

**H**omelessness hurts governments and societies at social, political, economic, and emotional levels. If ignored or neglected, homelessness could cripple the various systems that run people's day-to-day lives.

In 2005 there were approximately 150,000 to 200,000 chronically homeless individuals in the United States. National Alliance to End Homelessness, *Chronic Homelessness Brief 2* (Mar. 12, 2007), available at [www.endhomelessness.org/content/article/detail/1060](http://www.endhomelessness.org/content/article/detail/1060). The Department of Housing and Urban Development (HUD) defines "chronically homeless" as an unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or more or has had at least four episodes of homelessness in the past three years. To be considered chronically homeless, a person must have been sleeping in a place not meant for human habitation, such as on the streets or in an emergency homeless shelter. A disabling condition is defined as a diagnosable substance abuse disorder, a serious mental illness, or a developmental disability, including the co-occurrence of two or more of these conditions. A disabling condition limits an individual's ability to work or perform one or more activities of daily living. Notice of Funding Availability (NOFA) for the Collaborative Initiative to Help End Chronic Homelessness, 68 Fed. Reg. 4,018, 4,019 (Jan. 27, 2003).

This article examines *supportive* housing as one potential solution to chronic homelessness. Supportive housing is permanent housing coupled with supportive services that enable people to live in the community as long as they are able and willing to do so. The plethora of supportive services can include employment services, psychiatric services, support groups, mediation, conflict resolution, assistance with daily living skills, recreational and social opportunities, personal money management, legal assistance, tenant's rights education, transportation, food and nutritional services, on-site preventative health and nursing services, and access to classrooms and meeting rooms.

### **Supportive Housing Offers a Cost-effective Method for Resolving Homelessness**

In 2004, the Lewin Group performed a study of the costs of serving homeless individuals in Atlanta, Boston, Chicago, Columbus, Los Angeles, New York, Phoenix, San Francisco, and Seattle. The study concluded that the cost of providing supportive housing to the homeless was the cheapest, in comparison to providing social services in a jail or a prison, at a shelter, or at a mental or general hospital. Supportive housing also was less expensive than shelter costs in about half of the locations and only slightly higher than shelter costs in the rest. See

---

Jasleen K. Anand is a solo practitioner in Garden City, New York, and a 2006–08 Section Fellow.

# Supportive Housing as a Solution to Homelessness

By Jasleen K. Anand



Lewin Group, *Costs of Serving Homeless Individuals in Nine Cities* (2004), [www.rwjf.org/files/newsroom/cshLewinPdf.pdf](http://www.rwjf.org/files/newsroom/cshLewinPdf.pdf). For example, the cost of providing supportive housing in New York per day per person is \$41.85. By comparison, keeping a person in jail costs \$164.57, in prison \$74, in a shelter \$54.42, in a mental hospital \$467, and in a hospital \$1,185.

Other research supports this cost-benefit analysis. One study discussed the effects of placing homeless people with severe mental illness in supportive housing. The study showed that persons placed in supportive housing have markedly

**Historically in the United States, programs pertaining to building low-income housing and those associated with battling homelessness were funded and administered by local bodies at the grassroots level.**

reduced demands on other services such as shelter use and hospitalizations. See Dennis P. Culhane, *Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing* (2002), [www.fanniemaefoundation.org/programs/hpd/pdf/hpd\\_1301\\_culhane.pdf](http://www.fanniemaefoundation.org/programs/hpd/pdf/hpd_1301_culhane.pdf).

In New York, for example, the supportive housing program, termed the New York/New York Initiative, resulted in a net cost of \$1,425 per unit per year. Leonard Davis Institute of Health Economics, *Supportive Housing for Homeless People with Severe Mental Illness*, 7 LDI Issue Brief, Feb. 2002, at 1, 3, available at [www.upenn.edu/ldi/issuebrief7\\_5.pdf](http://www.upenn.edu/ldi/issuebrief7_5.pdf). This program demonstrated that the cost of provid-

ing supportive housing resulted in many financial benefits, such as the increased likelihood of residents to seek paid employment, as well as nonfinancial benefits, such as improvement in standard of living, increased social values engendered from having reduced homelessness, and greater social protection for the disabled.

Supportive housing has been proven to be an effective and civilized way to end homelessness. It reduces dependency on the use of emergency services for health care and treatment. But building supportive housing is a daunting task, especially in these times when developers have to be extra creative in maneuvering through the various layers of financing.

**Government Low-income Housing Programs**

Historically in the United States, programs pertaining to building low-income housing and those associated with battling homelessness were funded and administered by local bodies at the grassroots level. Since 1983, however, the federal government has been involved as well.

**Federal**

In 1983 the first federal task force on homelessness, Federal Interagency Task Force on Food and Shelter for the Homeless, was formed to inform local governments and interested parties on ways to obtain surplus federal property. Congress appropriated federal funds for the purposes of providing emergency food and shelter in 1983, in 1984, and in 1985. In 1986, proposed legislation called the Homeless Persons' Survival Act was introduced in both Houses of Congress, and certain sections of the larger bill were enacted into law in October 1986. 42 U.S.C. § 11301 et seq.

The Homeless Persons' Survival Act was renamed in the memory of Stewart B. McKinney, its chief Republican sponsor, and President Ronald Reagan signed the Stewart B. McKinney Homeless Assistance Act into law on July 22, 1987. On October 30, 2000, President Bill Clinton

renamed the legislation the McKinney-Vento Homeless Assistance Act after the death of Representative Bruce Vento, a proponent of the Act since its inception in 1987. The Act contains 15 programs, a few of which are discussed below.

Under the McKinney-Vento Homeless Assistance Act, assistance programs are distributed competitively to local communities through a continuum of care planning and application process. A supportive housing builder must apply for financial assistance using the local continuum of care planning process. The U.S. Department of Housing and Urban Development (HUD) rates the overall continuum of care plans and ranks them nationally. Continuums scoring highly receive funds based on their localities' pro rata needs. HUD also offers communities a permanent housing bonus for top-ranked projects as an incentive to develop permanent supportive housing.

Three separate programs build and operate supportive housing as well as provide services to the tenants housed in the supportive housing programs: Shelter Plus Care, the Supportive Housing Program, and the Single Room Occupancy Moderate Rehabilitation Program.

The *Shelter Plus Care Program* (S+C) is designed to provide housing and supportive services on a long-term basis to homeless persons with disabilities, primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and HIV/AIDS or related diseases. It also provides services to their families. S+C includes rental assistance, based on fair market rents determined by HUD. S+C funds are allocated to a state or local government, which then further suballocates the funds to a nonprofit agency.

The *Supportive Housing Program* (SHP) is HUD's program to help homeless persons transition from the streets to permanent housing and achieve self-sufficiency to the maximum extent possible. SHP funds can be requested for acquisition, rehabilitation, construction, and leasing of supportive housing as well as for the

operating costs of supportive housing and supportive services. SHP has five parts from which applicants can choose to meet needs:

- permanent housing for people with disabilities,
- transitional housing with a length of stay of up to two years,
- support services from a housing or outside agency, which brings services to supportive housing tenants,
- safe havens—low-demand housing programs, which may be permanent or transitional, targeting hard-to-reach, chronically homeless individuals, and
- innovative supportive housing.

The *Single Room Occupancy (SRO) Moderate Rehabilitation Program* provides rental assistance for homeless persons along with the moderate rehabilitation of SRO dwellings. Unlike the S+C program, the tenant does not have to have a chronic disability, and subsidies are tied to the project, not the tenant.

The McKinney-Vento Homeless Assistance Act's *section 811* program provides financing to not-for-profit organizations for the acquisition, rehabilitation, or construction of supportive housing for persons with disabilities—those with chronic mental illness, physical disabilities, or developmental disabilities.

The Act's *section 202* program serves low-income, homeless elderly who are ready for permanent housing and independent living. This program provides capital and rental subsidies for rehabilitation or construction and operation of permanent supportive housing for the elderly.

Other federal programs not specifically targeted for the homeless also may be of assistance in developing supportive housing. The *Home Investment Partnership Program (HOME)* is the largest federal block grant program for state and local governments designed exclusively to create affordable housing for low-income households. 42 U.S.C. § 12741 et seq. HOME's flexible funds such as grants,

loans, loan guarantees, or credit enhancements are an important source of capital for acquiring, rehabilitating, or constructing supportive housing and transitional housing projects. State and local governments decide how to distribute the grants within their communities. Local not-for-profit groups can use HOME funds to build, buy, and/or rehabilitate affordable housing for rent or homeownership or to provide direct rental assistance to low-income people. The two types of HOME grants are, first, site-specific funds to develop rental housing and,



second, local programs that provide rehabilitation, home ownership, or rental assistance in an identified program service area.

*Housing Opportunities for Persons with HIV/AIDS (HOPWA)* is a federal source of capital for developing housing for people with HIV or AIDS. HOPWA funds can be used for acquisition, rehabilitation, construction, and costs of facility operations, rental assistance, short-term payments to prevent homelessness, health care and mental health services, chemical dependency treatment, nutritional services, case management, assistance with daily living, and other supportive services. The grant is made available to developers via a competitive process.

*Low Income Housing Tax Credits (LIHTC)* provide a dollar-for-dollar

reduction in federal tax liability for developers who build, acquire, or rehabilitate rental housing serving low-income households. Various states receive a pool of credits based on their populations. The primary allocating agency within each state then allocates the awards of tax credits to developers in a competitive application process. The amounts awarded to developers are based on the number of units they reserve for low-income households and the capital costs involved in building or rehabilitating the development. To be eligible, projects must include substantial rehabilitation or new construction with at least 20% of apartments reserved for low-income households. The tax credits are then sold by the developers to investors and the equity is used to fund the construction of the developer's affordable housing rental units.

### New York State Programs

In addition to the federal programs discussed above, many states offer their own programs. New York, for example, offers the following:

The *Homeless Housing Assistance Program* provides capital grants and loans to not-for-profits, charitable and religious organizations, municipalities, and public corporations across New York to acquire, construct, or rehabilitate housing to assist the homeless and persons with special needs. New York State Office of Temporary and Disability Assistance, *Homeless Housing and Assistance Program Annual Report to the Governor and Legislature, 2006*, available at [www.otda.state.ny.us/main/bhs/HHAP-AnnualReport06-07.pdf](http://www.otda.state.ny.us/main/bhs/HHAP-AnnualReport06-07.pdf).

The New York State Division of Housing and Community Renewal (DHCR) supervises, maintains, and develops low- and moderate-income housing throughout the state. The four programs that apply to supportive housing are:

- The *Housing Trust Fund Program*, which provides funding to construct low-income housing to rehabilitate vacant or underused residential property, or to con-

vert vacant nonresidential property to residential use for occupancy by low-income tenants or tenant co-operators. N.Y. Priv. Hous. Fin. Law § 570 et seq.

- *The Home Investment Partnership Program.* New York uses its federal HOME grants to support state and local partnerships with not-for-profit groups to fund a range of activities that build, buy, and/or rehabilitate affordable housing for rent or home ownership or that provide direct rental assistance to low-income people. The two types of HOME grants are site specific.
- *New York State Low Income Housing Tax Credits.* DHCR administers both the federal LIHTC program in New York and the program of New York State Low Income Housing Tax Credits. This state program is similar to the federal LIHTC program but differs in that eligibility is set to assist households earning up to 90% of the area median income rather than the 60% standard of the federal LIHTC program. State Low-Income Housing Tax Credit Program, [www.dhcr.state.ny.us/ocd/progs/taxcr/about\\_slihc.htm](http://www.dhcr.state.ny.us/ocd/progs/taxcr/about_slihc.htm) (last visited Feb. 18, 2008). This program also provides a dollar-for-dollar reduction in certain New York State taxes to investors in qualified low-income housing that meets the requirements of the Public Housing Law.
- *The New York/New York Agreement* reflects a partnership between New York City and New York State wherein both the mayor of New York City and the governor of New York State have pledged to build 9,000 units of supportive housing for homeless and at-risk individuals and families in New York City during the next 10 years. *Mayor Bloomberg and Governor Pataki Announce Historic Pact to Create 9,000 Supportive Housing Units for Chronically Homeless Individuals*

*and Families*, [www.nyc.gov/html/dhs/html/press/pr110705.shtml](http://www.nyc.gov/html/dhs/html/press/pr110705.shtml) (last visited Feb. 18, 2008). Funds are made available under the auspices of the New York/New York III Agreement for specified purposes.

### An Example of Success

Robert Sanborn, who works for Westhab, Inc., a not-for-profit corporation that develops supportive housing on its own as well as in partnership with for-profit developers, tread unde-



terred on the path of building for the most vulnerable segments of society. The author interviewed Mr. Sanborn on September 4, 2007, and learned about Westhab's efforts in building supportive housing. According to Mr. Sanborn, Westhab's mission is to build communities through the expansion of affordable housing, community economic development, and new business enterprises. Westhab targets the low- to moderate-income population that has been displaced but wishes to remain within the community that is undergoing substantial investment. Westhab attempts to anchor neighborhoods so that a rich social and economic diversity remains.

According to Sanborn, Westhab believes in building supportive housing because of the great need to pro-

vide individuals and families with a range of services that help these households to live independently. These services include job training or placement, medical assistance, environments safe from abusive family members, and other social needs. Westhab builds supportive housing primarily for homeless persons and disabled veterans, a group that includes those with mental illness and drug dependence, as well as those simply in need of an affordable unit.

Sanborn says Westhab strongly believes that individuals who succeed at living within a supportive unit will be less likely to become homeless again. The key aspects of supportive housing include (1) affordable rent, (2) accessible on-site and off-site services, (3) a sense of home or community, and (4) the ability to take on increased responsibilities including employment.

Sanborn explains that Westhab finances its projects by acquiring funds for both capital financing and operating support. It uses the New York Office of Temporary and Disability Assistance (OTADA) and the Homeless Housing and Assistance Program (HHAP) for capital investment. It also uses either 9% or 4% Federal Low Income Housing Tax Credits; grants from the Housing Trust Fund, the Federal Home Loan Bank's Affordable Housing Program (AHP), and HUD Supportive Housing Program (SHP); local HOME funds; and commercial loans. It seeks funds from SHFYA, Shelter Plus Care, the VA per diem program, and the HUD SHP noncapital program. It recently received its first New York/New York award through the Office of Mental Health (OMH). Westhab envisions that this award will provide at least 60 units of supportive housing that will combine an OMH grant along with tax-exempt bonds and 4% Low Income Housing Tax Credits. Westhab finds it easier to deal with fewer sources of funds because the timelines to comply with each lender's requirements become too onerous.

Westhab completed a 12-bed transitional project—Westchester County's

first community-based traditional program for disabled veterans—that required five sources of funds. Westhab owned the building, which is located at 28 Pier Street in Yonkers. This 6,000-square-foot structure required a gut renovation, which cost a total of \$1.3 million. The funding sources used were a VA grant, HUD Supportive Housing Program (HUD SHP), Yonkers HOME funds, Federal Home Loan Bank loan, and a commercial loan. The operating funds came from the VA grant and per diem program.

The process included obtaining zoning and site plan approvals over a six-month period. Generally, the design standards that guide Westhab are green building features, accessibility or adaptability of the units for those with disability, use of natural light, energy efficiency, cooling (needed for those who take medication), reinforced hardware, 24/7 security, and colors and wood to create a home-like environment. Similar design standards are guiding builders constructing housing for HIV patients. The first floor of the building was made completely handicapped accessible. An on-site laundry is on the second floor, with the exception of one washer and dryer unit on the first floor. Each floor has four bedrooms, two baths, and a common living room and kitchen, with air conditioning and a refrigerator for each tenant. Westhab used green features such as cement boards (which look exactly like wood clapboards) as siding, Energy Star appliances, and extra insulation.

Acquisition of land in New York is a serious concern for all developers and certainly for Westhab. When compared with the 1980s or early 1990s, Westhab found that land values are 10 to 15 times higher now than they were during that period. Of particular concern is the lack of city-owned property or affordable sites in New York City or Westchester County. In prior decades Westhab purchased buildings using a square foot dollar amount for the raw land. Now the price is based on buildable square feet. Current acquisition pricing is typically

between \$40–\$60 per buildable square foot for new construction compared to \$15–\$20 per square foot for raw land in the mid- to late-1990s.

### **Some Challenges for Developers**

Federal and state grants are often perceived as difficult sources of funding because of administrative requirements, and in this context “grant” does not literally mean “grant.” Mr. Sanborn believes that the level of difficulty for each program is defined by the experience of the particular staff person assigned to the project. Housing and Preservation

### **The key aspects of supportive housing include** **(1) affordable rent,** **(2) accessible on-site and off-site services,** **(3) a sense of home or community, and (4) the ability to take on increased responsibilities including employment.**

Development (HPD) has streamlined its operations to assist projects in the early stages of development. By doing so, the developer gains a better understanding of the process and the needs of each project. The New York City Housing Development Corp. (HDC) works quickly because most of its users are for-profit entities using tax-exempt bonds and 4% Low Income Housing Tax Credits. The New York City Industrial Development Authority staff and its bond counsel also work quickly in processing bond and credit applications for financing funded through the issuance of bonds.

There are drawbacks in obtaining grants or financing under certain programs, however, including some of the following:

- Some programs, such as HPD’s supportive housing program,

have a small developer fee (HPD’s is capped at \$7,500 per unit).

- Although the New York DHCR has clear deadlines, it tends to add items required at closing that make the process difficult.
- Office of Temporary and Disability Assistance’s (OTADA) administration of the Homeless Housing and Assistance Program (HHAP) is hampered by a lack of professional real estate staff. It has only one attorney assigned to the program. All outside financials are reviewed by a CPA in Massachusetts, and the architectural drawings are reviewed by the New York State Dormitory Authority. This process is cumbersome.

Another potential obstacle comes from community boards that do not necessarily welcome a supportive housing project in their backyards. To address this potential problem, developers such as Westhab, Inc. organize public education seminars to inform the community about the merits of having a home for disabled veterans or formerly homeless persons in their neighborhoods. At the end of the dialogue, communities do learn to appreciate the efforts of such builders.

### **Conclusion**

Homelessness can have crippling effects on any society, and the only way to tackle it is to plan to eradicate it. Supportive housing is one solution that promises to eventually eliminate homelessness. The building of supportive housing is no small task but ought to be undertaken with perseverance by many players, including builders, developers, housing experts, lenders, government officials, private entities, and individuals. As long as the developer can navigate the multiple personalities at various levels of government and manage the timelines naturally associated with lenders’ requirements, the end result can be desirable. Ripple effects to other locales, states, and nations are sure to follow. ■