

# Developing and Managing Supportive Housing



Written by Tony Proscio

Dear Colleague,

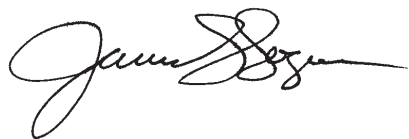
In 1996 we began a state-level partnership with the Michigan State Housing Development Authority, the Michigan Department of Community Health and the Corporation for Supportive Housing. Together we hoped to create *Supportive Housing* — something that did not then exist in Michigan.

We wanted new models of housing and service delivery that would enable some of Michigan's most needy citizens to get out of shelters or off the streets and move into a good home. By mixing in the right services, we hoped that people who had a history of instability in housing would feel *at home* in supportive housing and move on to establish new connections with their families and communities.

Through the vision and dedication brought to the Michigan Supportive Housing Demonstration by our local partners in Allegan, Genesee, Kent and Washtenaw counties, we have watched our dreams become reality. We now know this concept can work. It can work in a variety of ways, because no two communities have done it exactly alike.

As we move forward to a new phase in our supportive housing work, we want to help communities who are interested in developing their own brand of supportive housing learn from the experience of others. This manual on housing development and its companion manuals on supportive services and local collaboration will enable additional communities to begin their own efforts, knowing more about what works and how to avoid at least some of the pitfalls.

We are pleased to endorse this manual and its companions. Supportive housing is not yet a science, something that can be recreated by applying a formula out of a cookbook. But it is less of an experiment now that our local partners have units in place, occupied by the people we set out to serve. Additional communities are ready to undertake the challenge and hard work that supportive housing demands. These manuals will be invaluable to those Michigan communities who will be moving the supportive housing initiative to the next level.



James L. Logue III



James A. (Jack) Krauskopf



James K. Haveman Jr.





# Credits and Thanks

## **Michigan Interagency Partnership**

The Michigan Interagency Partnership was formed in 1996 to oversee the development of a state and local partnership committed to developing supportive housing for individuals and families with special needs who are homeless or at risk of homelessness. The Partnership is comprised of the Department of Community Health (DCH), the Michigan State Housing Development Authority (MSHDA), the Family Independence Agency (FIA), the Department of Career Development/Rehabilitation Services (DCD/RS), the Office of Services to the Aging (OSA), the Department of Management and Budget (DMB), and the Corporation for Supportive Housing (CSH).

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## **The Corporation for Supportive Housing**

The Corporation for Supportive Housing (CSH) was created in 1991 with funding from the Pew Charitable Trusts, the Robert Wood Johnson Foundation, and the Ford Foundation to support the individual efforts of local nonprofit pioneers developing service-supported housing for those most in need — people coping with extreme poverty and mental illness, addiction or HIV/AIDS.

CSH supports the expansion of permanent housing opportunities linked to comprehensive services for persons who face persistent mental health, substance abuse, and other chronic health challenges, and are at risk of homelessness, so that they are able to live with stability, autonomy, and dignity and reach for their full potential. CSH works through collaborations with private, nonprofit and government partners, and strives to address the needs of, and hold ourselves accountable to, the tenants of supportive housing.

### **The Michigan State Housing Development Authority**

The Michigan State Housing Development Authority (MSHDA), created in 1966 as the state's housing finance agency, has financed over \$3 billion for rental housing which has been used to finance over 50,000 units of affordable housing. Using tax exempt bond financing and Mortgage Credit Certificates, the Authority has assisted in financing nearly \$4 billion in single family mortgages for 90,000 units occupied by homeowners. One of the nation's larger state housing agencies, MSHDA has allocated over \$150 million in Housing Tax Credits which has produced approximately 30,000 rental units. The Authority also administers Community Development programs for non-entitled communities in Michigan, makes grants to combat homelessness and runs a 15,000 unit statewide Section 8 Existing Housing voucher/certificate program.

### **The Michigan Department of Community Health**

The Michigan Department of Community Health (MDCH) is one of 18 principal departments of state government. The department, the largest in state government, is responsible for health policy and management of the state's publicly funded health service systems. An estimated 2 million Michigan residents will receive services this year that are provided with total or partial support from MDCH. The Department was created by an executive order issued on January 31, 1996 by Michigan Governor John Engler. The executive order consolidated the Department of Public Health; the Department of Mental Health and Substance Abuse Services; the Medical Services Administration, the state's Medicaid agency; and combined all child, family and housing elements of these respective systems. The Office of Drug Control Policy and the Office of Services to the Aging were consolidated with MDCH in subsequent executive orders.

### **Design**

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# Introduction

## What is supportive housing?

By “supportive housing,” we mean permanent, independent, affordable housing for people with disabilities who are homeless or at risk of homelessness, where appropriate supportive services are provided *as part of the normal operation of the housing*, as a way of helping residents maintain the maximum possible level of independence, stability, and participation in the general community. Some definitions, like the one used by the Federal Department of Housing and Urban Development, may be narrower. But in this book, and in the Michigan Supportive Housing Demonstration Program generally, we deliberately use the phrase to represent a wide range of models, benefits, and opportunities.

It is worthwhile to distinguish supportive housing from other kinds of residential programs and facilities common in Michigan — for example, adult foster care, group residences, skilled nursing facilities, transitional housing, residential treatment programs, or assisted living facilities. Compared to these various models, supportive housing is more permanent, more independent, or both. It is in most respects like other forms of housing — it typically looks and functions exactly the same way as any kind of permanent housing for anyone — except that tenants have access to supportive services as one of the benefits of living there.

In supportive housing, residents’ disabilities may be physical, psychiatric, or developmental, they may involve chemical addictions, HIV/AIDS, or other circumstances that raise special needs. The supportive services that are part of a supportive housing program could therefore take many forms, depending



on residents' needs and available resources. Some services may be provided on site, as a permanent feature of the supportive housing environment; others may be available nearby, possibly from unrelated providers.

In general, services in supportive housing are as accessible as possible to the residents, and are integrated as much as possible into the normal routine of managing the building and providing a quality living environment. The most important services, and the ones most thoroughly integrated into supportive housing, tend to be those that prevent emergencies that lead to homelessness.

Years of experience and a growing body of research show that this integration of housing and services materially increases residents' stability and independence, reduces their need for emergency or institutional care, and thus provides a higher quality of life — including the greatest possible productivity and self-reliance — at substantially lower cost.

## What is the role of supportive housing in Michigan?

State policy strongly favors the integration of services and housing for people with long-term special needs, especially those who have had difficulty maintaining a stable residence. The Michigan State Housing Development Authority, which finances and subsidizes affordable housing through a range of loan, grant, and equity programs, has set aside a portion of its Federal HOME funds for supportive housing. MSHDA also gives applications for Housing Tax Credits a scoring advantage when the proposed housing serves people with special needs. The Department of Community Health — which provides medical assistance to low-income people and services to those with mental illness, developmental disabilities, and chemical addictions, among many others — includes supportive housing among the required services in all its contracts with local agencies. Moreover DCH encourages supportive housing as a component of managed care in place of more restrictive service models.

Since 1996, in cooperation with the Corporation for Supportive Housing, the State has conducted a Supportive Housing Demonstration Program, now in its second phase. The demonstration, initially in Allegan, Genesee, Kent, and Washtenaw Counties, has shown that, with careful coordination among service



providers, housing developers and managers, and local government agencies, it is possible to develop housing that effectively incorporates appropriate services, and that materially improves the lives of those who live there. Participants in the demonstrations have assembled effective funding streams for both the housing and services, developed quality housing, formed working partnerships between housing and service providers, and woven the housing-based services into the development's ongoing management, and into the tenants' overall service plan. Beginning in 2000, the demonstration will expand to several more counties, and CSH will begin a separate initiative in Detroit.

In each of the demonstration counties, the supportive housing program has been overseen by a consortium of local funders and government agencies, service organizations, and housing developers. These groups have identified needs, raised funds, formulated policy, and facilitated working partnerships among housing and service agencies to develop projects.

## What is the purpose of this handbook?

This is the third of three related guides for those interested in forming Supportive Housing Consortia and developing projects. This booklet is obviously not intended to teach organizations how to be housing developers, or even to lay out a “model” development plan for supportive housing. Instead, we hope this guide will set out for Supportive Housing Consortia the necessary building-blocks for designing, financing, building, and managing housing for people who need ongoing services.

This booklet is therefore meant not only for housing developers and managers, but also for other essential partners — including service providers, public and private funders, and other stakeholders. We hope it will help all participants understand better how services fit with housing to make a complete, effective supportive housing package.



## These other publications may also be useful:

***Bankability: A Practical Guide to Real Estate Financing for Nonprofit Developers*** © 1996 by Community Development Research Center,  
New School University

Contact: CDRC, New School University, 66 Fifth Avenue, New York,  
NY 10011, (212) 229-5414. Price: \$10

This guide provides technical assistance to nonprofit organizations seeking financing from private-sector lending institutions. It focuses primarily on housing development and discusses the current lending environment, some recent community development lending initiatives, the different types of financial institutions and their roles in lending to nonprofits, key factors that lenders consider in reviewing loan applications, and a set of guidelines for preparing real estate loan applications. An appendix provides a glossary of relevant terms, sample case studies of successful loan applications, and sample documents.

***Beyond Housing: Profiles of Low-Income, Service-Enriched Housing for Special Needs Populations*** © 1995 by The Enterprise Foundation

Contact: The Enterprise Foundation, Communications Department, 10227  
Wincopin Circle, Suite 500, Columbia, MD 21044, (410) 964-1230.  
Price: \$25

This report profiles 29 service-enriched housing programs throughout the United States. The case studies are organized so that you can cross-reference various project features to your own proposed project. The report also provides several examples of sound property management programs that are sensitive to the needs of low-income people.

Also check the Enterprise Web site: [www.enterprisefoundation.org](http://www.enterprisefoundation.org)

***Breaking New Ground: Developing Innovative AIDS Care Residences***

© 1993 by AIDS Housing of Washington

Contact: AHW, 2025 First Avenue, Suite 420, Seattle, WA 98121,  
(206) 448-5242 Price: \$39.95

This book compiles the lessons that nonprofit organizations across the country have learned about developing and operating housing for people living with HIV/AIDS. In particular, it describes the development of Bailey-Boushay House and Rosehedge, two 24-hour skilled nursing facilities for people with AIDS. But most of the techniques and strategies contained in the book can be applied to a broad cross-section of supportive housing projects for special-needs populations.



***Developing Affordable Housing: A Practical Guide for Nonprofit Organizations*** © 1999 by John Wiley & Sons, Inc.

Contact: Any bookstore, or order direct from the publisher: John Wiley & Sons, Inc., 605 Third Avenue, New York, NY 10157. Price: \$95.

This book offers step-by-step guidance through the entire process of real estate development for nonprofit organizations involved in affordable housing projects: putting together the development team; determining feasibility for the project; financing and budgeting; long- and short-term financing and permanent loans; purchase contracts; rehabilitation and/or construction. Features a slew of checklists, sample contracts, and model documents. Supplemented annually.

***Housing for People with Mental Illness: a Guide for Development***

© 1988 by the Robert Wood Johnson Foundation

Contact: The National Resource Center on Homelessness and Mental Illness, 262 Delaware Avenue, Delmar, NY 12054, (800) 444-7415.

Ask for Order No. 00227.

This guide offers practical information on developing housing for people with mental illness, including criteria for site selection, financial feasibility analysis, information on housing management, selecting a developer, identifying financing resources, working with state housing agencies, and using Housing Tax Credits. The guide contains sections on developing a database and housing plan, establishing a housing development corporation, rehabilitating and building housing units, acquiring housing for immediate occupancy, and producing effective financial plans.

***Housing for Persons with Psychiatric Disabilities: Best Practices for a Changing Environment*** © 1996 by the National Technical Assistance Center for State Mental Health Planning

Contact: NTAC, 66 Canal Center Plaza, Suite 302, Alexandria, VA 22314 (703) 739-9333. Price: \$20.

This technical assistance tool kit is aimed at state mental health agencies, state housing finance agencies, and nonprofit and private housing developers. It examines eight topic areas related to housing for people with psychiatric disabilities: planning, finance, development, management and ownership, rental assistance strategies, consumer preferences, managed care, services and supports, and rights and roles of tenants and landlords. It also includes a useful appendix with sample documents, agreements, and surveys.



***Managing Housing for Low-Income Persons with AIDS***

© 1994 by the West Hollywood Community Housing Corporation  
Contact: WHCHC, 8285 Sunset Boulevard, Suite 3, West Hollywood,  
CA 90046 (323) 650-8771

This guide documents the experiences of a nonprofit housing developer and operator in providing safe, decent, and affordable housing to people living with HIV/AIDS. In this approach, traditional property management is enhanced and “service enriched” without abandoning the basic principles that make housing production and management feasible. It includes a discussion of legal issues.

***Supportive Housing Technical Assistance Manual***

© 1996 by the Community Housing Partnership  
Contact: CHP, 1010 Market Street, San Francisco, CA 94102,  
(415) 241-9015

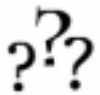
Written primarily by tenants living in two of CHP’s supportive housing buildings, this manual provides a tenant’s perspective on the successful elements of a support-service program. It discusses philosophical issues, program design (including policies and procedures that affect the service and property management plan), vocational/employment service delivery, and communication strategies between the various interested parties.





# Developing and Managing Supportive Housing

## Some Basic Principles



A. Why does a housing developer need to be involved in supportive housing? Couldn't a strong human-service organization simply develop housing on its own?

Housing development is a complicated, technical process under the best of circumstances. Affordable housing is often more difficult to finance and build than other kinds of housing, and supportive housing adds some additional complications besides. It's *extremely unlikely* that an organization with no development or management experience could handle a supportive housing project on its own.

Service organizations can, and often do, *instigate* supportive housing projects — by seeking potential partners among experienced housing-development organizations or, preferably, through local Supportive Housing Consortia. Because service organizations often know the most about their clients' housing problems — the gaps in housing supply or affordability that leave people homeless or in inappropriate housing — they may be the first to explore ways of developing better alternatives. Before long, however, they will need expert help from experienced housing developers, managers, and other specialists.



That's why a local consortium is often the best vehicle for planning and assembling supportive housing projects.



**B. Why would a housing developer have an interest in the way services are provided to tenants? Isn't that a private matter between the tenant and his or her service agency?**

Yes, it is a private matter — but when unmet service needs threaten the good relationship between landlord and tenant, it's in everyone's interest to see that tenants have consistent access to essential services. That is especially true in supportive housing, which specifically caters to tenants with special needs who have not been housed effectively, consistently, or appropriately in the past. Supportive housing works well only when housing providers and managers have an effective partnership with service providers who deal with tenants on-site, nearby, or in regular visits.

When a housing development has a number of residents with long-term special needs — especially people who have a history of losing their housing, being evicted, or experiencing medical or emotional crises that jeopardize their housing status — housing managers need to know whom to contact in case they have concerns about the tenant, and service providers need to be able to help tenants address concerns about their housing. A few typical cases illustrate the point:

A frail, mentally ill man is beginning to decompensate and has been screaming in the night. His immediate neighbors have begun to complain about the noise. His behavior during the day is not as stable as it has been in the past, and though he is generally not disruptive, the change is beginning to worry staff and neighbors.

A mentally ill woman finally moves into an apartment after a long stay in emergency shelters, hospitals, or other short-term accommodations. She meets all her obligations as a tenant, and seems to have a good relationship with a local agency providing case management. The only problem is that she spends most of her day standing outside the front of the building smoking cigarettes and drinking coffee. Management has received complaints from neighbors.

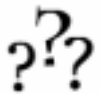
A tenant has lately been returning home late at night, visibly impaired, and for the past few months has begun paying rent late and missed one payment altogether. He has been in the building for more than two years and was a model tenant, until this sudden change.



Each of these cases is drawn from real experiences of supportive housing providers. In each case, a partnership of building management and social service providers addressed the problem in concert, *with each side knowing and handling its appropriate responsibilities*, and with both sides working through the gray areas, where each partner had some role but the lines aren't obvious or simple. Without the careful arrangements and understandings that underlie supportive housing, each of these cases would likely have resulted in a landlord-tenant dispute, and in some cases a crisis for the resident, eviction, or both.

A building owner or manager obviously has no role in the decision about a tenant's medication, therapy, or counseling. But when the resident's status *as a tenant* or as a good neighbor is in doubt or at risk, then management usually needs *more options than just the two extremes: eviction, or turning a blind eye*. A partnership with a qualified service provider supplies that range of appropriate responses, and can substantially reduce conflicts between the housing provider and special-needs tenants. It can also reduce conflicts between housing management and the surrounding neighborhood. Generally, when tenants have ready access to the services they need, they are able to be better neighbors, and *resistance from the community fades quickly*, or never materializes at all.

A separate handbook in this series, titled *Providing Services in Supportive Housing*, describes how the management-services relationship can work, and how the service provider's role can be structured, funded, and spelled out in a written agreement.



### **C. So if the biggest issues in supportive housing are related to operations and management, is there anything special to consider during development?**

Several things, each of which will get a fuller discussion in this booklet. First, consider site selection. Like all affordable housing, supportive housing needs to be located in a safe place *convenient to public transportation, or in walking distance* from basic needs like food and drug stores, or preferably, both. But besides that, supportive housing should have some *convenient access to social and medical services* that residents may use — not just the services that are included in supportive housing, but other, tenant-specific needs like clinics, support groups, or service agencies. In some rural areas, this may not be completely realistic (and service providers there may have to be more mobile). But at least in urban areas and in many small towns, good locations for supportive housing generally provide ready access to work, shops, and services without need for a car.



Second, some state and local subsidy programs that support affordable housing — including the HOME program and Housing Tax Credits — offer *a competitive advantage or more favorable terms* to “housing designed to serve persons with special needs (in whole or in part), ... [which] must include significant services that are essential for individuals within the target population.” Supportive housing projects, if properly organized and managed, qualify for these benefits, which can reduce the burden of construction or permanent financing — but only if the plans for integrating services into building operations are clear and complete at the time of application. Other programs, like Housing Opportunities for Persons With AIDS (HOPWA), offer specific development and operating subsidies for particular target populations who may want and need supportive housing.

Third, supportive housing may, in some cases, require adjustments in local zoning or other regulations that can trigger complex *political negotiations*, or may run into political opposition from other residents of the community who don’t understand the project. In these cases (which also affect other kinds of affordable housing), the support of a well-organized consortium can be invaluable. Under these circumstances, housing developers rarely want to “go it alone” in negotiating with opponents and public officials. And they are usually much more effective with a coalition of partners and expert supporters. In fact, experience in the first round of Michigan’s Supportive Housing Demonstration proved that consortia can bring public and private agencies together in an effective response that no one organization could have managed alone.

The next sections will discuss these issues and stages of planning individually.

## Exploring and Choosing Sites



### A. Why would site-selection issues in supportive housing be any different from those in other kinds of housing for low-income people?

Many issues are, in fact, the same: For instance, like other people on limited incomes, residents of supportive housing may need to depend on *public transportation* and need to be close enough to employment opportunities, stores,



and services so that they don't need a car. Like all people, supportive housing residents want to live in *attractive, well-managed* housing in diverse residential communities. Like any affordable housing development, supportive housing should have *utilities* available at the site, with *frontage on paved roads*, and with *no negative environmental factors* (cleaning up a site that can't pass a Phase I environmental test will probably make the project prohibitively expensive). Supportive housing projects can take advantage of the same special provisions for Empowerment Zones, Renaissance Zones, or other distressed areas, that also apply to other housing developments.

But even where the issues for supportive housing overlap with those of other kinds of housing, the specific needs of the target population may make one or more considerations especially important. For example:

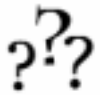
1. **Accessibility for people with physical disabilities.** To some degree, the Americans With Disabilities Act has made accessibility concerns part of all development planning. But the specific needs of a given target population could raise additional architectural challenges (especially in renovating older buildings that weren't designed to be accessible) and additional costs beyond what is mandated by general law and regulations. These special considerations may also affect site selection and the way buildings are configured and designed. In fact, when the target population is likely to have physical disabilities, new construction is likely to be the best option; renovation of old buildings is most often cost-prohibitive. Even when people with physical disabilities are not the primary target, it's important to consider the possibility that people with other needs may also have a higher incidence of physical disabilities, and design the construction or renovation accordingly.
2. **Access to health care and social services.** Rarely, if ever, would a resident's service needs be met entirely on-site. Locations that are too far from service providers, or have too few transportation options for reaching them, could do more harm than good, no matter how attractive and affordable the site might otherwise be.
3. **Safety and security.** Although everyone wants to live in a safe environment, tenants in supportive housing may be more physically frail or otherwise more vulnerable than average. Some may be fleeing abusive spouses or, if recovering from addictions, trying to avoid environments where substance abuse is prevalent. Choosing a site in a dangerous area, or developing housing without sufficient lighting or clear, visible access could easily undermine the purpose of supportive housing and, by discouraging new tenants, make it difficult to operate. It may be tempting, for economic



reasons, to pursue the most inexpensive property in a high-crime area, but it will be difficult to finance (MSHDA takes a close look at site safety and design features that affect security) and probably unsuccessful in the long run.

4. **Appropriate zoning already in place.** While it's always possible, in theory, to apply for zoning changes, the process is never simple, and can be particularly hazardous for supportive housing. Zoning changes provide an excellent opportunity for a few opponents to use political leverage or delay tactics to block the development. Any development that needs a zoning change can face this sort of trouble, but misperceptions about supportive housing tenants can make it much worse.
5. **No relocations.** Trying to convert occupied buildings into supportive housing can raise a host of logistical, political, and economic problems. If current tenants are not eligible to live in supportive housing, they will have to be relocated, and there are few if any public dollars to pay what can be a substantial relocation bill. Even if the tenants are eligible and would do well in supportive housing, they still must be relocated during renovation — which can be just as disruptive for them and costly for the project as if they were being replaced altogether. In a few cases, renovations have proceeded successfully when buildings were only partially occupied, and virtually all tenants were eligible and wanted to stay. But by and large, occupied buildings should be treated with extreme caution.
6. **A surrounding residential community.** More generally, supportive housing needs to be integrated into the wider community in a way that lets residents participate normally. Remote locations can be deceptively attractive — they may cost less, raise fewer zoning or political problems, and pose fewer environmental or other development challenges. Such locations might even be acceptable for other kinds of affordable housing. But they tend to work less well for people who tend to be marginalized and isolated from the rest of the community. Central locations and ordinary residential communities well served by shops and public transportation tend to work best for supportive housing, even though these are rarely the lowest-cost options.
7. **A mixed community.** It's also important not to concentrate low-income and special-needs populations into dense clusters — which can have the effect of isolating them just as much as a remote location would. Areas that already have many developments of public or subsidized housing, group homes or other licensed facilities probably don't make a good choice for new supportive housing.





## B. If a site meets these general requirements, how do we know if it will make for a feasible supportive housing development?

Eventually, any chosen site will have to undergo a *market study that's specific to the project's target population*. As part of its needs assessment or other early planning, the local Supportive Housing Consortium should already have assembled some data on the housing needs of its target populations, where that population now lives, and what it can afford. That information will probably provide a good indication of the feasibility of a particular site, or at least a basis for deciding whether to proceed with a full market study.

Among its submission requirements for rental housing programs, MSHDA requires applicants to submit a study by an independent professional market consultant that analyzes likely demand for the proposed units *among appropriate segments of the market*. For projects designed to serve people with special needs, a specific set of guidelines describes how the study should:

- examine the target market and the special needs it encompasses,
- trends in that market, and
- local factors important to prospective tenants, like employment opportunity and the composition of the surrounding community.
- “estimate the number of special-needs households [in the population from which tenants will be drawn], as well as how many of these households can live independently.”
- “estimate expected movership and explain the rationale behind the estimate.”

In general, this study must persuade MSHDA (and any other source of financing) that the proposed development will be *attractive to enough of the target population to fill all the units* promptly and consistently. So even in the earliest explorations, when reconnoitering for possible development sites, it's important to keep in mind how well any given site is likely to measure up in a population-specific market analysis. The point of this isn't just to make sure the project will pass an important state test. More importantly, it provides a good way of thinking about how suitable the site will really be for the people it's meant to serve.

In making a preliminary assessment about a specific site, it can be extremely helpful to *consult with service providers* on the Supportive Housing Consortium,



especially those who have experience helping their clients find housing. Among other things, these organizations are likely to know about site and structural requirements that are important to the target population, to be aware of waiting lists of potential tenants, and to identify places nearby where the target population now lives. All of that information will be essential in the eventual market study.

Most of all, *consult with prospective tenants*, to learn where they would like to live. Plenty of attractive, well designed developments have run into financial and operational trouble because they simply weren't in an area that their target population *liked*. It's not enough to analyze people's likely *needs*; their tastes and preferences matter just as much, and probably more.

## Other Predevelopment Work and the Development Team

- ???
- A. If supportive housing entails a partnership between housing and service providers, coordinated by a Supportive Housing Consortium, won't all these players complicate the predevelopment and development process? Who's in charge when multiple organizations are involved?

There need to be explicit *understandings about roles and responsibilities* at each stage of development — understandings reached in advance among all those involved — to ensure there's no complication. Service providers and other consortium members should *not* be leading the technical predevelopment and development work, but can be helpful in a consultative capacity. For instance, reviewing site and architectural plans with the full consortium in advance of any final decisions is a good way to make sure that the project is on track to serve the population for whom the housing and service funding has been raised.

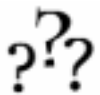


The full Supportive Housing Consortium does have a lead role in the early stages of project planning, especially in

- defining target markets and priority needs,
- weighing desirable locations and project configurations, and
- finally determining whether a proposed site and development will meet the standards of quality supportive housing.

These early discussions, involving residents' likely needs and providers' options, are the point when housing specialists learn what special demands the development needs to address, and service providers learn what kinds of housing can realistically be developed and operated with available funds.

But once a site and a basic concept are selected, and the consortium agrees that a particular project fits a particular target population, the housing provider needs to take over, and is responsible for assembling a development team, and planning and managing the development. Since the consortium will be helping with fundraising and providing other support along the way, it needs to be kept thoroughly informed, and should be consulted on matters affecting accessibility, rent levels, unit size, design, amenities, and other issues specific to the target population. But housing development already entails collaboration among a great many players — including marketing, finance, environmental, legal, architectural, engineering, and construction specialists. It is unwise to complicate the process any further.



## **B. Where should developers turn for initial guidance in planning, budgeting, financing, and developing supportive housing?**

The first step is to retain a *development consultant* who is familiar with both the general demands of affordable housing and the specific requirements of supportive housing . The consortium may have some leads in this area, as does the Corporation for Supportive Housing. The consortium should also be in touch with other counties that have experience in supportive housing, particularly Allegan, Genesee, Kent, and Washtenaw. All of these sources have experience with development consultants — both positive and negative — that can help a housing organization get started on a supportive housing project.



MSHDA's Special Housing Section is an excellent source of information on consultants who have worked on supportive housing and other special-needs projects in Michigan, and can also suggest other development organizations that might describe their experiences with particular consultants.

Since most supportive housing projects make use of the Housing Tax Credit program as a source of equity funding, it may be worthwhile to seek recommendations on consultants from organizations that syndicate Tax Credit equity. The two major syndicators working with nonprofit organizations in Michigan are the Michigan Capital Fund and the National Equity Fund (NEF).

Contact information for all these sources is included in an appendix at the back of this handbook.

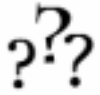


### **C. Who else should be on the development team, and how should they be selected?**

Just as for any affordable housing development, the complete core team would normally include, beside the development consultant, an *architect*, an *attorney* or law firm, a *general contractor*, and at some point the building *management firm*. Other experts would be involved at certain stages: the environmental and marketing consultants, for example. But they would not typically remain part of the team throughout the project. The others would.

As with the initial development consultant, it is wise to get referrals from other Supportive Housing Consortia, MSHDA, CSH, the Local Initiatives Support Corporation (LISC), tax-credit syndicators, and experienced housing development organizations. But the selection of particular firms or individuals may need to be handled carefully — possibly through a formal competitive process — depending on the requirements of those supporting the project. However the individuals are selected, MSHDA and other sources of financing will want to review résumés, licenses, evidence of insurance, as appropriate to the various specialties. Local government, MSHDA, and other contributors should all be consulted to determine what other requirements, if any, may affect the way development team members are selected.





## D. Are there sources of predevelopment support for supportive housing?

In communities that are participating in the Michigan Supportive Housing Demonstration, the *Corporation for Supportive Housing* would be the first logical place to turn for such support. Since CSH will be working closely with the consortia in these areas, predevelopment support will be among the topics that naturally arise as the consortium's work progresses. It's important to note, however, that CSH's predevelopment support is normally subject to repayment; it's not a risk-free grant.

Besides CSH (and in communities where CSH is not currently working), *MSHDA* and many larger municipalities offer limited predevelopment support through their community development programs. Other sources of predevelopment support might include *LISC*, which provides technical and financial assistance to community development corporations and other developers of affordable housing, or Michigan Capital. Local government may, in some cases, be able to help with planning or start-up grants even if they do not receive their own Community Development Block Grants from the Federal government.

Local professionals, including some members of the housing group's board of directors, may be willing to help directly with some portions of the predevelopment process (real estate, legal, accounting, or architectural work, for example) on a *pro-bono* basis. But development projects normally demand too much time and professional attention to be handled purely *pro-bono*. Team members working for a fee are *obligated* to produce timely work; but it can be hard or impossible to demand the necessary fast response from a board member or friend of the organization who is merely trying to do you a favor. Professional volunteers or board members are usually most helpful in selecting and overseeing the work of development-team members in their field.

In general, no development is risk-free, and predevelopment investments are among the unavoidable risks of almost any kind of project. Organizations that wish to develop supportive housing need to be prepared to *invest some of their own capital* up-front. It is unlikely that any source (or any combination of sources) will simply "pick up the tab" for exploratory work in advance of a project.



# Development Budgeting and Financing



## A. What's different about budgeting properties for supportive housing? Is it the same as for any affordable housing?

Most elements are essentially the same. But several issues — including rent levels, tax abatement, management costs, and the provision of non-residential space — can sometimes take on particular importance in supportive housing, or raise unusual issues, compared to other kinds of housing for low-income people.

To understand how these various issues interact, it may be best to start with a general point: Planning and budgeting any kind of affordable housing is always a balancing-act among three basic variables: Loans for *development costs* create a debt-service burden that, along with other *operating expenses*, must be met mainly through *operating revenue* (i.e., *rents*). Keeping the development costs and operating expenses low makes it possible to charge lower rents. But beyond a reasonable point, too much cost-cutting can result in a low-quality building where no one wants to live, and revenues don't meet expectations. Each of the three elements in this balance — development costs, operating expenses, and rents — faces some special considerations when applied to supportive housing.

### 1. Operating Revenue

In projecting *rents*, it is important to look closely at the economic circumstances of specific target populations for supportive housing, and not to assume that they are just like all other low-income people. Some groups — like single adults with histories of chemical addiction, or those with other conditions that don't qualify for Federal disability benefits — may have very limited options for employment or public support (and therefore are often at the top of any list of unmet housing needs). Rent for these populations usually has to be set considerably lower than for those who qualify for Supplemental Security Income, Veterans' Benefits, or public assistance. Even among those on government support programs, the variations are considerable: For example, whereas public assistance benefits are small and time-limited, SSI and VA benefits tend to be



long-term and comparatively higher. Still, income levels for the poorest of these target groups — especially those on public assistance, or with no form of assistance at all — could be as low as 10 to 30 percent of area median income.

Some Community Mental Health programs provide *rent subsidies* for their consumers when other income or rental assistance isn't available. But the availability and amount of such subsidies (if any) varies from place to place. Communities that participate in HUD's Stewart B. McKinney Homeless Assistance Program may get Federal Section 8 or other rent subsidies specifically for the population targeted by supportive housing. People living with HIV/AIDS may qualify for rental assistance through the Housing Opportunities for People With AIDS (HOPWA) program. But keep in mind that these subsidies are typically *attached to particular tenants, not to the project*. In planning the project's revenues, it's best to budget for rents that can be collected from people *without* rent supports; then, when subsidies are available, they will enable the project to serve even lower-income people. It's also important to keep in mind that most rent subsidies bring extra administrative responsibilities; it's important to hire building management that has experience complying with Federal and state requirements.

## 2. Operating Expenses

The first major expense consideration is taxes. A property owned by a not-for-profit organization would be eligible for property tax exemption, but in some cases — especially if the project raises money through the Housing Tax Credit — the ownership structure has to be for-profit. The project then becomes subject to local property taxes, which, depending on the location, can add \$100 per unit per month to the operating cost of a typical building. That obligation is usually impossible to cover within realistic rents. Arranging *property tax abatement* with local governments can be tricky, but it's essential for keeping rents affordable for the very low-income populations usually served in supportive housing.

Requests for tax abatement can expose projects to open political debate about two potentially inflammatory issues: the fairness of the local tax burden, and misconceptions about special-needs populations. The latter is a subject on which some elements of the community may be inclined to say “Not in My Back Yard.” Responding to the so-called “NIMBY” argument can pose a difficult political and diplomatic challenge. We will discuss tactics for dealing with NIMBY issues in a later section. But it's important to recognize up-front that despite all the risks it poses, tax abatement is probably an unavoidable necessity for most supportive housing projects in Michigan.



Besides taxes, other operating expenses, particularly *management costs*, may also be somewhat different from conventional affordable housing. In the ideal case, this wouldn't be so: The cost of resident services other than usual and customary management activities would all be budgeted and paid for separately, through designated services funding provided or arranged by the Supportive Housing Consortium. In that simple model, the building's management budget would be similar to other rental housing. But even then, it may still have higher maintenance and security costs.

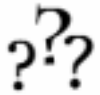
For many target populations for supportive housing, it may be wise to make more than the usual allowance for *vacancies and rent arrearages*. If the target population is coming directly from institutional settings like hospitals or emergency shelters, or is otherwise unaccustomed to managing money and having housing of their own, rent collections can dip somewhat below normal levels. So if possible, it's wise to assume higher-than-average levels for collection losses and turnover.

### 3. Development Costs

Apart from providing accessibility for people with specific kinds of disabilities, most supportive housing units are like other kinds of affordable houses or apartments — unless the plan is for *single-room occupancy, or SRO*, dwellings. SRO developments tend to be appropriate only in the central areas of larger cities. They typically offer one-room apartments with bathroom and kitchen, and are best suited to single adults. The advantage of SRO developments is primarily economic — because the per-unit cost is low, rents can be affordable to extremely low-income people who have little access to rent subsidies. But they should be considered only in areas where there is a clear demand for central-city locations and small, very low-cost units. Because they are small, efficiency apartments need to be especially well designed for appearance, light, comfort, and accessibility.

In many kinds of supportive housing — depending on how and whether services will be delivered on site — it may be necessary to develop *office or meeting space* as well as dwelling units and ordinary common areas. Some target populations and service needs may call for areas where groups can gather or residents can meet with service staff. These are among the issues on which the consortium can provide essential guidance early on. On the other hand, the cost implications of providing such space may not be obvious to all members, so a careful, realistic discussion is essential.





## B. How are the acquisition and construction (or rehabilitation) of supportive housing typically financed?

Because of the very low incomes of most supportive housing tenants, interest rates on conventional financing — whether construction or permanent — are usually more than most projects can bear. The alternative is publicly subsidized sources, which are generally the same as for other kinds of affordable housing. A few sources may provide low-cost loans or grants especially targeted to supportive housing for certain populations — most particularly HOPWA for people with HIV/AIDS, and HUD's Section 811 program (Supportive Housing for Persons With Disabilities). The former is administered by the state's Department of Community Health — or, in southeastern lower Michigan, by the City of Detroit — and the latter by U.S. HUD.

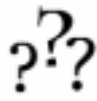
In practice, however, neither of these programs has proven particularly adaptable to financing developments in the first round of the Michigan Supportive Housing Demonstration Program. HOPWA has been a source of rent subsidy, but not of development financing. And the Section 811 program — though targeted to exactly the populations usually served by supportive housing — is very small, intensely competitive, and suited only to projects with extremely low per-unit costs.

Some affordable housing finance programs provide subsidies or low-interest loans that can carry over into the permanent financing, and these tend to be the best suited to supportive housing projects. These include the Federal HOME program administered by larger municipalities and by MSHDA, or the Affordable Housing Program administered by the Federal Home Loan Bank of Indianapolis. State or local Community Development Block Grants may also be a source of acquisition or construction financing.

Equity generated by the Housing Tax Credit can also be used for a portion of the construction financing, though normally only in the later stages of construction. Other sources — HOME, for example — would need to be drawn down first. The major Tax Credit syndicators, NEF or Michigan Capital, may be able to help directly with construction financing, and can certainly give more detailed information on when and how equity pay-ins can be used during construction.



# Equity and Permanent Financing



## A. Are there any special considerations for using the Housing Tax Credit to develop supportive housing?

Most of the supportive housing in Michigan's Demonstration Program has been financed through the Tax Credit, and in fact, MSHDA's *scoring criteria* for the Credit tend to give a slight advantage to projects aimed at tenants with special needs. (The precise scoring criteria change slightly each year; it's best to contact MSHDA for the latest guidelines.)

The way the Tax Credit equity is used, however, may be slightly different in supportive housing, compared to a conventional affordable-housing project. The primary difference is that supportive housing often requires the creation of *special capital reserves* (different from normal operating and replacement reserves) to cover circumstances arising from the particular needs or very low incomes of the target population. Most often, these reserves are used to cover higher-than-average collection and vacancy losses, to insure against possible future lapses in service funding, and even to subsidize especially low rents when necessary. In simple terms, here's how these reserves work:

At the time the permanent financing is closed and the limited-partner (Tax Credit) equity is disbursed, a portion of the disbursement is set aside to cover projected *shortfalls in operating revenue* in future years. These shortfalls may be the result of above-average allowances for management and maintenance costs, vacancy and collection losses, or replacement. Eventually, through retirement of debt, refinancing, rising revenues, or other long-term provisions, these shortfalls need to be eliminated before the reserves are exhausted. Meanwhile, though, the reserves can carry the project through higher-cost periods, and may be replenished when net income permits. An example, a little further below, will show how the operating budget, the permanent financing, and the capital reserves fit together.

The value of the Tax Credit program is that it brings in equity, not debt — in other words, money that does not have to be repaid, so long as the units are rented to eligible tenants and operated within Federal guidelines for 15 years.



*After the 15 year period, the Tax Credit rules no longer apply, but it is usually necessary for the project to continue complying with HOME or other government financing in order to continue the favorable terms of those loans. By that time, reserves may be exhausted and renovations may be necessary — so the project may well have to raise new subsidies. Maintaining good relations with government regulatory and financing agencies throughout the operation of the housing is therefore essential.*

It's important to remember that, under the Tax Credit program, the nonprofit housing developer is responsible for *operating the project in compliance with Federal rules*, and maintains day-to-day control over operations. But the nonprofit organization is not technically the owner. For the 15-year compliance period, the for-profit limited partnership that provides the equity and receives the Tax Credits is the legal owner. The role of this partnership, beyond the capital it provides, is to make certain that the project doesn't lose money and complies with all Federal regulations. (Those regulations, incidentally, are not written by HUD, but by the U.S. Treasury Department, through the Internal Revenue Service. The Tax Credit program therefore operates differently from other housing programs in many ways.) The housing management and the nonprofit sponsor/developer are responsible for *maintaining compliance and filing timely reports to the IRS and the for-profit partners*. CSH, MSHDA, LISC, and the Tax Credit syndicators can all help to ensure that these obligations are met effectively.



## **B. Where does the permanent financing for supportive housing typically come from, and how does it work?**

Although other kinds of affordable housing can sometimes use conventional permanent financing, that is rarely an option for supportive housing. Rent levels are too low, most of the time, to be able to cover conventional debt service. Ideally, in fact, many supportive-housing developers would seek to operate completely debt-free projects, though in Michigan (as in most places) that has proven impossible much of the time.

The only alternative, therefore, is some combination of equity (normally through the Tax Credit), grants, and subsidized permanent financing, typically from State or local HOME or CDBG funds. Some of these can defer payments for long periods, giving the project time to accumulate reserves or raise grant funds, refinance, or grow into a position to repay the debt.



The example below provides a simplified version of financial projections for a supportive housing project. The numbers are not meant as models to be imitated. They simply show how the three key variables work together: (1) the development budget and construction financing, (2) rents, and (3) the operating budget and permanent financing.

<b>Development Budget</b>	
Acquisition	400,000
Site Preparation	75,000
Construction	1,910,100
Professional Fees	116,203
Taxes & Insurance	35,000
Other Costs*	41,646
<b>Subtotal</b>	<b>\$2,577,949</b>
<b>On Completion of Construction</b>	
Developer Fee	491,515
Rent-up/Operating Reserve	48,816
Special Reserve	350,000
<b>Total Development Cost</b>	<b>\$3,468,280</b>
<b>Rents</b>	
Average per-unit per-month (including rent subsidies)	275
<b>Total annual rent revenue</b>	<b>\$89,100</b>
<b>Permanent Financing</b>	
Limited Partner (Syndication)	1,994,685
General Partner (Developer)	343,595
HOME loan @ 0.5% deferred	1,130,000
<b>Total Financing</b>	<b>\$3,468,280</b>
<b>Operating Budget (first year)</b>	
Gross Rents	89,100
(Vacancy Allowance)	(4,882)
Effective Gross Income	84,218
(Operating Expenses)	(89,760)
Net Income	(5,542)
(Replacement)	(5,400)
<b>Operating Cash Flow</b>	<b>(\$10,942)</b>

This is the long-term Operating Deficit Reserve, to cover annual shortfalls or, when possible, to subsidize rents.

This is a somewhat higher rent than many in the target population could afford (though it's still much lower than prevailing rents elsewhere in the area). But in this development, the target population is mostly eligible for rental assistance that will make the units affordable to very low-income people.

Repayment of the HOME loan, with a nominal interest rate of 1/2 of 1 percent, is deferred for the whole 30 year term. Yet even with no debt service, a \$1.1 million deferred loan, and only 32 percent of the development cost financed through any form of debt at all, the operating budget is still in deficit most years (see below) — a shortfall that must be made up from the capital reserves provided above.

This shortfall reduces somewhat over time, though it does not disappear entirely. It will have to be covered by the \$350,000 reserve provided from the syndication proceeds, which should last well beyond the 15-year Tax Credit compliance period. In the best case, the reserve funds won't be needed every year (provided that the building is well managed), because vacancy losses and other assumptions are relatively conservative, and actual experience may be more favorable. Still, this is not a situation that would attract any conventional lender, nor could it support market-rate debt.

\*includes market study, environmental study, various fees, and marketing and rent-up expenses.



Since this example is loosely based on a real big-city project, the HOME financing could have come from either the local government or MSHDA (in this case, the municipality wasn't able to provide an amount this large, and MSHDA was the actual source of financing). Larger municipalities are often direct recipients of CDBG or HOME funds, and may have other sources of funding (such as McKinney or, in Detroit's case, HOPWA allocations) at their disposal. That, along with the probable need for tax abatement, illustrates why it is essential to enlist the participation and support of local officials early in the supportive housing planning process. Significantly, Grand Rapids' Housing Development Officer was a founding member of the Kent County Supportive Housing Consortium, and played a leadership role throughout the planning and development process.



### **C. The financing in this project comes on exceptionally favorable terms. What strategy is most effective in approaching funding sources for such concessionary loans?**

Most importantly, before approaching government agencies for favorable treatment, it is essential to demonstrate that the consortium and the developer have *sought every other appropriate avenue of subsidy*, such as the Federal Home Loan Bank of Indianapolis or local charities and foundations. Note that the sample budget from Kent County provides more than \$300,000 of funds from the developers' own sources, in addition to syndication proceeds, to bring the project's debt to less than half the total cost. MSHDA and other sources of public financing will naturally want to see the maximum contribution from other sources before providing financing with long interest deferrals and extremely low rates.

Second it is important to spell out clearly why the development of new supportive housing is *in the public interest*. The most compelling argument, especially when dealing with local governments, is the fact that people who need such housing are *already in the community* — sometimes living in shelters, group homes, or other places that are not appropriate for them. Housing people inappropriately is costly for all concerned: for the people themselves, for their families, and for other taxpayers. Supportive housing often costs a good deal less in both public and private terms. *Documenting cost savings and other public benefits* from supportive housing — and sharing that information with the wider community — is an important early task of the Supportive Housing Consortium.



Not only is supportive housing usually less expensive than current practice, it is *more effective* for many people than more traditional arrangements have been. The public interest, therefore, is well served not only by developing less costly models, but by developing models in which residents can achieve a greater degree of stability, independence, and productivity. The wider community benefits when all its members have opportunities to contribute. That, too, is a message that may need to be documented and explained to public authorities who are not familiar with the supportive housing model.

Ultimately, of course, there is no substitute for being able to demonstrate to any lender that the requested loan will be *repayable* on the terms proposed, and that income and reserves provide sufficient funds to make the scheduled payments *without serious risk of default*. Even if the financing terms are more generous than in a conventional housing development, the lender's concerns about repayment are likely to be the same.

## Responding to Community Opposition

- ???
- A. Some communities tend to resist affordable housing developments generally, and may be even more resistant to supportive housing. What are the most effective ways to reassure neighborhoods and local governments about the advantages of supportive housing?**

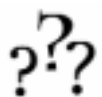
Much of the resistance to supportive housing developments has come from a mistaken belief that tenants are “strangers” who are being brought into the community from elsewhere. Many believe that supportive housing is a means by which some other jurisdiction can unfairly transfer its housing and service responsibilities. So it's helpful to be able to demonstrate that the tenant population is in fact drawn at least partly from residents of the community



where the housing is to be developed. Local *residents who are seeking supportive housing* may be particularly effective at conveying this message. In Allegan County, where plans for supportive housing ran into well-organized opposition in a few places, prospective tenants were among those who helped persuade elected officials that local constituents need and want the new development.

The Allegan Consortium also developed a carefully laid-out public education plan. Under the plan, various consortium members took *individual responsibility for spending time with one or more elected officials* and other community leaders, explaining the merits of supportive housing and distinguishing it from other kinds of development. In each case, they carefully reviewed the results of the needs assessment and the benefits that new supportive housing would bring to the local community.

Often, they were surprised to learn that local officials had confused supportive housing with emergency shelters or other forms of temporary housing, or with institutional facilities. In some smaller communities, opponents wrongly imagined that the plan entailed the construction of big, high-density projects that would be out of character with the surrounding architecture. *Dispelling rumors and misperceptions* therefore turned out to be a necessary part of an effective public information strategy.



## **B. Where can we get help in building a case for supportive housing?**

Where feasible, it may be worthwhile to escort community leaders to *visit a working supportive housing development* somewhere nearby. Attractive, well-managed projects are now operating, or soon will be, in three of the four counties involved in the first round of the state demonstration program: Allegan, Kent, and Washtenaw. Some units in Genesee County should be ready to visit in 2001. Developers, service providers, and tenants are available in many of these sites to speak with visitors and explain the benefits of the new developments. Public officials involved in the consortia may also be available to share their experiences.

One typical experience in Washtenaw may be enlightening to neighbors who fear that supportive housing will be disruptive to their neighborhood or small town. Avalon Housing Corporation, a supportive housing developer based in Ann Arbor, was enthusiastically *welcomed* into a residential community after acquiring a small apartment complex that had been poorly managed by the former



owner. Avalon's reputation as a quality developer and landlord — and its ability to work with current residents, many of whom needed and wanted on-site support services — was seen as an asset to the neighborhood. And in fact, neighbors' attitudes toward the property are significantly better now, since Avalon acquired and renovated it, and services became available on-site.

The development organization Heritage/H.O.M.E.S. in Allegan County had a comparable experience in some of its initial sites (one of which was next door to the home of a town's mayor — a tense situation that ended happily for all concerned). A visit to the Heritage sites, and a conversation with those who worked on resolving local tensions might be persuasive for some who might fear that supportive housing isn't compatible with small-town life.

The Corporation for Supportive Housing has also published independent research from Connecticut, showing that supportive housing did *no harm to property values* in surrounding neighborhoods, and that many such neighborhoods actually experienced increases in property values. Other CSH programs around the country can offer similar (if less academic) evidence of harmonious relations between supportive housing and the rest of the neighborhood.

In general, it is wisest to treat local opposition respectfully, and to respond with *information, persuasion, and diplomacy*. There will, of course, occasionally be opponents who are not susceptible to reasonable arguments or discussion, and whose feelings toward homeless people or those with disabilities are fundamentally hostile. It may, in such cases, be necessary to remind such opponents that equal housing opportunities are a matter of law and right, not charity. But those instances are generally few and isolated. Most opposition springs from a lack of information or dialogue, and can be overcome with sufficient patience and care.

## Further Information

The information presented here is not meant to be exhaustive, but to give a general overview of the kinds of issues that development organizations and Supportive Housing Consortia are likely to confront as they approach their first few supportive housing projects. This discussion builds on several years of experience in the four counties that pioneered Michigan's Supportive Housing Demonstration Program. Any exploration of supportive housing would therefore benefit greatly from a consultation with those who shaped and led the formative



work in those four counties, in state government, and at the Corporation for Supportive Housing. Among the sources to consult are:

**Allegan County**

Heritage H.O.M.E., Inc.  
Judith Kell  
168 James Street  
Holland, MI 49424

**Kent County**

Genesis Nonprofit Housing Corporation  
Harold Mast  
385 Leonard NE  
Grand Rapids, MI 49503

Dwelling Place of Grand Rapids  
Dennis Sturtevant  
343 S. Division  
Grand Rapids, MI 49503

**Washtenaw County**

Avalon Housing, Inc.  
Carole A. McCabe  
404 West Washington  
Ann Arbor, MI 48103

**Genesee County**

Community Capital & Development Corporation  
Judy Christenson  
711 N. Saginaw Street - Suite 123  
Flint, MI 48503

Shelter of Flint, Inc.  
Patricia Motter  
432 N. Saginaw - Suite 902  
Flint, MI 48502

**Michigan State Housing Development Authority**

Dorothy Byington  
Special Housing Section  
401 S. Washington Square  
P.O. Box 30044  
Lansing, MI 48909

**Corporation for Supportive Housing**

Sally Harrison  
10327 E. Grand River Ave. - Suite 409  
Brighton, MI 48116





# Glossary

For those who may be new to affordable housing development, here are a few of the government agencies and subsidy programs referred to in this handbook:

**CDBG (Community Development Block Grants)** is a HUD program that provides states and eligible metropolitan cities and urban counties (called “entitlement communities”) with annual direct grants that they can use to revitalize neighborhoods, expand affordable housing and economic opportunities, and/or improve community facilities and services, principally to benefit low- and moderate-income people. Unlike HOME (see below), CDBG money is not solely earmarked for housing, and most jurisdictions also use it for a wide range of other development purposes. Michigan’s state allocation is administered by MSHDA (see below)).

**CMH (Community Mental Health)** service programs are local providers of support services for people with mental illness and/or developmental disabilities, under contract with DCH (see below).

**Continuum-of-Care** (See McKinney programs)

**CSH (The Corporation for Supportive Housing)** is a national nonprofit institution that helps public and private organizations reduce homelessness and increase the supply of supportive housing, with a combination of financial and technical assistance, public information, and help in developing effective public policies. CSH established a full-time Michigan program in 1996 in partnership with DCH and MSHDA (see both below). The three agencies together launched a Supportive Housing Demonstration Program now entering its second phase.

**DCH (The Michigan Department of Community Health)** is the state agency responsible for, among other things, public health programs, medical assistance for low-income people, and programs that serve people with mental illness, developmental disabilities, chemical addictions, HIV/AIDS, and other special needs.



**HOME (The Home Investment Partnership Program)** is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households. Under this program, HUD provides grants to states and larger municipalities (called “participating jurisdictions,” or “PJs”) by a formula based on population. To qualify for the funds, jurisdictions must prepare consolidated housing plans for HUD’s review and approval. Specific uses of the money are up to the participating jurisdictions, based on the approved plan, but funds are generally used to build, buy, and/or rehabilitate affordable housing or to provide rental assistance to low-income people. In Michigan, MSHDA administers the state’s HOME grant, and has set aside a portion of it for supportive housing.

**HOPWA (Housing Opportunities for Persons With AIDS)** provides housing assistance and related supportive services for low-income people living with HIV/AIDS and their families. HUD provides HOPWA grants by formula to states and metropolitan areas with the largest number of cases and incidence of AIDS. In Michigan, the largest HOPWA allocation is for the Detroit metropolitan area (Lapeer, Macomb, Monroe, Oakland, St. Clair, and Wayne Counties) administered by the City of Detroit Department of Health. A smaller statewide fund is administered by DCH.

**Housing Tax Credits:** A Federal program (legally known as the Low-Income Housing Tax Credits, or LIHTC) that gives corporate investors a direct financial incentive to invest equity in the development and operation of affordable housing for low-income people. Under this program, Congress allocates a fixed amount of tax credits annually to every state, through the U.S. Department of the Treasury. States in turn award the tax credits to qualified projects, based partly on Internal Revenue regulations and partly on state allocation plans approved by the Treasury Department. Sponsors of projects that are selected to receive Tax Credits may then sell (or “syndicate”) their Tax Credit allocation to qualified investors. The investors “purchase” their share of tax credits by paying money into a limited partnership that becomes the legal owner of the qualified project, although it is still managed by the sponsoring nonprofit organization. In exchange, the investors can subtract an annual amount from their tax bill that, together with other benefits of ownership, more than compensates them for their investment. This process is highly complicated and technical, and is normally handled by professional “syndicators” (see below).

**LISC (The Local Initiatives Support Corporation)** is a national nonprofit organization that supports community-based development organizations in revitalizing distressed communities. When such organizations develop supportive housing, LISC can be a significant source of technical and financial assistance. LISC is affiliated with the National Equity Fund (see below), a national tax-credit syndicator.



**McKinney Programs:** Under the Stewart B. McKinney Homeless Assistance Act, Congress provides funds to states and larger municipalities through several different but related programs. One of these, for example, is Shelter-plus-Care, which provides rental assistance that can help provide services in supportive housing. In general, the use of McKinney funds must be set forth in an approved “Continuum-of-Care” plan approved by HUD. But most allocations of McKinney funds tend to be used for renewed funding of activities already selected in past Continuum-of-Care plans. Competition for new McKinney grants is intense, and the available amounts tend to be small. State-level McKinney funds are administered by MSHDA.

**Michigan Capital Fund** is a nonprofit syndicator of Housing Tax Credits, and a technical and financial resource for Michigan nonprofit organizations developing Tax Credit projects.

**MSHDA (The Michigan State Housing Development Authority)** serves as the state’s housing finance authority, the state community development agency, Housing Tax Credit allocating authority, and administrator of the Section 8 voucher program statewide, among other things.

**NEF (The National Equity Fund)** is a national syndicator of Housing Tax Credits, and a technical and financial resource for nonprofit organizations developing Tax Credit projects.

**Section 202:** A HUD program for the elderly that provides capital advances to finance the construction and rehabilitation of supportive housing for very low-income people aged 62 and over. The program also provides rent subsidies for the projects to help make them affordable. In Michigan, it is administered by MSHDA.

**Section 8:** A Federal rent-assistance program with many different sub-sections. The main one provides a rent voucher or certificate to low-income people or families, who must pay 30 percent of their household income toward rent. The remainder is paid directly to the landlord by HUD. In Michigan, the program is administered by MSHDA (see above).

**Section 811:** A Federal construction-subsidy program that provides grants to nonprofit organizations to build or rehabilitate rental housing with supportive services for very low-income people with disabilities. The program also provides Section 8 vouchers (see above) for qualified tenants in the building. The program is very small and intensely competitive, and can generally be used only on projects whose per-unit development cost is exceptionally low. It is administered directly by U.S. HUD, not by a state or local agency.

**Shelter-Plus-Care** (See McKinney Programs)



**SSI and SSDI:** Both programs provide Federal income assistance for people with disabilities. Supplemental Security Income (SSI) provides monthly benefits to low-income people who are blind or disabled or are aged 65 or older. Social Security Disability Insurance (SSDI) provides monthly income benefits to people with disabilities regardless of income. Eligibility for both programs depends on a determination of disability according to Federally accepted medical standards. Eligibility for SSI depends on income and other non-medical criteria as well. Both programs are administered by the U.S. Department of Health and Human Services' Social Security Administration.

**“Syndicators”:** Organizations like Michigan Capital Fund and NEF (see above) that sell shares in eligible Housing Tax Credit projects to corporate investors. The investors become eligible for annual reductions in their tax bill and other benefits that give them an incentive to invest in affordable housing.





# CSH Publications:

In advancing our mission, the Corporation for Supportive Housing publishes reports, studies and manuals aimed at helping nonprofits and government develop new and better ways to meet the health, housing and employment needs of those at the fringes of society.

**Under One Roof: Lessons Learned from Co-locating Overnight, Transitional and Permanent Housing at Deborah's Place II** *Commissioned by CSH, Written by Tony Proscio. 1998; 19 pages. Price: \$5*

This case study examines Deborah's Place II in Chicago which combines three levels of care and service at one site with the aim of allowing homeless single women with mental illness and other disabilities to move towards the greatest independence possible, without losing the support they need to remain stable.

**Work in Progress...An Interim Report from the Next Step: Jobs Initiative** *1997; 54 pages. Price: \$5*

This report provides interim findings from CSH's *Next Step: Jobs* initiative, a three-city Rockefeller Foundation-funded demonstration program aimed at increasing tenant employment in supportive housing. It reflects insights offered by tenants and staff from 20 organizations based in Chicago, New York City, and the San Francisco Bay Area who participated in a mid-program conference in October, 1996.

**Work in Progress 2: An Interim Report on Next Step: Jobs** *Commissioned by CSH, Written by Tony Proscio. 1998; 22 pages. Price: \$5*

Work in Progress 2 describes the early progress of the *Next Step: Jobs* initiative in helping supportive housing providers "vocalize" their residences—that is, to make working and the opportunity to work part of the daily routine and normal expectation of many, even most, residents.

**A Time to Build Up** *Commissioned by CSH, Written by Kitty Barnes. 1998; 44 pages. Price: \$5*

**A Time to Build Up** is a narrative account of the lessons learned from the first two years of the three-year CSH New York Capacity Building Program. Developed as a demonstration project, the Program's immediate aim is to help participating agencies build their organizational infrastructure so that they are better able to plan, develop, and maintain housing with services for people with special needs.

**Not a Solo Act: Creating Successful Partnerships to Develop and Operate Supportive Housing** *Written by Sue Reynolds in collaboration with Lisa Hamburger of CSH. 1997; 146 pages. Price: \$15*

Since the development and operation of supportive housing requires expertise in housing development, support service delivery and tenant-sensitive property management, nonprofit sponsors are rarely able to "go it alone." This how-to manual is a guide to creating successful collaborations between two or more organizations in order to effectively and efficiently fill these disparate roles.

**Closer to Home: An Evaluation of Interim Housing for Homeless Adults** *Commissioned by CSH, Written by Susan M. Barrow, Ph.D. and Gloria Soto of the New York State Psychiatric Institute. 1996; 103 pages. Price: \$15*

This evaluation examines low-demand interim housing programs, which were developed by nonprofits concerned about how to help homeless people living on the streets who are not yet ready to live in permanent housing. Funded by the Conrad N. Hilton Foundation, this report is a 15-month study of six New York interim housing programs.

**In Our Back Yard** *Commissioned by CSH, Directed and produced by Lucas Platt. 1996; 18 minutes. Price: \$10, nonprofits/ \$15, all others.* This educational video is aimed at helping nonprofit sponsors explain supportive housing to members of the community, government representatives, funders and the media. It features projects and tenants in New York, Chicago and San Francisco and interviews a broad spectrum of supporters, including police, neighbors, merchants, politicians, tenants, and nonprofit providers.

**Design Manual for Service Enriched Single Room Occupancy Residences** *Produced by Gran Sultan Associates in collaboration with CSH. 1994; 66 pages. Price: \$20*

This manual was developed by the architectural firm Gran Sultan Associates in collaboration with CSH and the New York State Office of Mental Health to illustrate an adaptable prototype for Single Room Occupancy residences for people with chronic mental illnesses. Included are eight prototype building designs, a layout for a central kitchen, recommendations on materials, finishes and building systems, and other information of interest to supportive housing providers, architects and funding agencies.

**Next Door: A Concept Paper for Place-Based Employment Initiatives** *Written by Julianne Dressner, Wendy Fleischer and Kay E. Sherwood. 1998; 61 pages. Price: \$5*

This report explores the applicability of place-based employment strategies tested in supportive housing to other buildings and neighborhoods in need of enhanced employment opportunities for local residents. Funded by the Rockefeller Foundation, the report explores transferring the lessons learned from a three-year supportive housing employment program to the neighborhoods "next door."

**Understanding Supportive Housing** *1997; 58 pages. Price: \$5* This booklet is a compilation of basic resource documents on supportive housing, including a chart which outlines the development process; a description of capital and operating financial considerations; tips on support service planning; program summaries of federal funding sources; and a resource guide on other publications related to supportive housing.

**The Next Step: Jobs Initiative Cost-Effectiveness Analysis** *Written by David A. Long with Heather Doyle and Jean M. Amendolia. 1999; 62 pages. Price: \$5*

The report constitutes early findings from a cost-effectiveness evaluation by Abt Associates of the *Next Step: Jobs* initiative, which provided targeted services aimed at increasing supportive housing tenants' employment opportunities.

**Employing the Formerly Homeless: Adding Employment to the Mix of Housing and Services** *Commissioned by CSH, Written by Basil Whiting. 1994; 73 pages. Price: \$5*

Funded by the Rockefeller Foundation, this report explores the advisability of implementing a national employment demonstration program for the tenants of supportive housing. The paper is based on a series of interviews with organizations engaged in housing, social service, and employment projects in New York City, the San Francisco Bay Area, Washington, D.C., Chicago, and Minneapolis/ St. Paul, as well as a body of literature on programs aimed at alleviating the plight of homelessness.

**Connecticut Supportive Housing Demonstration Program — Program Evaluation Report** *Commissioned by CSH, Prepared by Arthur Andersen LLP, University of Pennsylvania Health System, Department of Psychiatry, Center for Mental Health Policy and Services Research, Kay E. Sherwood, TWR Consulting. 1999; Executive Summary, 32 pages. Complete Report, 208 pages.*

**Executive Summary Price: \$5 Complete Report Price: \$15**  
This report evaluates the Statewide Connecticut Demonstration Program which created nearly 300 units of supportive housing in nine developments across the state in terms of tenant satisfaction, community impact — both economic and aesthetic, property values, and use of services once tenants were stably housed.

**Miracle on 43rd Street** *August 3, 1997 and December 26, 1999.*  
**60 Minutes** feature on supportive housing as embodied in the Times Square and the Prince George in New York City. **To purchase VHS copies, call 1-800-848-3256; for transcripts, call 1-800-777-8398.**

**Between the Lines: A Question and Answer Guide on Legal Issues in Supportive Housing - California Edition** *Commissioned by CSH. Prepared by the Law Offices of Goldfarb and Lipman. 2000; 217 pages.*

**Price: \$15 or download for FREE at [www.csh.org](http://www.csh.org)**  
This manual offers some basic information about the laws that pertain to supportive housing and sets out ways to identify and think through issues so as to make better use of professional counsel. It also offers reasonable approaches to resolve common dilemmas.

**Landlord, Service Provider...and Employer: Hiring and Promoting Tenants at Lakefront SRO** *Written by Tony Proscio and Ted Houghton. 2000; 59 pages.*

**Price: \$5 or download for FREE at [www.csh.org](http://www.csh.org)**  
This essay provides a close look at Lakefront SRO's program of in-house tenant employment, as a guide for other supportive housing programs that either hire their own tenants or might want to do so. The lessons of **Landlord, Service Provider...and Employer** are also of potential interest to affordable housing programs whose tenants could become valuable employees given sufficient encouragement, training, and clear policies.

**The Next Wave: Employing People with Multiple Barriers to Work: Policy Lessons from the Next Step: Jobs Initiative** *Written by Wendy Fleischer and Kay E. Sherwood. 2000; 73 pages.*

**Price: \$5 or download for FREE at [www.csh.org](http://www.csh.org)**  
The **Next Step: Jobs** initiative tested the premise that a range of employment services targeted to supportive housing tenants can help them access employment. It used supportive housing as the focal point for deploying a range of services to address the multiple barriers to employment that tenants face. It also capitalizes on the residential stability and sense of community that supportive housing offers.

**Vocalizing the Home Front: Promising Practices in Place-Based Employment** *Written by Paul Parkhill. 2000; 79 pages. Price: \$5 or download for FREE at [www.csh.org](http://www.csh.org)*  
Accessibility; inclusiveness; flexibility; coordinated, integrated approach to services; high quality, long-term employment; and linkages to private and public sectors are hallmarks of a new place-based strategy to help people with multiple barriers to work, find and keep employment. The 21 place-based employment programs featured in this report represent some of the most comprehensive and innovative approaches to employing persons who are homeless, former and current substance abusers, individuals with HIV/AIDS, those with physical and psychiatric disabilities and other challenges.

**Supportive Housing and Its Impact on the Public Health Crisis of Homelessness** *Written by Tony Proscio. 2000; 40 pages.*

**Price: \$5 or download for FREE at [www.csh.org](http://www.csh.org)**  
This publication announces the results of research done between 1996 and 2000 on more than 250 people who have lived at the Canon Kip Community House and the Lyric Hotel. It also looks at pre-occupancy and post-occupancy use of emergency rooms and inpatient care.

**Forming an Effective Supportive Housing Consortia; Providing Services in Supportive Housing; and Developing and Managing Supportive Housing** *Written by Tony Proscio. 2000; 136 pages. Price: \$5 each or download for FREE at [www.csh.org](http://www.csh.org)*

These three manuals are designed to assist local communities and service and housing organizations to better understand the local planning consortium, service delivery and funding, and supportive housing development and financing.

**The Network: Health, Housing and Integrated Services Best Practices and Lessons Learned** *Written by Gerald Lenoir. 2000; 276 pages. Price: \$5 or download for FREE at [www.csh.org](http://www.csh.org)*

This report summarizes the principles, policies, procedures and practices used by housing and service providers that have proven to be effective in serving Health, Housing and Integrated Services tenants where they live.

**Closer to Home: Interim Housing for Long-Term Shelter Residents: A Study of the Kelly Hotel** *Written by Susan M. Barrow, Ph.D. and Gloria Soto Rodriguez. 2000; 65 pages.*

**Price: \$5 or download for FREE at [www.csh.org](http://www.csh.org)**  
Evidence that a subgroup of homeless individuals have become long-term residents of NYC shelters has spurred a search for new approaches to engage them in services and providing appropriate housing alternatives. The Kelly Hotel Transitional Living Community, developed by the Center for Urban Community Services with first year funding from the Corporation for Supportive Housing, is one pioneering effort to help mentally-ill long-term shelter residents obtain housing.

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## COMING SOON:

**Between the Lines: A Question and Answer Guide on Legal Issues in Supportive Housing - National Edition**

*Commissioned by CSH. Prepared by the Law Offices of Goldfarb and Lipman.*  
This manual offers some basic information about the laws that pertain to supportive housing and sets out ways to identify and think through issues so as to make better use of professional counsel. It also offers reasonable approaches to resolve common dilemmas.

**Guide to Developing Family Supportive Housing** *Written by Ellen Hart Shegos.*

This manual is designed for service providers and housing developers who want to tackle the challenge of developing permanent supportive housing for chronically homeless families. The manual will provide information on the development process from project conception through construction and rent-up. It also discusses alternatives to new construction such as leased housing. It contains practical tools to guide decision making about housing models, picking partners, and service strategies.

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## Mission Statement...

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CSH supports the expansion of permanent housing opportunities linked to comprehensive services for persons who face persistent mental health, substance use, and other chronic health challenges, and are at risk of homelessness, so that they are able to live with stability, autonomy, and dignity, and reach for their full potential.

We work through collaborations with private, nonprofit and government partners, and strive to address the needs of, and hold ourselves accountable to, the tenants of supportive housing.





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