Alignment Project:
Aligning Federal Low Income Housing Program with Housing Need

January 14, 2015
Today’s Agenda

• Introduction to the Alignment Project – Sheila Crowley
• Findings from NLIHC’s New Report on Aligning Federal Housing Programs with Housing Need - Megan Bolton
• Highlight 1 Case Study from Report and Models to Serve ELI Households – Shannon Nazworth
• TAC Research and Case Studies on State PSH Financing Models and Possible NHTF Replication – Ann O’Hara
• Conclusions/Discussion - Sheila
About The Alignment Project

• Purpose: gain an understanding of how existing federal housing resources are being used
  – How to align resources to meet the needs of ELI households?

• Goal: Better public policies to achieve rental housing affordability for ELI households
Alignment Project Components

• Assemble data on degree to which HOME, AHP, and LIHTC serve ELI households
• Undertake a development-by-development analysis of a random sample of LIHTC properties in 5 states.
• Survey developers to find models that successfully achieve affordability for ELI hhlds without relying on federal housing vouchers.
• Complete case studies on a minimum of five such project.

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Housing Need: Key Statistics

• In 2012, there were 10.3 million extremely low income (ELI) renter households.
• However, there were only 3.1 million units affordable and available to this income group.
• As a result, there were only 31 units affordable and available per 100 ELI households.
• There is a need for more than 7 million additional affordable units to serve ELI renters.
Figure 1: Rental units and renters in the US, matched by affordability and income categories, 2012

Count (Millions)

Units (by affordability category)  
- Above 80% AMI: 10.64
- 51%-80% AMI: 19.24
- 31%-50% AMI: 9.79
- 16%-30% AMI: 3.48
- At or below 15% AMI: 2.31

Households (by income category)  
- Above 80% AMI: 15.62
- 51%-80% AMI: 8.49
- 31%-50% AMI: 7.34
- 16%-30% AMI: 6.20
- At or below 15% AMI: [VALUE]

Source: NLIHC Tabulations of 2012 ACS PUMS data.
## Current HUD Programs

<table>
<thead>
<tr>
<th>Program</th>
<th>Subsidized Units</th>
<th>% of Households with Incomes below 30% AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Choice Vouchers</td>
<td>2,386,237</td>
<td>76%</td>
</tr>
<tr>
<td>Public Housing</td>
<td>1,150,867</td>
<td>72%</td>
</tr>
<tr>
<td>Project Based Section 8</td>
<td>610,181</td>
<td>73%</td>
</tr>
<tr>
<td>Section 202</td>
<td>327,709</td>
<td>67%</td>
</tr>
<tr>
<td>Section 811</td>
<td>28,164</td>
<td>80%</td>
</tr>
</tbody>
</table>

Source: HUD. Picture of Subsidized Households, 2013
HOME, AHP and LIHTC: Do They Reach ELI?

• HOME: At initial occupancy, 44% of rental units occupied by ELI; 45% of all HOME rental units have rental assistance.

• AHP: In 2013 and 21% of rental units served ELI hhlds.

• LIHTC: Depending on source, 36%, 43% or 46% of units are occupied by ELI; Nearly 70% of ELI tenants have rental assistance.
NLIHC Development Analysis

☑ Background

☑ Methodology
  ☑ 5% Random Sample of LIHTC Properties in Florida, Maine, Ohio, Oregon, & Virginia
  ☑ Data from HFAs & Developers

☑ Tenant & Property Analysis
  ☑ Data on rents paid, rental assistance & incomes
  ☑ 104 properties
  ☑ 8,758 units

☑ Developer Survey
  ☑ Data on funding sources, operating reserves and terms of affordability
  ☑ 25% response rate
NLIHC Development Analysis

Key Finding: Average Household Income Significantly Lower than Unit Income Limit
NLIHC Development Analysis

Key Finding: Majority of ELI Households without Rental Assistance Severely Cost Burdened in LIHTC Properties

<table>
<thead>
<tr>
<th></th>
<th>No Cost Burden (0-30%)</th>
<th>Moderate Cost Burden (31-50%)</th>
<th>Severe Cost Burden (&gt;50%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ELI (0-30% AMI)</td>
<td>17%</td>
<td>26%</td>
<td>57%</td>
</tr>
<tr>
<td>VLI (31-50% AMI)</td>
<td>17%</td>
<td>73%</td>
<td>10%</td>
</tr>
<tr>
<td>LI (51-80%)</td>
<td>47%</td>
<td>53%</td>
<td>10%</td>
</tr>
</tbody>
</table>

No Cost Burden (0-30%)  Moderate Cost Burden (31-50%)  Severe Cost Burden (>50%)
**NLIHC Development Analysis**

Rental Assistance provides an additional $2.4 million per year

### ALL UNITS

<table>
<thead>
<tr>
<th></th>
<th>Total $</th>
<th>Average $ (Unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Rent</td>
<td>$5,393,062</td>
<td>$631</td>
</tr>
<tr>
<td>Rental Assistance</td>
<td>$1,599,062</td>
<td>$556</td>
</tr>
<tr>
<td>Total Rent Received</td>
<td>$6,992,124</td>
<td>$819</td>
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<tr>
<td>LIHTC Max Rent</td>
<td>$7,010,926</td>
<td>$845</td>
</tr>
<tr>
<td>Difference</td>
<td>-$18,802</td>
<td>-$27</td>
</tr>
</tbody>
</table>

### Units with Rental Assistance

<table>
<thead>
<tr>
<th></th>
<th>Total $</th>
<th>Average $ (Unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Rent</td>
<td>$847,365</td>
<td>$295</td>
</tr>
<tr>
<td>Rental Assistance</td>
<td>$1,599,062</td>
<td>$556</td>
</tr>
<tr>
<td>Total Rent Received</td>
<td>$2,446,427</td>
<td>$851</td>
</tr>
<tr>
<td>LIHTC Max Rent</td>
<td>$2,250,087</td>
<td>$820</td>
</tr>
<tr>
<td>Difference</td>
<td>$196,340</td>
<td><strong>$31</strong></td>
</tr>
</tbody>
</table>

### Units without Rental Assistance

<table>
<thead>
<tr>
<th></th>
<th>Total $</th>
<th>Average $ (Unit)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Rent</td>
<td>$4,545,697</td>
<td>$802</td>
</tr>
<tr>
<td>Total Rent Received</td>
<td>$4,545,697</td>
<td>$802</td>
</tr>
<tr>
<td>LIHTC Max Rent</td>
<td>$4,760,839</td>
<td>$858</td>
</tr>
<tr>
<td>Difference</td>
<td>-$215,142</td>
<td>-$56</td>
</tr>
</tbody>
</table>

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Development Analysis

KEY FINDINGS

• Average household income significantly lower than unit income limit.
• 83% of ELI households without rental assistance are cost burdened in LIHTC properties.
• 69% of ELI households with rental assistance live in units limited to 60% AMI
• Rental assistance provides $2.4 million of additional capital per year.
• Diverse funding streams, presence of operating reserves, and low debt-ratio positively correlated with serving lower income households.
NLIHC Survey of Developers

- 241 affordable housing developers.
- Focus on projects developed between 2010 and 2012.
- Questions:
  - Who are the developers?
  - What funding sources did they use?
  - What are tenant income levels?
  - How are ELI tenants served?
Survey Findings

• 81.3% of respondents were Nonprofit developers (6.6% For-profit, 7.5% Public)
• 45% operated at the city or county level (22% were regional within a state, 16% statewide)
• From 2010-2012, 49% of developers created 1-100 units (23% created 101-250); ranged from 0-5,900
# Survey Findings: Funding

<table>
<thead>
<tr>
<th>Source of Funding</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>HOME funds</td>
<td>75%</td>
</tr>
<tr>
<td>Private funding</td>
<td>57%</td>
</tr>
<tr>
<td>9% LIHTC</td>
<td>57%</td>
</tr>
<tr>
<td>CDBG funds</td>
<td>50%</td>
</tr>
<tr>
<td>AHP funds</td>
<td>45%</td>
</tr>
<tr>
<td>4% LIHTC</td>
<td>37%</td>
</tr>
<tr>
<td>Other (including federal, state or local programs)</td>
<td>37%</td>
</tr>
<tr>
<td>State Housing Trust Fund</td>
<td>34%</td>
</tr>
<tr>
<td>Tax-Exempt Bond Financing</td>
<td>32%</td>
</tr>
<tr>
<td>City or County Housing Trust Fund</td>
<td>29%</td>
</tr>
<tr>
<td>Federal Historic Tax Credits</td>
<td>23%</td>
</tr>
<tr>
<td>USDA Rural Development Rental Housing</td>
<td>17%</td>
</tr>
<tr>
<td>Section 202 Capital Advance Program</td>
<td>17%</td>
</tr>
<tr>
<td>State Historic Tax Credits</td>
<td>16%</td>
</tr>
<tr>
<td>Section 811 Capital Advance Program</td>
<td>15%</td>
</tr>
</tbody>
</table>

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Survey Findings

• 67% of developers created units for ELI households; 16% served ELI tenants exclusively

• 75% of developers set-aside units for VLI households and 54% set-aside units for LI households

• 50% of developers claimed that at least 75% of ELI tenants living in properties have vouchers; 21% don’t have any vouchers
Survey Findings: Income of Tenants

% of units affordable to ELI tenants

- 33% of units
- 18% in 1%-25%
- 18% in 26%-50%
- 6% in 51%-75%
- 9% in 76%-99%
- 16% in 100%

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Survey Findings

• 47 developers use state or local rental assistance programs
• 43 developers mentioned use cross-subsidization
• Other strategies: private fundraising; federal programs such as SHP, S+C, HOPWA, USDA rental assistance
NLIHC Interview Findings

• Challenges faced by developers:
  – Rents insufficient to cover operating expenses
  – Need to layer
  – Political uncertainty; changes within state HFA
  – Budget cuts
  – Accessing funding, particularly LIHTC
  – Cost containment
  – Community resistance
NLIHC Interview Findings

• Solutions
  – Cross-subsidization
  – Eliminating mortgage debt
  – Partnerships with local government
  – State and local programs
  – Preferences for ELI in State QAPs
  – Private Fundraising
## NLIHC Project Case Studies

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Developer</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quixote Village</td>
<td>Community Frameworks</td>
<td>Olympia, WA</td>
</tr>
<tr>
<td>Hudson Townhomes</td>
<td>Homes for America</td>
<td>Cambridge, MD</td>
</tr>
<tr>
<td>Mayfair Village Apartments</td>
<td>Ability Housing</td>
<td>Jacksonville, FL</td>
</tr>
<tr>
<td>Ford Road Family Housing</td>
<td>Eden Housing</td>
<td>San Jose, CA</td>
</tr>
<tr>
<td>Places at Page</td>
<td>Places for People</td>
<td>St. Louis, MO</td>
</tr>
</tbody>
</table>
Case Study: Quixote Village

- Developer: Community Frameworks
- Location: Olympia, WA
- # of Units: 30
- # of ELI Units: 30
- Date of Opening: December 2013

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Case Study: Quixote Village

• Financing Strategy:
  – Washington State Housing Trust Fund
  – CDBG
  – Donated Land
  – Thurston County
  – Tribe & Individual Donations
  – In Kind Design & Legal Services
  – Low per unit cost ($88,000 per unit)
Case Study: Quixote Village

• Operations and Services:
  – Washington Operating and Maintenance Trust Fund ($50K per year for 15 years)
  – Capitalized $150K in reserves
  – City CDBG (1 year)
  – County funds (may be renewed)
  – Private donations
  – Need more secure operating funds
Case Study: Hudson Townhomes

- Developer: Homes for America
- Location: Cambridge, MD
- # of Units: 48
- # of ELI Units: 10
- Date of Opening: August 2013

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Case Study: Hudson Townhomes

• Financing Strategy:
  – Property is in Qualified Census Tract
  – City of Cambridge provides payment in lieu of taxes ($200 per unit per year tax credit)
  – State programs: Rental Housing Funds from MD HCD
  – Weinberg Foundation funds
  – Deferred Developer Fee
Case Study: Ford Road Family Housing

- Developer: Eden Housing
- Location: San Jose, CA
- # of Units: 74
- # of ELI Units: 20
- Date of Opening: August 2014
Case Study: Ford Road

• Key Strategies:
  – NSP $ used to capitalize a reserve account for 2 units serving formerly homeless (15% AMI)
  – 5 ELI units receive operating subsidy from MHSA
  – Mixed-income strategy covers remaining operating costs for balance of ELI units
  – Households on HA’s waitlist are prioritized at initial lease-up
Case Study: Places at Page

- Developer: Places for People
- Location: St. Louis, MO
- # of Units: 23
- # of ELI Units: 23
- Date of Opening: November 2011
Case Study: Places at Page

• Key Strategies:
  – 12 residents receive Shelter Plus Care subsidy
  – 11 receive rental subsidy through MO Dept of Mental Health’s Supportive Community Living Program
  – Initial application for LIHTC denied – small project serving those with mental illness
  – Efforts led to MO establishing special needs set-aside in QAP

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AFFORDABILITY WITHOUT RENT SUBSIDIES

Aligning Federal Low Income Housing Programs with Housing Need
Ability Housing of Northeast Florida

• Nonprofit affordable housing developer

• Mission:
  • Provide quality, affordable, community-inclusive housing for individuals and families experiencing or at risk of homelessness and adults with a disability.

• 310 units of housing:
  • Single family scattered site rental
  • Multi-family rental communities
  • Preservation of HUD assisted properties
  • COC Rental Assistance Programs
Affordability

- Soft debt necessary; but not enough
- Layer multiple sources
- Capitalize operating reserves in development budget
- Invest in durable materials; energy efficiency
- Create enterprise level reserves
Cross-subsidize Units

- Not all units affordable to ELI households

- Use income from higher AMI units to offset losses on ELI units

- Any resident with rental assistance provided higher AMI unit; ELI rent units reserved for households without assistance
Cross-subsidize Units

• In weaker rental market ensure stable rents on as many units as possible
  • Partner with COC rental assistance administrators to have secure funding on some units so that other units can be rented at ELI rate (and below)
  • Administer sponsor-based COC subsidy to further cross-subsidize units

• In stronger rental market use market rate and higher AMI restricted units to
  • Provide ELI rents on higher AMI restricted units
  • Reduce rents on ELI units for deeper affordability
Mayfair Village Apartments

- 83 units
- Serves homeless individuals and families; and those at-risk
- Increase property values
- Decrease crime
- Positively impact commercial area
- Funded with: Low Income Housing Tax Credits, Tax Credit Exchange Program, HOME Investment Partnership & Homeless Housing Assistance Grant
Mayfair Village Apartments

- 83 units
- Average household income $11,320
- Rents
  - ELI $342/mo
  - VLI $595/mo
CASA

- 29 single-family homes scattered throughout Duval County
- Shared housing model; 60 units
- Targets adults with developmental disabilities and the homeless
- Developed over several years; multiple funding sources
- Funded with demonstration project funding, HOME, state trust funds, AHP, community contributions
CASA

- 60 units
- Average household income
  $13,291
- Average rent, after concessions
  $345/mo
Renaissance Village Apartments

- 52 units
- Was boarded and abandoned
- Serves homeless individuals and families; and those at-risk
- Increase property values
- Decrease crime
- Funded with: Neighborhood Stabilization Program
Renaissance Village Apartments

- 52 units
- Average household income: $11,083
- Rents: $350 - $450/month
Contact Info

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Creating Integrated Permanent Supportive Housing Opportunities for ELI Households: A Vision for the Future

Ann O’Hara
Technical Assistance Collaborative, Inc
January 14, 2015
TAC Project Goal

• What can be learned from innovative Permanent Supportive Housing (PSH) initiatives to inform future State ELI financing policy?

• Assess cost-effective ELI approaches:
  – Improve understanding of recent state innovations in capital and unit subsidy financing
  – Advocate for broad spectrum of ELI need (e.g. 20% of AMI and below)
  – Promote effective mixed income ELI-PSH models
  – Inform future state National Housing Trust Fund (NHTF) strategies.
ELI Innovation: Integrated Permanent Supportive Housing

- **PSH**: Evidence-based housing approach for people with most significant and long term disabilities
  - Deep subsidies
  - Voluntary long-term services

- **PSH is ELI**: Most PSH tenants have SSI = 19% AMI (national average)

- State Housing Agency innovation/partnerships create integrated PSH units using LIHTC platform

- TAC “testing” 3-4 State PSH financing models
  - Illustrate potential for replication with NHTF
  - Increase ELI-PSH “buy in” from states

- Expected publication: February 2015
Environmental Factors/State Goals

- Barrier: Steep cuts in HUD capital and subsidy resources
- Imperative: Increasing state demand for integrated PSH units (e.g. Olmstead)
- A few pioneering states “pushing the ELI envelop” below 30% of AMI using innovative capital/subsidy approaches
- Strong partnerships with State HHS/Medicaid agencies to build PSH outreach and referral “infrastructure” (now required for Section 811 PRA program)
- Result: Shift from high debt/high subsidy to more capital intensive model with lower cost subsidy
- Potential compatibility with National Housing Trust Fund program
Evolution of ELI-PSH

- State Housing Finance Agencies (HFAs)
- Systems approach with LIHTC program as platform
- Variety of QAP policies
- Traditional HFA PSH model
  - Relatively high debt/high subsidy cost
  - Project-based subsidies (S+C, VASH, PBV)
  - Tenant-based subsidies (QAP marketing requirements)
  - Both single site PSH and scattered-site
  - High rent subsidy cost (e.g. 110 percent rents) to cover debt service
- No “net” increase in ELI supply
Innovative ELI-PSH – Phase 1

- **State ELI-PSH innovation:**
  - Goal: Achieve deeper targeting in LIHTC properties (ELI w/o PBV)
  - Strategy: Mixed income integrated model with lower-debt/cross-subsidy approach
  - QAP policies benefitting special needs groups, including increasing supply of integrated accessible units and PSH units
  - LIHTC equity/gap financing to achieve 30% AMI rents

- **Outcomes:**
  - Strong developer participation
  - Difficulty reaching ELI populations below 30% of AMI
  - Higher vacancy rates

- **Phase 1 stimulated state efforts to “get below 30% AMI” through non-traditional financing**
State ELI-PSH Phase II

• ELI-PSH Housing Finance Innovations
  – North Carolina: Shallow state subsidy
  – Pennsylvania: Enhanced LIHTC developer fee capitalizes rent reserve
  – Maryland and Illinois: “Post-underwriting” capital grant

• Potential replication using NHTF?
  – Final NHTF rules
  – Potential waiver strategies
North Carolina Housing Finance Agency

• Integrated PSH program using LIHTC portfolio since 2002
• State appropriated Key Program (project-based) finances 10 year “up-front” subsidy commitment (2,300+ PSH units)
  – QAP mandatory 10% LIHTC set-aside for PSH units
  – Tenant rent in PSH unit = 30% of tenant income
  – Voluntary owner participation in Key Program
  – State-wide payment standard approach (1 BR = $490)
  – Historical average subsidy payment of $225 monthly (2006-2013)

• Outcomes:
  – Highly successful “shallow subsidy stream” for ELI units
  – Transparent and highly cost-effective 10 year “up-front” subsidy approach
  – Adds approximately 200 integrated PSH units to state supply per year
Pennsylvania Housing Finance Agency

- Ten year initiative targeted primarily to people with disabilities
- Uses capitalized development funding from increased developers fee (generally from 15% to 20%) through QAP
- Utilizes 30% basis boost in Qualified Census Tracts
- Fills gap between 50% of AMI unit and 20% of AMI through a 15 year internal rent subsidy reserve
- Tenants pay the 20% AMI rent
- PHFA approves escrow agreement (including disbursement schedule) between developer and third party (typically a bank)
- Examples: 1 BR tenant rent is $297 in Philadelphia and $244 in Pittsburgh
Weinberg Foundation

• Long history of philanthropic support for housing for people with disabilities
• Pioneering shift to integrated ELI-PSH model
• Evolving approach (small scale): Maryland, Illinois and possibly Pennsylvania
• Utilizes capital grant to lower debt on first mortgage (post-underwriting)
• “Savings” applied to integrated PSH units
• Capital Cost for 50% AMI unit = $100K-$120K
• Produces 15% of AMI rents for 15 years
Contact Us

Technical Assistance Collaborative, Inc. – TAC

Visit us on the web: www.tacinc.org
Conclusions

- Developers are finding innovative ways to serve ELI households, both with and without vouchers.
- However, there is a heavy reliance on and need for vouchers to support the operations of these properties.
- We need to highlight and promote these strategies so that more people feel comfortable creating properties that serve ELI households.
- The NHTF will make all of this easier!
Recommendations

• Income Averaging in LIHTC
• Basis Boost in LIHTC
• Encourage State QAPs to prioritize ELI
• State and local housing rental housing funding
• Intersection between LIHTC and HCVs
• More and better data
• More research
Contact Me

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