



# Introduction to Funding and Developing PSH and Deeply Affordable Housing in DC

By **CSH** Mid-Atlantic Team

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# Who is this Resource for?

- ❑ Developers who want to make more affordable housing
- ❑ New and emerging developers unfamiliar with the development process and how the District invests funding into those projects
- ❑ All developers who plan on building in the District, whether market rate, affordable, or subsidized housing.
- ❑ Developers interested in learning more about Permanent Supportive Housing

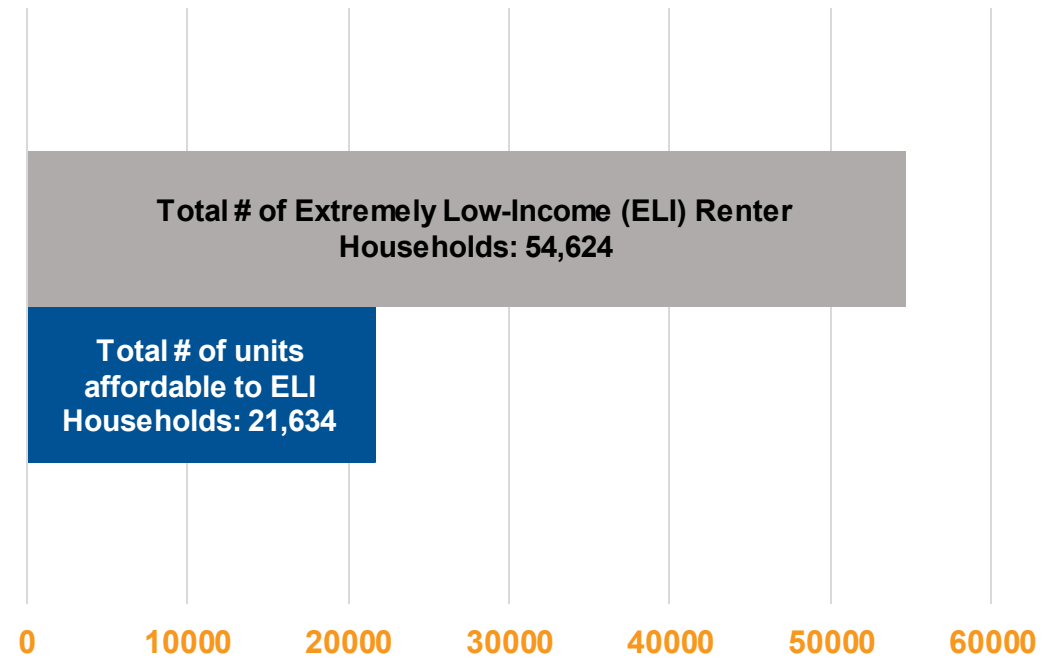
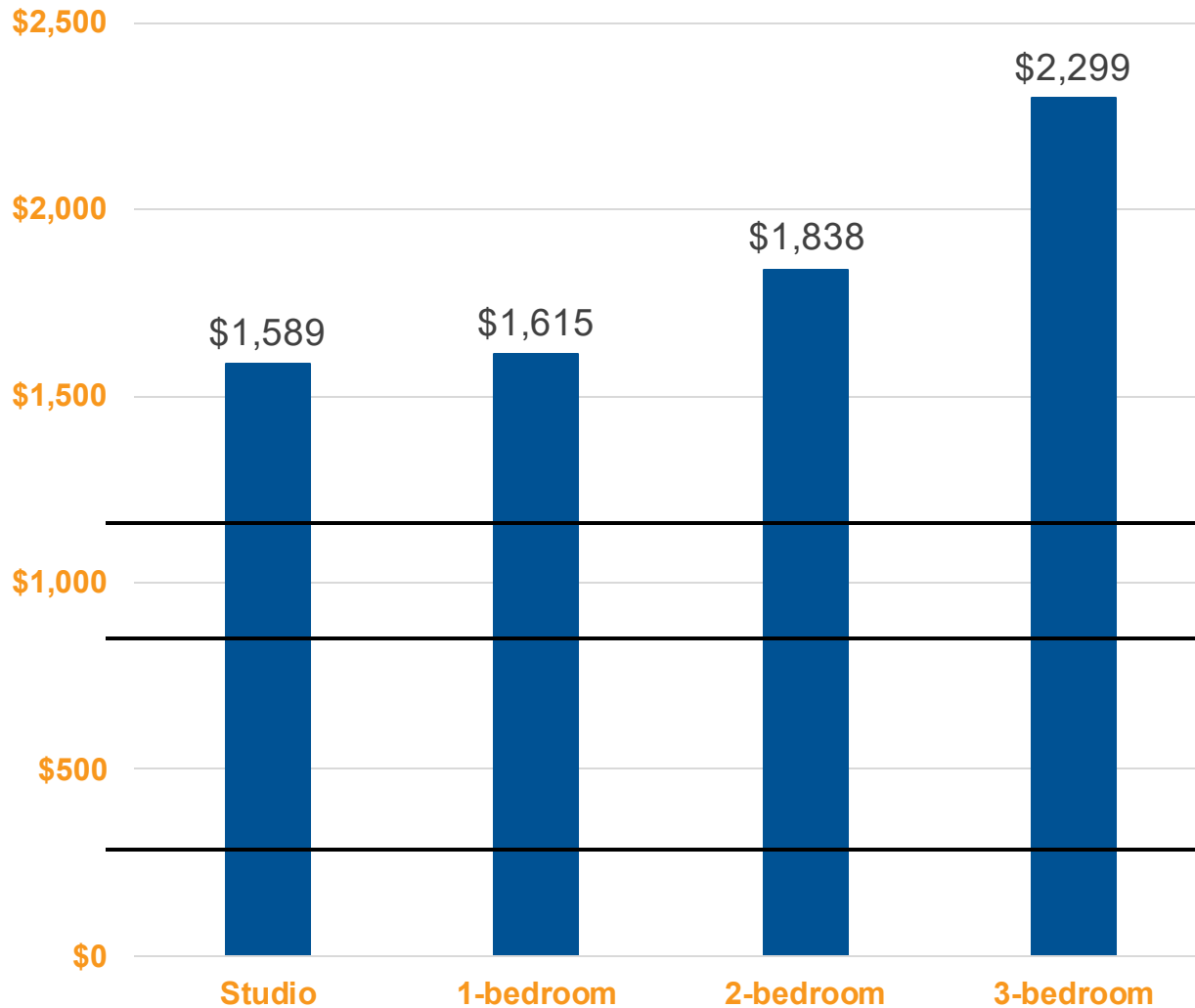


# What is Affordable Housing?

- ❑ According to the Department of Housing and Urban Development (HUD), it is defined as **housing on which the occupant is paying no more than 30 percent of gross income for housing costs, including utilities**
- ❑ **Plain terms:** affordable housing is housing that a household can pay for, while still having money left over for other necessities like food, transportation, and health care
- ❑ Developing affordable housing usually requires multiple funding sources, which can be extremely challenging for any organization that wants to build and renovate affordable housing

# Why Affordable Housing?

## Fair Market Rents in DC



\$1141: Rent affordable to household at 30% AMI

\$884: Rent affordable to a worker earning minimum wage

\$274: Rent affordable to someone receiving SSI

**Extremely Low-Income renters are priced out of the current market, and there is not enough affordable housing to meet the high demand.**

# So How Does DC Look Out for the Most Vulnerable?

The Mayor's office, in conjunction with several other DC Agency's, like DHCD, DCHA, DCHFA, DHS, and the Interagency Council on Homelessness work together to inform and guide the District's strategies, policies and programs for meeting the needs of individuals and families who are homeless or at imminent risk of becoming homeless in the District of Columbia.



# But **Affordable** to Whom?

In federal and DC affordable housing programs, a household's eligibility is based on how their income compares with the area median income (AMI). AMI is the income for the middle household in the DC region, which includes not only DC, but also the higher-income suburbs.

Some housing programs, like public housing, serve primarily “extremely low-income” households (ELI):

- or those with incomes below 30 percent of AMI
- or \$42,700 for a family of four in DC
- this ELI category includes many residents on fixed incomes such as seniors living on Social Security payments



# But **Affordable** to Whom?

Not all programs serve just ELI households. There is a wide range of incomes can qualify as “low,” including up to 80% AMI. This wide range can sometimes allow developers to meet affordable housing commitments with high rents, particularly when there is a lack of targeting to lower income bands or poor accountability for reaching targets. That results in less housing being made affordable for those with extremely low incomes.

# The Challenge of Affordable Housing

	Market Rate	Low Income	Very Low Income
Total # Units	50	50	50
Operating Expenses/Unit/Year	\$5,000	\$5,000	\$5,000
Per Unit Development Cost	\$300,000	\$400,000	\$500,000
Total Development cost	\$15M	\$20M	\$25M
Rent Income/Month	\$2500	\$1200	\$500

\*Note: these are general estimates for the purpose of illustration, not actual development costs

**Though development costs can remain relatively consistent across different housing types, rental income from tenants in affordable housing often does not cover the operating expenses, making affordable housing difficult to finance without dedicated rental subsidies and other added resources.**



# Who Is Going To Pay For It?

- ❑ While the District recognizes need for more affordable housing, the cost of building and development continues to increase
- ❑ In Market Rate housing, developers offset these increased costs through the rents and fees charged to tenants
- ❑ For affordable housing projects, developers often have a ‘cap’ on how much rent can be taken from tenants, limiting rental income for operating expenses



# Who Is Going To Pay For It?

- ❑ Developers have often struggled navigating the affordable housing funding processes for multiple agencies, because development costs, subsidies necessary to support rent, and funding for associated supportive services sometimes necessary to keep residents stably housed all come from different District agencies
- ❑ This resulted in many developers focusing on market-rate development which, from a financial perspective, is relatively straight forward

# First Look: The Consolidated Request for Proposals (RFP)



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# First Look: The Consolidated Request for Proposals (RFP)

- To combat the following issues:
  1. Lack of coordinated funding for affordable housing development
  2. Ensuring the funding of units and services specifically for the most vulnerable
- The District created an award process for gap financing, tax credits, rental subsidies, and supportive services funding to all be awarded through a single competitive online application process called a Request for Proposals (RFP)
- Through this process an affordable housing developer is awarded capital funding to develop the project, operating subsidies to sustain the project, and a service provider through the Department of Health and Human Services (DHS)



# Funding the Consolidated RFP

The Department of Housing and Community (DHCD) Development Finance Division (DFD) funds developments that produce and preserve safe and affordable housing in all eight wards.

DHCD through DFD is responsible for providing timely gap financing and tax credits with funds from the Housing Production Trust Fund and federal dollars that may be available for community development.

Proposed affordable housing developments that meet the minimum eligibility requirements are scored against a set of criteria that reflects all of the District's policy objectives, in areas such as preservation, ending homelessness, and sustainability.





# Funding the Consolidated RFP

To ensure the housing produced as part of the RFP includes deeply affordable housing for extremely low-income households, the RFP requires a certain percentage of units funded through the RFP to be designated as Permanent Supportive Housing (PSH).



**PSH combines rental assistance with supportive services for an unrestricted period to provide housing for extremely low-income households.  
(more on PSH later in this guide)**

# Funding the Consolidated RFP

**DC's main tools for funding this work are the Housing Production Trust Fund and Low-Income Housing Tax Credits.**

**The Housing Production Trust Fund (HPTF) is a pot of money used to build affordable housing in DC. Since 2001, money from the fund has helped to produce or preserve nearly 10,000 units of affordable housing.**

**Unlike other programs, which rely on federal funds to increase the supply of affordable housing, the HPTF is funded entirely with local funds from the District.**

**The HPTF is designed to focus on affordable housing for low- and extremely low-income residents. Typically, the fund provides “gap financing,” bridging the gap between sources developers use to build affordable housing — including federal tax credits and subsidies — and the actual costs of building it.**

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# Funding the Consolidated RFP: Tax Credits

**Low-Income Housing Tax Credit (LIHTC) subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants.**

**LIHTC was enacted as part of the 1986 Tax Reform Act and has been modified numerous times.**

**Since the mid-1990s, LIHTC program has supported the construction or rehabilitation of about 110,000 affordable rental units each year (though there was a steep drop-off after the Great Recession of 2008–09)—over 2 million units in all since its inception.**

**LIHTC requires each state agency that allocates tax credits, generally called a housing finance agency, to have a Qualified Allocation Plan (QAP). The QAP sets out the state's eligibility priorities and criteria for awarding federal tax credits to housing properties.**

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# Funding the Consolidated RFP: Tax Credits

There are 2 types of tax credits available: 9% and 4%.

The 9% tax credit tends to generate around 70% of a development's equity while a 4% tax credit will generate around 30% of a development's equity.

4% tax credits are primarily for those projects seeking financing through tax-exempt private activity bonds.

This makes the 9% Tax credit more competitive than the 4% Tax Credit.

# Tax Credits in the District

**Demand for 9% tax credits far surpasses the supply because there is a limit to the amount of 9% tax credits allocated each year from the federal government. In 2019, DC received minimum state allocation of \$3.167 million available.**

**The utilization of 4% tax credits is based on each states' volume cap of private activity bonds, and is therefore generally more flexible and available than the 9% credits.**

# The Consolidated RFP: Threshold Requirements

The threshold requirements of the QAP are outlined in the Consolidated RFP. These are the minimum requirements that must be met in order to be considered for tax credits. Those threshold requirements are:

- Including units for households earning 30 percent of the Median Family Income (MFI) or below, including Permanent Supportive Housing (PSH) for individuals and families who were once homeless and continue to be at imminent risk of homelessness.
- Projects that are located in areas of the city with a deficit of affordable housing.
- Projects that are ready to quickly proceed to closing and construction.
- Projects that produce or preserve units that are not currently subject to an affordability covenant (i.e., net new units).

Beyond the Threshold Requirements, projects can receive additional points for certain project features. Since the RFP is competitive, projects generally want to maximize their points. Therefore the priorities of the RFP each year often guide the project design for projects applying for funding.





# Deep Dive into Permanent Supportive Housing (PSH)

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# What is Permanent Supportive Housing (PSH)?

**PSH is considered one of the most important tools in ending homelessness.**



Permanent Supportive Housing (PSH) is a nationally-recognized model of housing and support designed to assist individuals and families experiencing homelessness where at least one household member has a disability. This program is unique and effective because it pairs a permanent housing subsidy (long-term housing voucher) with intensive case management services so that program participants are supported in maintaining their health and their housing.

**There is a wide spectrum and diversity to PSH projects, from 5% PSH in large buildings to 100% PSH projects, and everything in between.**

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## Who is **PSH** for?

DC's Permanent Supportive Housing Program is targeted to individuals and households with children who have experienced **long histories of homelessness** and housing instability and have **intensive service needs**.

These households have **a variety of complex needs** related to physical, intellectual, and developmental disabilities, serious mental illness, chronic health conditions, and substance use disorders.

They have **extremely low incomes** (0-30% AMI) and are often (not always!) unable to obtain an adequate level of employment to generate the income required to obtain and maintain housing without a rental subsidy.

Targeted populations for supportive housing typically have experienced **high rates of trauma** and often lack support networks of friends and family members that many of us can rely on in times of crisis.

**The combination of stable housing and supportive services can help these tenants permanently exit homelessness.**

Why  
PSH?

# Why PSH?

In order to be considered for Tax Credits and DHCD Gap Financing, projects must designate at least 5% of the units as PSH.

Projects that include more than the required 5% PSH can receive up to 10 points in the Consolidated RFP Scoring. Additional points are awarded up to 20% PSH.

In order to be considered for Tax Credits and DHCD Gap Financing, projects must designate at least 5% of the units as PSH. (numbers can change from year to year)

**The need for PSH units is high, and current supply does not meet that demand. There is a substantial potential tenant population to fill your PSH units effectively and efficiently. Incorporating more PSH will allow you to lease up quickly while serving a population that has traditionally been kept out of stable housing.**

**Tenants in PSH have additional community support to help them meet their lease obligations – supports that other tenants do not typically have. Housing stability rates for PSH average around 85-90% nationally.**

**Units are filled through the CAHP system, there is a guarantee that a new tenant will be referred along with stable rental income through a local subsidy in the event of a vacancy.**

# How is PSH Funded?

## How is rental assistance funded?



- ❑ All PSH tenants have a **housing voucher**.
- ❑ That voucher might be project-based or tenant-based, and the funding for the vouchers comes from either the DC Housing Authority (DCHA) or Department of Human Services (DHS).
- ❑ DCHA funds vouchers with federal money and DHS funds vouchers with local money.
- ❑ All vouchers, regardless of funding source, are administered by DCHA. This means that DCHA conducts inspections of units prior to lease-up, manages the subsidy portion of the rent, and handles all administrative activity related to the voucher.

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# How is PSH Funded?

## Tenant - Based Vouchers

- Voucher is issued to the tenant
- The tenant can select a unit anywhere within the District of Columbia, as long as the rent is within the rent reasonableness standard (see below)
- If the tenant decides to move, the voucher goes with them to the next place they choose



# How is PSH Funded?

## Project - Based Vouchers

- Voucher is attached to unit and not to the tenant
- If a tenant moves, the voucher/subsidy does not follow them
- These vouchers are awarded to projects during the Consolidated RFP selection process



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# How Much is Rent for a PSH Unit?

Rent for a PSH unit can be set by the landlord, up to the Fair Market Rent (FMR) for that neighborhood, that falls with the “Rent Reasonableness” standard set by DCHA

Rent Reasonableness is a process established in 2023 that assesses acceptable rent for a unit based upon amenities and features of the unit in addition to neighborhood. When a prospective tenant chooses a unit, DCHA assesses the rent and approves or makes a request to change.

Tenants pay 30% of their income toward their rent and the voucher covers the remaining portion of the rent.

**Example: FMR for a 1 bedroom unit in LeDroit Park, where utilities are not included, is \$2,467. If a tenant has an income of \$300/month, the tenant would pay \$90 in rent every month, and the voucher would cover \$2,377. The landlord will receive the full rental amount of \$2,467, if that amount passes the Rent Reasonableness Assessment.**

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Where does the  
funding for  
**Services** come  
from?



# Where Does the Funding for **Services** Come from?

**Developers are not responsible for funding the supportive services that tenants in PSH receive.**

Developers do not need to factor funding for services into their development and operating budgets.

- ✓ If a tenant meets certain eligibility requirements, [Medicaid](#) can pay for housing support and stabilization services.
- ✓ For tenants who are not Medicaid-eligible, Department of Human Services (DHS) funds supportive services.
- ✓ In some cases, Department of Behavioral Health (DBH) provides services funding for certain PSH tenants.

**Funding for services and rental assistance are also available through the Consolidated RFP process.**

- ✓ If your project is selected for Tax Credits and/or Gap Financing, you should also receive enough project-based vouchers to fully support the number of PSH units you indicated in your application.
- ✓ Services funding to support those tenants is also guaranteed, but will remain separate from the development budget and is not included in the Pro Forma.

# How Do Developers and Service Providers Work Together?

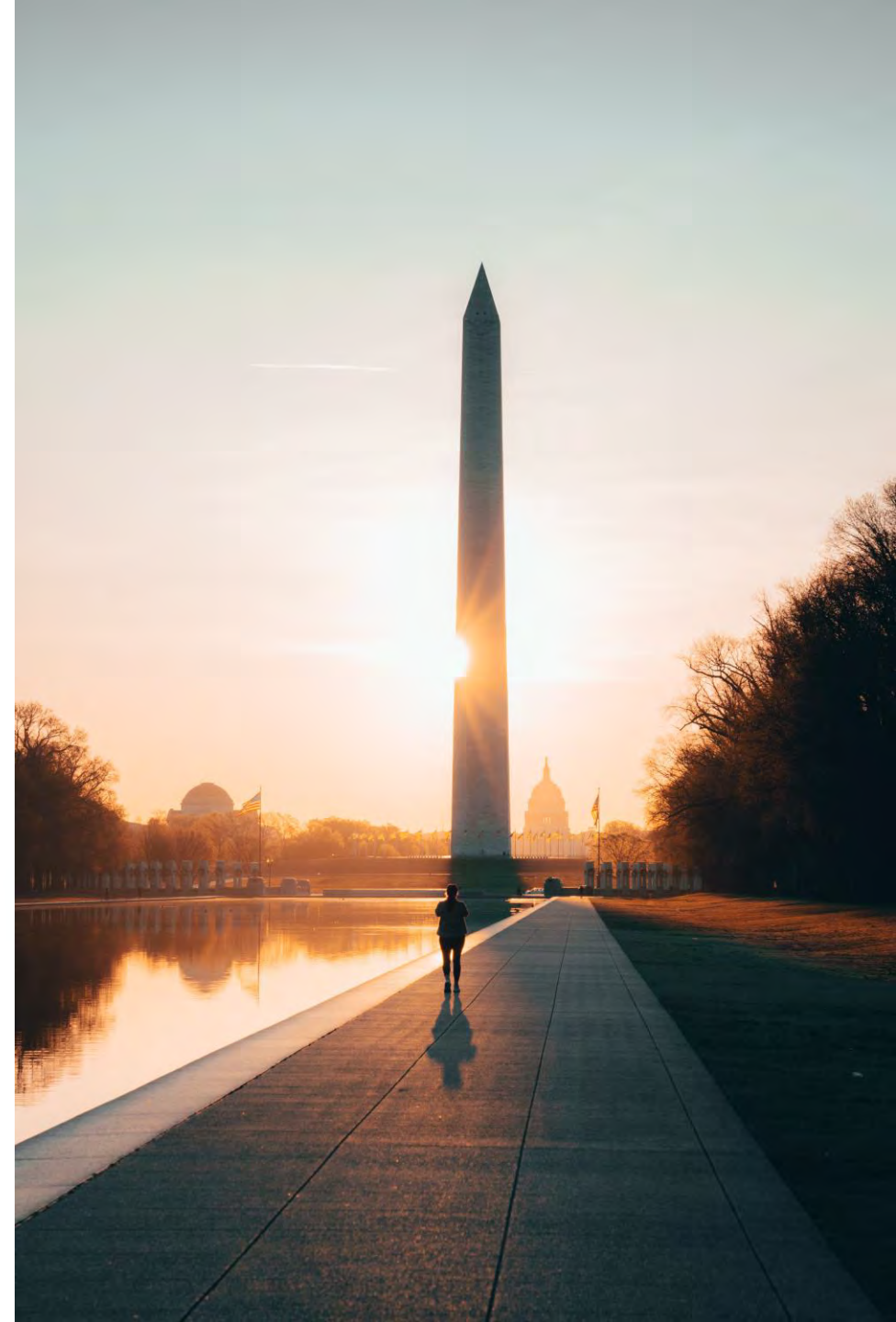
**DHS approves service providers for Supportive Housing services.**

- ❑ Developers can consult the [list of approved providers](#) or one will be assigned to them.

**Developers should select a service provider early in the planning process** to ensure the service provider is part of the project planning process.

Their input on certain decisions will be critical to creating a successful project for the future tenants

**(i.e., unit configuration, amenities, physical design of community space, services and operations plan, leases and eviction procedures, and marketing plans)**



# How Do Developers and **Service Providers** Work Together?

- **Developers and service providers should develop and enter into an agreement with the common goal of promoting housing stability for the PSH tenant.**
  - A Memorandum of Understanding (MOU) should establish the **roles and responsibilities of each partner, communication protocols, and the processes to address lease violations in order to maintain the housing stability of the tenant** and the overall quality of the housing environment for all tenants.
  - **The conditions of the agreement should build upon the Supportive Services Plan required as part of submission for Consolidated RFP funding.**
  - The MOU should incorporate any changes that may have occurred during the multi-year development and construction timeline. **Spending time developing an MOU that is specific and understood by all parties is critical to setting the project up for success right from the start.**
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# How Do Developers Find Tenants for PSH Units?



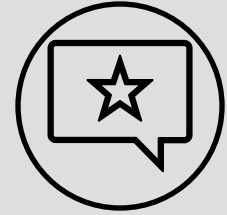
Tenants are matched to supportive housing using **CAHP** (Coordinated Assessment and Housing Placement), a District-run program that determines eligibility and prioritization for a variety of housing programs, including PSH.



When an individual or family is matched with PSH through CAHP, they will select a service provider.



The service providers work with them to locate an available unit that they are interested in. Similarly, the service provider providing services in your property can support identifying tenants to fill vacancies in your property.



Units must meet Housing Quality Standards and pass inspection before a tenant can move in.

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# What are the Benefits of Relying on CAHP to Fill Units?

## Benefits

- For tenants, CAHP simplifies and expedites access to housing. Instead of contacting individual housing providers to get assistance, the CAHP assessment matches the potential tenant to available and appropriate housing programs for them. The tenants will also receive assistance in navigating the application process.
  - The CAHP system more effectively connects individuals experiencing homelessness to the most appropriate housing resources.
  - For housing providers, CAHP ensures that all applicants are screened for program eligibility and leverages the outreach efforts of all community providers to reach greater numbers within the pool of potential applicants so that they can **more effectively and efficiently reach vulnerable populations**.
  - When filling units using CAHP referrals, the responsibility of marketing units for lease up is shared between the housing provider and the CAHP program, and there is a more specific pool of tenants to draw from, which could streamline the lease up process.
-

# What are the Drawbacks of Relying on CAHP to Fill Units?

## Drawbacks

- There is added paperwork involved with CAHP referrals, which can add to the administrative burden on property management staff.
-

# What is Housing First?

Permanent Supportive Housing operates using the Housing First model. Housing First is an approach that emphasizes **stable, permanent housing** as a primary strategy for ending homelessness. The approach centers on providing people experiencing homelessness with housing as **quickly as possible**, and then providing services as needed.


Housing First programs share critical elements:

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A focus on helping individuals and families access and sustain **permanent housing** as quickly as possible, **without time limits**.

A variety of **services** delivered to promote housing stability and individual well-being on an as needed basis.

A **standard lease** agreement to housing, as opposed to mandated therapy or services compliance.



No additional screening should be conducted for applicants referred through CAHP for PSH units.

A key aspect of following a Housing First approach is to reduce barriers to housing for people experiencing homelessness. When tenant screening excludes vulnerable populations due to criminal backgrounds, credit and housing history, and other factors it effectively denies a population of vulnerable people, often with disabilities from obtaining housing. **By reducing tenant screening to the minimum required by funding sources, the housing process affirmatively furthers fair housing by addressing the housing needs of a vulnerable population that often faces housing discrimination.**

**Voucher income pays for nearly the entire rent for PSH units, so credit and rental history screening should not be necessary. There is no evidence that criminal history correlates with performance as a tenant, so criminal background screening has no meaningful role in the lease-up of these units.**



# Parties Involved in PSH



## Department of Human Services (DHS)

DHS provides District residents with connections to work opportunities, economic assistance, and supportive services.

### Connection to PSH:

DHS pays for services when the tenant is not Medicaid eligible. DHS approves service providers and supports matching eligible clients to services providers.



## Department of Behavioral Health (DBH)

DBH provides prevention, intervention, and treatment services and support for people with mental and/or substance use disorders.

### Connection to PSH:

DBH is a services provider for PSH.



## DC Housing Authority (DCHA)

DCHA owns and manages properties across all 8 wards and administers both locally and federally funded housing vouchers.

### Connection to PSH:

DCHA issues vouchers for PSH, inspects units, and pays the voucher portion of rent directly to the housing provider.



## Department of Housing and Community Development (DHCD)

DHCD creates and preserves opportunities for affordable housing and economic development and revitalizes underserved communities in the District.

### Connection to PSH:

DHCD administers and awards funding, including tax credits, gap-financing, and project-based subsidies.

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# More information?

To learn more about Permanent Supportive Housing or any other topics in this resource, visit [www.csh.org](http://www.csh.org) or contact [info@csch.org](mailto:info@csch.org)



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