

Special Needs Housing: Combating Homelessness MassHousing – New Strategies to End Homelessness

Context

At a time when state budgets are stretched thin, budget writers everywhere are reaching out to quasi-public agencies to help absorb cuts made to core state programs. Unfortunately – in most cases – the “reaching out” is not just a friendly “Hands Across America” kind of way nor that of the famous MCI tag line “reach out and touch someone”. Rather – the “reaching out” is really more of a direct financial call on state HFA resources. The bottom line is that for quasi-public agencies such as MassHousing, finding creative funding solutions to respond to the requests – or in some cases, the “legislative mandates” of the state without harming the Agency’s own financial capacity can be challenging.

MassHousing has worked hard to ensure that the Agency manages its finances in such a way that it remains self-sustaining and as such does not need to seek financial assistance from the Commonwealth. While MassHousing receives no subsidy from the state to support either its operations or its affordable lending programs, over the last five years, MassHousing has absorbed more than \$100 million in cuts to several state housing subsidy programs. In addition, MassHousing has provided another \$67 million to fund various other affordable housing programs. In all, MassHousing’s financial commitment to the Commonwealth has totaled close to \$170 million, far surpassing any other state authority’s contribution of which we are aware.

Among the cuts to state subsidy programs that MassHousing has absorbed are reductions to the Massachusetts Rental Voucher Program (MRVP), the State Housing for Rental Assistance Program (SHARP), the 13A Interest Subsidy Program and the Rental Development Action Loan Program (RDAL). In addition, the Agency has found innovative ways to help fund housing initiatives like the state’s Affordable Housing Trust Fund and Workforce Housing. One of the most ambitious programs that MassHousing has been asked to fund is the state’s Homelessness Initiative.

The Massachusetts Homelessness Initiative

Ending homelessness once seemed like an improbable concept, but in Massachusetts this ambitious endeavor has seen a renewed focus in the Patrick/Murray Administration. State officials, homelessness advocates and nonprofit agencies alike are all working together to find new ways to reach this goal. Massachusetts hopes to be the national leader in the fight against homelessness, and as part of that effort, state government has reached out to partner with MassHousing.

According to the Massachusetts Coalition for the Homeless, there are approximately 40,000 homeless people in the state at any time, although obviously it is difficult to get an exact count. The numbers of homeless individuals and families have risen in the past few years and the underlying problem is what it has always been – there is simply not enough affordable housing to meet the needs of very low income families in Massachusetts. At the same time, the current housing market has escalated the problem, with foreclosures forcing homeowners and renters out of their homes. Federal cuts in housing programs have also threatened to overwhelm state and local governments trying to stem the tide of the homeless population.

As its very first piece of legislative business in 2007 (Chapter 1 of the Acts and Resolves of 2007), the Commonwealth revived and reconstituted a Special Commission Relative to Ending Homelessness in the Commonwealth of Massachusetts. The Commission was charged with presenting a comprehensive housing plan to end homelessness in Massachusetts. The plan was published in January 2008 and presented a five-year action plan with the realizable goal of ending the pervasive social and economic problem of homelessness in Massachusetts.

The Commission proposed to re-design the current system, which requires a significant restructuring of the way services reach the homeless. The commission's vision for individual and family systems included supportive housing, stabilization, prevention, rapid re-housing, linkages to appropriate community supports, and improved economic stability.

The Strategy

A key piece of the commission's work involves creating a careful transition away from shelters and toward more supportive housing opportunities. This includes social services that may range from substance abuse programs to financial literacy classes. Shelter providers and other nonprofit organizations may help deliver these services, helping to ensure that people's specific needs are met. And because formerly homeless people may have other future problems including things like job losses, addiction relapses, or illnesses – long-term services are a key component in order to help minimize setbacks.

Ultimately the Commission's report concluded that by redirecting funds towards permanent housing for families and individuals, currently homeless people could be successfully housed – creating a far more cost-effective use of resources – than the extraordinary costs associated with temporary housing. This isn't the groundbreaking part – because most states understand that permanent housing is preferable to temporary housing – what is needed is will to do this – and that will involves a serious commitment of housing dollars. A front-loaded influx of housing related resources was needed – and because of the scope of the need – all of the housers in Massachusetts had to be part of the solution.

MassHousing's Creative Response – A New Approach to FAF

Working closely with Massachusetts Lieutenant Governor Tim Murray, MassHousing was asked to provide \$1.75 million annually over four years to provide new funding for rental assistance as part of a larger (\$10 million) state commitment of new funds to re-organize the service-delivery approach toward homelessness. In an almost unheard of funding arrangement in Massachusetts, the Legislature authorized the new homelessness funding with no restrictions on its use, in order to maximize the flexibility of the new funding. This provided funds that could be used to build an infrastructure supporting a new delivery system that emphasized permanent housing referrals and homelessness prevention.

MassHousing's commitment of housing resources was especially important since it provides funding to support placement into permanent rental housing solutions. The state money, along with existing resources, can help provide supportive services helping to maximize the success of families and individuals to stay in their new housing settings, avoid a return to shelters, and receive support to transition to self-sufficiency.

In order to fund its commitment, MassHousing needed to be creative about its ability to pledge funds over a number of years that could be used for the purpose of providing rental subsidies to homeless populations. As a lender, MassHousing has not historically provided direct rental subsidies. Moreover, its statute does not generally allow for providing “grants” unless in the context of a state or federal program. However, through some creative thinking and careful internal research, the Agency was able to identify funds generated as a result of so-called Financing Adjustment Factor (“FAF”) savings. These “FAF” funds are associated with debt service savings on bonds used to finance certain Section 8 rental developments. The Agency refunded bonds in 1992 and again in 2003 and in both instances generated FAF-restricted savings. The Agency then entered into an agreement with HUD in 1992 that directed FAF savings to be used to support various community service initiatives of MassHousing, including security services and the support of “Youth RAP” programming for younger residents of MassHousing developments. The 1992 agreement did not provide a mechanism for supporting the homelessness initiatives being undertaken by the Commonwealth of Massachusetts.

However, MassHousing believed this was a possible angle to identify the critical funds needed for the state’s homelessness prevention efforts. As such, MassHousing engaged HUD staff in an effort to amend its agreement and utilize the savings generated from the 2003 refunding toward the homelessness prevention program. Since the FAF savings arrangement was enacted in the McKinney Homeless Assistance Act, it presented itself as an ideal use for these savings. After a series of letters and phone calls with HUD officials, MassHousing was able to secure HUD’s approval to expand the Agency’s allowable uses for FAF savings. It was expanded to include the provision of “rental subsidies through a mobile voucher program or other housing rent subsidy or programs which provide housing established by the Commonwealth, to homeless individuals or families with incomes at or below levels that qualify as very low-income.” With this amendment to the FAF agreement, MassHousing created a funding vehicle that worked perfectly to support the Commonwealth’s homelessness initiative. Since the FAF savings are realized annually, it also created an ideal vehicle for making a multi-year commitment to the Commonwealth.

Going the Extra Mile

After securing the source of funds, MassHousing went one step further. The Agency worked cooperatively with developers in the Agency’s own portfolio to identify potential units which are available to move families and individuals in shelter situations into more permanent housing. Identifying rental subsidy resources was important, but equally important was this specific task of identifying readily available units. Because MassHousing has approximately 100,000 rental units under its control through lending and Section 8 project administration, the Agency was able to cast the net widely for available units. Through the provision of new rental subsidy resources and identifying potential units, MassHousing maximized its ability to help the Massachusetts Homelessness Initiative succeed.

Despite its independence from state government, MassHousing has made substantial financial contributions to the Commonwealth of Massachusetts in times of financial difficulty. With the number of homeless people in the state at a record high – and likely to rise because of the mortgage crisis and continuing surge in foreclosures – MassHousing has once again stepped up to the plate with an innovative way to fund a new approach to ending homelessness. This cooperative approach to help homeless individuals and families quickly access and sustain permanent housing will hopefully be the model for national efforts to end homelessness.