



STANISLAUS HOUSING & SUPPORT SERVICES COLLABORATIVE (SHSSC) –

“THE COLLABORATIVE”

Glenn Hutsell
President

May 17th, 2007

www.stancoha.org

In Collaboration with:



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Director

Corporation for Supportive Housing
September 29, 2005

www.csh.org

"The Alliance is convinced that ending homelessness is within the nation's grasp ... The nation is recognizing that now is the time for change-for strategic initiatives to root out the problem of homelessness for once and for all. Much has yet to be accomplished, and formidable challenges lie ahead, but ... we set out with an invigorated conviction and affirmed commitment to seeing this change through to its fruition-the ideal and achievable reality where no woman, man, or child is at-risk of becoming or remaining homeless."

-Nan Roman, President
National Alliance to End Homelessness (NEAH)

"We need a fresh approach - one that demands permanent results, not just scattered victories that add up to little actual progress. At HUD, we will work closely with our partners on the community, state, and federal levels to focus our permanent housing grants on ending the cycle of chronic homelessness. Our goal must be to help these people gain control of their circumstances and live in dignity."

-HUD Secretary Martinez - July 2001
in a speech to NAEH

"We know what it will take to end long-term homelessness today and prevent it from occurring in the future. Across the nation, we are witnessing a growing consensus that will mark the beginning of the end of widespread homelessness in the United States. Together, we can provide people with the lowest incomes and greatest challenges with the most basic of supports: a place to call home."

-Carla Javits, President & CEO,
Corporation for Supportive Housing

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1. PREFACE

This report outlines a 5-year strategy that will serve as a significant first step in achieving the goal of ending long-term homelessness¹ in Stanislaus County in 10 years. The long-term homeless are defined as those who have been homeless for one year or longer or who have been homeless four times over the last three years.² Those who are homeless long-term typically represent approximately 15% of the homeless population yet they consume more than 50% of the resources of the homeless services system. At the same time, they rely heavily on the most expensive institutional and emergency services while cycling from the streets to emergency shelter, hospitalization, hospital emergency rooms, prison, and jail. By focusing on this population with the greatest needs, the Stanislaus County community will reap a significant social and economic benefit.

The key component of this Plan is to create supportive housing – permanent, affordable rental housing linked to an array of community-based services. Supportive housing is a proven and cost effective solution to ending the complex, cyclical causes of long-term homelessness. Moreover, many homeless advocates promote a “housing first” approach to ending homelessness which involves moving an individual or family into a permanently affordable housing unit first to provide a stable environment in order to benefit from case management and other social services, rather than placing people into transitional programs.

The Stanislaus Housing and Supportive Services Collaborative

The Stanislaus Housing and Supportive Services Collaborative (the Collaborative) is comprised of over 88 members and more than 50 agencies and organizations representing all cities within Stanislaus County. Representation includes non-profit organizations, homeless persons, formerly homeless persons, local government, disability service organizations, the public housing authority, police and fire service departments, faith-based and other community-based organizations, service agencies, community members, government agencies and housing developers. In July of 2001, The Stanislaus County Board of Supervisors and the City of Modesto officially recognized the Collaborative as the coordinating body for homeless programs and services in Stanislaus County. It is also the lead agency for the Stanislaus County Continuum of Care.

The Collaborative has adopted as one of its goals to develop and implement a plan to end long-term homelessness in 10 years.

¹ It is important to note that the terms “long term” and “chronic” are interchangeable and will be used throughout this plan to refer to the same population.

² U.S. Department of Housing and Urban Development

The Role of the Corporation for Supportive Housing

The Stanislaus Housing and Supportive Services Collaborative has engaged the Corporation for Supportive Housing (CSH) to assist in the development of an effective plan to end chronic homelessness in Stanislaus County. CSH staff have spent time working with the Collaborative to identify the area's strengths and weaknesses as well as the existing level of resources within the community and the potential for securing more needed funding. This raw data has helped to inform the recommendations and strategies proposed in this Plan which are also based on the many lessons learned by CSH in other communities across the country. By implementing the goals and strategies laid out in this Plan, Stanislaus County and its member cities can bring to its residents the social and economic benefits that are being realized in other communities, coast to coast.

Background on Long Term Homelessness

Homelessness is a significant and complex social, economic and political problem. Because of the dramatic increase in homelessness as well as its visibility over the last 10 years, the media as well as federal, state, and local policymakers have begun to seriously consider the issue and potential solutions.

Although smaller in numbers than the broader homeless population (see "The Need" section for more information), the long-term homeless are receiving even more attention. Those who are considered to be long-term or chronically homeless have no permanent address and have been homeless for one year or longer or have been homeless four times over the last three years. Long-term homeless persons typically struggle with mental illness and/or alcohol and drug addiction, and many have health problems or disabilities that prevent them from working. Although HUD has limited its definition of the chronically homeless to only include singles as opposed to families, CSH has found that in other communities – e.g. Los Angeles – HUD has applauded efforts to target a more broadly defined chronically homeless population.

Many homeless policy makers and advocates would agree that the increased focus on the chronically homeless is due to their greater visibility as they generally live on the streets as well as the fact that recent studies have shown that they require a disproportionate amount of public services and resources. In recent years, both federal and state governments have issued directives to focus on the chronically homeless and local and county jurisdictions are following suit.

For example, in 2001, the President of the United States reactivated the Interagency Council on Homelessness (it was originally established in 1987 through the McKinney Homeless Assistance Act), which includes 18 federal agencies that are involved in assisting the homeless, and directed the agencies involved to "end chronic homelessness in America in ten years." In addition,

HUD has required that communities participating in the Continuum of Care planning process develop a 10-year plan to end chronic homelessness in their areas. The federal government is clearly looking for creative solutions and wants to see a measurable change.

In a similar effort, the California State administration, at the time led by Governor Gray Davis, created the Interagency Task Force on Homelessness to coordinate state-level activities in order to “end chronic homelessness in ten years.” The Interagency Task Force is co-chaired by the Secretaries of the Business, Transportation and Housing Agency, and the Health and Human Service Agency, and its members include the Secretaries for the Youth and Adult Correctional Agency, the Department of Veterans Affairs, the Secretary of Education, and the Directors of the departments of Alcohol and Drug Programs, Corrections, Employment Development, Housing and Community Development, Health Services, Mental Health and Social Services. Ultimately, the Task Force recommends using existing housing programs and future housing bond funds to increase the number of permanent supportive housing units for the long-term homeless population.

2. INTRODUCTION

The Plan to End Long Term Homelessness in Stanislaus County

The Plan proposes the creation of at least 1,200 units of supportive housing over a 10-year period. This initial 5-year strategy focuses on the development of 500 units of supportive housing. For the purpose of this Plan, a housing unit means either an individual apartment of any size (typically a studio, 1, 2 or 3 bedroom unit) or a bedroom in a shared housing arrangement. (The sponsor of each new project will need to identify the appropriate unit sizes and mix and housing configuration that best suit the population they are serving. In the cases where sponsors are purchasing or leasing existing housing, then the unit size will also be contingent on the availability of housing stock.)

While there are many important support services, transitional programs, shelters and emergency systems of care that serve people who are homeless in Stanislaus County, the Collaborative determined that its objective for this Plan is to create a baseline number of permanent supportive housing units to address the crisis of long term homelessness. Accomplishing this objective will not only positively impact those who are experiencing long term homelessness, but will have residual positive impacts on the various other programs that serve people who are homeless. As noted in the Preface, the long term homeless use a disproportionate amount of the homeless services available. Upon housing this population in a supportive setting, service providers and emergency systems of care will be enabled to function more effectively in serving those who are not the long term homeless population. It is the working assumption of the Collaborative

that these programs provide vital services to people who are homeless and that they will continue to do so during the term of this Plan and beyond. However, the focus of the Plan is on the creation of permanent supportive housing units.

Definition of Supportive Housing

Supportive housing is housing that is affordable to people with the very lowest incomes in which individuals and families hold a lease and are able to stay for as long as they pay rent and meet the obligations of tenancy. Supportive housing is set apart from traditional affordable housing in that tenants are supported by a variety of human and health services which are available on a voluntary basis and which enable them to achieve stability in housing and increased independence.

Supportive Housing Production

This report will propose a variety of housing development strategies that will result in the creation of 500 units of supportive housing, including:

- Master-leasing units that are currently on the market and utilizing rent subsidies to assure affordability;
- Seeking set asides in affordable projects where a service provider or management company would hold a lease to a group of units in one location or building which are then sub-let to chronically homeless individuals and families;
- Acquisition and substantial rehabilitation of partially vacant, substandard, and/or “problem” properties; and
- New construction.

Plan Coordination and Precedents to Implementation

In order to be effective, this Plan must be a working component of a larger, systemic effort to meet the broad housing, health and human services needs of Stanislaus County residents. As such, the Plan sits along side several other important planning documents that address housing needs in the community:

- Continuum of Care Plan
- Consolidated Plan
- Redevelopment Implementation Plans
- Housing Elements

The Ten Year Plan identifies a very specific segment of housing need in the County and focuses its full attention on it. In contrast, the Continuum of Care Plan addresses the full spectrum of needs of the County’s homeless population and provides in-depth analysis of the homeless population, descriptions of existing services and funding, identifies gaps and scopes out a one year plan for

filling the gaps. The provision of housing for people who have been homeless over the long term is one component part of the Continuum of Care Plan, and in a sense, this Plan takes that component and enlarges upon it. The other plans focus on the housing needs of various income cohorts, and none require analysis of, or the production of housing for individuals with incomes below 50% of area median income. However, it is possible within the context of any of these housing plans, to incorporate a prioritization for deeper income targeting such that it can serve people with extremely low or no incomes. A future role for the Collaborative may be to explore the potential to recommend that this priority be included in these plans as they are being prepared and/or updated.

The implementation of this Plan will require shifts in thinking and approaches to housing and supporting chronically homeless individuals and families. In order to ensure its success, the government and public agencies, non-profit organizations, and community members behind this Plan will need to make the following commitments:

- To **develop the vision, energy and commitment** necessary for organizing and implementing a supportive housing development agenda.
- To **think and act in new ways** about existing resources so that even in a time of serious budget pressures and declining funding at all levels of government, meaningful steps can be taken to implement this Plan. Everything from how decisions are made to how funds are invested will require creative thinking and flexibility.
- To **compete more successfully** for a share of important state and federal resources which are available for the capital and operating costs of this housing and the services that make the housing supportive.
- To use existing local, state and federal funds more effectively to **leverage new sources of funding**.
- To **build the capacity** of local public and private organizations to produce the housing and provide the services called for by this Plan combined with willingness to recruit new partners to the work.
- To **develop new levels of partnership and investment** among public and private interests driven by a belief that this Plan will benefit the whole community.
- To **achieve and document a reduction in the use of high-cost local services**.

And, lastly, this Plan will require the leadership of elected officials in implementing proven solutions to the crisis of homelessness in Stanislaus County.

In May 2005, the Collaborative adopted this Plan as the framework for its efforts to end chronic homelessness in ten years. This plan sets ten year goals and establishes initial five-year objectives to begin achieving the ten year goal. In an effort to build the political will of elected officials, as described above, Collaborative members will adopt a timetable for obtaining County Board and City Council endorsements of the Plan. The following is an estimated timeline for accomplishing this:

| | |
|-----------------------------|----------------|
| County Board of Supervisors | September 2005 |
| City of Modesto | October 2005 |
| Other key cities | November 2005 |

The Collaborative's goal is to obtain resolutions from each of these public bodies in advance of the 2006 Continuum of Care application for HUD funding.

3. THE NEED

The Difficulty of "Counting" the Chronically Homeless

In order to determine the number of units that must be created to house the long-term homeless in Stanislaus County, it is important to try to "count" the number of people who meet the definition. This can be a very difficult task and is best understood by looking at some general dynamics of homelessness in America.

There are two basic and very different numbers that are often discussed when attempting to quantify homeless individuals and families. The first method is referred to as a "point in time" count. This number indicates how many people are homeless on any given day and tends to shift significantly from day to day since most homeless Americans without adequate shelter are homeless for relatively brief periods of time. It is also true that even people who are considered long-term homeless may actually have recurring periods of housing in between repeated episodes of homelessness. Both these phenomenon lead to a high degree of what is known as "churning" in the homeless population over the course of a year. For example, when comparing the 5,000 homeless people counted in one geographic area in January and the 5,000 homeless people counted in that same area in June, there is a high likelihood that only a few of the same people appear in both counts. In fact, as was mentioned in the introduction of this report, only 10% to 20% of the total number of people who are homeless over the course of a year are likely to fit the definition of long-term homeless.

The second number that is commonly used in discussing homelessness is one that identifies the total number of people who are homeless for any period of time over the course of an entire year. Typically, this number is derived through calculations that are based on a couple of in-depth “point in time” counts done during a year and from detailed interviews with people who are homeless at that point in time to learn about the typical frequency and duration of homeless episodes. This information is then used to develop “multipliers” to calculate the best estimate of the number of people homeless over a year.

In either case, reliably “counting” the number of people who are homeless in a community at any given point in time or over the course of a year is a daunting task. The only way to achieve any great degree of precision is through expensive and labor intensive street counts that blanket the community in a defined and usually short period of time to count those who are currently in shelters and transitional housing and to identify those who are living in cars, encampments or scattered among alleys, parks, river banks and throughout the rural sections of the county. Even the most thorough street counts will fail to identify some number of homeless individuals and families. This problem is significantly greater in counties such as Stanislaus that have large rural areas.

However, communities have identified a number of approaches to identifying the scope of homelessness with a reasonable degree of accuracy. A common approach is to begin with an in-depth survey of homeless contacts at community-based agencies and then test the findings and assumptions of the survey against the most rigorous national research.

In preparation for the 2002 Continuum of Care planning process, the Collaborative conducted a survey of service providers to identify individuals and families who are homeless. Each provider was asked to produce a tally of unduplicated clients served by the agency in the preceding year. The Collaborative then applied the assumption that approximately 25% of persons and families who are homeless over the course of a year never have any contact with the service system. Contact is avoided, in these cases, for a variety of reasons including mental health issues that lead to social isolation, and desire to avoid contact with “authorities” due to previous negative experience and/or due to immigration status. The compilation of the provider surveys and application of the above assumption resulted in the following annual estimates.

| | |
|--|---------------|
| Estimate of total number of homeless people seeking assistance | 7,567 |
| Estimate of total number of homeless people not seen | 2,648 |
| ESTIMATE OF TOTAL PEOPLE HOMELESS DURING YEAR | 10,215 |
| Percentage of homeless population who are single adults | 36% |
| Percentage of homeless population in families | 64% |

The Best Available Data and Extrapolating the Local Numbers

Beginning with this survey data, the question then becomes how to determine the reliability of these numbers. The most comprehensive study of homelessness in the United States was the National Survey of Homeless Service Providers and Clients (NSHPAC) in 1996. This study provides the background data that is the best consensus analysis available. The study concluded that over the course of any given year, approximately 1% of the total population of the United States would experience homelessness. The study also concludes that there are significant demographic factors that will lead to a greater or lesser percentage of the population being homeless in certain communities. For the purposes of testing assumptions about homelessness in Stanislaus County, the two most important factors to consider are the largely rural nature of the County and the fact that the rate of poverty is higher in Stanislaus County than the national average. The combination of these factors suggests that approximately 2% of the population of Stanislaus County will experience homelessness in any given year.

In addition to this population based estimate, the NSHPAC study suggests that, depending on local factors, the number of people homeless at a given point in time will be 25% to 30% of the number of people homeless over the course of an entire year. Applying these assumptions to Stanislaus County generates this result:

| | | |
|---|----|---|
| Estimate of total population = 450,000 | 2% | 9,000 people homeless in a year |
| | | Approximately 2,000 to 2,500 homeless at any given point in time. |

There is a striking degree of correlation between the NSHPAC assumptions applied in a broad way to the population of Stanislaus County and the data from the 2002 provider survey. It is not surprising that the provider survey shows a somewhat larger number since there was no reliable way to sort out duplicated clients who would appear at more than one agency.

The 2005 Stanislaus "Point in Time" Street Count

In January 2005, the Collaborative organized a street count to more carefully enumerate the number of individuals and families homeless in Stanislaus County at one point in time. The table below summarizes the findings:

**COUNT FOR THE FUTURE 2005
Stanislaus County Homeless Count
Conducted: 1/28/05**

| POPULATION | EMERGENCY SHELTER | TRANSITIONAL SHELTER | UNSHELTERED INTERVIEWED | UNSHELTERED OBSERVED | TOTAL |
|--------------------------|-------------------|----------------------|-------------------------|----------------------|-------------|
| INDIVIDUAL MALE | 195 | 90 | 195 | 195 | 675 |
| INDIVIDUAL FEMALE | 63 | 13 | 74 | 113 | 263 |
| INDIVIDUAL UNKNOWN | 16 | 0 | 4 | 32 | 52 |
| # OF FAMILIES | 63 | 39 | 91 | 9 | 202 |
| # OF PERSONS IN FAMILIES | 210 | 91 | 291 | 31 | 623 |
| | | | | | |
| TOTAL | 484 | 194 | 564 | 371 | 1613 |

Given that some number of people are always missed in a street count, and that this problem is particularly significant in large, rural counties such as Stanislaus, the results of the street count appear to validate both the earlier survey data assembled by the Collaborative in 2002 and the statistical analysis that framed the early stages of this planning process.

How Many People in Stanislaus County Are Chronically Homeless?

The purpose of this planning process is to meet the permanent supportive housing need of that portion of the homeless population that is referred to as long-term or chronically homeless. This group is made up of those who have been homeless for a year or longer or who have experienced four or more episodes of homelessness over a three-year period. A significant majority of this population are individuals and/or individuals in families who have multiple barriers to success in housing such as mental illness, substance use issues, HIV/AIDS, other health conditions and other disabilities. This population has often been released from some form of institutional setting or support system such as foster care, hospitalization or incarceration.

Most research suggests that the long-term homeless will make up 10% to 20% of those who are homeless in any given year. For the purposes of this planning process, the Collaborative has chosen to use the more conservative number of 9,000 as an estimate of the number of people homeless in Stanislaus County over the course of a year. This suggests that 2,000 to 2,500 men, women and children are either in emergency shelter, transitional housing or living on the

streets on any given day. Of the 9,000 people homeless in any given year, between 900 and 1,800 will be homeless long-term.

The best available estimate of current resources suggests that there are up to 300 units of supportive housing now being used to house this population in Stanislaus County. The Collaborative believes that if, over the course of the next ten years, Stanislaus County develops an additional 1,200 units of supportive housing targeting people who are now homeless long-term and/or who are at risk of long-term homelessness, the face of homelessness in Stanislaus County will be forever changed and the quality of life for all of its citizens will be dramatically improved.

The following tables project an ambitious ten-year plan to provide a mix of supportive housing types that will meet the needs of the typical groups of individuals and families who are homeless long-term. The cost of developing the units projected for years one through five is detailed in the following sections.

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Sub Total |
|--------------------------------|-----------|------------|------------|------------|------------|------------|
| Homeless Youth | 1 | 1 | 1 | 1 | 1 | 5 |
| Chronically Homeless Adults | 5 | 15 | 10 | 10 | 10 | 50 |
| Chronically Homeless Families | 10 | 15 | 20 | 25 | 30 | 100 |
| At Risk Seniors | 0 | 8 | 10 | 14 | 16 | 48 |
| At Risk Families | 27 | 60 | 60 | 60 | 60 | 267 |
| Diversion: Corrections | 2 | 2 | 2 | 2 | 2 | 10 |
| Diversion: Exiting Foster Care | 4 | 4 | 4 | 4 | 4 | 20 |
| Unit Totals By Year | 49 | 105 | 107 | 116 | 123 | 500 |

| | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Sub Total | TOTAL |
|--------------------------------|------------|------------|------------|------------|------------|------------|-------------|
| Homeless Youth | 1 | 1 | 1 | 1 | 1 | 5 | 10 |
| Chronically Homeless Adults | 43 | 70 | 90 | 90 | 90 | 383 | 433 |
| Chronically Homeless Families | 20 | 20 | 20 | 20 | 20 | 100 | 200 |
| At Risk Seniors | 4 | 7 | 11 | 13 | 13 | 48 | 96 |
| At Risk Families | 40 | 35 | 30 | 20 | 9 | 134 | 401 |
| Diversion: Corrections | 2 | 2 | 2 | 2 | 2 | 10 | 20 |
| Diversion: Exiting Foster Care | 4 | 4 | 4 | 4 | 4 | 20 | 40 |
| Unit Totals By Year | 140 | 140 | 144 | 146 | 146 | 700 | 1200 |

4. COST AND RESOURCE ANALYSIS

According to the Continuum of Care Plan for 2005, the Stanislaus County homeless housing and service providers have created a total of 130 units of permanent supportive housing. (This does not include the public housing and existing Section 8 vouchers that are being utilized by formerly homeless individuals and families with disabilities. It includes only those units that have been developed as part of the community's McKinney/Vento funded programs.) The Stanislaus County Housing Authority in partnership with the Stanislaus County Behavioral Health & Recovery Services Housing Division has recently completed the Miller Pointe Project, a 15-unit permanent supportive housing project. The Continuum of Care Plan also indicates that, including the Miller Pointe Project, there are 93 units of supportive housing in development.

This Plan is proposing to significantly increase housing production for long term homeless people in the County over the next five years. This increased effort to address homelessness will require both the more efficient use of existing financial resources as well as an effort to aggressively pursuing new sources of capital, operating and services funding.

It should be noted that this section focuses only on funding sources used in the creation and operation of permanent supportive housing. For a detailed discussion of the full array of resources funding programs serving people who are homeless, the County's Continuum of Care application provides the best compilation.

This section will present a summary of the resources that can be used to create 500 units of new permanent supportive housing. The total capital resources needed to develop these units is summarized in Exhibit 4. It depicts a breakdown between:

- Local sources (CDBG, HOME and Redevelopment, as well as potentially other local sources that might be available through trust funds, general funds, etc.) at \$3 million per year for five years;
- Tax Credits (9% and 4%) at \$13.3 million over five years; and
- Other Public/Private (State MHP and AB2034, Federal Section 811, SHP and HOPWA and the Federal Home Loan Bank's Affordable Housing Program) at \$20.5 million over five years.

The Section 8 and Shelter Plus Care programs listed below are operating subsidies, however the rental income from these programs can be used to service loans that can be used to pay for development costs.

With the exception of the tax credit program, redevelopment and the Affordable Housing Program, each of the other sources are subject to annual appropriations by either State or Federal government. The State's MHP program is funded

through voter approved bonds and the available proceeds are expected to last another two to three years from the present time.

The financial cost analysis (the Exhibits at the end of this Plan) uses these sources at different levels and in different combinations to represent the range of housing models proposed.

It should be noted at this point that the following analysis does not include funds from the Mental Health Services Act. At the time of this writing, the guidelines and procedures for this significant new source of funding are still being developed. However, it is clear that MHSA funds can be used in different ways and combinations to meet some portion of capital, operating and especially services costs for new supportive housing that serves homeless individuals and families with a mental illness.

Local Funds

Community Development Block Grant Program: Although the Community Development Block Grant (CDBG) program is a federal funding source, it provides broad funding to entitlement communities and to states/small cities. The cities and urban counties determine the funding priorities for the use of CDBG through the Consolidated Plan process. Funds can be used for housing acquisition and rehabilitation (and new construction when sponsored by a "community-based development organization"). Housing is only one of the numerous eligible community development activities, and supportive housing is one potential use. The key to using this funding is getting the commitment on the part of each entitlement community to direct the funds to supportive housing development. According to information given to CSH from members of the Collaborative, CDBG is being used for housing rehab, emergency shelter, and down-payment assistance. In 2003, the Turlock/Stanislaus County HOME consortium received \$1,561,773 in CDBG funds, the unincorporated county received \$2,160,000, and Modesto received \$8,900,000, although half was used for Section 108 loan guarantees.

HOME Program: While not specifically intended for supportive housing, HOME funds can be a very important source of capital for acquiring, rehabilitating or constructing supportive housing. HOME can also be used as a project-based rental subsidy. HUD distributes the funds through block grant formulas to "Participating Jurisdictions" (PJ's). Like CDBG, a participating jurisdiction establishes funding priorities through its Consolidated Plan. Key features of this program are:

- HOME funds require a match of at least \$.25 of non-federal sources per HOME dollar, so they must be blended with local or state funding;

- There are some restrictions on eligible uses for HOME (e.g., can't be used to fund reserves or furnishings), so project sponsors need to consult the most current eligibility regulations;
- HOME's income restrictions work well with housing for homeless persons, since at least 20% of the rental units must be for persons with incomes below 50% AMI, and the balance cannot exceed 80% AMI; and
- There is a 15% set-aside for Community Housing Development Organizations (most commonly referred to as "CHDO's"), so it is well worth trying to qualify supportive housing sponsors as CHDO's.

According to information given to CSH from members of the Collaborative, in 2003, Turlock/Stanislaus County received \$1,481,000 in HOME funds and Modesto received \$2,454,572, although half was a carryover from the previous year.

Redevelopment Funds (also referred to as tax increment financing; Low/Mod Set Aside): Tax increment financing (TIF) is tax revenue generated by new development in redevelopment areas. In California, Redevelopment Agencies are required to set aside at least twenty percent of their tax increment for low and moderate income housing. Officials have broad discretion over the use of TIF funds, so it can be used for a variety of development purposes and capital projects, including supportive housing. It is important to remember that TIF funds must be spent in redevelopment areas, with some flexibility allowed in cases where certain strict regulatory criteria are met. Redevelopment Agencies designate redevelopment areas.

According to information given to CSH, there are Redevelopment Agencies in Modesto, Ceres, Turlock, Oakdale, Hughson, Patterson, Stanislaus-Ceres and Newman, as well as a County Agency.

These local funding programs are currently being tapped for a variety of housing and community development purposes. A key tenet of this Plan is that creating supportive housing should be a County priority, and that the allocation of a portion of these funds toward that end is necessary to accomplish the goal of ending long term homelessness in the County. The high cost of homelessness to the County provides a rationale for expending a higher share of these funds for this use on a time limited basis. In addition, it is important to note that State funds for Supportive Housing will run out in the next three to four years, and therefore provides a timeframe for using local funds to leverage these important State dollars.

State Sources

Multifamily Housing Program (MHP): This program is administered by the California Department of Housing and Community Development. The current

program has a special set aside of funds for supportive housing, funded with bond funds approved by the voters in 2002 (Proposition 46). This is a loan program that provides funding in an amount that is calculated on a per unit basis (based on unit size). The loan terms are very favorable and require only a small interest payment to be made each year, with the principal and balance of interest deferred. This source can provide between 30% and 50% of total development costs. Key features of this program are:

- Applications will be accepted year round (“over the counter”);
- This funding is provided to the project upon completion of construction (permanent phase);
- The application process is very complicated, but supportive housing sponsors can submit a simpler pre-application and the State will provide technical assistance to all supportive housing applicants;
- Applicants must meet experience criteria that are complex and therefore careful scrutiny of these requirements is recommended before applying; and
- MHP funds cannot be used in a project that is using 9% tax credits, but can be used with 4% tax credits.

Low Income Housing Tax Credits (9%): This program is administered by the California Tax Credit Allocation Committee. (This program is actually a federal program, with a statewide counterpart, regulated by the Internal Revenue Code, but since it is administered by the state, it is shown as a state source.) It provides a dollar for dollar tax credit to investors in affordable housing. Applicants apply for the tax credits and then sell them to investors. The sales proceeds become equity to the project. This funding source can provide between 50% and 60% of total development costs. Key features of this program are:

- There are typically two application rounds per year;
- This program is highly competitive and often requires multiple applications before an award is made;
- The application process is highly technical and complex and requires legal and economic consulting assistance to prepare; and
- Project sponsors will need to have a high level of capacity in order to attract a tax credit investor.

Four percent tax credits are available throughout the year and generally are not sought on a competitive basis. Four percent credits are provided to projects with tax exempt financing. They offer less equity than the 9% credits (approximately half).

Tax Exempt Bonds: Tax exempt bonds work like a mortgage to a project, however with very favorable interest rates. Various public entities can issue bonds such as Housing Authorities and cities (by forming a public financing authority). At the State, the California Housing Finance Agency (CalHFA) issues bonds and with those proceeds has created a “Special Needs Lending Program”

that provides loans at a 1% - 3% interest rate. As noted above, tax exempt financing enables the project to access 4% tax credits.

The key consideration in seeking this type of financing for a project is whether the operations can support a debt service payment, because, even with low interest rates, there is still a payment that needs to be supported each month from the operating budget. It is estimated that bonds can generate between \$10,000 and \$15,000 per unit to pay for the cost of development.

AB2034 (Integrated Services for Mentally Ill Homeless Adults): This program is administered through the California Department of Mental Health and provides annual funding to Counties that previously competed for the first series of awards in 1999. The use of these funds is very flexible as the Department of Mental Health has set forth as a key tenet the concept that the Counties do "whatever it takes" to stop the cycle of homelessness among those with mental illness. In Stanislaus, approximately \$12,000 per client is expended on a variety of needs, including housing rental costs. AB2034 has been very successful as a source of rental assistance and services funding, but can also be used to pay for the capital costs of development.

Mental Health Services Act (MHSA: Formerly Proposition 63): As noted above, significant new funds will be available beginning in 2006 for meeting the needs of homeless people with a severe mental illness. In the first three years, MHSA funds will include a set-aside amount for Capital Facilities and Information Technology. There are a number of needs that will be addressed through this early capital funding. Clearly, the development of some supportive housing is one eligible use for these funds. The County is currently engaged in creating its implementation/spending plan for the MHSA Community Services and Supports funds. These funds are designed with the same flexibility as the AB 2034 program so will certainly be available to cover service costs for eligible people and may also meet some of the needs for operating subsidies for new supportive housing.

Federal Sources

Supportive Housing Program (SHP): SHP funding can be obtained annually through the McKinney/Vento Homeless Assistance Programs NOFA. In Stanislaus County, the Collaborative is the lead agency that applies for these funds. A maximum of \$400,000 per project is available for the capital cost of development.

Section 811 (Supportive Housing for Disabled Persons): This federal program has an annual funding cycle and is highly competitive. It provides both capital funding (in an amount which last year averaged \$100,000 per unit) and a rental assistance contract for all the units. Key features of this program are:

- Designed for projects that will house low income disabled persons;

- Project size is limited each year to a certain number of units which typically has ranged between 16 and 24;
- There are several program requirements that can make layering this source with other federal sources either difficult or impossible; and
- Income eligibility is limited to households at or below 50% of area median income, however, restricting the units for lower income households is not permitted.

It is highly recommended that the regulations for this program be carefully scrutinized and compared with goals of the projects prior to applying for these funds.

Section 8 Vouchers: This is a Federal program that is administered by local Housing Authorities. The vouchers provide a rent subsidy for qualifying individuals and families (incomes at or below 50% of area median income). Vouchers provide a set amount based on fair market rents, and there are some cases where voucher holders can pay more than 30% of their income for rent. Vouchers are most often provided directly to households, however, Housing Authorities may “project base” vouchers – that is, designate the vouchers to a specific project for a period of ten years, thereby providing a stable source of rental revenue to a developer and enabling the borrowing of funds against that revenue stream. This is a critically valuable tool in providing housing to those who have been chronically homeless and have little means to pay for rent.

The Stanislaus County Housing Authority currently has a total of 3,983 Section 8 vouchers under its jurisdiction, of which 700 are utilized by people with disabilities.

Shelter Plus Care (S+C): This program is another component of the McKinney/Vento Homeless Assistance Programs. Similar to the Section 8 vouchers, the Shelter Plus Care vouchers provide rental assistance, however it is limited to homeless people with disabilities. Shelter Plus Care can be provided directly to tenants, to sponsors to distribute to clients, or to a project. Like the project basing of Section 8 vouchers, the project based Shelter Plus Care program can be an important component of creating new supportive housing.

Stanislaus County currently has 69 Shelter Plus Care vouchers of which 15 are project based. The remaining 53 are tenant based.

Housing Opportunities for People With AIDS (HOPWA): Another component of the McKinney/Vento Homeless Assistance Programs, HOPWA can be used for a variety of purposes including services, rental assistance and the capital costs of development. Oversight of the HOPWA program varies in different jurisdictions. In Stanislaus County, the Ryan White Consortium administers the HOPWA program.

Private Sources

Affordable Housing Program (AHP): This program is run by the Federal Home Loan Bank. It provides deferred loans and grants to projects that meet certain eligibility criteria. There are funding rounds twice a year, in April and October. This program is competitive and provides an average of \$5,000 per unit. Applicants need to be sponsored by a member of the Federal Home Loan Bank (savings and loan banks).

5. THE PLAN

Vision for Ten Years: End Long Term Homelessness by 2014

The Stanislaus Housing and Supportive Service Collaborative has made the commitment to end long-term homelessness in Stanislaus County by 2014.

This Ten Year Vision consists of the following elements:

- Create enough permanent supportive housing and services to meet the need.
- Create support systems to help long term homeless people secure and maintain their housing and employment.
- Establish a mechanism to ensure accountability for the performance and outcomes of the Collaborative's efforts to develop new supportive housing and provide high quality support systems.

Goals for First 5 Years

Agreeing on the necessary components of a 10 year housing plan and making the commitment to implement it is a tremendous undertaking for any community. In order to design the most appropriate and do-able plan for Stanislaus County, CSH recommends that the Collaborative focus on the first 5 years. The housing production goals and implementation strategies outlined in this Plan are the first critical steps toward realizing the Ten-Year Vision. Five years is a manageable and practical timeframe to:

- Identify and secure the increased resources needed to finance the development and operation of 500 units of permanent supportive housing in Stanislaus County;

- Test the strategies and approaches to implement the production effort recommended in this Plan to determine which are best suited to the local community.
- Build the housing development capacity, relationships, political will and alliances necessary for meeting these goals;
- Implement systems to measure progress and maintain accountability towards meeting the goals; and
- Provide results and build the momentum for even greater success in the second five year timeframe.

Priorities for First 5 Years

The Collaborative has identified several populations to be targeted in the first five years of this Plan. They include: homeless youth, chronically homeless adults, chronically homeless families, at risk seniors, at risk families, those exiting the corrections systems, and those exiting foster care. By targeting homeless youth and “at risk” populations and diverting those exiting the corrections and foster care systems, the Collaborative plans to prevent these vulnerable populations from spiraling into long-term homelessness which studies have shown is likely to occur.

The number of units to be created for each target population is shown by year in the table below:

| Permanent Supportive Housing Units by Target Population | | | | | | |
|--|------------------------|---------------|---------------|---------------|---------------|----------------------------------|
| Target Population | Number of Units | | | | | Unit Totals by Population |
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | |
| Homeless Youth | 1 | 1 | 1 | 1 | 1 | 5 |
| Chronically Homeless Adults | 5 | 15 | 10 | 10 | 10 | 50 |
| Chronically Homeless Families | 10 | 15 | 20 | 25 | 30 | 100 |
| At Risk Seniors | 0 | 8 | 10 | 14 | 16 | 48 |
| At Risk Families | 27 | 60 | 60 | 60 | 60 | 267 |
| Diversion: Corrections | 2 | 2 | 2 | 2 | 2 | 10 |
| Diversion: Existing Foster Care | 4 | 4 | 4 | 4 | 4 | 20 |
| Unit Totals By Year | 49 | 105 | 107 | 116 | 123 | 500 |

Housing Development Strategies

In order to meet the goal of creating 500 units of supportive housing, the Collaborative will need to pursue a combination of housing development

strategies. A variety of strategies will help the Collaborative to meet the following objectives:

- Maximizing the use of available sources of funding;
- Managing the difficulty of siting units due to neighborhood concerns regarding the target population; and
- Providing for a variety of unit types and unit settings that match the accompanying variety of programmatic needs and preferences of sponsors and consumers.

The list below describes the different housing creation strategies that are recommended:

1. New Construction: New unit creation is most commonly associated with new construction. This is where a project sponsor purchases a vacant piece of land, or a piece of land with improvements on it that will be demolished, and newly constructs a building. The key advantage to this approach is that it provides the sponsor with a clean slate to design and develop a property from the ground up. A disadvantage is that it can take several years from project conceptualization until lease-up due to the complicated nature of affordable housing finance and the design approval process. When selecting a site, it is critical that issues such as environmental conditions, zoning and availability of infrastructure are carefully researched and considered.
2. Acquisition/Rehabilitation: This strategy involves acquiring a property which is either already a residential building or a building with a non-residential use that will be converted to residential (also known as “adaptive re-use”), then rehabilitating it and re-opening it as supportive housing. In some cases, it is possible to carry out this approach without the rehabilitation – when a property is in excellent condition or just recently built by a developer looking to sell the entire building (known as “turn-key” development). It is more common, however, that buildings acquired this way need some level of renovation and it is important to remember that there are several useful sources of project financing that require a minimum amount of rehabilitation. Another important consideration when acquiring existing residential buildings is whether there are tenants already living there and how relocation requirements will impact the budget as well as the tenants and the surrounding community.

Examples of buildings that are non-residential that can be purchased and converted to permanent supportive housing are motels, board and care facilities, commercial and industrial spaces, and other institutional properties. Rehabilitation costs can be high with these adaptive re-use properties, and relocation requirements may also apply. In addition, non-residential buildings also tend to be located in areas with no commercial services and public transportation or other residential neighborhood amenities. Unless the properties are located in a larger redevelopment area which is going to be

transformed into a mixed use or residential neighborhood, the surrounding neighborhood may not be appropriate for permanent supportive housing development.

3. Set Asides: This strategy involves a supportive housing sponsor obtaining an agreement from the developer of a non-supportive, affordable housing project to set aside a certain number, or percentage, of their units as supportive housing. While this is a seemingly simple concept, there are numerous variables that make this difficult to actualize. To start, there needs to be a pipeline of affordable housing rental housing development in the area. (While it is also possible to seek set asides with for-profit developers, there is often a conflict between the goals of supportive housing and those of a profit motivated venture that can make these arrangements difficult.) An important ingredient to using this strategy is building the local political will to pressure developers to accommodate these set asides. There is often a fear amongst developers unfamiliar with homeless people with special needs that housing such households will be a burden, or be detrimental, to the demand and marketability of their project. Finally, the sponsor may need to bring funding into the project to get a commitment of units, but this can also serve as an incentive to the for-profit developer because they are not eligible for some of the funding which the non-profit can access.

4. Master Leasing: Master leasing is a method for creating new units which does not involve development. By master leasing units in an existing apartment building (either a few units, a floor, or a whole building), a supportive housing sponsor can secure units for consumers much faster than through development. Master leasing typically requires identifying willing landlords – both for-profit and non-profit - who will either lease to the sponsor, or directly to the consumer. Key advantages are the quick timing and the lack of risk placed on the sponsor. Disadvantages are that master leasing requires a commitment and skill level of staff on the part of the sponsoring agency to work with the landlords, and since the units are not owned, they can fall out from the program upon termination of the lease term. This strategy also does not allow the sponsor to develop and own a financial asset.

There is no one “right answer” to designing the ideal combination of these strategies. Factors that will play into how these strategies are mixed and matched relate to the real estate market, the political climate, the availability of land, and the development pipeline of affordable rental properties. For the purpose of analyzing the financing of these strategies, the following assumptions are made:

- New Construction and Acquisition/Rehabilitation are consolidated into a single “Development” category

- Set-Asides are not included in the housing development scenarios, but any one of the development scenarios could be a piece of a larger project that the supportive housing units are set aside within.

Capital Financing Scenarios

In order to create a road map toward the creation of 500 new supportive housing units, this Plan divides the strategies into two major components:

1. Master Leasing – 150 units
2. Development – 350 units

Of the 350 units to be developed, it is proposed that a likely division of project types would include:

- 100 units developed in small projects averaging ten units per project;
- 150 units developed in medium projects averaging 25 units per project; and
- 100 units developed in large projects averaging 50 units per project

This analysis also assumes that of the 500 units, approximately 207 of the units would serve families and 293 units would serve single individuals. Please see Exhibit 1 for a breakdown of project types, sizes and population.

The following section describes the two components and how the financing for each could work. Proposed sources of funding are also included and described in more detail in Section 4 - Cost and Resource Analysis above. Please see Exhibit 2 for a breakdown of project costs for each development approach.

I. Master Leasing

As noted above, the master leasing strategy (also referred to as “scattered sites”) is an important vehicle for bringing new units on line quickly and for a low upfront cost. The project sponsor does not need to pay the cost to acquire property, rehabilitate property, or newly construct buildings. The two key cost factors are a small amount of up front cost to create an incentive for landlords to rent to the consumer and the rental subsidy that will likely be needed to make up the difference between the market rent and the amount the consumer can afford.

Financing: In the financial analysis (Exhibit 2), it shows a “Rent Incentive Payment” – or a one time payment - which is equivalent to 25% of the annual rent payment. For the purpose of this analysis it is averaged at \$2,147 for units for single individuals and \$4,506 for family units. Rent subsidies are averaged at \$413 per month for single individuals (\$4,956 per year per individual) and \$807 per month for families (\$9,684 per year per family). Exhibit 3 shows the annual cost of \$458,784 to subsidize 108 efficiency apartments and \$406,728 for to subsidize 42 family sized apartments.

There are cases where an available property requires some rehabilitation, and that is a cost that the project would need to bear, with the cost determined on a case-by-case basis. It is recommended that properties requiring extensive rehabilitation not be master leased. To do so without repairing them adequately is both deleterious for the tenant, as well as a liability for the project sponsor. To take on significant rehabilitation without either a long-term lease agreement or an ownership interest is not financially advisable.

- **Proposed Sources of Financing:** The financing burden for master leasing is typically small on the front end. As a result, it is recommended that local sources with flexible terms on use of funds be used. AB2034 funding is often used for this kind of a program and is an excellent source. The Stanislaus Behavioral Health and Recovery Services has been using AB2034 funding successfully at the 5th Street project (now known as Garden Gate), a transitional project owned by STANCO, a local non-profit housing developer, to house mentally ill homeless persons. This model is being lauded by everyone involved and should be replicated in a master leasing approach for permanent, supportive housing.

Other possible sources for master leasing are CDBG, redevelopment funding, and other flexible local sources.

II. Development

To develop 350 units of supportive housing in five years will involve a tremendous amount of hard work, non-profit capacity and funding from a variety of sources, at all levels of government. The development scenarios below are prototypes to provide an illustration of how these units could be developed. In fact, actual development might take shape in different configurations based on availability of real estate, developer capacity, availability of funding sources, and other local market conditions.

The scenarios described below could be either new construction or acquisition/rehabilitation. It is assumed that rehabilitation will cost as much as new construction, although it may be that a project site will be identified that does not require a substantial level of rehabilitation. The financial models (the Exhibits) are divided by singles and families to simplify the cost analysis; but again, actual development may in fact result in properties serving mixed populations. Sections a., b., and c. below describe the capital financing plan for each project type. The purpose of providing this information in this format, in addition to the financial model spreadsheets is to illustrate the menu of sources available and identify those which are most appropriate to and/or restricted to certain project types and sizes.

- A. **Small Projects – Proposed Financing Structure:** This Plan proposes developing 100 units in 10 different projects consisting of approximately

10 units each. It is assumed based on the target populations that 60 of these units would be efficiencies for singles and 40 of the units would be 3 BRs for families. See the Exhibit 1 for the Projected Project Models. Exhibit 2 shows the total development costs for each unit as well as the total number of units by project models/size. Total development costs, including acquisition (vacant land and/or buildings), construction/renovation costs, move-in/furniture allowance & soft costs, for an efficiency unit in a 10 unit project of supportive housing equals \$122,900. On this same page, it is shown that the total development costs for a 3 BR unit to serve families in a 10 unit project equals \$182,450. It is likely that out of the approximately ten projects with ten units each, there will be a mix and match of sources for each, although these size projects will not rely on tax credits – either 4% or 9% credits. In order to simplify the modeling, “types” or “levels” of financing have been grouped together as sources. Exhibit 4 shows the financing sources broken down by project size. The most likely sources of funding within these “types” or “levels” are as follows:

Local funding would come through:

- HOME, CDBG and/or Redevelopment funds at \$50,000 per unit.

Other public and private sources would include:

- Affordable Housing Program (AHP) at an average of \$5,000 per unit.
- Housing Opportunities for People With AIDS (HOPWA) funding could be utilized for those projects serving individuals with HIV/AIDS. Average amount per unit is assumed to be \$50,000.
- Supportive Housing Program (SHP) funding should be made available for several of these projects. This source would bring \$400,000 per project in capital funding. Considering the other potential project types that would be seeking this funding, it is reasonable to assume that of the five years’ of SHP available to complete this Plan, that two projects (one per year) could assist in financing small projects.
- Section 811 (Supportive Housing for Persons with Disabilities) is a federal source of funding that has in the past only funded a few projects per year in each region. However, there is a potential that this source could fund two projects over the course of the Five Year Plan at \$100,000 per unit.

It is assumed for this analysis that there is no permanent debt on these properties based on their size. However, it is possible that a solid commitment of project based Section 8 vouchers could enable a property to take on a small amount of debt. Typically, vouchers could generate approximately \$10,000 per unit which could be used for development.

B. Medium Projects - Proposed Financing Structure: This Plan proposes developing 150 units in six different projects consisting of approximately

25 units each. It is assumed based on the target populations that 75 of these units would be efficiencies for singles and 75 of the units would be 3 BRs for families. See Exhibit 1 for the Projected Project Models. Exhibit 2 shows the total development costs for each unit as well as the total number of units by project models/size. Total development costs, including acquisition (vacant land and/or buildings), construction/renovation costs, move-in/furniture allowance & soft costs, for an efficiency unit in a 25 unit supportive housing project equals \$109,460. On this same page, it is shown that the total development costs for a 3 BR unit to serve families in a 25 unit project equals \$170,460. It is likely that out of the six projects with 25 units each, there will be a mix and match of sources for each, including either 4% or 9% credits. In order to simplify the modeling, "types" or "levels" of financing have been grouped together as sources. Exhibit 4 shows the financing sources broken down by project size. The most likely sources of funding for medium sized projects within these "types" or "level's are as follows:

Tax Credit Financing:

- 9% Low Income Housing Tax Credits are a potential source of equity for several of these deals. This source is highly competitive, and more conducive to larger scale projects due to the highly complex nature of applying for them, the need to identify a tax credit investor, and the monitoring requirements. It is likely that two 25 unit projects could be successful over a five year period in obtaining 9% low income tax credits, the largest share of equity possible through this program. It is estimated that each project could expect between and \$2 and \$3 million in tax credit equity.

Local funding:

- Local funding through HOME, CDBG and/or Redevelopment at \$40,000 per unit.

Other public and private sources would include:

- Affordable Housing Program (AHP) at an average of \$5,000 per unit.
- Housing Opportunities for People With AIDS (HOPWA) funding could be utilized for those projects serving individuals with HIV/AIDS. Average amount per unit is assumed to be \$50,000.
- Supportive Housing Program (SHP) funding should be made available for several of these projects. This source would bring \$400,000 in capital funding. Considering the other potential project types that would be seeking this funding, it is reasonable to assume that of the five years' of SHP available to complete this Plan, that two projects (one per year) could assist in financing medium sized projects.

- Multifamily Housing Program, or “MHP” is a State-run housing fund that has a specific set aside of funds for supportive housing. It provides funding on a per unit basis, with loans for single units (efficiencies) at \$69,000 per unit, and loans for family units (3 bedrooms) at \$88,000 per unit. (MHP cannot be used with 9% tax credits.)
- Tax Exempt Bonds and 4% Tax Credits work well together and are an important tool in financing these projects. Tax exempt financing essentially is a mortgage on the property, but it offers very favorable interest rates. In addition, upon receipt of tax exempt financing a project is eligible for 4% tax credits, which need to be applied for, but typically are provided for on a non-competitive basis. Debt is estimated as generating \$15,000 per unit, and 4% tax credits provide approximately half of what 9% credits offer (or, \$1 to \$1.5 million per project).
- The California Housing Finance Agency (CHFA) offers loans that are tax exempt financing specifically for supportive housing under their “Special Needs Lending Program.” This program offers interest rates between 1% and 3%, thereby enabling a project to generate more mortgage, more capital resources for the development.

NOTE: The combination of MHP, tax exempt bonds and 4% credits is a very effective structure for these deals.

C. Large Projects - Proposed Financing Structure: This Plan proposes developing 100 units in two different projects consisting of approximately 50 units each. It is assumed based on the target populations that 50 of these units would be efficiencies for singles and 50 of the units would be 3 BRs for families. See Exhibit 1 for the Projected Project Models. Exhibit 2 shows the total development costs for each unit as well as the total number of units by project models/size. Total development costs, including acquisition (vacant land and/or buildings), construction/renovation costs, move-in/furniture allowance & soft costs, for an efficiency unit in a 50 unit supportive housing project equals \$96,980. On this same page, it is shown that the total development costs for a 3 BR unit to serve families in a 50 unit project equals \$157,980. It is likely that out of the two projects with 50 units each, there will be a mix and match of sources for each, including either 4% or 9% credits. In order to simplify the modeling, “types” or “levels” of financing have been grouped together as sources. Exhibit 4 shows the financing sources broken down by project size. The most likely sources of funding for large sized projects are identical to those used for the medium sized projects with the following differences:

- Supportive Housing Program: This Plan assumes SHP will be used for two small and two medium sized projects. Assuming that there

is only room for one permanent supportive housing project per year in the Continuum of Care application, this would leave only one SHP award left for a large project.

- It is assumed that based on the competitiveness of the tax credit program that only one of the two large projects is a 9% deal and the other is an MHP/tax exempt bond/4% tax credit deal.

Operating Subsidies Scenarios

There is a need for operating subsidies, also referred to as rental subsidies, or rental assistance in each development scenario. Operating subsidies are required because the cost to operate units on a monthly basis (pay the cost of property management staff, utilities in common areas, landscaping, replacement reserves, legal and accounting fees, etc.) is commonly more than consumers can afford to pay in monthly rent.

Section 8 Vouchers: The most effective mechanism for providing for this operating deficit is to use Section 8 vouchers that are provided specifically for projects, also known as “Project Based Vouchers.” These vouchers are assigned to a project or unit as opposed to an individual tenant that moves with the tenant. With the subsidy attached to the real estate, the subsidy can often be used as a way for the project to qualify for and service debt on the property. Housing Authorities have the ability to project base some of their voucher supply to the extent that they have vouchers which aren’t currently being used. According to the 2004 Continuum of Care application, the Stanislaus Housing Authority is planning to commit 25 vouchers to project basing in 2005.

Shelter Plus Care: A similar mechanism is the Shelter Plus Care Program. This program also provides rental assistance, but limits it to a specific population: homeless persons with disabilities. Shelter Plus Care is applied for through the McKinney/Vento Homeless Assistance Programs NOFA.

Section 811 Program: The Section 811 capital grant is accompanied by a rental assistance contract that provides the same type of subsidy as Section 8.

These three federal programs essentially make up the difference between the cost to operate the building and the amount of rent a tenant can afford, assuming they are paying no more than 30% of their income on housing costs.

Supportive Housing Program (SHP): SHP offers an operating subsidy, also applied for through the McKinney/Vento Homeless Assistance Programs NOFA. This form of subsidy is not as effective as the others mentioned above due to the fact that it is provided as a flat amount when approved, so that if costs go up by

the time the units are occupied it can become inadequate. Also, the program is limited to a three-year term and has a match requirement.

State Funding: While there is no specific State program designed to provide this level of rental assistance, the AB2034 program, described in more detail in Section 4, above, can provide rental assistance. Counties that receive AB2034 funding (Stanislaus does receive this funding) can structure the use of the funds at their discretion. While this funding source can provide operating subsidies, it is generally done on an annual basis, due to concerns regarding the State budget. Therefore, this Plan has recommended that this source be targeted to providing rental assistance in master leased units.

Local Funding: Local funding can be used to provide operating subsidies to the extent that the source is flexible, such as redevelopment funds, general funds, or other locally generated funds.

Operating subsidies for the master leased units however, will be calculated differently than the developed units. To calculate the cost of subsidizing the rents in master leased units, the cost will be the difference between the market rent the landlord is charging (the 2004 Fair Market Rent is used in our analysis) and the amount the tenant can afford to pay. For the developed units, it would be a “budget-based” consideration, by calculating the difference between the cost to operate the property (typically without debt service) and the amount the tenant can afford to pay. The “cost” for the subsidies used for the developed units are quantified in numbers of units as opposed to a dollar amount for the master leased units.

Service Funding Scenarios

Exhibit 5 suggests a general guideline for the cost of the services that will be necessary in order to enable the tenants of the supportive housing to achieve stability in their housing. It is estimated that the total services costs for single adults in their own unit will average \$4,000 per year while the total services costs for family units will average \$7,500 per year. It is important to note that this is **not a goal for new money that must be raised to support this plan.**

In most communities, the services that make supportive housing successful and sustainable are funded through a **mix of existing services funding, enhanced funding with existing sources, and some new funding.** For example, a new development project funded with MHP Supportive Housing funds can budget the cost of a Service Coordinator as part of the operating costs of the project. This enables “new” funding to support part of the services costs. This Service Coordinator might then assist tenants in accessing existing health and social services for which they are eligible. This might include mental health and

substance abuse services funded by the Stanislaus County Department of Behavioral Health, job training services funded by the Workforce Investment Act, and/or primary care services funded by MediCal.

Another tactic used by some communities to fund services in supportive housing involves modification of existing contracts with community-based organizations that provide County funded services. These modifications require the organization to deliver some of its services in housing settings rather than in community based clinics or service centers.

In order to ensure that comprehensive, flexible services are available to tenants it is important that key policy/decision makers who are responsible for health and human services funding participate in the Pipeline Committee that is outlined below. It is also critical that policy makers, advocates and community based service organizations take a close look at the existing use of community resources to determine areas where significant public resources are being committed in a way that does little if anything to solve the problem being addressed. These resources are the first place that communities should look to identify potential funding sources for use in supportive housing. For example, in one California city, 15 chronically homeless adults used at least \$1,500,000 of emergency services and another \$1,500,000 of other public dollars in just 18 months! And none of those expenditures succeeded in getting any of the 15 into permanent housing and out of the cycle of misusing public services.

6. IMPLEMENTATION RECOMMENDATIONS

1. Establish a **Pipeline Committee** within the Collaborative that is accountable for making sure the units of housing called for in this report are developed. An effective Pipeline Committee will be comprised of staff from County and City departments who oversee funding and manage programs in the areas of housing development, housing operations and supportive services such as mental health, alcohol and drugs, as well as other social services. The Chair of the committee should be a recognized leader from the community and needs to be viewed as an honest broker and facilitator. These individuals would typically have within their existing scope of work addressing the needs of people who are homeless. The Pipeline Committee will report on its activities and be responsible for:
 - Coordinating the funding streams and funding cycles of the various funders to help expedite the creation of housing and leverage each other's resources;
 - Working with elected officials, department heads, sponsors and advocates to secure the level of capital, operating and service funding needed to develop the units of housing;
 - Identifying and keeping track of potential sites and development projects in the pipeline throughout the County;

- Working with partners in the community to help build the organizational capacity and expertise needed to develop and operate the range of housing options proposed in this report;
 - Identifying policy and program strategies to reduce barriers and expedite the development and creation of housing and service opportunities; and
 - Working with sponsors, advocates and community leaders to promote this development agenda and build community and political support for financing and developing the units.
2. Work with the Stanislaus County Housing Authority to explore options for maximizing the use of existing resources and identify ways to secure additional funding. A key component of this work should be to advocate for increasing the number of Section 8 vouchers they will commit to over the five year period. (Project based Section 8 type vouchers are critical to the development of permanent supportive housing because of the extremely low income of the long term homeless population. Project based vouchers are often necessary to leverage capital funding.) A second element will be to amend the Housing Authority's Administrative Plan to include a preference for people who are homeless and disabled.
 3. Use the Candlewood project currently being development by STANCO as a demonstration project for creating permanent supportive housing for the long-term homeless. This project is also an opportunity to create one of the larger projects proposed in the Plan. STANCO has a site secured for this project and is eager to assemble the financing required to make this project real. The development team for this project should include STANCO, as the lead, local funders, service providers, a supportive housing development consultant, and the Housing Authority which can provide project based Section 8 vouchers for the units.
 4. Build the capacity of local groups to create new supportive housing and operate it, in accordance with this Plan. The Pipeline Committee should take several steps to ensure the capacity to carry out this Plan exists:
 - analyze the level of interest and expertise within the local community for developing and operating the range of housing options called for in this report;
 - assess where there may be gaps between existing capacity and that which will be needed to carry out this Plan;
 - offer workshops and trainings sessions for providers interested in developing and operating new supportive housing;
 - provide resources to engage one-on-one technical assistance and consulting support for providers.
 5. Engage the development expertise of a consultant or larger state wide non-profit developer who knows supportive housing development to accelerate the

pace of development. This could be done on a fee basis – as with the consultant - or as a partnership where the larger, non-profit developer gets a portion of the developer fee generated from the actual development projects.

6. Ensure that instruments are in place to track cost savings and cost avoidance achieved through the development of the supportive housing called for by this plan. The Collaborative should ensure that its new Homeless Management Information System enables it to begin tracking concrete outcomes and cost effectiveness to ensure that all programs are built on evidence based practices.
7. Develop more expertise in promoting community acceptance of supportive housing projects – at the neighborhood level with surrounding residents as well as with city councils, planning departments, redevelopment agencies and other decision making bodies. Design and launch a campaign for building community understanding and acceptance of housing the individuals and families to be assisted under this Plan.
8. Focus on redevelopment areas and look for development opportunities within those areas. A redevelopment plan presents a process and a basic framework within which specific projects can be developed. The plan provides the redevelopment agency with powers to take certain actions such as buying and selling land within the area covered by the plan, improving dilapidated facilities, and using tax increment financing.

7. CONCLUSION

This 5 year Plan is ambitious, and Stanislaus County leaders will need to commit and redirect significant resources to help advance this agenda. It will also require persistence and diligence in keeping this agenda on the political front burner. Seeking, and then maintaining, support from elected officials and decision-makers is a long term proposition, but will reap rewards as units come on line and evidence reflects the efficacy of this approach to ending long-term homelessness. From it's experience around the country, the Corporation for Supportive Housing has seen that many public agencies, homeless advocates and service providers are recognizing that an investment in permanent supportive housing for long term homeless individuals and families generates significant financial and social benefits for the community – and that the cost of *not* investing in lasting solutions to long-term homelessness is even higher. An investment in permanent affordable housing typically generates a better fiscal and social return on a community's scarce resources than emergency or short-term interventions.

The investments and leadership called for in this Plan may appear daunting. But investing in the status quo will perpetuate the expensive cycle of homelessness and keep vulnerable citizens from realizing their full potential.

Exhibit 1 – Projected Housing Models

5-Year Plan for Ending Long Term Homelessness in Stanislaus County

Developing Permanent Supportive Housing for Chronically Homeless Individuals and Families

Goal: The development of approximately 500 units of housing over the next 5 years for single adults and families who are chronically homeless.

Scope of Analysis: The following cost analysis considers four housing types - a 10-unit, 25-unit and 50-unit apartment building as well as scattered apartments rented from private landlords throughout the County. Each housing type is broken down by a number of units that are appropriately sized to house chronically homeless individuals - i.e. studios and 1 BRs - and chronically homeless families - i.e. 2-4 BRs, but for the purpose of estimating the capital and operating costs for these projects, it is assumed that the family projects are all 3 BR units and the singles projects are all studios/efficiencies.

This analysis also assumes the use of 350 converted, project-based Section 8 vouchers from the Housing Authority, although other options may be available for project based rent subsidy - i.e. Shelter Plus Care. The apartment buildings will be developed as a combination of new construction and gut rehabilitation projects. Please see the written portion of this report for more information on the housing development strategies for each of the housing types. In the case of the scattered apartments secured in the private market, an incentive fee equal to 25% of the annual income will be included in the development costs for these projects.

Security costs were intentionally left out of the operating budgets of the projects analyzed because they can significantly increase annual budgets. Twenty-four hour front desk coverage, however, can be a real need of some projects - especially the larger ones. Therefore, a subsequent analysis will need to be done to determine the required level of security for each project and the added cost.

Breakdown of Projected Housing Models:

| <u>Housing Type</u> | <u>Description</u> | <u>Total # of Projects</u> | <u>Total # Units Developed</u> | <u>Total # Singles Units</u> | <u>Total # Families Units</u> |
|--|------------------------|----------------------------|--------------------------------|------------------------------|-------------------------------|
| Small Apartment Buildings <i>100% Chronically Homeless</i> | 10 unit rehab & n/c | 10 | 100 | 60 | 40 |
| Medium Apartment Buildings <i>100% Chronically Homeless</i> | 25 unit rehab & n/c | 6 | 150 | 75 | 75 |
| Large Apartment Buildings <i>100% Chronically Homeless</i> | 50 unit rehab & n/c | 2 | 100 | 50 | 50 |
| Scattered, Rental Apartments <i>100% Chronically Homeless</i> | 150 units | N/A | 150 | 108 | 42 |
| GRAND TOTALS: | | 18 | 500 | 293 | 207 |

Exhibit 2 – Total Development Costs

5-Year Plan for Ending Long Term Homelessness in Stanislaus County

| <i>Total Development Costs*</i> | | | | | |
|---|--------------------|--------------------------------|------------------------------|--------------------------------|---------------------------|
| <u>Housing Type</u> | <u>Description</u> | <u>Total # of Projects</u> | <u>Total Number of Units</u> | <u>Capital Cost Per Unit</u> | <u>Total Capital Cost</u> |
| <u>Small Apartment Buildings</u> <i>100% Chronically Homeless</i> | 10 unit | 10 | 100 | | |
| | | <i>homeless singles units</i> | 60 | 122,900 | 7,374,000 |
| | | <i>homeless families units</i> | 40 | 182,450 | 7,298,000 |
| <u>Medium Apartment Buildings:</u> <i>100% Chronically Homeless</i> | 25 unit | 6 | 150 | | |
| | | <i>homeless singles units</i> | 75 | 109,460 | 8,209,500 |
| | | <i>homeless families units</i> | 75 | 170,460 | 12,784,500 |
| <u>Large Apartment Buildings:</u> <i>100% Chronically Homeless</i> | 50 unit | 2 | 100 | | |
| | | <i>homeless singles units</i> | 50 | 96,980 | 4,849,000 |
| | | <i>homeless families units</i> | 50 | 157,980 | 7,899,000 |
| <u>Scattered, Rental Apartments</u> <i>100% Chronically Homeless</i> | 150 units | N/A | 150 | | |
| | | <i>homeless singles units</i> | 108 | 2,147 | 231,876 |
| | | <i>homeless families units</i> | 42 | 4,506 | 189,252 |
| | | Total Projects | Total Units | Total Development Costs | |
| GRAND TOTALS | | 18 | 500 | \$48,835,128 | |

Exhibit 3 – Cost of Operating Subsidies

| 5-Year Plan for Ending Long Term Homelessness in Stanislaus County | | | | | |
|--|--------------------|--------------------------------|------------------------------|--|----------------------------------|
| <i>Cost of Annual Rental Subsidy in Number of Subsidies for Development Projects and Annual Dollar Amount for Scattered, Rental Apartments</i> | | | | | |
| <u>Housing Type</u> | <u>Description</u> | <u>Total # of Projects</u> | <u>Total Number of Units</u> | | <u>Total # of Rent Subsidies</u> |
| <u>Small Apartment Buildings</u> <i>100% Chronically Homeless</i> | 10 unit | 10 | 100 | <i>homeless singles units</i> | 60 |
| | | | | <i>homeless families units</i> | 40 |
| <u>Medium Apartment Buildings</u> <i>100% Chronically Homeless</i> | 25 unit | 6 | 150 | <i>homeless singles units</i> | 75 |
| | | | | <i>homeless families units</i> | 75 |
| <u>Large Apartment Buildings</u> <i>100% Chronically Homeless</i> | 50 unit | 2 | 100 | <i>homeless singles units</i> | 50 |
| | | | | <i>homeless families units</i> | 50 |
| Grand Totals | | 18 | 350 | Total # of Rent Subsidies | 350 |
| | | | | Total # of Rent Subsidies for Homeless Singles | 185 |
| | | | | Total # of Rent Subsidies for Homeless Families | 165 |
| | | | | Total Annual Dollar Amount | |
| <u>Scattered, Rental Apartments</u> <i>100% Chronically Homeless</i> | 150 units | <i>homeless singles units</i> | 108 | | \$458,784 |
| | | <i>homeless families units</i> | 42 | | \$406,728 |

Exhibit 4 – Capital Financing Sources

5-Year Plan for Ending Long Term Homelessness in Stanislaus County

Capital Financing Sources

Assumptions used in this projection:

For the ease of modeling, except for the smaller projects not receiving tax credits, the production projects assumed similar ratios of tax credit, local subsidy and other financing. In reality, projects will vary with smaller projects likely using no tax credits and relying more heavily on other sources while larger projects will likely use a larger portion of tax credits and less other sources.

It should also be noted that in the earlier years, more of the scattered site units will come on line as the development pipeline is filled for the production.

These capital figures includes acquisition, construction/renovation costs, move-in/furniture allowance & soft costs.

| Housing Type | Total # of Projects | Total Number of Units | Total Number of Projects | 9% Low Income Housing | | 4% Low Income Housing | | Local | | Other Public & Private | | TOTAL CAPITAL Per Project |
|-------------------------------------|-------------------------|-----------------------|--------------------------|--|----------|--|----------|----------------------|----------|---|----------|---------------------------|
| | | | | Tax Credits | per unit | Tax Credits | per unit | Subsidy | per unit | Sources | per unit | |
| Small Apartment Buildings | 10 unit | 10 | 100 | | | | | | | | | |
| 100% Chronically Homeless | homeless singles units | 60 | 6 | 0 | 0 | 0 | 0 | 3,000,000 | 50,000 | 4,374,000 | 72,900 | 7,374,000 |
| | homeless families units | 40 | 4 | 0 | 0 | 0 | 0 | 2,000,000 | 50,000 | 5,298,000 | 132,450 | 7,298,000 |
| Medium Apartment Buildings | 25 unit | 6 | 150 | | | | | | | | | |
| 100% Chronically Homeless | homeless singles units | 75 | 3 | 1,601,963 | 21,360 | 1,323,110 | 17,641 | 3,000,000 | 40,000 | 2,284,427 | 30,459 | 8,209,500 |
| | homeless families units | 75 | 3 | 2,504,727 | 33,396 | 2,068,730 | 27,583 | 3,000,000 | 40,000 | 5,211,043 | 69,481 | 12,784,500 |
| Large Apartment Buildings | 50 unit | 2 | 100 | | | | | | | | | |
| 100% Chronically Homeless | homeless singles units | 50 | 1 | 0 | 0 | 1,176,910 | 23,538 | 2,000,000 | 40,000 | 1,672,090 | 33,442 | 4,849,000 |
| | homeless families units | 50 | 1 | 4,655,429 | 93,109 | 0 | 0 | 2,000,000 | 40,000 | 1,243,571 | 24,871 | 7,899,000 |
| Scattered, Rental Apartments | 150 units | N/A | 150 | | | | | | | | | |
| 100% Chronically Homeless | homeless singles units | 108 | N/A | N/A | | N/A | | N/A | | 231,876 | 2,147 | 231,876 |
| | homeless families units | 42 | N/A | N/A | | N/A | | N/A | | 189,252 | 4,506 | 189,252 |
| | Total Projects | Total Units | | 9% Low Income Housing Tax Credits | | 4% Low Income Housing Tax Credits | | City Subsidy | | Other Public and Private Sources | | TOTAL CAPITAL |
| Grand Totals | 18 | 500 | | \$ 8,762,119 | | \$ 4,568,750 | | \$ 15,000,000 | | \$ 20,504,259 | | \$ 48,835,128 |

Exhibit 5 – Annual Cost for Services

| 5-Year Plan for Ending Long Term Homelessness in Stanislaus County | | | | | | |
|---|--------------------|----------------------------|--------------------------------|---|--|----------------------------|
| <i>Annual Costs for Services</i> | | | | | | |
| The annual cost to provide adequate support services to a singles unit is estimated at: | | | | \$ 4,000 | | |
| The annual cost to provide adequate support services to a families unit is estimated at: | | | | \$ 7,500 | | |
| <u>Housing Type</u> | <u>Description</u> | <u>Total # of Projects</u> | <u>Total # Units Developed</u> | <u>Total # Homeless Singles Units Developed</u> | <u>Total # Homeless Families Units Developed</u> | <u>Total Service Costs</u> |
| Small Apartment Buildings <i>100% Chronically Homeless</i> | 10 unit | 10 | 100 | 60 | 40 | \$ 540,000 |
| Medium Apartment Buildings <i>100% Chronically Homeless</i> | 25 unit | 6 | 150 | 75 | 75 | \$ 862,500 |
| Large Apartment Buildings <i>100% Chronically Homeless</i> | 50 unit | 2 | 100 | 50 | 50 | \$ 575,000 |
| Scattered, Rental Apartments <i>100% Chronically Homeless</i> | 150 units | N/A | 150 | 108 | 42 | \$ 747,000 |
| GRAND TOTALS: | | 18 | 500 | 293 | 207 | \$ 2,724,500 |

Exhibit 6 – Base Assumptions

| 5-Year Plan for Ending Long Term Homelessness in Stanislaus County | | | |
|---|--|-----------------|---|
| <i>Base Assumptions</i> | | | |
| Total Number of Housing Units: | | | |
| <i>Chronically Homeless Individuals</i> | 293 | | |
| <i>Chronically Homeless Families</i> | 207 | | |
| Total | <u>500</u> | <i>units</i> | |
| 2004 Base Incomes for Modesto MSA (Stanislaus County) & Rents (per month): | | | |
| | rents | income | |
| <i>Chronically Homeless Individuals</i> | | | |
| 15% of median | 136 | 454 | |
| <i>Chronically Homeless Families</i> | | | |
| 15% of median | 195 | 650 | |
| 2004 Fair Market Rents for Modesto MSA (Stanislaus County) (per month): | | | |
| efficiencies | 549 | | |
| 3 BR | 1,002 | | |
| Vacancy: 10% in first year; 5% thereafter | | | |
| Operating Costs (per month): | | | |
| | Basic Operating Costs | | Total Operating Costs/Year |
| <i>Small Apt. Building (10 unit)</i> | | | |
| efficiencies | 333 | | 4,000 |
| 3-bedroom | 375 | | 4,500 |
| <i>Medium Apt. Building (25 unit)</i> | | | |
| efficiencies | 292 | | 3,500 |
| 3-bedroom | 333 | | 4,000 |
| <i>Large Apt. Building (50 unit)</i> | | | |
| efficiencies | 250 | | 3,000 |
| 3-bedroom | 292 | | 3,500 |
| <i>Scattered, Rental Apartments (equal to 2004 FMRs)</i> | | | |
| efficiencies | 549 | | 6,588 |
| 3 BR | 1,002 | | 12,024 |
| Note: Operating costs for a typical families project were estimated by a local developer at \$4000/year, although this estimate seems low compared to other supportive housing projects assisted by CSH. | | | |
| Trending: | | | |
| Rents | | 2.0% | |
| Operating Costs | | 4.0% | |
| Total Construction and Acquisition Costs (for new construction and rehab): | | | |
| | Construction Costs per Unit | | Site Acquisition (vacant land and buildings) |
| <i>Small Apt. Building (10 unit)</i> | | | |
| efficiencies | 100,000 | | 20,000 |
| 3 BR | 150,000 | | 20,000 |
| <i>Medium Apt. Building (25 unit)</i> | | | |
| efficiencies | 90,000 | | 20,000 |
| 3 BR | 140,000 | | 20,000 |
| <i>Large Apt. Building (50 unit)</i> | | | |
| efficiencies | 80,000 | | 20,000 |
| 3 BR | 130,000 | | 20,000 |
| <i>Scattered, Rental Apartments</i> | | | |
| efficiencies | 1,647 | <i>per unit</i> | 25% % annual rent incentive pmt. |
| 3 BR | 3,006 | | |
| Soft Costs: 20% TDC | | | |
| Move-in/Furniture Allowance: 500 efficiency, 1500 3 BR | | | |
| Interest Earned on Reserves: 2% | | | |
| Equity Pay-in: 0.85 per LIHTC \$ | | | |
| City Subsidy for Capital: 40,000 per unit for medium and larger projects, 50,000 per unit for smaller projects | | | |
| Interest on Debt: 0% | | | |
| Tax Credit Rates: 30% September 2004, 70% 3.44%, 8.33% | | | |