

Memorandum



DATE December 30, 2008

TO Housing Committee Members: Steve Salazar, Chair, Carolyn R. Davis, Vice-Chair, Tennell Atkins, Dr. Elba Garcia, Vonciel Jones Hill, Angela Hunt, Linda Koop, Pauline Medrano

SUBJECT Permanent Supportive Housing

On Monday, January 5, 2009, you will be briefed on Permanent Supportive Housing. A copy of the briefing is attached.

Please let me know if you have any questions.



A.C. Gonzalez, Assistant City Manager

c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
Forest Turner, Interim Assistant City Manager
Ramon Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer
Jerry Killingsworth, Housing Director
Jeanne Chipperfield, Budget Director, Office of Financial Services
Helena Stevens-Thompson, Assistant to the City Manager

Permanent Supportive Housing

A Briefing To The Housing Committee

Housing Department
January 5, 2009



KEY FOCUS AREA: ECONOMIC VIBRANCY

Purpose

- To provide the Housing Committee with a summarization of the August 13, 2008 Permanent Supportive Housing (PSH) Briefing and recommend funding resources to achieve the PSH 5-year plan to end Homelessness in the City

Permanent Supportive Housing (PSH) Summary

- Permanent, supportive housing linked to a range of supportive services that enable tenants to live independently and participate in community life
 - A cost effective and successful alternative to more expensive and less effective emergency services or institutional settings
 - Can be Project-based Rental Assistance Program (PBRA) that goes with the project or Tenant-based Rental Assistance (TBRA) that goes with the client
- PSH will support single chronically homeless persons with disabling conditions

PSH Summary (Cont'd)

■ HOMELESS POPULATION

- There are 5,600+ Homeless people in Dallas at last count
- The Bridge can accommodate 625 persons maximum per day
- Roughly 30% of the population being serviced at the Bridge (190) are ready to transition into PSH Units

■ Existing PSH

- There are 852 PSH clients in City of Dallas
- 338 new PSH units have been brought on line since the 2005 10-Year Plan to End Chronic Homelessness
- Sufficient funding for support services for all existing clients

[PSH Summary (Cont'd)]

■ Two Primary Elements of PSH

- Support Services Needed for Residents of those units
 - Services requires investment from many sources
- Physical Units
 - The City of Dallas needs to build more PSH units

■ Goal is to add 700 PSH units in next 5 years

- 200 additional leased units

- 50 units at 511 N. Akard

-450 additional units

-DHA vouchers

-under construction by Dallas Central Ministries

-Mixed-income development with PSH set-aside; and/or 100% PSH committed to homeless population

Supportive Services

- Projected Cost:
 - \$10,000 annual per person for services- intensive services
 - Cost is projected average: some residents will need more intensive services, some less intensive
 - NorthStar/Value Options, Veterans Affairs and other existing funding sources expect to cover approximately \$8600 per year, leaving an estimated annual gap per unit of \$1400
 - Projected Service Gap
 - Annual gap for 700 units \$965K, or approximately \$1.4 million per year by full lease up in 2013, assuming 10% annual increase in gap
 - 2009 gap estimated at just under \$350,000 for 250 units
 - Five –year gap, 2009-2013: \$4.3 million

Projected 5 Year Service Funding Gap

Year	Units Placed in Service	Total Units in Service	Per Unit Service Gap @ 10% Annual Increase	Total Estimated Service Gap
2009	250	250	\$1,378	\$344,500
2010	150	400	\$1,516	\$606,320
2011	100	500	\$1,667	\$833,690
2012	100	600	\$1,834	\$1,100,471
2013	100	700	\$2,018	\$1,412,271
				\$4,297,252

Potential Sources of Services Gap Funding

- City of Dallas
- State of Texas – legislative proposal via TDHCA
- Dallas County
- Philanthropic Sources
- HUD Continuum of Care
- Federal funds – SAMHSA, etc. as available

Physical Units

For 700 new units:

- 200 additional lease unit's rent could be paid through the HUD Special Needs Voucher Program presently committed by the Dallas Housing Authority
- 500 new units will have a funding gap to build depending on the type of financing structure that is used and will require rental subsidies – once qualified for the program no more than 30% of the applicant's income can be spent on rent plus utilities
- The page 10 financial models assumes a 100% tax abatement based upon an ownership of the new units and ownership of the project will have to meet the 100% tax abatement requirements

Permanent Supportive Housing Model

	# of units	Tax Credits	Tax Abatement	Value of Ad Valorem Tax Abatement	Per Square Foot Cost for Total Development Cost	Per unit Cost for Total Project Cost	Per unit Gap
Market	250	No	None	0	\$118.77/SF	\$123,246	0
100% Workforce Housing	250	No	100%	\$644,950 Per year \$2,580 per unit Workforce Housing	\$117.56/SF	\$122,121	0
80% Market 20% PSH	250 with 50 PSH units	No	100%	\$644,950 Per year \$2,580 per unit \$12,819 per unit for 50 SRO Units	\$117.56/SF	\$122,121	\$30,000/unit with \$1.5M Gap for 50 SRO Units
100% PSH 9% Tax Credits	125	Yes	100%	\$234,000 \$1,872 per unit	\$203.73/SF	\$76,417	\$14,400/unit with \$1.8M Gap for 125 SRO Units
100% PSH 4% Tax Credits	125	Yes	100%	\$261,000 \$2,088 per unit	\$200.01/SF	\$74,879	\$36,000/unit with \$4.5M Gap for 125 SRO Units

*Assumes 15% cash equity

Financial Model Conclusions

- A 100% PSH project with 9% tax credits has smallest GAP @ \$14,400 per PSH unit but will be hardest to obtain from the TDHCA based upon supply and demand
- A 4% PSH project with tax exempt bond is the most expensive @ \$36,000 per unit but has the advantage of easy access to tax credits from TDHCA and Private Activity Bonds from the Texas Bond Review Board

Financial Model Conclusions (cont'd)

- An 80% market/20% PSH project is desirable as a mixed-income project but requires several projects to reach annual goal and would require 15% equity infusion from the developer
- The GAP, in current dollars, to build the 500 new units would range from \$7.2M (all 9% tax credits) to \$18M (all 4% tax credits) depending on the mix of the three different PSH models
- Not included in the financial modeling are any large/older buildings that could become available which could effect GAP

Funding Conclusions

■ Physical PSH Units

- Leasing 200 existing units carries no occupancy cost due to HUD vouchers, but \$200,000 in start-up costs may be needed for furnishings, landlord incentives, etc.
- Building 500 new units over 5 years will have a total GAP funding requirement ranging from \$7.2M to \$18M in current dollars

■ Services for PSH Units

- Assuming gradual phase-in of units over 5-years, a total service gap of \$4.3 million over 5 years, and \$1.4 million annually thereafter plus 10% annual cost increase
- City will be expected to fund a portion of this cost

Funding Conclusions (Cont'd)

- City would be committed to identify and/or develop funding sources to fund the majority of the GAP for Physical Unit development
 - Federal CDBG & HOME funding to the extent permissible by each source of funding
 - General Obligation Bonds to fund residential development in economic development project areas (i.e. TIF, Mixed-use developments, NIP or TODs) designated by the City; or
 - Certificates of Obligation to fund projects for a public purpose - publically owned facilities, public works or infrastructure for the development of PSH
 - Each project will be approved by City Council based upon their meeting the GO/CO Bond funding requirements*

[Funding Conclusions (Cont'd)]

- * GO Bonds – On a case by case basis, and approved by City Council, a project must meet an Economic Development test, as required by Proposition 8
- * CO Bonds – On a case by case basis, and approved by City Council, a project must meet state law requirement

Funding Summary

- 500 Project Based Units Potential Funding Source
 - 2009 - \$5M
 - \$1M Homeless fund
 - \$1M CDBG funds
 - \$1M 2006 Prop. 8 GO Bond funds
 - \$2M 2009 Certificates of Obligation
 - 2010 - \$2.5M
 - \$1.5M 2006 Prop. 8 Bond funds
 - \$1M CDBG funds
 - 2011 - \$2.5M
 - \$2M 2010 Bond Specific to PSH
 - \$.5M CDBG funds
 - 2012 - \$2.5M
 - \$2M 2010 Bond Specific to PSH
 - \$.5M CDBG funds
 - 2013 - \$2.5M
 - \$2M 2010 Bond Specific to PSH
 - \$.5M CDBG funds
 - Total - \$15M identified with 2006 GO Bond funds and 2009 Certificates of Obligation portion needing to meet certain funding standards
- Support Services for 700 new clients
 - Sources of funding for \$4.3M in gap for next 5 years have been identified but no commitments have been received

Recommendations

- Council approves 5-year plan endorsing city-wide implementation based on land availability and supportive services funding
- Use CDBG, HOME, General Obligation Bonds and Certificates of Obligations to the extent permissible by each funding source
- Donation of land and or other City resources when available and necessary to assist in funding the gap in financing
- MDHA leads Dallas area interagency work group to further design, implement and finance PSH plan through intergovernmental collaborations with Housing Authority, Mental Health Agencies and Metro Dallas Homeless Alliance (MDHA)
- Develop a program of neighborhood education regarding benefits and myths related to PSH
 - MDHA will provide the materials and tailor the program to each individual Council District
- Develop a collaborative legislative agenda among City of Dallas, Dallas County and Dallas County Medical District to increase state funding for PSH in Dallas and selected statewide efforts for tax credit improvements and related issues

[Next Steps]

- January 28, 2009 Council Action to:
 - Approve 5-year plan endorsing city-wide implementation and Program Statement; and
 - Use of CDBG, HOME, General Obligation Bonds and Certificates of Obligation to the extent permissible from each funding source

[Appendix]

- Who is considered Homeless
- Who is considered Chronically Homeless
- End Chronic Homelessness by Year 2014
4 Key Strategies

Who is considered Homeless

- Who is considered homeless
 - 1) A person living in a place not meant for habitation (e.g. in a car, parks, sidewalks or abandoned building); 2) in an emergency homeless shelter; or 3) transitional housing
 - If a person is in one of these three places, but most recently spent less than 30 days in a jail or institution, he/she qualifies as coming from one of these three categories
 - A person who is being evicted within a week from private dwelling unit and no subsequent residence has been identified and the person lacks the resources and support networks needed to obtain housing; or
 - Discharged within a week from an institution, in which the person has been a resident of more than 30 consecutive days and no subsequent residence has been identified and the person lacks the resources and support network needed to obtain housing

Who is considered Chronically Homeless

- Unaccompanied homeless individual
- Disabling condition
- Either continuously homeless for a year or more OR at least (4) episodes of homelessness in three (3) years
- Must have been sleeping in a place not meant for human habitation, (e.g. living on the streets) and or in emergency homeless shelters during that time

End Chronic Homelessness by Year

2014

4 Key Strategies

Independent Homeless Authority Metro Dallas Homeless Alliance	Open and Operate Homeless Assistance Center	Develop 1,000 New Permanent Supportive Housing Units	Rebuild Mental Health Resources
a) Working with County and state agencies to leverage resources	a) The Bridge open of 90 days	a) Present Plan to City Council	a) Present Plan to state legislators this fall
b) Have raised commitments of \$13M from non-city sources	b) Population 50% more than planned for	b) Brought in 300 (+-) units on line in the last 3 years	b) Already brought in approximately \$3M for the Bridge resources
c) Hands on operation of the Bridge	c) Crime down 18% in first two months downtown	c) 700 Additional units needed	

PSH Providers in City of Dallas

- PSH providers:
 - ABC Behavioral Healthcare
 - AIDS Services of Dallas
 - Central Dallas Ministries
 - City of Dallas
 - Dallas Housing Authority (Metrocare Services is the Service Provider)
 - Housing Crisis Center
 - LifeNet Community Behavioral Healthcare
 - Metrocare Services
 - Prince of Wales SRO (ABC Behavioral Healthcare is the Service Provider)

- New PSH units (in use or under development) in the City of Dallas since the adoption of the 10-Year Plan are:
 - Provider Units/Beds: Metrocare Services -78/78; Housing Crisis Center-50/70; Central Dallas Ministries-105/105; Dallas County-35/35; City of Dallas-70/70; TOTAL:338/358

Impact of Supportive Housing

- Using a study conducted in New York City on homeless persons with psychiatric disabilities who were placed in service rich supportive housing
 - Examined the use of emergency shelters, psychiatric hospitals, medical services, prisons and jails
 - The study found:
 - A homeless mentally ill person in New York City uses an average of \$40,449 of public services annually
 - Those persons placed in service enriched housing reduced their use of publicly funded services by an average of \$12,145 annually
 - The reduction in service use pays for 95% of the costs of building, operating and providing services in supportive housing

What will it cost if we do not provide Supportive Housing Units

Housing Cost in Dallas per bed, per Day

Permanent Supportive Housing*	\$27.00
Transitional Housing*	\$31.00
State Prison**	\$44.01
Dallas County Jail***	\$35.70
Terrell State Mental Hospital****	\$355.00
Texas State Mental Hospitals (Statewide Average)*****	\$375.00

* 2007 Exhibit 1 – Dallas City & County / Irving Continuum of Care

** Source: *Texas Department of Criminal Justice Agency Strategic Plan for Fiscal Years 2005-2009*, Page 24

*** Source: Catherine Sola - Dallas County Budget Office
(Based on FY 2007 Budget)

**** Source: Health and Human Services Commission Department of State Health Services State Hospitals Section Mission, Vision, Goals and 2007 Work Plan - Statewide Performance Indicators 3rd Quarter FY 2007 - (Page 59)