



Veterans Permanent Supportive Housing: Policy and Practice



Presented by

National
Equity
Fund  INC
an affiliate of LISC

Celebrating 25 Years

**MetLife
Foundation**

DEDICATION

WE DEDICATE THIS GUIDE TO ALL OF THE MEN AND WOMEN
OF THE ARMED FORCES. OUR GRATITUDE FOR THEIR SACRIFICES
IS A DAILY REMINDER TO AID THOSE WHO HAVE SERVED.

NHC AND CHP GRATEFULLY ACKNOWLEDGE
THIS REPORT'S PRINCIPAL FUNDERS.



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Veterans Permanent Supportive Housing: Policy and Practice

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MAY 2013



MESSAGE FROM JOE HAGAN



It is time to match our political will with our good intentions and give more veterans the chance to proudly stand on their own two feet again.

When it comes to tackling the crisis of homeless veterans, those of us who work in affordable housing already know what works. Permanent supportive housing gives our most vulnerable military veterans—even those who have spent years bouncing from street to shelter and back again—the chance to reclaim their health and their independence. For many, it offers a future in which they long ago lost hope.

The challenge, of course, is building enough of these facilities to meet the tremendous need. Part of that is about financing, layering the needed public, private, and philanthropic programs to support both the physical development and the services. That is especially true of the Low Income Housing Tax Credit (LIHTC) and project-based HUD-VA Supportive Housing (HUD-VASH) programs, both of which are responsible for much of the new veterans housing being built today.

Part of it is also about aligning federal regulations to eliminate unintended roadblocks. And part of it is about drawing on the experience of what we've already accomplished. Many organizations like National Equity Fund and our parent, Local Initiatives Support Corporation (LISC), have spent years navigating the unique complexities of building high-quality affordable housing. Those lessons point to policy changes that could streamline efforts and the kind of development approaches that succeed.

With this guide, we are hoping to illustrate how to make that happen. Featured here are permanent supportive housing properties that are providing so much more than a bed. They are helping veterans gain job skills and find employment. They help them manage PTSD and conquer substance abuse. They restore their sense of community, of economic security, of honor for their service.

And so, we remain committed to this work. But, we can't do it alone. We need private-sector partners focused on helping drive this effort—partners like MetLife Foundation, which provided funding for this guide as well as for some of the projects we support. And we need a strong federal policy framework so we can increase production and serve more veterans. It is time to match our political will with our good intentions and give more veterans the chance to proudly stand on their own two feet again. They have served our country well. We owe them this chance to recover.

A handwritten signature in black ink, appearing to read "Joe Hagan". The signature is fluid and cursive.

JOE HAGAN
*President and CEO
National Equity Fund*

MESSAGE FROM CHRIS ESTES



NHC remains committed to bringing the efforts of the housing community and veterans service community together to sustain our national commitment to veterans' housing needs.

As you read this guide, I hope it provides a clear picture of the many elements that come together to create a supportive housing environment for veterans in need. The case studies in particular show how large an impact housing and services can have on veterans' lives.

The National Housing Conference (NHC) comes to veterans housing issues from two perspectives. First is the moral imperative. Those who have served our country deserve our help. As later parts of this guide describe, their housing needs are acute and often unmet. We hope we can encourage the housing community to unite around serving the housing needs of veterans. This guide focuses on permanent supportive housing which centers on the most vulnerable veterans, but other policies (and other aspects of NHC's work) address veterans' needs for affordable rental and owned housing more broadly.

Second is the education perspective. Veterans face a range of housing challenges that largely mirror the housing challenges of all in America: rents rising faster than incomes, foreclosures disrupting communities, individuals and families requiring services along with their housing to achieve stability, and the lack of affordable housing near jobs, good schools, and public services. Some veterans face particular difficulties arising from their military service, and housing solutions must address their needs. We hope that those who come to this issue initially through concern for veterans will gain a deeper understanding of how housing affects individuals, families, and communities.

NHC remains committed to bringing the efforts of the housing community and veterans service community together to sustain our national commitment to veterans' housing needs. We are glad to have strong partners like National Equity Fund and MetLife Foundation, who supported this guide. We hope to deepen our nation's commitment to veterans and to affordable housing, for we are all stronger together.

A handwritten signature in black ink that reads "Chris Estes". The signature is written in a cursive, flowing style.

CHRIS ESTES
President and CEO
National Housing Conference

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EXECUTIVE SUMMARY

Veterans returning from service often need tools and resources to transition successfully to civilian life, and permanent supportive housing can help. Permanent supportive housing is an affordable apartment linked with case management and supportive services to address the persistent challenges that put a subset of veterans at risk of homelessness. Permanent supportive housing is a proven solution to veterans' homelessness, a problem that affects men and women who have been recently discharged as well as those who served decades ago. While the full range of veterans' housing needs goes beyond homelessness and includes a broader range of issues such as foreclosure prevention, homeownership assistance, and housing affordability, this guide focuses specifically on solutions for permanently housing homeless veterans.

Existing policies create veterans permanent supportive housing by combining established affordable housing finance programs with supportive services to help veterans find the assistance they need in a stable and affordable living environment. Housing programs such as the Low Income Housing Tax Credit (LIHTC), the HOME Investment Partnerships program, and property-based rental assistance combine with veteran-specific programs such as HUD-VA Supportive Housing (HUD-VASH), Enhanced Use Leases of VA land and buildings, the VA's Grant and Per Diem program, Supportive Services for Veterans Families (SSVF), and others to enable the development and operation of service-enriched properties. The partnership between the Departments of Veterans Affairs and Housing and Urban Development provides a strong basis for expanding assistance over time if the federal government provides the necessary resources and removes the regulatory roadblocks associated with mixing finance programs.

This guide highlights four case studies of veterans permanent supportive housing coming together through the efforts of mission-committed developers, public officials, investors, syndicators, service providers, community leaders, and others. In urban, suburban, and rural settings, these properties give homeless and

very low-income veterans the help they need to achieve stability in their lives.

Early efforts have identified three elements of successful veterans permanent supportive housing that breaks the cycle of homelessness:

1. property-based rental assistance, essential for serving extremely low-income veterans;
2. little or no hard debt, which makes capital from LIHTC, HOME loans, and other gap-financing sources essential; and
3. supportive services, funded by dedicated sources that allow the housing operations and the services to be sustained side by side.

More is needed to build on these early efforts and fulfill the federal commitment to end veteran homelessness. This guide identifies lessons learned and recommends an expansion of the federal programs that create veterans permanent supportive housing while improving their flexibility. In brief, we recommend:

1. Provide additional property-based rental assistance for veterans and improve implementation.
2. Temporarily increase the allocation of Low Income Housing Tax Credits to create affordable rental housing for veterans.
3. Improve the VA's real estate capability and flexibility.
4. Make FHA multifamily financing more compatible with property-based services.
5. Provide additional capital gap financing for veterans permanent supportive housing.
6. Sustain and expand funding for supportive services that combine with housing to help veterans in need.

VETERANS HOUSING NEEDS

Veterans returning from service need tools and resources to transition successfully to civilian life, and permanent housing is an important part of that transition. Permanent supportive housing is a proven solution to veterans' homelessness,¹ a problem that affects men and women who have been recently discharged as well as those who served decades ago. While the full range of veterans' housing needs goes beyond homelessness to encompass a broad range of factors including foreclosure prevention, homeownership assistance, and housing affordability, this guide does not attempt to address all of these topics. Rather, the goal here is to highlight policies and programs for permanently housing homeless veterans.

Homelessness and poverty affect a large subset of veterans. Currently 62,619 veterans are homeless on any night,² and more than twice as many stay in a homeless shelter or transitional housing over the course of a year.³ Around 1.4 million veterans live in poverty.⁴ Veterans with particularly high rates of homelessness include African-Americans, women, veterans with disabilities, young veterans,⁵ and those who served in the early All-Volunteer-Force (immediately post-Vietnam).⁶ Those who served in Afghanistan or Iraq (OEF/OIF) may also be at increased risk.⁷ OEF/OIF veterans have higher rates of homelessness and tend to become homeless more quickly after discharge than veterans from the same era who did not serve in OEF/OIF.⁸ They are also more likely to have mental disorders (such as post-traumatic stress disorder) and substance use disorders compared with both housed OEF/OIF veterans and homeless non-OEF/OIF veterans.⁹

Veterans are overrepresented in the nation's homeless population. While around one in ten adults is a veteran, one out of every six homeless adults is a veteran.¹⁰ The

Currently 62,619 veterans are homeless on any night

reasons for this are complex; service-connected disability, traumatic brain injury, substance abuse problems, mental illness, and military sexual trauma, as well as other non-military factors, all increase a veteran's risk of homelessness.¹¹

A concerted effort reduced the number of homeless veterans by 17 percent between 2009 and 2012,¹² yet the problem is still large. Veterans who served in Iraq and Afghanistan are entering homelessness more quickly after discharge than veterans from other eras.¹³ More than half of veterans using VA homeless assistance programs have been homeless for longer than a year.¹⁴ Continued effort is needed to house chronically homeless veterans and prevent returning veterans from entering homelessness, and one of the keys is permanent supportive housing.

Veterans' homelessness is a national problem. Homeless veterans live in every state in the nation and can be found in cities, suburbs, and rural communities. Although the need for veterans' permanent supportive housing is widespread, it is more heavily concentrated in particular states. California, Florida, New York, and Texas are home to half of all homeless veterans, but contain just 32 percent of the U.S. population and 28 percent of all veterans.¹⁵ While rural states are home to fewer homeless veterans overall, veterans generally make up a more substantial portion of the homeless population in these areas. In Kansas, for example, more than one of every three homeless people is a veteran while in West Virginia, one of every four homeless people is a veteran.¹⁶

AROUND 1.4 MILLION VETERANS LIVE IN POVERTY

POLICIES IN PLACE FOR VETERANS PERMANENT SUPPORTIVE HOUSING

Existing policies offer a set of tools for creating veterans permanent supportive housing that draw on a combination of existing rental housing and veteran-specific programs, particularly around services. The initial effort at partnership between the Departments of Veterans Affairs (VA) and Housing and Urban Development (HUD) is a promising area for future policy development. Building on that strong partnership with additional resources, flexibility in programs, and attention to permanent supportive housing will help both agencies fulfill their commitments to end veteran homelessness and to assist the many other homeless and at-risk individuals and families. Below, we highlight major programs that specifically enable permanent supportive housing, recognizing that there are other programs that address veterans' needs.

VETERANS HOUSING PROGRAMS

- ▶ **HUD-VA Supportive Housing (HUD-VASH)** stands out as an effective tool for combating veteran homelessness. It combines rental assistance through HUD Housing Choice Vouchers with case management through the VA. Most HUD-VASH vouchers are deployed as portable assistance for use in any rental housing that will accept them, but in 2010 HUD allocated a national pool for project-based assistance. Of the 48,400 HUD-VASH vouchers in circulation, only around 1,300 are property-based. Some public housing authorities have also used portions of their HUD-VASH allocation for project-based assistance, enabling the creation of new permanent supportive housing units.
- ▶ The **VA's Grant and Per-Diem** program funds community agencies to serve homeless veterans using a combination of capital grant and operation subsidy for supportive housing and supportive services. The program primarily aims at providing temporary or transitional assistance, but it has also been used at sites providing permanent supportive housing among other options. It has a strong

network of providers and, with additional flexibility in program rules, could become more compatible with long-term housing.

- ▶ **Enhanced Use Leases (EUL)** provide excess VA-owned land and buildings as sites for permanent supportive housing for veterans. Thus far, the VA has approved thirty-seven EUL sites for veterans housing on VA medical center campuses that enhance provision of supportive services to chronically homeless veterans.¹⁷
- ▶ The **Supportive Services for Veteran Families Program (SSVF)** funds nonprofits for outreach, case management, and assistance in obtaining VA and other supportive services. Although SSVF is not specifically housing assistance, it provides essential resources that allow service providers to make commitments to veterans housing properties.

RENTAL HOUSING PROGRAMS

- ▶ The **Low Income Housing Tax Credit** (known as LIHTC or the Housing Credit) is the largest federal rental housing development program, and most veterans housing properties rely on it. For many of these properties, the Housing Credit pays for more than half of the total development cost. Developers compete for allocations of Housing Credits, which are awarded by state agencies, then typically sell the allocation to investors who provide the upfront capital to develop the property. The investors make a long-term commitment to the property and receive federal tax credits as long as the property operates as pledged. Programs such as the **Historic Tax Credit** and **New Markets Tax Credit** often complement Housing Credit property investments. The tax credit programs are part of the tax code and do not rely on appropriations. They may, however, be threatened by efforts toward overall tax reform.

- ▶ Block grant programs—**the HOME Investment Partnerships (HOME)** and **Community Development Block Grants (CDBG)**—provide essential capital support to veterans permanent supportive housing properties, although recent cuts have hurt. The HOME program has been cut by half in recent years, and CDBG by one-third. This limits state and local ability to finance permanent supportive housing properties.
- ▶ **Property-based rental assistance**, which includes **Project-based Section 8, project-based Housing Choice Vouchers**, and other forms of rental assistance attached to a specific property, is essential when serving extremely low-income residents whose incomes simply cannot approach the rent needed to operate the property, much less pay for services. Resources for new project-based rental assistance are increasingly scarce, making it one of the primary limiting factors in the creation of new permanent supportive housing for veterans.

HOMELESSNESS ASSISTANCE PROGRAMS

- ▶ **HUD's McKinney-Vento Homeless Assistance Programs**, grouped together under **HUD's Continuum of Care**, help families, including veterans, move out of emergency or transitional housing and into more stable long-term housing, thereby keeping assistance available for those who need it most and preventing homelessness whenever possible. Homeless assistance has been reauthorized through the Homeless Emergency and Rapid Transition to Housing (HEARTH) Act and further supported by funding in 2009 through the Homelessness Prevention and Rapid Re-Housing Program and Emergency Solutions Grants, but these programs need renewed support.

STATE AND LOCAL PROGRAMS

- ▶ **Commitments from public agencies or nonprofit providers** help give capital providers confidence that unfunded service obligations will not endanger the real estate upon which the residents and service providers rely. These commitments rely on many sources of social service funding at the state and federal levels.
- ▶ **The Affordable Housing Program of the Federal Home Loan Banks** provides capital assistance to affordable housing properties, including veterans permanent supportive housing. The Federal Home Loan Banks provide 10% of their net income each year to aid projects that serve a wide range of neighborhood needs and this funding often combines with the Housing Credit and other sources.
- ▶ **State tax credits, housing trust funds**, and similar sources help to fill the financing gap between Housing Credit equity and the cost of construction. State and local commitment to permanent supportive housing varies widely and can be vulnerable to budget cycles.

The case studies included in this guide illustrate the ways many programs combine to create permanent supportive housing from diverse funding streams to sustain both the affordable homes and the supportive services.

ELEMENTS OF SUCCESSFUL VETERANS PERMANENT SUPPORTIVE HOUSING

Experience with some of the first veterans permanent supportive housing properties revealed three elements crucial to program success, each with particular lessons for policy:

- 1. Property-based rental assistance**, essential for serving extremely low-income veterans at risk of homelessness. Veterans who need permanent supportive housing cannot afford rent at the levels necessary for covering a property's operating costs, much less pay for supportive services. To leverage capital for property development, rental assistance contracts must be long term (generally 15 years or more) so they match the investment commitment and financing terms needed to make a development plan financially feasible. A small percentage of HUD-VASH vouchers (approximately 750) were allocated for project-based assistance in 2010. Some properties also use project-based Housing Choice Vouchers or VA Grant and Per Diem assistance (although there are substantial regulatory complications to the latter).
- 2. Little or no hard debt**, because a typical property's potential revenue is unlikely to cover ongoing mortgage payments. This means capital from Housing Credits, HOME loans, and other gap-financing sources must fund its capital cost. Although affordable housing without supportive services can usually support some amount of third-party mortgage debt, permanent supportive housing properties for the homeless—some of whom are disabled and chronically homeless—rarely can. This service-intensive population has little rent-paying ability, and the additional complexity of supportive service program requirements makes underwriting by any but the most specialized lenders impractical. From a policy perspective, this means capital subsidy bears a higher burden; however, the resulting properties are even more financially stable than typical Housing Credit properties, which have a default rate of only 0.08%, far lower than the average apartment property.

Veterans who need permanent supportive housing cannot afford rent at the levels necessary for covering a property's operating costs, much less pay for supportive services.

- 3. Dedicated supportive services funding**, from public- or private-sector partners. As with rental assistance, long-term commitments are essential to assure capital providers that the housing and the services are both sustainable over time. Basing supportive services at the property allows creation of a campus-like environment in which veterans can learn from and support their peers, drawing on traditions from military service. Early crisis intervention is more feasible in this context, as is peer-to-peer counseling. Transportation is often a barrier for veterans seeking help, and for properties developed on or near VA medical centers, proximity makes it easier for veterans to access medical, mental health, and other services.

When combined, these three elements result in properties that provide a supportive, stable environment for veterans struggling with multiple challenges.

In addition, development creates jobs in local communities. A typical 100-unit Housing Credit property creates 122 construction-related jobs plus additional jobs related to ongoing operation. Over time, the properties are financially stable, architecturally appealing, and a welcome addition to neighborhoods.

CASE STUDIES OF VETERANS PERMANENT SUPPORTIVE HOUSING

Hope Manor Apartments Chicago, IL

Hope Manor is a tribute to those who have served and a place where those who still struggle can find help. This permanent supportive housing development honors each resident with a brick displaying their name in the Hall of Heroes on the first floor. The property provides 50 apartments for homeless veterans in Chicago. The first of its scale in the area, Hope Manor also provides

This permanent supportive housing development honors each resident with a brick displaying their name in the Hall of Heroes on the first floor

comprehensive wrap-around supportive services in a flexible continuum of resources, ranging from immediate and intensive services to less intensive but longer-term support. The development opened its doors in December 2011 and was fully leased in May 2012.

ON-SITE SERVICES AND AMENITIES

Volunteers of America and Volunteers of America of Illinois developed Hope Manor Apartments in a joint venture. The property provides residents a supportive environment with a peer-driven culture in which veterans help each other progress. They are aided by case managers, clinic staff members, and other support staff who create individualized plans for each resident to help them achieve self-sufficiency. The property includes on-site services for residents including primary health and mental health services, a business resource center, a





COURTESY VOLUNTEERS OF AMERICA OF ILLINOIS

Hope Manor Apartments Chicago, IL

- 50 apartments
- No hard debt
- HUD-VASH project-based vouchers
- HUD project-based Housing Choice Vouchers
- HOME loan from Illinois Housing Development Authority
- Low Income Housing Tax Credits
- VA Capital Grant and Per Diem
- City of Chicago loan and land donation
- Equity Replacement Program funds from IHDA
- Federal Home Loan Bank Affordable Housing Program loan
- Illinois donation tax credit
- Illinois energy efficiency grant

fitness center, computer classes, employment training, and substance abuse counseling. Resident Rochae Holly, a Coast Guard veteran, described the computer room in the service center as “a very, very good resource, giving me a little bit more support to stand on my own two feet.”¹⁸ The building is located near off-site health care, supermarkets, parks, churches, and train/bus lines as well as other amenities.

Veterans also have the opportunity to spend time in the campus’s Veterans Memorial Garden or stroll through the Hall of Heroes. Hope Manor incorporates green building elements such as on-site solar panels dedicated to hot water delivery, a green roof, and a high efficiency mechanical system among other green design elements.

COMMUNITY SUPPORT AND CHALLENGES

In the initial stages of the project, finding a site for Hope Manor was a challenge because of neighborhood opposition in each potential location. The project came to fruition when Alderman Walter Burnett, a member of the 27th Ward neighborhood on the west side of Chicago,

led an effort to convince his community that Hope Manor belonged there. Eventually, the City of Chicago donated land in the West Humboldt Park neighborhood where Hope Manor now stands.

FINANCING

Hope Manor wove together multiple funding sources including donated land from the city, Housing Credits syndicated by the National Equity Fund, a HOME loan, financial support from the Illinois Housing Development Authority, a VA Capital Grant, an Illinois grant for energy efficiency, Illinois donation tax credits, and other sources. Rental assistance and operating support comes from project-based Housing Choice Vouchers and project-based HUD-VASH vouchers. The project faced high development costs due to environmental remediation at the final site, higher upfront costs for building energy efficient units, as well as other expenses related to the wrap-around services model.

CASE STUDIES OF VETERANS PERMANENT SUPPORTIVE HOUSING

Silver Star Apartments I Battle Creek, MI

Creating permanent supportive housing for veterans on the campus of a VA medical center makes supportive services uniquely accessible to veterans in need. Silver Star Apartments I in Battle Creek, Michigan, was the first property to employ an Enhanced Use Lease to make such a location possible. The resulting 76 units of permanent supportive housing targeting homeless veterans provide on-site and off-site supportive services including access to healthcare, job training, and more.

On any given day, Calhoun County has approximately 1,800 homeless residents, 356 of whom are veterans. The State of Michigan has taken an active role in addressing the needs of the homeless population by creating a 10-year plan to end homelessness, starting in 2005, with state, local, and nonprofit partners. As part of this plan, Michigan built 225 permanent supportive housing units to house homeless veterans, including the Silver Star apartments. The apartments were financed by the Michigan State Housing Development Authority (MSHDA) in partnership with the developer, Medallion Management, the VA, the VA Medical Center, and local service agencies. The project's success led to a Phase II, with 101 units currently in progress.



COURTESY OF MEDALLION MANAGEMENT, INC.



Silver Star Apartments I Battle Creek, MI

- 76 apartments
- MSHDA HOME loan is the only hard debt
- HUD project-based Housing Choice Vouchers
- HOME-funded soft second mortgage
- Low Income Housing Tax Credits
- VA Enhanced Use Lease

This was reportedly the first time a private developer was allowed to use a VA property with an Enhanced Use Lease for veterans permanent supportive housing; the practice has since become an important tool for similar properties.

ONSITE SERVICES AND AMENITIES

Family Home Health Services and Summit Pointe coordinate the supportive services which include case management, psychiatric, mental wellness, and rehabilitation services, along with substance abuse treatment, skills training, continuing education, and help gaining access to entitlement programs. The apartment homes include basic furniture and a balcony, and the building's amenities include community rooms, a gym, a computer room, a greenhouse, a theater, and laundry facilities.

CHALLENGES

Because the \$8 million project is located on the VA Medical Center campus in Battle Creek, Medallion Management had to negotiate an enhanced use lease agreement to build on federal land. The process for this was lengthy but with the support of Senator Debbie Stabenow and work by MSHDA, HUD, the VA, local services providers, and others, the property eventually

obtained a 75-year lease. This was reportedly the first time a private developer was allowed to use a VA property with an Enhanced Use Lease for veterans permanent supportive housing; the practice has since become an important tool for similar properties.

FINANCING

MSHDA provided a fully amortizing 35-year fixed-rate HOME loan for \$1.6 million. Using HOME funds allowed this loan to have a very low debt service cost to the property. A second MSHDA HOME loan of nearly \$2.5 million covered much of the remaining financing gap. Silver Star was the first Housing Credit development in Michigan to provide permanent supportive housing to homeless veterans. Medallion Management sold the credits to Great Lakes Capital Fund for \$4.7 million in equity through a multi-investor fund. The developer now has a 75-year Enhanced Use Lease with the VA. All of the units have HUD project-based vouchers that stay with the unit to keep it affordable.

CASE STUDIES OF VETERANS PERMANENT SUPPORTIVE HOUSING

New Directions Sepulveda I and II Los Angeles, CA

Located in the North Hills neighborhood of the San Fernando Valley, the New Directions Sepulveda property will bring much-needed housing and services to homeless veterans in the Los Angeles area. The property converts two vacant former hospital buildings on the 160-acre campus of the VA Sepulveda Ambulatory Care Center into 147 apartments with wrap-around services

The long-term lease and strong commitment from public agencies along with concerted outreach by supporters of the project helped to educate the community about how much the property could do to help homeless veterans.

provided on campus including case management, employment counseling, medical care, mental health, dental, and others. The properties expect to open in 2013.

The need is acute in the Los Angeles area, which has one of the largest homeless veteran populations in the country. Veterans there have a higher rate of homelessness than the general population, and 30% of the area's homeless veterans are chronically homeless — an increase of 19 percent since 2009.¹⁹

The project team brings together entities with essential experience in serving veterans. New Directions, the on-site service provider, has been working on veterans issues in the Los Angeles area since 1992 and has helped thousands of veterans facing a multitude of challenges find housing and employment. The affordable housing developer, A Community of Friends, has completed over 1,000 units of supportive housing in Southern California. The National Equity Fund will syndicate the Housing Credits to Bank of America's proprietary fund and bring its extensive experience in veterans permanent supportive housing as well.



COURTESY OF NEW DIRECTIONS, INC.



COURTESY OF NEW DIRECTIONS, INC.

New Directions Sepulveda I and II Los Angeles, California

- 147 apartments
- No hard debt
- HUD-VASH project-based vouchers
- HUD project-based Housing Choice Vouchers
- Low Income Housing Tax Credits
- VA Land & Improvement donation
- VA Enhanced Use Lease
- VA MilCon Capital Funds
- California DHCD soft loan
- Predevelopment funds from LISC and CSH

ON-SITE SERVICES AND AMENITIES

New Directions will serve previously homeless disabled veterans who struggle with physical disabilities, mental health disorders, chronic substance abuse, and other issues by using an independent living model which focuses on behavioral skills building. The focus with this specific population will be on-site case management, crisis management, and socialization. The basement of the first building will be turned into a kitchen, dining room, community space, and office space for staff and property management. The design elements of the two buildings will include features to draw the residents out of their units into well-lit community spaces for interaction with other veterans and staff outside of the offices.

The residents will have access to healthcare on site as well as through the surrounding affiliated hospitals, such as the USC School of Medicine and the UCLA School of Medicine. Since a majority of the resident referrals will be coming from VA Grant and Per Diem providers, all residents will already have a primary care physician. Employment counseling will be provided through Chrysalis, a well-known at-risk jobs training program in Los Angeles.

COMMUNITY SUPPORT

Garnering community support for this project has been a challenge, one that was overcome in part through

strong partnerships with state and federal agencies. There was concern by veterans, elected officials, and neighborhood councils that the buildings on the VA campus, which have been vacant for 10 years, should be maintained as medical facilities and not turned into housing, equating the turnover as a loss to veterans' health care services more broadly.²⁰ However, the long-term lease and strong commitment from public agencies along with concerted outreach by supporters of the project helped to educate the community about how much the property could do to help homeless veterans. The VA owns the property and has granted a 75-year Enhanced Use Lease to New Directions and A Community of Friends for the buildings. The project broke ground in early 2012.

FINANCING

Neither building carries fully-amortizing hard debt. The California Department of Housing & Community Development Multifamily Housing Program provided a loan which requires only a small repayment every year. Equity comes from a LIHTC allocation, and a VA capital contribution helped to bridge the financing gap. Essential rental assistance comes from project-based HUD-VASH vouchers and project-based Housing Choice Vouchers. Additionally, LISC and the Corporation for Supportive Housing (CSH) provided predevelopment funding.

CASE STUDIES OF VETERANS PERMANENT SUPPORTIVE HOUSING

American Legion Apartments Jewett City, CT

Not all veterans permanent supportive housing properties rely on Housing Credits, as illustrated by the American Legion Apartments in Jewett City, Connecticut. Instead, this small property in a rural setting accessed rental assistance through project-based HUD-VASH vouchers, state funding for services, and a combination of grants and state funding for capital. The initial idea from Legionnaire Bill Czmyr was followed by tireless efforts by the entire American Legion development team, the Women’s Institute for Housing and Economic Development, the VA, Connecticut Housing Finance Agency, and many others to create the 18 permanent supportive housing units for homeless and low-income veterans. The facility is located in the top floor of

“Wow, this room is bigger than the entire apartment I was at.”

LaFlamme-Kusek Post 15 and in an adjacent building built by The American Legion Veterans Housing, Inc. (TALVHI), and is managed by Demarco Management Corporation.

The veterans who now call the property home greatly appreciate the assistance. Dr. Laurie Harkness, Director of the VA Connecticut’s Errera Community Care Center, reports one new resident remarked, “Once I move in, I’ll be like a cockroach...you will never get rid of me.” Another observed, “Wow, this room is bigger than the entire apartment I was at.”



COURTESY OF THE WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT



American Legion Apartments Jewett City, CT

- 18 apartments
- No hard debt
- HUD-VASH project-based vouchers
- State housing tax credits
- Donated land and buildings
- State funding for supportive services
- Connecticut Next Steps supportive housing program
- State and utility company grants
- Private donations

ON-SITE SERVICES AND AMENITIES

Residents, referred by the state VA office, receive on-site case management provided by the State Department of Mental Health to address long-term and short-term needs related to mental illness and substance abuse. A local bank provides job training and financial advice. The building includes community space for gatherings, furnished rooms, and a gym.

COMMUNITY SUPPORT AND CHALLENGES

Avery Tillinghast, fundraising chief for TALVHI, finds the community is extremely supportive of the project, saying, “Other communities have had push back from their residents when they’ve tried to do this sort of project in the past, but we’ve received nothing but support from the town.” The historic character of the renovated building and its highly visible location in downtown likely helped the property’s appeal. Most of

the development challenges therefore resulted from the difficulties of financing a small property in a rural area, for which even minor development costs loom large.

FINANCING

Many sources came together to create the property, starting with the building donated by the American Legion. Project-based HUD-VASH vouchers through the Connecticut Department of Social Services provide essential rental assistance for 15 of the units. Capital support came from Connecticut’s Next Steps supportive housing program and state tax credits through Connecticut Housing Finance Agency, plus additional grants from Connecticut Economic Development Commission, Connecticut Supportive Housing, Connecticut Light & Power, and private donations. Early design funding came from a federal earmark approved by Representative Joe Courtney.

“Other communities have had push back from their residents when they’ve tried to do this sort of project in the past, but we’ve received nothing but support from the town.”

RECOMMENDATIONS

The properties profiled here illustrate that veterans permanent supportive housing can provide effective support for veterans and be financially feasible when the right mix of policies are in place. Policy must provide adequate resources for the development and ongoing operation of veterans permanent supportive housing. Specifically, veterans permanent supportive housing requires project-based rental assistance, substantial development subsidies that minimize or eliminate the need for hard debt, and a reliable source of funding for supportive services.

Building on the work of NHC's Veterans Rental Housing Working Group, we recommend several ways to strengthen the federal commitment to veterans housing and make the policies it uses more effective.

- 1. Provide additional project-based rental assistance for veterans and improve implementation.**

The single scarcest resource in the creation of permanent supportive housing for veterans is rental assistance to support property operations. We recommend making available an additional increment of 10,000 new HUD-VASH vouchers and prioritizing at least 15% of these for project-based assistance that enables the creation of new units, either in veterans-only properties or in mixed-use approaches. HUD could repeat the allocation process it used in 2010 for this purpose. In addition, small implementation changes would make creation of new veterans permanent supportive housing units more efficient. Allowing an adequate administrative fee for agencies administering HUD-VASH and using a longer project readiness timeline to coordinate financing commitments, complemented by performance benchmarks to keep projects on track and making HUD-VASH more compatible with the development process, would encourage more development of permanent supportive housing for veterans. HUD and the VA should target their awards of project-based assistance to properties adjacent to or containing on-site services for chronically homeless veterans.
- 2. Temporarily increase the allocation of Low Income Housing Tax Credits to create affordable rental housing for veterans.**

We need a surge of resources to address the immediate and substantial need to provide veterans rental housing that goes beyond the high baseline need for affordable rental housing. A three-year increase of 7% in the per capita allocation would allow states to respond to the growing need without sacrificing ongoing housing development and preservation. Giving states the option to take all three years of increase in a single year would enable even smaller states to fund at least one veterans housing property. The federal government could also encourage states to target the increase for properties serving veterans, either exclusively or in mixed settings. In addition, we should exempt those veterans returning to school from the student housing rule. The Housing Credit is the largest and most effective current program for creating rental housing. It combines the flexibility of state-level allocation with private capital investment and asset management, and it has been an essential capital source for most of the permanent supportive housing developed to serve veterans.
- 3. Improve the VA's real estate capability and flexibility.**

Multifamily real estate development demands specialized knowledge and skills, while the particular niches of veterans and permanent supportive housing demand even greater skills. Creating an Office of Veterans Rental Housing within the VA, staffed by real estate professionals, would facilitate projects that rely on essential support from the VA to implement their programs, be they Enhanced Use Leases of VA land and buildings, supportive services, or capital grants. NHC's Veterans Rental Housing Working Group has offered to volunteer members' time to help the VA create model leases and project documents that can standardize and streamline property development.

4. Make FHA multifamily financing more compatible with property-based services. Existing underwriting restrictions limit how much space a property can devote to supportive services (which are treated incongruously as commercial space). Allowing supportive services income for up to 20% of total property income in Section 221(d)4 financing as standard underwriting and allowing waivers of up to 30% of total income in all FHA programs would align with the requirements of most veterans supportive housing properties.

5. Provide additional gap financing for veterans permanent supportive housing. Veterans permanent supportive housing properties typically use little or no hard debt and require additional gap financing to make projects financially feasible. HUD and the VA could expand their successful HUD-VASH partnership to address this need with new gap financing funds allocated from the VA to be awarded through a HUD NOFA, parallel with HUD-VASH (though not necessarily restricted to recipients of property-based assistance). HOME program rules could be adapted to govern this additional assistance.

6. Sustain and expand funding for supportive services that combine with housing to help veterans in need. Permanent supportive housing requires dedicated service funding separate from the resources that sustain the real estate. Federal programs play an essential role, including the case management provided by the VA, the Grant and Per Diem program, SSVF, the McKinney-Vento Continuum of Care programs to address homelessness, Emergency Solutions Grants, and more.

Properties like Hope Manor, Silver Star Apartments, New Directions Sepulveda, and American Legion Housing show how permanent supportive housing can bring stability and a helping hand to veterans in need while enhancing the surrounding community. More is needed to build on these early efforts and fulfill the federal commitment to end veteran homelessness.

VETERANS PERMANENT SUPPORTIVE HOUSING
REQUIRES PROJECT-BASED RENTAL ASSISTANCE,
SUBSTANTIAL DEVELOPMENT SUBSIDIES THAT MINIMIZE
OR ELIMINATE THE NEED FOR HARD DEBT, AND A RELIABLE
SOURCE OF FUNDING FOR SUPPORTIVE SERVICES.

ENDNOTES

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