

CHAPTER 3

THE “HARD TO HOUSE”: CREATING HOUSING OPPORTUNITIES FOR THOSE IN GREATEST NEED

Retooling HUD
for a Catalytic Federal Government:
A Report to Secretary Shaun Donovan

Penn Institute for Urban Research
University of Pennsylvania

OVERVIEW

Certain individuals and families are generally not served by the mainstream housing market: those with poor rental histories, homeless persons, those with chronic physical or mental disabilities, chronic substance abusers, the formerly incarcerated, the frail elderly, disabled veterans, persons living with AIDS, and transitioning youth. They are perceived as risky or undesirable prospective tenants. In some cases, they are specifically and officially excluded from the U.S. Department of Housing and Urban Development (HUD) assisted housing.³¹ Their marginal housing circumstances contribute to these households remaining on the margins of American life more generally. Not only do their social and housing circumstances limit opportunities for social and economic mobility, but their tenuous housing situation often causes these families and individuals to be more costly to communities and government budgets. Without stable housing, they rely on shelters; they frequent emergency rooms; they are placed in nursing homes unnecessarily or end up back in jail at considerable public expense. **Multiple studies demonstrate that it is far more costly to allow these households to remain homeless or marginally housed than to provide them with access to a stable home.** In fact, the continuing failure to meet the housing and service needs of these populations places a tremendous strain on state spending for Medicaid and corrections, two items which fast consume growing shares of most state budgets.³²

What each of these typically excluded groups has in common is the need for some degree of supportive services to assist them in being successful tenants and neighbors and active citizens. Supportive services linked to housing have been shown to decrease the involvement of the Hard to House with costly institutions and to increase their opportunities for employment, treatment, and recovery. Without an intentional effort to house these households, states will continue to spend heavily on crisis-focused services to respond to the relatively small group of households who use health care and emergency services in an unnecessary and disproportionately costly way.³³

The Economic Recovery bill and, perhaps, the 2010 budget present the opportunity to make significant structural corrections to alleviate long-standing challenges and inefficiencies in many areas. We urge HUD to seize this occasion to make housing the Hard to House an agency priority and deliver permanent budget relief to state and county governments heavily burdened by the costs of caring for the Hard to House when they cannot access mainstream housing.

The models for these arrangements exist and involve collaboration between government housing and human services agencies. HUD's leadership and the strong support of the White House can bring these models to scale.

HUD and the nation have made great progress in recent years blending income groups in mixed developments. HUD's leadership is now needed to encourage social integration, and the inclusion of Hard to House households into mainstream buildings and neighborhoods.

³¹ The formerly incarcerated with certain felony convictions.

³² Corporation for Supportive Housing

³³ Ibid.

This document offers a vision and specific guidance to the incoming Obama administration for HUD's role in meeting the housing needs of special populations who are not served by mainstream housing markets. Our group recommends the following items, described within the report, for immediate action:

1. With White House support, engage Health and Human Services (HHS), Veterans Affairs (VA) and other federal agencies to create interagency mechanisms for coordinating service dollars and housing investments targeted to the Hard to House. Initiatives would range from joint housing production programs (a good model for which would be the New York-New York III Agreement), enabling more flexible use of Medicaid, and expanding existing interagency initiatives such as VASH.
2. Empower HUD Regional Offices to play local coordinating roles in implementation of interagency Hard to House Strategy.
3. Link set-asides for Hard to House to real estate industry requests for HUD assistance. Coordinate this with a supply of incremental vouchers and appropriate service funding commitments.
4. Use HUD programs in tandem with the Economic Recovery Act and the upcoming stimulus legislation to advance stalled housing projects, requiring set-asides for the Hard to House wherever feasible and to the extent that service dollars and rental subsidies can be provided.
5. Finish the job of ending chronic homelessness by using HUD-provided Section 8 vouchers matched by service dollars from other government agencies to create 90,000 new supportive housing arrangements. Empower local housing authorities to use these funds flexibly in partnering with the landlord community, local providers, and local public and behavioral healthcare systems.
6. Finish the job of re-housing those made homeless by Katrina: HUD should provide a special allocation of up to 12,000 Section 8 vouchers for New Orleans.
7. Fully fund the implementation of ten high-quality Ten Year Plans. Treat these communities as laboratories for testing new strategies and bringing proven approaches to scale. Enable each community to draw up to \$20 million in new resources to fully implement their plans.

DEFINITION

“Hard to House” groups are those with very low incomes (below 30% of the area median income [AMI]) who *also* face unusual barriers to housing. Their access to stable, suitable housing is blocked by one or more of three factors:

- stigma
- physical needs that drive specific housing requirements
- service needs that drive specific housing requirements

We have focused specifically on those households which require more than economic assistance to access and succeed in housing. Therefore, we did not include very low income families or well seniors in our definition, and trust that their needs will be represented in policy recommendations on the future of public, senior, and multi-family housing. We also recognize that because of the current economic crisis, there may be a new group of people emerging who are in need of support linked to their housing – those about to lose their homes, whose credit has been compromised, and displaced workers. We will not be addressing these households directly in this document, however, other than by making the case for linking support to housing to assist vulnerable households.

The housing-related assistance required by each Hard to House group varies in ways that reflect the obstacles they face in securing suitable housing.

The stigma faced by the formerly incarcerated, the mentally ill, homeless persons, persons with AIDS, and those with substance abuse issues makes landlords wary of renting to them and makes it difficult to site projects specifically dedicated to these groups.

The frail elderly, the cognitively impaired, and those with physical disabilities require housing that is physically adapted for their needs. Some frail elders, brain-injured, and disabled individuals can manage well in conventionally designed housing if necessary support services are in place. Others are needlessly institutionalized for want of suitable housing.

Many of those with chronic health and mental health challenges, or who have experienced severe trauma, such as disabled veterans, disconnected youth, and those made homeless by Hurricane Katrina who remain in shelters, on the street or in abandoned properties, need consistent access to services, ranging from case management to assistance with daily living skills to employment assistance. It is this layer of support that enables them to succeed as tenants and make their housing a springboard to a stable life.

The proportion of households who fit within these definitions has not been calculated. Some indications, however, can be garnered from the over 127,000 chronically homeless identified in HUD's 2007 Annual Homeless Assessment Report; the 600,000 individuals released each year from US prisons,³⁴ many without homes to return to; the 4.2 million poor, mentally ill individuals, 15,000-20,000 of whom remain in long term psychiatric institutions;³⁵ the 12,000 estimated homeless in New Orleans; the 5.3 million poor individuals with physical disabilities; and the five percent of homeless families with multiple impairments³⁶ who need support in addition to an affordable rent. These figures need, moreover, to be expanded to include those members of other populations—the young who leave foster care, the frail elderly, and veterans—potentially needing both affordable housing and support services if they are to live independently in the community.

This information can and should be gathered, from housing authorities, county and state human services agencies, corrections departments and other primary sources of information on the housing status of these special populations, and made part of HUD's – and the local communities' – ongoing planning.

Recommendation 1: Determine appropriate means to measure Hard to House need and track and report on an annual basis.

Not all vulnerable people require assistance with housing. Some are helped by families or community organizations. Yet the magnitude of the Hard to House population should be understood in at least two ways. First, the needs of the Hard to House represent a significant housing challenge to the nation. Second, the choice is not whether to spend the money to house these Hard to House individuals and families, but whether the Hard to House – and society – will have anything to show for the money we spend. Multiple studies have verified that the cost of allowing the Hard to House to drift in and out of institutions and homelessness far exceeds the cost of providing suitable housing linked to support services.³⁷

VISION

No one should be left out of housing. HUD, as the main advocate of our national values around housing, must champion this, and claim the Hard to House as a principal responsibility of the agency. It is in keeping with the aspiration of the Housing Act of 1949, where Congress first articulated a national housing policy goal of a “decent home and suitable living environment for every American,” that HUD assert its commitment to the Hard to House throughout its agency culture and programs.

What are the obstacles to achieving this goal in 2009? Where, with HUD leadership and White House support, are the critical opportunities for progress? This analysis and the accompanying recommendations for HUD action reflect the collective insights of private developers of mixed-income housing; government housing officials; private lenders; not-for-profit developers; property managers; and housing and homeless policy experts. Our recommendations fall into three areas:

1. Integrating Housing and Services
2. Incorporating the Hard to House within HUD programs and housing markets
3. Supporting local ten year plans to end homelessness

³⁴ Council of State Governments

³⁵ New York State Office of Mental Health

³⁶ National Alliance to End Homelessness

³⁷ Notably Dennis Culhane, 2002

In each area we suggest ways in which HUD can advance housing opportunities for the Hard to House through direct investment, coordination, regulation, and by setting the tone and expectations for success.

INTEGRATING HOUSING AND SERVICES

A. The Challenge

Two things make landlords open to accepting the Hard to House as tenants: a guaranteed rent and consistent and responsive support services. HUD has mechanisms for guaranteeing rents, and we will go more deeply into ways that HUD can be more effective in targeting Section 8 resources to benefit the Hard to House. Yet there is no structural mechanism for linking housing and support service resources for the Hard to House among federal agencies, and this deficit is in effect at virtually every level of government.

We do not advocate that HUD expand its direct services funding:³⁸ that does not fix the fundamental problem and diverts HUD dollars from creating critically needed housing. Rather, HUD is needed to act as integrator of federal resources across agencies on behalf of the Hard to House.

This is first and foremost a leadership issue. For HUD, the Hard to House are a classic “wrong pockets” problem: HUD must make significant investments in solving the problem but will not benefit from the long-term cost savings in other areas of government spending. Nevertheless, we have faith that HUD, with the support of the White House, can institute the collaborations with HHS, with the VA and with other federal agencies charged with spending taxpayer dollars on the Hard to House.

For HUD to be successful in leading a national effort to house the Hard to House, we recommend that the White House convene an inter-agency workgroup with the assignment to increase housing and service options for Hard to House households. HUD’s leadership will be essential in demonstrating to other federal agencies the opportunities for linking service funds to housing supports for the Hard to House. This work group can also identify the statutory barriers that must be addressed within each agency or by Congress to enable effective coordination of housing and service dollars.

B. Recommended Directions

1. Investment

Recommendation 2: With White House support, HUD must play a leadership role in a federal inter-agency initiative to create a national system to house the Hard to House. Similar to the New York-New York III Agreement (outlined below), this system would match service and housing dollars for the Hard to House, allowing for local flexibility and innovation. HUD should increase the allocation of Section 8 and other agency resources to advance this interagency effort. Regional offices should be empowered to play a coordinating role with other federal agencies and with state and local governments in linking housing and service funds to specific projects.

A model for what is needed nationally is the New York-New York III Agreement. New York-New York III, the plan crafted by Governor George Pataki and Mayor Michael Bloomberg, is facilitating the creation of 9,000 units of supportive housing in New York City. The Agreement pools the resources of twelve different city and state agencies and matches them to the City’s chronic homeless and other prioritized Hard to House groups including the institutionalized mentally ill, homeless families with complex needs, transitioning youth, and the medically frail. The Agreement links the capital funds and tax credit allocations of State and City agencies with services funds provided by health, mental health, human services, and substance-abuse agencies. The billion dollar capital investment, and \$153 million in annual services dollars, is expected largely to pay for itself over time, with substantial reductions in hospitalization, shelter, jail, and treatment costs associated with the 9,000 households.

³⁸ With the exception of expanding support for Residents’ Service Coordinators, addressed in Recommendation 7.

A similar, cross-agency approach is needed nationally to enable the Hard to House to access and succeed in housing. Secretary Donovan should encourage the White House to convene and engage federal services agencies along with HUD to create a process for matching service dollars to HUD's housing investments for Hard to House households.

The most significant opportunity for HUD collaboration is with HHS. Runaway Medicaid costs are breaking the back of county and state governments; high episodic treatment costs of Hard to House individuals contribute to this. Studies show that a disproportionate percentage of that spending is associated with a small percentage of users with multiple challenges, who tend also to belong to the population of Hard to House citizens. Reducing the burden placed on health systems by the Hard to House would entail significant reductions in Medicaid expenditures for emergency room, inpatient, psychiatric and alcohol/drug treatment. One promising strategy that has been used effectively with the frail elderly and developmentally disabled is to create enrollment-capped Home and Community Based Services waivers to allow Medicaid funds to be used to serve Hard to House individuals in their homes or in supportive housing, including case management services based on a single plan of care.

Persuading Medicaid to more flexibly cover mobile, individual plan-based treatment, case management, and other services will not be an easy task. HHS has for years resisted the linkage of Medicaid to housing and there are long-standing biases against the use of Home and Community Based Services for adults with mental illness. Yet the clinical and fiscal benefits to Medicaid itself are now well established. Part of this changed context is a much smaller population of institutionalized mentally ill. Earlier HHS concerns, that Medicaid dollars would replace state investments and make the care of the institutionalized mentally ill financially unsustainable, were expressed against a background of tens of thousands of people in long term psychiatric hospitals; now, it is estimated that fewer than 20,000 long-term patients remain in psychiatric institutions nationwide.³⁹ Not only are these current populations smaller than in previous decades, but the data showing the savings and enhance care that can be achieved through supporting special needs households is now available.

Data on the comparative costs of nursing home care for the elderly versus home care is relevant to this discussion, as is data showing the costs of homelessness versus supportive housing. The stark difference in cost, for example, between Medicaid-funded institutional care and Medicaid-funded, home-based care demonstrates how much is at stake in creating more flexible Medicaid-funded housing supports. A 2004 study showed the average annual per-person costs for nursing home services were \$25,585, and only \$8,440 for those supported in their own homes.⁴⁰ Culhane's study showing that homelessness is more costly than supportive housing extends this argument to the hard-to-house.⁴¹ The extreme costs for this group cut across many services (law enforcement, emergency rooms, different kinds of inpatient care, detox) and are thus "invisible." The supportive housing community knows with certainty that coordinated services for the hard-to-house are a necessity. HUD's leadership to bring this point to HHS and the Centers for Medicare and Medicaid Services (CMS) is essential.

There are thoughtful, disciplined ways to create greater flexibility in the use of Medicaid that would reap significant savings for federal and state governments. For instance, limiting Medicaid funded housing services to SSI recipients and certain narrowly defined other groups (homeless or chronically ill individuals who are high-cost patients, for example) would be a way to move the issue forward.

HUD's partnership with the Department of Veterans Affairs through the Veterans Affairs Supportive Housing (VASH) program is in some respects a model that HUD might follow with other government agencies. In the VASH program, HUD provides Section 8 vouchers. The VA manages the distribution of the vouchers at the community level in partnership with local housing authorities and couples the vouchers with support services provided by VA staff. In building on this model, we would urge a more flexible design than the current VASH program. A revised program should allow project basing on Section 8 and for community-based service providers to provide support services on a contracted basis, rather than require that only VA employees perform the work. With these caveats, we can imagine the VASH model being applied successfully, for example, to transitioning youth or the chronically homeless, with HHS providing services funds matched to HUD Section 8 vouchers and private landlords providing many of the housing units.

³⁹ New York State Office of Mental Health

⁴⁰ Senior Supportive Housing report of Stewards of Affordable Housing for the Future and American Association of Homes and Services for the Aging

⁴¹ Culhane 2002.

The actual work of matching individuals, housing and services occurs in communities. *The regional HUD offices should be empowered to oversee the actual local implementation of a coordinated Hard to House strategy with HUD in a leading role.*

2. Regulation

Recommendation 3: Make HUD a center of housing innovation. Allow regulatory flexibility to encourage new housing arrangements suitable for the Hard to House. Establish a “Hard to House” Coordinator position within the agency.

Part of what makes the Hard to House difficult to house is that we do not yet know all the types of arrangements that will be most successful for them, given the range of populations and needs. Unconventional arrangements, adapted to individual circumstances, may be needed. To encourage innovative solutions to the housing needs of the Hard to House and other households where new approaches to design may be desirable,⁴² we urge HUD to create a flexible regulatory framework while assuring baseline quality. Rules governing room sizes, leasing arrangements, marketing practices, and opportunities for blended financing must be re-examined, with a view toward removing barriers to allow creative problem solving. Making the housing needs of the Hard to House a centerpiece of the agency’s agenda invites HUD to become a center of housing innovation. From shared housing arrangements to new designs suitable to the frail elderly or cognitively impaired, and from new leasing arrangements, such as allowing Section 8 to be used by service providers to rent apartments on behalf of Hard to House clients, to new marketing practices more effective than randomized lotteries in reaching a targeted population, innovative ideas should be encouraged and tested.

Further, the potential role of technology in housing generally, and in addressing the housing needs of the Hard to House in particular, is largely unexplored. Innovation in service provision in rural areas can be enhanced through creative uses of technology. “Smart” building features may have implications for making properties more secure or alerting service providers to clients in distress. New technologies, or new uses of existing technologies, could make existing housing allocation and income and need verification processes obsolete, as well as better link residents with information on services and jobs.

HUD must have a regulatory culture that supports exploration with innovative tools and approaches and provides incentives to create new architectural and technology-based responses to the needs of the Hard to House. Yet there must also be effective quality control to block abuse of any flexibility created. *We recommend the creation of a Hard to House coordinator position within HUD who could bridge all existing HUD special-needs programs, facilitate the agency’s collaboration with other federal agencies, be the point of contact for approving innovative policies or design, and act as the internal advocate at HUD representing the needs of the Hard to House in each HUD program.*

Recommendation 4: Use HUD’s leverage to challenge exclusionary local housing practices. Link HUD grant priorities and other assistance to communities’ openness to supporting housing for the Hard to House.

Local regulations and local interpretations of federal housing regulations create significant barriers to housing the Hard to House. Familiar examples are local zoning provisions that restrict occupancy by multiple non-related adults, thus frustrating shared housing arrangements, or requirements for costly special permits or extensive public review processes when housing will include supportive or rehabilitative services, or the rigid interpretations communities impose on Section 8 eligibility guidelines in order to exclude many formerly incarcerated individuals from government assisted affordable housing, even in cases where circumstances would argue for leniency. We urge HUD to address these barriers and to use its funding leverage (e.g., in cases where funding is allocated on a competitive basis, HUD should give credit to communities with active efforts to create housing for the Hard to House) to move communities to adopt more inclusive housing practices.

C. Setting the Tone and Expectations

Our recommendations reflect the reality that HUD cannot meet the housing needs of the Hard to House alone. The agenda requires collaboration across federal government agencies that are unaccustomed to joint initiatives, and between federal, state and local housing, social service, and land use agencies where HUD’s influence will often be

⁴² See, for example, recommendation of Multi-Family Task Force for “charter housing” for non traditional families, or for live-work space

indirect. We recognize that this is not something that HUD can make happen on its own. It will require leadership by the White House along with a commitment by the Administration to make housing the Hard to House a priority. This is most clearly accomplished by considering the Hard to House in the design of every HUD program. The recommended position of Hard to House coordinator at HUD would be a resource to the agency in sustaining this focus.

INCORPORATING THE HARD TO HOUSE WITHIN HUD PROGRAMS & HOUSING MARKETS

A. The Challenge

Housing the Hard to House is a large and urgent task; solutions must draw on the full range of the nation's housing resources. In addition to the nonprofit developers who are producing most of this housing now, mainstream developers, private landlords, housing authorities, and new forms of private-public partnerships must be encouraged to take up the task.

Although there is a perception that integrating housing for the Hard to House into established segments of the private market—including mixed-income multifamily housing and scattered-site single-family segments—hinders marketing, leasing and operations of such housing, recent research suggests no such impact. Several state-sponsored “80/20” initiatives in Massachusetts, Louisiana, Minnesota, and other states, and a number of HOPE VI mixed-income projects around the country have successfully integrated Hard to House components into their developments without any adverse leasing or operating effects. Moreover, when queried, many developers indicate a willingness to include housing for the Hard to House in their projects if needed subsidies and “on-call” services linked to their housing can be bundled for them.

States have drawn on the lessons learned in successful supportive housing, and corrected the problems that resulted, for instance, when non-elderly disabled households were blended with seniors in public housing and HUD-funded 202 programs without putting support services in place. Our group recognizes that the success of mixed-income projects that include the Hard to House can be highly dependent on the presence of supportive services, just as all mixed-income housing has been found to be sensitive to location and service issues.

The evidence that the Hard to House can be successfully included in “80/20” and other mixed-income projects comes from efforts such as that in Massachusetts, where the Massachusetts Housing Finance Agency has required that 3 percent of the units in all projects they finance be set aside for a subset of the Hard to House, specifically clients of the state Departments of Mental Health and Mental Retardation. Louisiana requires a 5 percent set-aside. Minnesota negotiates some number of Hard to House units into each project. Each of these state housing agencies has also succeeded in obtaining the commitment of matching service dollars from sister state agencies or, in the case of Louisiana, from HUD as part of its Katrina recovery package. Each state attaches rental subsidies to the Hard to House units as well.

Successfully producing housing for the Hard to House depends on several factors, including: establishing flexible policy objectives for including a market-defined mix of housing for the Hard to House in various types of developments; undertaking careful planning and thoughtful project design; building community support for the desired housing mix; accessing a bundle of favorable financing and/or capital and operating subsidies; and providing attentive property management along with well-aligned, highly-responsive supportive services.

The record to date suggests that the marketplace will favorably respond to leadership from HUD in promoting additional housing for the Hard to House if it fosters a comprehensive approach as outlined above. The market will be unresponsive to “one-size-fits-all” policy directives or unfunded mandates for producing additional housing for the Hard to House.

As described in previous sections, HUD can foster linkages to needed supportive services across other federal agencies, particularly the Department of Health and Human Services, and with allied state agencies. It can also encourage states and localities to align funding and services, waive design restrictions, facilitate favorable zoning and

build support for varied forms and mixes of housing that include the Hard to House in return for its financing and subsidies.

But HUD can most effectively encourage a substantial increase in housing for the Hard to House in mainstream developments by bundling access to its many existing financing, subsidy and regulatory tools in support of this goal. As service funds are committed to Hard to House units, HUD can simultaneously offer needed financing *and* operating subsidies *and* regulatory relief in a streamlined process within the department.

The biggest single opportunity for short term impact on housing the Hard to House is to work with existing housing and more private landlords.

B. Recommended Directions

1. HUD Financing, Operating & Grant Programs

Recommendation 5: Provide incremental, flexible Section 8 voucher authority to enable expanded access to privately owned housing. As an immediate budget item, target significant, incremental Section 8 resources coupled with appropriate support services, to the Hard to House, beginning with those families and individuals who are now homeless. Allow flexible terms to maximize participation by a wide range of landlords and service providers.

HUD administers several housing operating subsidy programs through various public housing and Section 8 initiatives, ranging from the allocation of annual contributions contracts in mixed-finance developments to multiple forms of Section 8 “tenant-based” vouchers and “project-based” assistance and vouchers, including the ability to convert portions of tenant-based vouchers to project-based assistance. With incremental increases in Section 8 voucher authority, HUD could allocate additional vouchers with “exception” Section 8 rents in high-cost markets, enabling the Hard to House expanded access to privately-owned housing. HUD already allows considerable flexibility in applying operating subsidies to local needs for critical national priorities, such as rebuilding housing destroyed in the Gulf region or promoting economic stimulus, and under demonstrations, such as the public housing Moving-to-Work initiative. This flexibility could be extended to housing for the Hard to House as warranted. The flexibility provided under the Moving to Work program has enabled housing authorities in places (some are counties) such as Cambridge, Portland, Oakland, and King County to develop effective new approaches to using existing resources in partnership with public and behavioral health care systems. Expansion of this flexibility to additional housing authorities should be supported.

There are several promising examples of how these operating subsidies can be bundled with service dollars to create significant additional opportunities for housing the Hard to House. In King County, Washington, for instance, the housing authority paired Section 8 Moving-to-Work vouchers with service commitments from the state mental health agency to create a large network of supportive apartments in privately-owned housing. The Moving-to-Work provisions enabled the Housing Authority to contract directly with nonprofit organizations, which rented the units on behalf of Hard-to-House clients. This proved to be an arrangement many landlords found reassuring. Service system funds from five agencies were pooled to create an oversight structure for the support services to assure their responsiveness. In another example, New York City and State jump-started the New York-New York III program by providing operating subsidies and service dollars to allow community agencies to rent private “scattered site” apartments for the chronically homeless while the program’s new development pipeline was established.

Initiatives that engage the private landlord community represent the country’s most significant and immediate opportunity for rapid progress in providing housing for the Hard to House and should be a principal concern of HUD policy. Local 10 Year Plan initiatives in some communities have been successful in involving private landlords in housing the Hard to House. These efforts should be encouraged throughout the country.

We have urged HUD to lead an interagency effort informed by the New York-New York III Agreement to secure commitments of service dollars to be matched to housing investments in the Hard to House. This effort should make accessing existing privately-owned housing a central priority, particularly to reduce homelessness among the Hard to House. These new Section 8 resources, coupled with service funding, could also enable communities to acquire

foreclosed properties for reuse by Hard to House households and others in need of affordable housing. Creating supervised occupancy arrangements would also be a contribution to communities struggling to contain the effects of abandoned properties.

Recommendation 6: As an immediate budget item, provide additional Section 8 resources to complete the job of re-housing those made homeless by Katrina in New Orleans and surrounding communities. Additional Section 8 authority can be used to secure private housing with vouchers and project based to support additional redevelopment.

Louisiana incorporated a 5% Hard to House set-aside in the Gulf Opportunity Zone credits allocated to stimulate the rebuilding of New Orleans and surrounding communities. The softened credit market has slowed the pace of new development, however, leaving many residents, including those with special needs, in prolonged homelessness, living in public spaces or abandoned homes.

Recommendation 7: Establish the statutory flexibility to allow and encourage the production of housing for the Hard to House in FHA multifamily programs. Devise and include such objectives in tandem, to the extent that needed operating subsidies and supportive services can be bundled with the relevant insurance or capital advances.

Through FHA, HUD operates several insurance and direct financing programs—though some have been dormant—for the construction, rehabilitation, and refinancing of affordable multifamily housing that could be used to produce additional housing for the Hard to House [e.g., sections 207, 213, 220, 221(d)(3) and (4), and 231 insurance, and sections 202 and 811 capital advances]. Opportunities to include new policy objectives for the development of housing for the Hard to House in these programs may present themselves as the new HUD team looks to revive or modify some of these programs, subject to applicable statutory parameters. In structuring credit support and bond programs, inclusion of the Hard to House should be part of the package.

Models for these suggestions can be found in states that have made the inclusion of Hard to House units a priority of their housing finance. These states have also developed practices to reassure developers. In Minnesota, for example, the state Housing Finance Agency required a Hard to House set-aside within its mixed-income programs, compensating developers with rent subsidies and linking service dollars to the Hard to House units through a coordinated arrangement with the state mental health agency. They also created an innovative protocol to relax use restrictions if rental subsidies and/or companion service commitments cannot be sustained.

The Hard to House should be integrated within HUD's mainstream financing and insurance programs as a matter of course, however, we do not recommend that HUD promote new "stand alone" policy objectives related to the Hard to House in its insurance and capital advance programs without also aligning needed operating subsidies and supportive services essential to the successful development and management of such housing.

Recommendation 8: Within HUD's Multifamily Housing Service Coordinators grant program, broaden the class of eligible recipients to include the Hard to House as well as the elderly and disabled. Allow all developments offering housing for the Hard to House to apply residual receipts, excess income and/or budget-based or special rent adjustments to support on-site resident service coordinators as a standard practice.

An essential component of successful multi-family housing including the Hard to House is funding for site-based resident services coordination. This function facilitates the delivery of those services that enable Hard to House households to be successful tenants. Sometimes also referred to as "concierge services," such on-site coordination ensures that needed supportive services are responsive, continuous and appropriately administered. What's more, there is growing evidence that *all* residents of assisted multifamily housing, not only the Hard to House, benefit from the presence of concierge services or resident services coordinators to smooth the connections to schools, healthcare, employment and other basic needs of residents.⁴³

Currently HUD provides funding for Multifamily Resident Service Coordinators to HUD-supported elderly and disabled projects [Section 202, Section 8, Section 221(d)(3) below-market interest rate, and Section 236 developments] via three mechanisms: (1) a national competition with other properties for a limited amount of grant funding; (2) the

⁴³ Enterprise-Mercy Housing Study on Impact of Resident Services on Property Performance, April 17, 2007, <http://www.practitionerresources.org/cache/documents/645/64551.pdf>.

use of the development's residual receipts or excess income; or (3) budget-based rent increases or special rent adjustments.

While additional budget authority may be difficult to realize and allocate quickly to developments offering units for the Hard to House, HUD could readily allow residual receipts/excess income or budget-based/special rent adjustments to all such developments. Recognizing this operating cost as an “above-the-line” expense would also help encourage other non-HUD funders to recognize this as an acceptable standard in underwriting Hard to House units.

2. Influence & Coordination

Recommendation 9: As feasible, engage the Treasury Department, Congress, and states, in including Hard to House objectives in enhancements and applications of the Low Income Housing Tax Credit program.

The Housing and Economic Recovery Act of 2008 provided several helpful changes to the Low Income Housing Credit (LIHTC) program. Additional changes are being discussed for inclusion in the anticipated economic recovery bill in early 2009 to help free-up the stalled equity market and/or in larger tax-reform legislation anticipated later in the year. Although HUD has no direct policy or administrative control over the LIHTC program, it can help shape additional statutory and regulatory changes that would support the production of new housing for the Hard to House. A particular opportunity is to work with Congress and the Treasury Department to provide for the allocation of additional credits or a tax-credit bonus on a pro-rata basis for projects that include Hard to House units.

In administering tax-credit allocations, several state housing finance agencies already feature special set-asides of LIHTC authority, additional ranking points in applications, and/or “basis boost” provisions that effectively award special or supplemental credit authority to projects that include units for the Hard to House. For example, Louisiana incorporated a 5% Hard to House set aside as part of the additional LIHTC authority it was allocated under special provisions of the Gulf Opportunity Zone to deal with the affects of Hurricane Katrina. This effort has stimulated the rebuilding of New Orleans and surrounding communities while helping meet the pressing needs of those made homeless by Katrina. HUD could reward states offering these types of initiatives and encourage others to offer similar provisions by allocating some of its financing, subsidy, grant funding and/or regulatory waivers in tandem with such provisions.

Other changes proposed to the Low Income Housing Credit program by industry groups, including fixing the value of credits at a fixed rate of 4%, rather than at a floating rate; creating a refundable credit, and changes included in the Stimulus legislation, should be linked to the inclusion of Hard to House set-asides that would be matched by service and rent subsidy funds.

Recommendation 10: Incorporate support for the Hard to House in HUD-assisted economic development and Economic Recovery programs as feasible given project timing and readiness issues.

HUD is likely to have a prominent role in targeting some of its existing funding and any new housing-related funding to advance Economic Recovery projects in support of critical national priorities. Large scale infrastructure and mixed-use projects, particularly transit-oriented developments that create housing, are opportunities to build in set-asides for the Hard to House. *Where ready-to-go projects would not be delayed*, HUD could apply its funding and subsidy tools to increase the number of Hard to House units in these projects. It should encourage the inclusion of Hard to House units in all new projects and in all pending projects so long as already-approved planning, zoning, community review, underwriting and/or income tiering decisions and agreements would not have to be revisited.

C. Setting the Tone and Expectations

Successful approaches to integrating the Hard to House into mainstream existing housing and new mixed-income developments must be brought to scale. A significant challenge is that these efforts are not widely known and the perception persists that inclusion of the Hard to House will damage marketing efforts. HUD has an important role to play in publicizing successful models and encouraging more widespread adoption of housing models that include the Hard to House. Persuading real estate industry groups, private landlords, and developers, as well as other federal

agencies, of the urgency and inherent soundness of bringing these efforts to scale will require a strong and consistent message from HUD.

SUPPORTING LOCAL PLANS TO END AND PREVENT HOMELESSNESS

A. The Challenge

The Annual Homeless Assessment Report (AHAR) issued by HUD in July 2008 documented a 12% decrease in homelessness nationally and a 30% decrease in chronic homeless between 2005 -2007. This impressive progress can in large part be attributed to focus brought to homelessness by the “Ten Year Plans to End Homelessness” that over 400 communities have created. In 2000, the National Alliance to End Homelessness launched the Ten Year Plan effort to mobilize communities to assess the scope of homelessness in their town or city and to implement evidence-based solutions, notably supportive housing. During the Bush Administration, the U.S. Interagency Council focused its attention on this effort as well, with an emphasis on chronically homeless persons. These efforts guided communities in understanding the economic realities of homelessness, including recognizing that housing is not only the assistance most sought after by homeless persons but the most cost effective use of government, philanthropic, or investment dollars.

Though there is much work to be done to reduce homelessness among families and the Hard to House, progress on chronic homelessness has been remarkable, even as the nation braces for new waves of homelessness created by home foreclosures, job losses, and returning Iraq and Afghanistan veterans. The reduction in chronic homelessness, resulting from a concentrated national effort, shows what is possible when a focused strategy is employed to house a Hard to House population. HUD has an instrumental role to play in broadening this success; in sustaining the gains made in recent years; and in preventing new homelessness at a volatile moment in history. It is a time for bold action.

B. Recommended Directions

1. Investment

Recommendation 12: Fully fund the implementation of ten high quality Ten Year Plans. Treat these communities as laboratories for testing new strategies and bringing proven approaches to scale. Enable each community to draw up to \$20 million in new resources to fully implement their plans.

Some Ten Year Plans are better than others; all are under-resourced. Embedded in some of these plans are powerful ideas that have yet to be implemented and could be enormously important for instructing other communities and guiding future federal, state and local policy, and investment.

Recommendation 13: Finish the job of ending chronic homelessness. Direct HUD resources toward housing the 127,000 remaining chronically homeless and creating 90,000 additional units of supportive housing nationwide.

The 2007 AHAR identified that 127,000 adults still remain trapped in chronic homelessness. A first-year goal of the new administration should be finishing the job of housing these individuals. This will require HUD’s leadership and the comprehensive effort described throughout this report.

Those who are now chronically homeless need to be matched with housing, rental assistance, and support as rapidly as possible. Most communities now have some experience with “housing first” approaches, moving the chronically homeless directly into housing, and adjusting the support services to whatever is needed to keep these individuals housed. Though spread throughout the country, the largest concentrations of chronically homeless adults are in California, Texas, and Florida. HUD’s regional offices in those states should be particularly engaged in this effort.

To assist the highest-need segment of the Hard to House, supportive housing has proven to be critical. Over 60,000 units have been created nationwide, of the 150,000 units believed to be needed. Creating the remaining 90,000 supportive housing units, in congregate and scatter-site settings, should be a goal of HUD’s investments.

Recommendation 14: HUD should partner with the Department of Veterans Affairs to expand the VASH program and develop housing for Hard to House and other veterans at their campuses throughout the country, using HUD financing, insurance programs and technical expertise:

A particular challenge in the coming years will be the housing needs of returning veterans and their families. It is estimated that as many as 50,000 units of affordable housing linked to support will be needed to provide for Hard to House disabled veterans of the wars in Iraq and Afghanistan.⁴⁴ The VASH program should be expanded to meet all demonstrated need, with modifications to the program to allow project basing of Section 8 vouchers and for services to be contracted to community organizations.

The experience of veterans of prior wars, who become homeless in disproportionate numbers, makes it clear that aggressive steps are needed to avoid a new tragedy. Nationwide, the Department of Veterans Affairs operates hospitals and mental health and addiction services but not permanent housing for struggling veterans. Most of their support services are located within large campus-like settings with significant underutilized space. The VA has completed extensive studies of its holdings, but relatively few re-use plans have moved forward. Housing for Hard to House and other veterans should be created at these campuses. We can imagine a catalytic role for HUD in partnering with the VA to create re-use strategies for these campuses featuring housing for a new generation of veterans and older veterans with housing needs.

Recommendation 15: Align Continuum of Care process with Ten Year Plans.

HUD's current funding for the homeless is channeled through the "Continuum of Care" (CoC) process. There was an active discussion within our group about the CoC. Much energy has gone into negotiating a new bill that will be taken up in the next Congressional session and there is reluctance to undermine its chances for successful passage. However, there are significant problems with the design of the existing CoC process.

The CoC framework predated the development of communities' Ten Year Plans, which have become the driving force for progress in reducing homelessness. Regrettably, in communities which have Ten Year Plans, the CoC process does not always overlap with these efforts. CoC funds go directly to local not-for-profits through a decision-making process that is dominated by representatives of the not-for-profits who receive the CoC funds. Only thirty percent of CoC funds are required go to supportive housing, for example, despite housing being the overwhelming need in communities. Understandably, interest in maintaining program funding can conflict with new investments called for in a community's plan.

It is also the case that the Ten Year Plans are of uneven quality and that not every community has a plan. Thus more important than the specific mechanism, a Ten Year Plan or the Continuum of Care, are a disciplined focus on housing outcomes and reduced homelessness in allocating new or renewal funding. We urge HUD to base its McKinney-Vento funding decisions on how many chronically homeless persons and other Hard to House homeless households will be housed as the result of the investment made and to review contract performance accordingly.

The goal is clear: HUD homelessness funding should support a uniform community strategy that focuses on housing rather than shelters or other short term assistance. While HUD examines the role of the CoC, there are administrative measures that could better align CoC funding with Ten Year Plans in those communities where both are operative. HUD should announce its expectations that these plans be aligned and focus on housing.

As part of the analysis of CoC funding, HUD will discover a simmering conflict between the need to renew rental subsidies funded through the CoC process and meeting "new needs" out of the same limited pool of funds. Moving all subsidy renewals to Section 8 would be a sensible direction.

If HUD undertakes the initiatives we recommend, we believe that the landscape of homelessness will dramatically improve.

⁴⁴ National Alliance to End Homelessness

2. Regulation

Recommendation 16: Adjust McKinney-Vento eligibility criteria to preserve access to housing and services for the formerly incarcerated who were chronically homeless or homeless prior to incarceration.

An important technical change is needed in the eligibility criteria for McKinney-Vento to allow access to housing and services by the formerly incarcerated. Those who were chronically homeless prior to incarceration should continue to be considered chronically homeless following their release. Similarly, those who were homeless prior to jail stays should continue to be regarded as homeless upon release. In granting this relief, HUD and the White House should encourage “justice re-investment” practices by states and counties to shift some portion of savings achieved in correctional, healthcare, and shelter systems into housing-linked services matched to HUD’s housing investments.

Recommendation 17: Create incentives for communities to identify the homeless who are at greatest risk for premature death, who have been trapped in homelessness the longest, and who are the most costly to public systems. Allow communities who have systematically identified these individuals to obtain waivers from standard HUD marketing procedures in order to prioritize these Hard to House households for housing placement.

While all households who fall within our Hard to House definition have more difficulty than other poor households in accessing suitable housing, even within the Hard to House populations are households of especially great need. Three groups are of particularly urgent concern: those homeless individuals whose health is so impaired that the absence of a stable home is actually life threatening; those who are the frequent users of emergency and institutional services, who not only lead very compromised lives but account for sizable and unnecessary costs and burdens to publicly funded services; and the chronically homeless on streets and in shelters, who symbolize the failure of our efforts to provide a suitable home for all Americans. There is considerable overlap among the three groups.

Communities should be required to identify these individuals and families, who, despite the frequency of their encounters with public systems and the extremity of their need, typically fall between the cracks. More and more communities are now reviewing system data to identify frequent service users and matching data across shelters, jails and emergency rooms to identify the Hard to House who are having the greatest impact on public institutions. A growing number of communities are paying attention to those living on the street and in shelters for prolonged periods and recognizing the public health implications of having many chronically homeless who are suffering from chronic illnesses.

Once identified, these individuals and households should be prioritized for housing. But HUD marketing regulations discourage targeting. We recognize the risks inherent in moving away from blind lottery systems and waiting lists in distributing the scarce goods of subsidized housing. We believe, however, that it is sensible and necessary to acknowledge and accommodate priority households to save lives and assist overburdened and unnecessarily costly public systems. We suggest that communities identify and maintain housing priority lists based on the specific criteria we describe and that they submit those lists to HUD as a condition for receiving waivers from standard marketing procedures.

C. Setting the Tone and Expectations

HUD’s role in addressing homelessness needs to be more coherent and direct.

HUD’s leadership is essential to the work of ending homelessness and to implementing on a broad scale the targeted, housing-based strategies that have been shown to successfully reduce homelessness. Much of the hard work has been done: hundreds of communities believe that ending homelessness in their town or city is possible and urgent. They will be listening for HUD to echo their belief, to make evidence-based funding decisions, and to support their local plans.

HUD can help communities be successful by integrating the resources of federal agencies, facilitating the integration of Hard to House households into mainstream housing, and supporting local plans. It should also be the standard bearer for a renewed national effort to end homelessness, and challenge itself and all those in the housing community to build on the progress achieved and complete the task.

CONCLUSION

Recommendation 18: As a final recommendation, a plan for evaluation of major new initiatives should be designed and implemented so as to enable federal officials to track the work underway, to identify and communicate successes, and to make course corrections as needed.