Corporation for Supportive Housing

Pathways to 38: How Pennsylvania Can Address the Need for Supportive Housing

2025

About CSH

CSH (Corporation for Supportive Housing) advances affordable and accessible housing aligned with services by advocating for effective policies and funding, investing in communities, and strengthening the supportive housing field. Since our founding in 1991, CSH has been the only national nonprofit intermediary focused solely on increasing the availability of supportive housing. As an intermediary, we do not directly develop or operate housing but center our approach on collaboration with a wide range of people, partners, and sectors.

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Introduction

There is a need to create more than **38,000 units** of supportive housing across Pennsylvania to address the needs of its residents who are unfairly impacted by social and societal barriers. Supportive housing is a type of affordable housing that is designed specifically for people who need supportive services to thrive in their community. Typically, supportive housing is for people who are experiencing homelessness and/or housing instability, and/or living in or exiting institutional settings. Services in supportive housing are flexible and responsive so that people can choose the person-centered supports that will help them stay in housing and meet other goals they have for their lives. Services include helping to coordinate mental health/substance use treatment appointments and/or physical health care appointments, facilitating access to educational services and employment services, helping manage crises, and other critical services that enable individuals and families with significant support needs to thrive in their communities.

The following document will identify the need for the creation of 38,000 units of supportive housing, the anticipated cost of addressing this need, and recommendations for funding mechanisms that have been proven to expand the resources needed to create supportive housing opportunities.

PA Supportive Housing Need

Who is Supportive Housing For?

Supportive housing is an evidence-based intervention designed to meet the needs of community members that have the lowest incomes and the highest service needs, giving them a foundation to thrive in their community. While this model began to address chronic homelessness, it has been utilized in communities across the country to address the needs of individuals with a variety of needs. This includes people experiencing homelessness, individuals who were incarcerated, individuals with disabilities, families involved in the child welfare system, and others.

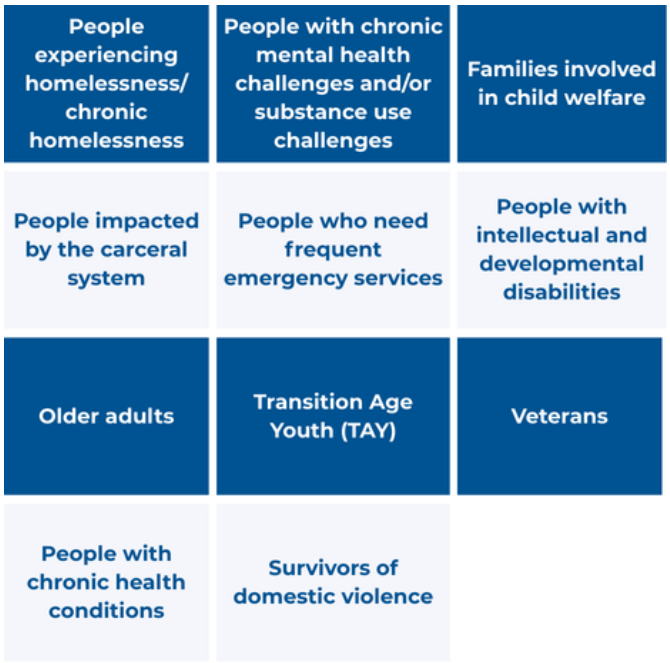


Figure 1: Groups served by supportive housing

While there are many local communities and organizations doing their best to provide supportive opportunities, the overreliance on expensive institutions will continue without

more supportive housing opportunities. CSH recognizes that there is a great deal of intersectionality, and that many people face multiple, overlapping barriers to housing stability.

It is often not possible to define people by one of the system groups named in the image on the previous page (Figure 1). However, addressing supportive housing needs by systems is a way to identify appropriate partners, funding opportunities, and service models. Without the supportive services offered through supportive housing programs, many of these individuals will not maintain their housing beyond the initial period after they move in. Supportive housing programs must address both the dire need for affordable housing and access to crucial services in communities across Pennsylvania.

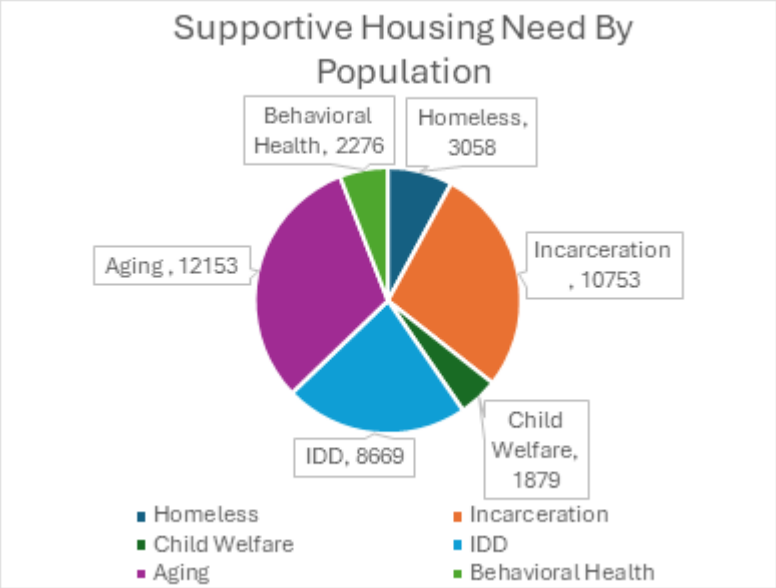
The National Low Income Housing Coalition estimates that there is a shortage of 265,537 rental homes that are affordable and available to extremely low-income renters. It is important to clarify the term extremely low income to understand which members of communities across PA need supportive housing. Households are categorized as extremely low income when their annual income is 30% or less of the average income in their community, often referred to as the Area Median Income (AMI). Only one affordable rental unit is available to every three renters[1] in this income category. More than half (62%) of households with extremely low incomes are either in the labor force or are senior citizens. In a state with a minimum wage of $7.50 in 2023, the average monthly rent of $1,228 far outpaces income[2].

There are approximately 436,000 Pennsylvanians that are considered to have extremely low incomes. Supportive housing tenants tend to have extremely low incomes (less than 30% of AMI) and increasingly have low incomes (less than 20% of AMI). The chart below shows a few examples of very low-income levels which vary across communities in Pennsylvania:

County	30% AMI Individual Monthly Income	Average Rent 1-br apt	30% AMI Family of 3 Monthly Income	Average Rent 2-br apt
Allegheny	$1,771	$1,311/month	$2,279	$1,581/month
Bradford	$1,421	$802/month	$2,152	$891/month
Erie	$1,413	$880/month	$2,152	$1,256/month
Lackawanna	$1,454	$1,100/month	$2,152	$1,350/month
Philadelphia	$2,008	$1,696/month	$2,583	$2,133/month
York	$1,842	$1,283/month	$2,367	$1,470/month

Given that many households fall well below the income levels identified above, the importance of creating 38,000 affordable housing units is crucial to meeting the supportive housing need in Pennsylvania.

Calculating the Need for Supportive Housing in Pennsylvania



A first of its kind national needs assessment of supportive housing was developed by CSH by looking at data across a spectrum of public systems. This assessment is a compilation of point in time, or census, counts of people involved in multiple public systems that have needs consistent with supportive housing. To avoid duplication, it does not show need over time in each individual system or project broader trends.

It draws on the best data available, attempting to be transparent and clear about how and where we are estimating needs.

Utilizing this methodology, CSH calculates that of the total **shortage of 265,537 rental homes in Pennsylvania**, **38,000 units are needed** to address the hardships faced by Pennsylvania citizens who need both affordable housing and supportive services to be able to thrive in their communities. This total unit need is comprised of the total of the estimates from several Pennsylvania systems that assist and engage with individuals in need of supportive housing.

Most of these individuals interact with three Pennsylvania systems: The Departments of Aging, Human Services, and Corrections. CSH created a needs assessment data model that accounts for the percentage of individuals from each system that could benefit from supportive housing which integrates citizens in their communities, as an alternative to their involvement in expensive institutional settings that separate them from their communities.

Benefits of Supportive Housing

Supportive housing has been proven to address the needs of communities in ways that are cost effective while achieving better outcomes for those experiencing barriers to housing. For communities who are struggling with the current housing crisis, homelessness encampments, and overutilization of emergency and crisis systems, supportive housing is the answer. The following provides some examples of the effectiveness of supportive housing.

- An analysis based on a review of 20 evaluations on Permanent Supportive Housing (PSH) with Housing First programs (Housing First) found that every dollar invested in Housing First saves taxpayers 1.44 dollars.
- Many localities are dealing with encampments which can cost upwards of $8.6 million annually to address. These funds can be more effectively used by providing housing to people pushed into homelessness so that they can rebuild their lives.
- A University of Pittsburgh Study found that spending for individuals in Permanent Supportive Housing decreased by $145 per person and reduced reliance on crisis systems like emergency departments.
- In Mecklenburg County, North Carolina, 80% of participants in housing first permanent supportive housing stayed housed for at least a year and reduced their use of shelters by 93%.
- Two Ohio state level departments created programs to connect people exiting jail or prison (Returning Home Ohio) and who have a mental illness or substance use disorder with housing and services (Connect to Home). More than 90% have successful outcomes, sustain their housing, and integrate into their communities.
- It costs $58,000/year to incarcerate someone in the Palm Beach County, Florida jail AND more than half re-enter the jail within 3 years. Not only does supportive housing reduce jail bookings by more than 90%, it does so for a third of the cost of incarceration.
- In Bozeman, Montana, a supportive housing initiative saw a 42.2% decrease in emergency department visits and a 47.2% increase in behavioral health appointments. 75% of tenants reported improved mental and physical health.
- In Santa Clara County, California, people in supportive housing reduced their use of psychiatric emergency services and increased their use of outpatient mental healthcare services

- In Denver, Colorado, after two years participants in a housing first supportive housing initiative had six fewer emergency department visits and an increased participation in preventative car.
- A Housing First initiative in Pima County, Arizona found that the costs of implementing supportive housing were offset by reductions in justice and health systems service use. These findings suggested that the intervention may be cost neutral while improving outcomes for tenants.

COSTS OF INSTITUTIONALIZATION

9 Days in Hospital[3]

4 Months in Prison[4]

1 Year in Supportive Housing

PA Supportive Housing Development Cost Analysis

AN ANALYSIS OF THE COSTS ASSOCIATED WITH MEETING THE NEED FOR SUPPORTIVE HOUSING IN PENNSYLVANIA

Introduction

This section presents initial findings from our research of new construction development costs and operating expenses, excluding supportive services, of PSH properties. The goal is to inform realistic funding strategies to achieve 38,000 new PSH units across the state and to ensure their long-term stability.

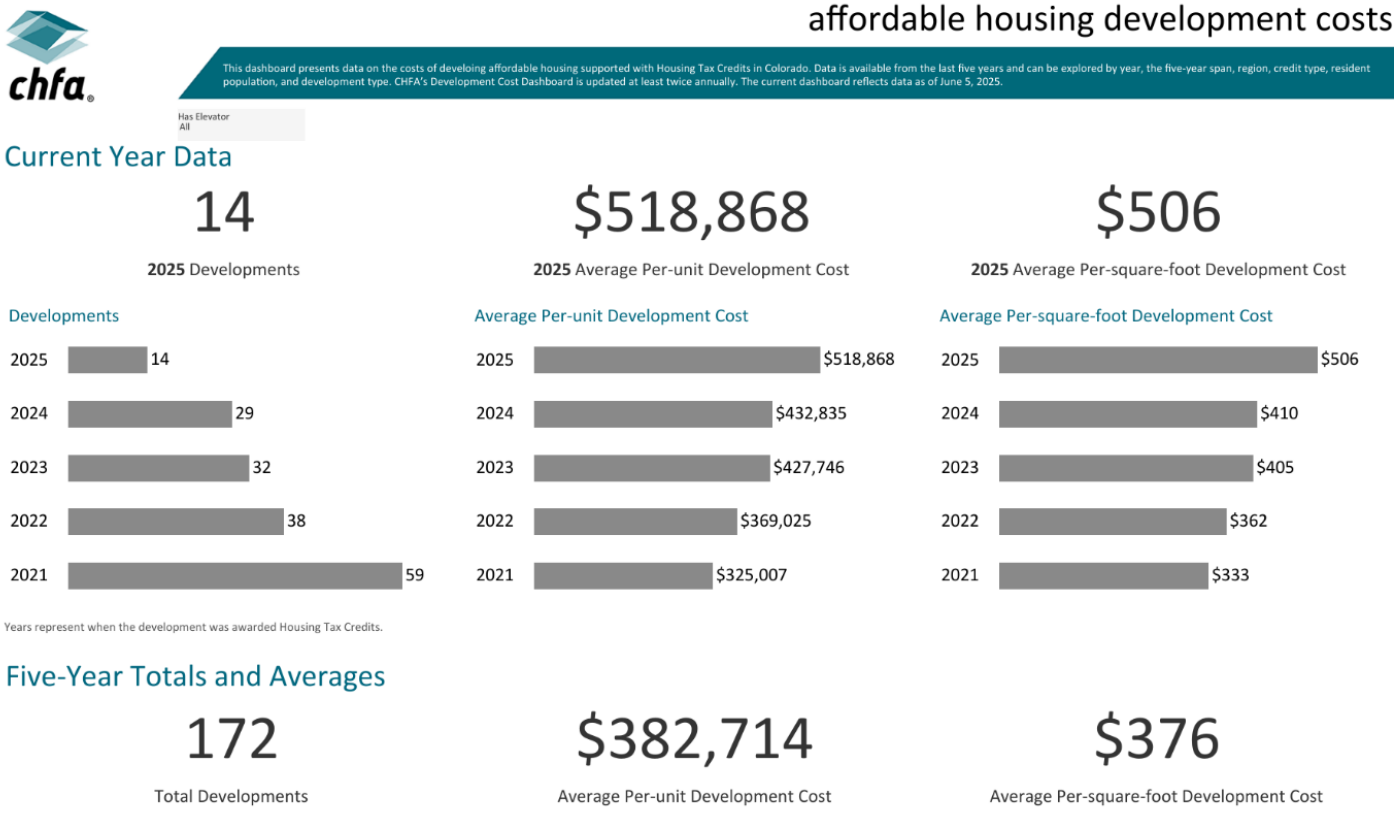
Methodology and Data Collection Challenges

To assess the development costs and operating expenses of PSH developments across Pennsylvania, we requested project-level financial data from PSH developers. Given that costs vary significantly by location due to factors such as local regulations, labor markets, utility expenses, and property taxes, we sought data from geographically diverse

developers across urban, suburban, and rural projects. Specifically, we requested recent annual operating financial statements and LIHTC development cost certifications from within the past five years.

We specifically focused our research on LIHTC projects, as this is currently the main funding source for creating PSH units at scale across the state. In addition, design requirements, financing fees, and other soft costs are usually consistent across the board for LIHTC projects. Also, they use standardized budgets which simplified data comparison. We also intentionally excluded acquisition/rehabilitation/preservation projects due to the significant variability in costs, making direct comparisons with new construction difficult.

Our approach aimed to identify regional disparities and support statewide policy recommendations tailored to the unique needs of different housing markets. However, despite extensive outreach efforts, data collection proved challenging due to the reluctance of many developers to share financial information, even for an anonymized analysis. Some states have overcome this challenge by making development cost data publicly available. One model is the Colorado Housing and Finance Authority online dashboard which offers public access to development costs.[5] This dashboard allows policymakers, funders, and stakeholders to assess cost trends and refine housing strategies based on real-world numbers.



Through our research, it became critically evident that Pennsylvania lacks the data transparency needed to make fully informed, cost-effective decisions to expand its PSH supply. Like the Colorado Housing and Finance Authority, PHFA should create a similar public dashboard. PHFA already collects this data from developers and property management companies and by centralizing and standardizing this information, PHFA could provide a critical tool to evaluate cost-effective approaches to expand desperately needed PSH supply across the state. While PHFA did provide the range of development costs per unit in response to our direct request as noted further below, no details on cost breakdowns, regional disparities or distinction between housing types are available. Given the limited available data, this report is intended to be the first in a series of reports. As we gather additional data, we plan to publish a second report highlighting new data and insights, refining our analysis, and further strengthening the case for policy interventions to support PSH development.

Development Costs – Initial Insights

Our research focused on new construction costs, breaking down the key expenditures involved in developing LIHTC PSH projects. The development costs for new PSH construction generally fall into three primary categories: land acquisition, construction expenses, and development fees. As reported by PHFA, total development costs of new construction LIHTC projects currently range from **$458,000** to **$585,000** per unit.[6] Understanding the development costs of PSH development is critical to shaping policies that promote cost-effective expansion.

1. **Land Acquisition** - Based on our preliminary data, land acquisition costs for recent PSH projects ranged from **nominal value (e.g. $2.00)** to **$2,200,000**. This wide range in acquisition costs highly impacts the overall and per unit project budget. Some PSH projects benefit from donated land or operate on a long-term ground lease, significantly reducing upfront development costs. However, for projects that require land acquisition, costs vary widely depending on location. Urban areas tend to have higher land prices due to limited availability and market competition, while rural and suburban areas may offer lower-cost land but often require additional infrastructure investments. Developing a project on a site where the acquisition price is minimal is extremely advantageous to project costs and many developers take advantage of these opportunities. However, community plans and priorities often encourage the development of sites in desirable areas with high market rates. For example, the PHFA application point structure rewards projects in areas where acquisition costs may be particularly high. PHFA prioritizes projects located in strong communities with good public schools, high walk scores, good access to transit and additional

public and private investment. These are all factors that impact land value and can cause high acquisition costs if purchasing the site in the private market.

2. **Construction Costs** - Our data shows PSH construction costs range from a high of **$532,816** (Pittsburgh) per unit to **$357,021** (Danville), potentially highlighting regional disparities. This category includes hard costs such as site preparation, labor, materials, and taxes and insurance during construction. As noted, urban areas typically have higher land costs and labor expenses but benefit from existing infrastructure and access to services. However, many urban projects also face costly site conditions, such as demolition of an old building, relocation of utility lines, environmental contamination which can require extensive testing, removal, and remediation, all driving up development costs, particularly for urban infill projects. In contrast, rural developments may require additional investment in roads, utilities, or transportation access ("land development costs"). However, without additional data, we cannot determine if this is a reflection of specific project design or site requirements.

3. **Development Fees** - Development fees include soft costs such as architectural and engineering services, legal fees, insurance, and financing costs as well as fees for environmental reviews, market studies, and permits. While many fees can be flat, soft costs are directly impacted by overall project costs as they function as a percentage or directly in relation to project size. Interest rates have a huge impact on project development fees. Projects typically need to bridge 85% of their LIHTC equity during construction through stabilized occupancy and other funding sources like Historic Tax Credits or RACP awards. Increasing interest rates have significant impacts on project development fees. Rising insurance rates over the past five years have strained the U.S. housing market, placing even greater pressure on PSH projects. Our data showed insurance during construction rates range from **$52,423** for a 24-unit building to **$121,344** for a 43-unit building, placing an increasing burden on already strained affordable housing budgets. Rural areas can be particularly impacted due to limited local capacity, requiring developers to hire architects, engineers, and legal professionals from outside the region at higher costs. Additionally, more extensive environmental reviews, such as wetland impact studies and stormwater management requirements, can add significant expenses.

Operating Costs – Initial Insights

This section provides an overview of core operating expenditures, which generally fall into the following categories: administrative costs, staffing, repairs and maintenance, utilities, and taxes and insurance. The long-term viability of PSH developments depends on ongoing operating costs that ensure properties remain safe, well-maintained, and adequately staffed to support residents. It is particularly important because underfunded properties face financial and operational challenges that can directly impact residents. Studies have shown that properties with less resources have higher rates of rent arrears and vacancies.[7]

Our initial data show that operating costs are relatively similar across similar project types, with per unit costs ranging from **$8,460** to **$10,244**. However, operating costs can vary due to factors such as geographic location, building age, staffing needs, and property size. Urban properties often have higher labor and security costs, while rural properties may face higher utility expenses due to infrastructure limitations. Older buildings require more maintenance, while newer properties benefit from energy efficiency. Developments with on-site supportive services tend to have higher staffing costs, even outside of the Service Coordinator position, and smaller properties face higher per-unit expenses due to fewer economies of scale.

1. **Administrative Costs** - These include general office expenses such as bookkeeping, software and technology systems, legal and compliance costs, and general overhead. Administrative costs can vary significantly depending on project size, management structure, and compliance requirements. Our initial data show that total administrative costs can range between **$61,056** to **$75,616** annually.

2. **Staffing** - Personnel costs make up a significant portion of operating expenses, covering property management, maintenance, janitorial services, and resident support staff. PSH operating costs are typically significantly higher due to the more extensive and higher staffing costs, even outside of the support service budget, as well as higher maintenance costs.[8] Additional janitorial or maintenance support is also often needed to respond to unit and property damage.

3. **Repairs and Maintenance** - Routine maintenance and emergency repairs are essential to ensure the longevity of PSH properties. This category includes landscaping, janitor/maintenance, elevator maintenance, HVAC maintenance, and general upkeep. Older buildings or those with more units tend to have higher maintenance costs.

4. **Utilities** - Utility costs depend on building design, energy efficiency measures, and tenant utility arrangements. Some PSH properties include all utilities in rent, while others require tenants to pay for certain expenses.

5. **Taxes and Insurance** - Insurance costs, particularly in areas prone to natural disasters, have risen sharply in recent years. Properties in flood zones or regions with higher liability risks often face significantly higher premiums. For example, our data showed one project's taxes and insurance costs totaled **$53,695** annually whereas another's totaled **$27,763** annually. Several factors may contribute to these cost variances. For example, rural developments often require more acreage, leading to higher property taxes, while urban projects may benefit from urban tax incentives or abatements for affordable housing.

Conclusion

Despite the challenges posed by limited cost data, our initial analysis provides valuable insights into the financial landscape of PSH development and operations. While more data is needed to fully understand these complexities, we are confident that the following recommendations in the Solutions section below will address key inefficiencies and meaningfully advance the production of supportive housing in Pennsylvania. As we continue collecting data, future reports will refine this analysis, helping stakeholders develop more efficient, scalable, and financially sustainable PSH developments across the state.

Key Takeaways

1. There is an acute need in Pennsylvania for more data transparency of development and operating costs for affordable housing generally, and supportive housing specifically. PHFA should create and implement a publicly available dashboard with this data to provide useful insights to inform and drive solutions. Colorada State Housing Finance's Agency's dashboard is a model for this that PHFA could attempt to replicate.

2. While data transparency and further research will continue to provide more nuanced insights into the unique costs of supportive housing development and operations, proven successful solutions like those described below should be implemented now.

3. While the costs of creating and operating supportive housing may seem high, the costs are very low compared to the cost of operating other institutions that individuals in need of supportive housing often interact with.

PATHWAYS TO 38,000

FUNDING & POLICY RECOMMENDATIONS

TO SCALE SUPPORTIVE HOUSING IN PENNSYLVANIA

Creating 38,000 units of supportive housing across Pennsylvania is an ambitious goal, but within reach. To achieve this, the state must adopt the Governor's "all of the above" approach, currently being utilized for his energy policies. This strategy leverages every part of the government to tackle pressing issues and aligns with the vision of making Pennsylvania the best state in the country to live and work in.

An "All of the Above" Approach for Supportive Housing

There are three key areas where the government must come together to achieve an 'all of the above approach" to addressing the supportive housing gap in PA:

1. Focus on Cross Agency Collaboration
2. Invest in New Resources to Strengthen and Expand the Supportive Housing Pipeline
3. Streamline and Improve Supportive Housing Development Polices for Process Efficiency

By focusing on collaboration, new investments, and policy improvements, PA will be better positioned to address the supportive housing needs across the state and follow the pathway to 38,000.

Focus on Cross Agency Collaboration

Pennsylvania agencies must collaborate to streamline funding sources, leverage mutual resources, and maximize the impact on social determinants of health. By working together, the state agencies can create a more cohesive and efficient approach to supportive housing funding, mirroring successful initiatives from other states. There is significant overlap in the populations served by the agencies below. Creating an infrastructure for them to collaborate, track progress, and share success is critical.

- Department of Human Services
    - Office of Medical Assistance Programs
    - Office of Mental Health and Substance Abuse Services
    - Office of Developmental Programs
    - Bureau of Children and Family Services

- Department of Community and Economic Development
- Pennsylvania Housing Finance Agency
- Department of Aging
- Department of Military and Veteran Affairs
- Department of Health
- Department of Drug and Alcohol Programs
- Department of Corrections

Invest in New Resources to Strengthen and Expand the Supportive Housing Pipeline

Summary of Funding Recommendations:

- Investigate ways to leverage funding across departments to expand the Housing Trust Fund.
- Provide Capital Financing, Operating and Maintenance Support, and Capacity Building.
- Increase Utilization and Impact of Project-Based Vouchers.
- Identify a plan on how to use Section 1115 Medicaid Waiver to fund Supportive Services.
- Public-Private Partnerships.
- Social Impact Bonds.

1. **Investigate ways to leverage funding across departments to expand the state's Housing Trust Fund**

Each of the departments mentioned above has funding allocated to housing-related services and programs. However, the lack of coordination between these agencies limits the potential impact of these funds. By uniting under a common goal and pooling resources into a single fund, these agencies can streamline access for providers, minimize regulatory barriers, and ensure taxpayer dollars are used more effectively. Increasing allocations to the Housing Trust Fund and earmarking them specifically for supportive housing initiatives will significantly enhance Pennsylvania's capacity to provide supportive housing.

State Example: *In 2022, the State of Washington enacted the Office of Apple Health and Homes bill to refocus efforts on increasing the capacity, quality, and sustainability of affordable housing units dedicated to supportive housing. This initiative consolidates various supportive housing programs to align capacity building, supportive services, rental assistance, and operations/maintenance funding, improving and sustaining the quality of supportive housing units across the state.*

2. **Provide Capital Financing, Operating and Maintenance Support, and Capacity Building**

Capital Funding: To meet the ambitious goal of creating 38,000 units of affordable housing within 10 years, a substantial increase in capital funding is essential. By adopting the "all of the above" approach and aligning state departments to advance supportive housing, Pennsylvania can streamline application timelines and processes, enabling developers to build more efficiently.

***State Example*:** *New Jersey's Special Needs Housing Subsidy Loan Program offers an exemplary model for providing capital financing to create permanent supportive housing for individuals with special needs, including those experiencing homelessness. The program provides capital to nonprofit and for-profit developers, as well as government entities. For special needs-only developments, the maximum loan amount is $500,000, while for multifamily projects, the maximum loan amount is $1,250,000 per unit.*

Operating and Maintenance Support is one area of supportive housing development that remains difficult to fund with housing providers. Long-term insufficient funding has led to years of deferred maintenance, lack of accessibility features, and overall decrease of quality of living and wellness for the tenants of the buildings. We recommend providing a distinct category of funds to support operations and maintenance of supportive housing properties.

State Example: *Washington State recently announced the Permanent Supportive Housing Operating, Maintenance, and Services Program. This program provides supplemental funding for the operating and maintenance costs of permanent supportive housing projects. The funding aims to cover gaps in operating revenue and ensure the sustainability of these housing projects. The program has a budget of $47 million per year and has supported 160 housing projects since 2018.*

Additionally, Massachusetts, California, New York and Illinois have also provided dedicated funding specifically for operating reserves to help ensure that housing projects can cover ongoing expenses and maintain long-term sustainability.

Capacity Building for housing providers and housing developers will need to be included in Pennsylvania's housing plan in order to have the labor infrastructure to ramp up affordable housing production across the Commonwealth. Capacity building grants achieve several goals related to increasing affordable housing development:

1. Enhance organizational capacity;
2. Provide technical assistance in areas like strategic planning, financial management, and compliance;
3. Provide stability and sustainability by strengthening technical and administrative capabilities of developers, and;
4. Deliver positive community impact by helping developers better serve low-and-moderate-income families, contributing to community and economic growth.

State Examples: *Massachusetts Department of Housing and Community Development offers grants to support the capacity building of affordable housing developers. The California Tax Credit Allocation Committee provides funding for capacity building as part of its LIHTC program. New York State Homes and Community Renewal program offers various grants to support the capacity building of affordable housing developers.*

3. Increase Utilization and Impact of Project-Based Vouchers

Project-Based Rental Assistance: To achieve the ambitious goal of creating 38,000 units of supportive housing, it is essential to increase Project-Based Rental Assistance. This assistance is crucial for ensuring that rents remain affordable for individuals with low and fixed incomes.

The Commonwealth can maximize the allocation of Project-Based Vouchers with Pennsylvania Public Housing Agencies by encouraging them to allocate up to 20% of their authorized voucher units as Project-Based Vouchers. In certain cases, Public Housing Agencies can exceed this cap with HUD approval. Pennsylvania can encourage these agencies to use their full allocation and seek additional approvals.

State Example: *In 2022, New York State passed Senate Bill S7235 allowing public housing agencies that subsidized affordable housing projects to provide rental assistance for rents higher than those permitted under rent regulation. This bill increased funding for supportive housing project-based rental assistance to $50 million as part of the NYC 15/15 Rental Assistance Program, which aims to develop 15,000 new units of supportive housing over the next 15 years.*

4. **Identify a plan on how to use Section 1115 Medicaid Waiver to fund Supportive Services**

If the proposed Pennsylvania Section 1115 Medicaid Waiver is approved by the Centers for Medicare and Medicaid, the State should collaborate with Managed Care Organizations to determine how these new funds can be used to support service needs in affordable housing developments across Pennsylvania. The proposed waiver will provide funding for both rental assistance and supportive services.

State Examples: *States like California, Arizona, New York, Oregon and Washington all have approved Section 1115 Medicaid Waivers to provide supportive housing services and rental assistance. By integrating funding streams for supportive services, these states have effectively reduced health disparities and promoted long-term housing stability.*

5. **Public-Private Partnerships (PPPs)**

Leveraging Private Investment: Encourage partnership with private developers and investors to fund supportive housing projects. PPPs can provide significant capital for construction and development while sharing risks and benefits between the public and private sectors. The Department of Economic Development and Pennsylvania Housing Finance Agencies could serve as the connector between public and private entities who wish to pursue supportive housing development.

State Example*: The Colorado Housing Investment Fund combines state funds with private investments to support the development of affordable and supportive housing.*

6. **Social Impact Bonds (SIBs)**

Outcome-based Financing: Implement social impact bonds where private investors provide upfront capital for supportive housing projects and are repaid by the government based on the achievement of predefined social outcomes, such as reduced homelessness or improved health outcomes. Pennsylvania has not had many SIBs and this is another opportunity where the state can use successful, proven models to expand the toolkit available to build supportive housing.

State Example*: The Massachusetts Chronic Homelessness Pay for Success Initiative utilizes SIBs to finance supportive housing for individuals experiencing chronic homelessness.*

7. **Streamline and Improve Supportive Housing Development Polices for Process Efficiency**

There are a variety of mechanisms and policies that other states have demonstrated in recent years to be effective in streamlining and increasing the rate at which affordable housing development can be built. We recommend Pennsylvania investigate these options further to adopt best practices from other states that have successfully spurred supportive housing development.

Summary of Policy Recommendations

- Qualified Allocation Plan (QAP) for Low-Income Housing Tax Credits (LIHTC).
- Develop Key Performance Indicators (KPIs) and Progress Reports.
- Fully Staff State Departments and Programs for Affordable Housing.
- Encourage Statewide Zoning Reforms.
- Establish Density Bonuses.
- Land Use Flexibility.
- Loan Product Advisors (LPAs) and Loan Documents.

1. **Qualified Allocation Plan (QAP) for Low-Income Housing Tax Credits (LIHTC)**

Pennsylvania should revise its Qualified Allocation Plan for the Low-Income Housing Tax Credit program to prioritize the development of supportive housing. This change is crucial to addressing the growing need for affordable housing that includes essential supportive services for vulnerable populations. The rationale for this change is supported by the following:

- **Addressing Health Disparities**: Supportive housing has been shown to significantly improve health outcomes for individuals with chronic physical and mental health issues. By prioritizing supportive housing in the QAP, Pennsylvania can reduce health disparities and promote long-term housing stability.
- **Cost-Effectiveness:** Studies have demonstrated that supportive housing is cost-effective compared to the high costs of other institutions and emergency services. By investing in supportive housing, Pennsylvania can achieve substantial savings in public spending while providing stable housing for those in need.
- **Successful Models in Other States**: States like California, New York, and Oregon have successfully utilized their QAPs to prioritize supportive housing, resulting in improved housing stability and reduced homelessness.

2. **Develop Key Performance Indicators (KPIs) and Progress Reports**

Establishing any new initiative requires intentional planning from the start, including Key Performance Indicators, to ensure progress can be measured. Key stakeholders will need to commit to providing updates and reporting out on KPIs so that taxpayers are aware of how funding is being used and what the outcomes are.

3. **Fully Staff State Departments and Programs for Affordable Housing**

Ensure that State Departments and Programs that work with Affordable Housing are fully staffed to ensure efficient operations. When projects experience delays due to staffing and timing issues from state departments (such as getting approvals on permits and budget adjustments) this results in increased holding and predevelopment costs. Ensuring housing-related departments and programs are fully staffed can help reduce costly delays in the predevelopment phase of building affordable housing.

4. **Encourage Statewide Zoning Reforms**

CSH hosted an Affordable Housing Development Roundtable Discussion where state zoning reform dominated the discussion as these different and restrictive zoning laws make it incredibly more difficult for developers who want to develop supportive housing.

a. **Upzoning**: This involves changing zoning laws to allow for higher-density housing. By permitting more units per lot, Community-Based Organizations can develop more affordable housing options.

    i. ***State Example:*** *In Houston, Texas, zoning reforms reduced minimum lot sizes over a span of decades. They claim that Houston's 1998 and 2013 upzoning laws facilitated the construction of about 80,000 houses on lots less than 5,000 square feet. Small-lot development has allowed for less expensive housing and created opportunities for more people to live in desirable neighborhoods close to job centers.*

b. **Accessory Dwelling Units (ADUs):** ADUs, such as granny flats or in-law units, can increase affordable housing supply when zoning restrictions are eased. These units, which are often self-contained units on the same lot as the primary single family home, offer a cost-effective way to add affordable housing without requiring major capital investment.

i. ***State Example:*** In 2022, California Governor Newson signed a bill eliminating parking requirements near transit and legalizing mixed-income multifamily housing in all commercial areas. That followed the statewide legalization of accessory dwelling units in 2016, and a 2021 measure allowing property owners to split a single-family home or lot into duplexes or fourplexes.

c. **Inclusionary Zoning** are policies that require or incentivize developers to include a certain percentage of affordable units in new developments that can help ensure that new housing projects contribute to affordability, especially in high-opportunity neighborhoods. Several cities across Pennsylvania have passed Inclusionary Zoning, but the state could consider a statewide inclusionary zoning policy.

    i. ***State Example:*** *Massachusetts has a state-wide inclusionary zoning law known as Chapter 40B, which allows developers to build more densely than local zoning laws would typically allow if they include affordable housing units in their projects.*

d. **Streamlined Permitting Process:** Simplifying and speeding up the permitting process can reduce costs and delays for community-based organizations and developers, making it easier to build new affordable housing.

    i. ***State Example:*** *In 2022, a housing task force appointed by the Governor recommended opening areas zoned for single-family homes to duplexes, triplexes, and fourplexes, and overhauling other restrictive local zoning regulations.*

e. **Elimination of Single-Family Zoning:** Some states have moved away from single-family zoning altogether. Allowing multi-family units in these areas typically restricted to single-family homes increases affordable housing availability, especially in high-opportunity areas.

    i. ***State Example***: *Arizona introduced a bill in 2022 allowing multifamily housing or increased single-family home density on land zoned for agriculture or single-family homes. Following fierce oppositions, the proposal was rewritten to establish a committee to study housing supply.*

5. **Establish Density Bonuses:** Offering developers additional density (more units than normally allowed) in exchange for including affordable housing can encourage the creation of more affordable housing units. This is different from inclusionary zoning, since this provides incentives for affordable housing where municipalities don't have inclusionary zoning laws on the books.

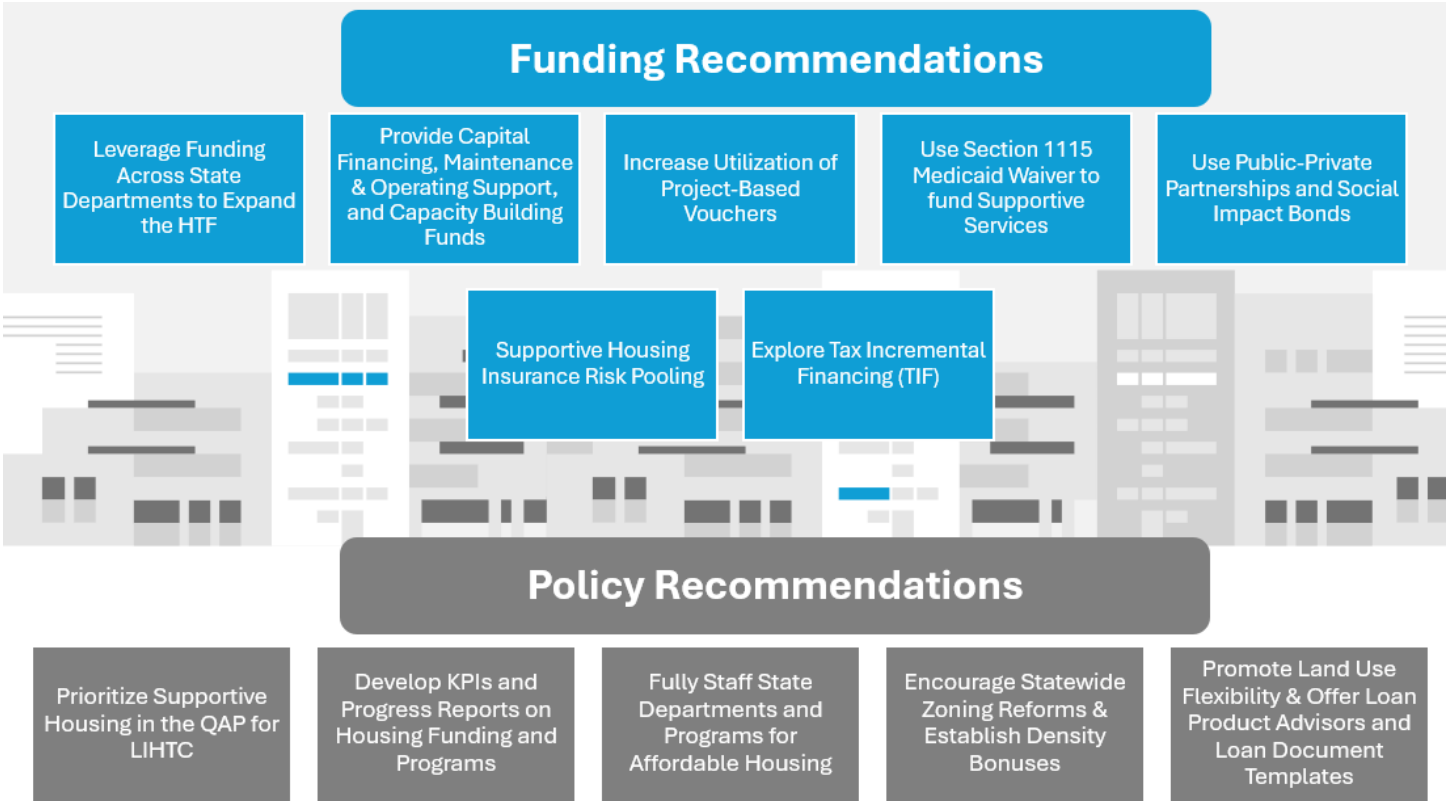
    i. ***State Example:*** *Under the MBTA Communities law passed in 2021 in Massachusetts, multifamily housing at a density of 15 units per acre must be allowed near transit stations, or state funding for infrastructure and other projects will be withheld. Several communities have challenged the policy, and some have indicated willingness to forgo the funding rather than comply.*

6. **Land Use Flexibility:** Allowing for mixed-use developments, where residential units can be combined with commercial or other uses, can create more vibrant and sustainable communities.

    i. ***State Example:*** *Oregon was the first state in the country to ban single family-only zoning by enacting a 2019 law that requires most cities with populations over 1,000 to allow duplexes and requires municipalities of 25,000 or more to allow townhouses, triplexes and fourplexes.*

7. **Loan Product Advisors (LPAs) and Loan Documents:** Legal and consulting costs can be significant when community-based organizations are trying to build affordable housing with federal and state funding sources. To streamline processes, reduce delays, and build technical capacity for smaller developers, Pennsylvania should consider utilizing LPAs and common loan document templates. This will reduce operational and pre-development costs and make it easier and more streamlined for all involved.

    i. ***State Examples:*** *The States of California, New York and Oregon offer loan product advisors and loan document templates to help developers navigate the complexities of affordable housing financing.*



Conclusion

The need for supportive housing in Pennsylvania is both urgent and substantial. The Commonwealth requires 38,000 units to address the needs of its communities. This document has outlined the critical importance of supportive housing, the populations it serves, and the benefits it brings to communities. It has also detailed the costs associated with developing and operating supportive housing, highlighting the financial challenges and the need for data transparency to make informed decisions.

Despite these challenges, the solutions proposed — such as cross-agency collaboration, new funding mechanisms, and policy reforms — offer a clear pathway to achieving the goal of 38,000 supportive housing units. By leveraging successful models from other states and implementing innovative funding strategies, Pennsylvania can create a sustainable and effective supportive housing system.

For more information about these solutions please contact brian.mcshane@csh.org

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