



# **Integrated Supportive Housing: Creating A Community Housing Network**

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### **About Corporation for Supportive Housing**

For over 20 years, CSH has led the national supportive housing movement. We help communities throughout the country transform how they address homelessness and improve people's lives. CSH develops innovative program models, provides research-backed tools and training, offers development expertise, and collaborates on public policy and systems reform. And, CSH is a certified community development financial institution (CDFI). We make it easier to create and operate high-quality affordable housing linked to services. To date, CSH has made over \$300 million in loans and grants, and has been a catalyst for over 150,000 units of supportive housing. For more information, visit [csh.org](http://csh.org).

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## Introduction

Nearly two decades since its emergence, supportive housing has been recognized and adopted as the central vehicle used by states and communities across the country to address housing and service needs of people experiencing homelessness or repeated cycles through institutions (e.g. emergency rooms, psychiatric hospitals, prisons, foster care, etc.). The models of supportive housing are now familiar: built or leased housing, subsidized for extremely low-income individuals or families and complemented with comprehensive and flexible services provided on-site, in community-based settings, and/or via mobile interdisciplinary teams.

“Integrated Housing” refers to the strategy of blending or integrating supportive housing units within developments that also provide affordable (for households with low to moderate income levels, but not necessarily with special needs) and/or market-rate housing units. While technically any project with less than 100% supportive housing is integrated, “Integrated Housing” typically refers to projects developed by mainstream housing developers who partner with a service provider to dedicate 10 to 25% of units through an extended use agreement<sup>1</sup> for supportive housing.

Supportive housing benefits a variety of populations who have extremely low-incomes, including people who are chronically homeless<sup>2</sup>, families, Native Americans, criminal justice involved, older adults, people with complex health needs, veterans and youth. Many have disabling conditions and face significant challenges that place them at risk of homelessness. The common thread among all these populations is that they need support to maintain their housing.

## How is Supportive Housing Financed?

Supportive housing generally requires additional capital, operating and services financing compared with affordable and market rate housing. Capital financing covers expenses for acquiring a property, constructing or rehabilitating a building, and paying for all related supplemental costs such as architectural fees, developer fees and reserves. These additional capital costs usually fund items such as additional common spaces where case managers and others can provide services, increased holding costs associated with the greater time needed to conduct community outreach, and greater reserves. Capital financing available specifically for supportive housing include:

- Housing and Urban Development’s (HUD’s) [Supportive Housing Program](#)<sup>3</sup> (SHP), [Housing Opportunities for People with AIDS](#) (HOPWA), and [Section 811 Program](#);
- Federal funding that is locally administered such as Low Income Housing Tax Credits, HOME, and Community Development Block Grants that provide additional points or financial incentives to prioritize projects serving special needs populations;

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<sup>1</sup> Extended use agreements are deed restrictions recorded by housing finance agencies or other capital funders requiring properties to conform to specific requirements, such as leasing to tenants at set income levels, dedicating units to special populations, and keeping rents affordable.

<sup>2</sup> HUD adopted the Federal definition that defines a chronically homeless person as “either (1) an unaccompanied homeless individual with a disabling condition who has been continuously homeless for a year or more, OR (2) an unaccompanied individual with a disabling condition who has had at least four episodes of homelessness in the past three years.”

<sup>3</sup> The Continuum of Care (CoC) grant programs administered by HUD under the McKinney-Vento Homeless Assistance Act, remain important sources of financing for permanent supportive housing. HUD’s Continuum of Care programs (sometimes referred to as McKinney-Vento programs include Supportive Housing Program (SHP), and Shelter Plus Care Program (S+C).

- State and local programs often administered by local Departments of Housing, Community Development, Human Services, Mental Health, Corrections, and others with a focus on housing particular populations, often financed with bonds or general revenue funding.
- State and local Housing Trust Funds that are often financed with fees or other local resources.

Operating funding covers expenses for building operations and maintenance, reserves, and debt payment. An operating subsidy in addition to rent is usually needed because supportive housing tenants often earn less than 30% area median income (AMI). As with other affordable housing projects, supportive housing tenants typically pay 30% of their income as rent. Many supportive housing tenants' main source of income is a public income support stream such as *Social Security's Supplemental Security Disability Income (SSDI)* Program. According to the National Alliance on Mental Illness, SSDI payments average \$900 per month in 2011. As a result rents supportive housing tenants pay are not sufficient to cover property expenses. Operating subsidy programs offered specifically for supportive housing include:

- HUD's Supportive Housing Program (SHP), [Shelter Plus Care](#) (S+C), Housing Opportunities for People with AIDS (HOPWA), and Section 811 Program;
- Federal funding that is locally administered such as [Veteran's Administration Supportive Housing](#) (VASH) vouchers, and [Housing Choice Vouchers](#) (Section 8) with a preference for people with disabilities; and
- State and local programs through Departments of Housing, Community Development, Human Services, Mental Health, Corrections, and others with a focus on housing particular populations.

Finally, services funding covers expenses incurred by the service provider, such as salaries for staff, administration, and overhead. Supportive service agencies can access services funding from a variety of sources:

- HUD's Supportive Housing Program (SHP), , Housing Opportunities for People with AIDS (HOPWA), and Section 811 Programs are the traditional services funding sources used by many current supportive housing projects. Several other federally administered grant programs offer service funding through [Health and Human Services](#) (especially through Substance Abuse and Mental Health Services Administration (SAMHSA)), [Department of Veteran's Affairs](#); [Department of Labor](#), and [Department of Education](#);
- State and local programs through Departments of Human Services, Mental Health, Substance Abuse, Corrections, and others with a focus on housing-based services for particular populations; and
- Medicaid, accessed either through Permanent Supportive Housing Providers who are Medicaid billers, or Health providers such as hospitals, Federally Qualified Health Centers and other community health centers and behavioral health clinics that tailor their services for supportive housing and often access Medicaid reimbursement to fund these services.

### **Fair Housing**

Many supportive housing tenants had poor credit and/or criminal histories before living in supportive housing. These issues are barriers to housing and would ordinarily cause property managers to reject housing applications from these applicants. Supportive housing tenants and case managers can request a reasonable accommodation to address any issues that arise during supportive housing applicants' background and credit checks. Such requests may include documentation or some proof of the link

between the disability and the requested accommodation. Property managers in Integrated Housing will screen in tenants they might normally have screened out, in consultation with the supportive service provider, knowing that the services being provided will assist tenants in meeting the requirements of tenancy, despite difficult histories.

Services in supportive housing are voluntary because [studies](#) show that tenants are more successful if services are not mandatory. Fair housing laws also prohibit property owners from setting different requirements for tenants with disabilities versus non-disabled tenants, including around participation in services.

## Housing Models

Developers can use the following strategies to create integrated housing:

- **Master leasing:** A property owner can master lease multiple units to a service provider. The provider subleases those units to individual tenants. The master lease documents rent over the length of the lease, often three to five years, and defines the roles and responsibilities of the owner and provider. The owner provides property management for those units but collects rent from the provider rather than each tenant. The provider coordinates services for tenants and usually supplements tenant-paid rent with operating subsidies. Advantages to this model include that the owner just needs to collect rent from the service provider rather than each tenant, the service provider has control over evicting tenants, and the provider has a strong connection with the owner to ensure maintenance of the units. Disadvantages include limited control over the long-term dedication of units for supportive housing and the quality of the housing. This model may be the best option when few development opportunities exist in a community.
- **Contracting with a service provider:** A property owner can contract or sign a Memorandum of Understanding (MOU) with a service provider to offer services to tenants. This contract or MOU describes the property manager and provider roles in selecting and screening applicants, coordinating communications, and providing tenant services. Services are separately funded through contracts but the owner may give the provider a small stipend from excess project cash flow. The owner manages all units, maintaining them and collecting rent, often supplementing rents with operating subsidies obtained by the owner. The provider coordinates services for tenants. There is a good chance that the owner financed the project through public funding and has a 15-year or more extended use agreement requiring supportive housing units at the property. Securing operating subsidies, offering tenants services through the contracted provider, and leasing to tenants meeting target population requirements fulfills this requirement. Advantages to this model include accountability of both parties to offer quality services, and long term dedication of units for supportive housing. Disadvantages include difficulty of balancing communications and perspectives between the provider and property manager, especially around eviction. Regular and effective communication between the property manager and the supportive service provider is integral to the success of this model. This model may be the best option when development is possible, but a service provider lacks capacity or desire to develop and operate its own property.

- **Co-development:** A developer and service provider can partner to jointly develop an integrated supportive housing project. This approach requires significant up front coordination of roles, agreement of type of project to develop, and match of missions. The provider and developer usually sign an MOU outlining these specifics and stating how the developer fee will be split between the developer and provider. The provider offers services to tenants once the property is operating, but often also assists in securing supportive housing specific capital and operating funding, gives input on project design, and coordinates community outreach efforts. The developer creates project budgets, leads securing capital and often operating funding, oversees construction, and more. The developer generally remains a co-owner either until stabilized occupancy<sup>4</sup>, permanently, or somewhere in between. Often the project has a 15-year or more extended use agreement requiring supportive housing units at the property. Advantages of this model include the provider's ability to influence the design and quality of the property, obtain advantageous capital and operating subsidies, and partners jointly determining funding, building design and target population to enable long-term project viability. Disadvantages include the additional time it may take for the partners to coordinate. This model may be the best option when a developer and provider can establish a good working relationship and have both time and money to dedicate to a project, and are willing to wait the additional time it will take for the project to be completed.

### **Advantages to Integrated Supportive Housing**

There are many reasons why affordable and supportive housing providers should join forces to develop integrated housing projects. The advantages of integrated housing include:

- **Stable operations:** Many affordable housing projects have vacancies that supportive housing tenants can fill, providing the housing needed by tenants and the rental income needed by property owners. Access to quality support services enables supportive housing tenants to be stable, dependable tenants. Also, depending on the structure of the arrangement with the service provider, affordable housing tenants often benefit from services offered by the provider.
- **Bringing supportive housing development to scale:** Over the past 20 years, supportive housing providers created more than 150,000 units of supportive housing. This success has led to a dramatic decrease in long-term homelessness. More supportive housing is now needed, however, and the capacity of traditional supportive housing developers is not always sufficient to produce these units. Dedicating some affordable housing units as supportive housing can be an excellent way to increase the availability of supportive housing. Low-income housing tax credits alone finance over 100,000 units of affordable housing each year. If developers dedicate just 10% of those units to supportive housing, an additional 10,000 supportive housing tenants per year could live in safe, affordable apartments with access to quality services.
- **Long-term solution:** Integrated housing offers long term dedication of units for supportive housing through extended use agreements; control over housing quality by housing finance agencies (HFAs) as

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<sup>4</sup> Stabilized occupancy is when a property reaches 90% or 95% occupancy, the level that should be maintained over the long run.

many units will be financed through HFA programs; and tenant choice of supportive housing units located in a variety of communities. Scattered site supportive housing, while allowing for tenant choice, rarely has these long-term controls, thus lacks predictability over quality and availability of units over time.

### **Keys to Success**

Many states have implemented LIHTC threshold requirements or created set-asides of credits for projects dedicating a percentage of their units dedicated to serving people with disabilities, significantly increasing their production of supportive housing. The success of these programs shows how challenges of the integrated housing model can be overcome through coordination of funding, communication, and leadership. The Michigan State Housing Development Authority implemented a 10% threshold requirement in 2009 for all projects funded with LIHTC. Since then, the state funded numerous integrated housing projects across the state, including in smaller cities and rural areas. Often providers had not been able to develop much supportive housing in those areas as each community may have needed only a handful units - too few to make development of an entire supportive housing project economical. Through the integrated housing model, developers created much needed affordable housing, dedicating 10% or more of units to supportive housing; thus addressing communities' needs for both affordable and supportive housing.

Keys to the long-term success of integrated housing projects include:

- **Meeting Community Need:** Matching a project's size and target population with local need and service provider capacity is critical. Analyzing the community's Point In Time Count<sup>5</sup> shows the total number of households who are homeless and the breakdown of that number by subpopulation, such as veterans, families, individuals who are chronically homeless, etc. This total number, the type of household most likely to apply for supportive housing, and availability of local service providers should drive a project's total unit number, configuration (studio, one-bedroom, etc) and target population. Developers planning a rural project could especially benefit from this needs analysis. Most rural areas do not have large apartment complexes. Constructing a project that fits the scale of other area properties, and dedicating sufficient number of units for supportive housing to match local need and service provider capacity may mean reserving a higher percentage of supportive housing units than in a similar urban setting. Finally, supportive housing tenants often do not have cars, so location close to neighborhood amenities such as shopping, public transportation and services is crucial.
- **Property Management and Service Provider Coordination:** A natural tension exists between a service provider and property manager. The service provider's primary objective is to keep tenants housed. A property manager's primary objective is to successfully operate and maintain the building. Establishing regular communication between both parties to discuss any issues, emergency procedures, and tenant screening criteria will help minimize this tension. Owner buy-in to the integrated housing model and choice of a compatible provider and property manager are important.

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<sup>5</sup> The local Continuum of Care annually conducts a Point In Time Count (PIT) where each January volunteers conduct interviews with all individuals and families that are homeless living on the streets, in shelters and other locations. While the PIT is a good number to check, it does undercount the population of homeless households, especially families, as volunteers cannot reach everyone. For example, people who are doubled up (temporarily residing at a friend's or family member's house) are rarely counted.

For example, a tenant may fall behind in paying his/her rent. A service provider may know that the tenant was in the hospital or did not receive a benefit check, and that is the reason for the delayed rent payment. If the service provider and property manager have weekly meetings, they can discuss this tenant and when he/she will be able to pay rent, rather than the property manager spending a lot of time contacting the tenant and understanding the situation.

- **Joint Monitoring:** Joint monitoring of integrated housing projects by a housing finance agency and service funder (often the state department of human services or mental health) ensures not only provision of quality housing and proper record keeping, but also ongoing dedication of units to supportive housing with quality wrap around services. The housing finance agency can check if a project holds a current master lease, contract or MOU between the owner and service provider, and for documentation that the tenants living in the supportive housing units fit the target population. The service funder can check what services are offered and tenant outcomes (housing stability, rises in income and tenant satisfaction). If problems occur with either the quality of the property or services provided, or with supportive housing units being rented to non-supportive housing tenants, the housing finance agency and service funder can work with the owner and service provider to resolve these issues.

## **Conclusion**

As the supportive housing and affordable housing industries continue to evolve, we expect integrated housing to become a commonly accepted model among developers, owners, service providers and housing finance agencies. Many advantages exist to this model, including the ability to quickly create supportive housing units that will be dedicated as supportive housing over the long term. With the variety of sizes, locations and amenities offered by affordable housing projects, using the integrated housing model will provide options to tenants. Dedication of funding for this model, and establishment of monitoring procedures, integrated housing could lead communities to end homelessness in the not-so-distant future.

For more information on supportive housing development, service provision, and policy, please visit [csh.org/getting-started](http://csh.org/getting-started).