

Using New Funding Streams to Develop Permanent Supportive Housing

NCSHA AC21

September 28, 2021



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MARY TINGERTHAL

CONSULTANT TO THE NATIONAL ALLIANCE TO END HOMELESSNESS

FORMER DIRECTOR, MINNESOTA HOUSING FINANCE AGENCY



Research on Hotel to Housing Conversion

National Alliance to End Homelessness

- Sought insights from programs and projects funded in 2020
 - Funding through CARES act; State and local resources

- Provided input to policymakers
 - HOME-ARP Program -- \$5 billion coming later this year
 - State and local discretionary ARP funds

- Developed case studies to assist states and localities, developers, owners and service providers, to assist with development and implementation of future programs and projects

Hotels to Housing Case Studies

- Case studies available now

www.endhomelessness.org/hotelstohousing

- Program level case studies

- California, Oregon, Vermont, Hennepin County (MN)

- Project level case studies

- Fort Worth, San Diego, Los Angeles, Essex Junction (VT), Minneapolis

Hotels to Housing Other Resources

- National Housing Conference Webinars

- https://nhc.org/events/category/policy/?tribe_event_display=past

- *“It Works: Converting Motels & Hotels into Affordable Housing”*

- June 17 session

- Program presenters from: California, Oregon, Vermont

- *“How It Works: Financing & Servicing of Motel & Hotel Conversions”*

- July 21 session

- Project presenters from: King County WA, Hennepin County MN, Fort Worth TX

King County, WA

Health through Housing program

- State law allows local option to dedicate 0.1% Sales Tax for housing
 - King County estimates \$60M in 2021; allowed to bond against 50%
 - Plans to issue \$350M in bonds
- Focus: Health through Housing
 - Target: Individuals/Households with incomes < 30% AMI plus experiencing homelessness or at risk of homelessness
- Goal: Create 1,600 units of permanent supportive housing by end of 2022
- Model for partnering with local communities
 - Consultation on site selection
 - Joint selection of service providers
 - Minimum 15% local referrals
 - “Good Neighbor” agreements



Casa de Esperanza – Fort Worth TX

- 122 unit Extended-stay Hotel converted
119 permanent apartments
- Average unit 250 sq. ft. fully furnished
- \$10 million total cost (\$84,000 per unit)
- Timeline
 - Permitting: August 2020
 - Purchased: October 2020
 - Move-ins: Started December 2020
- Developed by for-profit developer;
owned by entity of public housing authority
- Federal CARES funding plus 119 vouchers



“Exodus 2.0” Adaptive Reuse in Mpls.

- Conversion of a former nursing home, scheduled for move-in 2023:
 - 197 units of permanent housing
 - 30 recuperative care units
 - 6 transition units for veterans
 - Health clinic and offices for Catholic Charities
- \$70 million project
 - State housing infrastructure bonds
 - Federal tax credits – 4% LIHTC and NMTC
 - City and county funds
 - \$13 million private contributions
 - \$5 million pro bono development services

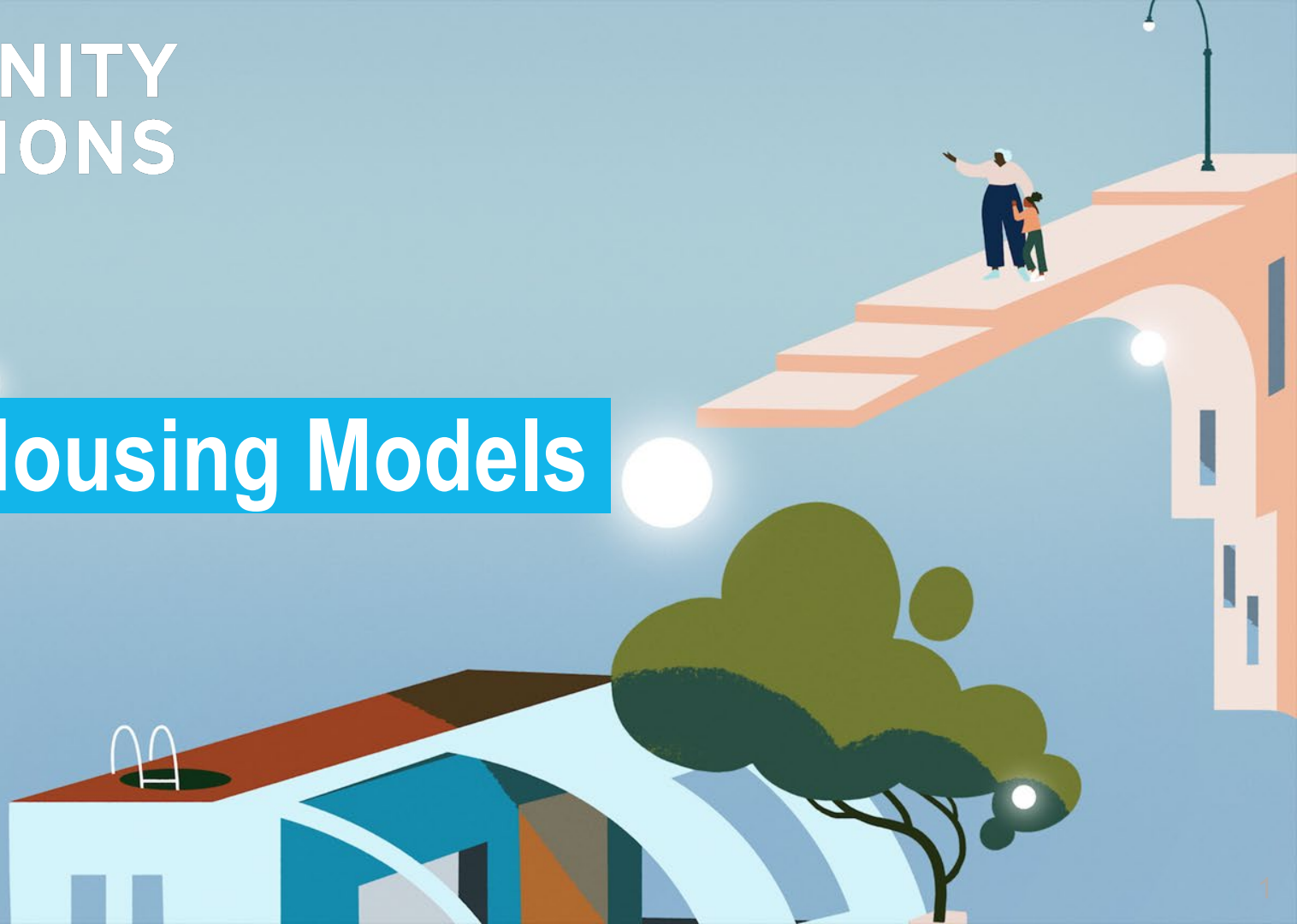
Transforming Properties – Key Insights

- Programmatic guidelines can be very helpful to developers and localities
- Commercial real estate expertise and contacts are important for identifying suitable properties – not just hotels
- Clear expectations about populations to be served is critical to buying the right properties
- Financial resources for capital expenses and on-going operations must be identified
 - Short-term and long-term resources
- Zoning/land use and building code issues need early consideration

COMMUNITY SOLUTIONS

New Housing Models

September 2021



Community Solutions: What We Do



- Starting in 2010, our **100,000 Homes Campaign** helped 186 communities house 105,000 homeless Americans.
- Today, our **Built for Zero** initiative partners with over 80 communities nationwide that have committed to measurably ending homelessness. These communities:
 - Adopt a data-driven approach to count down to zero.
 - Commit to changes in the way their homelessness response systems work together.
 - Commit to continuous quality improvement.
- Our award winning real estate projects create affordable housing for formerly homeless individuals in Built for Zero communities where housing gaps stand in the way of ending homelessness.
- Our approach has been validated as the recipient of the MacArthur Foundation's 100 & Change Award earlier this year

Santa Fe Suites



Conversion of motel complex acquired to house the most vulnerable of chronic homeless individuals in Santa Fe

Acquisition/Delivery:	4Q2020
Location:	Santa Fe, NM
Type:	Acquisition/Motel conversion
Size (\$mm):	\$9M
Size (units):	123
Unit Mix:	50% housing for chronic homeless 50% workforce housing
Financing Type:	-Seller financing -CARES Act Funding (Grant equity) -Social Impact subordinate loan
Relevant Information:	-Repositioning of an extended stay suite motel to an apartment building -Working with local partner to fully integrate property management and case management services on site

The Abrigo Apartments



Garden-style property located near the VA Medical Center
acquired to house homeless veterans

Acquisition/Delivery:	1Q2018
Location:	Aurora, CO
Type:	Acquisition
Size (\$mm):	\$8M
Size (units):	66
Unit Mix:	67% housing for homeless veterans 33% workforce housing

Financing Type:	-Commercial Senior Lender - Social impact equity investment - Home Depot Foundation Grant
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Relevant Information:	- 37 veterans currently housed; the goal is to lease units to up to 44 veterans - Property has exceeded pro forma financial performance by ~20% over the trailing 24 months
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211 Glendale



Grant Per Diem property in Detroit converted to permanent affordable housing for current residents

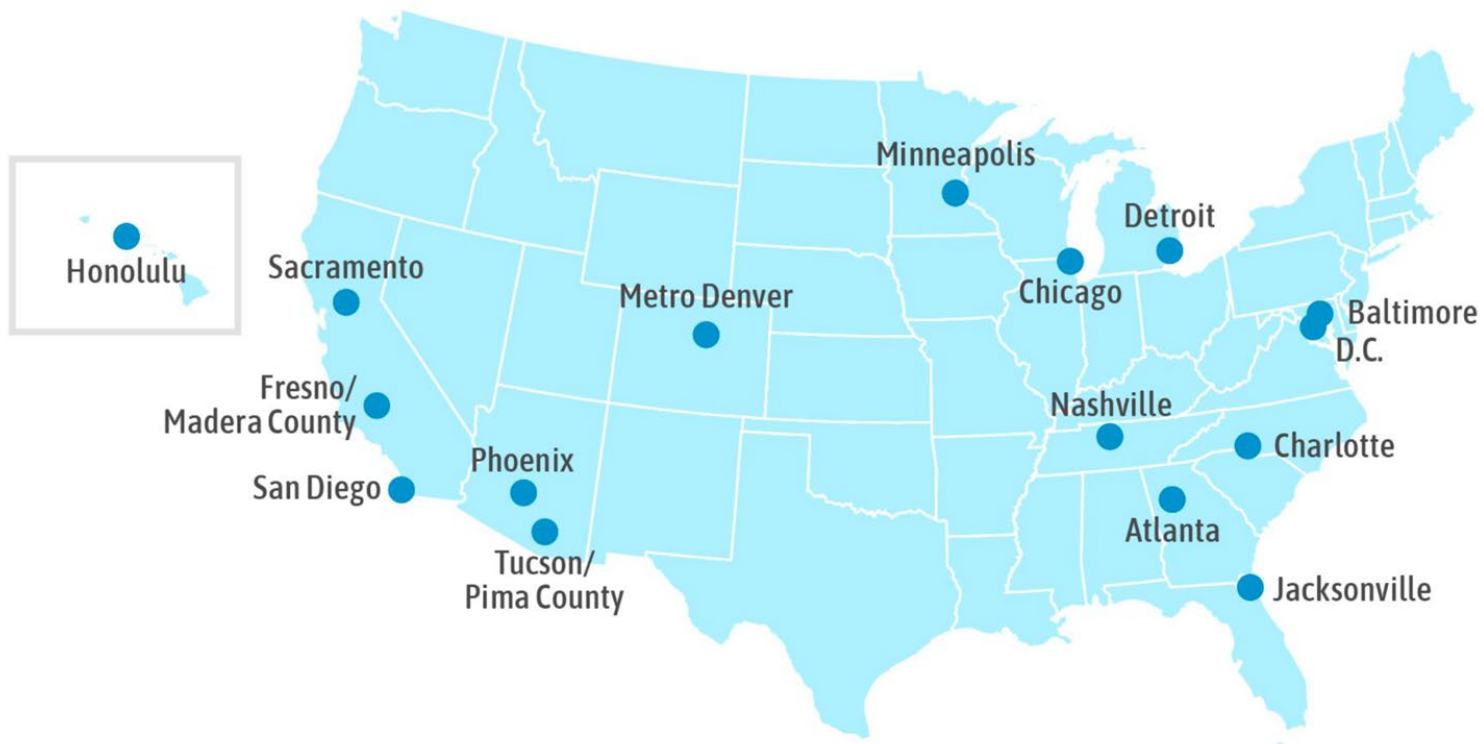
Acquisition/Delivery:	Fall 2020-Fall 2021
Location:	Detroit, MI
Type:	Renovation
Size (\$mm):	\$1,000,000
Size (units):	61
Unit Mix:	100% PSH for veterans

Financing Type:	Social impact loan (5% interest, cash-flow available)
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Relevant Information:	<ul style="list-style-type: none">- Renovations include converting hotel style suites into efficiency units and upgrades to common areas.- Renovations are completed in conjunction with a transition process to ensure permanent housing for current residents post-conversion.
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Scaling This Work

We have raised a pool of capital to deploy this model more quickly and strategically. This next phase of work will target 3,000 units in 16 Built for Zero cities with a demonstrated need for additional housing supply and will focus on veteran homelessness.





Thank You

**COMMUNITY
SOLUTIONS**

Using New Funding Streams to Develop Supportive Housing

*NCSHA Annual Conference
September 28, 2021*



CSH Presenter Contact Information

Mercedes Brown

Michigan Director

Corporation for Supportive Housing

mercedes.brown@csh.org





CSH's National Hotel Conversion Efforts

- Community-Level Technical Assistance
Florida, Virginia & Detroit, MI
- National Products & Resources
*Papers, Jurisdictional Readiness
Assessments, Quality Standards, etc.*
- Lending Opportunities

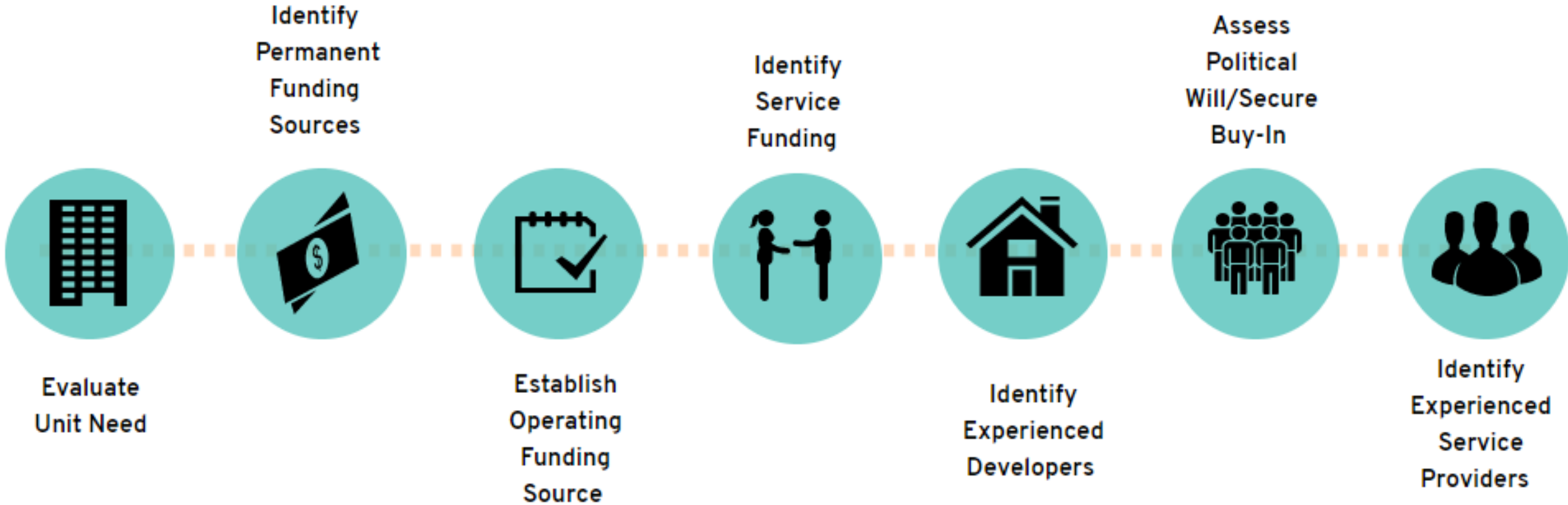


Assessing Jurisdictional Readiness



CSH lays out a checklist to guide states, cities, and counties through successfully leveraging hotels, motels, and/or other residential and commercial properties to expand access to affordable and supportive housing by using existing state resources and federal American Rescue Plan Act (ARPA) funding.

Jurisdictional Readiness Checklist Overview



Which stakeholders should be at the table?



Funding and Entitlement Agencies

Funding and entitlement agencies with an interest in expanding access to high-quality supportive housing.



Housing Developers

Culturally responsive, affordable, and supportive housing developers with capacity and interest in creating high-quality supportive housing.



People with lived expertise

People with lived expertise to help drive strategy that expands access to supportive housing and shapes quality services.



Service Providers

Culturally responsive supportive housing and emergency shelter providers with an interest and capacity to deliver high-quality housing and services.

Hotel to Home Conversion Checklist*

1 Evaluate Unit Need

2 Identify Permanent Funding Sources

3 Establish Operating Funding Source

4 Identify Service Funding

5 Identify Experienced Developers

6 Assess Political Will & Establish Buy-In

7 Identify Experienced Service Providers

Evaluate Unit Need



- Determine unit needs based on current hotel use and anticipated future need.
- If the jurisdiction currently uses hotels for shelter, conduct an inventory of remaining hotel beds and other real estate properties that could also be converted to add additional capacity.
- Determine costs to develop the number of units needed.
- Determine the housing needs of residents being sheltered in hotels and those experiencing unsheltered homelessness.

Identify Permanent Funding Sources



- If necessary, assess availability of federal funding (CARES, American Rescue Plan Act, etc.) or acquisition and permanent financing sources (such as Low-Income Housing Tax Credits or other long-term state financing mechanisms) for affordable housing.
- Work with allocating state/local agency to secure sufficient funding for acquisition and permanent sources (permanent sources are needed if acquisition sources need to be repaid or rehabilitation dollars are needed).
- Evaluate property rehabilitation needs and determine if costs necessitate demolition and new construction.

Establish Operating Funding Source



- Assess the availability of long-term operating subsidies, such as housing voucher programs, or evaluate the potential to allocate new funding for this purpose.
- Determine whether there are sufficient vouchers in your system to cover the unit needs identified in Step One.
- If necessary, create a plan for increasing vouchers to match the unit need or establishing project-specific operating reserves.

Identify Service Funding



- Determine availability of services funding or jurisdictional interest to establish long-term service funding for supportive housing units.
- If necessary, create a plan for increasing funding and expanding to multi-year models.
- Identify opportunities to leverage federal funding.

Identify Experienced Developers



- Identify experienced and culturally responsive development partners with interest and capacity to take on moderate rehabilitation projects (possibly with tenants in-place).
- Establish a model for acquiring and offloading the sites to developer partners.

Assess Political Will & Establish Buy-In



- Secure stakeholder buy-in and assemble a multi-disciplinary team to address zoning, entitlements, and other challenges as they arise.
- Based on real estate types selected for the project(s), determine whether there will be zoning, entitlements, or other impediments and establish a plan to proactively address the challenges should they surface.

Identify Experienced Providers



- Identify culturally responsive supportive service and/or shelter providers for support during the interim and permanent period.
- Determine whether sites will be operated as temporary shelter in the short-term or be converted immediately to permanent housing.
- Identify interim operators for the property when property is being used as interim shelter.

For more information on how to leverage federal funding to expand access to supportive housing through hotel conversion, contact consulting@csh.org.

CSH is a national 501c3 and champion for supportive housing that has helped communities create over 335,000 permanent homes for people who need them. Contact us today to design a strategy customized to meet your community's needs.



This resource was made possible with the support of Capital One.

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HOME-American Rescue Plan

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Virginia Sardone, HUD



HOME-ARP Implementation

- ▶ Implemented through CPD Notice 21-10: Requirements for the Use of Funds in the HOME-ARP Program
- ▶ Participating Jurisdictions (PJs) will have immediate access to 5% of grant for administrative and planning costs
- ▶ PJs must develop and submit HOME-ARP Allocation after consulting with wide range of groups (CoCs, PHAs, DV and Disability providers, fair housing and civil right groups).
- ▶ HOME-ARP funds must be used to primarily benefit individual and families that meet the requirements for one or more “qualifying populations” (QPs) specified in statute/notice

HOME-ARP Qualifying Populations

- 1) Homeless (McKinney Act definition)
- 2) At-risk of homelessness (McKinney Act definition)
- 3) Fleeing/attempting to flee DV, dating violence, sexual violence, stalking, or human trafficking (extended definition in ARP statute)
- 4) Other Populations where assistance would prevent the family's homelessness or serve those with the greatest risk of housing instability

Veterans and families that include a veteran member that meet one of the preceding criteria.

Other Populations - Defined

- ▶ Other Families Requiring Services or Housing Assistance to Prevent Homelessness: Households (i.e., individuals and families)
 - who have previously been qualified as “homeless” as defined in 24 CFR 91.5
 - are currently housed due to temporary or emergency assistance, including financial assistance, services, temporary rental assistance or some type of other assistance to allow the household to be housed, and
 - who need additional housing assistance or supportive services to avoid a return to homelessness

Other Populations - Defined

At Greatest Risk of Housing Instability means a household that meets either of the following paragraphs:

1) Annual income \leq 30% of (HUD) area median income and is experiencing severe cost burden (i.e., is paying more than 50% of monthly household income toward housing costs);

OR

2) Annual income \leq 50% of (HUD) AMI and meets one of the conditions in paragraph (iii) of “At risk of homelessness” definition at 24 CFR 91.5 (consolidated planning regulation)

Eligible Activities

- ▶ HOME-ARP funds may be use for the following eligible activities:
 - Affordable Rental Housing (HOME-ARP Rental Housing)
 - Tenant-Based Rental Assistance (HOME-ARP TBRA)
 - Supportive Services (HOME-ARP Supportive Services)
 - Non-congregate shelter (HOME-ARP NCS)

Rental Housing Targeting

- ▶ Not less than 70% total HOME-ARP rental units assisted by PJ with its HOME-ARP grant must be restricted for occupancy by qualifying households at time of household's initial occupancy
 - These are “QP units”
 - Maximum rent is “Low HOME Rent”; must be affordable to tenant
- ▶ Up to 30% of total HOME-ARP rental units assisted by PJ may be restricted for occupancy by low-income households
 - These are “LI units”
 - Proportions in a project may vary, but LI Units are only permitted in projects that also include QP units restricted for qualifying households
 - Maximum rent is the “High HOME rent”

Rental Housing – Eligible Activities

- ▶ HOME-ARP funds may be used for:
 - Acquisition of standard rental housing
 - New Construction
 - Rehabilitation
 - Includes conversion of commercial or nonresidential property to residential use

Rental Housing – Eligible Costs

- ▶ Hard costs, acquisition costs, soft costs
- ▶ Relocation costs
- ▶ Operating Cost Assistance – cover op. deficits on QP units
 - Periodic operating cost payments
 - Capitalized operating cost reserve (for entire compliance period)
 - Amount of assistance based on project underwriting
 - Must be reasonable and appropriate for the area, size and population served

HOME-ARP Similar to HOME

- ▶ Written agreements to commit funds
- ▶ Pre-commitment Due Diligence, Underwriting, Subsidy Layering
- ▶ Cost allocation to determine number of HOME-ARP units)
 - HOME-ARP and non-HOME-ARP units in projects
- ▶ Maximum rents
- ▶ Affirmative marketing
- ▶ Tenant protections
- ▶ Compliance Period (15 years; longer if there is PBRA contract)
- ▶ Deed restrictions or covenants running with the land.

HOME-ARP Different Than HOME

- ▶ QPs rather than qualification by income
- ▶ Multiple methods of prioritizing admissions (including integrating Coordinated Entry) rather than chronological admission from project-specific waiting list
- ▶ Master leases permitted
- ▶ QP and LI Units rather High- and Low-HOME Rent Units
 - For QPs, rents must be affordable to household
- ▶ Operating Subsidies for QP units

HOME-ARP for PSH

- ▶ Rental requirements designed to work well with both:
Traditional affordable rental housing sources (e.g., LIHTC)
where there is less likely to be PBV and traditional PSH
 - Income mixing/rents for internal subsidy v. defer to PBV rules
 - Project waiting list v. Coordinated Entry/Waiting list hybrid models
 - Sponsors/Master Leases
 - Funding for supportive services
 - Flat rents for underwriting and affordability requirements for QPs
 - Operating reserves and TBRA

What's Next?

► HUD conducted webinars:

- September 27th Overviews, QPs, Allocation Plans
- September 29th Preferences, Selection, Rental Housing
- October 4th TBRA, Supportive Services, Noncongregate Shelter
- October 6th Nonprofit Operating Assistance, Program Administration
- TBD Allocation Plan Webinar
- TBD NCS Project Profiles Webinar

Additional webinars, tools, guidance, and direct technical assistance to come.

Join HOME-ARP Listserv: <https://www.hudexchange.info/mailinglist/subscribe/>

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