



## Optimizing Qualified Allocation Plans for Supportive Housing

Each year states have the opportunity to support vulnerable individuals by prioritizing the development of supportive housing – safe, stable, affordable units with access to wraparound services – as part of their Qualified Allocation Plan (QAP). While the Internal Revenue Service (IRS) requires that states prioritize the distribution of low-income housing tax credit (LIHTC) to some extent, states have the greater authority to establish other QAP selection criteria and determine the method by which supportive housing can be incentivized through the tax credit application process.

CSH estimates that 1.125 million units of supportive housing are needed nationwide<sup>i</sup>. Supportive housing (very affordable housing linked to services) is a proven method for increasing housing stability, and has been shown to decrease high utilization of emergency services and public systems, and improving long-term health and wellbeing for vulnerable individuals and families<sup>ii</sup>. It can also generate significant public cost savings over time leading to greater benefits not only for individuals, but for the community at-large<sup>iii</sup>. Through further incentivizing supportive housing as part of the QAP, states can begin to address the supportive housing gap and leverage the QAP alongside broader state strategies for promoting thriving communities.

### Nationwide Trends

Housing Finance Agencies (HFA) across the country have increasingly utilized the QAP to advance their focus on supportive housing<sup>iv</sup>. As has been the trend in years past, in 2018 all states and territories included at least one method for incentivizing housing for vulnerable individuals and families in their QAP<sup>v</sup>. Up to 85% of states use the QAP to create housing for vulnerable individuals and just under two-thirds also consider the types of service enrichments that can be made available on-site or in the nearby community. Table 1 provides further analysis for threshold requirements, credit set-asides, and scoring incentive across the states.

Table 1: % of states with categorical requirements

Category	Threshold Requirement	Credit Set-Aside	Scoring Incentive
Serve Low Income Populations	100%	31%	87%
Serve Extremely Low Income Populations	7%	7%	81%
Serve Vulnerable Individuals/Families	31%	44%	85%
Other Resources to Expand Supportive Housing Development	9%	6%	46%
Service Enrichments	31%	4%	65%
Extended Low-Income Use	22%		41%
Geographic Designation		15%	20%
Integrated Design	11%		50%
Exceeds Fair Housing Regulations	4%		

### Recommendations

HFAs must use the QAP to strengthen the supportive housing pipeline. While HFAs often go beyond the statutory requirements of the tax credit program, the QAP should be considered alongside other state strategies for developing affordable supportive housing and ensuring vulnerable individuals and families have the supports they need to remain stably housed while accessing services.

#### Addressing Supportive Housing in the QAP

HFAs should view QAPs as the starting point for prioritizing supporting housing funding. While all states include at least one method for incentivizing housing for vulnerable individuals and families, the degree to which this prioritizes supportive housing varies greatly from state to state. Based on our review of existing policies and practices, the recommendations below provide concrete steps HFAs can take to develop a supportive housing pipeline.

### 1. Prioritize Threshold & Set-Aside Requirements Versus Weaker Incentives

Although many HFAs use threshold (63% of states) and set-aside (50% of states) requirements, 93% create scoring incentives that provide varying numbers of points for integrating specified categories. The difference is great within categories that prioritize vulnerable individuals served by supportive housing, with under half of states putting forth specific requirements compared to 85% using scoring incentives. It is hard to determine just how meaningful individual points are when compared against the total score needed to receive a tax credit award. As such, HFAs must prioritize threshold and set-aside requirements to ensure enough units are dedicated to those who need them most.

### 2. Allocate Tax Credits for Supportive Housing

Only six QAPs reserve a designated amount of tax credit allocations explicitly for the purpose of supportive housing. These amounts range between 5% and 30% of the total LIHTC available in the state. While the vast majority of QAPs incentivize housing for vulnerable individuals and/or families, it is important for HFAs to recognize that supportive housing ensures access to both affordable housing and support services. QAPs should clearly define supportive housing and designate an allocation specific to that definition. Based on development costs in state<sup>vi</sup>, HFAs should also project the number of units expected to be developed from the supportive housing allocation and report annually on how many units were actualized. These steps are needed to ensure progress towards developing a pipeline and closing the supportive housing gap in the state.

### 3. Include Requirements for Extremely Low Income Units

Supportive housing households typically include individuals and families with extremely low incomes at or below 30% of area median income (AMI). While 81% of HFA encourage the development of units for those at or below 30% through scoring incentives, less than 10% actually require consideration for this cohort. While establishing lower income limits is not sufficient by itself to meet the definition of supportive housing, it is important for HFAs to recognize how the lower income limits fit within the ranges of affordability and designate units specifically to meet the needs of low incomes at or below 30% of AMI.

### 4. Include Accessible Service Enrichments

Supportive housing is most effective when it features close coordination of housing, support services, property and housing management. Approximately two-thirds of HFAs incentivize service enrichments, with about a third of those required through thresholds and set-asides. Services should be flexible, voluntary, and offer a comprehensive array of support. Services that help tenants sustain housing stability and meet life goals are best. HFAs should request a social service plan (SSP) that outlines the intended services, description of source funding, length of funding, and evidence of sustainable funding beyond the current timeline. The service provider listed on the SSP should also provide evidence of experience serving the intended tenant population and an understanding of the community that the housing development will serve.

### 5. Adopt Dimensions of Quality

To ensure supportive housing maintains a level of quality, HFA should require applicants to integrate the dimensions of quality into their development. Quality supportive housing is housing that is – (1) tenant-centered, (2) easily accessible to tenants of all backgrounds, (3) coordinated amongst housing partners with an shared goal, (4) integrated with voluntary services and community connections, and (5) sustainable over time<sup>vii</sup>. HFAs can integrate these dimensions of quality into the QAP process by requiring developers to, at minimum, submit a Commitment to Quality checklist as part of the application<sup>viii</sup>. By making this commitment, the applicant affirms that each project partner named in the application understands and commits to implementing the project in way that is consistent with the quality standards. HFAs may also require applicants to submit a quality endorsement; which is a third-party review of supporting housing project plans to determine if they meet national quality standards<sup>ix</sup>.

## **Strategies to Promote Supportive Housing in Thriving Communities**

HFAs should recognize that broader strategies and coordination among state agencies must be developed to ensure a comprehensive approach to addressing the affordable housing crisis and the gap in supportive housing nationwide. The recommendations below provide details on ways HFAs can partner with state administrations, legislatures, and other agencies to strengthen their overall approach to housing financing.

### **1. Conduct a Supportive Housing Needs Assessment**

As a first step, states should conduct a thorough housing needs assessment, with a specific focus on supportive housing. This should include total number of needed units in each community across the state and details on specific vulnerable population. The state should leverage the administrative data across state agencies to create a wide reach in their review. To underscore the necessity of linking data across systems, data sharing agreements should be codified in statute or an agreed upon Memorandum of Understanding (MOU). The findings from the needs assessment should be accompanied with concrete solutions including an implementation strategy and a supportive housing production plan. The production plan must include the number of units needed in each community and details on funding resources that developers can access to meet the production goals.

### **2. Develop a Cross-Divisional Team**

States must recognize that LIHTC are not enough to sufficiently meet the demand for supportive housing. Additional funding and service resources exist within other state agencies and can be used collectively as part of a comprehensive approach to addressing the supportive housing gap in the state. States should develop a non-partisan, cross-divisional housing taskforce, tasked with reaching across agencies responsible for identifying solutions, aligning resources throughout the state, and promoting best practices. This can be achieved through executive order and/or legislative action. In some cases, states may have already developed an HFA workgroup to guide the QAP process or a State Interagency Council on Homelessness (SICH) that brings together secretaries and commissioners from key governmental departments, often including the HFA, with other stakeholders. But states should strive to go beyond this and expand the multi-agency platform for solving the upstream challenges of housing instability and affordability. In states that have not developed SICHs or where SICHs choose to remain explicitly focused on ending homelessness, states can create a broader cross-divisional team by bringing together the HFA with core state agencies, such as Housing, Health and Human Services, Child Welfare, Corrections, Economic Development, Education, and Finance. It should be the goal of the taskforce to coordinate available development and services resources across all partner agencies for maximum impact.

### **3. Ensure Equitable Access to Housing and Services**

It is important for HFAs and all state agencies addressing the housing needs of vulnerable individuals to understand the history of racism in housing<sup>x</sup>. To shift this paradigm, states must address implicit biases in budgetary, programmatic, and policy decisions. As an initial step, the housing taskforce must include persons with lived experience in the systems it is serving as critical stakeholders. The taskforce should also use the needs assessment to gain a better understanding of the racial disparities in housing across the state. Such data should be used to develop concrete actions to advance racial equity in the development and delivery of housing and services.

### **4. Layer Housing and Services Funding Sources**

Comprehensive funding for supportive housing includes resources for capital, operating, and services. These sources are made up of local, state, federal, and private dollars. Table 2 provides examples of possible available funding sources for consideration. Based on a review of other resources to expand supportive housing development, just under half (46%) of HFAs already incentivize using project-based rental assistance alongside LIHTC. The housing taskforce should explore extending this model and look to partner HFAs with state agencies such housing, child welfare agency, and/or department of corrections to link housing vouchers and services dollars with development capital. Several states also have recently passed voter-led ballot initiatives and legislation that

provide housing bonds or dedicate a portion of state tax revenues from the sale of real estate or other sources to create affordable housing units and/or offer services. Social Impact Bonds (SIB) that combine private dollars with

Funding	Capital	Operating	Service
SAMSHA			X
Medicaid			X
Ryan White			X
LIHTC	X		Limited
HOME	X		
CoC	X	X	X
CDBG	X		X
HOPWA		X	X
Hospitals/Philanthropy	X	X	X
CDFI Loans	X		
National Housing Trust Fund	X	X	
Public Housing Authority	X	X	
Social Impact Bonds		X	X
Tax Reserves	X		X
Housing Bonds	X		X
OZ Funds	X		
State LIHTC	X		
Housing Vouchers		X	
State Agencies		X	X

state or federal resources, is another possible resource. SIBs, often referred to as “pay-for-success”, require applicants to demonstrate success on measurable outcomes in order to receive 100% of the funding. Opportunity Zone Funds (OZF) can also provide private investment dollars for housing. While Opportunity Zones (OZ) are designed to develop low-income census tracts, OZF are not restricted for serving the low-income residents. Partnership with OZF should focus on leveraging private capital to develop affordable supportive housing and improve the livelihoods of the individuals and families already in the community. All of these funding sources offer opportunities to layer resources and maximize all three buckets of funding needed for supportive housing.

5. Develop Key Performance Indicators (KPIs) and Report on Progress

In addition to HFAs reporting on the number of units projected and actualized from the LIHTC supportive

housing allocation, similar efforts should be made to report on the progress of the state housing taskforce. The taskforce must set clear expected outcomes and review data annually to determine progress on both implementation and unit production plans. While the housing taskforce is encouraged to develop its own set of KPIs to track outcomes based on the goals set forth and agreed upon by its members, at minimum it should track the total number of units in the production pipeline and the total number of units created. The governor or legislature may consider mandating an annual report to key offices or committees to ensure outcomes are being met. During annual reporting, the taskforce may consider budgetary requests to support its goals and to create and increase statewide development capacity through trainings for service providers, developers and property managers.

<sup>i</sup> <https://www.csh.org/supportive-housing-101/data/>

<sup>ii</sup> Thomas, Lori M., et. al. (2014). Moore Place Permanent Supportive Housing Evaluation Study: Year 1 Report. UNC Charlotte College of Health and Human Services

<sup>iii</sup> New York City Department of Health and Mental Hygiene. (2013). New York/New York III Supportive Housing Evaluation: Interim Utilization and Cost Analysis.

<sup>iv</sup> This brief is one of many in a series of QAPs reports conducted by CSH. Additional reports for 2011 to 2017 can be accessed at <https://www.csh.org/?s=Low+Income+Housing+Tax+Credit+Policies+Report>

<sup>v</sup> In 2018 CSH modified the research methodology used to collect and analyze QAP data. Categories from previous years will not yield viable comparisons.

<sup>vi</sup> If state-level data is not available, HFAs may use national averages. More information available from: National Council of State Housing Agencies. (2018). *Development Costs and Cost Drivers in the Housing Credit Program*. Retrieved from <https://www.ncsha.org/resource/cost-study/>

<sup>vii</sup> The Dimensions of Quality Supportive Housing is a national standard created by CSH and based on two years of research with communities across the country. Additional information on the Dimensions of Quality Supportive Housing can be accessed at <https://www.csh.org/supportive-housing-101/quality/>

<sup>viii</sup> CSH is currently piloting this tool in several communities. A downloadable overview of the Commitment to Quality Checklist can be accessed <https://d155kunxf1aozz.cloudfront.net/wp-content/uploads/2019/02/Commitment-to-Quality-Checklist.pdf>

<sup>ix</sup> A downloadable overview of the Quality Endorsement can be accessed <https://d155kunxf1aozz.cloudfront.net/wp-content/uploads/2019/02/CSH-Quality-Endorsement-Overview.pdf>

<sup>x</sup> Rothstein, R. (2018). *The Fair Housing Act at 50: Not Sufficiently Powerful to Reverse Residential Racial Segregation*. The National Council for the Social Studies.