
Special Needs Housing: Combating Homelessness through Permanent Supportive Housing

Research by Dennis Culhane and his colleagues at the University of Pennsylvania¹ demonstrates that ten percent of individuals experiencing homelessness within a given year consume nearly half of the resources available for services and shelter. Culhane also notes that the cost of providing permanent supportive housing is roughly equivalent to (and according to some estimates, about \$9,000 per resident *less than*²) the cost of services consumed by chronically homeless persons within the system, but with much better outcomes in terms of improved mental and physical health, increased income, fewer arrests, and greater progress toward recovery.³ Yet, prior to 2008, our Homelessness Continuum of Care focused on providing services for individuals and families with short-term homelessness issues. In large part, our prior focus on this area was one of inertia and chances of success rather than of strategy and research-based solutions. With the tenure of a new Community Services Department Manager in 2007, IHEDA began to shift its emphasis away from short-term emergency responses to homelessness toward an intentional and research-based comprehensive approach to ending homelessness via permanent supportive housing.

In November 2007, IHEDA led a small delegation from Indiana to the Corporation for Supportive Housing's "Supportive Housing Leadership Forum" in Arlington, VA. While Indiana lacked, at the time, both the local capacity to develop supportive housing and the state policy to sustain quality projects, the delegation realized that Indiana needed to establish permanent supportive housing as a center-piece in the state's efforts to end long-term homelessness. At the same time, the state's Division of Mental Health and Addiction (DMHA) was undergoing a transformation process to improve the delivery of behavioral health services in Indiana, and DMHA invited IHEDA staff to join their Transformations workgroup. In 2008, IHEDA, DMHA, the Transformation Work Group (TWG) the Corporation for Supportive Housing and the Great Lakes Capital Fund (a Michigan-based syndicator of rental housing tax credit equity) rolled out the Indiana Permanent Supportive Housing Initiative ("IPSHI" or "the Initiative"), shifting the emphasis of the state's system *away* from reactive policies designed to ameliorate the effects of homelessness and *toward* policies designed (and empirically demonstrated) to mitigate its causes. At the same time, IHEDA sought to employ Continuum resources in manners supported both by empirical research and sound public policy. Strategically, IPSHI is designed to:

- Extend the reach of supportive housing to new communities;
- Increase the capacity and number of nonprofits providing supportive housing at the local level;
- Improve the connection between behavioral health services and housing systems;
- Reduce the number of individuals and families who are chronically homeless; and
- Improve the quality and cost-effectiveness of the homelessness delivery system.

IHEDA sought to meet these goals within the context of a housing first model. In brief, a "Housing First" strategy is centered on the philosophy that safe, affordable housing is a basic human right/service need and not a reward. It is based on the assumption, supported by research, that stable, permanent

¹ See for example, Kuhn, R. & Culhane, D.P. 1998. Applying cluster analysis to test of a typology of homelessness: results from the analysis of administrative data. *American Journal of Community Psychology*, 17(1), 23-43.

² Massachusetts Housing and Shelter Alliance. June 2009. Home % Healthy for good, a statewide housing first program, progress report June 2009. MSHA. www.mhsa.net.

³ Culhane, D.; Metraux, S. and Hadley, T. 2002. Public service reductions associated with placement of homeless persons with severe mental illness in supportive housing. *Housing Policy Debate*, 13(1), 107-163.

affordable housing is a prerequisite for effective mental and medical health care and treatment for addiction. Finally, a “Housing First” approach offers the stability needed for individuals and families to reach their highest level of independence.

Designed as a six-year project to adopt national best practices into an Indiana model for permanent supportive housing, the initiative aims to create at least 500 supportive housing units in Indiana over the three year pilot period and 600 more over the following three years as a result of funding mechanisms and policies established during the pilot period. Our strategies over the first (and arguably most critical) year of the initiative are to:

- Develop financial models for housing and services;
- Develop and implement effective State policies for permanent supportive housing;
- Develop and deliver a combination of state-of-the-art training and high quality technical assistance;
- Promote a public/private partnership to fund and support permanent supportive housing; and
- Convene a funders council to support a pipeline of Permanent Supportive Housing projects.

IHCDA surveyed the field via a competitive RFP process, soliciting proposals from the most-qualified providers of training and technical assistance in the nation. Unsurprisingly, the RFP process resulted in a contract with the Corporation for Supportive Housing (CSH) to offer the Institute as a tool for assisting communities to bring projects from concept to completion. CSH applied the lessons it had learned in other communities to its efforts in Indiana, including:

- Ensuring the right people are at the table during planning processes;
- Enlisting outside expertise as needed;
- Developing a one-stop, coordinated funding mechanism; and
- Establishing clearly delineated responsibilities for all partners via a memorandum of understanding.

Again via a competitive process, ten teams were selected invited to participate in a six-month, eighty hour training and technical assistance course with the goal of creating new permanent supportive housing projects throughout the state. Teams included nonprofit and for-profit developers as well as mental health, medical and social service providers. Considerations for inclusion in the Institute included: Capacity to deliver services; qualifications of partners; and commitment to permanent supportive housing, as demonstrated by prior efforts.

Key to the success of our efforts was a curriculum that built on skills that participants had already acquired while offering ongoing opportunities to put new learning into practice on an actual project; as participants applied their new-found skills on actual projects, they helped IHCDA develop a project pipeline for permanent supportive housing projects. Also key was connecting the most feasible projects resulting from the Institute process with funding opportunities. On the final day of training, teams presented their projects, initiating conversations about capital and operations funding from IHCDA and a range of other funders. As complements to the Institute, furthermore, IHCDA has:

- Made available an ongoing source of predevelopment funding through a \$500,000 revolving commitment to the Corporation for Supportive Housing to provide predevelopment funding to project sponsors. If projects receiving predevelopment funding moved forward, the pool would be replenished through repayment from construction or permanent loan proceeds; if projects did not

move forward due to unforeseen circumstances or findings during the due diligence process, CSH, in consultation with IHCD, could waive repayment of all or a portion of the award. As a result of this award, permanent supportive housing project sponsors also have access to construction and permanent financing through CSH's national loan pool, leveraging IHCD's commitment up to ten-fold.

- Developed partnerships with other agencies managing complementary programs and funding sources. For example, the Indiana Family and Social Service Administration's Division of Mental Health and Addiction is complementing our IPSHI efforts through its Transformation Initiative and its Across-system Transformation Workgroup, designed to transform Indiana's Mental Health and Addiction model to a Recovery-Based model that focuses on providing meaningful consumer- and family centered services; and
- Developed partnerships with other departments *within IHCD* to leverage other funding sources, including rental housing tax credits, HOME dollars and funds from the Indiana Affordable Housing and Community Development Fund (Indiana's state housing trust fund).

Recognizing that operating subsidies are a key component of any permanent supportive housing project, IHCD (which serves as the public housing authority for the balance of the state) has also set aside twenty percent of our available project based housing assistance payment vouchers to allow our partners to sustain the units they develop through the Institute. In 2009, the program provided project based vouchers to three projects that will ultimately produce 150 total units. At the same time, we are working with PHAs in larger cities and towns throughout the state to secure commitment of vouchers from their project-based stock.

As a result of our efforts in this regard:

- IHCD is able to effectively target its resources to programming with proven effectiveness;
- IHCD is well-positioned to compete for discretionary funding for homeless services available from the federal government and other entities—in fact, new resources are already flowing to Indiana as a result of our efforts, such as funding from CSH's National Loan Pool;
- Diverse and previously unallied partners are now working with IHCD and each other on a common goal: ending chronic homelessness through the development of permanent supportive housing and the provision of services;
- Both IHCD and CSH have received requests to replicate key aspects of the program, including the training program and our predevelopment commitment; and
- Nine Supportive Housing development teams have completed the Institute training process, resulting in a project pipeline of 320 units; we anticipate that through the 2009 Institute, we will both add a minimum of 180 units to the pipeline and incorporate mechanisms to specifically serve the needs of individuals with severe mental illness and chronic substance abuse issues as they are discharged from correctional institutions and state hospitals.

Overall, IHCD and DMHA are successfully building a service model for permanent supportive housing based on a recovery model, wherein housing is no longer viewed as an amenity, but as a key component of recovery from severe mental illness and/or chronic substance abuse. Within this model, the State of Indiana is positioned to deliver cost-effective interventions to facilitate clients' long-term recovery while reducing their ultimate cost to the system.