

Date: April 11, 2012

To: City Manager Marc Ott
Assistant City Manager Bert Lumbreras
Mayor Lee Leffingwell
Mayor Pro Tem Sheryl Cole
Councilmember Chris Riley
Councilmember Laura Morrison
Councilmember Bill Spelman
Councilmember Kathie Tovo
Councilmember Mike Martinez

From: Ed McHorse, Chair, Leadership Committee on Permanent Supportive Housing Finance

Regarding: Comprehensive Financing Recommendations for 350-Unit PSH Goal

On March 10, 2011, the City of Council approved Resolution No. 20110310-025, adopting a Permanent Supportive Housing Strategy calling for the creation of 350 units of permanent supportive housing by year-end 2014. In order to advance this initiative, the resolution also instructed the City Manager to convene a Leadership Committee on PSH Finance, tasked with reviewing the PSH Strategy and recommending a comprehensive public-private financing strategy for creating the 350 units. This memo summarizes the recommendations of that committee.

The committee was convened in April of 2011, and has included representation from the City of Austin, Travis County, Central Health, Veterans' Affairs, Austin Travis County Integral Care, Travis County Housing Authority, the Housing Authority of the City of Austin, Downtown Austin Alliance, Seton Healthcare Family, Religious Coalition for the Homeless, and Ending Community Homelessness Coalition (ECHO). Chaired by Ed McHorse (who also serves as Chair of ECHO) and staffed by a consultant from Corporation for Supportive Housing, the committee met 8 times between April 2011 and April 2012. The committee met on April 11th, and affirmed the recommendations included in this memo.

Total costs of the PSH initiative include \$21,568,173 in one-time capital expenditures for construction and/or rehabilitation of 250 units; the remaining 100 units are expected to be deployed by leasing pre-existing housing. In addition, the initiative will require, at full occupancy of 350 units, \$4,130,000 in annual service dollars, as well as annual rental subsidies valued at approximately \$2,994,600, based on current HUD Fair Market Rent for the Austin/San Marcos MSA. These projected expenditures, as well as their exact timing, are estimates based on the analysis contained in the City of Austin Permanent Supportive Housing Strategy presented to Council on September 30, 2010.

Recommended PSH Capital Financing Strategy

The committee affirms the need for diverse financing sources for the construction costs of 250 new PSH units, utilizing a variety of local funds while leveraging other state, federal, and private resources.

As noted in the table below, the pending General Obligation Bond election is a primary projected capital funding source, with over \$7 million in new bond proceeds dedicated to the current PSH goal; additional 2012 bond proceeds, if available, would fund further PSH units in subsequent years in order to further address the critical community-wide need for 1889 total PSH units. Note that the release date for proceeds of any approved 2012 bonds is estimated here; delays in funding release could result in a longer timeline for final deployment of units. The committee recommends that PSH units funded via the bond initiative be restricted to providers implementing a Housing First approach, including commitments to utilize screening criteria which facilitate admission for targeted populations with severe barriers to housing, including histories of criminal justice involvement or eviction.

Other sources, such as financing deriving from the Low Income Tax Credit program, the State Housing Trust Fund, and the Federal Home Loan Bank, are out of the direct control of local jurisdictions, but are deemed reasonable given local developers' experience in securing these funds.

Recommended Capital Financing Strategy	Total Costs	Financing Commitments by Year			
		2011	2012	2013	2014
Capital Financing Expenditures:	\$21,568,173	\$4,875,675	\$3,901,553	\$7,864,030	\$4,926,915
<u>Projected Sources</u>					
Neighborhood Stabilization Program	\$3,000,000	\$3,000,000	0	0	0
Austin: General Obligation Bonds FY2011/2012	\$2,775,000	\$1,775,000	\$1,000,000	0	0
Low Income Housing Tax Credits	\$4,070,000	\$0	\$2,066,000	\$2,004,000	0
State Housing Trust Fund	\$200,000	0	\$0	\$100,000	\$100,000
Federal Home Loan Bank Affordable Housing Program:	\$2,199,999	0	\$733,333	\$733,333	\$733,333
City of Austin federal funds: HOME, CDBG	\$800,000	0	0	\$500,000	\$300,000
Austin: General Obligation Bonds: 2012 Bond Issue	\$7,300,000	0	0	\$4,000,000	\$3,300,000
Travis County General Fund	\$650,000	0	\$0	\$300,000	\$350,000
Philanthropic	\$576,457	\$100,675	\$102,200	\$230,000	\$143,582
TOTAL FINANCING EXPENDITURES:	\$21,568,153	\$4,875,675	\$3,901,533	\$7,864,030	\$4,926,915

Recommended PSH Rental Subsidy Strategy

Rental subsidies are a critical component of the PSH Strategy, since formerly homeless individuals will typically have extremely low incomes and be unable to pay market rents. Most rental subsidies will come in the form of rental assistance payments which provide the landlord with a fair market rent as determined by the U.S. Department of Housing and Urban Development. The tenant will typically pay 30% of their income toward rent, with the rental subsidy providing the balance.

The two primary sources of rental subsidy will be the HUD Continuum of Care program, which in Austin/Travis County typically provides for 20-25 new subsidies per year, and Housing Choice Vouchers provided by local public housing authorities. The Housing Authority of the City of Austin also administers a pool of specialized Veterans Affairs Supportive Housing (VASH) vouchers for homeless veterans.

The committee recommends that, in addition to the 111 committed or anticipated HUD Continuum of Care rental subsidies, the local public housing authorities commit 164 Housing Choice Vouchers to the initiative (124 from the Housing Authority of the City of Austin and 40 from the Travis County Housing Authority), and that 75 VASH vouchers be utilized for chronically homeless veterans. In particular, the committee recommends the deployment of project-based vouchers (subsidies that are attached to units rather than portable to any willing landlord).

Recommended PSH Rental Subsidy Strategy	
Front Steps 2009 HUD Continuum of Care grant bonus(committed)	26
Caritas 2010 & 2011 HUD Continuum of Care bonus grants (committed)	45
HUD Continuum of Care 2012/2013 PSH Bonus (anticipated)	40
Travis County Housing Authority (board authorized) <ul style="list-style-type: none">• Tenant-based vouchers: 17• Project-based Vouchers: 23	40
Veterans' Affairs VASH (minimum of 25 committed)	75
Housing Authority City of Austin (committee recommendation)	124
Total Rental Subsidies	350

In addition to these sources, or to address any shortage of rental subsidies, local sponsors may be able to secure subsidies via other programs such as the HUD Section 811 program or via existing projects that have Housing Assistance Payments contracts in place.

Recommended PSH Services Funding Strategy

The provision of sustained support for the supportive services component of the PSH initiative will require meaningful new commitments from local partners, which can in turn help the community leverage the Medicaid program for services.

As the Affordable Care Act is implemented, local primary and behavioral health care providers will need to proactively seek opportunities to configure services for the target population, prioritizing that population for services as well as aggressively seeking to capture newly available Medicaid reimbursement.

In particular, the ongoing implementation of the State's 1115 Medicaid Waiver presents an important opportunity for a new collaborative funding process that can dramatically leverage local funds to secure flexible Medicaid financing for the initiative, through intergovernmental transfer processes. While details of this process are as yet unknown, the Leadership Committee will work closely with Central Health and other partners to propose proactive approaches to funding PSH services through the 1115 Waiver process.

	Total Costs at Full Occupancy	Financing Expenditures by Year			
		2011	2012	2013	2014
Services Financing Expenditures:	\$4,130,000	\$519,200	\$2,218,400	\$3,540,000	\$4,130,000
<i>Approximate # Housed</i>		<i>44</i>	<i>188</i>	<i>300</i>	<i>350</i>
<u>Projected Sources</u>					
Veterans Affairs Supportive Housing (in-kind services for 75 individuals at \$4000/each)	\$300,000	\$100,000	\$220,000	\$300,000	\$300,000
Travis County (via Bureau of Justice Assistance grant in 2012, and via new County funding thereafter)	\$500,000	\$0	\$400,000	\$500,000	\$500,000
City of Austin (new funding)	\$500,000	\$0	\$200,000	\$400,000	\$500,000
Local Investment and Leveraged Medicaid via 1115 Waiver	\$2,530,000	\$132,000	\$1,200,000	\$2,045,000	\$2,530,000
Philanthropy/Other Sources	\$300,000	\$287,200	\$198,400	\$295,000	\$300,000
TOTAL FINANCING EXPENDITURES:	\$4,130,000.00	519,200	2,218,400	3,540,000	4,130,000

PSH Pipeline Progress to Date

While the primary task of the Leadership Committee was to devise an overall financing strategy, the group has also monitored the number of PSH units placed in service or entering the pipeline since the adoption of the initial Council Resolution in March of 2010. As of April 1st, 2012, 228 of the 350 units have received at least partial funding, constituting over 65% of the total goal in the pipeline. Of this number, 76 units are fully operational, with other units in lease-up or development.

In short, despite substantial remaining work, the community is making good progress toward the 350 unit target, and we believe that with the timely commitment of the funding sources identified here, we are well on our way to achieving the critical goal established by Council.

Process Recommendations

The financing strategy takes into consideration funding already committed toward the 350 unit goal, and makes specific recommendations as to additional sums needed from partner entities as well as other public and private financing sources. In addition to the financing recommendations included herein, the committee recommends the following:

- The Leadership Committee on PSH Finance should continue to function for the life of the current PSH initiative, with a continuing charge of securing, coordinating, and monitoring the financing needed for the PSH effort through 2014.
- New funding committed to the initiative should require that recipients directly identify the populations and subpopulations expected to be served and actually placed in housing.
- ECHO and the City of Austin, in partnership with other funding partners, should track not only total unit count toward the 350 unit goal, but also the progress toward meeting the subpopulation goals as identified in the September 30th 2010 Permanent Supportive Housing Strategy approved by the Council in March of 2011.
- The Committee will, in cooperation with City staff, make specific recommendations around methods for requiring or promoting the use of capital funds exclusively for housing developments that employ a Housing First strategy for targeted subpopulations, in accordance with the Permanent Supportive Housing Strategy.

As Chair of the Leadership Committee on PSH Finance, I remain available to answer any questions or provide further information as needed.