

Incentivizing Supportive Housing for the Homeless

Vermont Housing Finance Agency

Rental Housing: Encouraging New Production

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When the Vermont Housing Finance Agency changed its [Qualified Allocation Plan \(QAP\)](#) in 2017 to encourage the production of tax credit housing dedicated to serving Vermont's homeless population, it was faced with the reality that most newly funded units would not have the necessary rental assistance to make the units sustainable. To overcome that hurdle, the new QAP established a high rating priority for housing developments with sponsors who agree to include units enriched with supportive services for homeless or at-risk households. **VHFA's innovative approach was to allow those units to be situated either in the newly created apartments OR in existing units elsewhere in their portfolio, as long as off-site units are not already dedicated to supportive housing.** This flexibility, along with a Basis Boost offered by Vermont's QAP since 2012, has increased the portion of 9% tax credit applicants creating new service-enriched housing for the homeless from 40% in 2015 to 100% in 2018 and 2019.

An important state housing need

Homelessness is a serious issue in Vermont, especially since its harsh winters can be life-threatening to unsheltered people. Vermont has the 11th highest rate of homeless in the country, with 22 homeless individuals per every 10,000 Vermonters¹. With Vermont's homeless population increasing by 25% over the last decade², many currently housed Vermonters are at high risk of homelessness. One in four renter households in Vermont pay an unsustainable 50% or more of their income for housing³. Moreover, many homeless and at-risk Vermonters have significant health needs that cannot be addressed by stable housing alone. Hit hard by the opioid epidemic, Vermont has the highest rate of substance abuse of any state in country⁴. Substance abuse, mental illness, and other challenges are often unmet by traditional subsidized housing.

In recent years, the State of Vermont has increased its commitment to end homelessness, with its HUD Consolidated Plan prioritizing homeless assistance activities through permanent housing. In 2015, Vermont Governor Peter Shumlin issued an Executive Order that established the goal of making at least 15% of the publically funded rental units available to Vermonters experiencing homelessness. In 2012, VHFA established a Basis Boost for projects that set aside 10% of units for special needs housing, but this was found to be insufficient to meet growing needs.

QAP revisions to accelerate Vermont's response

VHFA's approach for using tax credits to meet the growing needs of people who are homeless evolved over time. First, the agency added supportive housing as one of several eligible uses of the 9% credit basis boost. Later, all other criteria to earn the basis boost were eliminated from the QAP, leaving only supportive housing. Until recently, Vermont was one of few states not using straight point scoring for its

¹ Source: The 2018 Annual Homeless Assessment Report (AHAR) to Congress, U.S. Department of Housing & Urban Development.

² Source: Analysis of HUD's Annual Point-in-Time Count between 2007 to 2018, National Alliance to End Homelessness (2019)

³ Source: American Community Survey 5-year estimates, 2012-2017, U.S. Census Bureau

⁴ Source: 2016-2017 NSDUH State Prevalence Estimates, U.S. Department of Health & Human Services

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QAP. When point setting was added in 2016, the revised QAP made setting aside 25% of units for homeless or at-risk one of few ways to meet the agency's "upper tier criteria."

As of 2017, the [evaluation criteria](#) pertaining to supportive housing units in the QAP reads, "Any project that provides Supportive Housing units for the Homeless or At Risk of Homelessness at the proposed project (or within the Sponsor's existing portfolio that are not already dedicated to as Supportive Housing) equal to 25% of the Housing Credit units proposed will receive four checkmarks."

Integrated into the continuum of care, residency in these units is not time limited. Candidates are often referred by shelters, corrections departments, mental health agencies, and other social service providers. Supportive services include, but are not limited to, life skills, budgeting, credit counseling, housekeeping and parenting, with the goal of stabilizing situations and allowing residents to develop the resources or skills needed to access independent permanent housing.

In making these changes, VHFA recognized that providing both deep rental subsidies and supportive services could present a financial challenge for many project sponsors. Since Housing Choice Vouchers are administered by a separate agency (not VHFA) and both the state and local Public Housing Authorities are largely maxed out in how much of their rental assistance can be project-based, there were limited ways to pair the new tax credit units with needed rental assistance. In response, VHFA opened up its policy to allow for "in portfolio" units to meet this requirement, giving housing providers the flexibility to locate units in projects with both operational capacity and available rental assistance.

VHFA has introduced systems to ensure that all new units add to the supportive housing stock. The Agency manages an inventory of all Permanently Supportive Housing units, and tracks the developer's portfolio to ensure that targeted units are newly set aside. All units must be located in the same county as the newly created units receiving tax credits, ensuring that supportive housing is more fairly distributed throughout the state. All project sponsors who apply for the Basis Boost must sign a [three-party memorandum of understanding](#) between the sponsor, service providers and VHFA. The MOU must describe how eligibility will be determined, how eligible applicants will be referred to housing managers, and the services that will be available to residents.

Innovation

Although many Housing Finance Agencies (HFAs) use their QAPs to develop supportive housing for special needs populations, VHFA is unique in giving priority to applications from developers who increase the number of permanent supportive housing units for the homeless that they offer regardless of whether the units will be in the development for which housing credits are being sought or in other existing apartments within the developer's portfolio. These QAP changes are particularly suited to Vermont's strengths and its needs, many of which are shared by other HFAs. Vermont's affordable rental housing stock is largely developed by nonprofit housing organizations, many of whom have experience providing supportive services. The QAP allows these organizations flexibility in situating units to maximize efficiency and impact of services. Furthermore, Vermont is a mostly rural state, and although VHFA's QAP emphasizes downtown development and access to transportation, projects are still sometimes located in areas that lack robust services. The flexibility in location of supportive units

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allows housing providers to ensure that tenants have access to healthcare, public transportation, and job opportunities, which are essential for the success of formerly homeless/at-risk households.

VHFA's requirement that housing units for the homeless include supportive services recognizes the large body of evidence which shows that supportive services help stabilize homeless households and help keep at-risk households from becoming homeless. Supportive housing can also reduce the strain on emergency health systems, family services, and the correctional system through early intervention.

Increased production

The changes made to the QAP rapidly achieved their desired effect. Among the 2019 LIHTC applicants, every project applying for 9% tax credits included units for homeless/at-risk households. Of the five projects that received 9% tax credit funding, two made use of the flexibility to add the supportive units to other properties in their portfolio.

One of these projects is Lake Paran Village, located in Shaftsbury, Vermont. Shires Housing, the nonprofit developer, designated 25% of the Housing Credit units at Lake Paran (four units) within its wider portfolio as housing for homeless or at-risk. Although Shaftsbury is in a village center, the site is not particularly close to services. With the flexibility allowed under the QAP, Shires Housing can locate the units reserved for homeless households at sites with greater access to supportive resources.

The second project is Juniper House senior housing in Burlington. The nonprofit developer, Cathedral Square Corporation opted to create seven supportive units on-site, and three off-site. Cathedral Square caps supportive housing at 10% for each of their senior housing properties, as they feel that a 25% allocation of units with supportive services could strain their operating capacity. VHFA's policy allows them to provide much-needed housing for homeless seniors while maintaining a high level of service to all its residents. Cathedral Square will leverage its existing SASH (Support and Services at Home) program for senior residents, supplementing it with services from the local continuum of care. This project demonstrates that supportive housing for the homeless can be integrated into senior rental housing complexes, taking advantage of services already in place.

Challenges and successes

The available evidence suggests that the combination of points for ranking applicant projects and Basis Boost are an effective means of incentivizing developers to provide supportive housing for the homeless while keeping projects feasible. In 2015, two of the five projects that received 9% credits included units designated for homeless or at-risk households. In 2019, all applicant projects included these units.

Despite its successes, there have been some growing pains associated with this initiative. Some housing providers have struggled to develop connections to service providers, and some that lack substantial experience with formerly homeless households have struggled to meet their complex needs. However, many housing organizations have been very successful in offering supportive services and can serve as models for their peers. This summer, VHFA will host a meeting for project sponsors to learn from past experience and create best practices. VHFA has [suggested elements of an MOU and published sample MOUs](#) to help developers know in advance what they need to discuss with social service partners.