price that would otherwise cause the family to be cost-burdened and reduce their ability to afford other essential needs. Affordable housing may be subsidized through housing voucher programs or through partial subsidization of construction costs that restrict rental prices at a rate below market value. Affordable housing is covered in-depth on page 19.

Supportive housing is affordable housing connected to wrap-around, flexible support services for people who may have disabilities or face other challenges in accessing and maintaining housing. Supportive housing is not time-limited and is often integrated within affordable housing available to families from the broader community. A health system's investment in developing affordable and supportive housing means other low-or-moderate-income community members will benefit, not just the most vulnerable.

## **About this Guide**

This guidebook explores why and how health systems and hospitals can and should invest in supportive and affordable housing while also providing guidance on “how to develop” for health care partners interested in collaborating with their community to create supportive and affordable housing.

This guidebook's intended audience is healthcare professionals, such as population health teams, community health programs, community benefits leaders, fiscal officers, and innovation leaders. Its purpose is to help population health-focused staff better understand the housing landscape, particularly supportive housing for medically vulnerable people, and how their institution can engage in this important work. This guide offers guidance for hospitals and health systems wishing to address the housing needs of vulnerable community members; however, a thorough analysis of community need is necessary to develop a unique business case for housing investment. Such a review of the community's health and housing needs should include, at minimum, (1) a breakdown of financial impact and cost-benefit calculation, (2) an analysis of health outcomes for this population, and (3) a description of how housing fits into the hospital/health system's broader strategic plan.

The guide has two parts:

- **Part One** is an exploration of why and how health systems and hospitals can and should invest in housing (from financial investments to the development of housing). Part One offers examples of successful hospital-housing partnerships and investments like the NJHMFA Hospital Subsidy Partnership Program and others across the county.
- **Part Two** guides healthcare professionals through the housing landscape, including financing and the development process, and includes details on project design and implementation, including available capital, operating, and service funding.

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# PART ONE

## HOSPITAL INVESTMENT IN HOUSING THROUGH PARTNERSHIP AND DEVELOPMENT

This section is intended to help health professionals understand what investing in housing looks like and how it can benefit the local community. By examining the key benefits of investing in housing and different examples of investment opportunities across the country, health professionals will be able to make the case for addressing housing as an essential social determinant of health.



## REASONS FOR HOSPITALS & HEALTHCARE TO INVEST IN SUPPORTIVE HOUSING

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According to research conducted by the Urban Institute, hospitals are well aware of the housing challenges their patients face, either through their community health needs assessment or social determinants of health (SDoH) screening. Nearly every hospital in the Urban Institute's study identified housing instability, housing affordability, or poor housing quality as concerns in their community. Hospitals have also looked at the importance of affordable housing for their employees, who are often unable to afford housing close to work.

Between August and October 2018, the Urban Institute surveyed 37 hospitals to assess their understanding of housing and their need to invest in it. According to the survey, hospitals were motivated to undertake housing initiatives to improve health outcomes and reduce emergency room visits and avoidable hospitalizations.<sup>5</sup>

There are several reasons why hospitals *should* invest in housing, specifically supportive housing.<sup>6</sup> But, hospitals may have other incentives for approaching investments in housing: a focus on their financial bottom line, addressing health outcomes, or using their footprint in the community to improve the overall health and well-being of community members. In the following section, we will outline four key reasons why hospitals have begun investing in housing through partnerships and development:

- Reduce a hospital/health system's operating costs;
- Improve the community's health outcomes, especially for those with complex health and housing challenges;
- Address health disparities; and
- Fulfill their role as an anchor institution in the community.

### Improved Hospital Operation Costs

Aside from a hospital's mission to provide optimal care to the communities it serves, an investment in housing has associated financial gains. All hospitals have patients who are experiencing homelessness or housing instability. Compared to stably housed patients, those experiencing unstable living conditions are often "high-cost" (in terms of inpatient and emergency room expenditure) and have greater length of stays, making hospitals the costliest type of "housing." As many Emergency Department (ED) care teams can attest, patients experiencing housing instability use the ED as a form of housing, a place to get a meal and respite from the street or shelter. EDs increasingly see this when there is inclement weather and when those without a home need refuge. When patients are experiencing homelessness and do not have a stable place to return to, discharge planning often becomes complex, and this can lead to longer-than-necessary stays in inpatient settings. With increased lengths of stay, hospitals run the risk of no longer being paid by Managed Care Organizations (MCO) thus leaving with them with increased pressure to discharge patients. These health care costs are often unnecessary and avoidable/preventable. Lastly, poor

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<sup>5</sup> [https://www.urban.org/sites/default/files/publication/100774/affordable\\_housing\\_investment\\_a\\_guide\\_for\\_nonprofit\\_hospitals\\_and\\_health\\_systems\\_1.pdf](https://www.urban.org/sites/default/files/publication/100774/affordable_housing_investment_a_guide_for_nonprofit_hospitals_and_health_systems_1.pdf)

<sup>6</sup> [www.csh.org/supportive-housing-101/](http://www.csh.org/supportive-housing-101/)



housing quality or lack of housing can lead to health conditions that worsen not only the individual's health, but also the health of the public.

### *National Data*

The U.S. Department of Housing and Urban Development (HUD) reports that about 560,000 people are homeless in the U.S. each night. People who experience homelessness are five times more likely than those who are housed to be admitted to a hospital inpatient unit and stay on average four days longer, at a cost of \$2,000 to \$4,000 a day.<sup>7</sup> Individuals experiencing homelessness visit the ED an average of 5 times annually (in some parts of the country that number is significantly higher), and the most frequent users visit them weekly. Each visit costs \$3,700, amounting to \$18,500 spent annually for the average user and up to \$44,400 for the most frequent users.<sup>8</sup>

The American Hospital Association's report "Housing and the Role of Hospitals" (2017) notes the significant financial benefits of hospital investment in housing since unstably housed or individuals experiencing homelessness are more likely to be uninsured, to be hospitalized more frequently, to stay longer in the hospital, to be readmitted within 30 days, and to use more high-cost services. When hospitals and health systems focus their resources on housing supports and case management, the cost savings can offset expenditures by between \$9,000 and \$30,000 per person per year.<sup>9</sup> Reducing readmissions by improving care transitions has begun to matter more and healthcare systems are inching their way toward value-based models of care or value-based payment arrangements.

## CASE EXAMPLES

### New Jersey and Cook County, Illinois

According to uniform New Jersey billing data analyzed by the Center for Health Analytics, Research & Transformation, in 2017, there were nearly 25,000 patients identified as experiencing unstable housing who were treated and released from New Jersey's emergency departments without needing to be admitted for more care, accounting for \$13 million in healthcare costs.<sup>10</sup> Additionally, as per research from the Journal of Urban Health, medical issues and physical or developmental disabilities are contributing factors in nearly 1 in 5 instances of housing instability in New Jersey.

Hudson County in New Jersey conducted a cost analysis for a pilot program that provided housing to 25 high-utilizers of medical services. The results showed the Hudson County Corrections & Rehabilitation Center (HCC&RC), Jersey City Medical Center, and shelter costs decreased for these individuals from \$850,000 to \$452,000 with a single year of supportive housing, amounting to a 47% total cost reduction for public institutions.<sup>11</sup>

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<sup>7</sup> <https://greendoors.org/facts/cost.php>

<sup>8</sup> <https://greendoors.org/facts/cost.php>

<sup>9</sup> <http://www.hpoe.org/Reports-HPOE/2017/housing-role-of-hospitals.pdf>

<sup>10</sup> <http://www.njha.com/resources/toolkits/supportive-housing/>

<sup>11</sup> <https://www.nj.gov/dca/hmfa/media/news/2018/approved/20180919.html>

In a joint effort between the City of Chicago and Cook County, a housing pilot initiative carried out by the University of Illinois Hospital contributed to a reduction in the hospital's healthcare costs by providing permanent housing to frequent ED utilizers with behavioral health conditions and chronic health needs who were experiencing homelessness. The hospital saw a 27% decrease in healthcare costs after housing 27 patients identified for the pilot.<sup>12</sup>

With the decreased avoidable emergency room visits and decreased lengths of stay, hospitals are able to avoid costs and invest in programming to continue to serve vulnerable patients, whether by funding a hospital housing program, hiring housing specialists for the hospitals, or investing in housing development.

## Improved Health Outcomes through Supportive Housing

The potential to reduce healthcare costs while improving patient care has been a key argument for new approaches to addressing social determinants of health. Supportive housing is one of the most effective ways to decrease avoidable utilization and cost while improving the health of vulnerable populations. Stable housing allows individuals to recuperate, engage with ambulatory/specialty care, and adhere to much-needed medication and/or treatment. Evidence-based research demonstrates supportive housing as a proven solution for individuals experiencing homelessness to improve their health outcomes, including mental and physical health, and to achieve housing stability.<sup>13</sup> In high-quality supportive housing, tenants receive prompt medical care, behavioral health care, and assistance and education managing their co-morbid chronic conditions.<sup>14</sup> This leads to improved health and less time spent in the ED or inpatient setting for avoidable visits.

Hospitals and health systems are in a strong position to make an impact through supportive housing, and many already have departments focused on community or population health. These programs understand the needs of their community and have a large resource pool for intervention.

Once hospitals decide to promote housing stability, they need to identify their approach of choice. The American Hospital Association outlines some key housing strategies hospitals can undertake to improve the health of their patients and communities they serve.<sup>15</sup>

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<sup>12</sup> <https://www.reliasmedia.com/articles/140835-healthcare-costs-reduced-when-patients-have-a-place-to-live>

<sup>13</sup> Supportive Housing: Evidence and Research <https://www.csh.org/supportive-housing-101/data/> ; "Permanent Supportive Housing Holds Potential for Improving Health of People Experiencing Homelessness, but Further Research on Effectiveness Is Needed, Including Studies On 'Housing Sensitive' Health Conditions," <https://www.nationalacademies.org/news/2018/07/permanent-supportive-housing-holds-potential-for-improving-health-of-people-experiencing-homelessness-but-further-research-on-effectiveness-is-needed-including-studies-on-housing-sensitive-health-conditions>

<sup>14</sup> See CSH's "Dimensions of Quality Supportive Housing," pg. 3. <https://cshorg.wordpress.com/wp-content/uploads/2013/07/CSH-Dimensions-of-Quality-Supportive-Housing-guidebook.pdf>

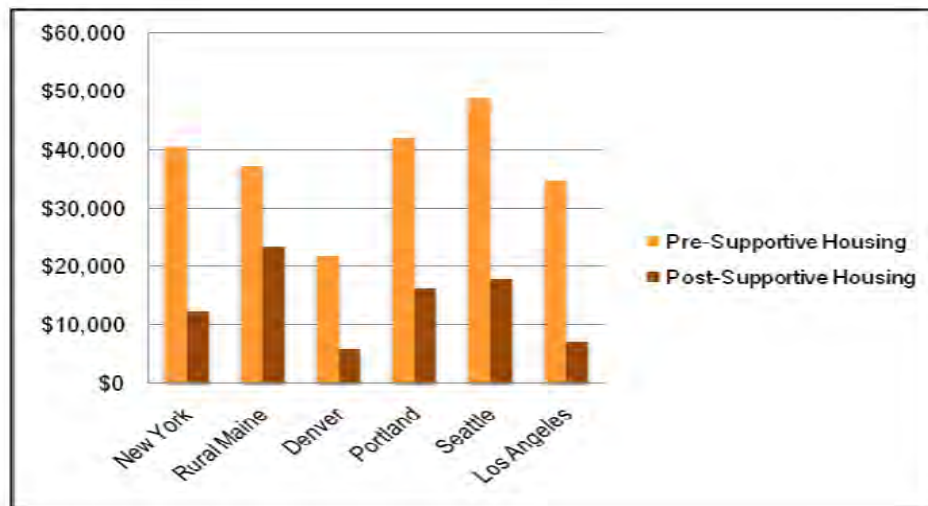
<sup>15</sup> <http://www.hpoe.org/Reports-HPOE/2017/housing-role-of-hospitals.pdf> Table 2. Strategies to Improve Housing Stability and Potential Health Impacts

Housing Strategy	Key Features	Potential Health Impact
Neighborhood revitalization	<ul style="list-style-type: none"> <li>Community investment and partnerships to improve economic and housing stability</li> <li>Frequent use of “anchor organizations” approach, which recognizes the role of hospitals as prominent employers and economic drivers in their communities</li> <li>Examples include community centers, job programs, education, affordable housing development</li> </ul>	<ul style="list-style-type: none"> <li>Improved health outcomes through stabilized housing, employment, economic stability, social services programs and neighborhood safety</li> </ul>
Home assessment and repair programs	<ul style="list-style-type: none"> <li>Home safety assessment for environmental hazards</li> <li>Renovations or repairs</li> </ul>	<ul style="list-style-type: none"> <li>Reduced risk of harmful exposures to environmental hazards</li> <li>Decreased housing cost and less instability</li> </ul>
Medical care for those experiencing housing instability	<ul style="list-style-type: none"> <li>Preventive and acute medical care for homeless or at-risk individuals</li> <li>Care typically provided at traditional medical facilities, shelters, or on the street via mobile medical vans</li> </ul>	<ul style="list-style-type: none"> <li>Reduced emergency department use and hospitalizations</li> <li>Improved health outcomes</li> </ul>
Medical respite care	<ul style="list-style-type: none"> <li>Short-term transitional housing for housing instable individuals deemed well enough for hospital discharge but not well enough to return to the street or shelter</li> <li>Case management and social service referrals</li> </ul>	<ul style="list-style-type: none"> <li>Improved care transitions</li> <li>Reduced readmissions</li> </ul>
Transitional or permanent supportive housing	<ul style="list-style-type: none"> <li>Affordable housing units for disabled, elderly, or chronically homeless individuals and families</li> <li>Case management and supportive services</li> <li>May follow the “Housing First” model, which holds that baseline housing needs must be met before individuals can benefit from other forms of treatment</li> </ul>	<ul style="list-style-type: none"> <li>Improved mental health, increased satisfaction with quality of life</li> <li>Reduced hospitalizations, length of stay, and emergency department visits</li> <li>Improved housing stability, substantial reduction in chronic homelessness</li> <li>Substantial health care cost savings</li> </ul>

“Housing and the Role of Hospitals”, page 9 table 2: Strategies to Improve Housing Stability and Potential Health Impacts<sup>16</sup>

<sup>16</sup> <https://www.aha.org/system/files/hpoe/Reports-HPOE/2017/housing-role-of-hospitals.pdf>

According to CSH research, supportive housing saves significant money for many public institutions, while using no more and sometimes fewer resources in return for better results. For example, in New York City, reductions in service use resulted in annualized savings of \$16,282 per unit, which amounts to 95% of the cost of providing supportive housing. In Portland, the annual savings per person amounted to \$24,876, whereas the annual cost of housing and services was only \$9,870.<sup>17</sup> Below is evidence of additional savings across several states.



**Per-Person Annualized Cost of Public Services Before and After Entering Supportive Housing**

Graph from CSH's "Is Supportive Housing Cost Effective," pg. 1

## Addressing Health Disparities through Housing

The healthcare field has long acknowledged striking health outcome disparities. This is especially pronounced in rates of chronic disease and disease mortality rates, among Black, Indigenous and people of color (BIPOC). These health disparities are inextricably linked with other social determinants of health, including housing status. Centuries of discrimination and segregation have deprived BIPOC communities opportunities to attain wealth through homeownership, education, and employment and these social determinants are essential to achieving health equity.<sup>18</sup>

<sup>17</sup> See CSH's "Is Supportive Housing Cost Effective," pg. 2. <https://d155kunxf1aozz.cloudfront.net/wp-content/uploads/2018/06/Cost-Effectiveness-FAQ.pdf>

<sup>18</sup> CSH and Health Care for the Homeless Council "Addressing Health Equity through Health and Housing Partnerships" (2019) page 1.

	White, non- Hispanic	Black, non- Hispanic	Hispanic	American Indian/ Alaska Native
Life expectancy at birth, 2014 <sup>vi</sup>	79 years	75.6 years	Not provided	Not provided
Age-adj. prevalence of diabetes (≥25yrs), 2015 <sup>vii</sup>	8.1%	13.1%	12.2%	20.9
Age-adj. death rate/100,000 from diabetes, 2014 <sup>viii</sup>	18.6	37.3	25.1	31.3
Age-adj. prev. hypertension, (≥18yrs), 2007-10 <sup>ix</sup>	28.6%	41.3%	27.7%	Not provided
Age-adjusted death rates per 100,000 from persons with coronary heart disease & stroke <sup>x</sup>	117.1	141.3	86.5	92
Estimated rate of HIV infection diagnoses per 100,000 population, (adults≥18 years), 2010 <sup>xi</sup>	9.1	84	30.9	13.5
Age-adj. death rate/100,000 from HIV, 2014 <sup>xii</sup>	0.9	8.3	2.0	1.2

*Fig. 1 data pulled from multiple sources; see endnotes on each category for citations.*

CSH and National Health Care for the Homeless Council “Addressing Health Equity through Health and Housing Partnerships” (2019) page 2, figure 1.

Therefore, it is unsurprising that racial disparities in housing and homelessness map directly onto health disparities; for example, 40.6% of all persons experiencing homelessness are Black/African American but are just 12.7% of the U.S. population. People identifying as Hispanic/Latinx, American Indian and Alaska Native, Native Hawaiian or Other Pacific Islander, and multiple races are also overrepresented.

**Fig. 2: Overrepresentation of people of color experiencing homelessness.**

	% of Total US Population <sup>xiii</sup>	% of all People Experiencing Homelessness <sup>xiv</sup>
<b>Ethnicity</b>		
<b>Non-Hispanic</b>	81.9%	78.4%
<b>Hispanic</b>	18.1%	21.6%
<b>Race</b>		
<b>White</b>	72.3%	47.1%
<b>African American</b>	12.7%	40.6%
<b>American Indian or Alaska Native</b>	0.8%	3.0%

CSH and Health Care for the Homeless Council “Addressing Health Equity through Health and Housing Partnerships” (2019) page 2, figure 2.

While healthcare systems and supportive housing providers cannot address all factors contributing to health and housing disparities, they are uniquely positioned to form impactful partnerships. Both systems serve a shared target population that disproportionately includes people of color: individuals experiencing homelessness who frequently utilize emergency medical care and have complex needs. Investing in housing stability and client-centered supportive services for these individuals can offer a platform to empower households to thrive, improve health, and end intergenerational cycles of disadvantage. Such health and housing partnerships can take multiple

forms but have tremendous potential to change the trajectory not just of individuals, but of entire communities.

## Fulfilling the Anchor Institution Mission

Nonprofit hospitals and health systems are uniquely positioned to invest in housing. As anchor institutions, hospitals and health systems are linked to the communities they serve. Hospitals and health systems are looking for strategies to improve the well-being of the community while reducing unnecessary costs. An anchor institution seeks to utilize hospital economic and human capital to revitalize local communities. Housing investment, meanwhile, 1) aligns with a **hospital's mission**, 2) generates **economic returns** to both the community and institution, 3) helps satisfy its **community benefit** requirements to the federal government, and 4) provides an opportunity for a hospital to justify its tax exemption and **reduce its financial burden** to local governments.<sup>19</sup>

### EMBRACING AN ANCHOR INSTITUTION MISSION



There is widespread acknowledgment that hospitals have large impacts on the communities they serve. Through new community benefit requirements, nonprofit hospitals are asked to demonstrate (in a transparent and standardized way) how they are different from the for-profit hospitals and health systems. For hospitals that choose to embrace an anchor institution mission, the answer to that question is clear: to fully achieve their stated mission of promoting a community's physical and mental health hospitals must also improve the community's social and economic health.<sup>20</sup>

*The Democracy Collaborative at the University of Maryland March 2013*

<sup>19</sup> <https://community-wealth.org/content/hospitals-building-healthier-communities-embracing-anchor-mission>

<sup>20</sup> <https://community-wealth.org/sites/clone.community-wealth.org/files/Zuckerman-HBHC-2013-summary-twopage.pdf>

## OPPORTUNITIES FOR HOSPITAL INVESTMENT IN HOUSING

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Hospitals and health systems are in a position to help affordable housing developers meet the community's need for housing by filling in financing gaps. Hospitals are also able to help their own employees obtain housing in the communities where they work. As a result, several hospitals, managed care organizations, and Medicaid programs have started to invest in targeted, affordable housing initiatives. These health care entities typically partner with established local affordable housing developers or housing authorities that administer rental assistance.

According to the Urban Institute's "Affordable Housing Investment: A Guide for Nonprofit Hospitals and Health Systems" (2019),<sup>21</sup> the following are ways that hospitals can invest in housing:

### Financial Investment/Donation

Hospitals and health systems may choose to provide capital in the form of a grant to encourage others to invest in affordable housing development. Additionally, hospitals and health systems can use their financial position to (a) enhance credit, lowering borrowing costs, and thus, the overall cost of the project or (b) provide a direct loan for construction, renovation, or rehabilitation costs.

### Donating Underutilized Hospital Land

Hospitals can donate their land or buildings for housing development. Many hospitals and health systems own land or buildings that are currently unused.

### Hospital Community Benefit

In order for non-profits hospitals to maintain their federal tax status, they are required to invest and contribute a portion of their financial surplus toward "community benefits." These hospitals conduct a community needs assessment every three years to determine the resources needed in their community. Projects in the community service plan must fit into the following categories: improving access to care, enhancing the health of the community, advancing medical or health knowledge, or reducing the burden of government or other community health programs.

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<sup>21</sup> <https://www.urban.org/research/publication/affordable-housing-investment-guide-nonprofit-hospitals-and-health-systems>



## LEARNING FROM HEALTHCARE SYSTEMS & HOUSING PARTNERSHIPS ACROSS THE COUNTRY

For many hospitals, developing housing for the community can seem like an intimidating process that requires a foreign set of skills and expertise. Several have begun by developing strong partnerships with housing sector partners and experts to achieve the goal of quality affordable and supportive housing in their communities. The following section will describe four partnerships across the country, each taking a different approach to health and housing partnerships and investment.

Program	Health and Housing Partnerships	Financing Structure	Housing Model	Healthcare Approach
New Jersey  NJ Housing and Mortgage Finance Agency (NJ HMFA): Hospital Partnership Subsidy Program	NJHMFA and local NJ hospitals beginning to partner to develop this program.	NJHMFA will match hospital funds. The first hospital to implement this is St. Joseph's Hospital, which plans to contribute \$4.5M as a <b>financial investment</b> . <sup>22</sup> This project will also use other funding sources to offset additional costs.	The creation of approximately 180 to 240 of affordable and supportive housing units is expected. NJHMFA is encouraging clinical and community uses in commercial space of the building.	Each hospital partnership will set-aside supportive housing units. The services of the supportive units will be supported by a social service provider, the developer, or coordinated health services through the hospital system.
Portland, Oregon  Central City Concern	5 hospital systems, healthcare plan, housing developers, and a non-profit that provides housing, integrated care and supported employment among other services that is a Federally Qualified Health Center (FQHC)	5 hospitals and 1 nonprofit health care plan donated a total \$21.5M to the developer. The hospitals' investment included multiple sources of funding from the health systems that exceeded their <b>Community Benefit Obligation</b> . <sup>23</sup> Three foundations also supported this initiative, bringing the initial investment to \$22.6M.	Creation of 379 units of affordable housing, supportive housing, and transitional housing.	Includes supportive housing units for individuals with behavioral health needs and a site for an FQHC that provides integrated care and other health services, such as a pharmacy. Other services on site include recuperative care and supported employment.

<sup>22</sup> Anticipated financial investment as of Spring 2020.

<sup>23</sup> <https://www.liifund.org/wp-content/uploads/2017/08/Health-and-Housing-LIIF-Mercy-Report-2017.pdf>



Los Angeles, CA  Housing For Health - Flexible Subsidy Housing Pool (FSHP)	County Department of Health and healthcare partners	Initial investment of \$18M from all partnerships, including \$4M seed funding from the Hilton Foundation. Hospitals provided a <b>financial investment</b> in this program, as well as the Department of Probation and the LA Care Health Plan.	The program supports 1200 units of affordable housing.	In this FSHP, both private and public funds are combined into one entity which provides housing vouchers/subsidies to homeless adults who are high utilizers of public health services
Cook County, Illinois  Chicago and Cook County Flexible Housing (FHP)	Cook County Health, City of Chicago, Chicago Housing Authority, Hospitals, Managed Care Organizations, <sup>24</sup> and foundations	Over \$12M contribution committed (to date, not annualized).	Goal is to raise \$12M annually to serve 750 patients with housing subsidies.	Hospitals will be able to prioritize their high-risk and/or high utilizer population to this program.

## PARTNERSHIP HIGHLIGHT: NJHMFA HOSPITAL SUBSIDY PROGRAM

**Program Goals:** The goals of the Hospital Subsidy Program are to leverage private funding sources to create much needed affordable and supportive housing while also providing better services for frequent users of emergency services and helping those individuals to enjoy a better quality of life by reducing unnecessary or avoidable emergency room and/or hospital visits. The program also recognizes the role of hospitals as anchor institutions in their local communities and leverages their presence to stabilize the surrounding neighborhood. Due to the high cost associated with the frequent use of emergency services, hospitals are incentivized to participate in the program and may save significant funds in avoided emergency room and in-patient costs after patients receive permanent supportive housing.

**NJ HMFA Mission and Expertise:** The NJ HMFA is a Housing Finance Agency (HFA) that:

- Is a significant funding partner that funds affordable homeownership and rental housing opportunities for NJ residents;
- Finances construction & rehabilitation of rental housing;
- Encourages mixed-income & mixed-use development;
- Encourages the use of commercial space for clinical and community purposes; and
- Develops partnerships to foster economic development.

<sup>24</sup> Healthcare investment partners include: CountyCare (MCO), Advocate Aurora Health and the University of Illinois Hospital and Health Sciences System.



*From left, NJHMFA Executive Director Charles A. Richman, New Jersey Community Development Corporation CEO Robert Guarasci, St. Joseph's Health President and CEO Kevin J. Slavin, Paterson Mayor Andre Sayegh, New Jersey Hospital Association President and CEO Cathy Bennett and Lt. Governor Sheila Oliver, following the announcement*

### **Benefits of a Hospitals/Housing Partnership**

- Partnership offers hospitals an opportunity for neighborhood investment, housing for hospital staff, and frequent utilizers of hospital emergency departments.
- Offer housing options on or near the hospital campus for a variety of workers.

Cost studies from across the country have found that supportive housing results in tenants' decreased use of hospitals and emergency rooms, resulting in significant savings to healthcare institutions.

Housing with supportive services provides stability and has shown to improve the lives of tenants.

See Appendices A-D for more information on the program guidelines, development checklist, sample financing model, and financial analysis from Hudson County, NJ and the New Jersey Hospital Association.

## Portland, Oregon Central City Concern

In September 2016, five hospitals and a nonprofit health plan in Portland, Oregon established the Housing is Health Initiative. With a combined donation of \$21.5 million, they supported Central City Concern (CCC) in the development of 379 new affordable housing units, including supportive housing, respite care, and transitional housing. The hospitals' investments in the Initiative exceeded their community benefit obligations, and three foundations also contributed funding, bringing the total investment to \$22.6M.

CCC focuses on providing comprehensive solutions to ending homelessness and achieving self-sufficiency. They are a Federally Qualified Health Center (FQHC) that also provides integrated care (physical and behavioral health), supported employment, and other services for the people they serve.



Central City Concern's Blackburn Center, a site developed as part of the Housing is Health Initiative

**Housing is Health Initiative Program Goals:** The goal of this project is not only to provide housing but to improve health outcomes for people experiencing homelessness. This development reflects CCC's evidence-based approach to ending homelessness: housing and health care go hand-in-hand.<sup>25</sup>

**Outcomes:** Health outcomes from the new housing developments are too early to tell, but previous CCC programs have produced impressive results<sup>26</sup>:

- In 2008, 58% of the residents who exited 152 transitional housing units moved into permanent housing and completed treatment.
- Upon move-out, 93% of the tenants from transitional housing were either employed or receiving federal disability entitlements.
- 73% who completed treatment and moved to permanent housing were still housed and sober one year later.

For more on Oregon Hospitals' Key Findings on Health and Housing, see Appendix E.

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<sup>25</sup> <https://www.centralcityconcern.org/housingishealth>

<sup>26</sup> CSH Health & Housing Profile: Central City Concern [https://www.csh.org/wp-content/uploads/2011/12/Casestudy\\_CCCL.pdf](https://www.csh.org/wp-content/uploads/2011/12/Casestudy_CCCL.pdf)



## Los Angeles, California

### Housing for Health Flexible Housing Subsidy Pool

In 2014 the Los Angeles County Department of Health Services (DHS) launched the Flexible Housing Subsidy Pool (FHSP). The FHSP is a public-private venture that combines funds from government, healthcare partners, and foundations to create a funding stream for housing subsidies. The FHSP receives funding from the Department of Probation to serve people exiting jail in Los Angeles County, and it has received funding from the LA Care Health Plan as well, which is a Managed Care Organization operating in Los Angeles County.

The LA FHSP partners with Brilliant Corners to administer rental assistance and the Housing for Health contracts directly with service providers for Intensive Case Management Services (ICMS) services.



The Mosaic Gardens at Westlake located at 111 S. Lucas Avenue in the Los Angeles-Westlake neighborhood is an all-new affordable intergenerational apartment community near Downtown Los Angeles.<sup>27</sup>

**Program Goals:** The Flexible Housing Subsidy Pool (LA FHSP) aims to provide long-term, affordable housing coupled with intensive case management services that link individuals with health and social services needed to sustain independent living. Unlike some programs that require people to undergo treatment or receive services first, the LA FHSP offers housing first in an attempt to give participants stability, which in turn helps them benefit more from services.<sup>28</sup>

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<sup>27</sup> <http://dhs.lacounty.gov/wps/portal/dhs/housingforhealth>

<sup>28</sup> [https://www.rand.org/content/dam/rand/pubs/research\\_reports/RR1600/RR1694/RAND\\_RR1694.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RR1600/RR1694/RAND_RR1694.pdf)

**Outcomes:** The program, which began with an \$18M investment, has grown to serve over 7,000 individuals.<sup>29</sup> An evaluation conducted by RAND after one year of housing found significant health-related outcomes among individuals housed through the LA FHSP.<sup>30</sup>

- 67.5% decrease in ER Visits
- 76.5 % decrease in Inpatient Days
- 59.5% decrease in Mental Health Crisis Stabilization Services
- 96% of program participants were stably housed after one year
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See more on the LA County Program Model in Appendix F.

## City of Chicago and Cook County, Illinois Cook County Center for Housing and Health

In 2018 the City of Chicago and Cook County initiated a Flexible Housing Pool (FHP), a public-private partnership that houses homeless individuals with poorly managed chronic health conditions.



Better Health through Housing, Supportive Housing Unit.<sup>31</sup>

**Program Goals:** The FHP houses homeless individuals with poorly-managed chronic health conditions. Building on successful local pilots and an established program in Los Angeles, the FHP uses an integrated housing, health and social service delivery model. The program combines public and private investments into one funding pool, providing rental subsidies and other needed social services not covered by Medicaid.

<sup>29</sup> <https://brilliantcorners.org/fhsp/>

<sup>30</sup> [https://www.rand.org/content/dam/rand/pubs/research\\_reports/RR1600/RR1694/RAND\\_RR1694.pdf](https://www.rand.org/content/dam/rand/pubs/research_reports/RR1600/RR1694/RAND_RR1694.pdf)

<sup>31</sup> <https://housingforhealth.org/programs/psh/>

FHP contributions are used for rental subsidies and tenancy supports. The subsidy is available until the individual can secure more traditional assistance. The City of Chicago contracted with the Center for Housing and Health to administer the program. Individuals entering the program are assessed and connected to appropriate providers and case management.

**Outcomes:** While outcomes have not yet been determined as not enough individuals have been housed, anticipated outcomes of the program include:

- Housing a total of 750 individuals
- Decreased unnecessary ER Use, inpatient stays, jail stays, EMS utilization, and emergency shelter use
- Increase housing stability, positive patient outcomes, outpatient stabilization and affordable market housing capacity

See Appendix G for the Chicago and Cook County Center for Housing and Health-FHP outcomes dashboard, developed by the City of Chicago Department of Family Services.





# PART TWO

## HOUSING FINANCING & DEVELOPMENT 101 FOR HEALTHCARE SYSTEMS

In the previous part of this guide, we learned “why” hospitals are well-suited to enter the housing space in the form of partnerships and investments. If you are motivated to learn more about the process and get step-by-step instruction on the “how,” this section covers the steps needed to put you in the position to take concrete action.



## HOUSING OVERVIEW

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Understanding the world of affordable housing and homeless services can be a daunting task, with myriad funding types and sources, and multiple governmental and non-government entities involved in the development, management, and referral processes. For hospital leadership considering developing housing for vulnerable community members, an in-depth knowledge of housing finance and homelessness management is not necessary. However, a basic understanding of the relevant stakeholders and strategies for meeting a community's need is essential for making an informed decision about how to invest and which partners to bring to the table. The following section will provide a brief overview of affordable and supportive housing, as well as Continuums of Care (CoCs) and Public Housing Authorities (PHAs).

### Affordable Housing

Nationwide, there are only 36 affordable and available homes for every 100 extremely low-income renter households.<sup>32</sup> Affordable housing can come in a variety of shapes and sizes, but the core goal is to ensure households spend no more than 30% of their monthly income on housing costs. HUD defines a household as “cost-burdened” if housing costs exceed 30% of monthly income, and those spending 50% or more are considered “extremely cost-burdened.”<sup>33</sup> The federal government began supporting affordable housing development in the 1930s during the Great Depression, and since that time, state and local governments, as well as nonprofit and for-profit partners have all developed programs and partnerships to meet this need.<sup>34</sup> However, nearly 12 million households are extremely cost-burdened, with extremely low-income individuals and families (households making <30% of Area Median Income) most likely to be cost-burdened.<sup>35</sup> Throughout the United States, approximately 3 out of 4 households who would qualify for existing affordable housing assistance do not receive it due to a shortage of funding.<sup>36</sup>

Affordable rental housing can be *project-based* or *tenant-based*, depending on the funding sources and partners involved. In project-based affordable housing, the unit itself has an operating subsidy, meaning a funding source is attached to the unit to ensure a below-market rent. These units can be located within a market-rate building, a mixed supportive and affordable housing building, or a 100% affordable development. These units typically target specific levels of affordability based on area median income (AMI). For example, a unit may have an operating subsidy that allows for a household at 80-100% AMI or could target extremely low-income households at or below 30% AMI. Alternatively, a building that received subsidized construction costs may be able to keep rents lower than market-rate without ongoing rental subsidies.

Tenant-based affordable housing means that an individual household receives a voucher (typically funded by federal or state government and allocated based on need by state/local government or the Continuum of Care, or “CoC”). The voucher allows the household to search for a rental unit on the private market. Households with a voucher are responsible for paying 30% of their monthly income toward rent, and the remaining amount is covered by the funding source. Voucher programs typically allow for households to rent units with a maximum bedroom count and monthly rent determined by family size and Fair Market Rent (FMR). HUD estimates FMR standards for

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<sup>32</sup> [https://reports.nlihc.org/sites/default/files/gap/Gap-Report\\_2020.pdf](https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2020.pdf)

<sup>33</sup> [https://www.hud.gov/program\\_offices/comm\\_planning/affordablehousing/](https://www.hud.gov/program_offices/comm_planning/affordablehousing/)

<sup>34</sup> National Low Income Housing Coalition 2019 Advocates Guide, 1-6.

<sup>35</sup> [https://www.hud.gov/program\\_offices/comm\\_planning/affordablehousing/](https://www.hud.gov/program_offices/comm_planning/affordablehousing/)

<sup>36</sup> 2019 Advocates Guide, 1-10.



each metropolitan area as defined by the Office of Management and Budget (OMB), as well as for some subdivided metropolitan areas and non-metropolitan counties.<sup>37</sup>

Given the large number of funding sources and accompanying regulations, it is important for health care executives interested in developing housing to put together a development team experienced in using the funding sources under consideration.

## Supportive Housing

Just as there is a nationwide lack of affordable housing, there is also a significant need for supportive housing across the country.<sup>38</sup> Supportive Housing is a type of affordable housing that not only offers affordability but also provides tenants with wrap-around, voluntary support services aimed at improving stability, health, independence, and social connectivity. Supportive housing is an effective community approach to empowering vulnerable individuals and families facing complex challenges to live and thrive in permanent housing. Like all other affordable housing, supportive housing tenants ideally pay no more than 30% of their monthly income toward rent and maintain a lease or sub-lease with no limits on length of tenancy or requirements of “program participation.”<sup>39</sup>

People living in supportive housing may have experienced homelessness, behavioral or physical health conditions, incarceration, institutionalization in a nursing home, involvement with the child welfare system, domestic violence, or other challenges. Supportive housing is flexible and offers a lower-cost alternative to cycling through shelters, institutions, and other costly settings.<sup>40</sup>

Supportive housing emerged as an innovative model in New York in the late 1970s and early ‘80s and found success in pairing social services with low-cost, well maintained single-room occupancy (SRO) units for people experiencing or at risk of homelessness.<sup>41</sup> Since that time, nonprofits and all levels of government have scaled supportive housing for individuals and families as an essential component of each community’s continuum of housing options. High-quality supportive housing proactively engages members of the tenant household and effectively coordinates with key partners and community-based resources to address issues resulting from behavioral health, chronic medical conditions and other crises, with a focus on fostering housing stability.

Supportive housing requires three types of financing, each of which can come from multiple sources. Like all affordable housing, *capital financing* is needed to build, rehabilitate, or preserve a physical building, and *operating subsidies* allow units to be affordable for low-income tenants. *Service funding* provides for case management, social programming, and other services, such as mental health counseling, chronic disease management, occupational therapy, job training, or nutrition programs, that may be determined by tenant need and funding availability.

Both *project-based* (also known as “congregate”) and *tenant-based* (or “scattered-site”) models exist for supportive housing. For project-based models, buildings typically have no more than 40% of units designated as “supportive housing,” and the remaining units are affordable and available to the wider community. Scattered-site models typically utilize vouchers to rent units in the private market, and case managers visit tenants and connect them to community-based services. Nonprofit organizations operating supportive housing often receive referrals for tenants through

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<sup>37</sup> <https://www.huduser.gov/portal/datasets0s/fmr.html>

<sup>38</sup> For more information on supportive housing needs by state, please see: <https://www.csh.org/supportive-housing-101/data/>

<sup>39</sup> <https://www.csh.org/resources/dimensions-of-quality-supportive-housing-guidebook/>

<sup>40</sup> <https://www.csh.org/supportive-housing-101/>

<sup>41</sup> <https://shnny.org/supportive-housing/what-is-supportive-housing/history-of-supportive-housing>

the local CoC, though this varies depending on the funding sources and the resulting eligibility criteria for the units.

## Continuums of Care

The term “Continuum of Care” (CoC) can describe a collective body of community stakeholders, a planning process for addressing local need for homeless services, a geographic region encompassed in the planning process, and a source of homeless assistance funds from HUD. HUD developed the CoC process in 1994, which requires a locality (depending on population and other factors, the CoC may include a city, county, several counties, or in a few cases, an entire state) to form a “CoC” comprised of all relevant stakeholders and concerned community members, with either a non-profit or local government designated as the “lead agency.”

CoCs must collaboratively assess the need for homeless services, evaluate and rank projects, and submit a single, consolidated application to HUD for funding. CoCs are also responsible for establishing a data collection system known as the CoC’s Homeless Management Information System or HMIS, submitting annual reports to HUD, and, as of January 2018, developing a coordinated entry system to simplify the process for accessing homeless assistance and prioritizing resources (including rental assistance and supportive housing) for the community’s most vulnerable members.<sup>42</sup>

When considering developing supportive housing, it is wise to reach out to your local CoC’s leadership or even attend a meeting. The CoC will likely be able to provide additional data on the need for different types of housing and services, may connect you with high-quality service providers or other needed partners, and can offer guidance and insight on how to work with local government and community groups to win buy-in and ensure a smooth development process.

## Public Housing Authorities

Public Housing Authorities (PHAs) are autonomous, nonprofit quasi-governmental organizations that operate public housing buildings and programs within a specified geography. Although housing authorities have strong relationships with local, state, and federal governments, they are actually independent agencies that must follow federal regulations and receive funds through HUD that are appropriated by Congress. Federally funded public housing buildings were first built in the 1930s, and today there are still 2.1 million tenants living in 1.1 million public housing units administered by 3,000 PHAs. During the 1970s, the Nixon administration shifted the nation’s housing assistance strategy away from public housing buildings towards the Section 8 program, which engages the private sector. In addition to operating public housing buildings, many PHAs operate the Housing Choice Voucher Program, whereby vouchers assigned to households are used in the private housing market. The demand for public housing and vouchers administered through PHAs far exceeds the supply, and waitlists in many major metropolitan areas are years or decades-long. Many, if not most PHAs have closed their waiting lists due to the lengthiness of their current active waitlists. Most PHAs are required to draw up annual five-year plans evaluating community need, the existing wait-list preferences, policies and procedures, and plans for capital improvements.<sup>43</sup> While distinct from local CoCs, PHAs play an important role in a community’s approach to meeting the local need for affordable and supportive housing.

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<sup>42</sup> 2019 Advocate’s Guide, 7-49, 7-50.

<sup>43</sup> 2019 Advocate’s Guide, 4-25 -4-29.

## SUPPORTIVE HOUSING DEVELOPMENT

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Deciding to develop supportive housing as an investment in the health of the community and future tenants is a significant first step for hospitals and health systems. The development process itself is complex and requires a dedicated team of experienced individuals to ensure the project comes to fruition. The process and timeline are lengthy and often don't follow a linear or predetermined path. Collaboration and agreement on overall values will ensure team members can work together to effectively address risks, revise development plans as needed, and problem-solve as the project progresses. Early project planning and a well-rounded team with clearly defined roles will set your project on the path to success. New and experienced developers alike should begin by conducting a self-assessment and setting a vision for the overall project and its impact.

### Self-Assessment

Especially for organizations new to the development process, any successful project begins with an internal self-assessment to ensure decision-makers have a shared understanding of the organization's capacity and vision for the project. The perspectives of board members and staff at all levels of responsibility and across departments should be included in the exercise, which will ultimately serve as a guide in making key decisions on ownership, development strategies, partner selection, property management, service delivery, and other questions that arise throughout the process.

An assessment can take a variety of forms, including reaching out to stakeholders through email surveys, facilitated conversations or workshops, or interviews with individual staff and board members, but the goal is to set shared expectations on core objectives and anticipated outcomes for the development process. The following high-level questions will help start the conversation:

- How does development fit with our organizational mission and strategic plan?
- Is the development part of a larger housing plan? Do we expect future capital developments? Is this part of a Community Health Needs Assessment?
- How will development and building operation activities fit into our administrative structure?
- Does development fit with our model of service delivery?
- How does this fit with other organizational obligations and commitments (financial, human resources, or programmatic)?

### Additional Resources

For additional details on evaluating organizational capacity for ownership, development, management, and service provision, see Appendix H: The Self-Assessment Check List (pg. 43). The following resources also offer further detailed information and tools for evaluating the need for partnerships and completing an organizational assessment:

- CSH Quality Toolkit for Development and Operating Supportive Housing: <https://www.csh.org/qualitytoolkit/>
- **A New Era of Supportive Housing in New York**, see pages 14-18 for universal description: <https://d155kunxf1aozz.cloudfront.net/wp-content/uploads/2017/10/NewEraofSupportiveHousingNY.pdf>

## Development Team Selection

Upon completing your organizational self-assessment, you will likely have a clearer sense of what skills, perspectives, and capacity you currently have, and who else may be needed to establish a well-rounded and effective team. Building a team of professionals with knowledge and experience in affordable housing as well as the unique aspects of supportive housing design, financing, and regulation/approval processes is key to ensuring a successful outcome. Your team members should have clearly defined roles, shared values, fluid communication, and trust; this is important for navigating the unavoidable and unexpected challenges that will arise over the course of the project. Written descriptions of team members' or partnering organizations' roles, especially for new relationships, can be an effective way to clarify the responsibilities and expectations of each party. Your team will likely include the following roles:

The **PROJECT SPONSOR** could be either a for-profit or nonprofit housing sponsor and or may also act as a social services provider in some cases.

The **ARCHITECT** is responsible for design development and construction management and is involved in all approval and permitting processes.

The **PROJECT ATTORNEY** drafts and reviews legal documents associated with the various transactions occurring throughout the development process. The firm must be experienced with affordable housing tax credit development. In-house counsel may advise on aspects of the deal.

The **DEVELOPMENT CONSULTANT** is responsible for securing funds required to develop the project. This can include acquisition, construction, and permanent financing from private lenders or government agencies. The development consultant may also act as a project manager responsible for maintaining the project schedule and team coordination.

The **ENVIRONMENTAL AND ENERGY CONSULTANTS** perform required testing or environmental studies and any mitigation plans required for closing, such as the Phase I ESA. Certain green building programs like LEED and Passive House may require additional consultants.

The **AGENCY PARTNERS** issue bonds, tax credits, and capital loans.

The **PRIVATE LENDERS** include banks or other private lending institutions and offer financing for the acquisition, pre-development, construction, or permanent phases.

The **TAX CREDIT SYNDICATOR** is an intermediary between the project sponsor and the tax credit investor if your project is utilizing Low Income Housing Tax Credits. The syndicator works with the sponsor to negotiate pricing, the timing of equity payments, and other terms of the equity investor.

The **GENERAL CONTRACTOR** coordinates all aspects of construction, including bidding, site preparation, the hiring and management of sub-contractors, and on-time, on-budget construction and delivery of the completed building.

The **MANAGEMENT COMPANY** handles all aspects of the building operations. This includes rent collection, managing tenant leases, management of building staff, maintenance and operating schedule, expenses, and Low-Income Housing Tax Credit monitoring and certifications.

### *Additional Resources:*

- For more information on the planning process and building quality teams, reference *Planning a Quality Supportive Housing Project*: <https://www.csh.org/toolkit/supportive-housing-quality-toolkit/project-design-and-administration/planning-a-project/>.

- A sample Memorandum of Understanding (MOU) laying out the partner roles and decision-making processes can be found in Appendix H.

## Assessing and Managing Risk

Some degree of risk is inherent to any development initiative, but planning for and managing that risk will leave your organization in a strong position to complete a successful project. During the pre-development, construction and operations phases of the project, your organization will be required to take on debt and guarantees, as well as some up-front expenses that will not be paid back for several months or, depending on the timeframe for the deal, years. Throughout the concept development stage, incorporating the following guiding principles will ensure your organization and partners are able to anticipate and mitigate risk:

- **Know yourself:** Consider your organizational mission and goals as they relate to housing development. Make an honest evaluation of your board, staff, and financial capacity for development and key relationships within the supportive housing industry.
- **Know your image:** Public perception of homelessness or people with special needs can be especially divisive in the current housing crisis. A sponsor's relationships, experience, linkages, and past success with affordable supportive housing are crucial both in gaining community support and ensuring the long-term success of the project.
- **Know your team:** Supportive housing development is a collaborative undertaking, involving a multitude of partners and professionals to get the job done. Consider your relationships with professionals in the industry and your financial capacity to assemble a development team.
- **Stay current:** Supportive housing development is a complex and constantly evolving environment. Staying on top of current trends positions you to recognize and act quickly on potential development opportunities when they occur.

## The Development Process

An operational supportive housing development begins with a concept and follows a progression of phases over the course of several years. Ensuring your team has a clear understanding of the development process and timeline will help ensure you have the right people involved and shared expectations. The following milestones, key activities, and approximate timelines may not happen in succession, and may in-fact overlap, as the development process involves multiple partners and deadlines.

### 1. Concept Development

#### Approximate Duration: 1 Year

The goal of this phase is to define your development concept. This involves creating a feasible strategy for land acquisition, building design, financing, and management and service delivery in the completed project. It is essential that sponsors complete a self-assessment of their own organizational and financial capacity for development, and that the executive staff and Board of Trustees have agreed upon clearly articulated organizational housing goals. Additionally, make sure you are speaking early and often to an attorney knowledgeable about or versed in affordable and supportive housing development, and certainly before you sign any legal documents.

## 2. Pre-Development

**Approximate Duration: 2-3 Years**

In this phase, your development team must raise service, operating, and capital financing; secure environmental and public approvals; develop the building design; secure community support and negotiate the business and legal terms with funders, investors, and development partners. Pre-development and closing activities are highly interdependent as the project moves toward closing.

## 3. Closing

**Approximate Duration: 2-3 Months**

The lead-up to closing is a period of intense negotiation and activity. Volumes of documents must be drafted and negotiated before closing can occur. Even with a consultant, you will need extra staff capacity during a closing. This is NOT a good task for your executive staff as few executives have sufficient bandwidth to manage a closing alongside an already demanding schedule.

## 4. Construction Phase

**Approximate Duration: 18-24 Months**

One of the most important roles of the owner/developer is to oversee the construction period. Construction delays can be extremely costly and could jeopardize equity financing and developer fees if the project gets stuck. Delays tend to occur during site preparation and foundation construction and at the end with securing the occupancy permits. Thorough sub-surface investigations and early planning with adjacent property owners can help mitigate risk of significant delays.

## 5. Rent-Up/Conversion

**Approximate Duration: 6 months**

The completed building(s) must be occupied before a project can convert to permanent financing (typically tax credits). Sponsors are responsible for rent-up on both supportive and “community” units in accordance with special needs tenant eligibility and tax credit regulations. Your rent-up and marketing plan must be carefully designed and strictly followed so as to avoid placing a tenant who is not eligible under one or more of the tenant eligibility requirements for service, operating, or capital subsidies. It is crucial at this phase to work with property management and services partners if such partnerships are part of your project.

## 6. Operations

**Approximate Duration: 15+ Years**

The operations phase begins by finalizing tenant selection and rent-up procedures. Pay attention to any long-term affordability and tenant eligibility requirements attached to your funding sources. During this phase, you (and/or your partners) will also finalize operating procedures and policies, select and order furniture and supplies, hire and train property management and service staff, and organize tenant orientation.

## Partnerships

The emergence of integrated development models, the shortage of sites in many markets, and a complex real estate market have spurred new partnerships for affordable and supportive housing developments. Nonprofits may be motivated to a joint venture partnership by access to land or financing guarantees, development and management expertise, or the desire to develop larger mixed-use projects.<sup>44</sup>

### Co-Development Partnerships

In a co-development partnership model, partners share the responsibility for ownership, project development, supportive service delivery, and property management of the project. Joint ventures can be created between two or more nonprofit housing providers or with for-profit development or management companies.

### Single Owner Model

The sponsor contracts with a partner to develop the building. In this model, sometimes referred to as a “turnkey,” there is a temporary shared partnership between the sponsor and the developer with ownership control shifting to the sponsor-owner upon completion and permanent finance conversion. In the single owner model, risks and rewards of ownership fall upon the single owner as the responsible organization. The development partner exits the deal at the permanent conversion, typically earning some or all of the development fee.

### Shared Owner Model

The sponsor may partner with a developer or property manager to support the financing or operations of the building. In this model, two or more organizations co-own the building as partners, and share the long-term business and legal responsibility for the development, operations, management, and service delivery in the project. In a co-ownership model, the sponsor is actively involved in the early development stages providing expertise on capital, service, and operating financing, building design and community support. Shared ownership spreads the responsibilities, risks, and economic benefits among the partners.

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<sup>44</sup> See CSH's “New Era of Supportive Housing in New York: A Resource Guide for Nonprofit Housing Sponsors” <https://www.csh.org/resources/new-era-of-supportive-housing-in-new-york-a-resource-guide-for-nonprofit-housing-sponsors/>



## FINANCING SUPPORTIVE HOUSING

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Putting together the financing for a supportive housing project can be thought of as a three-legged stool with *capital*, *operating*, and *service* funding, each comprising a leg. The budget for each of these three pieces can include multiple funding sources braided together. Federal, state, and local government programs, as well as private capital and philanthropy, are all common funding sources. The following section will provide additional information on key considerations for developing capital, operating, and service budgets and explain common sources of funding for each. Keep in mind that funding availability, application processes, and administering agencies may differ according to state or locality, and some local funding opportunities not listed here may be available in your area. The list of programs and resources listed below is not intended to be exhaustive but instead lays out the key types of funding sources and administering agencies. It is important to include experienced developers and service providers who understand the local funding landscape as part of your development team. Connecting with local PHAs, CoCs, and HFAs will offer further details, application timelines, and funding availability.

If you aren't familiar with your state HFA, you can find it here: <https://www.ncsha.org/housing-help/>

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### Building the Capital Budget

Capital costs are sometimes called “brick and mortar” costs and refer to all acquisition, construction, and rehabilitation expenses. A capital (or “development”) budget breaks out all capital requirements for completing the project, which includes site acquisition and costs in two broad categories: *hard* and *soft* costs. Hard costs typically include construction and rehabilitation work, and any needed offsite improvements, such as sewers or utilities. Soft costs include architectural services, appraisals, engineering, legal costs, fees and permits, and rent-up costs.

When preparing a capital budget, the following two questions will help ensure a workable and timely budget:

1. Is the budget complete? Does the budget include all of the costs that the developer/sponsor will incur to complete a fully operational project? This requires understanding the project in detail.
2. Is the budget accurate and reliable? As a project gets closer to construction, it becomes possible to refine cost projections and budgets. By the time a project has an identified site, preliminary funding commitments, and basic design, the development budget should be fairly refined.

Capital financing comes from federal, state, and local sources, with many projects also utilizing equity raised from the sale of Low-Income Housing Tax Credits. As previously noted, becoming familiar with state and local housing finance agencies' funding programs is strongly advised. Federal capital funds are also available from the U.S. Department of Housing and Urban Development. Typically, HUD administers funding through two mechanisms: formula grants and competitive grants. Formula grants, also known as block grants, are allocated to a local government entity (county or city, and sometimes state), who then distributes the money to individual projects. With competitive grants, HUD distributes the money directly to project sponsors. The following descriptions lay out some common forms of capital financing.



### **Additional Resources:**

For more on how to develop a capital budget:

[https://cshorg.wpengine.com/wp-content/uploads/2013/09/PreparingDevelopmentBudgets\\_F.pdf](https://cshorg.wpengine.com/wp-content/uploads/2013/09/PreparingDevelopmentBudgets_F.pdf)

To reference an example Supportive Housing Project Proforma (a financial plan for developing and operating the project):

[https://cshorg.wpengine.com/wp-content/uploads/2013/09/PreparingtheProforma\\_F.pdf](https://cshorg.wpengine.com/wp-content/uploads/2013/09/PreparingtheProforma_F.pdf)

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## **Sources of Capital Financing**

### **Low Income Housing Tax Credit (LIHTC)**

Widely recognized as one of the most successful federal programs generating affordable housing development, the Low-Income Housing Tax Credit (LIHTC) program catalyzes private investment into the historically underserved affordable housing market. Since its inception in 1986, the program has led to the development (through construction or rehabilitation) of approximately 2 million affordable units. LIHTC was created via a permanent provision in the Internal Revenue Code (IRC) and is administered by state agencies with the assistance of guidance from the Treasury Department and the Internal Revenue Service. The federal government allocates tax credits to states and territories, whose housing finance agencies allocate the credits to affordable housing developers based on criteria and priorities included in their qualified allocation plans (QAP). Developers then generally sell the credits to investors, who receive a dollar-for-dollar reduction in federal taxes claimed over a 10-year period, in exchange for equity investments that contribute to the project's capital budget.

Investors are typically large banks and corporations with substantial tax liabilities and will be able to fully utilize the credit over ten years once the affordable housing project is operational. Such investors can enter directly into a partnership with the developer or can use a syndicator to match capital investors with projects. Syndicators often pool investor capital in equity funds, which spreads risk across multiple projects. Financial institutions may also receive favorable Community Reinvestment Act consideration from their regulating agency for these investments.

In order for projects to be eligible for a LIHTC allocation, the project must meet both an income unit test for tenants and a gross rent test. Projects can meet the income unit test in one of three ways:

1. 20% of units must be occupied by households with incomes at or below 50% AMI.
2. 40% of units must be occupied by households with incomes at or below 60% AMI.
3. 40% of units must be occupied by households with incomes that average no more than 60% AMI, with no household income exceeding 80% AMI.

Gross rent cannot exceed 30% of the designated income limit. Developments are required to maintain these affordability standards and comply with IRC requirements for 15 years, and extended use periods of at least 15 additional years are required.<sup>45</sup>

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<sup>45</sup> <https://www.taxpolicycenter.org/briefing-book/what-low-income-housing-tax-credit-and-how-does-it-work>

A project will utilize one of two types of LIHTC, depending on the nature of the project: a “9% Credit” or a “4% Credit,” based roughly on the percentage of a project’s qualified basis that can be claimed each year, for the 10-year period. 9% credits are allocated via competitive applications to housing finance agencies, and are generally used for new construction projects, while 4% credits are “as-of-right credits” for projects financed using tax-exempt bonds. The equity generated through the sale of a 9% credit can fund approximately 70% of the present value of a project’s qualified basis, while equity generated through the sale of a 4% credit can fund approximately 30%.<sup>46</sup>

For more information on your jurisdiction’s Qualified Allocation Plan and LIHTC application, visit your HFA’s website. For additional details on how states are prioritizing supportive housing in LIHTC allocations, please visit CSH’s Qualified Allocation Plan webpage: <https://www.csh.org/qap/>

### **Home Investment Partnership Program (HOME)**

The Home Investment Partnership Program (HOME) is an extensive, flexible block grant program intended to create affordable housing for low-income households run by HUD and administered by participating local jurisdictions. HOME funds can be used by states and localities, usually in partnership with nonprofits, for building, acquiring, and/or rehabbing of affordable housing for rent or homeownership, as well as for providing direct rental assistance to low-income people.

Each year the U.S. Department of Housing and Urban Development (HUD) allocates approximately \$2 billion among the states and hundreds of localities nationwide; however, the amount varies. HOME funds are awarded annually as formula grants to participating jurisdictions. States are automatically eligible for HOME funds and receive either their formula allocation or \$3 million, whichever is greater. Local jurisdictions eligible for at least \$500,000 under the formula (\$335,000 in years when Congress appropriates less than \$1.5 billion for HOME) also can receive an allocation. The formula allocation considers the relative inadequacy of each jurisdiction’s housing supply, its incidence of poverty, its fiscal distress, and other factors.

HOME funds may be used for a variety of project costs, including building or rehabilitating rental housing, acquisition costs, demolition of dilapidated housing so that HOME-funded housing may be built, community planning costs, as determined in the locality’s Consolidated Plan. Shortly after HOME funds become available from HUD each year, all participating jurisdictions must publish an approved Consolidated Plan laying out how it intends to use the funds.<sup>47</sup>

To find out which agency administers HOME funds and regulations in your area, visit the HUD website: <https://www.hudexchange.info/grantees/#/byProgram>

To find your local Consolidated Plan, search here:

<https://www.hudexchange.info/programs/consolidated-plan/con-plans-aaps-capers/>

### **Community Development Block Grants (CDBG)**

The Community Development Block Grant Program (CDBG) is a formula-based block grant program established in 1974 to help communities develop a wide range of community programs, planning, and housing for low-and-moderate-income people. Funds are allocated by formula to cities, counties, and states based on poverty rates and housing conditions. The program works to ensure decent, affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. Funds may be used for public facilities, community revitalization, housing rehabilitation, and innovative development

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<sup>46</sup> <https://fas.org/sgp/crs/misc/RS22389.pdf>

<sup>47</sup> [https://www.hud.gov/program\\_offices/comm\\_planning/affordablehousing/programs/home/](https://www.hud.gov/program_offices/comm_planning/affordablehousing/programs/home/)

leveraging private investments. CDBG funds can only be used for new construction in limited circumstances.

More information on eligible uses can be found at:

[https://www.hud.gov/sites/documents/DOC\\_16473.PDF](https://www.hud.gov/sites/documents/DOC_16473.PDF)

Details of how participating jurisdictions intend to use CDBG funds must include public participation and be published in the Annual Consolidation Plan and the Annual Action Plan.<sup>48</sup>

### **Federal Home Loan Bank Affordable Housing Program**

The Federal Home Loan Bank system was chartered in 1932 to provide flexible credit liquidity to community lenders involved in home mortgage and neighborhood lending. The system is comprised of 11 regional FHLBanks, each separate, government-chartered, member-owned corporations with around 6,800-member financial institutions.

The FHLBanks' Affordable Housing Program (AHP) is the largest private source of grant funding. Since 1990, more than \$5.8 billion has been awarded assisting in the acquisition, construction or rehabilitation of more than 865,000 units of affordable housing. Funded with 10 percent of the FHLBanks' net income each year, the AHP is administered regionally by each individual FHLBank, through its financial institution members and their community-based partners.

AHP funds can be used in combination with other programs to support affordable and supportive housing projects serving a wide range of community needs. FHLBank members access funds through the AHP Competitive Application Program. Project sponsors must coordinate applications for grants through member institutions. To ensure that projects serve local housing needs, each FHLBank designs and administers its own competitive program, advised by an Advisory Council made up of community organizations from within the FHLBank's district. AHP grants are highly competitive, with approximately one out of three applications receiving funding.

More information on the AHP can be found at <https://fhlbanks.com/affordable-housing/>, and by [contacting Community Investment Officers at the regional FHLBanks.](#)

### **Housing Trust Fund**

The National Housing Trust Fund (HTF) provides grants to states for the production and preservation of affordable housing for extremely low-and-very low-income households. HTF funds are allocated by formula annually by HUD to states and state-designated entities, which administer funds via HTF Allocation Plans. States must use at least 80 percent of each annual grant for rental housing; up to 10 percent for homeownership; and up to 10 percent for administrative and planning costs. HTF funds may be used for acquisition, new construction and/or rehabilitation of affordable housing, which must have a minimum affordability period of 30 years. Eligible forms of assistance include loans, grants, interest subsidies, equity investments, and other forms of assistance approved by HUD.

Income targeting requirements are set based on the annual amount of available HTF funds. In any fiscal year in which the total HTF funds available are less than \$1 billion, 100 percent of HTF funds must be targeted by grantees for the benefit of extremely low-income families or families with incomes at or below the poverty line, whichever is greater. When the total HTF funds available are equal to or exceed \$1 billion, at least 75 percent of HTF funds must be targeted by the grantee for the benefit of extremely low-income families or families with incomes at or below the poverty

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<sup>48</sup> 2019 Advocates Guide, pages 8-3 – 8-5.

line, whichever is greater. Any grant funds not used to serve extremely low-income families must be used for the benefit of very low-income families.

Units assisted by HTF funds must be occupied by income-eligible households. Rents, including utilities, are set at 30 percent of household income at either 30 percent or 50 percent of area median income, adjusted for the number of bedrooms in each unit.

More information can be found at <https://www.hudexchange.info/programs/htf/> and by contacting your state or state-designated entity that is a grantee of HTF funds.

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## The Operations Budget

Operating funding refers to rental subsidy costs as well as expenses associated with operating and/or maintaining the housing. For projects owned by a housing sponsor, this can include property management, utilities, maintenance, insurance, security, debt service or other loan payments, and operating and replacement reserves. For projects with units leased by the sponsor (either single-site or scattered-site), there may be ongoing operating costs, depending upon the terms of the lease with the property owner. All project sponsors must ensure that the operations budget includes sufficient subsidy to ensure affordability based on income for tenants: typically, no more than 30% of income can be paid toward rent. Operating subsidies supplement the difference between the tenant's portion and a reasonable rent charged under market conditions.

There are three general forms of operating subsidies:

1. **Project-based** are those that are “attached” to particular housing units.
2. **Tenant-based** subsidies attach to an individual or family.
3. **Sponsor-based** attaches to a specific housing sponsor, typically a non-profit housing developer or supportive housing provider.

### *Additional Resources:*

The Operating Pro Forma is the tool used to estimate the expenses of a project during operations. For more on “Preparing an Operating Pro Forma”: [https://cshorg.wpengine.com/wp-content/uploads/2015/08/PreparingOperatingProFormas\\_F.pdf](https://cshorg.wpengine.com/wp-content/uploads/2015/08/PreparingOperatingProFormas_F.pdf)

## Sources of Operations Funding

### Continuum of Care (CoC) Program

As described earlier in this guidebook, the Continuum of Care (CoC) is a body of stakeholders, a geographic entity, a planning process, and a source of funding from HUD designed to promote community-wide commitment to end homelessness. To distribute CoC funding to CoC collaborative applications, HUD issues a Notice of Funding Availability (NOFA) each year. Based on each CoC's annually reporting and local and federal priorities, the CoCs score and strategically rank their various existing and proposed rapid rehousing, transitional housing, permanent housing, and some other eligible homeless service programs to form their applications to HUD. Some years, HUD creates an opportunity to receive bonus funding for population-specific programs, such as establishing new domestic violence programs within the continuum. The following expenses are allowable as part of the CoC program:

### *Leasing Costs*

Leasing costs are an eligible use of funds under the Permanent Housing (PH), Transitional Housing (TH), Support Services Only (SSO), and Homeless Management Information System (HMIS)

program components. This funding can be used to lease individual units, some of a building's units, or the entire building. While all rents must be reasonable, individual units cannot have rents exceeding fair market rent (FMR) rates determined by HUD.

### ***Rental Assistance Costs***

Under the permanent and transitional housing program components, rental assistance is an eligible expense and may take one of three types: tenant-based, sponsor-based, or project-based. Depending on the project type, the rental assistance may be short-term (up to 3 months), medium-term (up to 24 months), or long-term (>24 months) depending on the housing type through which the project is funded. Funded projects must serve the full number of tenants approved in their applications, but if actual costs are lower than the amount reserved for the term of the grant, the recipient may use the remaining funds to cover property damage, rent increases, or the rental needs of a greater number of program participants.

### ***Tenant-Based Rental Assistance***

Tenant-based rental assistance allows program participants to rent any unit within the CoC's geographic area, given that the unit size and rent meet criteria determined by HUD. In some circumstances, the geographic area in which tenants can lease an apartment may be restricted to ensure access to supportive services. Victims of domestic violence, however, may retain their rental assistance if they relocate outside the geography of the CoC.

### ***Sponsor-Based Rental Assistance***

Under this component of CoC funding, the CoC-funding recipient (or contracted sponsor organization) may offer rental assistance to program participants who reside in housing owned or leased by the recipient/sponsor organization.

### ***Project-Based Rental Assistance***

Through project-based rental assistance, a building's owner agrees to lease units to program participants. The rental assistance cannot be transferred if the household decides to relocate to a unit in another building.

In all three types of rental assistance, the participating household holds a lease with the landowner and must pay a portion of the rent in accordance with HUD's interim rule.

### ***Additional Resources:***

For further details on the CoC program, visit the HUD Exchange page: <https://www.hudexchange.info/programs/coc/>

For more information on the amount of funding awarded to each CoC each year, please see: <https://www.hudexchange.info/programs/coc/coc-giw-reports/?filter Year=&filter State=NJ&filter CoC=&program=CoC&group=GIW>.

## **Family Unification Program (FUP)**

The Family Unification Program (FUP) is a federal program providing rental assistance to families and young adults who are experiencing or are at imminent risk of homelessness and who have involvement in the child welfare system. Public Housing Authorities (PHAs) and Public Child Welfare Agencies (PCWAs) jointly administer the program providing Housing Choice Vouchers (HCVs) to households based on the following eligibility:

1. Families whose inadequate housing<sup>49</sup> is the primary cause of either the child(ren) being placed into care outside the home or delaying the child(ren) from being discharged from care outside the home. Rental assistance for households in this eligibility group is non-time limited.
2. Young adults between the ages 18-24 who have left foster care or will leave foster care within 90 days and are homeless or at risk of becoming homeless. Rental assistance in this eligibility group is capped at three years.

PCWAs refer families and youths to the PHA for determination of eligibility for rental assistance. PHAs maintain a waiting list of FUP applicants and handles all aspects of Housing Choice Voucher eligibility and issuance. PWCAs provide supportive services, such as employment assistance, financial literacy and management, and nutrition, to youths participating in the FUP program for 18 months. PWCAs are not required but may provide services to families as well.

For developers interested in serving young adults and families using FUP Rental Assistance, connect with your local PHA and PWCA.

#### **Additional Resources:**

HUD's FUP Fact Sheet: [https://www.hud.gov/sites/documents/FUP\\_FACT\\_SHEET.PDF](https://www.hud.gov/sites/documents/FUP_FACT_SHEET.PDF)

### **Veterans Affairs Supportive Housing (HUD-VASH) Program**

The Veteran Affairs Supportive Housing Program (VASH) is a rental assistance and supportive services program offered collaboratively by HUD and the U.S. Department of Veterans Affairs (VA). HUD provides Housing Choice Voucher rental assistance for veterans who are eligible for VA medical services and are experiencing homelessness, and VA medical centers or community-based outreach clinics offer supportive case management services. Veterans must meet the definition of homelessness defined in The Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009, but the program prioritizes veterans experiencing chronic homelessness.

HUD invites local PHAs to apply for HUD-VASH voucher allocations based on local CoC's data on the number of individuals experiencing homelessness, the local VA's number of contacts with veterans experiencing homelessness, and performance data from the PHAs and VAs. The HUD-VASH program is generally administered according to standard Housing Choice Voucher program rules; however, HUD may waive or create alternative requirements. These are published on the HUD Exchange website. HUD-VASH vouchers may be used on the private rental market in accordance with unit size and rental rates set by HUD, but PHAs may designate a portion of their allocated vouchers as project-based.

#### **Additional Resources:**

Reference the HUD Exchange for the most up to date HUD-VASH Operating Requirements and your local PHA for information on local administration and availability.

[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/hcv/vash](https://www.hud.gov/program_offices/public_indian_housing/programs/hcv/vash)

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<sup>49</sup> To see HUD's definition of families living in "inadequate housing," see the FUP Fact Sheet, pg. 2: [https://www.hud.gov/sites/documents/FUP\\_FACT\\_SHEET.PDF](https://www.hud.gov/sites/documents/FUP_FACT_SHEET.PDF)



## Section 811 Supportive Housing for Persons with Disabilities—Project Rental Assistance

Section 811 Supportive Housing Project Rental Assistance is a federally funded program offering rental subsidies for extremely low-income people living with disabilities. State housing agencies (HFAs) wishing to apply for Section 811 funding must establish partnerships with state health and human services as well as Medicaid agencies to develop tenant selection criteria, referral processes, and service provision plans to ensure extremely low-income tenants most in need can access the supportive housing. Section 811 Project Rental Assistance offers operating subsidies that can be paired with new or existing affordable housing funded by LIHTC, HOME, or other capital sources.

Tenant households must be extremely low-income (<30% AMI), and at least one household member (not necessarily the head of household) must have a disability and be between the ages of 18-62. Note that the age and disability criteria is assessed at the time of voucher issuance; households will not lose the voucher when the qualifying member turns 62.

To find out about the availability and application process for Section 811 Rental Assistance in your area, look on your local Housing Finance Agency's website.

### *Additional Resources:*

For more information about the Section 811 Rental Assistance Program, see the HUD Exchange Info Page: [https://www.hud.gov/program\\_offices/housing/mfh/progdesc/disab811](https://www.hud.gov/program_offices/housing/mfh/progdesc/disab811)

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## The Supportive Services Budget

Supportive housing projects should have a separate service budget that is distinct from the operations budget. When designing a services budget it is important to make sure projected expenses match projected revenues:

- **Expenses:** This will include personnel and other than personnel expenditures associated with delivering services that match the acuity level and particular needs of the project's tenants. These services should be tailored according to the population the supportive housing project intends to serve.
- **Revenues:** Supportive housing service budgets typically include a blend of multiple revenue sources to be able to provide for the range on ongoing support services for a diverse group of tenants. Typically, revenue for supportive services costs is provided in one of three ways: as a fee-for-service arrangement, through a publicly funded contract in which the organization provides specified supportive services according to an established budget, or through private fundraising.

Federal funding for services, like funding for development and operating costs, is generally distributed by formula grants or competitive grants.

### *Additional Resources:*

For additional information on how to budget for supportive housing services, please see: <https://www.csh.org/resources/supportive-housing-services-budgeting-tool/>

## Medicaid and Supportive Services

As supportive housing is intended to serve highly vulnerable people, including older adults and medically frail individuals, integrating Medicaid reimbursement as a source of funding for service provision can help supplement a project's services budget. While types of services covered under Medicaid vary according to location, many states have adopted Medicaid waivers or State Plan Amendments (SPAs) that allow for reimbursement of non-traditional medical services (often referred to as "tenancy support services") such as housing navigation, case management, and environmental modifications.<sup>50</sup> These can be part of your state's Home and Community Based Services program. Medicaid typically cannot cover a supportive housing project's entire service budget but can provide a reliable source of funding and support more specialized staffing and services, as might be performed by an LCSW or a Master's level clinician.

When considering incorporating Medicaid as part of a supportive housing project's service budget, the sponsor organization should examine its state Medicaid plan, the services covered under it, and the extent to which the population served would have service needs that would be eligible for reimbursement. The organization also may consider various administrative models for billing Medicaid: becoming a Medicaid billable agency that performs services and manages billing in-house, hiring an Accountable Care Organization (ACO) to manage billing, or contracting with an external organization that can provide services to tenants and bill directly to Medicaid.

### *Additional Resources:*

For specifics on supportive services covered in your state's Medicaid plan, explore CSH's "A Quick Guide to Medicaid Waivers and State Plan Amendments:" <https://www.csh.org/resources/a-quick-guide-to-medicaid-waivers-and-state-plan-amendments/>

To compare the Administrative Models for Medicaid Funding Services, visit:

<https://www.csh.org/resources/administrative-models-for-medicaid-funding-services/>

## Continuum of Care (CoC)

As part of HUD's funding to local CoCs funding for supportive services may be covered in the transitional housing, rapid rehousing, permanent supportive housing, and the supportive services only (SSO) program components. HUD's interim rule lists all eligible services, such as legal assistance, case management, and employment services. Services must be offered to residents of permanent housing for the full period of their residence. The funding also allows recipients and sub-recipients to provide services for households experiencing or previously experiencing homelessness but who do not reside in housing operated by the recipient.

When considering applying for CoC funding, it is best to start by connecting with your local CoC.

### *Additional Resources:*

For basic information about funding components eligible under CoC funding:

<https://www.hudexchange.info/programs/coc/coc-program-eligibility-requirements/>

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<sup>50</sup> <https://www.csh.org/resources/summary-of-state-action-medicaid-housing-services-2/>



For details on the amount of funding awarded to each CoC each year:

[https://www.hudexchange.info/programs/coc/coc-giw-reports/?filter\\_Year=&filter\\_State=&filter\\_CoC=&program=CoC&group=GIW](https://www.hudexchange.info/programs/coc/coc-giw-reports/?filter_Year=&filter_State=&filter_CoC=&program=CoC&group=GIW)

## CONCLUSION

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Healthcare systems across the country are taking their understanding of the crucial connection between housing and its positive impact on health to new levels. According to Dr. Megan Sandel from Boston University School of Medicine, “housing is a critical vaccine that can pave the way to long-term health and well-being.”<sup>51</sup> There are many physicians and health care professionals who want to take more action to support this belief. Although hospitals are investing in screening for social determinants of health and embedding housing navigators in their emergency departments and inpatient units, these interventions do not address the country's fundamental lack of housing.

Hospitals can address the high public costs and poor health outcomes associated with homelessness and unstable housing. The reasons are clear: hospitals are anchor institutions, poised to realize their own cost savings and improved health outcomes for patients, and increasingly attuned to overcoming health inequities. The next step is for hospitals to directly invest in housing and fill our most vulnerable populations' housing needs.

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<sup>51</sup> <https://www.enterprisecommunity.org/2016/02/housing-critical-vaccine>

## APPENDIX A: NJHMFA HOSPITAL PARTNERSHIP SUBSIDY PROGRAM GUIDELINES

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These Guidelines were adopted on September 20, 2018.

1. Program Overview	The New Jersey Housing and Mortgage Finance Agency ("HMFA") Hospital Partnership Subsidy Pilot Program (the "Program") leverages hospital equity in concert with the 4% Low Income Housing Tax Credit program to create affordable housing developments on or near hospital campuses with a supportive housing set-aside targeted towards frequent users of hospital services.
2. Program Goal	The purpose of such Program is to leverage private funding sources to create much needed affordable and supportive housing while also provide better services for frequent users of emergency services and helping those individuals enjoy a better quality of life by reducing unnecessary or avoidable emergency room and/or hospital visits. The Program also recognizes the role of hospitals as anchor institutions in their local communities and leverages their presence to stabilize the surrounding neighborhood. Recognizing the high cost associated with frequent use of emergency services, hospitals are incentivized to participate in the Program and may save significant funds in avoiding emergency room and in-patient costs after patients receive permanent supportive housing. There are many examples from across the country of unique public-private financing partnerships undertaking these types of projects with great success.
3. Target Areas	Statewide
4. Program Allocation	\$12 million (Subsidy)
5. Property Eligibility Criteria	Eligible projects must be structured as a partnership between a developer and the participating hospital. The projects must include funding contributions for the participating hospital. The developer must include a set-aside of units for supportive housing and/or frequent users of hospital services. Properties must adhere to all the requirements of the Multifamily Underwriting Guidelines and Financing Policy.
6. Developer/Partner (Borrower)	For-profit or non-profit housing developer

7. Statement of Interest	<p>HMFA will issue a notice of funding availability to all hospitals located in New Jersey of the availability of the Program. Interested hospitals will be required to submit a Statement of Interest. The Statement of Interest will include:</p> <ul style="list-style-type: none"> <li>• Project Location <ul style="list-style-type: none"> <li>○ Description of project site's proximity to hospital facilities</li> <li>○ The hospital's ownership interest in land or real estate included in the project</li> <li>○ Description of the project site's proximity to public transportation</li> <li>○ Description of project site's proximity to employment opportunities</li> <li>○ Description of project site's proximity to social services and health care services</li> </ul> </li> <li>• Information on the Developer Partner selected by the Hospital</li> <li>• Total number of units in the proposed project</li> <li>• Type of development (100% Affordable, Mixed Income, Mixed Use)</li> <li>• Additional elements, such as commercial space or health care facilities</li> <li>• Hospital contributions as either financed or equity</li> <li>• Other sources of funds (if applicable)</li> <li>• A statement regarding readiness to proceed</li> <li>• Narrative of the overall project including a description of social services and amenities to be provided to the tenants.</li> </ul> <p>After receipt of the Statement of Interest, the HMFA will schedule in-person meetings with the hospitals and their developer partners to discuss, in detail, the program and the underwriting/lending process</p>
8. Application Review and Approval Process	<p>The housing developer partner ("Borrower") will apply to the HMFA for the financing needed to develop the housing project. HMFA staff will receive all the documentation submitted with the financing application and review the submission in accordance with the Multifamily Underwriting Guidelines and Financing Policy. HMFA staff will make a recommendation for financing approval to the members of the HMFA. Upon approval by the HMFA, HMFA staff will issue a commitment of funding to the Borrower.</p>
9. Structure of Assistance	<p>The project financing will be structured using 4% Low Income Tax Credit equity, tax-exempt debt, and a contribution from the hospital. The hospital contribution may be contributed directly or may be provided in the form of an HMFA second note subsidy loan.</p>
10. Non-Monetary Contributions by the Hospitals	<p>Hospital partners are additionally encouraged to contribute land or an exist structure(s). The value of the land/structure(s) is not included as part of the subsidy contribution from the hospital discussed above.</p>
11. Per Property Assistance	<p>The HMFA will provide subsidy funding in an amount up to \$4 million per project. The subsidy will be structured as a cash flow loan payable in full at the end of the mortgage term. Requests for subsidy funding above \$4 million per project will be considered on a case by case basis and subject to approval by the HMFA board.</p>
12. Estimated Number of Housing Partnership Units	<p>Three to four housing projects, approximately 180-240 housing units.</p>

## APPENDIX B: NJ HMFA HOSPITAL PARTNERSHIP CRITICAL DEVELOPMENT CHECKLIST

Adapted from CSH's "Dimensions for Quality Supportive Housing" for NJ HMFA's Program Guidelines

FUNDER – NJ HMFA	DEVELOPMENT PARTNERSHIP (HOSPITAL PARTNERSHIP EXAMPLE)	PROPERTY MANAGER	SERVICE PROVIDER
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CONCEPT DEVELOPMENT Estimated 1- 2 years	<input type="checkbox"/> Provide program guidance.	<input type="checkbox"/> Assess development capacity <input type="checkbox"/> Coordinate staff and board <input type="checkbox"/> Hospital partnership to review data and determine target population <input type="checkbox"/> Gather community input/support <input type="checkbox"/> Meet with potential development partners <input type="checkbox"/> Maintain industry contacts <input type="checkbox"/> Letter of interest submitted by hospital to HMFA <input type="checkbox"/> Coordinate staff and board		<input type="checkbox"/> Advocate/raise awareness for supportive housing <input type="checkbox"/> Maintain industry contacts

<p><b>PRE-DEVELOPMENT</b> Estimated 2-3 years</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Preliminary Meeting at NJHMFA with Developer and Hospital</li> <li><input type="checkbox"/> Submit application package to NJHMFA</li> <li><input type="checkbox"/> Site Visit performed by NJHMFA Staff</li> <li><input type="checkbox"/> Start NJHMFA weekly project update/checklist calls</li> <li><input type="checkbox"/> Secure Site Control</li> <li><input type="checkbox"/> Obtain Resolution of Need</li> <li><input type="checkbox"/> HMFA Board Meeting to Approve Declaration of Intent</li> <li><input type="checkbox"/> Meeting at NJHMFA with Architect and Contractor to discuss requirements for commitment</li> <li><input type="checkbox"/> Complete Phase I and Phase II environmental reports</li> <li><input type="checkbox"/> Secure Site Plan Approval</li> <li><input type="checkbox"/> Zoning Board Approves Variance for Hospital commercial space use in zone</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Feasibility analysis</li> <li><input type="checkbox"/> Select development partner and negotiate partnership agreement</li> <li><input type="checkbox"/> Assemble experienced development team</li> <li><input type="checkbox"/> Preliminary financial modeling</li> <li><input type="checkbox"/> Refine financing strategy and identify lending partners</li> <li><input type="checkbox"/> Zoning analysis and design development</li> <li><input type="checkbox"/> Secure site control</li> <li><input type="checkbox"/> Secure acquisition/predevelopment financing (if needed)</li> <li><input type="checkbox"/> Conduct environmental analysis and other 3<sup>rd</sup> party reports</li> <li><input type="checkbox"/> 4% LIHTC application submitted to NJ HMFA (accepted on rolling basis)</li> <li><input type="checkbox"/> Submission of all financing applications</li> <li><input type="checkbox"/> Construction bidding and GC selection</li> </ul>		<ul style="list-style-type: none"> <li><input type="checkbox"/> Community support/outreach plan</li> <li><input type="checkbox"/> Secure linkage agreements with local providers</li> <li><input type="checkbox"/> Secure service and operating funding</li> <li><input type="checkbox"/> Create service delivery plan</li> <li><input type="checkbox"/> Develop service and operating budgets</li> </ul>
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	<input type="checkbox"/> NJHMFA orders appraisal <input type="checkbox"/> Obtain PILOT from City <input type="checkbox"/> Finalize Contract with Architect and General Contractor <input type="checkbox"/> Architect completes construction drawings for NJHMFA submission <input type="checkbox"/> Finalize Supportive Services Plan <input type="checkbox"/> HMFA Board Authorizes Commitment			
<b>CLOSING</b> Estimated 3-6 months	<input type="checkbox"/> Construction loan closing <input type="checkbox"/> LIHTC closing	<input type="checkbox"/> Secure firm financing commitments <input type="checkbox"/> Secure public approvals <input type="checkbox"/> Finalize and execute GC contract <input type="checkbox"/> Complete NJHMFA checklist requirements (available on website) <input type="checkbox"/> Coordinate attorney review of closing documents prepared by NJHMFA and compliance with legal requirements		
<b>CONSTRUCTION</b> Estimated		3 <sup>rd</sup> party consultant/owner's rep may be engaged for many of these steps:		

		<input type="checkbox"/> Coordinate all construction management activities  <input type="checkbox"/> Manage and negotiate scope and design changes  <input type="checkbox"/> Maintain construction schedule and resolve delays  <input type="checkbox"/> Attend regular site meeting and construction team calls  <input type="checkbox"/> Monitor requisitions, change orders and payments  <input type="checkbox"/> Oversee all aspects of construction management activities  <input type="checkbox"/> Manage coordination with project funders and investors  <input type="checkbox"/> Ensure on-time and on-budget completed project		
<b>RENT UP / CONVERSION</b> Estimated 6 months	<input type="checkbox"/> Obtain Certificate of Occupancy <input type="checkbox"/> NJHMFA Closing on Bonds and Hospital Subsidy funds	<input type="checkbox"/> Oversee/coordinate rent up and permanent local conversion	<input type="checkbox"/> Initiate rent up for conversion  <input type="checkbox"/> Tenant selection  <input type="checkbox"/> Tax credit compliance reporting  <input type="checkbox"/> Rent collection, lease signing, tenant agreements	<input type="checkbox"/> Tenant eligibility screening and selection  <input type="checkbox"/> Coordinate with referral agency and property manager  <input type="checkbox"/> Prepare tenants for move-in
<b>OPERATIONS</b> Estimated 15 + years		<input type="checkbox"/> Coordinate all aspects of building management and service delivery	<input type="checkbox"/> Compliance with all local, state, federal regulations  <input type="checkbox"/> Day to day management and	<input type="checkbox"/> Coordinate management with services  <input type="checkbox"/> Coordination of on-site service delivery



		<div><div><input type="checkbox"/></div><div>Maintain long term physical and financial health of the asset</div></div> <div><div><input type="checkbox"/></div><div>Oversee long term management and compliance</div></div>	<div><div>oversight of physical building(s)</div><div><input type="checkbox"/> Marketing, rent collection, lease up, rules enforcement</div><div><input type="checkbox"/> Tenant eligibility screening</div></div>	<div><div><input type="checkbox"/></div><div>Maintain service and operating contracts on supportive units</div></div>
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## APPENDIX C: NJ HMFA SAMPLE PROJECT FINANCING

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Presented at the **16th Annual ACHI National Conference March 20, 2019**, Housing is Health Care  
Housing Finance Agency & Hospital Innovative Partnerships

### Sample Project Description

100% Affordable or Mixed-Income

60 units with 10 units set aside for Frequent Users

### Sample Capital Stack

Tax Credit Equity	\$4,839,009
HMFA Tax-Exempt Financing	\$1,166,902
Special Needs Housing Trust Fund	\$1,000,000
HMFA Program Subsidy (example)	\$3,250,000
Hospital Contribution (example)	\$3,250,000
Deferred Developer Fee	\$1,275,000

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<b>Total Development Costs</b>	<b>\$14,780,911</b>
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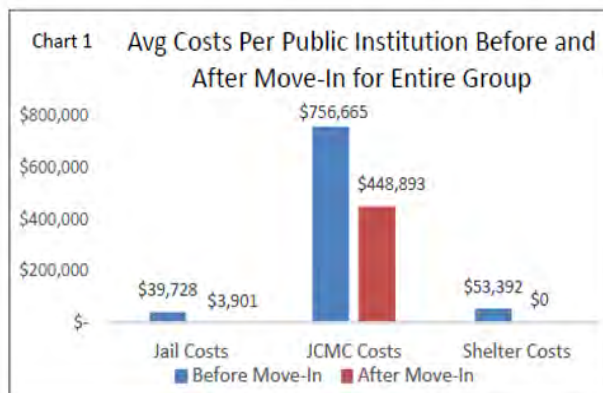
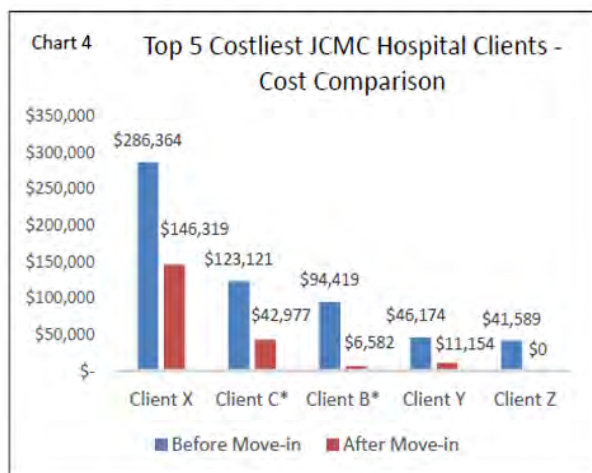


## APPENDIX D: FINANCIAL ANALYSIS, CASE STUDY OF HUDSON COUNTY, NJ AND CAMDEN, NJ

Presented at the 16th Annual ACHI National Conference March 20, 2019, Housing is Health Care  
Housing Finance Agency & Hospital Innovative Partnerships

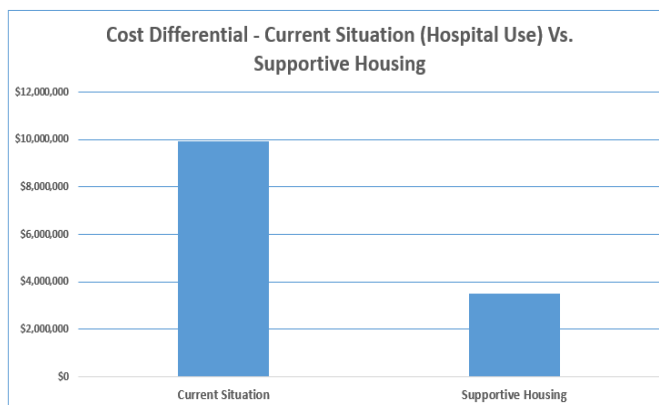
### Hudson County, NJ Case Study

**Result: When comparing total public institution costs before (5yr average) and after move-in (1yr), total costs dropped by nearly half, amounting to a 47% overall reduction. In dollar figures, this amounts to \$396,991 cost savings per year.**



### Camden, NJ Case Study

Lack of Quality Safe Affordable Housing Average Market Rate Unit in City	Emergency Department & Inpatient
1 Bedroom: \$900 - \$1,000	229 total instances 259 (homelessness) reported
2 Bedrooms: \$1,090 - \$1,270	8 ED sum of \$2,279 (\$285 per encounter)
3 Bedrooms: \$1,360 - \$1,590	221 IP total \$9,934,695 (\$44,953 per encounter)



## APPENDIX E: OREGON HOSPITALS' KEY FINDINGS ON HEALTH & HOUSING

Source: Health in Housing, CORE Research 2016, pg. 2:  
[https://oregon.providence.org/~media/Files/Providence%20OR%20PDF/CORE/core\\_health\\_in\\_housing\\_full\\_report\\_feb\\_2016.pdf](https://oregon.providence.org/~media/Files/Providence%20OR%20PDF/CORE/core_health_in_housing_full_report_feb_2016.pdf)

### KEY FINDINGS:

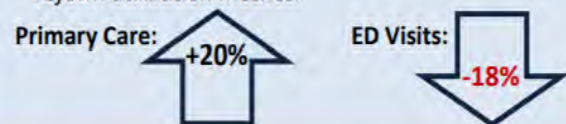
#### 1. Costs to health care systems were lower after people moved into affordable housing.

- Total Medicaid expenditures declined by 12%.
- Declines in expenditures were seen for all housing types.
- *IMPLICATION: Access to affordable housing will likely drive down costs to the health care system.*

Overall	FAM	PSH	SPD
-12%	-8%	-14%	-16%

#### 2. Primary care visits went up after move-in; emergency department visits went down.

- Outpatient primary care utilization increased 20% in the year after moving in, while ED use fell by 18%.
- Similar trends were observed for each housing type.
- *IMPLICATION: Affordable housing helps meet major health reform utilization metrics.*



#### 3. Residents reported that access to care and quality of care improved after moving into housing.

- Many residents reported that health care access and quality were better after move-in than before; very few people reported it was worse.
- *IMPLICATION: Expenditure and utilization differences did not come at the expense of access or quality.*

ACCESS	Better	Worse	QUALITY	Better	Worse
	40%	4%		38%	7%

#### 4. Integrated health services were a key driver of health care outcomes.

- The presence of health services was a driver of lower costs and ED use, despite low awareness among residents.
- *IMPLICATION: Increasing use of these services may result in even greater cost differences.*

Adjusted impact of health services:

EXPENDITURES	-\$115 member/month	ED VISITS	-0.43 visits/year
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# APPENDIX F: LA COUNTY PARTNERSHIP AND SERVICES MODEL

Source: <https://brilliantcorners.org/fhsp/>



## A Range of Housing Options

Brilliant Corners works to secure a broad range of housing options, including individual apartments, blocks of units or entire buildings. Brilliant Corners identifies and secures units county-wide; provides move-in assistance and rental subsidy disbursement; coordinates with case managers; and assists with landlord relations.



## Tenancy Supports

Our person-centered model provides housing retention services to participants to ensure a smooth transition into housing, as well as ensuring they stay housed. This includes facilitating the move-in process, and working with the participant, case manager, and property provider to resolve all tenant-specific, housing-related issues.



## Intensive Case Management Services

LA County DHS contracts with over 80 non-profit partners across the County to ensure that all tenants have a dedicated case manager and wrap-around services to support their transition to permanent housing and promote housing stability. Case managers support participants to access health care, treatment, and benefits. Case managers are available to respond when issues arise and support the long-term success of the tenant.

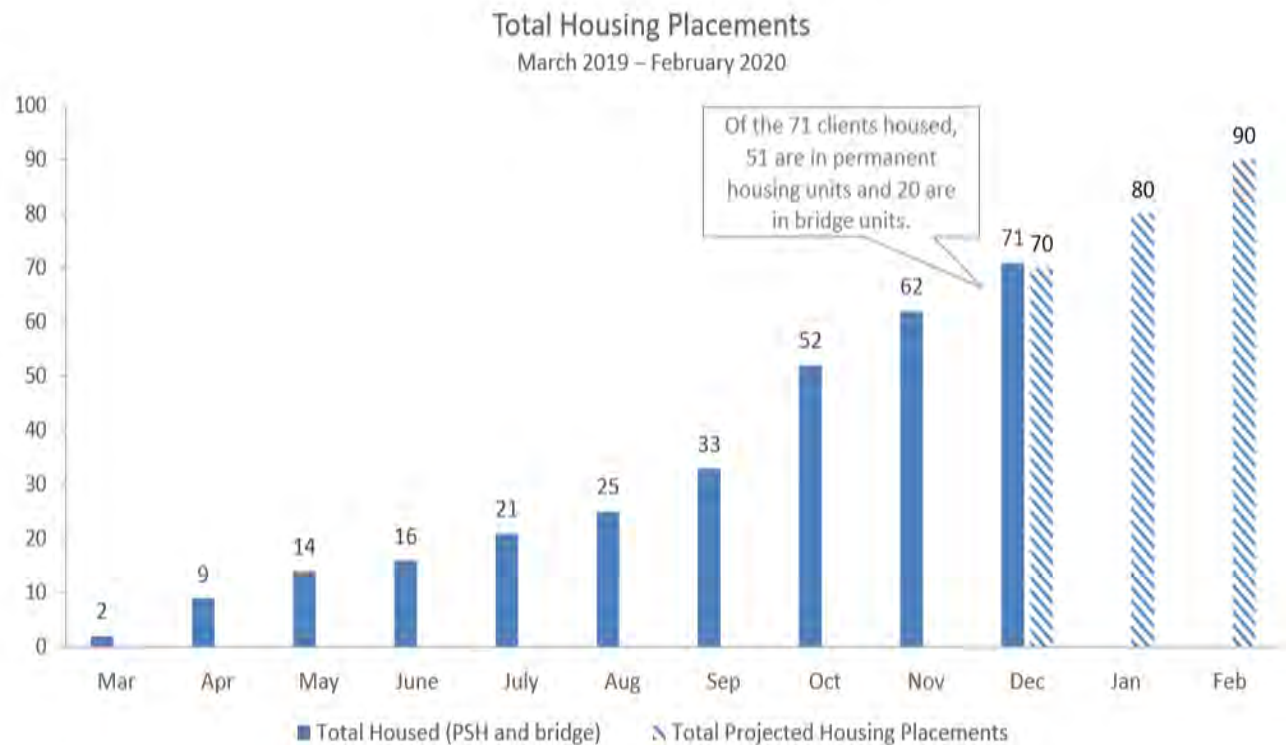


## Easy Landlord Participation

- **Improved Collections:** On-time payments every month from Brilliant Corners.
- **High Occupancy / Low Turnover:** Reduced unit turnover cost and lower vacancy loss. Targeting long-term tenancy and housing stability.
- **Ease of Management:** Dedicated point-of-contact for all tenant issues. Intensive case management and wrap-around services to support tenants and promote housing stability.

## APPENDIX G: CHICAGO AND COOK COUNTY FLEXIBLE HOUSING POOL – OUTCOMES DASHBOARD

As of December 2019, **71 clients have been housed** through the Flexible Housing Pool



**Source:** Center for Housing and Health (CHH). Data collected through December 31<sup>st</sup>, 2019.

**Notes:** This chart demonstrates cumulative number of placements into housing, including into a permanent housing unit or a bridge unit. Projections are through Feb 2020, from the Center for Housing and Health. Program started in March 2019.

## APPENDIX H: SELF-ASSESSMENT CHECKLIST

**Source:** "New Era of Supportive Housing in New York: A Resource Guide for Nonprofit Housing Sponsors," pg. 15. <https://d155kunxf1aozz.cloudfront.net/wp-content/uploads/2017/10/NewEraofSupportiveHousingNY.pdf>

The Owner has the ultimate long term financial and legal responsibility for the property, representing the long-term interests of the project and its residents. The owner drives the planning and development process.	Definitely	Maybe	Unlikely
Do we have a plan to implement and ensure the long-term operating success of the project?			
Do we have experience in owning an asset of similar size and scope?			
Does our Board support ownership or is it willing to play an increased role for this project?			
Do we have a plan for staffing and funding the various roles of the owner?			
Are we on solid financial ground with audited financials, professional monthly financials?			
Do we have experience collaborating with managers, developers, and other project partners?			
Are we prepared to take on the long-term obligations and risks of project owner?			
Are we comfortable with the "double bottom line" services and property management of supportive housing?			

The Developer is responsible for bringing all real estate development activities to completion, taking a project from the concept stage to full occupancy.	Definitely	Maybe	Unlikely
Do we have experience developing a project of similar size and scope?			
Do we have staff to coordinate day-to-day development activities?			
Do we have staff to provide consistent oversight and follow-up on major decisions?			
Do we have connections and expertise to assemble a supportive housing development team?			
Do we have financial capacity to hire a development consultant to fill capacity needs?			
Do we have experience collaborating with managers, developers, and other project partners?			
Is our Board of Trustees in favor of development and willing to play an increased role for this project?			
Are we on solid financial ground with audited financials, professional monthly financials?			
Do we have a sufficient fund balance and ability to risk up-front cash?			



The Support Services Lead Provider or coordinator ensures that a comprehensive array of supportive services is designed and delivered to tenants.	Definitely	Maybe	Unlikely
Do we have experience with service delivery in supportive housing projects of similar size and scope?			
Do we have experience coordinating services with management to prevent evictions?			
Does the Board of Trustees support the role of service provider and is it willing to play an increase role as needed?			
Do we have a plan for staffing and funding the role of service provider?			

Property Management is responsible for the day-to-day operation of the building, handling rent collection, and maintaining the financial health of the asset.	Definitely	Maybe	Unlikely
Do we have experience managing supportive housing projects of similar size and scope?			
Do we have experience coordinating services with management to prevent evictions?			
Does the Board of Trustees support the role of property manager and is it willing to play an increased role as needed?			
Do we have a plan for staffing and funding the role of property manager?			
Are there management considerations related to the specific needs of your target population?			

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# APPENDIX I: SAMPLE MEMORANDUM OF UNDERSTANDING BETWEEN A HOUSING DEVELOPER, SOCIAL SERVICE AGENCY, AND PROPERTY MANAGER

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This is a sample agreement between parties collaborating in a supportive housing project. Any agreement to be used in a development should first be reviewed by an attorney.

ABC Housing Corporation,  
Ecumenical Services Incorporated and  
People's Management Company

## I. Background and Intent

This agreement for services entered into \_\_\_\_\_, 2\_\_\_\_, is between ABC Housing Corporation, a nonprofit corporation, Ecumenical Services Incorporated, a nonprofit corporation, and People's Management Company, a for-profit corporation.

WHEREAS, the sole purpose of this Memorandum of Understanding is to encourage cooperation between ABC Housing Corporation (ABC), Ecumenical Service Incorporated (ESI), and People's Management Company (PMC) and to further detail the separate and distinct roles and responsibilities of each party;

WHEREAS, ABC owns a 13-unit apartment building at 100 Jackson Street, Anytown, CA, also known as Jackson Street Apartments, which provides housing for very low-income individuals who are physically disabled;

WHEREAS, ABC will be providing federally subsidized housing, under HUD Section 811, for a disabled population, namely persons with any physical disability, and/or persons who have been diagnosed with "acquired immunodeficiency syndrome (AIDS) or with symptomatic HIV disease (formerly classified as AIDS-related complex or ARC)";

WHEREAS, ABC will make available twelve (12) units of affordable housing to those persons described above who are able to live independently with home care services, but do not require skilled nursing care and are unable to maintain their incomes and homes any longer;

WHEREAS, ABC understands that persons with the disabilities acquired from the HIV infection require a set of services which are unique and specialized; and that residents of Jackson Street Apartments will be responsible for the provision of their own service needs, i.e. meals, personal care in hygiene and health, etc.; and the coordination of supportive services is critical to helping the residents of Jackson Street Apartments to live successfully;

WHEREAS, ESI agrees to provide supportive services as defined in Section II -- Definitions to twelve (12) very low-income disabled persons residing at Jackson Street Apartments and has trained and experienced staff who work with persons who are disabled, including persons with AIDS/HIV (PWAs);

WHEREAS, it is understood that ESI does not plan to offer full-service case management (i.e., psycho-social, nursing, and/or social services), though ESI will assist those tenants in need of these services in linking with appropriate providers;

WHEREAS, tenants voluntarily participate in the services provided by ESI;

WHEREAS, People's Management Company (PMC) provides property and asset management services and ABC will contract with PMC to manage and maintain the property;

Therefore, ABC Housing Corporation and Ecumenical Services Incorporated and People's Management Company agree that it is in the best interests of all concerned to enter into this Memorandum of Understanding.

## II. Definitions

For the purposes of this Memorandum of Understanding, "supportive services" means services provided to residents for the purpose of enhancing the residents' ability to maintain independent living. Supportive services must address the special needs of the residents to be served. These services may include: (a) medical and psychological case management; (b) benefits advocacy and income support assistance such as SSI, AFDC, GA, food stamps, Social Security; (c) money management/payee services; (d) nutritional counseling; and (e) assistance in obtaining other resources and support for residents such as child care, transportation, job training and job placement. These services may be provided directly or by arrangement with other service providers.

For the purposes of this Memorandum of Understanding, a "disabled person" is defined as a person with a physical, mental, or emotional impairment which is expected to be of long, continued, and indefinite duration, which substantially impedes the person's ability to live independently, and which is of a nature that such ability could be improved by more suitable housing conditions. It is intended that this definition be consistent with HUD's definition of a person with a disability.

For the purposes of this Memorandum of Understanding, "persons with disabling HIV and/or AIDS" means any person who has been diagnosed with "acquired immunodeficiency syndrome (AIDS) or with symptomatic HIV disease (formerly classified as AIDS-related complex, or ARC)" and meets the definition of the above-mentioned "disabled person."

For the purposes of this Memorandum of Understanding, "very low income" is defined as households with incomes 50 percent or below the median income for Anywhere County. It is intended that this definition be consistent with HUD's definition of very low income.

## III. Eligibility Determinations

Eligibility for this project will be based on both disability status and income level as described in Section II - Definitions. Residents of the Jackson Street Apartments will need to have written verification from a physician that their condition or illness is disabling and s/he can live independently. During the process of tenant screening, the potential tenant will need to complete a standardized form that authorizes his/her physician to release such information.

The management agent, People's Management Company (PMC), will select tenants based on criteria developed by ABC, ESI, and PMC. Selection of tenants for the Jackson Street Apartments will not rely solely on traditional property management standards; standards will be established that reflect a commitment to housing very low-income people with disabilities. Potential tenants will undergo a two-stage screening process: the prospective tenant will be evaluated by PMC to determine if s/he meets the HUD income eligibility and disability requirements. PMC will also run

a standard credit and eviction check. ESI will determine whether or not the tenant is able to live independently and whether or not s/he is prepared to abide by the terms of the lease at Jackson Street Apartments. While all parties will respect and seek input from each other, in the case of disagreement over tenant selection, ABC will make the final determination.

#### IV. Guiding Principles

WHEREAS, all parties under this Memorandum of Understanding jointly recognize that tenants with low incomes and/or disabilities are diverse in terms of their strengths, motivation, goals, backgrounds, needs, and disabilities;

- Tenants with low incomes and/or disabilities are members of the community with all the rights, privileges, and opportunities accorded to the greater community;
- Tenants with low incomes and/or disabilities have the right to meaningful choices in matters affecting their lives;
- In designing and implementing services, the input of the tenant should be sought; and,
- Not all persons living at Jackson Street Apartments will need to be clients of ESI or linked to support services in order to live successfully.

#### V. Roles and Responsibilities

##### Roles of ESI, ABC, and PMC

It is understood that ESI, ABC, and PMC staff must work together as a team to effectively meet the needs of the tenants. This level of collaboration will require exceptional, thorough, and timely communication between all parties. However, the parties to this agreement understand their separate and distinct responsibilities. ESI agrees in the performance of services, and ABC agrees in the owner of housing, that tenant and client rights are respected and complied with not only as a matter of principle, but as a matter of practice.

It is understood that ESI's roles will be that of advocate and PMC's role will be that of landlord dealing with tenant issues.

ABC and ESI agree to advise one another of highly pertinent matters in the referral and placement process and understand that each is bound by confidentiality standards regarding the exchange of client information. Appropriate releases will be secured when confidential client information needs to be shared.

##### Role of Ecumenical Services Incorporated (ESI)

ESI agrees to assign a minimum of one (1) staff member to Jackson Street Apartments. This person will work 3/4 full-time employment (FTE) and will be called the coordinating case manager. The coordinating case manager will be responsible for coordinating the provision of direct services to the physically disabled residents of Jackson Street Apartments. In addition, where necessary and appropriate, each resident will be strongly urged to obtain his/her own individual case manager through the Case Management Program at the Central Health Center (Anywhere County Health Care Services Agency) of the AIDS Minority Health Initiative (Black Consortium for Quality Health Care). Similarly, each tenant, if appropriate, will be strongly urged to obtain home health care services through the Visiting Nurse Association and Hospice of Northern California (VNA).

## Role of People's Management Company (PMC)

PMC will be responsible for the overall operations of Jackson Street Apartments, including janitorial, maintenance, repairs, and other related services. Such activities and responsibilities will be carried out by an on-site resident manager employed by PMC.

## VI. Scope of Services

### Ecumenical Services Incorporated (ESI)

In accordance with the Support Services Plan and the Property Management Plan, a single coordinating case manager, employed by ESI, will be responsible for coordinating the delivery of services for both the ESI programs and other providers. The coordinating case manager, employed 3/4 FTE, will ensure that the ESI individual case managers:

- A. Provide community and social service linkage to residents upon request or as needed;
- B. Assist in developing the tenant screening criteria;
- C. Assist in identifying and referring low-income disabled persons in need of housing to the property manager, PMC;
- D. Assist PMC in screening all potential tenants, specifically assessing tenants' ability to live independently;
- E. Perform the following program support services functions:
  - 1. Provide case management services, which may include,
    - a. rehabilitation, vocational and employment assistance
    - b. general health and dental services
    - c. income support and benefits
    - d. substance abuse (alcohol, drugs) treatment
    - e. consumer and family involvement

It is understood that ESI does not plan to offer full-service case management (i.e. psycho-social, nursing, and/or social services). Those in need of these services will be linked with appropriate providers, where such resources exist.

2. Conduct an initial needs assessment and develop an individual self-sufficiency plan for each client, including a periodic evaluation and update of the service plan as the needs of the client change.

3. Refer residents, when needed or upon request, to treatment services or other needed social services. This might include services provided by the Center for AIDS Services, the VNA, General Hospital Medical Center, and/or the Bay Area AIDS Clinic. The VNA has agreed to offer their services to the tenants of Jackson Street Apartments, provided they meet VNA's admission criteria. ESI agrees to take responsibility for referring and ensuring that tenants gain access to VNA services (upon agreement with the tenant). The VNA offers a variety of programs, including home health care services, a Comprehensive AIDS Program (CAP), and Hospice services. CAP services include infusion therapy, nutritional counseling, psychiatric nursing, psychosocial support, and spiritual counseling. It is intended that VNA will offer complementary services to ESI so that the tenant can receive full-service case management, if needed.

4. Provide crisis intervention as needed and when requested by PMC or provide consultation in the management of disputes or differences between residents and property management.
5. Assist PMC in household disputes and in conflict resolution.
6. Assist clients in understanding their rights and responsibilities under a tenant lease. This includes explaining the eviction and appeal process.

Consistent with client rights principles, it is understood that referrals and other services will be made available to all Jackson Street Apartments residents. ESI will take no action in making referrals or providing services without the agreement of the individual except when it appears, in their judgment, necessary to do so to protect the individual or others from serious harm.

F. Provide the following administrative services:

1. Keep all records regarding program supportive services as required by HUD regulations and those of other funding sources.
2. Cooperate with ABC in monitoring and/or conducting audits or other reporting requirements with respect to project funders.

G. ESI agrees to additionally provide the following services to individuals covered under this agreement:

1. Encourage supportive activities that will help clients develop the skills, information, and abilities needed to utilize the resources of the Jackson Street Apartments community as well as the larger community, including family, friends, job, and school.
2. Facilitate access to treatment services for AIDS health services, social services, and physical health needs. This might include referral and advocacy to either the Case Management Program at the Central Health Center (Anywhere County Health Care Services Agency) or the AIDS Minority Health Initiative for any client not in a "full-service" case management program.
3. Help clients learn to use public transportation.
4. Help clients access pre-vocational and vocation/employment assistance, peer counseling, substance abuse counseling, special needs skills training, safe sex education, and tenants' rights education.

ABC Housing Corporation (ABC)

ABC is strictly the developer and owner of Jackson Street Apartments and will be responsible for asset management and overseeing the ongoing duties of repair, maintenance, management, and operation of Jackson Street Apartments. The management company, People's Management Company, will contract for many of these duties.

ABC will directly:

- A. Ensure that all regulatory and funding requirements are met;
- B. Prepare all budgets and cost estimates related to Jackson Street Apartments, excluding budgets related to the provision of social services;



- C. Arrange for liability and property insurance for Jackson Street Apartments;
- D. Pay all taxes associated with Jackson Street Apartments; and
- E. Oversee the contract and duties of the management company.

#### People's Management Company (PMC)

In accordance with the Support Services and Property Management Plan, PMC will provide the following property management activities:

- A. Determine income eligibility of tenants;
- B. Pay project bills;
- C. Provide monthly financial reports and any other required information to ABC for regulatory and funding agencies;
- D. Maintain a fully leased building with the assistance of ESI;
- E. Carry out rent collection and administration;
- F. Oversee tenant relations with management with respect to:
  - 1. Notices
  - 2. Evictions
  - 3. Enforcement of house rules, policies, and procedures;
- G. Provide building and equipment maintenance and repair;
- H. Provide security;
- I. Provide janitorial services (common areas only); and,
- J. Provide capital improvements including acquisition and maintenance of furnishings for common areas such as the lounge or dining room.

ABC and PMC will enter into a property management agreement that further details these activities.

#### VII. Funding

ESI currently has the funds to provide the supportive services identified in this Memorandum of Understanding and anticipates continuation of this funding. ESI is committed to providing appropriate and exceptional services to the tenants of Jackson Street Apartments and is committed to providing these services over the long-term, pending available resources. Where necessary, ABC and ESI will co-apply for service funds.

It is understood that ESI's responsibilities as defined in this Memorandum of Understanding are contingent upon continued and expanded funding. While it is impossible to guarantee continued funding or secure such guarantees from ESI's funding sources, it is expected that the Coordinated Housing Program's operating budget will be stable and may increase over the next five years. The objective of ESI's Coordinated Housing Program (CHP) is to ensure that all persons living with AIDS/HIV in Anywhere County have a decent, affordable, permanent place to live which supports their ability to access medical care and support services. CHP currently operates at an annual budget of \$425,000 and is funded through a series of contracts administered through the county's

AIDS programs. More specifically, this money comes from contracts with the HIV/AIDS Services Division of Anywhere County's Health Care Services Agency, the Anywhere County component of the Ryan White Title I C.A.R.E. Planning Council, Anywhere County's Housing and Community Development Program (Housing Opportunities for People with AIDS and Emergency Shelter Program), and private donations. The coordinating case manager and supportive services identified in this Memorandum of Understanding will be funded under existing contracts and continue so long as the same contract level is renewed.

## IX. General Terms

### Terms

This Agreement will begin effective the date of \_\_\_\_\_, 2\_\_\_\_, and will continue through \_\_\_\_\_, 2\_\_\_\_. While lease up is anticipated to begin in \_\_\_\_\_, 2\_\_\_\_, ESI's and PMI's responsibilities begin on \_\_\_\_\_, 2\_\_\_\_, so as to begin coordinating the start-up of Jackson Street Apartments. This Agreement will be automatically renewed with the same terms and conditions annually thereafter except where either party provides written notice of non-renewal three (3) months before the annual termination date. Otherwise, this Agreement may be terminated in accordance with the section on Termination below.

### Termination

Either party may terminate this Agreement by giving the other party ninety (90) days prior written notice. The party wishing to terminate this agreement for cause must provide a written intent to terminate notice to the party in breach or default. The notice will provide thirty (30) days for the party in breach or default to respond to said notice with an acceptable plan to cure cause for termination.

### Confidentiality

ABC, PMC, and ESI agree that by virtue of entering into this Agreement they will have access to certain confidential information regarding the other party's operations related to this project.

ABC, PMC, and ESI agree that they will not at any time disclose confidential information and/or material without the consent of that party unless such disclosure is authorized by this Agreement or required by law. Unauthorized disclosure of confidential information shall be considered a material breach of this agreement. Where appropriate, client releases will be secured before confidential client information is exchanged. Confidential client information will be handled with the utmost discretion and judgment.

### Arbitration

Should either party wish to commence an action for damages under this Agreement, it shall be required to adjudicate the dispute through binding arbitration under the rules of the American Arbitration Association or under such rules to which the parties may agree. Any award rendered by the arbitrator shall be final and binding upon each of the parties, and judgment there upon shall be borne equally by both parties. During the course of the arbitration and until a final settlement has been reached, this Agreement shall remain in full force and effect unless otherwise terminated as provided in this Agreement.

### Nondiscrimination

There shall be no discrimination of any person or group of persons on account of race, color, creed, religion, sex, marital status, sexual orientation, age, handicap, ancestry, or national origin in the operation of the project of program at Jackson Street Apartments by ABC, PMC, or ESI.

#### Severability

In the event any provision of this Agreement shall be found to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect the validity, legality, and enforceability of the remainder of the Agreement.

#### Amendments

This Agreement may be amended only in writing and authorized by the designated representative of ABC, PMC, and ESI.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Executive Director, ABC Housing Corporation

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Executive Director, Ecumenical Services Incorporated

Signed: \_\_\_\_\_ Date: ----- \_\_\_\_\_

Executive Director, People's Management Company