

2017 LOW INCOME HOUSING TAX CREDIT POLICIES PROMOTING SUPPORTIVE HOUSING

& RECOMMENDATIONS FOR 2018-2019



About CSH

CSH transforms how communities use supportive housing solutions to improve the lives of the most vulnerable people in our communities. We offer capital, expertise, information and innovation to help our partners leverage supportive housing to achieve stability, strength and success for the people in most need. CSH blends over 25 years of experience and dedication with a practical and entrepreneurial spirit. CSH is a leader with national influence and deep connections in a growing number of states and local communities. Visit csh.org to learn how CSH is making a difference.

Inquiries

If interested in learning more about supportive housing, please visit csh.org for additional online resources and materials, including information regarding the communities in which we currently work. For inquiries about this report, please contact CSH at info@csh.org.

Permissions Requests

We encourage nonprofit organizations and government agencies to freely reproduce and share the information from CSH publications. The organizations must cite CSH as the source and include a statement that the full document is posted on our website, csh.org.

Permissions requests from other types of organizations will be considered on a case-by-case basis; please forward these requests to info@csh.org.

Information provided in this publication is suggestive only and is not legal advice. Readers should consult their government program representative and legal counsel for specific issues of concern and to receive proper legal opinions regarding any course of action.



2017 Low Income Housing Tax Credit Policies Promoting Supportive Housing & Recommendations for 2018 – 2019

Contents

- 4 **Executive Summary**
- 6 **Introduction**
- 6 **Methodology**
- 8 **Results**
 - **2017 QAP Policy Change Highlights**
- 9 **Summary of Findings Chart of 2016 QAP Policies and Funding**
- 11 **Recommendations for 2018 & 2019**
- 13 **Closing**
- 13 **Summary of 2017 QAP Policies and Funding Chart**
 - **Housing Credit Agencies Websites**



Executive Summary

CSH is pleased to present “2017 Low Income Housing Tax Credit Policies Promoting Supportive Housing & Recommendations for the 2018 & 2019”. This new report builds on our assessment of 2016 Qualified Allocation Plan (QAP) policies and examines the strategies Housing Credit agencies adopted to foster and encourage supportive housing development within QAPs for the Low Income Housing Tax Credit (Housing Credit), highlighting significant national trends and changes made within QAPs.

Supportive housing – combining affordable housing with services to help people who face complex challenges live with stability, autonomy and dignity – is a proven, cost-effective way to end homelessness. By providing people who are chronically homeless or have other special needs with a way out of expensive emergency public services and back into their own homes and communities, supportive housing not only improves the lives of its residents but also generates significant public savings. Communities across the country have identified expanding availability of supportive housing as critical to their efforts to end homelessness. This report represents one element of CSH's ongoing efforts to analyze and share information regarding the role of federal Housing Credits in financing supportive housing development and addressing the need of special needs populations.

In this report, CSH identifies a variety of innovative Housing Credit policy approaches to supportive housing, including examples in each of the following categories:

- **Threshold requirements** under which Housing Credit agencies obligate all developments to meet minimum standards. Two types of threshold requirements relate to supportive housing projects, 1) a threshold requirement that all projects dedicate a specific percentage of units for permanent supportive housing and 2) other Housing Credit agencies have general threshold requirements that obligate developers to include features such as units dedicated for households at or below 30% area median income or submission of a support service plan.
- **Credit set-asides** under which Housing Credit agencies allocate a certain portion of available Housing Credits during the year to supportive housing developments.
- **Scoring incentives** under which Housing Credit agencies encourage supportive housing development, either for targeting vulnerable populations, providing services, or a combination of the two, through awarding points in the competitive scoring process. Also, in this category, Housing Credit agencies may award additional credits or ‘basis boost’ for developments that meet certain policy objectives.
- **Prioritizing and defining supportive housing.** HFAs prioritize their funding in a variety of ways that relate to supportive housing, sometimes without using supportive housing terminology. QAPs are evaluated based on prioritization of supportive housing or special needs populations, use of an appropriate definition of supportive housing, and offer suggestions for incorporating supportive housing best practices into Housing Credit funded developments.

Changes in these approaches since the publication of the 2016 assessment are identified within this report.

A brief synopsis of findings is below:

- All states and territories (54 QAPs) have some form of incentive for supportive housing.
- Fifty-one credit agencies provide general scoring incentives encouraging supportive housing, special needs housing, and/or housing for people with disabilities, the same as in 2016.
- Sixteen Housing Credit agencies promote supportive housing with set-asides of credit authority, one less than in 2016. Maine removed its \$400,000 set-aside for PSH populations. New York HPD removed its set-aside for PSH projects. Vermont added a 25% set-aside for senior housing projects with services.
- Nine Housing Credit agencies have a threshold requirement of dedicating 5% or more of units for persons with special needs, persons with disabilities, or incomes below 20% AMI (Alaska, Delaware, Indiana, Iowa, Massachusetts, North Carolina, Pennsylvania, Washington, DC, and Vermont). While many QAPs mention a 5% threshold of accessible units serving people with disabilities, this is a federal mandate related to the Americans with Disabilities Act and the units created are not necessarily supportive housing units.
- At least fifteen Housing Credit allocation plans promote policies to leverage and maximize rental subsidies, including the Section 811 Project Rental Assistance Program. Pennsylvania and Mississippi are two states that provide incentives for developers to capitalize rental subsidy reserves held by the housing project.
- Twenty-four states establish incentives or thresholds for developments serving households with incomes at or below 30% AMI. While establishing lower income limits is not sufficient by itself to meet the definition of supportive housing, it is encouraging when the state policies recognize the great need for affordability at these lower income levels, specifically incomes below 20% and 15% AMI.
- Twenty QAPs define supportive housing appropriately and 26 QAPs identify a selection priority, not necessarily tied to specific incentives, for supportive housing or special need populations that go beyond the federal requirement to consider special needs populations.
- States prioritized families and seniors in 2017. Many states are responding to the U.S. Department of Housing and Urban Development (HUD)'s goal of ending family and youth homelessness by 2020. Others are addressing the increasing needs for seniors, projections suggest that the number of homeless elderly will double by 2050, from 44,172 in 2010 to 95,000 in 2050.¹ In addition to the discussion in the results and recommendations sections of this paper, resources are also available on these populations at csh.org.²

In addition to highlighting the changes in current housing credit allocation plans, this report provides recommendations for 2017 and 2018 to advance policies to create quality supportive housing developments and best respond to local need.

CSH urges readers to use this report to promote policies that dedicate financial resources to the development of supportive housing. We trust the report will serve as a useful resource for those seeking to ensure that the Housing Credit program effectively addresses the needs of the communities served. We welcome the opportunity to work with you and your community to adopt Housing Credit policies that will promote the creation of quality supportive housing.

¹ Sermons W & Henry M. 2010. National Alliance to End Homelessness Demographics of Homelessness Series: The Rising Elderly Population April 2010. In Research Matters: Homeless Research Institute. http://www.endhomelessness.org/page/-/files/2698_file_Aging_Report.pdf

² Families: <http://www.csh.org/childwelfaresupportivehousingresourcecenter/>;

CSH Healthy Aging Toolkit: <http://www.csh.org/2016/09/healthy-aging-toolkit-a-changing-tide/>

Introduction

The Low Income Housing Tax Credit (Housing Credit) is responsible for nearly all of the affordable housing built and preserved since 1986. The Housing Credit has financed nearly three million affordable apartments, providing homes for roughly 6.7 million low-income families, seniors, veterans, and people with disabilities. The Housing Credit has generated \$310 billion in local income and \$122 billion in tax revenues, and has supported approximately 3.25 million jobs.³ Each year, Housing Credit development supports 96,000 jobs and adds roughly \$3.5 billion in taxes and other revenues. Among the program's signature strengths is its administration by Housing Credit agencies of policies included in their Qualified Allocation Plan (QAP).

The QAP is a statutorily mandated plan adopted by each Housing Credit agency that establishes the criteria and preferences for allocating Housing Credits during the year. Federal regulations require QAPs to give preference to developments serving the lowest income tenants, with the longest periods of affordability, and located in qualified census tracts that contribute to a concerted community revitalization plan.

Agencies have authority to establish other QAP selection criteria including development location, housing needs of a local community, development and sponsor characteristics, for tenant populations with special housing needs, and tenant populations with children and public housing waiting lists. Housing Credit agencies can promote policy objectives in a variety of ways using the QAP. The most common methods are through threshold requirements, set-asides and scoring.

For purposes of this report, "supportive housing" refers to permanent housing with attached intensive services targeted to populations with special needs who otherwise struggle to retain stable housing. The term "special needs" may include people who are currently or formerly homeless; people with serious, chronic mental health issues; people affected by substance use; people with HIV/AIDS; people with physical or developmental disabilities; ex-offenders; frail elderly; homeless or emancipated youth; victims of domestic violence and other groups that would not be able to live independently and maintain housing without intensive support. Supportive housing households typically include individuals and families with significant histories of homelessness or other long-term health or social issues. Supportive housing populations typically have incomes below 30% of area median income, and often much lower. Supportive housing is most effective when it features a close coordination of property management activities with the supportive services, which can be delivered through a combination of on-site services and linkages to available community services.

The policies described in this report are designed to utilize resources effectively, targeting them to populations who need them most, and increase the stock of quality supportive housing to best meet their needs.

Methodology

Qualified Allocation Plans have been the permanent supportive housing in 30 years of allocating the Housing Credit, the authorized housing agencies have designed and implemented an array of innovative QAP policies to advance permanent supportive housing. The primary research for this report involved a comprehensive review of each Housing Credit agency's 2017 QAP to identify

³ For more on the impact of the Low Income Housing Tax Credit:
<http://cshmapping.maps.arcgis.com/apps/Cascade/index.html?appid=00e888c43ff449928520646d506d0738>

policies specifically encouraging supportive housing.* In the course of this review, several relevant policies were identified as universal or nearly universal:

- Statutory requirements to consider special needs populations in allocating the Housing Credits
- Statutory priorities for serving the lowest income tenants
- Market study requirements to document need for targeted populations
- Incentives for development proximity to community services
- Incentives for development amenities and design

Although there is variation in the degree to which QAPs emphasize such policies, this report focuses on policies that go beyond these criteria and employ approaches that specifically address special needs populations and supportive housing.

One goal of this research is to identify changes in supportive housing policies among the Housing Credit agencies. Following an analysis of all available documents, CSH compiled a summary chart of relevant Housing Credit agency policies and definitions that can be accessed on Page 13.

This report does not quantify the relative weight of any particular policy in the scope of overall agency scoring – a substantially similar policy provision in several QAP plans may have significantly different weighting in each plan. The intricacy of QAP scoring criteria, the selection procedures and the broad discretion in decision making under the Housing Credit program makes such quantification difficult. Policies that are on the surface appear unrelated to supportive housing, may have substantial effects on supportive housing projects, are likewise hard to quantify but may be worthy of further consideration. Examples include requirements related to local political support for the project, location in areas of opportunity, and cost caps.

In addition, this report does not attempt to measure the extent to which the highlighted policies generated supportive housing developments using the Housing Credit. While such an outcome analysis is beyond the scope of this report, it is an area for further research and a priority of CSH to develop a model template that agencies can use to convey this information in a concise manner. The goal is a mechanism that would make it easier to measure the development impact of QAP policies using common metrics for each housing credit agency, including the target populations and categories where points are awarded, and then make such information available when the results of Housing Credit competitions are published. Another benefit could be the facilitation of standardized definitions of supportive housing across many of the state QAP documents. CSH also is hoping to compare data on the need in every state to the supportive housing generated by the Housing Credit.

*Nearly all QAPs are available on Housing Credit agency websites, links are available at the end of this report.

Results: 2017 QAP Policy Change Highlights

This section includes emerging trends in priorities from the national analysis of QAPs.

Unit Design: Size and Accessibility

Ten states added new accessibility and Universal Design incentives. Accessibility focuses on designing housing units to be accessible and usable by people with disabilities. Universal design is an approach to designing buildings and housing to meet the accessibility needs of all people, regardless of physical abilities.⁴ Some states, like Louisiana, added points for a percentage of units in a development to be accessible. Others, like Massachusetts, Minnesota, Indiana and Illinois, added points for incorporating or adhering to Universal Design standards building-wide. Wisconsin awarded 18 points for universal design and South Dakota awarded 15 points for Universal Design in at least 25% of units.

States also noted the overlapping need of larger, family size accessible units. In addition to accessibility incentives, Iowa added an additional 5 points for family size units and an additional 2 points for making 50% of units family accessible units. Missouri set aside 33% of credits for their special populations, and required all units to be Universal Design compatible. In addition to incentives for Universal Design, the Virginia Housing Development Authority offers tools and seminars to design professionals to encourage developers to meet Universal Design guidelines.⁵

Priority Populations

States prioritized housing dedicated to seniors and families in 2017 Qualified Allocation Plans. Twenty-seven states have incentives for senior housing. The Kansas Qualified Allocation Plan assigned 20 points for projects serving special needs or elderly populations. Some states prioritized seniors, and included services for seniors within that goal. North Dakota awarded up to 6 points for senior housing projects and an additional 6 for including services. California, New Jersey, Ohio, Pennsylvania, Vermont, Michigan, and Indiana have senior set-asides. States varied in integration of senior units into larger developments or preference for senior-only buildings. For example, the Arkansas MHA awarded 12 points for projects dedicating 100% of units to the elderly population while Mississippi awarded up to 22 points for targeting special needs tenants, with 5 bonus points for developments setting aside 10% units for elderly with restricted incomes.

In line with HUD's goal of ending youth and family homelessness by 2020, States have continued to ramp up the creation of affordable and supportive housing for families. In 2017, thirteen states have added family housing incentives compared to 2016 Qualified Allocation Plans. The state of California awarded 10 points for large family projects, special needs projects and senior projects. California awarded an additional 10 points for supportive services. The Arkansas Development Finance Authority Multifamily Housing Application (MHA) ⁶ assigned 12 points for projects that serve elderly and family populations with 20% of 3 bedrooms or 30% of the units set aside for special needs tenants.

⁴ More broadly, "Universal design is defined as "a process that increases usability, safety, health, and social participation, through design and operation of environments, products, and systems in response to the diversity of people and abilities"
http://www.who.int/disabilities/world_report/2011/chapter6.pdf

⁵ Virginia Housing Development Authority, Universal Design and Fair Housing
<https://www.vhda.com/businesspartners/mfdevelopers/lihtcprogram/pages/universaldesign.aspx?View=%7Bb6c127b8-9d1b-459e-8fcc-01c823b8a8a9%7D&SortField=vhdaDate&SortDir=Desc#.WoMBviXwaM8>

⁶ 2017 Arkansas Qualified Allocation Plan was not available at the time of analysis (December 2017-January 2018)

States also created incentives for prioritizing housing with services to these priority populations. New Mexico added an incentive related to dedicating 100% of service-enriched units to families and seniors. Kentucky awarded up to 12 points for services tied to senior housing.

Summary of Findings

Threshold Requirements

- Maryland updated its thresholds to require all projects to provide appropriate services for residents.
- Massachusetts created priority funding categories, and all applications must fit in one of the categories. One of the four categories is ELI households with a focus on homeless or at-risk of homelessness. These projects must provide services and include at least 20% ELI units, and can serve any special population.
- Vermont added a threshold that requires all publicly funded projects to set-aside 15% of units to those experiencing homelessness.
- Wyoming added special needs population as a priority and requires all projects to consider how they are addressing the needs of the priority populations.

Set-Asides

- Arizona added set-aside for at least one project that has 25% of units reserved for the chronically homeless referred from Medicaid waiting list, in addition to its existing set-aside for units supporting veterans. Both of these set-asides have rent limits of 30% of AMI.
- California added state set-aside goals that include 25% of credits for special needs and 15% of credits for senior populations.
- Kentucky increased its set-aside for supportive housing from \$500,000 to \$750,000 with a minimum of 50% of the units and a supportive housing plan.
- Rhode Island removed its priority for extremely low income, homeless, and special needs projects.
- Vermont added set-aside of 25% of credits for senior housing projects with services.

Scoring Incentives

- Alabama added points for dedicating 5% of units to be accessible for individuals with mobility impairments.
- Arizona added points for including on-site case management services. It also added points for serving veterans, with additional points for services. Additional points are available for projects that serve 100% of special needs populations.
- Connecticut eliminated points for family supportive housing in exchange for points for family size units.
- Colorado expanded scoring option from 25% of units for the homeless to 25% units for special needs tenants.
- Georgia added points for 10% of the units with Section 811 funding and 15% of the units for Olmstead populations.
- Indiana added points for adopting more aspects of Universal Design than required by the threshold.
- Iowa reduced available points for fully accessible units.

- Kentucky removed scoring from supportive housing pool, and instead added tie breakers for CoC, location, PBRA, and deep affordability. They also removed points available for serving Olmstead populations. Kentucky did add points for reserving 10% of units for elderly and disabled tenants and points for tying services to senior housing.
- Maryland added bonus points for projects for the homeless.
- Michigan eliminated points within PSH set-aside for projects that serve the chronically homeless, projects that integrate a Housing First approach, extra space for services, and engaging CoC, as well as eliminating points for a service coordinator outside of the PSH set-aside. Michigan increased points within the PSH set-aside for service coordination, developing in a high-need area, and a successful outcome track record. Points were also added for reserving 30% of units for frequent Emergency Department users and points for service coordination.
- Minnesota removed points for reserving SRO units for extremely low-income households but increased available points for serving special populations. Minnesota also added points for targeting at least 5% of units to specific CoC populations.
- Mississippi added points for service coordinator. Points were increased for special populations beyond Olmstead populations to include special needs tenants, veterans, and elderly populations, with an addition of a service requirement.
- Nebraska removed points for units serving special needs residents.
- New Hampshire added minimum unit requirements for supportive housing points and added points for serving veteran-at-risk households with services.
- New Jersey added points for including social services in its regular cycle.
- New York HFA decreased available points for serving tenant populations with special needs.
- New Mexico added ELI requirements to special needs points.
- North Dakota added points for senior housing projects that include services and points for universal design features.
- Ohio added points for access to health care and benefits support to its supportive housing pool, as well as adding points for local service providers and family and senior priorities to its general pool.
- Pennsylvania removed points for service enriched housing for special needs and points for serving homeless, but added points for including supportive services, accessibility, and units with Section 811.
- Rhode Island added a scoring system which includes points for serving ELI, special needs, and homeless, and points for supportive services.
- Utah increased units required for special needs points.
- Virginia increased points available for ELI special needs units, and removed Intellectual Disabilities from points.
- West Virginia reduced the available points for targeting the special needs population but added points for including supportive services and targeting the elderly population.
- Wisconsin added points for Universal Design.

Recommendations for 2018 & 2019

Towards advancing supportive housing that meets the needs of highly vulnerable populations, Housing Agencies would benefit from 1) using data to be responsive to local needs, 2) incentivizing supportive services for special needs populations, 3) prioritize projects that are coordinated with mainstream referral systems, and 4) incentivize Universal Design to meet accessibility needs of all tenants.

Use Systems Data to Determine Local Need

As Housing Agencies have limited resources to commit to special needs populations, it is essential to understand the local need. States can utilize administrative data cross-systems to develop a comprehensive understanding of populations with the highest need of affordable and supportive housing.

States creating incentives and set-asides for target populations need to understand which subpopulations are in greatest need of the limited resources. States can use existing administrative data from state and county agencies to identify population-specific needs and number of units needed. A recent national needs assessment of supportive housing, developed by looking at data across a spectrum of public systems, is also an effective way for states to understand housing needs to define priority populations.⁷ State-level systems data is publically accessible at csh.org/data and states may find the approach to this analysis appropriate for considering local data sources.

In 2017, the State of Vermont Republican Governor Phil Scott included a new \$35M affordable housing bond program in the Vermont budget in response to the “Vermont Roadmap to End Homelessness” a statewide study which defined number of housing units needed to effectively end homelessness statewide.⁸ This example of a statewide analysis can help inform housing credit allocations to be used most effectively.

Support Services

Twenty Qualified Allocation Plans define supportive housing appropriately and 26 QAPs identify a selection priority, not necessarily tied to specific incentives, for supportive housing or special need populations that go beyond the federal requirement to consider special needs populations.

Supportive housing effectively links elements of development, management, and services to address the needs of vulnerable populations; those who are costing the most to the public systems. A clear understanding of what supportive housing is will be absolutely essential to addressing issues of quality, and build the evidence to attract new resources. One potential definition adopted by CSH and others is: “Supportive housing combines and links permanent, affordable housing with flexible, voluntary support services designed to help the tenants stay housed and build the necessary skills to live as independently as possible.”

While states continue to define it, all states would benefit by clearly defining supportive housing and recognizing it as an evidence best practice for serving high-need homeless households.⁹

⁷ CSH 2016 National Supportive Housing Needs Assessment. State data is publically accessible here: <http://www.csh.org/data>

⁸ Report to Vermont Legislature, Vermont Roadmap to End Homelessness, January 15, 2017.

<https://legislature.vermont.gov/assets/Legislative-Reports/Homelessness-Study.pdf>

⁹ HUD, Coordinated Entry Policy Brief <https://www.hudexchange.info/resource/4427/coordinated-entry-policy-brief/>

All states and territories have some form of incentive for supportive housing, through set-asides, requirements, or incentives. 26 QAPs identify a selection priority, not necessarily tied to specific incentives, for supportive housing or special need populations that go beyond the federal requirement to consider special needs populations. Louisiana and Tennessee require support services be provided for all special needs projects. South Dakota incentivizes services by awarding 25 points to developments providing verifiable services to tenants.

System Coordination

In addition to incentivizing supportive housing, and other projects targeting persons with special needs, it is essential for developers to coordinate with state and local systems. As communities increasingly move towards coordinated entry systems, developers should work with their local Continuum of Care or other coordinating body to ensure effective targeting and referral flow.⁹ Housing Agencies may incentivize or require this coordination. For example, Ohio awards up to 25 points for projects identified as a priority for the applicable Continuum of Care and this year Minnesota also added an incentive for developments serving the Continuum of Care populations. Kentucky uses coordination with the Continuum of Care as a tiebreaker. These incentives require developers to coordinate with the Continuum of Care, respond to locally defined needs, and work within mainstream referral flows. Additionally, several states have prioritized units for people exiting institutions, and require developers to target and accept referrals from existing statewide referral networks (such as Illinois) and target people exiting state institutions, such as New Jersey. This year, Arizona added set-aside for at least one project that has 25% of units reserved for the chronically homeless referred from Medicaid waiting list.

Universal Design

Universal Design is a forward thinking model of designing buildings to be accessible to all people who wish to use them. As States consider their QAP plans, it is in their best interest to incentivize Universal Design in new construction. Buildings built to Universal Design standards will enhance the usability and marketability of such units. As states strive for community integration for seniors and persons with disabilities, having buildings that are usable by all people will be essential.

A recent study notes that more senior tenants live in supportive housing developments than ever before. About 40% of tenants are now over age 50, some tenants are newly housed and others have aged in place.¹⁰ Given this changing need, it is promising to see so many states prioritizing and incentivizing senior housing in their Qualified Allocation Plans. As states strive for community integration for seniors and persons with disabilities, it is essential to have a housing stock that is usable by all people, regardless of physical abilities.

It is more cost effective to build new construction to Universal Design standards than to retrofit existing housing. In the Maine Housing QAP, it is noted: “there is a growing need for accessible housing, particularly as the State’s senior population continues to increase significantly. It is less expensive to create an accessible unit in the construction or rehabilitation of a project.”¹¹

¹⁰ CSH, Home to State: Creating Quality Supportive Housing for Aging Tenants. <http://www.csh.org/wp-content/uploads/2016/07/NYC-ALC-Core-Competencies-1.pdf>

¹¹ MaineHousing LIHTC Qualified Allocation Plan 2017, pp. 63. <http://www.mainehousing.org/docs/default-source/qap/2017-qap.pdf>

Closing

The changes reflected in this report demonstrate States innovations in allocating their housing resources to best meet the affordable and supportive housing needs in their communities. The Qualified Allocation Plan process is an opportunity to assess needs, identify and incentivize best practices, and ultimately advance local priorities.

Summary of 2017 QAP Policies and Funding

[A full Excel state-by-state spreadsheet chart can be found by clicking here.](#)

[A list of State Housing Agency Websites can be found by clicking here.](#)

