

NCSHA Awards Entry Description
Special Needs Housing: Housing for Persons with Special Needs

**A Partnership to Produce Supportive Housing:
North Carolina Housing Finance Agency and State Employees Credit Union Foundation**

A creative, two-year-old partnership between the North Carolina Housing Finance Agency and the N.C. State Employees Credit Union Foundation has leveraged scarce HFA and local dollars for building supportive housing, just when leverage was most needed.

The recession that began in 2008 cut supportive housing funds in two ways in North Carolina: in the face of budget deficits, the General Assembly suspended an annual capital appropriation that had financed hundreds of housing units for the disabled. At the same time, community-based organizations saw charitable contributions dry up, which they had depended on to provide matching funds for construction projects such as shelters and group homes.

The solution that the Housing Finance Agency's staff worked out with the State Employees Credit Union (SECU) Foundation builds on mutual interests and a history of productive partnerships between the two organizations. The initiative stretches scarce state and local resources and provides the SECU Foundation an important avenue to increase its presence in communities across the state, one of the Foundation's long-standing goals.

Construction Loans at 0% Interest for Supportive Housing

The HFA proposed that the SECU Foundation expand its charitable community activities to include construction loans at 0% interest for supportive housing developments that the HFA finances. The Foundation created a revolving fund of \$1.5 million, more than a quarter of its budget for community projects. The SECU financing now assists nearly three-quarters of the supportive housing projects the HFA finances in a year, saving the local sponsors an average of \$50,000 per project. So far, the revolving fund has provided \$4.6 million in construction loans to nine developments, and the SECU Foundation also has provided permanent gap financing at below-market rates in special situations.

Finding Common Ground

The new arrangement works because it serves the missions of both organizations. The State Employees Credit Union is a \$10 billion enterprise and the second largest credit union in the nation. Its members live and work in every county of the state. An important Foundation goal has been to support local communities where it does business. Traditionally, it has focused on high impact projects in education, health, and human services. It has financed scholarships, hospices, and hospitality houses near regional hospitals. Its charitable efforts are funded by a fee of \$1 per month that members pay for their checking accounts.

For several years, the N.C. Housing Finance Agency and SECU worked together to offer the HFA's first-time home buyer loans to SECU members statewide. Then the HFA, which oversees the state's mandatory training for reverse mortgage counselors, helped SECU develop a low-cost reverse mortgage product for its members. That successful project built trust on both sides, as well as opportunities for wide-ranging conversations between senior staff of the two organizations.

Some of those conversations centered on the HFA's concerns about the difficulty that community-based organizations were having to raise matching funds for new supportive housing developments. To increase the reach of the state's Housing Trust Fund, the HFA limits its financing to \$500,000 per development, and challenges local sponsors to raise the remainder through foundation grants, local government funding or private donations. Since 1987, this investment formula has produced more than 200 emergency, transitional, and permanent supportive housing developments that house 2,600 people. As the recession gained footing, local funding and foundation grants became harder to obtain.

With interest rates of 7 to 8 percent, interest on construction loans was taking a bigger bite out of supportive housing budgets. In some cases, affordable construction loans were not available, and projects were stalled as a result. The HFA wanted to find a way to help its partners reduce their development costs and maximize use of Trust Fund dollars. Staff especially wanted to prevent scarce Trust Fund resources from going toward interest charges that add no tangible value to a development.

How it Works

The partnership that the N.C. Housing Finance Agency proposed aligns with the Foundation's mission, builds SECU's visibility in communities across the state, maximizes the Agency's investment in supportive housing, and helps provide housing for more persons with special needs.

HFA provides technical assistance to supportive housing sponsors as they develop their projects, reviews their plans, and visits the proposed sites. The Agency's Board of Directors approves permanent financing from the Housing Trust Fund. Projects needing construction and secondary financing are then presented to the SECU Foundation Board, which can be confident that the proposals have been carefully vetted and underwritten. The HFA conducts inspections at strategic points of construction. Once the Foundation provides a construction loan, local SECU staff conduct monthly site visits and inspections. This, in turn, saves HFA staff time and travel costs and enhances the quality of the housing produced.

The Foundation gets input on project selection from its local advisory boards. As the program has grown, supportive housing sponsors have begun to seek local SECU input on their development plans even before they apply for HFA financing, a move that strengthens local support for the development as well as for potential future projects.

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Outcomes

Since 2008 the SECU Foundation has provided construction loans at 0% interest for nine housing projects, producing a savings of more than \$400,000—enough to allow the HFA to fund an additional project. In addition, the Foundation rescued a project that provides transitional housing for homeless veterans by providing \$435,000 of permanent gap financing at half the market rate. The sponsor, Volunteers of American of the Carolinas, credits the SECU Foundation loan with moving the project forward when it was “in dire need of another secure funding stream.”

The nine developments so far crisscross the state and serve diverse special needs. Four are already in service:

- Transitional apartments with services for 24 formerly homeless veterans, in Durham
- In Winston Salem and Greensboro, two maternity homes for pregnant teens, teen mothers and their babies
- A shared home for six adults with traumatic brain injury in Charlotte

Five are under construction or getting started this fall:

- A domestic violence shelter in Sanford, serving 24 women and children
- A home in Asheboro for 11 men recovering from substance abuse
- Two new dormitories to expand an established substance abuse recovery program in Durham
- Transitional housing in Wilmington for 40 ex-offenders
- A maternity home in Gastonia for six pregnant teens, teen mothers and their babies

Is it Replicable?

The North Carolina Housing Finance Agency’s partnership with the SECU Foundation benefits all parties, and especially North Carolinians in need of supportive housing. We are convinced that other, similar opportunities exist for us, and for other HFAs. We recently joined the N.C. Network of Grant Makers to explore the possibilities. There is no magic in what we accomplished. One of the beauties is that the only cost, beyond our everyday work to build strong relationships with our partners, was the staff time to write the proposal for the SECU Foundation Board. For that, \$5 million of assistance for nine projects—and counting—is a very satisfying return. More importantly, we were able to remove an important barrier to our supportive housing developments. As SECU Foundation Chair David King said in the initial press release:

“The SECU Foundation’s partnership with NCHFA will allow SECU members to assist many North Carolinians who are desperately in need of housing. ‘People Helping People’ is the philosophy our Foundation was founded upon and these joint housing projects embody the spirit of this philosophy. Individually, it can be difficult to make a difference, but collectively, SECU members can accomplish great things in our state.”