Alignment Project:

Aligning Federal Low Income Housing Program with Housing Need

January 14, 2015

NATIONAL LOW INCOME HOUSING COALITION

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

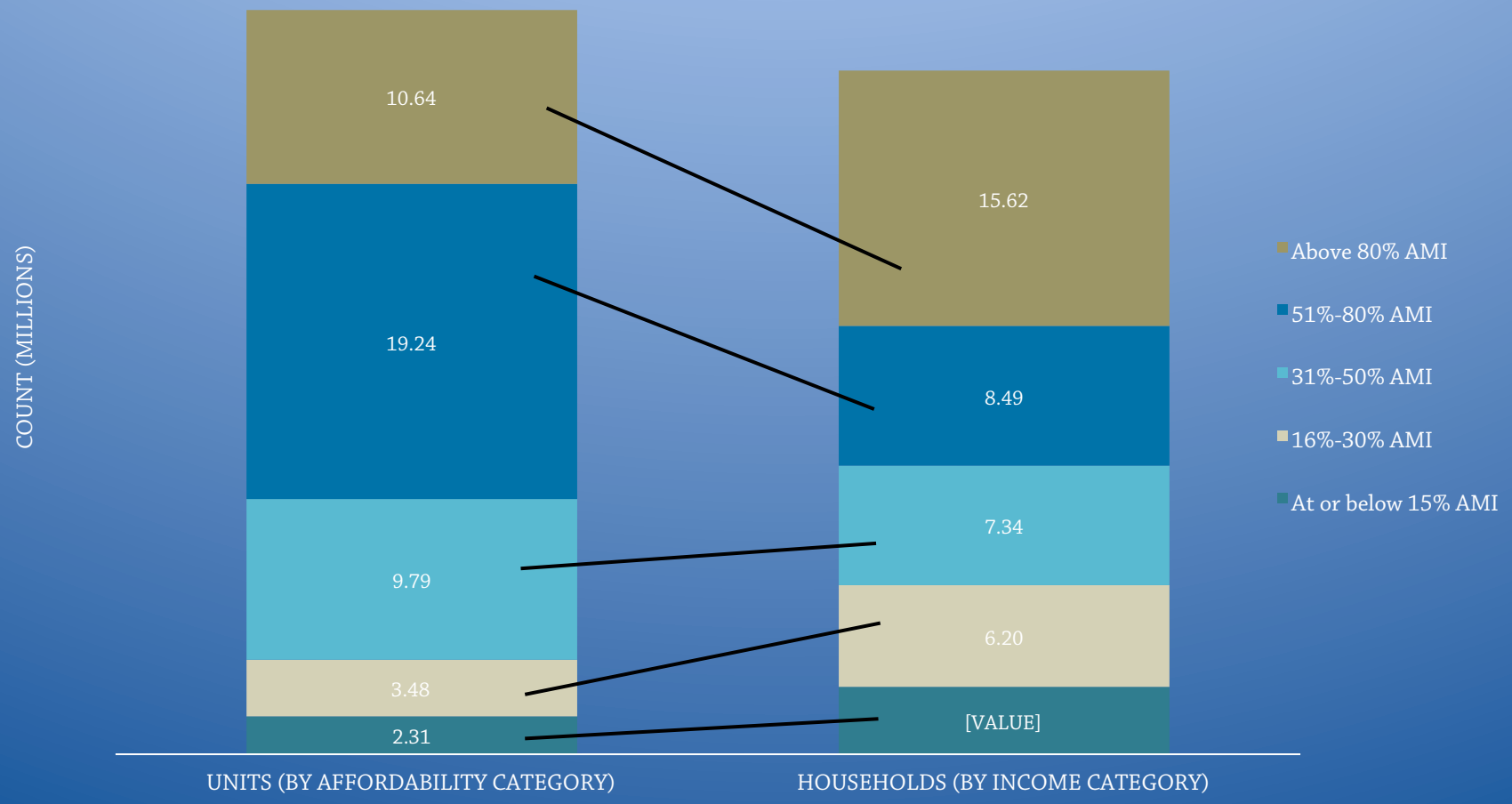
Alignment Project Components

- 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.

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



Source: NLIHC Tabulations of 2012 ACS PUMS data.

Current HUD Programs

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

Source: HUD. Picture of Subsidized Households, 2013

HOME, AHP and LIHTC: Do They Reach ELI?

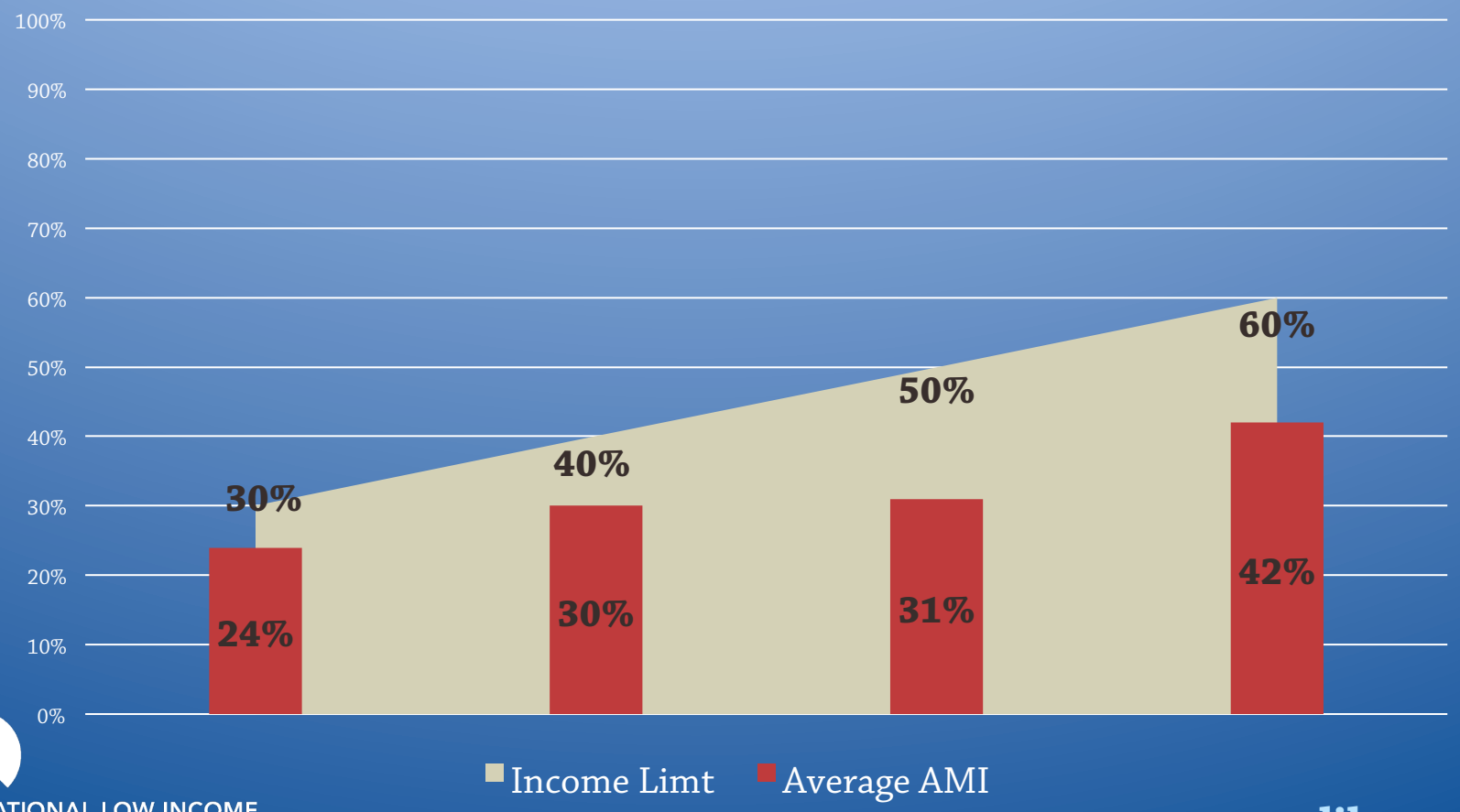
- HOME: At initial occupancy, 44% of rental units occupied by ELI; 45% of all HOME rental units have rental assistance.
- AHP: In 2013 and 21% of rental units served ELI hhlds.
- LIHTC: Depending on source, 36%, 43% or 46% of units are occupied by ELI; Nearly 70% of ELI tenants have rental assistance.

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



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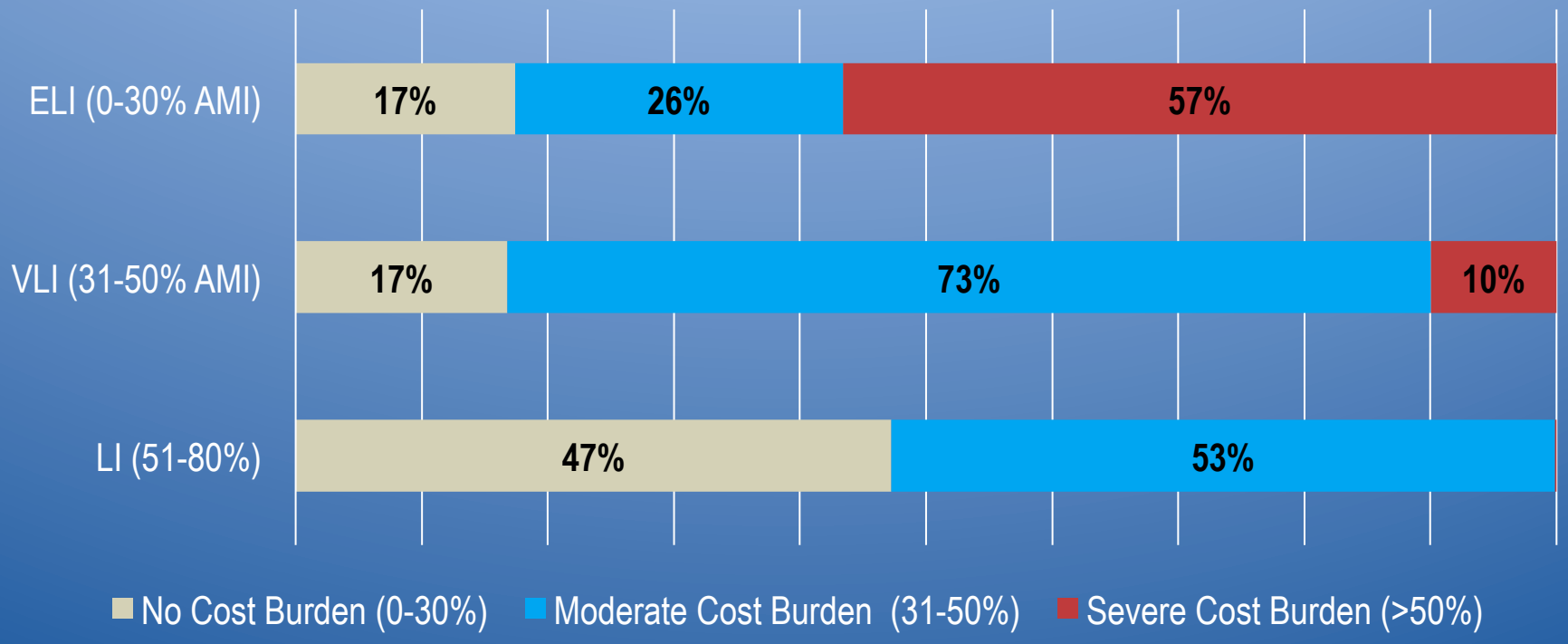
NLIHC Development Analysis

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



NLIHC Development Analysis

Rental Assistance provides an additional $2.4 million per year

ALL UNITS	Total $	Average $ (Unit)
Gross Rent	$5,393,062	$631
Rental Assistance	$1,599,062	$556
Total Rent Received	$6,992,124	$819
LIHTC Max Rent	$7,010,926	$845
Difference	-$18,802	**-$27**

Units with Rental Assistance	Total $	Average $ (Unit)
Gross Rent	$847,365	$295
Rental Assistance	$1,599,062	$556
Total Rent Received	$2,446,427	$851
LIHTC Max Rent	$2,250,087	$820
Difference	$196,340	**$31**

Units without Rental Assistance	Total $	Average $ (Unit)
Gross Rent	$4,545,697	$802
Total Rent Received	$4,545,697	$802
LIHTC Max Rent	$4,760,839	$858
Difference	-$215,142	**-$56**

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.

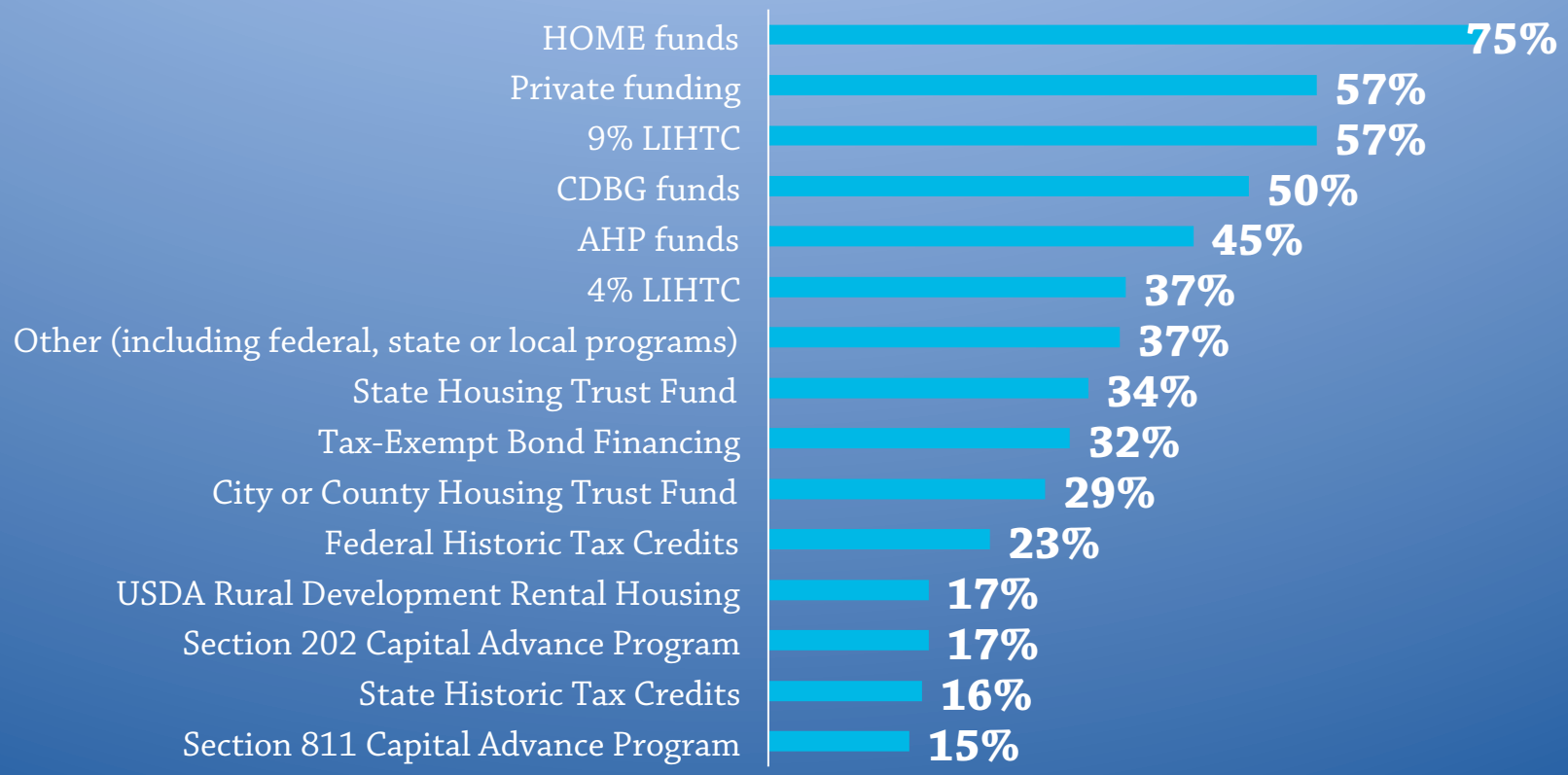
NLIHC Survey of Developers

- 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

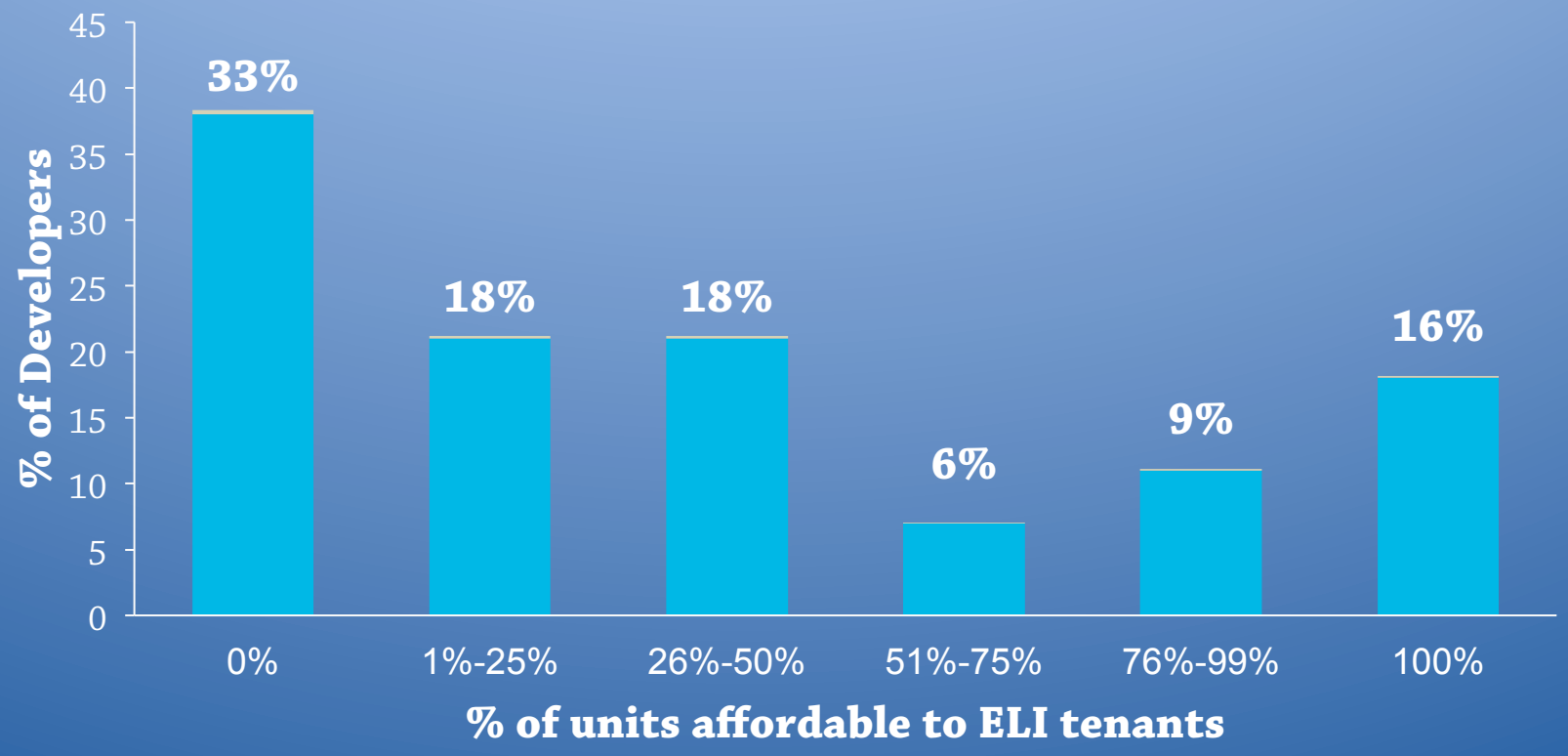
Survey Findings: Funding



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



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

Project Name	Developer	Location
Quixote Village	Community Frameworks	Olympia, WA
Hudson Townhomes	Homes for America	Cambridge, MD
Mayfair Village Apartments	Ability Housing	Jacksonville, FL
Ford Road Family Housing	Eden Housing	San Jose, CA
Places at Page	Places for People	St. Louis, MO

Case Study: Quixote Village

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

  December 2013

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

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

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

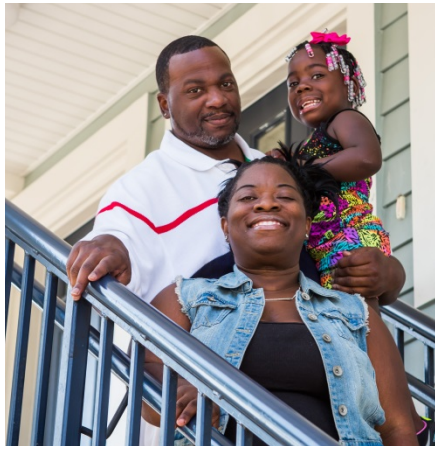
  $345/mo

Renaissance Village Apartments

Before →

- 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

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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
TECHNICAL ASSISTANCE COLLABORATIVE

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
- Produces15% of AMI rents for 15 years

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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

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