CREATING SUSTAINABLE SUPPORTIVE HOUSING IN WESTERN MASSACHUSETTS: AN ANALYSIS OF BARRIERS AND LOCAL OPPORTUNITIES

Part I of the Western Massachusetts Supportive Housing Initiative
Sponsored by the Western Massachusetts Non-Profit Housing Developers Group

May 31, 2009

INTRODUCTION

The goal of the Western Massachusetts Supportive Housing Initiative is to increase development by members of the Western Massachusetts Non-Profit Housing Developers Group (WMNHDG) of sustainable supportive housing units targeted to people who are homeless or at risk of homelessness. The members of the developers group have varying degrees of experience developing and managing housing for formerly homeless individuals and families, and are motivated based upon this past experience to improve methods to do this work. "Sustainable" supportive housing is both financially viable for the owner of the property over time and maximizes the duration of tenancies for residents by ensuring that adequate support services are identified and committed early on and will remain in place for the life of the project.

As a first step in the initiative, WMNHDG (through HAP, Inc.) engaged InSite Housing Solutions[1] and the Women's Institute for Housing and Economic Development[2] to help it 1) identify existing barriers within the region to the production of sustainable supportive housing units, and 2) to identify strategies that that can be marshaled at the local level to overcome some of these barriers. The second phase in the initiative will identify systemic state-level strategies that are needed.

In this analysis, we explore:
- o Supportive housing needs and supply in western Massachusetts
- o Challenges that local housing and service agencies are experiencing in creating and operating supportive housing
- o Characteristics of sustainable supportive housing
- o Local strategies to foster sustainable supportive housing

We were assisted in our information-gathering process by many area agencies and individuals who agreed to be interviewed and to share their insights and experiences, or who allowed members of our team to listen in on committee discussions related to supportive housing creation and collaborations. These agencies and individuals are listed in Appendix A.

REGIONAL CONTEXT

This study focuses specifically on Western Massachusetts, which encompasses Berkshire, Franklin, Hampden, and Hampshire Counties. The four counties of Western Massachusetts contain about 35% of the area of the state and about 13% of the state's population. The area has a distinctive blend of urban, suburban and rural communities. Springfield (pop. 151,176) is the largest population center, followed by a number of small cities (pop. range of 25-55,000) such as Chicopee, Holyoke, Pittsfield,

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[1] InSite Housing Solutions, LLC is a professional consulting firm that helps communities plan and create affordable housing that integrates human services. It is based in Connecticut. www.insitehousing.com

[2] The Women's Institute is a Massachusetts-based nonprofit organization specializing in the creation of affordable housing that fosters economic security for low-income individuals and families. www.wihed.org

Westfield, and Northampton, and a large number of small towns. Sixty-seven percent of the region's cities and towns have populations of less than 5,000 people.

About half of the region's population is based in Hampden County. Springfield and Holyoke contain among the highest concentrations of poverty in the nation, and Springfield is ranked sixth in the country in its level of child poverty. But homelessness is not restricted to the urban areas of Hampden County. In rural and semi-rural communities, like those in Franklin and Hampshire County, homelessness is less visible, with many individuals and families living in precarious doubled-up situations or living outdoors. Providing supportive housing units in these smaller cities and towns enables families to stay in communities where there is familiarity and proximity to existing supports, and reduces the necessity of relocating to urban areas in order to receive care.

Compared to the eastern part of the state, housing costs in Western Massachusetts are considered more affordable, except in the college towns and the southern Berkshire area. The HUD-established fair market rent for a two-bedroom apartment in the Pioneer Valley is $874, but that amount is only realistic in the lower-cost areas. There is limited rental housing outside of the urban areas. Publicly-subsidized units are located predominantly in the cities, which forces a migration of lower-income households from rural and suburban areas to the cities.

Western Massachusetts has a long history of forming collaborations across diverse disciplines to address social issues. There are three ten-year plans to end homelessness (Springfield, Berkshire County, and the Pioneer Valley) that have attracted a wide range of community leaders, and three active Continuum of Care committees. There are two other collaborative bodies that are particularly relevant to this study:

- **Western Massachusetts Network to End Homelessness** (the "Network") is a collaboration of multiple service providers, public agencies, and civic and business leaders formed to coordinate regional initiatives to end homelessness through the provision of adequate housing and support services focused on maintenance of housing. The Network is led by a Leadership Council, which guides and monitors the effort and includes leaders from various sectors, including business, education, philanthropy, and the public and nonprofit sectors. The Network's genesis is in the Western Massachusetts Interagency Council (WMIC), a group that began in January 2005 and has engaged state agencies and community partners from across the region on responses to homelessness. Additional members have been brought into the network through the creation of the 10-year plans, the involvement of the Continua of Care, and joint processes to apply for new funds from the Massachusetts Interagency Council on Housing and Homelessness (ICHH).

- **Western Massachusetts Non-Profit Housing Developers Group** is comprised of twenty area organizations that develop or help finance affordable and supportive housing (a listing of organizational members is found in Appendix A). There is some overlap in membership between this group and the Network, but to date there has been little in the way of formal linkages or information sharing between the two groups. While this report is sponsored by the developers group, its findings are likely to be of interest to the Network as well – and certainly, the ability to effect change to address barriers to sustainable supportive housing will require a joint effort of both groups and their respective memberships.

WHAT IS SUPPORTIVE HOUSING?

Supportive housing is affordable permanent housing that provides residents with the rights of tenancy and easy, facilitated access to an array of flexible supportive services. The services are designed to assist the tenant in sustaining housing stability and in living a productive life in the community. It is, first and foremost, housing as opposed to a program of treatment, a shelter, or a residential care facility.

Supportive housing is a proven, cost-effective means of ending homelessness because it addresses its root causes. People living in supportive housing often have long or repeated histories of homelessness,

and face persistent obstacles to maintaining housing, such as mental illness, a history of trauma, a substance use disorder, or a chronic health issue. Supportive housing helps tenants access the services they need to address their health issues effectively, while providing the stability of home. The combination of permanent housing and supportive services creates a synergy that enables tenants to take steps toward recovery and independence.

SUPPORTIVE HOUSING NEEDS IN WESTERN MASSACHUSETTS

The supportive housing goals for western Massachusetts are laid out in the three ten-year plans to end homelessness. The first of these plans, Springfield's "Homes Within Reach", was completed in January 2007. Springfield's plan was later folded into the Pioneer Valley Plan, "All Roads Lead Home", which was completed in February 2008 and covers Hampden, Hampshire and Franklin Counties. The Berkshire County plan was completed in July 2008. **Together, these three plans call for the creation of 710 supportive housing units for chronically homeless individuals and homeless families with special needs by 2018.**

The supportive housing goals were derived from an examination of local need. At the time the plans were developed, approximately 1,100 households were known be homeless at any one point in time, based upon local counts. Close to three times this number – or 3,057 households - were homeless over the course of the year in the Pioneer Valley and Springfield alone. Over a quarter (28%) of homeless individuals experienced chronic homelessness. Chronic homelessness means that they had been homeless long-term (for a year or more) or episodically (at least four times in the previous three years), and they had a disabling health or mental health condition. Additional individuals and families, while not chronically homeless, experienced risk factors that make it extremely difficult to transition from homelessness without appropriate supports. These risk factors include substance abuse, mental health issues, and domestic violence.

	Springfield	Pioneer Valley (excluding Springfield)	Berkshire County	Total
Total Households Experiencing Homelessness				
Point in Time (1/07)	259 individuals 62 families	163 individuals 131 families	186 individuals (1/06) 59 families (1/06)	608 individuals 252 families
Annual (2006)	1366 individuals 394 families	1430 individuals 261 families	n/a	
Homeless Individuals with Key Risk Factors 2006				
Chronic Homelessness	386	410	41	
Substance abuse	930	888	n/a	
Mental health issues	715	683	n/a	
Domestic Violence	529	505	n/a	

The supportive housing goals for the region are intended to meet the needs of people with special needs who are homeless or would be at risk of homelessness were it not for the integration of affordable housing and supportive services. This includes people with disabilities experiencing chronic homelessness, as well as families with multiple service needs who may not have long shelter stays but exhibit chronic housing instability.

	Springfield	Pioneer Valley (excluding Springfield)	Berkshire County	Total
Western Massachusetts **10 Year Production Goals – Permanent Supportive Housing**				
Chronically homeless individuals				
Long-term Homeless	125	130	50	**560**
Episodically Homeless	125	130		
Families with special needs	50	50	50	**150**
Total	**300**	**310**	**100**	**710**

At present, there are approximately 720 permanent housing units in Western Massachusetts that are targeted to homeless persons. A listing of these is found in Appendix B. These units have not significantly reduced the need for 710 new supportive housing units because all but a handful came on line *before* the ten-year plans were completed. Ninety percent of these units are for single individuals. The vast majority are either single room occupancy (SRO) units with shared bathrooms and kitchens, or "enhanced SROs", which are small studio apartments with private bathrooms and kitchenettes. Many of the units are operated on a "closed referral" system, meaning that access to the housing is controlled by a specific service agency. Only 23 units are specifically targeted to chronically homeless people.

The availability of service supports to tenants varies considerably from site to site and person to person. Unfortunately, this inconsistency appears to be driven less by individual need and more by variability in service funding, the demands of provider caseloads, and agency priorities. The lack of confidence in reliable service provision has made many housing organizations gun shy about launching new projects that include units targeted to homeless people. This is explored further in the next section.

BARRIERS TO DEVELOPING SUSTAINABLE SUPPORTIVE HOUSING

Through our interviews and research, we identified a number of challenges that organizations are confronting as they try to develop and operate sustainable supportive housing units targeted to people who are homeless. These challenges fall within six categories:

- Housing models
- Financing of the housing
- Service funding
- Service delivery
- Tenant screening and referrals
- Roles and partnerships

A. HOUSING MODELS

Background

Affordable housing projects in western Massachusetts are generally smaller than their eastern counterparts. This is due primarily to the smaller size of the communities. For permanent housing projects serving homeless people, the common model is a small building of 8-20 units providing either SRO units or enhanced SROs. Typically, 100% of the units are targeted to people with special needs or very low incomes, or both.

This SRO model has the advantage of providing decent, basic accommodations at a reasonable cost in small buildings that blend in with surrounding neighborhoods. It also is the result, in part, of a development process that often goes something like this:

- the community identifies a need for housing to serve homeless or special needs individuals, and a nonprofit steps up to the plate to address the need;
- in order to meet various funding application deadlines and keep costs low, the nonprofit scrambles to find a building that requires only moderate rehabilitation but can accommodate as many units as possible; often it is a building that is already configured as SRO units (such as a former hotel or rooming house) or can be easily converted into small units (such as a large house) that becomes available at a reasonable price;
- the nonprofit secures a smattering of rent subsidies from various sources (Section 8s from the local housing authority, Shelter Plus Care through the local continuum of care, etc.), and develops a service plan either individually or in tandem with another organization;
- after many months (or years) of assembling financing from disparate sources, the building is rehabbed and opens for occupancy.

It is unclear whether the adoption of SROs as the standard model is due to a local perception that it works better for homeless individuals. However, there is no evidence to indicate that the model provides benefits to the tenants that are greater than what would be gained in more standard apartment settings.

Barriers
While SROs have cost advantages due to their smaller size, designing projects solely as SROs can lead to operational challenges for the nonprofit down the road:

1. **Small unit size**
   While most nonprofits in western Massachusetts are moving away from the development of traditional SROs in favor of enhanced SROs with private facilities, these small studios still have disadvantages over more standard apartment sizes when used for permanent supportive housing.

   - **Tenant privacy and space.** While someone transitioning from homelessness brings few belongings, their life changes once they have their own apartment. As their independence increases, they can quickly outgrow a tiny studio.

   - **Owner flexibility and unit marketability**. If the target population for the unit changes in the future (i.e., it is no longer targeted to special needs populations), small units could prove difficult for the owner to market other than in college communities.

   - **Family needs.** SRO projects do not have the flexibility to accommodate changes in family composition (including mothers who may reunite with their children), and do not address the need for supportive housing for families.

2. **Concentration of special needs units**

   - **Property management concerns.** The "model" of supportive housing as a small SRO building with 100% homeless or special needs tenants has become so common in the area that many nonprofits do not realize that supportive housing can be designed differently. One housing group indicated that they would be hesitant to develop supportive housing because of concerns related to managing the building – until they understood that a project could be designed as a blend of special needs units and mainstream affordable units, could accommodate families, and that services could be available to all of the

tenants in the project, regardless of disability status.

- **Service funder concerns.** Increasingly, public agencies serving people with disabilities - including the Massachusetts Department of Mental Health – prefer placing clients in the "least restrictive setting." Projects that restrict 100% of their units to people with special needs may be overlooked by service agencies in favor of apartments within more integrated settings.

B. FINANCING OF THE HOUSING

Background
Supportive housing development in Western Massachusetts is commonly funded one of three ways:

a. <u>Larger projects</u> of 20 units or more are typically funded with a combination of 9% low income housing tax credit investments, a small mortgage loan, and some combination of deferred payment loans from various programs administered by the Massachusetts Department of Housing and Community Development (DHCD). These program include:
- Housing Innovations Fund (HIF) – a state program for nonprofit developers to create and preserve affordable rental housing for special needs populations;
- Housing Stabilization Fund (HSF) – a state program that supports affordable rental housing production and rehabilitation;
- HOME Program (HOME) – a federal program that provides funding for affordable rental housing production and rehabilitation;
- The Affordable Housing Trust Fund (AHTF) – a state program that provides funding for affordable rental, homeowner and mixed use projects, including housing for disabled and homeless populations.

b. <u>For the more typical small projects of 20 units or less</u>, developers have to cobble together funding from a variety of soft financing sources. These projects are too small for tax credits and too small to support debt service. Part of the challenge is that the State has a stated dollar limit per unit on its soft funds in programs such as HIF, HSF, and HOME. While DHCD provides some flexibility on these limits for projects serving the homeless, the funding is still insufficient to cover total development costs, which run $180-200,000 per unit for an enhanced SRO. Developers work to fill the remaining gaps through the highly competitive HUD Supportive Housing Program, funds from the local city/town, and a variety of other sources. Some programs that might have been available in the past have experienced recent cutbacks, such as the Federal Home Loan Bank Affordable Housing Program, and the Commonwealth's Community Preservation Act program.

c. <u>Projects developed by nonprofit service agencies</u> for people with special needs most commonly tap:
- HUD Section 811 program, which provides a capital advance and operating subsidies for small projects serving people with disabilities; and
- State Facilities Consolidation Fund (FCF), a state program for nonprofit developers to create and preserve affordable rental housing for clients of DMH and DMR.
These programs are seldom used to finance supportive housing specifically for persons with special needs who are homeless, although they could be used for this purpose.

On the operating side nonprofit developers work to secure subsidies through funding rounds for Section 8 and MRVP project-based vouchers issued by local administrators or housing authorities. Less often, they will pursue subsidies through the HUD Continuum of Care programs, such as Supportive Housing Program or Shelter Plus Care.

Barriers
The challenges that nonprofit developers in Western Massachusetts have experienced in financing supportive housing through these methods include these:

1. **Per unit caps on capital financing** force developers to secure funds from multiple sources, particularly for small projects. The impact of this:

   - Funds from the combination of available sources can still be insufficient to finance needed projects.
   - The development process takes longer, adding to project costs.
   - Multiple funder requirements from multiple funding sources add to project complexity and are often conflicting.
   - Multiple funder restrictions on who can be housed makes it difficult to find eligible tenants that meet the all of the requirements.

2. **Disconnected funding.** Funding for capital exists independently of funding for services and, in most cases, funding for rent subsidies. The impact of this:

   - Developers are left to their own devices to piece together funding from multiple capital, and rent subsidy, and service sources.
   - Developers get caught in a "Catch-22" of timing, as uncoordinated funding sources for capital, subsidies, and services have different application and deployment deadlines, which depend in part on commitments from the other sources.

3. **Long-term restrictions.** Capital funding comes with long term requirements to house homeless/special needs populations, but funding for services comes with no such guarantee. If the service funding is cut or services are withdrawn by the service provider, the property owner bears the management risks that come with inadequate services, and is given no recourse to retarget the units. This creates a disincentive for nonprofit developers to develop supportive housing in the first place.

4. **Rent subsidy risks**

   - **Vacancy payments.** For projects serving people with histories of homelessness, unit turnover may be higher than in other affordable housing, particularly in the tenant's first year. However, unlike Section 8, the MRVP program does not provide a vacancy payment to the owner while a unit is being prepared after turnover. The same is often true for units subsidized by public service agencies (such as DPH) under a "closed referral" system.

   - **Minimum rents.** Housing authorities are allowed by HUD to establish a minimum Section 8 rent payment. This payment can be a barrier to occupancy for people who are homeless and do not have an income.

   - **Fair market rents.** Western MA has a few key pockets where the HUD FMR for the area is well below actual market rents and what is needed to operate the housing unit. This is particularly the case in the Northampton/Amherst area.

   - **Inadequate supply of project-based subsidies**. There are simply not enough project-based subsidies available to meet the needs of supportive housing developments.

C. SERVICE FUNDING

Background

Nonprofits developers are on their own to seek funding from the few openly available sources of service funding, which are usually the HUD Supportive Housing Program, city CDBG funds, or local foundations – all of which are highly competitive.

An alternative to seeking service funding directly is to set-aside project units for people who are already receiving services from designated agencies, such as mental health or substance abuse service providers. In this case, it is the service agency that bears the responsibility of securing the funding for the services it delivers.

For the service agency, it is a balancing act, especially in a period of budget instability. As one provider explained it, the agency uses a lighter staff caseload to support clients in recovery (e.g., people whose service needs are moderate), and heavier staffing for clients in crisis. The agency must balance work between these two, knowing that there is always some percentage of clients in recovery who will cycle into crisis again. If the agency were to take on a significant number of new clients with higher needs (such as people who are homeless) without additional funding, it would not have the staff capacity to keep things in balance. As a result, some clients would not receive the services they need.

Occasionally, a provider will receive funding from a special program that will allow them to serve a set number of high need clients. Some housing owners have been burned when funds for these special programs were cut or expired.

Barriers
The challenges that nonprofit developers and service providers have experienced in western Massachusetts in financing the supports to tenants include:

1. **Disconnected funding** – The funding that does exist for services exists independently of funding for capital and, in most cases, funding for operating subsidies.
   - Developers are left to their own devices to cobble together services from an array of limited funding sources and provider set-asides.
   - The timing of service funding is not coordinated with the timing of the housing funding, so development takes longer.

2. **Unreliable service funding** – changes in service funding to providers means problems in provider capacity, which means problems for the tenant and housing owner.

3. **Inconsistency in service funding from project to project** – because housing owners and providers must cobble together service funding from various sources, there is a wide variation in service funding from project to project. As a result, there is no standard for service delivery or service staffing, and tenants must rely on whatever is available, regardless of their needs.

4. **Time limits on service funding**

   - Service funding that is time limited places the housing owners at risk when services expire. Nonprofit developers are hesitant to take the risk to create housing for persons with special needs based on these transient commitments.

   - Unfortunately, several current sources of funding for services are time-limited, including PATH (outreach to homeless persons with mental illness), the new regional funds through the Commonwealth's ICHH, new supportive housing service funds through SAMHSA, and federal stimulus funds through the Homelessness Prevention and Rapid Re-Housing Program. Generally, service provider organizations must try to find scattered affordable units in the marketplace in order to assist homeless households with these service resources. While some nonprofit housing owners are willing to create temporary set-asides within existing projects to accommodate these programs, these temporary strategies do not result in new units of supportive housing available for the long term.

5. **No "plan B" for the owner if service funding is cut** - Nonprofit owners of supportive housing, who must live with 30 year mortgage restrictions on their properties, naturally would like guarantees of services funding or service provision that are of long-term duration. However, since most funding for services comes from State appropriations, provider agencies are not able to commit services for more than a year at a time. Owners need some recourse to change tenancy restrictions if funding is cut and services are no longer available to a project.

5. **No on-going source of flexible support dollars** – This was identified as one of the largest barriers to the creation of sustainable supportive housing.

- Due to the challenges of balancing services to a broad range of clients within existing resources, most service providers said they would need additional service dollars to effectively serve new clients with multiple needs and histories of homelessness. The dollars also need to provide the flexibility needed to go beyond clinical-based care management.

- From our interviews, it is clear that the funding that is most needed is for "housing-based case management" - flexible, supportive case management services that focus on what the person needs to live and work in the community. This is a non-clinical approach that focuses on service coordination as well as helping the tenant to build skill sets around maintaining housing, employment, and social connections.

- A challenge in advocating for these dollars is how to describe these flexible supports so that the funding is not seen as a duplication of the community services that providers are already mandated to provide.

D. SERVICE DELIVERY

Background

The term "services" can mean many things – from more intensive, wrap-around models (such as Housing First) to mere service coordination. Just as service funding varies widely from project to project, so do service approaches – due to differences in funding, in tenant needs, agency philosophy, or provider capacity. Housing agencies that require a project service plan as a condition of capital financing are often perplexed by how to evaluate these plans. Articulated service strategies that may pass the test from a "check-off" point of view do not always play out as planned. While funding of services is a major factor in determining service levels, other issues also come into play:

Barriers

1. **Provider capacity** – nonprofit housing owners have experienced a number of concerns related to the capacity of service partners to provide appropriate support to formerly homeless tenants.

   - **Inadequate case management support** - once a client is placed into housing, the provider may provide little follow-up; providers contend that high caseloads and clients that are spread out makes it difficult to provide consistent case management.

   - **Medical model approach**– While focusing on the health of an individual client, provider staff sometimes overlook issues that jeopardize the tenant's ability to live independently. Many tenants need help to ensure that they can pay the rent, cook for themselves, keep an apartment clean and safe, and do laundry – basic living skills that go beyond health.

   - **Lack of timely response to the housing owner** – Some providers have been unresponsive to owner calls or slow to respond to owner concerns.

   - **Lack of "street smarts"** – Provider staff may have limited experience or training in working with people with long histories of street homelessness and trauma.

   - **Provider silos** – one provider noted that the service provider community has created silos around who serves what profile of person; this makes it harder to secure services for housing that serves a variety of people.

2. **Tenant isolation** – this is a big issue for clients, especially in rural areas.

   - **Social and employment supports** - Housing owners have found that tenants need more opportunities and support for community-building, socialization, and tenant activities. They also need connections to employment and (in the case of families) to child care.

- **Transportation**. In more rural areas, clients are unable get to services or look for apartments because transportation is not available. Some clients even have problems getting mail delivered to their home.

3. **No accountability for service quality**
   - Housing owners perceive that there is little accountability on the part of the provider or service funder for the quality of housing-based service delivery and for client outcomes related to housing success. There is no level of program evaluation that examines how well services are working, how the tenants are doing, and whether they are stabilizing in their housing.
   - There is no recourse for the owner if the provider does not do their job.

4. **Limited service range** – there are very few providers who operate in rural areas, and fewer who will visit the client in their home.

5. **Services uncoordinated within individual projects** – it is not uncommon to have multiple service providers with different missions and tolerances serving clients within a single project. Yet, no one is in the lead to coordinate the services between these disparate providers.

6. **No regular service presence at the housing site** to watch for signs that a tenant is having problems.

E. TENANT SCREENING AND REFERRALS

Background
Tenants enter housing owned by nonprofit developers in a variety of ways:

a. Master-lease**. In some cases, owners have leased an entire building or a set of units within a building to a nonprofit service provider. The provider then selects the tenants for these units. The tenant's lease is with the service provider agency.

Housing owners like the master-lease arrangement because the risk of tenant nonpayment of rent or damage to the unit is born by the service agency. However, this arrangement can place the service agency in the awkward position of serving as both landlord and advocate.

b. Unit set–aside under a "closed referral" arrangement**. Some owners have set aside a portion of their housing units to persons referred by a single service agency (or more than one). The tenant's lease is with the housing owner. The set-aside is typically established through a written agreement between the owner and service provider.

The success of a closed referral depends on a quick response by the service agency to place a new client when there is a vacancy, but not so quick that the housing owner does not have time to refurbish the unit.

c. Wait list priorities. In lieu of master leasing or closed referrals, an owner may simply establish a priority on its project waiting list for people who are homeless or disabled (or both) and for people who can benefit from the services available at the site.

The source and type of housing subsidy used, as well as sources of capital and service funding, will impact tenant eligibility and referral arrangements. The challenges that nonprofit owners and service providers have experienced in using these approaches include those below.

Barriers

1. **Timing of referrals** – under closed referral systems, housing owners depend on service providers to keep units filled. But the nature of the DMH referral system, in particular, makes this challenging because there is a mismatch between the timing of referrals and vacancies.

- **Providers are not referring enough people** to keep units filled when there are unit vacancies.

- **Conversely, the State (DMH) imposes urgency on providers to respond quickly to placement needs**, and will often call providers to say "we want you to put someone somewhere today". If the housing project does not have a unit immediately available, the provider must look elsewhere to place the client.

2. **Meeting multiple funder requirements -** when there are multiple sources of funding on a project, it is difficult to match people to units and still stay within funder requirements

3. **Differing perceptions of "housing readiness"**

- **Referrals that ignore service needs** - Some housing owners have found that service providers are referring people to housing projects who need a higher level of support than they can provide.
- **"Creaming"** - on the other hand, some housing programs are seen by providers as targeting the more high-functioning individuals who can be more easily engaged – and leaving out some of the most chronically homeless individuals who are then left in shelters.
- **Wait list priority for "homeless" can be misleading** – for some owners, it means that you have to have been homeless through "no fault of your own" - if you have been evicted or have a poor rental history, you can't get into the housing.

F. ROLES AND PARTNERSHIPS

Background

Most of the organizations we interviewed agree that functional partnerships between housing organizations and service agencies to carry out the respective roles of housing development and tenant support is a good idea. Yet, both types of organizations approach such partnerships cautiously. Having been burned by failed set-asides that resulted in poor service quality, some nonprofit housing organizations have expanded their activities to include service coordination. Conversely, several nonprofit service agencies are expanding their involvement in housing development because they see few organizations interested in creating housing for their clients. Both are responding to the needs of special needs populations by taking on expanded cross-over roles.

There is some debate about the benefits of mainstream service agencies (such as behavioral health agencies) becoming housing developers and owners. On the plus side, these agencies have clear interests in serving special needs populations, and do not need to be convinced that it is a good idea. Some service agencies are large organizations with strong balance sheets and working capital that they can use to acquire sites in a timely way. They also have established relationships with a network of landlords and private housing owners, which occasionally offer opportunities for partnerships for turnkey developments.

On the other hand, the reality of affordable housing development is that it takes a long time and consumes considerable attention and resources. This can be a distraction from a service agency's core mission and strength. Some agencies want to pursue housing development in the hope that it will generate unrestricted revenue for the organization through developer's fees and rental income – a risky proposition, as any nonprofit housing organization can attest. Service agencies are generally less versed in tapping mainstream affordable housing financing programs, other than those targeted for special needs populations, and are not any more likely to develop supportive housing that serves homeless individuals and families with special needs than are nonprofit housing organizations.

One service agency speculated that the ideal situation would be for the agency to purchase a building, get their clients in, then look for a developer to buy the building back and manage it. This arrangement would enable the service agency to pick the property and the landlord and still maintain its primary role as service provider. This strategy could also work as a joint venture with a nonprofit developer.

Partnerships between housing and service agencies, when structured properly, can combine the strengths of both partners and result in good quality supportive housing. Below are some elements of partnerships when it *hasn't* worked.

Barriers

1. **Waiting until the project is complete to bring in the service partner** gives the nonprofit developer control over the design of the project, but leaves the service partner out of the process. The service agency can bring important perspectives about tenant mix, unit configuration, service and community space that will enhance service delivery and meet the needs of the tenants.

2. **Juggling multiple service partners in one building** can create mission clash and coordination headaches for housing owners.

3. **Weak communication structures -** Some housing managers say that they don't know how their service providers are supporting the tenants around housing issues. Where managers and service staff have stayed connected through regular coordination meetings, they stay informed and experience fewer tensions.

4. **Role drift** – when the property's site manager acts like a service provider and the case manager acts like the landlord, everyone is confused.

5. **Vague policies and protocols –** partnerships are stressed when housing owners, managers and service providers have different expectations about tenant eligibility, service delivery, what constitutes a problem, and how problems will be addressed.

SUMMARY OF BARRIERS

Some of the barriers outlined above can be addressed through changes at the project level, while others will require systems level interventions, e.g., changes in public sector policies and funding practices. Some will require a concerted effort at both the project and systems levels. In Appendix C we have provided a summary of the barriers and recommended level of focus for solutions.

KEY COMPONENTS OF SUCCESSFUL SUPPORTIVE HOUSING

In order to overcome the barriers to developing sustainable supportive housing, it is helpful to have a vision in mind of what sustainable supportive housing looks like. As noted earlier, "sustainable" housing is both financially viable for the owner of the property over time and maximizes the duration of tenancies for residents by ensuring that adequate support services are identified and committed early on and remain in place for the life of the project.

There is no single model for supportive housing's design or for the approach to service delivery. The housing settings may vary dramatically based on a range of factors, including tenants' preferences, the type of housing stock available, and the norms and history of a community's real estate market. The housing might consist of apartment buildings, SRO buildings, or even single-family homes or condominiums. It might exclusively house people who are homeless or have special needs, or provide a mix that blends special needs units and unrestricted affordable units.

In Appendix D, we provide a sampling of a variety of supportive housing projects in Connecticut communities similar in size to many in western Massachusetts. The purpose is to illustrate the wide range of styles and forms of supportive housing development that can serve homeless individuals and families. Many of these projects were the result of joint planning and successful partnerships between nonprofit housing development organizations and service organizations.

Whatever the housing model that is used, there are five key defining elements of supportive housing that should ground any approach:

- *Access:* The housing units are available to the intended target population, and are unrestricted by unnecessary eligibility criteria, service requirements, or other barriers.

- *Affordability:* The tenant household ideally pays no more than 30% of household income toward rent and utilities, and never pays more than 50% of income toward such housing expenses. Rent subsidies are usually critical in ensuring affordability.

- *Permanency:* The tenant household has a lease agreement with no limits on length of tenancy, as long as the terms and conditions of the lease are met.

- *Support:* All members of the tenant household have easy, facilitated access to a flexible and comprehensive array of supportive services designed to assist the tenants to achieve and sustain housing stability. Service providers proactively seek to engage tenants in on-site and community-based supportive services. In general, participation in the supportive services is not a condition of on-going tenancy.

- *Coordination:* The unit's operations are managed through effective partnerships among representatives of the project owner, the property manager, the supportive services provider, and the tenants.

The mix of services in supportive housing will vary depending on who is being housed and their individualized service needs. In general, the supportive services should be designed to support the tenant's ability to retain their housing; sustain good health and manage on-going health and disability-related concerns; access and retain meaningful employment, and increase their skills and income; make connections to the larger community; and achieve greater self-reliance. To be effective, the services must anticipate the needs of the target population, but must also be flexible and responsive to the needs of each tenant household.

The Corporation for Supportive Housing (CSH) recently produced a set of tools centered on seven Dimensions of Quality that can serve as a common framework among nonprofit housing developers, service providers and property managers for assessing – and planning for – supportive housing quality. These tools offer key indicators of quality, an assessment tool that organizations and their partners can use to evaluate their projects (or plan for new ones), and links to helpful publications and training materials. The tools can be found on the CSH website at www.csh.org/dimensionsofquality.

ADDRESSING BARRIERS AT THE PROJECT LEVEL

CREATING WORKABLE PARTNERSHIPS

Many of the barriers to developing successful supportive housing – particularly those related to service delivery, tenant screening and referrals, and partner roles - can be addressed by changing the way the project and partnerships are conceived from the outset. A useful rule of thumb is to think of supportive housing as a marriage between housing and services – so that ideally the housing developer/manager and the service provider work together as partners in developing the project concept, design standards, and operating policies and protocols.

1. **The first step is choosing a partner.** Important considerations for a housing development organization are the service provider's experience in working with individuals or families who are homeless, their track record in supporting people with complex needs in independent housing, their access to clinical services (mental health, substance use, and primary care treatment), and the stability of their funding. If the housing organization does not have a positive, established relationship with a qualified service agency, it may want to consider issuing a request for proposals or qualifications for a service partner. A sample RFP can be

found in CSH's widely-used publication on supportive housing partnerships, *Not a Solo Act*, at http://www.csh.org/index.cfm/?fuseaction=Page.viewPage&pageID=3266.

2. **Defining the project, articulating roles.** Once the service partner has been selected, the two partners (and the intended property manager) can get to work to develop the project concept and define their respective roles and responsibilities through a written memorandum of understanding. A sample MOU between nonprofit partners is available through CSH's *Toolkit on Developing and Operating Supportive Housing* (www.csh.org/toolkit2) at http://documents.csh.org/documents/ResourceCenter/DevOpsToolkit/SampleMOUDevSvcsPropMgrpdf.pdf

3. **Agreeing on operating protocols.** Once the project approaches operation, the real work of delineating and documenting operational policies and protocols begins. This is an often overlooked process, but can make the difference between a "meeting of minds" between the housing owner, manager and service provider and a strained relationship. The written policies can include such critical issues as
    *   tenant selection, referral and eligibility
    *   tenant service philosophy, service staffing structure, and on-site hours
    *   substance use, harm reduction, smoking, and visitor policies
    *   conflict resolution
    *   tenant organizing, activities, grievance policies

    A sample operational policy and procedure agreement for the 25-unit Cedar Hill supportive housing project in New Haven, CT, can be found in CSH's *Toolkit for Ending Long-Term Homelessness* (www.csh.org/toolkit). The document at http://documents.csh.org/documents/ke/toolkit-ending-homelessness/cedar-hill-pm-services-collaboration.pdf describes the partnership between HOME, Inc., a nonprofit housing developer, and Columbus House, a nonprofit service agency, to create Cedar Hill, and provides links to the project's operational policies and its tenant selection plan.

The strongest foundation for a successful partnership is a positive relationship between the staff of the two agencies. The very process of developing these MOUs and protocols is a means for the staff of the housing and service organizations to get to know one another and practice working together through joint decision-making.

Developing partnerships with multiple service agencies for a single project adds to project complexity and can be confusing for tenants and management staff.

*   One alternative would be to establish a partnership with a single lead service agency that would be responsible for the coordination of the service team. The service team itself could be comprised of staff from different agencies. In this case, the service agencies would need to develop their own agreement that outlines supervision and accountability.

*   Another alternative is for the housing owner to hire an on-site service coordinator, funded from operations or a flexible service grant, to meet regularly with the service team, broker communications between providers and the property manager, coordinate service activities, and mediate disputes. Domus, Inc. in Westfield employs this service coordinator strategy in several of their projects.

REORIENTING SERVICES

Addressing barriers relating to service delivery may also require adjustments in the ways that services are delivered, with particular attention to the following:

1. **Fostering independent living skills** to support the client's goal to live independently in their housing. Provide clients with skill building assistance around budgeting and paying rent, maintaining an apartment and apartment safety, and nutrition and cooking.

2. **Addressing tenant isolation and forging connections** to community resources and employment supports.

3. **Going to where the client lives** to provide support.

To effectively support clients around these issues, staff often needs training. The Network and the Western MA Nonprofit Developers Group could consider co-sponsoring the development of a supportive housing training initiative in western Massachusetts.

As a model, the Connecticut Department of Mental Health and Addiction Services, working in tandem with CSH, has developed a training series targeted to supervisors and service staff in supportive housing (see http://www.ct.gov/dmhas/lib/dmhas/educationtraining/housingtraining09.pdf). The trainings are designed to strengthen core competencies in tenant engagement and client-centered service delivery. Current topics in the series include:

- Housing-based case management
- Effective property management-services relationships
- Maximizing housing retention
- Serving families in supportive housing
- Successfully housing persons with substance use issues
- How to support tenant employment and education
- Working with people who experience long term homelessness
- Trauma-sensitive services

ADDRESSING BARRIERS THROUGH SYSTEMS CHANGES AT THE LOCAL LEVEL

In Massachusetts, most of the capital and sustainable service resources needed for supportive housing creation are controlled at the state level. However, there are some resources controlled at the municipal level that could be deployed to foster new supportive housing development. Here are some recommendations for using these resources in ways that encourage the development of sustainable supportive housing.

1. **Rental subsidies**

    - **Priority for permanent:** Within each Continuum of Care, place a priority for all new funding on projects providing permanent supportive housing.

    - **Shelter Plus Care project-based subsidies:** Encourage the use of project-based or sponsor-based Shelter Plus Care subsidies (rather than tenant-based vouchers) to be used in conjunction with the development of new supportive housing units.

    - **Section 8 project-basing**: Enlist the local housing authority to project-base a portion of their Section 8 vouchers specifically for supportive housing. (The city of Springfield has been highly effective in deploying housing authority subsidies and HOME tenant based rental assistance to create scattered site housing options for chronically homeless individuals).

    - **Re-examine Section 8 minimum rent policies**, which serve as a barrier to housing for homeless households with no income. For supportive housing projects with project-based vouchers and project-specific wait lists, consider waiver of the minimum rent during the first year of tenancy while the service agency works with the household to secure benefits and employment.

2. **Other resources**

    - **Federal Homeless Prevention and Rapid Re-Housing resources** could be used to pay for security deposits and first and last month's rent for homeless households entering

projects. They can also be used for housing search to match housing units to prospective tenants who are homeless, and for mediation services between tenant and landlord.

- **City or town-owned multi-family properties**, especially those acquired through Neighborhood Stabilization Programs funds, could be made available for mixed supportive/affordable housing.

- **HOME and CDBG funds** in local entitlement communities could be used to support new supportive housing development.

- **Towns can take proactive measures** to enlist the involvement of the nonprofit development community in supportive housing efforts. For example, the Town of Amherst recently offered funds through an RFP for a housing developer to work with it to identify potential sites and evaluate the feasibility of their development as supportive housing.

ADDRESSING BARRIERS THROUGH SYSTEMS CHANGES AT THE STATE LEVEL

Many of the barriers related to housing finance, service funding and service delivery could be addressed by actions at the State level to develop collaborative initiatives to finance supportive housing and through policy reforms. There are a number of successful programs that the State can build on in designing these efforts, including the DMH Homeless Initiative, Home and Healthy for Good, CSPECH, the Tenancy Preservation Program, and western Massachusetts's REACH program. The connection between supportive housing development barriers and state systems change will be the focus of our analysis over the coming weeks in Part II of the Western Massachusetts Supportive Housing Initiative.

Appendix A

Persons Interviewed in development of this report

Joan Bernstein, Assistant Executive Director, Franklin County Housing and Redevelopment Authority
William Breitbart, Director Housing for Central and Western MA, CEDAC
Joanne Campbell, Executive Director, Valley CDC (Northampton)
Peter Gagliardi, Executive Director, HAP Housing
Jim Goodwin, President/CEO, Center for Human Development
Peg Keller, Housing and Community Development Senior Planner, City of Northampton
Ann Lentini, Executive Director, Domus, Inc. (Westfield)
Jay Levy, Western MA Regional Manager, Eliot Community Human Services, Inc.
Michelle McAdaragh, Associate Executive Director for Real Estate Development   , HAP Housing
Geraldine McCafferty, Deputy Director, Office of Housing, City of Springfield
William Miller, Executive Director, Friends of the Homeless
Andrea Miller, Associate Director of Shelter and Housing, ServiceNet
David Modzelewski, Housing Coordinator, MA Department of Mental Health
Sarah Page, Assistant Executive Director, HAP Housing
Jerry Ray, Director of Homeless Services, Mental Health Association of Greater Springfield
Jim Reis, Associate Executive Director/Programs, HAP Housing
Elizabeth Sullivan, Area Director, MA Department of Mental Health
Linda Williams, Executive Director, Mental Health Association of Greater Springfield
Interviewed by Laura Baker:
Joe Henefield, Housing Director, ServiceNet

The consultant also attended group discussions of:
Springfield Area REACH committee, 3/17/09
Springfield Continuum of Care, 3/19/09
Western MA Interagency Council, 1/30/09
Western MA Nonprofit Housing Developers Group, 2/6/09

Organizational Members of the Western MA Nonprofit Housing Developers Group

Berkshire Housing Development Corporation
Berkshire Regional Planning Commission
Community Economic Development Assistance Corporation (CEDAC)
Domus
Franklin County Housing and Redevelopment Authority
Greenfield Housing Authority
HAP Housing
Hilltown CDC
Home City Housing
Massachusetts Association of CDCs
Massachusetts Housing Partnership
Mental Health Association of Greater Springfield
Pioneer Valley Habitat
RCAP Solutions
Rural Development, Inc.
RHI
ServiceNet
Springfield Neighborhood Housing Services
Tri-Corner CDC
Valley CDC
Western MA Enterprise Fund

Appendix B

Western Massachusetts - Permanent Housing Inventory targeted to homeless persons

May-09

Note: the information in this chart was gathered from the Ten-Year Plans to End Homelessness for Berkshire County, the Pioneer Valley, and Springfield; Continuum of Care information, and interviews. Corrections to this chart are welcome and appreciated (contact info@insitehousing.com).

Sponsor	Units/Beds Indiv	Units Families	Units/Beds (subset of Indiv) CH	Location	Notes
Berkshire Development Corp and Housing Services and Bershire Children and Families					
Redfield House		24		Pittsfield	young single parents
Construct, Inc.					
Pine Woods		18		Stockbridge	
Domus					
The Meadows Apts	8		5	Westfield	within 26-unit enhanced SRO project
Reed House	9		5	Westfield	enhanced SROs
Sanford Apartments	3			Westfield	within 21-unit project
Friends of the Homeless*					
769 and 501 Worthington - existing	78			Springfield	60 shared SROs and 18 enhanced SROs
769 Worthington (in development)	32			Springfield	enhanced SROs
HAP, Inc.*^					
Paradise Pond		4		Northampton	within 12 unit family project
Human Resources Unlimited					
Next Step	10			Westfield	tenant-based subsidies
Next Step	12			Springfield	tenant-based subsidies
Home City Housing					
HER, Inc.	14			Northampton	SROs
Rainville Apts	46			Springfield	enhanced SROs
Mental Health Association					
Leahy House	6		4	Westfield	
Cherry Hill	7			Holyoke	
Kirby School	5			Chicopee	
REACH/C-SPECH	24			Springfield	tenant-based subsidies
Shelter + Care	38			Springfield	tenant-based subsidies
Shelter + Care North	22			Greenfield area	tenant-based subsidies
Housing first (in development)	12			Springfield	
NES					
Recovery Home	18			Springfield	recovery house
New North Citizens Council					
HOPWA subsidies	10			Springfield area	tenant-based subsidies
Open Pantry*^					
Tranquility House	6			Springfield	sober, women only
River Valley Counseling Center					
HIV/AIDS housing Springfield	24	17		Springfield	
HIV/AIDS housing Holyoke	6			Holyoke	men only
Rural Development, Inc.					
Moltenbrey SRO	25			Turners Falls	enhanced SROs - sober housing

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Appendix B (continued)	Units/Beds	Units	Units/Beds (subset of Indiv)		
Sponsor	**Indiv**	**Families**	**CH**	**Location**	**Notes**
ServiceNet*					
Florence Inn	14			Florence	
Hawley Street	5			Northampton	
Valley Inn	14		4	Northampton	
Franklin Hampshire PH	9		5	Franklin County	
Soldier On*					
Berkshire Veterans Village (in development)	39			Pittsfield	veterans - limited equity coop
Springfield Housing Authority^					
Project-based subsidies for CH	20	8		Springfield	
South Middlesex Opportunity Council (SMOC)^					
Vikings Landing	19			Easthampton	veterans
Valley CDC					
Go West SRO	7			Northampton	within 17-unit SRO building
16 North Maple (in renovation)	11			Florence	SROs
15 Bridge Street	0			Northampton	8 units set aside for incomes <30% AMI
Veterans Home	11			Pittsfield	
Pittsfield Family YMCA					
YMCA Studios	44			Pittsfield	enhanced SROs
[Owner unknown]					
North Adams SRO	41			North Adams	
Total units	649	71	23		
* = also operates emergency shelter					
^ = also operates transitional housing					
CH - chronically homeless individuals (subset of individuals)					
SROs slated for redevelopment					
Greenfield Housing Authority					
Winslow Building - 132 Main Street	54			Greenfield	for conversion to enhanced SROs
HAP, Inc.					
The Kendall	38			Chicopee	for conversion to enhanced SROs
Other PSH in planning stages					
Dial Self					
Supportive Housing for youth	10			Greenfield	homeless teens
Domus, Inc.					
Reed House Annex (in development)	8			Westfield	within 9 unit enhanced SRO bldg
Valley CDC					
King Street Apartments (in development)	5			Northampton	within 10-unit enhanced SRO bldg
Soldier On					
Leeds Veterans Village	TBD			Leeds	veterans - limited equity coop
Town of Amherst - feasiblity study underway					
Amherst PSH	10-20			Amherst	

Appendix C

Barriers to Developing Sustainable Supportive Housing in Western Massachusetts - Summary	Solutions Level		
	Project Level	Systems Level	
		Local	State	Federal

Barriers to Developing Sustainable Supportive Housing in Western Massachusetts - Summary	Project Level	Local	State	Federal
Housing Models				
Small unit size	X		X	
Concentration of special needs units	X		X	
Financing of the Housing				
Per unit caps on capital financing			X	
Capital funding disconnected from operating, services			X	
Long-term restrictions			X	
Rent subsidy risks				
Lack of vacancy payments			X	
Minimum rent hurdles	X	X		X
Low fair market rents				X
Inadequate supply of project-based subsidies		X	X	X
Service Funding				
Service funding disconnected from capital, operating			X	
Unreliable service funding			X	
Inconsistency in service funding from project to project			X	
Time limits on service funding			X	X
No "plan B" for the owner if service funding is cut			X	
No on-going source of flexible support dollars			X	X
Service Delivery				
Provider capacity				
Inadequate case management support	X		X	
Medical model approaches	X		X	
Lack of timely response to housing owner	X			
Lack of "street smarts"	X			
Provider silos	X			
Tenant isolation	X			
No accountability for service quality	X		X	
Limited service range	X		X	
Services uncoordinated within individual projects	X		X	
No regular service presence at housing site	X		X	
Tenant Screening and Referrals				
Timing of referrals				
Providers not referring enough people	X			
State imposes urgency on client placements			X	
Meeting multiple funder requirements			X	

Barriers to Developing Sustainable Supportive Housing in Western Massachusetts - Summary	Solutions Level			
	Project Level	Systems Level		
		Local	State	Federal
Tenant Screening and Referrals (continued)				
Differing perceptions of housing readiness				
Referrals that ignore service needs	X			
"Creaming" by housing owner	X			
Wait list priority for "homeless" is misleading	X			
Roles and Partnerships				
Waiting until the project is complete to involve provider	X	X	X	
Juggling multiple service partners in one building	X			
Weak communication structures	X			
Role drift	X			
Vague policies and protocols	X			

Appendix D

Sample Permanent Supportive Housing Developments Illustrating the Range of Styles and Models

Ferry Mutual Apartments
New Haven, CT

24 two and three bedroom affordable units
6 targeted to homeless families with special needs

Developer: NeighborWorks New Horizons
Service Provider: New Haven Home Recovery

Mary Seymour Apartments
Hartford, CT

30 one-bedroom affordable apartments
21 are targeted to homeless/at risk households; of these 15 are targeted to homeless individuals with special needs

Developer: My Sisters' Place, with Newcastle Housing Ventures
Service Provider: My Sisters' Place

Groton Family Supportive Housing
Groton, CT

Three duplexes, each offering 2 three-bedroom apartments for homeless families with special needs. Modular construction.

Developer and Service Provider:
The Connection, Inc.

Brick Row Apartments
Willimantic, CT

30 efficiency and one-bedroom affordable apartments. 21 units targeted to homeless/at risk households; of these, 13 are targeted to homeless individuals with special needs

Developer: United Services, Inc., with Real Estate Solutions
Service Provider: United Services

Sample Permanent Supportive Housing Developments Illustrating the Range of Styles and Models (continued)

Jarvis Court Homes
Fairfield, CT

8 three-bedroom units in three buildings for homeless families with special needs

Developer: Micah Housing, with Women's Institute for Housing and Economic Development
Service Provider: Operation Hope

Cedar Hill Apartments
New Haven, CT

25 affordable efficiency units
18 targeted to individuals who are homeless or at risk of homelessness; of these 12 are targeted to individuals who are homeless and have co-occurring disorders (mental illness and chemical dependency)

Developer: HOME, Inc.
Service Provider: Columbus House

Soromundi Commons
Hartford, CT

48 one bedroom and efficiency affordable, newly-renovated apartments in housing wing of YWCA. 16 units are targeted to homeless individuals with special needs.

Developer: YMCA of the Hartford Region, with Women's Institute for Housing and Economic Development
Service Provider: Chrysalis Center, Inc.

Atlantic Park
Stamford, CT

27 affordable efficiency apartments.
19 are targeted to homeless or at risk individuals; of these, 14 are targeted to homeless individuals with special needs

Developer: St. Luke's LifeWorks, with Becker and Becker
Service Provider: St. Luke's LifeWorks