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[Developing Supportive Housing]

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[Roles for Developers of Supportive Housing]

- Turnkey 
- Master Lease 
- Full Service 

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[Phases of Development]

- **Vision for Project**
- Finding a Site
- **Choosing a Team**
- **Project Proformas**
- Predevelopment
- Construction
- Lease Up
- Stabilized Occupancy

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Phases of Development

- Vision for Project
- Choosing a Team
- Preliminary Underwriting

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Project Vision




- Who do you want to serve?
- Is there a need for this project?
- Where will you try to locate the project?
- What type/size of complex will best serve this population?
- What services/treatment will this population need?
- What design features do I want to consider?

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Vision and Design

- Unit Sizes
- Common Areas
- Private Meeting Space for Services
- Sturdy Construction
- Accessibility Features



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Your Development Team

- Architect
- Contractor
- Consultant
- Service Provider
- Funders
- Legal/Accounting
- Property Manager



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Assembling the Operations Team Structure

- Three Driving Factors:
 - Type of Property Management (2)
 - Service Model (2)
 - Type of Tenancy (3)
- Twelve Possible Variations

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What's the most common operating staffing structure in your community?

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Underwriting Supportive Housing

What makes Supportive Housing Different?


- Focus on Operating Proforma
- Little or No Debt Financing
- More Services
- Higher Reserves

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What is the Project Proforma?

- Plan for project **Operations**
- Plan for project **Development**
(Sources and Uses)



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Fundamental Questions on Project Feasibility

- **Operating Feasibility**
 - How much rental income will be generated?
 - What expenses will need to be paid to operate the building?
- **The rent roll**
- **The operating budget and cash flow analysis**

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Who Are We Housing?


- Single Adults/ Families
- People with Physical & Mental Disabilities
- People w/ Alcohol & Drug Addictions (prior to treatment or in recovery)
- People with Chronic Mental Illness
- People transitioning from Corrections System

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Single Adults:

- Family Size: 1
- Sample Income Source: **Social Security Income**
- Monthly Income: **\$623**
- MFI: **21%**
- Affordable Rent @ 30% Housing Burden: **\$187**
- Dollars per Month Remaining after Rent: **\$436**



Picture courtesy Central City Concern Acupuncture Clinic

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Single Parents

Family Size: **3**


Income Source: **TANF**

Monthly Income: **\$528**

MFI: **14%**

Affordable Rent @ 30% Housing Burden: **\$158**

Dollars per Month Remaining after Rent: **\$370**



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Families with Children

- Family Size: **6**
- Income Source: **Full-Time Minimum Wage Job**
- Monthly Income: **\$1,400 (gross)**
- MFI: **29%**
- Affordable Rent @ 30% Housing Burden: **\$420**
- Dollars per Month Remaining after Rent: **\$980**



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Operating Expenses

- Difficult to isolate the PSH factor in expenses
- Wide ranges depending on population, size of property, age of property, level of services attached to housing operating budgets


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Operating Expenses - Major Differences from Affordable Housing


- On-site staffing or security levels
- Resident services
- Maintenance and turnover

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HDC Operating Expense Line Items to Watch 


- Off-site property management
- On-site property management
- Legal and accounting
- Security
- Maintenance
- Turnover

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HDC Operating Expense Line Items to Watch 

- Security
- Resident Services
- Replacement Reserves
- Operating Reserves

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HDC Affordability 


Minimum Rents Needed to Cover Operating Expenses (year 1)

Op Exp per unit	Min Rent	Affordable Rents		
		SSI Income	TANF (HH 3)	Minimum Wage
5,000	\$417			
6,000	\$500	\$187	\$158	\$420
7,000	\$583			

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Affordability



Rent Subsidy or Operating Subsidy

You will need subsidy just to cover project expenses

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Rent Subsidy Types

- Fixed Rent Programs
- Income-Based Programs
- Subsidy Programs

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Rent Subsidy Example

# of Units	BR Size	% AMI	Tenant Monthly Rent Payment	Monthly Subsidy Payments	Total Monthly Rent	Total Annual Rent	Vacancy Allow.	Net Rent /Year
20	1	17%	\$159	\$541	\$700	\$168,000	10%	\$151,200
10	1	30%	\$281	\$419	\$700	\$84,000	10%	\$75,600
30	2	50%	\$469	\$336	\$805	\$289,800	5%	\$275,310
60			\$20,050	\$25,090	\$45,150	\$541,800		\$502,110

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Underwriting Solutions

- No Debt or Size debt to DCR at end of loan term
- Operating/Rent Subsidy 
- Blended Populations

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Underwriting Supportive Housing

Services

- Formal, Specific Agreements with Service Providers
 - Contract with provider for services
 - Space available to providers to come on site
 - Residents come to housing through/with service program
 - Service provider leases units

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Underwriting Supportive Housing

Services

How will they be funded?

- Project pays through operating budget
- Provider brings services to client
- Project reimbursed for particular services
- Project collects a fixed fee per client

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Underwriting Supportive Housing

Reserves

- Operating Reserves
- Replacement Reserves



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Underwriting Supportive Housing

Legal Stuff: Who carries the risk?



- Agreements with Funders
- Plan B: Exit Strategies

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Underwriting: Sample Funding Sources

HUD 202/811

<p>++ PLUS ++</p> <ul style="list-style-type: none"> ■ Grant ■ Long term rent subsidy ■ Covers majority of capital costs 	<p>-- MINUS --</p> <ul style="list-style-type: none"> ■ Basic project funded ■ Challenging to combine with other funds ■ Minimal cash to owner ■ HUD regulations
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Underwriting: Sample Funding Sources


LIHTC

++ PLUS ++

- Equity
- Familiar

-- MINUS --

- Requires additional funding sources
- Complex rules
- Investors not excited about supportive housing populations



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Underwriting: Sample Funding Sources


Housing Plus

++ PLUS ++

- Grant
- Can be used for rent subsidy and services
- Funding specific to Supportive Housing

-- MINUS --

- Rent and service subsidies only last four years
- Requires additional resources



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PROGRAM FUNCTIONS OF PSH OPERATIONS

Each PSH project should have an articulated staffing structure through a contract or Memorandum of Agreement that outlines who is responsible for each function. The agreement should address the following three major criteria in staffing structures (see chart below):

- i) Type of Property Management: Self-management or third party property management;
- ii) Service Model: Single provider/integrated or partnership; and
- iii) Type of Tenancy: Single site - dedicated, single site - mixed use, and scattered site.

Tenancy Type

Type of Property Management

	Self-managed (S)	Third Party (T)
Single site - dedicated (D)	1. Single Service Provider/ Integrated (I) 2. Partnered Services (P)	3. Single Service Provider/ Integrated (I) 4. Partnered Services (P)
Single site - mixed use (M)	5. Single Service Provider/ Integrated (I) 6. Partnered Services (P)	7. Single Service Provider/ Integrated (I) 8. Partnered Services (P)
Scattered site	9. Single Service Provider/ Integrated (I) 10. Partnered Services (P)	11. Single Service Provider/ Integrated (I) 12. Partnered Services (P)

**Implications of Eight Staffing Structures
(Excluding scattered site staffing structure)**

	Staffing scenario	Implications
1	S, D, I	Many local case studies to model; simplest structure to manage; more homogeneous tenant population; must be large organization to provide both property management and services functions; more NIMBYism due to the dedicated site; cost savings and efficiencies with some overlap for employees to provide property management and services; communication is simplified; principles of confidentiality less confusing; on-site staff often include people with clinical training and licenses (e.g. licensed clinical social worker, mental health and/or substance use counselor, nurse practitioner, psychiatrist, etc.); heavy reliance on rent subsidies
2	S, D, P	Could have one partnered service provider or many, which will affect tenant population, but not marketing of project; housing provider will need clear delineation between its' organizational management, property management, and resident services staff for service provider to respond appropriately; service provider will need to establish point of contact in referring process; heavy reliance on rent subsidies
3	T, D, I	More training needed for private property management firms to work with tenant population; on-site managers will not have mission orientation; more coordination and clarification on house rules, screening criteria, and eviction policies; need clear role and responsibility delineation between owner's resident services coordinator, property manager, and service provider; heavy reliance on rent subsidies
4	T, D, P	More training needed for private property management firms to work with tenant population; on-site managers will not have mission orientation; need clear rent roll to help property manager lease up the appropriate unit with the set-aside for each service provider; heavy reliance on rent subsidies
5	S, M, I	Separate waiting lists; less reliance on operating subsidies; double bottom line managed by one entity – owner and service provider; on-site staff often include people with clinical training and licenses; marketing issues for different populations
6	S, M, P	Separate waiting lists; less reliance on operating subsidies; property manager is mission oriented; some confusion between roles of partnered service providers and owner's resident services coordinator; marketing concerns; some tension between residents who are case managed and those who are not
7	T, M, I	Separate waiting lists; conflicts could arise between the owner/service provider and the third party management company; confusion in which units are set-aside for which populations, although less confusing than #8; less reliance on operating subsidies
8	T, M, P	Most confusing structure to manage with multiple and often times, conflicting stakeholders, goals, and tenant needs; separate waiting lists; less reliance on operating subsidies; some tension between residents who are case managed and those who are not

Tool Kit For Underwriters And Project Planners

The following task grid outlines the different functions that need to be covered in supportive housing projects. It can be used for many purposes, such as:

- A tool by developers in project planning and by underwriters in assessing whether a proposal is realistic.
- A tool to help housing providers and service providers build a per-project budget for operations and staffing.
- A method to assist underwriters on how these costs and functions are split between the property manager and service provider, how could this breakdown be articulated in an agreement, and who is accountable for monitoring each function area.

TASK GRID:

Tool for the Creation of a Supportive Housing Staffing Structure and Budget

ALLOCATION OF STAFFING FOR PSH PROJECTS (Management & Services)					
PROJECT NAME: Sample Scenario					
Total Number of Units					
Number of PSH Units					
Self-management					
Third Party Property Management					
	Service Provider	Owner's Onsite Resident Services	Property Management Onsite	Property Management Offsite	Asset Manager
CONNECTING TENANT TO UNIT					
Pre-screening					
Clinical assessment					
Referral w/ documentation to property manager					
Assist applicant with assembling application package					
Process leasing application and screening					
Securing deposit funds, rent subsidies, income sources					
MOVE IN					
Sign lease					
Coordinate move-in and tenant orientation					
Meet new tenant & orient to services & opportunities					
Help tenants prepare for move in (furniture etc)					
PAYING & COLLECTING RENT					
Monthly rent collection (inc. Sec. 8 rent subsidies)					
Compliance/ re-certification/ lease renewals					
Assisting tenant to access rent subsidies, income					

Notification of non-payment to tenant, services					
Eviction proceedings for non-payment					
Work with client on money management & accessing income					
MEETING TENANT OBLIGATIONS					
Onsite security					
Onsite contact for emergencies					
Treatment services (alcohol, drug, other)					
Crisis management and intervention					
Develop with the tenant a services/ support plan					
Eyes and ears for resident decompensation/ affecting tenant behavioral expectations					
Coordination of onsite resident activities by outside parties					
Sponsor specific resident activities					
Information and referral					
Promote healthy communities: peer groups, newsletters, tenant councils					
Assistance to meet tenancy requirements					
Assistance to enhance functioning & daily living activities					
Eviction prevention					
Re-inculturation process					
Medication monitoring					
OTHER					
Janitorial					
General maintenance & response to maintenance requests					
FTE ALLOCATION					
SALARY RANGE					
TOTAL PS COSTS					
COST PER UNIT					
<i>SERVICE PROVIDER: Generally a 3rd party service provider, case manager, treatment provider, family services</i>					
<i>RESIDENT SERVICES PROVIDER ONSITE: Generally does tenant retention, services to support tenancy</i>					
<i>PROPERTY MANAGEMENT: Onsite, whether 3rd party or owner's staff</i>					
<i>PROPERTY MANAGEMENT OFFSITE: Generally admins, accounting, compliance</i>					
<i>ASSET MANAGEMENT: Owner's oversight of property, long term management, funder relations</i>					

ALLOCATION OF STAFFING FOR PSH PROJECTS (Management & Services)

PROJECT NAME: _____

Total Number of Units	_____
Number of PSH Units	_____
Self-management	X
Third Party Property Management	_____

	Owner's Supportive Services Staff	Owner's Onsite Resident Services Coord.	Third Party Service Provider	Property Management Offsite	Property Manager Onsite	Asset Manager	TOTAL
CONNECTING TENANT TO UNIT							
Pre-screening	X						
Clinical assessment	X						
Referral w/ documentation to property manager	X						
Assist applicant with assembling application package	X						
Process leasing application and screening				X			
Securing deposit funds, rent subsidies, income sources				X			
MOVE IN							
Sign lease				X			
Coordinate move-in and tenant orientation				X			
Meet new tenant & orient to services & opportunities		X					
Help tenants prepare for move in (furniture etc)		X					
PAYING & COLLECTING RENT							
Monthly rent collection (inc. Sec. 8 rent subsidies)					X		
Compliance/ re-certification/ lease renewals						X	
Assisting tenant to access rent subsidies, income	X	X				X	
Notification of non-payment to tenant, services						X	
Eviction proceedings for non-payment						X	
Work with client on money management & accessing income	X						
MEETING TENANT OBLIGATIONS							
Onsite security					X		
Onsite contact for emergencies					X	X	
Treatment services (alcohol, drug, other)	X	X					
Crisis management and intervention	X	X					
Develop with the tenant a services/ support plan	X	X					
Eyes and ears for resident decompensation/ affecting tenant behavioral expectations					X		
Coordination of onsite resident activities by outside parties		X					
Sponsor specific resident activities		X					
Information and referral		X					
Promote healthy communities: peer groups, newsletters, tenant councils		X					
Assistance to meet tenancy requirements	X	X					
Assistance to enhance functioning & daily living activities	X	X					
Eviction prevention	X	X					
Re-inculturation process	X	X					
Medication monitoring	X	X					
OTHER							
Janitorial				X	X		
General maintenance & response to maintenance requests				X			
FTE ALLOCATION	2.5	2.5		12% management fee	2		7
SALARY RANGE	\$33,000 - \$34,500	\$26,438 - \$32,000		\$776	\$9,588		\$10,364
TOTAL PS COSTS	\$103,044	\$85,406		\$1,552	\$19,176		\$209,179
COST PER UNIT	\$2,147	\$1,779	\$0	\$32	\$400	\$0	\$4,358

Operating Budget Issues for Affordable Housing Versus PSH

The Operating Budget outlines the projected revenues, expenses of a project during operations, and ability to support debt. A reasonable operating budget is critical to establishing the feasibility of the project. When revenues are not sufficient to cover operating costs and debt service, long term operating or rent subsidies will be needed to assure project feasibility. This summary outlines, by typical operating budget line items, similarities and differences between more typical affordable housing projects and Permanent Supportive Housing operating budgets. These findings are based on: 1) 2004 survey by the Portland Development Commission of local affordable housing developments, 2) three Portland PSH case studies of operating revenues and expenses in 2006, 3) national data from the Corporation for Supportive Housing, and 4) HDC’s intimate knowledge of finance and underwriting practices in numerous affordable and supportive housing projects in the Portland region.

OPERATING BUDGET ISSUES	AFFORDABLE HOUSING	PERMANENT SUPPORTIVE HOUSING
Revenues	<ul style="list-style-type: none"> ○ PDC’s portfolio had an estimated average net revenue of \$6,200 per unit per year in 2004 (rents + other income – vacancy and other losses). 	<ul style="list-style-type: none"> ○ Three local PSH case studies had average net revenues of \$4,836 per unit per year in 2005, \$1,364 per unit lower than PDC’s estimated portfolio average in 2004.
% MFI to determine rent	<ul style="list-style-type: none"> ○ Affordable housing rents are primarily underwritten with rents at between 31 – 60% MFI ○ Only 11% of the 9,500 units in the PDC portfolio were underwritten with rents at 30% MFI or below ○ Although market conditions sometimes restrict the achievable rent on these units, most can achieve rents higher than 30% MFI ○ Projects at this percent MFI level are generally able to cover operating expenses plus some debt service. ○ At least 63% of PDC’s portfolio’s tenants have incomes below 30%, but generally higher than PSH 	<ul style="list-style-type: none"> ○ PSH units are underwritten at 30% MFI for single individuals and 50% MFI for family units ○ Most (not all) who have experienced chronic homelessness or are in danger of homelessness either have no income or receive some benefits at move-in ○ Most PSH tenants tenant incomes are closer to 10 – 15% MFI ○ Many PSH residents depend on subsidies such as Supplemental Security Income (SSI), Social Security Disability Insurance (SSDI), or Temporary Assistance for Needy Families (TANF) which cannot be relied on to increase regularly over time ○ SSI (\$603/month) is 15% of MFI for a single household in the Portland-Vancouver MSA in 2006 ○ TANF (\$503/month) is 10% MFI for a family of three in 2006

OPERATING BUDGET ISSUES	AFFORDABLE HOUSING	PERMANENT SUPPORTIVE HOUSING
Vacancy	<ul style="list-style-type: none"> ○ Depends on local market conditions, but typical affordable housing underwriting assumes 5 - 7% vacancy rate 	<ul style="list-style-type: none"> ○ National CSH research indicates PSH vacancy at 10-12% ○ Projects should be underwritten from 7 to 10 percent vacancy rate due to the amount of additional time needed to fill the unit with qualified households
Subsidy	<ul style="list-style-type: none"> ○ Does not typically need ongoing subsidy if properly underwritten with achievable rents, adequate operating expenses and reserves, and the correct debt structure 	<ul style="list-style-type: none"> ○ 30% MFI rents generally cannot cover operating expenses for PSH housing unless blended with higher income units with minimal debt ○ The typical PSH tenant does not have enough income at move-in (from benefits or income) to cover even a rent set at 30% MFI ○ Depending on operating costs and the tenants' MFI level, a PSH unit would need subsidy equal to 50-80% of net rental income
Expenses	<ul style="list-style-type: none"> ○ PDC's portfolio had an average operating cost of \$3,698 per unit in 2004. 	<ul style="list-style-type: none"> ○ Three local PSH case studies had an average operating cost of \$4,300 in 2005, or \$600/unit more than PDC's portfolio average in 2004.
Extra cost areas: Off-site Property Management (Management fee)	<ul style="list-style-type: none"> ○ This fee is intended to cover the cost of off-site property management services, whether provided in-house or by a private firm (compliance, accounting, site manager supervision, overhead...) ○ Offsite fees in the affordable housing Industry average 4-6% of net income ○ Some property management companies establish their fee based on a flat per unit per month rate, typically between \$35 and \$40 "per door" 	<ul style="list-style-type: none"> ○ Because net revenues are lower, property management fees as a percentage may be higher, closer to 6% to 8% of net revenues ○ Some private property management companies are considering increasing the flat fee per unit per month rate to \$40 and \$45 for PSH units ○ Some property managers are seeking higher fees to reflect time spent coordinating with service entities and other added responsibilities, but the market has not settled on this issue
On-site Property Management	<ul style="list-style-type: none"> ○ Includes payroll, taxes and benefits of on-site manager (s) ○ Generally, there is 1 FTE on-site manager per 50 - 100 units 	<ul style="list-style-type: none"> ○ Not significantly different for PSH units unless there is the need for 24 hour onsite supervision (see Security below)
Legal and Accounting	<ul style="list-style-type: none"> ○ Refer to the cost of evictions 	<ul style="list-style-type: none"> ○ CSH estimates about \$80 per unit, or about \$2,000 on a per-project basis
Utilities	<ul style="list-style-type: none"> ○ Includes heat, water, sewer, electricity or gas 	<ul style="list-style-type: none"> ○ No major difference ○ If utilities are in tenants' name and

OPERATING BUDGET ISSUES	AFFORDABLE HOUSING	PERMANENT SUPPORTIVE HOUSING
		he/she does not or cannot pay, you may need to consider a policy of intervening and covering those costs
Maintenance and Repair	<ul style="list-style-type: none"> ○ Maintenance staff costs typically include maintenance supervision, in-house and contracted maintenance work, turnovers, elevator maintenance, landscaping, janitorial and cleaners, and are generally charged directly to the operating budget ○ Operating expenses for maintenance costs varies widely in affordable housing, but typical ranges in Portland are \$700 – 1200 per unit per year ○ Costs depend on many factors, including: age of project, level of rehabilitation on acq/ rehab projects, design and materials, size of units, landscaping, elevators, presence of children 	<ul style="list-style-type: none"> ○ The number of maintenance staff is a function of the project's scale and maintenance demands (e.g., housing for persons with AIDS requires a higher maintenance standard to protect tenants with weakened immune systems) ○ CSH's standard calls for a full-time maintenance supervisor, one janitor for every 40 units after the initial 40 units, up to 120 units; then one janitor for every additional 80 units ○ CSH's standards also add one handyperson for the first 100 units and an additional one for every 70 units thereafter ○ The overall goal of this maintenance standard is to maintain a ratio of 1:35 of janitor/handyperson to units ○ Particular populations (e.g. CMI or developmentally disabled) may need additional housekeeping services under service needs ○ De-compensation by some tenant populations may add to maintenance and repair costs, to be covered by Risk Mitigation Pool in Portland
Replacement Reserve	<ul style="list-style-type: none"> ○ \$275-\$375 per unit placed in interesting bearing account, depending on variables such as age of property, type of construction, rehab level on acq/ rehab projects 	<ul style="list-style-type: none"> ○ No difference, as long as Risk Mitigation Pool is in place
Marketing and Leasing	<ul style="list-style-type: none"> ○ Costs for newspaper ads, radio ads and flyers 	<ul style="list-style-type: none"> ○ No significant difference in costs ○ Marketing to social service agencies for direct referrals
Security	<ul style="list-style-type: none"> ○ Few affordable housing projects need additional security 	<ul style="list-style-type: none"> ○ Level of on-site security (and need for 24 hour desk coverage) is a function of project size and other factors such as location and population ○ Projects with greater than 100 units may need 24-hour desk coverage while those with fewer units typically

OPERATING BUDGET ISSUES	AFFORDABLE HOUSING	PERMANENT SUPPORTIVE HOUSING
		<ul style="list-style-type: none"> ○ rely on less expensive arrangements ○ Some national PSH case studies have evening and weekend coverage, and a front desk clerk typically handles security ○ Full security coverage -- 24-hour, 7 day -- requires approximately 5 full-time shifts ○ Evening and weekend coverage -- about 4 full-time shifts -- may be sufficient for smaller projects or those with a strong staff presence during business hours ○ Local case studies relied on site staff to provide coverage during the day and an 'eyes and ears' person (tenant paid to carry a pager) during the off hours ○ Around the clock coverage was estimated at \$130,000 - \$140,000
Resident Services	<ul style="list-style-type: none"> ○ Varies greatly, particularly between singles and families - not all affordable housing populations require resident services ○ Not uncommon to have one service coordinator per 80-100 units ○ Typical affordable housing projects cannot yet support the full cost of resident services, and often support only \$150 to \$300 per unit per year from the project operating budget 	<ul style="list-style-type: none"> ○ Resident Services need to be delineated from: a) case management, and b) clinical services ○ Funding for case management and clinical services cannot be supported from rental revenues ○ Specific additional resident services may be needed for PSH, and roles and responsibilities for providing these services (e.g. move-in assistance) need to be outlined between the owner, property management entity and case manager and/or clinical service provider ○ See the Task Grid for PSH to help identify service needs and calculate FTE needed ○ CSH suggests that, depending on the intensity of service needs, staffing for services will range from between 10 to 25 residents per 1 FTE
Asset Management Fees	<ul style="list-style-type: none"> ○ For staffing costs for overseeing property management, compliance, coordinating audits and reporting, long term portfolio planning ○ Whether this is an allowed operating expense or funded from excess cash flow is negotiable with funders 	<ul style="list-style-type: none"> ○ No difference in costs to date, although PSH units have more regulatory requirements to track ○ Additional staffing burden may include coordination with case managers and clinical staff (e.g. Memorandums of Understanding), reporting, and Risk Mitigation Pool applications

OPERATING BUDGET ISSUES	AFFORDABLE HOUSING	PERMANENT SUPPORTIVE HOUSING
Taxes	<ul style="list-style-type: none"> ○ The project may or may not be exempt from property taxes through one or more tax exemption programs (non-profit ownership, transit oriented, other) 	<ul style="list-style-type: none"> ○ No difference
Insurance	<ul style="list-style-type: none"> ○ The cost of premium payments for a comprehensive fire and liability insurance policy must be included ○ Property insurance is one of the most volatile costs ○ Short of a quote or estimate, assume about \$200 to \$400 per unit per year 	<ul style="list-style-type: none"> ○ No difference
<i>Debt Service</i>	<ul style="list-style-type: none"> ○ Debt Service Coverage Ratio should be sufficient to assure at least 1.10 at the end of the loan period ○ Analyzing the amount of debt a project can support by calculating the projected net cashflow as a percent of revenues, and as a percent of operating expenses helps determine the “cushion” the net cashflow provides to the project for variances from budget 	<ul style="list-style-type: none"> ○ Should be debt-free ○ On mixed income projects, reducing the debt requirements from typical affordable housing will allow the reduced debt service amount (achieved from the higher rents from the 40 – 60% MFI units) to cross subsidize operating costs for the PSH units within the project. ○ Debt coverage on projects with very little revenue is not an effective underwriting tool



How to Prepare a Supportive Housing Operating Budget

Disclaimer: Corporation for Supportive Housing (CSH) is providing this information to assist interested organizations to develop a general understanding of the supportive housing development process. CSH is not rendering legal, accounting or other project-specific advice. For expert assistance, please contact a qualified professional.

The Operating Budget is the tool used to analyze the expenses of a project during operations. It provides a listing of ongoing project expenses. The Operating Budget is critical to establishing the feasibility of the project. If accurately projected revenues (revenue projections are not covered in this document) are not sufficient to cover operating costs, real estate taxes, and debt service *over time*, the project cannot be deemed feasible.

The generic components of the Operating Budget are fairly constant from place to place around the county, but the terminology used to describe them sometimes varies. Even within the same locality, different lenders, investors and government funders may use different terms to describe what they are talking about.

Following are issues that need to be considered in preparing an Operating Budget:

- Costs can vary significantly from place to place and at different times;
- Cost projections that use actuals or good comparables are always best;
- Funders may require that certain underwriting standards be used;
- Operating and replacement reserves may be capitalized in the Development Budget or funded through the Operating Budget;
- Project specifics will determine costs (e.g. a project with elevators will use more electricity than one that does not);
- Vacancy factors should closely track the target population **and** local market conditions; low income housing projects **can**, and do, suffer market failure; and
- Debt service levels may have an impact on the ability of the project to support operating costs.

The three most critical aspects of evaluating the Operating Budget are:

1. **Is it complete?** Does the budget include all of the costs that the Owner/Property Manager will incur to properly maintain and manage a successful project? Recognizing that labels and categories vary from place to place, you will need to understand the project well and ask questions about the construction and management to clarify the extent to which the budget is complete.
2. **Is it accurate?** Evaluating the Operating Budget early in the development process can be difficult. As you get closer to construction, you gain more detailed knowledge about the project and can refine operating cost projections and budgets. The basic question is: what are the underlying assumptions in establishing operating costs, and are they reasonable?

Note: This document is included within the [Development, Housing Operations or Supportive Services] section of CSH's *Toolkit for Developing and Operating Supportive Housing*, which is available at [link to address]. This document has been adapted from [source], which is available at [link to address].

The best assumptions to use are the actual costs for comparable projects. In addition, try to use local accepting underwriting standards for operating expenses. Other questions to consider in evaluating the accuracy of an Operating Budget are: what is the target population? What are the local market conditions? What is the local environment in terms of climate and utility costs? How will the type of construction affect operating costs? What role will the Owner play in operations? Is there a property management plan? And has the proposed Property Manager been involved in developing the operating projections?

3. **Is it realistic *over time*?** Unlike the Development Budget, which deals with the one-time costs of building the project, the Operating Budget deals with the continuing costs of operating the project over time. Therefore, multi-year projections should be carefully scrutinized to ensure that escalation factors are prudent given the nature of the project and expected economic conditions. For example, the impact of real estate abatements or exemptions that may decrease or expire over time should also be considered. The multi-year analysis should also make realistic assumptions about rental assistance, especially regarding the impact of renewals (or lack thereof) and tenant mobility. Also, have you trended the expense assumptions to cover the expected increases over the years of operation? Most projections assume that operating expenses will increase at between 2% and 5% per year.

The table that follows describes the typical items found in a supportive housing operating budget and provides guidance to determine the underlying assumptions and results. (Unless otherwise noted, all costs are quoted on an annual basis.) The order and grouping of these costs is typical of what is found in an actual maintenance and operating budget for supportive housing.

Operating Expense	Cost Evaluation Approach
<p><u>GENERAL & ADMINISTRATIVE</u></p>	<p><i>Note that the costs described below are solely for the real estate operating costs, and do not include services and program costs that are typically found in supportive housing.</i></p>
<p><i>Management Fee</i></p>	<p>This fee is intended to cover the cost of property management services, whether provided in-house or by a private firm. The allowable fee is usually set by the lenders' underwriting standards, and typically ranges from 6% to 8% of net rental income. In some locales, the fee is established based on a flat per unit per month rate, typically between \$35 and \$40. For small-scale projects, the higher percentage fee should be used, because of the inefficiencies of operating these projects. Note that the fee will not necessarily cover the real cost of in-house management, especially if your organization has a small portfolio and/or particularly complex management responsibilities (e.g., administering Section 8 or Low Income Housing Tax Credit compliance).</p> <p>If this is the case, check to see if your management fee matches what it will cost you. If it's tight, make sure that you have adequate agency operating support to cover the full cost of property management. If the property management is being contracted out to a private firm, however, make certain</p>

that they have relevant experience with low-income and supportive housing projects. It is also important to confirm that the Property Manager has been involved in the design of the project and is committed to working closely with service providers to develop integrated management and service delivery protocols.

Tax Credits

When using an outside management firm, send a copy of the equity investor's Property Management Agreement and Addendum (if one exists) to the agent before their fee proposal is submitted to your organization. This is because equity investors will sometimes mandate specific fee agreement and contractual requirements. Ideally the firm should have experience in managing tax credit projects, since the reporting requirements are more complex than most traditional affordable housing projects.

Office Supplies & Expense

The cost of "other-than-personnel-services" ("OTPS"), office supplies, for example, related to on-site activities are usually part of the supportive services operating budget, and thus not included in the M&O budget. In limited cases, this cost cannot be supported by other sources, and if the lender allows, it can be included here. The cost is entirely driven by the staffing plan, and should be prepared as a budget detailing each cost.

Legal & Accounting

Legal expenses largely refer to the cost of carrying-out evictions ("dispossesses"). They can be estimated on a per unit basis, about \$80 per unit, or on a per-project cost, usually about \$2,000. This cost is difficult to project since it is not known how many tenants will be evicted each year until operating experience is gained. This could easily become a higher-than-projected cost if eviction rates are higher than anticipated, especially in the first year of operation. In this event, the additional cost would come from savings on other line items or from the operating reserve.

For accounting services, which include end of year tax filings and audit, projects generally allow about \$2,000 to \$5,000 annually.

Tax Credits

In the case of tax credits, there should be an increased allowance for accounting, since the reporting requirements to the Investors and tax filings are more extensive than projects that are not syndicated. Generally allow \$10,000 to \$12,000 for accounting in these cases.

Annual Partnership Management Fee

This fee only applies to projects syndicated under the Low-Income Housing Tax Credit Program. The fee is intended to compensate the General Partner (subsidiary of the sponsor) for the additional required reporting to the limited partners (largely financial in nature). The fee is set by equity investor's underwriting and is usually between \$5,000 and \$15,000, as determined by the complexity and scale of the project. This fee may be included as an operating cost, or may be paid to the extent of cash flow, after all other operating expenses are covered. Whether this is a "must pay" expense or funded from

excess cash flow is negotiable with the Investors and is sometimes dictated by other funders' requirements.

Since supportive housing projects have limited rental revenue, they usually cannot support much in the way of program or services staffing costs without additional outside funding (e.g., HUD Supportive Housing Program).

PAYROLL & RELATED

Administrative Payroll

Some supportive housing projects will include limited administrative payroll costs in the operating budget, while others will fund it out of the supportive services budget. This cost may include such staff as: the Resident Manager, Administrative Assistant, Receptionist and Bookkeeper. The payroll cost is a function of the staffing plan, and should be detailed in as budget back up. If this cost is included, check with lenders to make sure it is allowable, and also compare with services budget to make sure that there are no redundant costs. The amount of the payroll cost is highly variable.

Maintenance Payroll

Maintenance staff costs typically include Superintendents, Janitors, Handypersons and occasionally, Housekeepers, and are generally charged directly to the operating budget. The number of maintenance staff is a function of the project's scale and maintenance demands (e.g., housing for persons with AIDS requires a higher maintenance standard to protect tenants with weakened immune systems). One standard for supportive housing calls for a full-time Superintendent, and in addition, one Janitor for every 40 units after the initial 40 units, up to 120 units; then one Janitor for every additional 80 units. This standard also adds one Handyperson for the first 100 units and an additional Handyperson for every 70 units thereafter. The overall goal of this maintenance standard is to maintain a ratio of 1:35 of Janitor/Handyperson to units.

The Superintendent's salary should be based on local standards, but make sure it is not set too low as it will be difficult to hire a qualified person. Typical salaries are \$15,000 to \$20,000, including fringe and an on-site 2-bedroom apartment. If an apartment is not provided, the Section 8 Fair Market Rent for a 2-bedroom unit should be added to the base salary. Janitors' salaries typically range from \$12,000 to \$15,000, and Handypersons salaries can range from \$15,000 to \$18,000. Review the maintenance payroll budget with the Property Manager to make certain that the salaries are properly set and consistent with local practices and the market. In high cost areas, the salaries noted above could easily be double.

Security Payroll

Security costs are sometimes included in supportive housing project operating budgets, though full coverage is difficult to accommodate. The security configuration and related costs are quite variable among projects, and are

affected by such factors as: building scale, level of vulnerability of tenants, tenant involvement in building security, sponsor's philosophy, daytime staffing pattern, and the rate and nature of crime in the neighborhood. Most projects have at least evening and weekend coverage, and a front desk clerk typically handles security. Full security coverage -- 24-hour, 7 day -- requires approximately 5 full-time shifts (including allowances for vacation and sick time). Evening and weekend coverage -- about 4 full-time shifts -- may be sufficient for smaller projects or those with a strong staff presence during business hours.

Security costs are usually calculated on an hourly rate basis, which will vary significantly by location. These rates can range between \$8 and \$12 per hour, and may be lower if tenants are working under a stipend program. Full security coverage at \$8 per hour translates into a total of \$83,200 per year, plus fringe benefits. Check with other non-profit housing operators to verify local costs.

In some localities, security costs may be funded by a supportive services contract or tenant employment program. As noted earlier, it is generally difficult to support a significant share of the security costs in the M&O budget, so other sources should be identified to supplement them.

Benefits, Payroll Taxes & Insurance

In most cases, you will want to factor in the cost to provide health and retirement benefits as well as payroll taxes and worker's compensation insurance for your property management staff.

UTILITIES

General

Utility costs can vary widely among projects based on such factors as: efficiency of heating systems, energy ratings of insulation and windows, type of construction (new vs. rehabilitation), local climate, local utility rates, conservation practices of tenants and Property Managers, and air conditioning and ventilation systems. **Important:** Costs given in this section should be used with particular caution; utility rates vary a great deal from region to region. The best information will be from the actual, recent operating expenses of comparable projects in your area.

Heating

Heating costs for systems that are master metered and paid out of the project operating budget are generally projected on a per room or per square foot basis, and are typically part of the local lenders underwriting standards. If your project will be individually metered, see below. Annual heating costs for typical substantial rehabilitation projects in the Northeast are estimated at \$175 per room (for #2 oil or gas) or \$.90 per square foot (gross square footage). These costs can be estimated by an engineer (ask the project architect to request a projection from their engineer). While local utility companies can

provide rough estimates, it is better to go through the engineer who is familiar with the building's systems and design. You can also consult with other property managers or non-profit developers to see what the actual costs are for comparable projects.

Master Metering

Some supportive housing projects have master-metered gas and electric (versus individual metering for each unit). Because usage is not metered individually for each tenant, these costs are estimated and then included in the rent. The Property Manager then pays the actual cost based on usage for the entire project. It is especially important that the costs are estimated accurately; if the cost is underestimated, the Owner, not the tenant, will end up paying the difference. These costs are then included in the rent and paid by the Owner. Gas and electric costs are usually calculated on a per unit basis, and are typically about \$230 per unit for a studio apartment, and include common area costs. Check with other non-profit supportive housing providers operating comparable projects (similar population, design and appliances) to determine typical usage and costs. Note that if the project has unusual systems (e.g., central air conditioning) the estimate should account for the atypical usage.

Individually Metered

In some cases electricity as well as gas for heating may be individually metered (each tenant pays for actual usage) while cooking gas is still master-metered (and included in rent). Again, check with comparable projects to verify this cost. Typical costs for master metered cooking gas are \$10 to \$12 per unit per month, or about \$140 per unit annually. It is important to note that if the tenants will be paying for their own heating costs, this will impact their contribution towards their rent payment as it would be a part of their

Common Area Utilities

Common area gas & electric is budgeted separately when tenants are responsible for their own utilities. This utility cost covers such areas as: public area lighting, on-site offices, elevators, activity rooms, commercial kitchens, congregate dining and laundry rooms. Typical charges are \$37 per room for a "walk-up" building and \$42 per room for an elevator building. Check with comparable projects to verify this cost.

Energy costs vary considerably across the country, and in areas experiencing energy shortages, rates are likely to climb considerably. The uncertainty surrounding gas and electric rates is a compelling reason to budget operating reserves conservatively. These rates, along with insurance costs, are probably the most unpredictable operating costs in the current environment.

Water & Sewer

Charges for municipal water and sewer services are based on either a lump sum "frontage charge" or on actual usage (as measured with individual water meters per building). Frontage charges are based on the width of the building, and are usually a poor indicator of actual usage, but easier to project reliably. If this system is used in your locality, verify the charge with the appropriate agency (often the department of finance or taxation). Be sure that the current

rate is being used and that any anticipated increases are included in the projection. If the building will be individually metered, check with other comparable projects for usage and factor by the expected rate. Note that some localities are changing over from frontage systems to individual metering and that historical costs are not reliable. Frontage charges often understate the actual usage and individual metering can be a significantly higher cost. Family projects generally use significantly more water than projects housing individuals.

Telephone

Telephone costs for general administration and supportive services are generally included as an OTPS cost in the project's operating contract. However, if the cost is to be included in the M&O budget, check comparable projects. Comparable projects should have similar staffing plans, since staff levels largely drive this cost. Tenants are generally responsible for their own telephone costs.

MAINTENANCE & REPAIR

Exterminating and Supplies

This cost is for supplies used in routine cleaning and maintenance and the cost of regular extermination services. It is partly a function of apartment turnover, ease of maintenance (e.g., the presence of resilient floor covering vs. carpet), the use of outside vs. in-house extermination services, and the amount of common area space. Costs can range from \$70 to \$200 per unit, depending on these factors. Best to check with comparable projects of similar construction and that are managed similarly, or get actual vendor quotes, to verify these costs. In some localities, the underwriting will list "Exterminating" separately from "Supplies."

Repairs

This includes the non-personnel costs of repairs done by maintenance staff and the cost of repairs performed by outside vendors or under services contracts (other than elevator). These costs are affected by the intensity of use by tenants, the durability of the buildings systems and surfaces and the level of ongoing maintenance. Typical costs range from \$200 to \$250 per unit, and should be verified with comparable projects. Note that if the project does not involve substantial rehabilitation or new construction, this allowance should be adjusted upward (perhaps up to \$300 or so per unit).

Trash Removal

This cost should only be included in budgets where municipal service is not available, and trash removal is performed privately or by the municipality for a charge. Consult the locality's department of public works to determine the policy. Note that some projects in commercial areas (e.g., downtown SRO's) may not have municipal service available. Verify private rates with garbage collection firms and/or other non-profit providers.

Snow Removal/

This cost is usually included in the maintenance staff and supplies budget lines.

***Grounds Upkeep
(Landscaping)***

However, if the project requires snowplowing service or special grounds upkeep beyond the scope of on-site maintenance staff, the cost should be included here. These costs are more likely to be incurred in suburban or rural settings where there are more extensive grounds to maintain. Verify the cost with contractors and/or other non-profit providers.

Painting & Decorating

This should cover the cost of painting the apartments and common areas on regular intervals, usually about every 3 years. Projects that anticipate a higher than average rate of turnover among tenants (in particular, transitional housing) should budget a higher amount, since the apartment units are generally re-painted upon turnover. Typical costs for painting are \$35 to \$40 per unit plus an allowance for common area of \$100 to \$150 per year per floor. On a 3-year cycle, this translates into \$105 to \$120 per unit for re-painting. Consult other non-profit providers for recent costs for re-painting.

Elevator Maintenance

If the project will have an elevator(s), the budget should include an elevator maintenance contract separate from the other maintenance costs. This is a very specialized service and is usually retained through an elevator maintenance firm on a contract basis. Typical costs here are \$4,200 per elevator cab, though this can vary considerably among localities. Make sure that the projected cost is based on a real quote from a qualified firm or on a comparable project. Note that if a rehabilitation project does not involve major overhaul or replacement of existing elevator equipment, the cost can be significantly higher than the \$4,200 per cab.

Replacement Reserve

This reserve is used to fund the cost of replacing furniture, appliances, carpeting and other building fixtures that have a limited useful life. Projects that expect an unusually high rate of tenant turnover should budget an additional allowance. Typical reserves are based on 2% to 3% of gross rental income, a percentage of the cost of construction, or approximately \$150 to \$250 per unit per year. For new construction or substantial rehabilitation, the reserve should build-up in the early years of operation (7 to 10 years), and be available to fund costs that begin occurring in the 10 to 15 year range. All projects must include a budgeted replacement reserve. These costs cannot realistically be funded from cash flow. Lenders will likely have their own underwriting standards for calculating the reserve, and tax credit investors may have standards for these reserves as well that must be adhered to.

**MARKETING &
LEASING**

***Advertising/
Credit Investigations/
Leasing Fees***

The cost of marketing and leasing is usually not applicable to supportive housing since referrals are typically made through social services agencies or through outreach/intake staff (funded through operating contracts). Advertising costs are generally not incurred. The cost of leasing the unit should be included in the scope-of-services of the Property Manager. These costs are more often found in rental or homeownership housing for families.

TAXES &

INSURANCE

Real Estate Taxes

Many supportive housing projects will be able to receive real estate tax abatements or exemptions, depending on your locality's policies. Do not assume that the project will be exempt on the basis of non-profit ownership, as the operation of housing in and of itself is not considered to be a non-profit tax-exempt activity. Similarly, projects developed using tax credits are owned by for-profit entities and may not be eligible for tax programs targeted to nonprofit-owned affordable housing. If there is no abatement or exemption program available, the taxes should be projected on the basis of the assessed value of the completed project, at the tax rate likely to be in effect at the beginning of operation. Check with the local department of finance or taxation to determine the assessment policy (e.g., some localities do not assess at full value, but rather at a percent of value). Recently completed comparable projects are the best source of determining projected taxes. Make sure that you check whether there are other charges on the tax bill that your project would be responsible for. This can be done by reviewing the prior year's tax bill.

Other Taxes or Fees

Water and sewer charges (see "Utilities") are sometimes included under the category of "taxes." You may also have to pay for a local business license.

Insurance

The cost of premium payments for a comprehensive fire and liability insurance policy must be included and should be based on a quote from an experienced insurance broker. Since quotes are usually only held for up to 6 months, they are not a totally reliable source for projections. Better still is an estimate from an experienced broker for the insurance costs likely to be in effect at the time of operation. Property insurance is one of the most volatile costs, particularly in the current "post 9/11" environment, and a good broker will have a sense of where the industry is going. Short of a quote or estimate, assume about \$2.50 per \$1,000 of replacement cost (though the local standard may be quite different from this).

Tax Credits

Check with all financing sources, including the equity syndicator, on any specific insurance requirements. Be certain to forward any property insurance requirements to the broker before the quote or estimate is prepared.



Housing PLUS Program

(Program Factsheet)

Loan Officer

Roz Barnes

Ph: (503) 986-2049

Email: Roz.Barnes@hcs.state.or.us

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Program Overview

Housing PLUS (Permanent Living Utilizing Services) was funded by the 2007 Oregon Legislature to develop permanent, supportive housing for Oregon's homeless. Initial funding is from \$15,609,000 in lottery-backed bonds. In conjunction with other OHCS housing programs, Housing PLUS will be used for capital development, rental subsidies and supportive services. OHCS is mandated by the Legislature to create 150 units of permanent supportive housing for homeless persons in the 2007-09 biennium.

Three principal objectives help guide Housing PLUS activities:

1. Move individuals from homelessness to housing.
2. Provide case management support for people to access comprehensive, needed service.
3. Assist individuals to obtain and maintain housing over time.

Program Description

Applications for the Housing PLUS are accepted twice a year during the department's Consolidated Funding Cycle (CFC) or through targeted request for proposals.

The amount of Housing PLUS funds invested in the development of a project will not exceed the lesser of: 1) \$90,000 per Housing PLUS unit which serves a priority population; 2) total project funding gap; or 3) total unit cost for each Housing PLUS unit.

In addition, to meet the Housing PLUS services and target population goals, funding will be available to use as rental assistance and/or funding for supportive services. The maximum amount of funding will be \$6,500 per unit per year for up to four years of operation. The funding may be combined with non-CFC funding sources, if necessary, to provide the level of funding required.

Housing PLUS dollars shall not replace committed resources or resources normally utilized for housing development.

Program and Eligibility Requirements

There are three components to the Housing PLUS program. These three components shall be present and interact simultaneously. They are:





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Ph: (503) 986-2049

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1. Permanent Supportive Housing: Permanent Supportive Housing is generally considered to be a successful, cost-effective combination of affordable housing coupled with services that help people live more stable, productive lives. It is a useful intervention to end and prevent homelessness, by working with very low-income people who cannot obtain or continue their housing because of other complex challenges they face.

Permanent Supportive Housing units are defined as having ALL of the following characteristics:

- Housing with no limit on length of residency and no requirement that tenants move out of the housing if their needs change. Ability to occupy the housing is tied to compliance with the lease requirements.
- Flexible and comprehensive array of supportive services available to all members of the tenant household, and ultimately designed to assist tenants to achieve housing stability.
- Housing designed for individuals and families at high risk of homelessness, or who experience chronic homelessness because of acute, special needs.

2. Housing Subsidies: Housing PLUS provides for a housing subsidy program to assist homeless persons to obtain and pay for housing. Some households will need minimal assistance to move out of a shelter or other living arrangement, to pay a security deposit and first month's rent. Others will need slightly more subsidy and for a longer period. This subsidy program is often coupled with intensive and targeted support services to help people increase their income and potentially pay for their housing without the subsidy. Some other households experiencing homelessness may simply be unable to transition out of shelter or other homeless situations without ongoing assistance to pay for housing.

The housing subsidy component of Housing PLUS is specific to the unit or to the needs of the tenant occupying the unit. Subsidy funds may cover up to 100 percent of the rental obligations or supplement the household or tenant's housing benefits. They may be used to pay for housing application fees and other move-in costs.

Housing PLUS subsidies are limited and may be available for up to a maximum of four years of operations. Sponsors will need to supplement these funds with other local or state housing assistance programs. Sponsors are strongly encouraged to work with local community action





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Ph: (503) 986-2049

Email: Roz.Barnes@hcs.state.or.us

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agencies, continuum-of-care programs, and local housing authorities to develop a plan to provide for the subsidies for a longer period than Housing PLUS funds can sustain.

3. **Supportive Services:** Housing PLUS includes supportive and targeted services according to a household's needs. Services can help people access and maintain stable housing as well as increase economic self-sufficiency and improve family and child well-being.

Identification and commitment from a service partner agency is required at the time of application and becomes part of the review consideration. A complete and signed agreement or MOU will be required as a condition of award. A Supportive Services Plan is part of the narrative questions in the Housing PLUS Supplemental Application Forms.

Homelessness affects people differently. Therefore, there is no one single service delivery model that works for all homeless persons. While some will need only minimal support to transition into permanent housing, others will require more intensive assistance to exit a homeless situation and remain housed. Minimally, supportive services shall provide the equivalent of a case manager who will help residents navigate the various systems of services. Funds from the services budget may be used to cover other basic incidental expenses.

Housing PLUS funds for supportive services are also limited, and may be available for up to a maximum of four years of operations. Sponsors will need to supplement these funds with other local, state, or private resources. Sponsors are strongly encouraged to work with local community action agencies, continuum-of-care programs, and local housing authorities to develop a plan to provide supportive services for a longer period than Housing PLUS funds can sustain.

Eligible Sponsors

- Non-profits, local governmental agencies and for-profits are eligible sponsors.
- Housing PLUS funds will be allocated to both urban and rural communities.
- Applicants must demonstrate the capacity to provide and manage housing, administer housing assistance programs, and coordinate access to supportive services.





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Eligible Beneficiaries

Housing PLUS resources will be limited to units within projects designated to house any of the following priority populations that may fit the descriptions below:

- Those who are and have been homeless for long periods of time (one year or more), have experienced repeated stays in the streets, emergency shelters, or other temporary settings, often cycling between homeless and institutional systems of care such as hospitals, jails, prisons, foster care, or other emergency systems;
- Those who are frequently homeless and have chronic health conditions that are at least episodically disabling, such as mental illness, substance abuse, and HIV/AIDS, or other substantial barriers to housing stability (e.g. trauma, or history of placement in institutions); and
- Those who have been victims of domestic violence that face survival, safety risks and homelessness; come from a shelter, transitional housing, or another temporary housing situation; and/or have substantial barriers to obtaining and retaining housing (i.e. financial, housing history).

Homelessness, especially long-term and repeated experiences of homelessness will be the main criteria to determine allocation of Housing PLUS resources to proposed projects. Housing PLUS is for all homeless populations - adults, families, and homeless and runaway youth - meeting the above characteristics.

Eligible Uses of Funds

Funds may be used for the capital costs of construction, acquisition, and rehabilitation of existing housing, along with the conversion of existing available units into permanent supportive housing.

Current Legislative intent for Housing PLUS does not allow the use of funds for shelter and transitional housing or facilities.

Eligible uses exclude land banking for future development and other activities that do not create permanent supportive housing units. Additionally, the bond-financing of the Housing PLUS funds requires the department obtain the approval of an Intent Resolution for each project. Only





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eligible capital costs incurred less than 60 days prior to the Intent Resolution may be reimbursed with the Housing PLUS resources.

Housing PLUS Funds Left in Basis

Tax exempt bonds are the source of Housing PLUS funds provided for capital development. If Housing PLUS funds will be used in conjunction with LIHTC, the developer must determine if the Housing PLUS funds must be removed from basis. The developer must provide the department with a legal opinion to support their decision if funds are retained in basis.

Terms

Housing PLUS funds will only be awarded in the form of a grant.

Limitation of Maximum Household Income

Although Housing PLUS has not established income restrictions, the qualified tenants must meet the Priority Program Population description. Projects receiving Housing PLUS as their sole OHCS resource must set maximum rent limits at 60% of median income. Designated Housing PLUS units in projects serving other low-income populations besides homeless persons, and with other restrictive funding, will be subject to the income restrictions of the other funding as indicated in the application's pro forma operating budgets.

Affordability Period

Projects receiving Housing PLUS as their sole OHCS resource will have a minimum affordability term of 20 years. Designated Housing PLUS units in projects serving other low-income populations besides homeless persons, and with other multiple funding, will not have affordability terms attached. Instead they will follow the longest term of any of the other funding used. Should resources to maintain designated units as permanent supportive housing units decline, sponsor may request department approval to convert units to general affordable housing units for the remainder of the 20 year term or the longest term designated by the other funding sources.

Additional Program Requirements

- Housing PLUS units must meet minimum OHCS architectural and construction standards.





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- Housing PLUS funds will be made available only when a proposed project is ready to proceed. Readiness to proceed requires, at the very least, that other financing be identified, local zoning requirements are met, and partnerships and collaborations are identified.
- The project owner must agree to record the department's restrictive document against the property title.
- OHCS will maintain the Housing PLUS subsidies and supportive service resources in a special account and will distribute funds directly to the owner/sponsor of the project through monthly disbursement requests based on demonstrated need.
- Sponsor must agree to track their performance and supportive housing activities through a Homeless Management Information System (HMIS). Owners and sponsors of Housing PLUS units are required to receive training on the OHCS OPUS/HMIS and use it as a default application if they do not have an HMIS application in place. Owners may elect to form partnerships with service organizations that are already familiar with and use HMIS. Owners with an HMIS application different than the OHCS OPUS/HMIS module are required to ensure data is entered into OPUS. Additionally, an annual performance report to OHCS is required.
- Unless exempt, Housing PLUS units will adhere to all applicable State and Federal laws and regulations.
- Housing PLUS units are subject to compliance and monitoring from the OHCS Asset and Property Management Division.

For More Information

To talk with someone about developing affordable housing in your area, contact a [Regional Advisor to the Department](#) or call 503.986.2000.

OHCS is the state housing finance agency, providing financial and program support to create and preserve opportunities for quality, affordable housing for lower income Oregonians. The agency also administers federal and state antipoverty, homeless and energy assistance community service programs.

