



ENDING LONG-TERM HOMELESSNESS IN MINNESOTA

Report and Business Plan of the Working Group on Long- Term Homelessness

Submitted by

**Minnesota Department of Human Services
Minnesota Department of Corrections
Minnesota Housing Finance Agency**

Prepared for

The Minnesota Legislature

March 2004



March 15, 2004

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State of Minnesota

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**Re: Ending Long-Term Homelessness in Minnesota—Working Group Status Report and
Business Plan**

We are pleased to submit the status report of the Working Group on Long-Term Homelessness required by Laws of Minnesota 2003, Chapter 128, Article 15, Section 9.

Persons experiencing long-term homelessness represent a portion of our broader homeless population who regularly experience homelessness or are homeless for long periods of time. Most of the estimated 3,300 persons experiencing long-term homelessness are single adults, but there are a significant number of families with children. The vast majority suffer from a mental illness, chemical dependency, or experience other significant disabilities and difficulties.

Persons experiencing long-term homelessness have fallen through the cracks of our housing and social service safety net. Homelessness can be life threatening and is a tragic loss of human potential. This is particularly true for children who are homeless, as nearly one in ten homeless children become homeless

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adults. Persons experiencing long-term homelessness also consume a disproportionate amount of expensive "crisis services" provided by emergency rooms, shelters, detox facilities, the child protection system, and criminal justice systems. This is unnecessarily costly to taxpayers.

Minnesota and the nation have not ignored the crisis of homelessness. Federal, state, and local government, in partnership with the private sector, foundations, and nonprofit organizations, have helped thousands move out of the despair of long-term homelessness and have prevented thousands more from falling victim to it. We have learned much from these efforts.

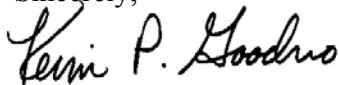
The 2003 legislature, at the request of Governor Tim Pawlenty, asked us to convene a broadly representative working group to build on what we have learned and develop a comprehensive plan to address the issue of long-term homelessness in Minnesota. In response, a knowledgeable, enthusiastic, and committed working group, as well as other stakeholders, and the staffs of numerous agencies and organizations devoted thousands of hours over the last several months to this effort. (Attached is a list of Working Group members.) In addition, several interviews were conducted with persons experiencing long-term homelessness. The result is an estimated \$540 million "business plan" to end long-term homelessness in Minnesota by the end of 2010.

This goal is an aggressive, stretch goal and a call to continued action to the "many hands" whose participation is essential. State government cannot do it alone. Success will require resources, but we must also aggressively pursue reforms and efficiencies in our housing and social service delivery systems. Success also will require accountability, so there must be rigor in measuring and reporting outcomes and making necessary changes to the plan as we implement it. Finally, success will require persistence, as all of the stakeholders must stay at the table until the goal is achieved.

The accompanying status report and business plan provides factual background on persons experiencing long-term homelessness, housing and social service recommendations, and financial and implementation strategies. As we proceed with the necessary work to review, refine, and implement the plan, it will be important to not lose focus on the stark and tragic reality of long-term homelessness to persons who experience it, and the compelling opportunity we have to replace their current despair with opportunity and hope for the future.

On behalf of the Working Group on Long-Term Homelessness, to whom we express our thanks and appreciation for their hard work and dedication, we are pleased to present this report. We are also pleased to report that the members of the Working Group have unanimously endorsed this report.

Sincerely,



Kevin Goodno
Commissioner
Department of Human Services



Joan Fabian
Commissioner
Department of Corrections



Tim Marx
Commissioner
Housing Finance Agency

Attachment

cc: Secretary of the Senate
Chief Clerk of the House
Legislative Reference Library

WORKING GROUP ON LONG-TERM HOMELESSNESS

The report “Ending Long-Term Homelessness In Minnesota” is presented by the following members of the Working Group on Long-Term Homelessness pursuant to *Laws of Minnesota, 2003, Chapter 128, Article 15, Section 9*.

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* Barbara Sporlein left the St. Paul PHA, January 2004

** Appeared as an alternate: Lisa Potswald, St. Louis County, for Linda Anderson; Tom Koon, U.S. Housing and Urban Development, for Shawn Huckleby; Kelly Harder, Blue Earth County, for Bob Meyer; and Bill Vanderuall, Lutheran Social Services, for Mark Stutrud.

The Working Group on Long-Term Homelessness acknowledges and thanks those who provided invaluable assistance to this effort:

Sharon Autio, Department of Human Services; Kathy Bique, Department of Employment and Economic Development; Keith Bogut, Department of Finance; Katie Burns, Department of Finance; Janel Bush, Department of Human Services; Bill Donnay, Department of Corrections; Christine Eilertson, Department of Human Services; Ward Einess, Office of Governor Pawlenty; Duane Elg, Department of Human Services; Donald Eubanks, Department of Human Services; Maria Gomez, Department of Human Services; June Heineman, Wilder Research Center; Jim Huber, Department of Human Services; Doug Green, Department of Finance; Connie Greer, Department of Human Services; Tom Harren, Department of Finance; George Hoffman, Department of Human Services; Connie Hoye, Minnesota Housing Finance Agency; Leona Humphrey, Department of Employment and Economic Development; Louis Jambois, Department of Employment and Economic Development; Carolee Kelley, Department of Human Services; Marcia Kolb, Minnesota Housing Finance Agency; Mari Konesky, Department of Human Services; Tim Lanz, Department of Corrections; Vern LaPlante, Department of Human Services; Pat Leary, Department of Human Services; Troy Mangan, Department of Human Services; Eric Mattson, Minnesota Housing Finance Agency; Rhonda McCall, Minnesota Housing Finance Agency; Emily Farah Miller, Department of Human Services; Bob Odman, Minnesota Housing Finance Agency; Tonja Orr, Minnesota Housing Finance Agency; Patricia Orud, Department of Corrections; Greg Owen, Wilder Research Center; Wayne Raske, Department of Human Services; Dave Schultz, Department of Human Services; Ellen Shelton, Wilder Research Center; Cherie Shoquist, Minnesota Housing Finance Agency; Ron Solheid, Department of Corrections; Diane Sprague, Minnesota Housing Finance Agency; Julie Stahl, Minnesota Housing Finance Agency; and Heidi Whitney, Minnesota Housing Finance Agency.

Ending Long-Term Homelessness in Minnesota Report and Business Plan of the Working Group on Long-Term Homelessness

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ENDING LONG-TERM HOMELESSNESS IN MINNESOTA REPORT SUMMARY

1. Introduction and Purpose of Report

In 2003, the Minnesota legislature, at the request of Governor Tim Pawlenty, directed the state Commissioners of Human Services, Corrections, and Housing Finance to convene a broadly representative working group to address the issue of long-term homelessness in Minnesota.¹ In response, a Working Group on Long-Term Homelessness was established in the summer of 2003. As requested by the legislation, this document provides a status report on the efforts of the Working Group. The Working Group, as well as other stakeholders and interested parties, devoted thousands of hours to better understand long-term homelessness and, most importantly, to develop a comprehensive strategy, a business plan, to end it.

The materials that comprise this report, including the appendices and the bibliography, provide a comprehensive set of reference materials on long-term homelessness and set forth the broad and varied perspectives and experiences that Working Group members and other stakeholders, including persons who are currently homeless, contributed. Not all of this information could be included in the report itself, but all of it will be part of the official record of the Working Group so that it can inform implementation of the business plan.

Persons who experience long-term homelessness represent a subset of the overall homeless and near homeless population in Minnesota. As requested by the legislature, the focus of this report and the recommended business plan is on the needs of persons experiencing long-term homelessness. However, as the needs of individuals, youth, and families with children experiencing long-term homelessness are addressed, it is important to not lose focus on the needs of the broader homeless population and those who are at risk of homelessness. This plan is structured, and must be implemented, so that the broader homeless situation is not made worse.

The remainder of this summary, and the full report, is set forth as follows:

- Working Group Process (Section 2);
- Homelessness: An Overview (Section 3);
- Long-Term Homelessness: An Overview (Section 4);
- Supportive Housing (Section 5);
- Response to Questions and Issues Posed to the Working Group (Section 6);
- Seven Year Approximately \$540 Million Business Plan to End Long-Term Homelessness (Section 7); and
- Conclusion: An Opportunity to Succeed (Section 8).

¹ Long-term homelessness is defined as being without permanent shelter for at least 12 months or four times in the last three years. Long-term homelessness is also often referred to as “chronic” homelessness; this report will use the term “long-term homelessness”.

2. Working Group Process

The Working Group consisted of 30 members representing counties, state agencies, the federal government, philanthropic organizations, local housing and redevelopment authorities, nonprofit organizations, faith-based organizations, developers and business interests. The Working Group was chaired by the Commissioners of Human Services (Kevin Goodno and designee Assistant Commissioner Maria Gomez), Corrections (Joan Fabian), and Housing Finance (Tim Marx). Approximately 200 other stakeholders, representing 100 organizations, provided valuable input. In addition, a number of less formal meetings with service providers, local governments, developers, architects, contractors, property owners and landlords, and persons currently experiencing homelessness provided valuable input into the process. Finally, a committed group of knowledgeable state agency and department staff from Human Services, Corrections, Housing Finance, Employment and Economic Development, and Finance met regularly to review data, plan agendas, draft reports, and keep the process moving.

The Working Group conducted six formal meetings beginning in July, 2003 and concluding in February, 2004. Many members contributed many hours of work in addition to the formal meetings to assist this effort. Each meeting was designed to address a particular issue set forth in the legislation. Extensive briefing materials were prepared in advance of each meeting, meeting minutes were prepared, and Working Group members and others offered their perspective on issues with written comments. The appendices to the report contain all of these materials.

Long-term homelessness and strategies to address it are multi-disciplinary (human service, health, corrections, and housing); multi-jurisdictional (federal, state, and local); and multi-sector (government, business, and non-profit). All of these perspectives were represented on the Working Group, and members worked hard to be transparent about their own perspective and understand the perspectives of others. The report and business plan have benefited from this “creative tension”, and the Working Group process has laid the groundwork for continuing to meld the various perspectives into holistic strategies for addressing the needs of persons experiencing long-term homelessness.

3. Homelessness: An Overview

To be homeless is to be without a permanent place to live that is fit for human habitation. According to the United States Interagency Council on Homelessness, there are approximately 2 million homeless Americans during the course of a year. In Minnesota, the Amherst H. Wilder Foundation has conducted a comprehensive survey and analysis of homelessness in Minnesota every three years since 1991.² The most recent survey conducted was in October 2003. Summary information from the 2003 Wilder survey is included in this Report. A comprehensive analysis of the survey will be available in the summer of 2004.

² Funding for the survey is provided by the Housing Finance Agency; the Department of Human Services; the Department of Employment and Economic Development; the Department of Health; the Department of Veterans Affairs; the Veterans Home Board; the Family Housing Fund; the Greater Minnesota Housing Fund; and the Amherst H. Wilder Foundation.

Key points from the 2003 Wilder survey are as follows:

- 20,347 persons were estimated to be homeless or at imminent risk of losing housing,
- 7,854 persons were staying in emergency shelters, transitional housing, detox facilities, or were interviewed while living on the streets or in other unsheltered locations;
- 2,862 children accompanied the persons surveyed;
- 17% reported living in shelter facilities as a child; and
- 13% persons of those surveyed reported that they were employed full-time.

4. Long-Term Homelessness: An Overview

The Working Group defined long-term homelessness as “lacking a permanent place to live continuously for a year or more or at least four times in the last three years.” This definition mirrors the duration and reoccurrence components of the definition of the U.S. Department of Housing and Urban Development (HUD). According to the federal Interagency Council on Homelessness and other research, about 200,000 Americans experience long-term homelessness. According to the year 2003 Wilder survey there are about 3,300 persons experiencing long-term homelessness in Minnesota over the course of a year, in approximately 2,800 households. This includes nearly 500 children.

According to the U.S. Department of Health and Human Services, long-term homelessness is associated with extreme poverty, poor job skills, lack of education, and serious health conditions, mental illness and chemical dependency. A leading researcher in the area, Dennis Culhane from the University of Pennsylvania, determined that persons experiencing long-term homelessness consume 50%-60% of the shelter services available to persons experiencing homelessness and account for only 10%-15% of the homeless population. Persons experiencing long-term homelessness also disproportionately consume other “crisis” services including emergency room and detox services.

5. Supportive Housing: A Proven Strategy for Persons Experiencing Long-Term Homelessness

Addressing the issue of long-term homelessness is a national effort. President Bush has established a goal of ending long-term homelessness in ten years and re-established the federal Interagency Council on Homelessness. The key strategy to address long-term homelessness is a “housing first” strategy, which places a priority on providing persons experiencing homelessness a permanent place to live and then the necessary support services so that they can be successfully housed over the long-term. In its 2003 “Blueprint for Change” report on housing for the chronic homeless who have a mental illness or chemical dependency, the U.S. Department of Health and Human Services stated that “without housing, services and supports cannot be effective.”

There is significant experience nationally and in Minnesota in providing supportive housing to persons experiencing long-term homelessness. In the past this has included community-based housing options, transitional housing, and more recently supportive housing. In Minnesota there

are at least 2,000 units of permanent supportive housing for homeless persons and another 1,500 currently under development.

The available evidence demonstrates that supportive housing is effective in reducing crisis service costs; however, the evidence is not sufficient at this time to demonstrate that supportive housing results in net savings that can be used for state and other budgeting purposes. The evidence on reduced crisis service costs includes a study conducted by the University of Pennsylvania of supportive housing developments in New York City which calculated that persons with mental illness experiencing long-term homelessness used an average of \$40,500 per year of shelter, corrections, and health services before being provided supportive housing, and \$12,145 of such services after being in supportive housing. Data from Minnesota also demonstrates savings. According to an April, 2003 report from Hennepin County, one supportive housing development resulted in a reduction of crisis costs of \$6,200 per family and a shift to supportive and preventive services. Another March, 2003 Hennepin County report indicated that 1,032 admissions to detox were prevented as a result of supportive housing and the median cost of health care was reduced from just over \$9,000 per year per resident to just over \$5,000.

Producing and sustaining supportive housing is challenging. Necessary capital, operating, and service funds come from a variety of sources, each of which has its own restrictions and rules. As a result, transaction costs are high, and matching available funding to the needs of persons experiencing long-term homelessness is difficult. Supportive housing is an effective strategy. The challenge is to reform our housing and social service funding and delivery systems to better take advantage of this strategy.

6. Response to Questions and Issues Posed to the Working Group

The 2003 legislation asked the Working Group to address several issues. Three key issues are as follows: characteristics of persons experiencing long-term homelessness, housing and service models, and funding gaps and strategies to address them.

Characteristics of Persons Experiencing Long-Term Homelessness. Based on 2003 Wilder Survey results it is estimated that about 3,300 adults and unaccompanied youth, including nearly 500 children, experience long-term homelessness annually. According to the 2003 Wilder Survey, the following are characteristics of adults and unaccompanied youth experiencing long-term homelessness:

- 52% serious or persistent mental illness
- 33% chemical dependency problem
- 24% dual diagnosis of both mental illness and chemical dependency
- 16% veterans
- 48% chronic health condition
- 24% history of being victimized by domestic violence
- 26% criminal history that affected their housing

This data provides valuable information for determining what types of housing and related support services are needed in the future.

Housing with Support Service Models. The Working Group reviewed extensive information on a variety of models of housing with support services. Among the many models are:

- housing provided on a scattered-site basis where a social service provider will agree with a landlord and tenants to provide tenants necessary services;
- multi-unit single room occupancy developments with efficiency apartments and linkages to support services; and
- multi-unit family apartments where extensive services are available on-site or are coordinated and provided off-site.

The Working Group determined that different housing models would work in different situations, that best practice, evidence-based models should be pursued and consumer choice should be maximized.

Similarly, the types and intensity of services must be responsive to individual needs. Service needs will fluctuate over time for individuals even if the disabilities being treated are similar. Children who have experienced long-term homelessness have different service needs from their parents. As with housing, best practice, evidence-based models should be utilized.

Finally, it is important to recognize that significant and patient efforts to reach out and engage some of the persons experiencing long-term homelessness will be necessary before they will accept permanent housing and related services that will best work for them.

Funding Gaps and Strategies. A comprehensive catalogue of existing and potential funding sources was developed and strategies were discussed for the gaps that were identified. For example, many individuals experiencing long-term homelessness appear to be eligible for Supplemental Security Income (SSI) payments and Medicaid (MA) benefits due to a disability, but have difficulty navigating the process. A special outreach effort is planned to address this issue.

A key challenge is obtaining resources for service funding for the residents of a specific housing development. Housing resources can more easily be targeted to a particular housing development, while human service and corrections funds are based on individual eligibility. This makes it very difficult to assure adequate service funding over the long-term to particular housing developments. A successful strategy for obtaining long-term flexible service funding is critical to an effort to provide more supportive housing opportunities for persons experiencing long-term homeless. Persons experiencing long-term homelessness are often eligible or can become eligible for regularly provided “mainstream” social services (e.g. case management). It will be necessary to maximize the use of “mainstream” services and be able to use the associated funding more flexibility to meet specific housing support needs.

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7. A Business Plan to End Long-Term Homelessness in Minnesota by 2010

The leadership of Governor Pawlenty, the energy and commitment of the Working Group and those they represent, and a successful track record of providing housing to persons experiencing long-term homelessness provide Minnesota a break-through opportunity to set and deliver on the goal of ending long-term homelessness. The Working Group recommends that the state seize this opportunity and establish the goal of ending long-term homelessness in the state. The following summarizes a “business plan” to reach this goal by the end of 2010.

The Need: Provide Housing with Support Service Opportunities to 4,000 Additional Households. Based on the 2003 homelessness survey of the Wilder Foundation, Minnesota should plan to provide housing and support services to an additional 4,000 long-term homeless households by 2010. This would accommodate some growth in population of persons experiencing long-term homelessness over the seven-year period.

It will be important, of course, to update the plan and be prepared to pursue other strategies based on the 2006 Wilder survey and other available data. For example, it is anticipated that providing significant additional housing with support opportunities will free up shelter and transitional housing space for those experiencing homelessness on a temporary basis. If this does not occur, and there is a demonstrated shortage of temporary housing opportunities for persons experiencing homelessness, separate strategies to address this issue should be pursued. In addition, it is necessary that existing housing opportunities with support services for persons experiencing homelessness be maintained so that existing units are not lost.

The Strategy: Cost Effective Reforms for Providing Housing and Support Services. The evidence reviewed by the Working Group demonstrates that permanent supportive housing works. Outcomes for persons experiencing long-term homelessness are enhanced, and the costs of crisis services are reduced. Providing housing with adequate supports to 4,000 households is a major challenge financially and to the capacity of our housing and social service delivery systems. To maximize the amount of supportive housing available, the Working Group reviewed strategies to provide supportive housing more cost-effectively by utilizing strategies including:

- controlling development costs by using innovative designs, alternative materials, and limiting transaction costs;
- maximizing the use of the private, competitive rental market to avoid the costs of new construction;
- carefully scrutinizing support service levels to focus on those that relate directly to being successfully housed over the long-term; and
- requiring tenants to pay a portion of their rent from available sources and use financial incentives to minimize the amount of state support necessary.

The Financing Plan: Initial State Leadership to Leverage other Resources.

The following table summarizes the financing plan, which estimates a total approximate cost of \$540 million over seven years. It is important to note that this financing plan is a unique effort to estimate over time the costs and potential sources for providing housing and support services from multiple funding sources each of which have different allowable uses and eligibility criteria. As a result, the plan provides an estimated order of magnitude, not precision, for the costs and potential sources. This plan will require continued updating as implementation proceeds.

**Financing Plan Estimate (2004 - 2010)
(in millions)**

<u>Sources</u>		<u>Costs/Uses</u>	
<u>Identified Sources</u>			
State General Obligation Bonds (\$16.2 million in 2002; \$20 million in 2004; remainder in 2006 and 2008)	\$ 90	New Construction (500 units)	\$ 85
		Acquisition and Rehabilitation (1,500 units)	\$125
Minnesota Housing Finance Agency State Appropriated Programs and Agency Resources	\$ 90	New Units Integrated into Mixed-Income Developments (400 units)	\$ 50
Private Tax Credit Equity (MHFA allocation)	\$ 60	Rental/Operating Assistance (1,600 units for available units in the rental market -\$40 million; remainder to support other new units identified above - \$60 million)	\$100
Department of Human Services	\$120		
<u>Remaining Sources:</u>	\$180		
Federal Government		Housing Support/Community Living Services/Income Supplements	\$180
Local Government			
Philanthropic/Non-Profit			
State (Departments of Human Services, Corrections, and MHFA)			
Total	\$ 540	Total	\$ 540

Key points related to the financing plan include:

- *Phase-in.* The dollar figures represent the additional resources necessary to house and serve an estimated 4,000 long-term homeless households based on an estimated schedule for providing the housing and support services over the seven-year period.
- *Identified Sources.* The “identified” sources represent those that can be reasonably anticipated based on existing funding levels and with minor changes to some

programs. They are, however, not guaranteed. The identified sources are general obligation bonds, funds from the state appropriated housing trust fund, MHFA resources from the Agency's bond funds, and service funds allocated by the Department of Human Services. Department of Human Service funding is not available in a "lump sum" or "pool" as individual determinations of eligibility must be made. However, approximately \$10 million has been initially identified for use as part of a flexible service fund.

- *Remaining Sources.* By identifying and attempting to quantify the "remaining sources", it is clear that state government cannot finance this plan alone. Filling the gaps requires at least two strategies. First, leveraging state resources to obtain federal, local, and philanthropic resources. These sectors have contributed to past and on-going efforts for persons experiencing long-term homelessness and there is reason to believe they may continue and enhance their efforts, particularly if the state provides continued leadership. Second, addressing the identified service funding gaps requires exploring opportunities to increase the use of "mainstream" services as defined earlier, and targeting resources to the needs of persons experiencing long-term homelessness. To the extent additional state resources are necessary but unavailable, the ability to achieve the goal, or the timetable within which it can be achieved, will be affected.
- *On-Going Costs.* After 2010 there will be ongoing costs for rental assistance and for support services. Reducing or eliminating these costs to the state would require successful "mainstreaming" of most support service costs and for the federal government to fulfill its role of providing rental assistance. A very imprecise estimate of these costs by 2010 is \$88 million annually. To the extent such funding is necessary and unavailable in 2010, the housing would become part of the affordable housing supply primarily for those other than persons experiencing long-term homelessness.
- *Savings and Benefits.* These figures do not include an estimate of the reduced costs to counties, other local units, and the state of reduced use of "crisis" services by persons experiencing long-term homelessness. Nor do they account for the benefits associated with the better outcomes that should be achieved by persons experiencing long-term homelessness such as increased employability.

The Implementation Plan: Establish Accountability and be Proactive.

The Working Group process has resulted in a wealth of knowledge and a committed group of stakeholders. An essential element of implementing the business plan will be to take advantage of and build on this knowledge and to continue to involve stakeholders. The business plan should be implemented, in general, as follows:

- *Continued Interagency Cooperation.* The Departments of Human Services and Corrections and the Housing Finance Agency should enhance and institutionalize their joint efforts to proactively solicit and fund supportive housing for persons experiencing long-term homelessness. Proposals that serve families with children experiencing long-term homelessness should be prioritized.

- *Develop the System for Supportive Housing.* The state agencies should also continue their work to develop creative funding strategies that allow a more natural “system” to develop to provide for the development of supportive housing. It will be critical to involve the federal government, counties and other local governments, and non-profit funders as partners in addressing funding and funding system issues.
- *Evaluation.* Rigorous evaluation, tracking of data on homelessness, and search for best practices should be integrated into the implementation process.
- *Stakeholder Participation and Capacity Building.* A broadly representative advisory body like the Working Group should be established to assist in implementation of the business plan and track progress. Persons who have or are experiencing homelessness should be involved. In addition, it will be necessary to work with local governments, developers, and service providers to develop and maintain the capacity to implement the plan and assist in addressing siting and similar issues.
- *A long-term homeless director without new bureaucracy.* A director for ending long-term homelessness should be engaged, using existing resources, to coordinate implementation of the business plan. The director should report to the commissioners of Human Service, Housing Finance, and Corrections.

8. Conclusion: An Opportunity to Succeed

The Working Group has sought to develop a plan that addresses a complex social issue in a business-like way. Proceeding to implement the plan offers significant benefits and few risks. The benefits will accrue to persons experiencing long-term homelessness in increased productivity and quality of life, and to the rest of Minnesota in reduced crisis service costs and in knowing that the needs of some of our most vulnerable citizens are being addressed. The risk of proceeding is confronting obstacles that we fail to overcome, not achieving the goal, and being held publicly accountable. Even if this occurs, a bold, ambitious effort would have been undertaken that will create affordable housing that can be made available to others, and services would have been provided to those who need them.

Establishing goals that improve quality of life, developing implementation plans, aligning resources, and being held accountable—for success or failure—are essential principles of good public governance. The Working Group on long-term homelessness advocates putting these principles to work for persons experiencing long-term homelessness, and calls on the “many hands” that are necessary to pursue success.

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ENDING LONG-TERM HOMELESSNESS IN MINNESOTA REPORT

1. Introduction, Purpose and Structure of Report

At the request of Governor Pawlenty, the 2003 Minnesota Legislature directed the Commissioners of the Department of Human Services, Department of Employment and Economic Development³, Department of Corrections and the Minnesota Housing Finance Agency to establish a Working Group to develop and implement strategies to foster the development of supportive housing options in order to:

- reduce the number of Minnesota families and individuals that experience long-term homelessness;
- reduce the inappropriate use of emergency health care, shelter, chemical dependency, corrections, and similar services; and to
- increase the employability, self-sufficiency, and other social outcomes for individuals and families experiencing long-term homelessness.

Laws of Minnesota, 2003, Chapter 128, Article 15, Section 9.

This report on the status of Working Group efforts includes comprehensive information on homelessness and long-term homelessness and provides recommendations to improve the effectiveness of the delivery and coordination of services and access to housing for individuals and families experiencing long-term homelessness.

The structure of this report is as follows:

- The Working Group Process (Section 2),
- Homelessness: An Overview (Section 3),
- Long-Term Homelessness: An Overview (Section 4),
- Supportive Housing: The Primary Strategy for Persons Experiencing Long-Term Homelessness (Section 5)
- Response to Specific Charges from the Legislature (Section 6)
- Recommendations and Next Steps: A Business Plan to End Long-Term Homelessness by 2010 (Section 7)
- Conclusion: An Opportunity to Succeed (Section 8)

³ Staff from the Department of Employment and Economic Development participated in pertinent interagency discussions.

2. The Working Group Process

Members

The Working Group included metropolitan area and Greater Minnesota representatives of:

- counties;
- housing authorities;
- nonprofit and faith-based organizations knowledgeable about supportive housing;
- nonprofit and faith-based organizations experienced in the provision of services to persons experiencing homelessness;
- developers and other business interests;
- philanthropic organizations; and
- other representatives identified as necessary to the development of the plan, including other government agencies.⁴

In addition, over 200 stakeholders from over 100 organizations participated in Working Group meetings and in meetings held in preparation for Working Group meetings.

Interagency staff and Working Group members met with:

- persons currently experiencing long-term homelessness to listen to their housing and service needs, and to ensure that the efforts of the working group are consistent with their assessments of need;⁵
- over 25 county and nonprofit service providers, individually and in group meetings, to discuss supportive housing models and best practices;
- service providers to discuss support service costs;

⁴ The list of Working Group members is included at the beginning of this report.

Members participated as representatives from the following thirty agencies and organizations: Minnesota Department of Human Services, Minnesota Department of Corrections, Minnesota Housing Finance Agency, Blue Earth County, Hennepin County Board of Commissioners, Ramsey County Board of Commissioners, St. Louis County, St. Paul Public Housing Authority, Dakota County Community Development Agency, St. Cloud Housing and Redevelopment Authority, Corporation for Supportive Housing, New Foundations, Life House, Hearth Connection, South Metro Human Services, Catholic Charities, Salvation Army, Lutheran Social Services, St. Stephens Shelter, Wilder Foundation, Community Housing Development Corporation, Central Community Housing Trust, Capital City Partnership, Minneapolis Downtown Council, Family Housing Fund, Greater Minnesota Housing Fund, The McKnight Foundation, American Experiment Quarterly, Office of Senator Norm Coleman, and U.S. Department of Housing and Urban Development.

⁵ Two meetings with people experiencing long-term homelessness were arranged by Central Lutheran Church in Minneapolis. Many other informal meetings occurred between interagency staff and people currently experiencing long-term homelessness throughout the working group process. A tour for Working Group members and stakeholders to meet with formerly homeless people living in supportive housing was arranged by Metro-wide Engagement on Shelter and Housing.

- more than 25 contractors, developers, architects, property owners, landlords, and providers of supportive housing to discuss cost reduction and gaps in resources;
- homeless youth housing and service providers, Minnesota Association of Runaway Youth Services, and the Runaway Homeless Youth Coalition to discuss issues facing long-term homeless youth;
- transitional housing providers to discuss the role of transitional housing in serving persons experiencing long-term homelessness;
- Continuum of Care coordinators from each of the 13 regions; seven in Greater Minnesota and six in the Twin Cities metropolitan area; and
- representatives from the Association of Minnesota Counties (AMC) and the Minnesota Association of County Social Service Administrators (MACSSA) to elicit their comments and suggestions.

Additionally, state agency and department staff from Human Services, Corrections, Housing Finance, Employment and Economic Development, and Finance met regularly to review data, prepare agendas and meeting documents, draft reports and resolve issues to move the initiative forward.

Additional member and stakeholder contributions and other matters not set forth in the body of the report as Commissioner's recommendations are recorded for potential future consideration.⁶

The Working Group held six formal meetings between July 2003 and February 2004. Primary discussion topics at Working Group meetings included: goals, outcomes, key characteristics of persons experiencing long-term homelessness; models of supportive housing and best practices, and available resources; gaps in resources, and barriers to filling gaps in capital, operating, and services funding; the interagency decision making process and criteria for funding, and a plan and timetable for funding.

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3. Homelessness: An Overview

To be homeless is to be without a permanent place to live that is fit for human habitation. Homelessness has become an enduring presence in American society. Despite two decades of federal support, statewide planning, and local initiatives, an estimated 637,000 adults in the United States are homeless in a given week, with 2.1 million adults experiencing homelessness over the course of a year. *Burt, M.R., Aron, L.Y., Lee, F. & Valente, J. (2001). Helping America's homeless: Emergency Shelter or Affordable Housing? Washington, DC: Interagency Council on the Homeless.*

⁶ Meeting summaries and formal comments from Working Group members and stakeholders are included in the Appendix.

There are an estimated 20,000 homeless and precariously housed individuals, youth, and families with children in the State of Minnesota on any given night. *Amherst H. Wilder Foundation, Homeless in Minnesota 2003, Key Facts from the Survey of Minnesotans Without Permanent Housing, February 27, 2003, and Homeless Adults and Children in Minnesota: Statewide Survey of People Without Permanent Shelter, Wilder Research Center, Greg Owen, June Heineman, Justine Nelson-Christinedaughter, and Ellen Shelton (“The Statewide Survey”).*

The Amherst H. Wilder Foundation has conducted a statewide survey of persons without permanent shelter and a comprehensive study of homeless adults and children and homeless youth in Minnesota every three years since 1991. The most recent statewide survey of homelessness was conducted on October 23, 2003. The final comprehensive analysis from the 2003 survey will be available in summer 2004.

For many, homelessness is a result of a crisis, a lack of income and a lack of affordable housing that leads to the loss of stable housing that can be overcome in time. A main cause of homelessness is poverty.

The gap between wages and housing costs plays an increasing role in homelessness:

- Affordability is the most common barrier to stable housing reported by adults experiencing homelessness.
- 30% of persons experiencing long-term homelessness are employed. 13% are employed full-time, of whom nearly 60% earn less than \$10 an hour. At this rate, a full-time worker would spend 40%-50% of his or her income for a one-bedroom apartment.
- Only 20% of all persons surveyed (including persons fitting crisis, episodic and long-term homelessness criteria) reported an income of \$800 or more.

The Statewide Survey.

Many people who are homeless are also working:

- 30% of persons experiencing homelessness are employed.
- 13% are employed full-time.
- 29% of long-term homeless are employed.
- 12% of long-term homeless are employed full-time.

The Statewide Survey.

The majority of people that become homeless due to crisis caused by an unexpected event such as loss of employment, serious health problems, fire, or other housing disasters are without a place to live only for a short period of time. Additional barriers such as unemployment; serious physical; mental and chemical health problems; criminal background; poor credit; poor rental history; and court evictions prevent people from finding and maintaining housing.

Patterns of homelessness vary by duration or recurrence.

- Crisis or temporary homelessness is the first episode of homelessness lasting a short period of time, typically much less than a year.
- Episodic homelessness is the second or third episode of homelessness lasting less than a year.
- Long-term homelessness is four or more episodes of homelessness within three years or a current episode of homelessness lasting a year or more.

In Minnesota:

- 36% (1,729) of all persons surveyed experienced crisis homelessness.
- 16% (1,018) of all persons surveyed experienced episodic homelessness.
- 48% (2,090) of all persons surveyed experienced long-term homelessness.

The Statewide Survey.

A point in time study will disproportionately represent persons experiencing long-term homelessness. Persons who experience homelessness only for a short time have less chance of being found by a single-day survey.

One study of all shelter users in two large cities, over the course of three years, found that 80% were temporarily homeless, 10% were episodically homeless, and 10% were long-term homeless. *Kuhn, R. and Culhane, D. (1998). Applying cluster analysis to test a typology of homelessness by pattern of shelter utilization: Results from the analysis of administrative data. American Journal of Community Psychology.*

4. Long-Term Homelessness: An Overview

This section addresses three items: 1) an overview of long-term homelessness in the United States and in Minnesota; 2) the costs of long-term homelessness; and 3) the status of national and Minnesota efforts to address long-term homelessness.

4.1 Long-Term Homelessness in the United States and in Minnesota

Nationally, the estimated 200,000 people who experience long-term or “chronic” homelessness tend to have disabling health and behavioral health problems. *U.S. Department of Health and Human Services, Blueprint for Change: Ending Chronic Homelessness for Persons with Serious Mental Illness and/or Co-Occurring Substance Use Disorders, 2003.* The United States Department of Housing and Urban Development defines chronic homeless as an unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or more or has had at least four episodes of homelessness in the past three years. *Federal Register, Vol. 68, No. 80, Friday, April 25, 2003, Notices, 21598.*

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The Working Group defines long-term homelessness more broadly than the federal government by adopting the same duration of time, also including families with children, and excluding requirements related to disability. In Minnesota, approximately one-third of the persons experiencing long-term homelessness are families with children.

In Minnesota, approximately 3,300 individuals, youth and families with children experience long-term homelessness over the course of a full year. This includes approximately 2,800 adults and unaccompanied youth and nearly 500 children. *The Statewide Survey*.

4.2. The Costs of Long-Term Homelessness

The costs of long-term homelessness have been examined from a number of different perspectives. It is recognized in housing, health and human services, and criminal justice systems that individuals, youth, and families with children that remain homeless for a year or more, or experience homelessness repeatedly, and frequently use crisis services such as emergency shelter, hospitals, mental health institutions, child protection, foster care, jails and prisons. The real costs of long-term homelessness come in lost opportunity for employment, self-sufficiency, and improved social outcomes for children, youth and adults.

National Data

The U.S. Department of Health and Human Services found that “individuals experiencing chronic homelessness are heavy users of services - 10% of the users of homeless shelters consume 50% of the days.” *Ending Chronic Homelessness, Strategies for Action, Department of Health and Human Services, Report from the Secretary’s Work Group on Ending Chronic Homelessness, March 2003*. Studies examining the costs of long-term homelessness have found that “individuals that are repeatedly homeless for a year or more are known to have severe mental illness, disabling behavioral and physical health conditions, and are extensive users of other acute care service systems.” *Strategies and Collaborations Target Homelessness by Dennis Culhane, Fannie Mae Foundation Housing Facts & Findings, Volume 4, Issue 5, 2003*.

Similar findings are reported by the President’s New Freedom Commission on Mental Health. The shortage of affordable housing and accompanying support services causes persons with serious mental illness to cycle among jails, institutions, shelters, and the streets; to remain unnecessarily in mental health institutions; or to live in seriously substandard housing. Persons with serious mental illness represent a large percentage of those who are repeatedly homeless or are homeless for long periods of time. In fact, they are over-represented among the homeless, especially those persons experiencing long-term homelessness. Persons with mental illness that are long-term homeless are likely to: have acute and chronic physical health problems; use alcohol and drugs; have escalating, ongoing psychiatric symptoms; and become victimized and incarcerated. The lack of decent, safe, affordable housing integrated with services is a significant barrier to full participation in community life for persons with serious mental illness. The President’s report suggests that supportive housing is a critical form of treatment for mental illness. *Report of the President’s New Freedom Commission on Mental Health, 2003*.

Minnesota Data

The social costs of long-term homelessness have also been examined in Minnesota. In the 2003 Wilder Survey, adults experiencing long-term homelessness report:

- 21% recent admission to a detox center (in the past 2 years),
- 13% recent residence in a facility for persons with mental health problems, and
- 39% receipt of care in an emergency room in last six months.

Homeless youth report:

- 21% outpatient mental health care,
- 12% inpatient alcohol or drug treatment, and
- 12% admission to detox (9% in the last 2 years).

The Statewide Survey.

Hennepin County identified the 200 most expensive families that utilized more than \$29 million per year in human services funding of a total county human services budget of over \$345 million in 1996 and over \$377 million in 1997.

- 53% of these families experienced homelessness.
- 95% received services from child protective services.
- 80% received adult chemical health services.
- 75% received adult mental health services.
- 65% were under adult probation.
- 60% of the children were under juvenile probation.

Additional service costs identified include: residential treatment, foster care, child emergency shelter, group home, day treatment, and juvenile correctional placement. *Hennepin County 200 Families Phase 1 Report, 1997 and Phase 2 Report, 1999.*

Homelessness harms children's physical health, interferes with children's development and prevents children from performing well in school. *Family Housing Fund, Homelessness and It's Effects on Our Children, Ellen Hart-Shegos, 1999.* Students in Minneapolis schools who moved three or more times in six months had average reading scores that were half those of students who did not move. *Kids Mobility Project Report, Family Housing Fund, Hennepin County Office of Planning and Development, Minneapolis Public Schools and the University of Minnesota, March 1998.* Nearly one in ten homeless children become homeless as adults. *Statewide Survey 2000.*

4.3. Efforts to End Long-Term Homelessness

Ending chronic homelessness in this decade is an explicit objective of the Bush Administration as recommended by the United States Interagency Council on Homelessness, which is chaired by the Secretary of the United States Department of Health and Human Services and includes 20

federal departments - Justice, Veterans Affairs, Housing and Urban Development, and others. The commitment to ending long-term homelessness involves additional federal resources to improve the access to and coordination of essential health and social services and to provide housing and support services for individuals and families experiencing long-term homelessness. The U.S. Conference of Mayors passed a resolution in June of 2003 endorsing the Administration's efforts to end chronic homelessness and supporting the ten-year planning process for cities.

A number of important steps have been taken at both the federal and state level to develop improved strategies for persons experiencing homelessness. These steps range from efforts to better coordinate activities among state agencies, to the development of multi-disciplinary regional plans, to additional funding from philanthropic organizations.

A key element of national and state efforts has been the recognition of the important relationship between housing and support services for persons who were living in institutional settings and persons who were experiencing or at risk of homelessness. This recognition occurred in Minnesota in the late 1970's with agencies that were working with families with children and adults in recovery from mental illness or chemical dependency, in response, in part, to the closing of state mental hospitals. Seeking pragmatic solutions to homelessness, many organizations expanded their social service missions and created transitional housing programs. At the same time, mental health and chemical dependency systems began to detach the availability of programs and supports from a person's housing, thereby fostering community models that offered support for housing and recovery without predicating one upon the other. The 1987 Comprehensive Mental Health Act for Adults promoted these principles of community-based services. The Act was amended shortly thereafter to include a housing mission statement that maximizes community integration and provides supports regardless of where a person with mental illness chooses to live.

With the passage of the McKinney-Vento Act in 1987 to address the many and complex causes of homelessness, the federal government officially recognized that there is "no single, simple solution to the crisis of homelessness" and their "clear responsibility and an existing capacity to fulfill a more effective and responsible role to meet the basic human needs and to engender respect for the human dignity of the homeless." *McKinney-Vento Homeless Assistance Act of 1987 42 USC 11301 et seq.*

In the past two decades, communities in Minnesota have come together to craft plans and create the infrastructure needed to address homelessness. Created in 1990 to coordinate services and activities of all state agencies relating to homelessness, the Minnesota Interagency Task Force on Homelessness⁷ works to effectively use state resources to prevent and end homelessness. Currently ten state agencies serve on the task force to carry out its mission.

⁷ The Minnesota Interagency Task Force on Homelessness identifies, reduces, and eliminates barriers to ending homelessness; maximizes the capacity of the state to effectively access and manage federal and state resources; and directs and advises the Family Homeless Prevention and Assistance Program, created in 1993, and the Continuum of Care which developed the first plans to end homelessness regionally in 1996.

Regional Continuum of Care⁸ planning processes provide a coordinated, locally developed system to obtain federal homeless assistance resources to assist homeless persons, especially long-term homeless, to move to self-sufficiency and housing stability. Prevention, emergency shelter, transitional housing, permanent supportive housing, public housing, very low and low-income rental housing, and homeownership opportunities are all important pieces of the continuum and are essential to preventing and ending homelessness. Each Continuum of Care region should have a plan to end chronic and long-term homelessness and will help implement the statewide plan to end long-term homelessness at local, city, county, and regional levels.

Since the first Minnesota Housing Finance Agency, Family Housing Fund⁹ and Metropolitan Council consolidated request for proposal process in 1995, the movement towards permanent supportive housing and away from emergency shelter and time limited transitional housing models has become progressively evident with each funding round. These efforts were strengthened with the addition of the Greater Minnesota Housing Fund.

The Corporation for Supportive Housing established an office in Minnesota in 1993.¹⁰ The Legislature funded the Supportive Housing and Managed Care Pilot in 1999, managed by Hearth Connection, to test and evaluate supportive housing models for persons with long histories of homelessness, mental illness and chemical dependency.

⁸ Regional Continuum of Care planning processes provide a coordinated, locally developed system to obtain federal homeless assistance resources to assist homeless persons, especially the chronically homeless, to move to self-sufficiency and housing stability. Continuum of Care planning also addresses prevention, emergency shelter, transitional housing, and other needs in coordination with existing programs - BRIDGES is an example. Each Continuum of Care region should plan to end chronic and long-term homelessness and will help implement the statewide plan to end long-term homelessness at local, city, county and regional levels.

⁹ The Family Housing Fund's More Than Shelter Program funds the development of supportive housing for individuals and families who are vulnerable to homelessness. Supportive housing developments provide low-cost housing along with services to address the personal difficulties that have prevented residents from maintaining stable housing, such as chemical dependency, mental illness, or physical health problems. Similar to its rental housing program, the Fund assists supportive housing projects by pooling its funds with other subsidies so that housing providers can meet their costs while charging the low rents that residents can afford. Since 1980, the Fund has spent a total of \$17,123,064 to assist 100 More Than Shelter projects. These projects have provided a total of 2,466 of new supportive housing units as well as rental subsidies for 445 individuals.

¹⁰ The Corporation for Supportive Housing provides technical assistance and has committed over \$6 million in funding to more than 1,000 new units of supportive housing for disabled, homeless people in Minnesota. These resources also helped put more than 600 additional units of supportive housing into development. Additionally, the Corporation for Supportive Housing has committed over \$1 million in grants and offered other capacity building support to more than 50 organizations.

Approximately 2,000¹¹ new units of permanent supportive housing for persons experiencing homelessness of many different models have been created in the last decade. Hundreds of organizations have participated in the creation, financing and operation of these programs, offering many lessons learned and a solid foundation upon which to build a state plan to end long-term homelessness.

5. Supportive Housing: The Primary Strategy for Persons Experiencing Long-Term Homelessness

This section describes supportive housing, summarizes the evidence demonstrating its effectiveness and reviews several housing with support service developments.

Supportive Housing

Supportive housing is permanent affordable rental housing with linkages to services necessary for individuals, youth and families with children to maintain housing stability, live in the community, and lead successful lives. By providing housing first, supportive housing has the potential to reduce inappropriate crisis costs to health care, mental health, chemical health, corrections, law enforcement, education, child welfare and housing systems or achieve improved outcomes for individuals, youth, and families with children without increasing costs.

Supportive housing provides “housing first” which is based on the premise that issues such as mental illness and chemical dependency cannot be addressed without a stable place to live. Housing stability is needed first, and then an individual, youth or family will be better able to work on other issues that may lead to self sufficiency and better outcomes for the individual, youth, or family with children and society as a whole. Without housing, services and supports cannot be effective. *U.S. Department of Health and Human Services, Blueprint for Change: Ending Chronic Homelessness for Persons with Serious Mental Illness and/or Co-Occurring Substance Use Disorders, 2003.*

Studies of supportive housing nationwide and in Minnesota show a better use of housing and service resources that results in improved outcomes for individuals, youth, and families with children without substantially increasing costs.

Supportive Housing Nationwide

The only longitudinal study that measures the costs and outcomes of housing stability for long-term homeless persons was conducted by the Center for Mental Health Policy and Services Research, University of Pennsylvania, and financially supported by the Fannie Mae Foundation. The study tracked 4,679 homeless persons with serious mental illness who were placed into 3,615 units of supportive housing created by the 1990 New York-New York Agreement to House Homeless Mentally Ill Individuals. The study calculated that long-term homeless

¹¹ This estimate is based on Minnesota Housing Finance Agency funded permanent supportive housing information from the Corporation of Supportive Housing and HousingLink, *An Inventory of Housing With Support Services in the Seven County Metropolitan Area*, February, 2004.

individuals with severe mental illness used an average of \$40,500 (in 1999 dollars) a year in public shelters, corrections, and health care services. For those placed in the supportive housing program, a homeless mentally ill person's use of publicly funded services was reduced by an average of \$12,145 (in 1999 dollars) per year. The reduced use of the acute care system nearly offset the costs of supportive housing.

The study showed a 33% decrease in the use of medical and mental health services, a 60% decrease in use of state psychiatric centers; fewer and shorter hospitalizations with a 59% decrease in use of Veterans Administration hospitals and 39.9% decrease in use of private hospitals; a reduced rate of incarceration with a 74% decrease in the use of state prisons and a 40% decrease in the use of city jails; and an 85% decrease in emergency shelter use.

“The Impact of Supportive Housing for Homeless People with Severe Mental Illness on the Utilization of the Public Health, Corrections, and Emergency Shelter Systems: The New York-New York Initiative,” by Dennis P. Culhane, Stephen Metraux, and Trevor Hadley, Center for Mental Health Policy and Services Research, University of Pennsylvania, Housing Policy Debate, Fannie Mae Foundation, May 2002.

The Connecticut Supportive Housing Demonstration Program produced 281 units of service-enriched permanent housing for homeless and at-risk populations in nine single site projects with 25-40 housing units. Tenants decreased their use of inpatient medical health services (by 38% for tenants who made their Medicaid information available, by 58% for tenants who stayed in the housing for at least two years, and by 18% for tenants with more severe disabilities). Tenants increased their utilization of necessary ongoing healthcare and support such as homecare, outpatient mental health and outpatient substance abuse treatment that enabled tenants to remain in the community.

Connecticut Supportive Housing Demonstration Program – Program Evaluation Report, Corporation for Supportive Housing, Arthur Anderson LLP, University of Pennsylvania Health System, Department of Psychiatry, Center for Mental Health Policy and Services Research, Kay E. Sherwood, TWR Consulting 1999.

Supportive Housing in Minnesota

Supportive housing in unlicensed community-based settings in Minnesota is relatively new. These programs are built, however, on a strong foundation of state effort to provide community-based housing and services. There are inherent limitations on evaluations of new supportive housing programs making it difficult to track the costs and savings associated with providing permanent supportive housing this early in time. Minnesota is providing effective services for persons experiencing homelessness, as the following examples show a better use of housing and service resources and improved social outcomes:

- **Portland Village and Perspectives: Supportive Housing for Families with Children.** Two supportive housing projects for families with children in Hennepin County, Portland Village and Perspectives, show reductions in the use of county-funded crisis services in child protection, out of home placement, and substance abuse treatment and a shift toward long-term stability in overall service usage.

Crisis costs declined by an average of \$6,200 per family and there was a significant shift from crisis services to supportive preventative services. Hennepin County found that supportive housing for chronically homeless families is essentially cost neutral. *Summary of Key Findings to Date on Cost-Effectiveness of Supportive Housing for Families, Hennepin County, April 2003.*

Portland Village is site-based housing and services for families with children, where 60-days of sobriety before entering the program is required. Overall, social service cases, out-of-home placements, social work time, and payments for crisis services declined significantly from the six-month pre-entry to the six-month post-entry period for 18 out of 24 Portland Village residents. *Portland Village Supportive Housing For Families, Six Months Pre and Post Analysis of Service Utilization and Costs, Hennepin County, February 2003.*

Similarly, in Perspectives, payments for crisis services declined significantly from the six-month pre-entry to the six-month post-entry period from 90% to 35% for all 43 families and from 89% to 23% for the 25 families living there at least 6 months and the 8 families who successfully moved into other permanent housing. Perspectives is scattered-site housing with on and off site services, where families primarily came from state prison or treatment centers. *Perspectives Housing For Families, Six Months Pre and Post Analysis of Service Utilization and Costs, Hennepin County, February 2003.*

- **Dakota County Supportive Housing: Supportive Housing for Families With Children.** In Dakota County's supportive scattered-site apartments with private landlords, 89% of the families with children served were still in stable housing six months after their case was closed. Dakota County's Supportive Housing Unit is the primary focal point in directing and accepting referrals for persons with housing needs. Case managers follow the family from shelter to housing and assist them in, obtaining benefits and accessing programs for which they are eligible, working on the necessary skills to successfully live in the community and maintain their housing. Services are delivered on or off site based on the individual needs. Use of mainstream financial resources and access to social service programs is maximized by managing Dakota County's Supportive Housing Unit from the Employment and Economic Assistance Department. *Dakota County Strategies to Combat Homelessness, Dakota County Employment and Economic Assistance, 2003.*
- **Crestview: Supportive Housing for Families with Children.** New Foundations Crestview Apartments, a supportive housing program that delivers services to chemically dependent women and their children, shows improved outcomes for families. In 2003, Crestview served 31 single mothers who came from jails, shelters, and straight from the streets as well as from treatment programs. All were recovering from chronic drug dependency, and all were living at or below poverty level. In addition, 92% were unemployed, 87% has experienced physical and/or sexual abuse, 85% had criminal histories, 55% had the dual diagnosis of chemical dependency and mental illness, and 31% had lost permanent custody of one or

more of their children. During the year, 75% found employment and/or enrolled in school, 12 out of 14 children were reunited with their mothers, and 89% of school-age children completed the entire academic year at the same school. All of the families were enrolled in regular health clinics. *“Target Digs New Foundations,” Pamela S. Lund, Women’s Business Minnesota, December 2003.*

- **Supportive Housing and Managed Care Pilot: Supportive Housing for Families with Children and Individuals.** The Supportive Housing and Managed Care Pilot is a demonstration project that to date has partnered with 83 families with 241 children and 87 single adults who have long histories of homelessness. Under the auspices of the Minnesota Department of Human Services, it began in March 2001 and is scheduled to be completed in June 2007. Ramsey County and Blue Earth County host the pilot. Hearth Connection leads the public-private initiative.

The Supportive Housing and Managed Care Pilot incorporates fundamental aspects of systems change: participants getting what they want and need; systems working together to help participants attain these outcomes; and cost justifications and mechanisms for financing a statewide effort to end long-term homelessness. Early findings from an independent evaluation being conducted by the National Center on Family Homelessness indicate that the project is making significant progress in all three of these areas. *The Supportive Housing and Managed Care Pilot, Process Evaluation: Year One, Prepared for Hearth Connection by The National Center on Family Homelessness, February 2003.*

Although the expected quantitative cost and utilization study will more definitively determine whether and how the pilot impacts service use patterns, decreased use of detox facilities is reported for single participants and increased use of primary care doctors is reported for both singles and families. *The Supportive Housing and Managed Care Pilot, Qualitative Evaluation: Year Two, Prepared for Hearth Connection by The National Center on Family Homelessness, January 2004.* Blue Earth County reports that child protection incidents have decreased by 57% among participants since enrollments began. School attendance has significantly improved for school age children of the families participating in the pilot.

- **American House and Wilder Apartments: Supportive Housing for Individuals.** The Wilder Single Room Occupancy Housing Program provides 127 units of housing with for single adults with available services to help residents find employment, obtain medical care and manage mental health issues, secure transportation, maintain sobriety, and address financial matters and other challenges. Residents reported achievement of greater stability in their lives by: improving their general living situation (89%); being employed and/or enrolled in school (79%); and reduced personal problems and barriers to self-sufficiency. *Amherst H. Wilder Foundation Single-Room Occupancy Housing, May 2001.*

- **Anishinabe Wakiagun: Safe Haven Supportive Housing for Individuals.** Anishinabe Wakiagun in Minneapolis provides unique permanent housing environment in which sobriety is encouraged for chronically intoxicated homeless men and women. Residents typically have twenty or more admissions to detoxification centers in the last three years, multiple police interventions, two or more attempts at chemical dependency treatment, use of hospital emergency room services, physical deterioration due to alcohol use, show evidence that they are incapable of self-management due to alcohol use, and have been homeless for most of the last five years.

The average cost for one admission to area detox is \$300. Anishinabe Wakiagun's costs to provide board, lodging, and supportive services to this population are about \$18,750 per year per person. Because this program is provided in a licensed boarding lodge with special services, the state-funded Group Residential Housing program (GRH) can provide up to \$16,628 of the \$18,750 per year per eligible resident. A March 2003 Analysis of Hennepin County's Housing For Chronic Inebriates, suggests that providing supportive housing for the 120 residents of Anishinabe Wakiagun and the Glenwood prevented 1,032 detox admits at approximately \$300 a visit and reduced the median cost of health care from \$9,297 per year to \$5,218. This program stabilizes the living situations of these individuals resulting in a better standard of living at a lower cost.

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6. Response to Specific Charges from the Legislature

6.1 Key characteristics of individuals, youth and families experiencing long-term homelessness.

This section identifies the key characteristics of individuals, youth and families with children experiencing long-term homelessness and provides data regarding the characteristics.

Key Characteristics of Persons Experiencing Long-Term Homelessness

According to the *Statewide Survey* approximately 3,300 individuals experience long-term homelessness over the course of a year, which includes 2,800 adults and unaccompanied youth and 500 children.

Characteristics:

An individual, unaccompanied youth, or family with children:

- who has either lacked a permanent place to live continuously for a year or more,
- at least four times in the past three years,
- or prior to any incarceration or institutionalization.

Additional characteristics may include: mental illness, chemical dependency, or co-occurring mental illness and chemical dependency, domestic abuse and neglect, criminal history, cognitive limitations, chronic health conditions (including HIV/AIDS), among others.

These conditions will not be used as an eligibility standard, but to gain understanding of population needs in order to develop appropriate plans for housing and services.

Examination of the barriers, other than income that persons experiencing long-term homelessness report, is useful in planning for service needs and appropriate housing models.

Mental illness, chemical dependency and co-occurring mental illness and chemical dependency are prevalent in individuals experiencing long-term homelessness. Chronic health conditions, domestic violence, and criminal history are also likely to affect the length of time a person might be homeless. One in seven (14%) of the persons experiencing homelessness for a year or more are children.

It is important to note that (excluding persons that may have difficulty getting or keeping housing due to mental illness, alcohol or chemical abuse, criminal background, abuse of others, physical disabilities, less than a high school education and unemployment), it is estimated that about 10% of persons experiencing long-term homelessness just need affordable housing because they did not report barriers that indicate a need for additional services. *The Statewide Survey*.

Mental Illness and Chemical Dependency Data:

Of the adults and unaccompanied juveniles identified as long-term homeless:

- 52% reported a serious or persistent mental illness
- 33% reported a chemical dependency problem
- 24% reported a dual diagnosis of both mental illness and chemical dependency

Of all long-term homeless unaccompanied juveniles:

- 39% reported mental illness
- 15% reported a chemical dependency problem
- 42% have considered suicide; over half (54%) of those who have considered have attempted suicide

Other Characteristics Data:

Of the adults and unaccompanied juveniles identified as long-term homeless:

- 47% reported a chronic health condition
- 30% possible brain injury
- 24% reported a history of domestic violence
- 26% had a criminal history affecting their housing status
- 16% are military veterans
- 22% were placed in foster care as a child

Race/Ethnicity Data

- 36% African American
- 2% African Native
- 8% American Indian
- 1% Asian/Pacific Islander
- 43% White
- 3% Other Race
- 6% Hispanic/Latino

Data on Children:

Of the children in families headed by chronically homeless adults and juveniles:

- 43% lived with a parent who reported a serious mental illness
- 12% lived with a parent who reported a serious alcohol or chemical dependency problem

Of children with chronically homeless families that did not report mental illness or chemical dependency:

- 19% lived with a parent with a chronic health problem
- 11% lived with a parent who had been a victim of domestic violence
- 6% lived with a parent who had a criminal history

The Statewide Survey.

Hennepin County Data on Families with Children:

200 families with significant risk factors in Hennepin County reported:

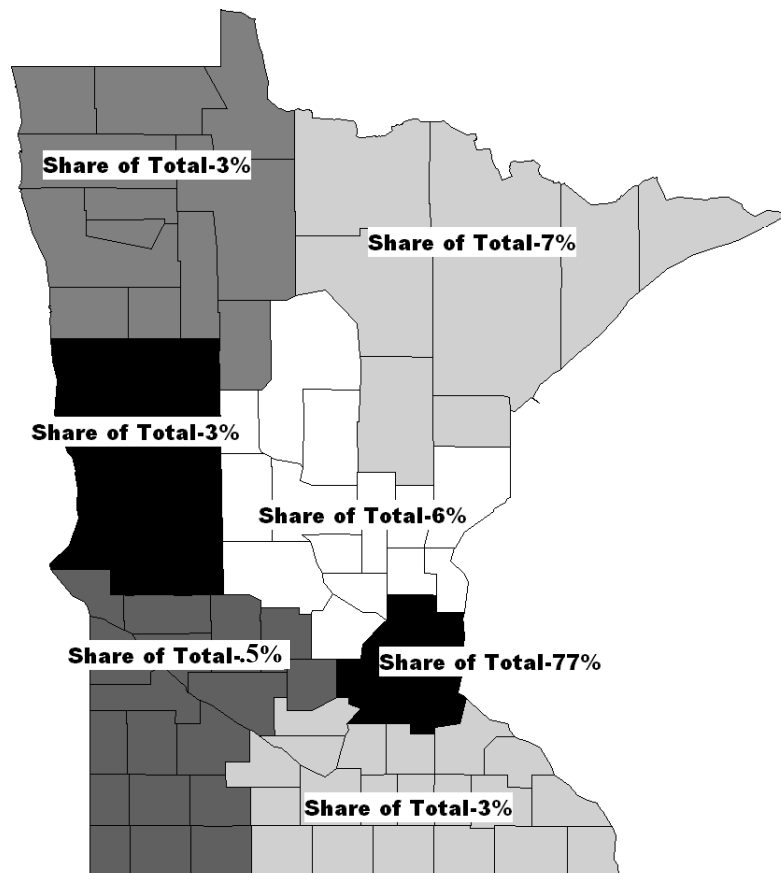
- 95% domestic violence
- 89% criminal history
- 85% chemical dependency
- 70% mental health issues
- 63.5% use of cash grants or Food Stamps
- 53% homelessness

Hennepin County 200 Families Phase 1 Report, 1997 and Phase 2 Report, 1999.

Geographic Distribution:

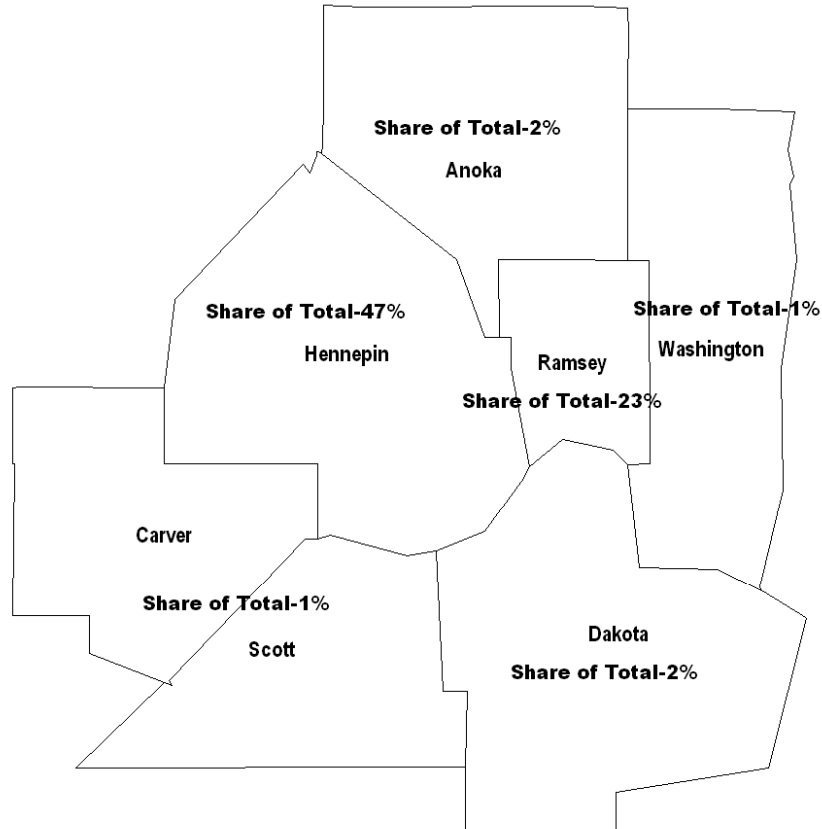
Approximately 75% of individuals, youth, and families with children experiencing long-term homelessness are located in the seven county Twin Cities Metropolitan Area and that 25% are located in Greater Minnesota, primarily in and around Duluth, Mankato, Moorhead, Rochester and St. Cloud.

Distribution of Persons Experiencing Long-Term Homeless by Region, 2003



The Statewide Survey

Distribution of Persons Experiencing Long-Term Homeless by County, 2003



The Statewide Survey

6.2. Housing with support service models that address the different needs of individuals, youth and families experiencing long-term homelessness

This section sets forth the principles adopted by the Working Group and identifies housing options and service choices.

Principles

The Working Group adopted the following principles to guide the selection of housing and support service models for individuals, youth and families with children experiencing long-term homelessness. These principles are vital to carrying out the goal of ending long-term homelessness of individuals, youth and families with children in Minnesota.

- Maximize choice of housing and services for families and individuals; ensure flexible housing and service options that respond to need.
- Encourage families and individuals to utilize services, but do not mandate services as a condition of tenancy in all cases.

- Utilize innovative practices that result in reduced costs and use evidence-based models for service and housing that have demonstrated positive results.
- Prioritize models that connect families and individuals in communities near public transportation and services.
- Provide the necessary housing tenancy supports to find and maintain housing, a critical service need for persons who have experienced long-term homelessness.

Housing Options and Service Choices

One of the most important principles is to maximize choice of housing and services for families and individuals and ensure flexible housing and service options that respond to need. An array of housing options must be available at the time that an individual, youth or family with children needs housing so that they may obtain the right housing type and situation to meet their needs, and not take the only available option which may not be the best option to provide ongoing housing stability. Housing and tenancy supports to find and maintain housing are necessary, but it is even more crucial that the supports are flexible to meet the needs of the individual, youth or family with children as their needs change over time. As needs fluctuate, housing and services must change to meet those needs. For a more detailed discussion, refer to Housing Options and Service Choices, Appendix at A-209.

Housing Options

Housing should be provided to individuals, youth and families through a range of options: leasing rental units, rehabilitating existing units, and developing new units. All housing must be affordable.

Types of housing include:

- scattered-site single family homes, townhouses, duplexes or apartments;
- clustered apartments;
- small single-site developments (4-12 units);
- medium single-site developments (13-30 units);
- large single-site apartment buildings (31+ units);
- single-site SRO: single room occupancy (may have shared bath and kitchen); or
- other housing types.

Housing should be provided through new construction and acquisition or rehabilitation of existing units.

The housing options for individuals, youth and families with children are the same: housing first is the primary goal for all. Additionally, a housing safe haven that is inappropriate for families with children, works well for some individuals. For some individuals who have experienced long-term homelessness for many years, outreach and engagement are key and a safe haven may be preferable as a step between the streets and permanent housing. A tiered or phased approach providing a permanent housing safe haven or service model of harm reduction may be most

appropriate to engage individuals who have mental and chemical health issues. Supportive housing works better for young adults than for unaccompanied youth who benefit from family centered housing support.¹² For families with children, providing housing first with appropriate services, including harm reduction, in some cases, is the only option that makes sense.

Single Site: Single site developments work well for individuals, youth and families with children and are conducive to on-site services. Single site developments for individuals and youth may be small to provide ongoing intensive services, medium to large with the level of services to fit the needs of residents, or larger single room occupancy developments where a less intensive level of services is needed for housing stability success. Single site developments for families may be medium to large and may provide services on site or in the community.

Smaller projects are preferable from a community-building standpoint; however, larger projects are better from the standpoint of development and operating cost efficiencies. With single site supportive housing there is a service economy of scale within a safe environment where there is an opportunity to see others succeed.

Individuals and families may choose to leave the community as they stabilize, or may wish to leave the community due to issues with oversight. Individuals and families may also be resistant to change when they are otherwise ready to leave the community. As individuals and families stabilize, the reduction in services may inhibit the economy of scale; however, stabilized individuals and families may provide hope and support to others. Careful attention to the mix of residents is necessary. Services as needed could be provided on site or in the community. There will likely be difficulty in siting new single site developments.

Clustered or Scattered-Site: Scattered-site single-family homes, townhouses, duplexes or apartments and clustered apartment models also work well for individuals, youth and families with children. With scattered or clustered site units, individuals and families are prepared to function in the community, identify and access services as needed, and may remain in community as they stabilize. Some individuals, youth, and families with children prefer to live in scattered-site units. Yet, individuals and families may feel isolated. Scattered-site supportive housing may not be appropriate immediately following treatment. Service delivery to unit may be inefficient and costly. Incentives for mixed-income development projects to include supportive units are needed.

¹² Supportive Housing or transitional living programs are almost always not the answer for 12 to 16 year old unaccompanied youth experiencing long-term homelessness. Youth need families and family-centered housing support. Alternative placements should be provided by child protection services. For some 16-17 year olds, supportive housing or transitional living programs may be the best option. There is great demand for supportive housing for 18 to 22 year olds transitioning out of out-of-home placements that may be experiencing developmental disabilities due to childhood trauma from physical abuse or neglect.

Service Choices

Service choices will depend on the service needs of the individual, youth, or family with children. Services can be delivered either on-site or off-site, with the exceptions of front desk and security staffing.

There are three categories of service needs that will impact the choice of housing options:

- outreach and engagement;
- intensive services; and
- stabilization.

Services choices identified by the Working Group include, but are not limited to:

- outreach and engagement,
- housing and tenancy-related support, including access to rental assistance
- case management
- assessment
- service planning and coordination
- assistance applying for other programs and benefits
- employment
- education and training
- financial management
- chemical dependency support
- mental health and trauma-related support
- domestic abuse, violence and safety planning
- crisis planning and response
- health care, including HIV/AIDS/STD education and support
- criminal justice resolution and diversion
- transportation
- stress reduction
- recreation
- social supports

With families, there are some unique support needs:

- parenting,
- child safety,
- development,
- health and education,
- child care,
- respite, and
- reunification.

Housing Tenancy Support Services

Housing tenancy support services are those services necessary to assist a household in finding and helping them maintain suitable housing. Housing tenancy support services can include services such as a concierge-like watchful eye or front desk service that alerts supportive service providers when a tenant appears to need some additional attention.

Virtually all of the persons experiencing long-term homelessness initially will need some form of housing tenancy support services. The lack of a recent, positive rental history will need to be overcome in order for persons experiencing long-term homelessness to be housed in the private sector. Several good models for providing these services exist; these models are most often funded by the Family Homeless Prevention and Assistance Program and the Hard-to-House tenant pilot program. These programs serve relatively small numbers of households each year and are not entitlement programs. The lack of stable funding and inadequate amounts of funding is the biggest barrier to providing these services.

6.3. Existing resources that may fund the models for individuals, youth and families who are experiencing long-term homelessness. Gaps in capital, operating, and service funding that affect the ability to develop supportive housing models

Capital, operating and service funding resources, gaps, and strategies to fill the gaps are discussed individually in this section.

6.3.1. Resources

A complete listing of relevant federal and state capital, operating and service funding, see the Department of Human Services, Minnesota Housing Finance Agency, Department of Employment and Economic Development, and Department of Corrections Funding Catalogs is found in the Appendix at A-1, A-17, A-25 and A-45, respectively.

6.3.2. Gaps

Capital Costs

Capital costs are the costs of the “bricks and mortar” of supportive housing (including common or service space), whether new construction, acquisition, or acquisition and rehabilitation.

The gaps in capital funding are twofold. First, the demand for capital funding far exceeds the amount of funds available. Typically, in any MHFA funding round requests are four times the amount of funds available. Second, the costs of new construction of supportive housing have tended to be even higher than comparably sized affordable rental housing.

Operating Costs

Operating costs are the costs of maintaining the property (taxes, insurance, utilities, maintenance, reserves, any debt service). Operating costs may be covered by tenant rent payments or rental

subsidies, if tenant incomes are insufficient to pay rent. Congress has provided no additional vouchers since fiscal year 2002. Approximately 1-in-4 low-income families eligible for vouchers receives any type of federal housing assistance. Criminal histories, particularly for drug offenses, may be a barrier to use of federal rental assistance for some persons.

The largest gap in operating funds for supportive housing is caused by the fact that the incomes of persons experiencing long-term homelessness are usually insufficient to pay rent to cover the operating costs of housing or supportive services. Only 25% of all persons experiencing long-term homelessness reported an income of over \$800. *The Statewide Survey*.

Persons who are able to work full-time are often not able to secure full-time work on a regular basis or with a high enough wage to cover market rate rents. Not all persons are receiving all of the income supports for which they are entitled. Current income supplement programs for the disabled and for very low income families are inadequate to pay market level rents in many instances.

Services

Supportive services costs include the costs of outreach and engagement, crisis management and intervention, health care, case management, life skills, employment and training services and housing tenancy support services necessary to support stable housing. Support services in housing with supports are typically a subset of all health and human services needed or available to a family or individual.

Some, but not all necessary services can be provided by or fully paid for under current programs and current funding levels. There are, however, a number of support services that are needed by persons experiencing long-term homelessness that lack a source of funding or that cannot be funded under mainstream programs. Funding levels for some services that can be provided under mainstream programs are inadequate. New ways to stabilize service funding even as tenant needs change or they move out are essential. Start-up program funding can also be an issue for some models of supportive housing.

There is a great deal of pressure at the federal, state, and local level to control Medical Assistance costs. Costs are controlled through a variety of mechanisms including eligibility, payment rates, billing and reporting requirements. One of the challenges over the next several years will be to determine if cost savings in other service systems such as crisis support or in-patient treatment can be captured to help off-set increased expenditures in MA or other support services.

Examples of areas where service funding gaps exist are in outreach and engagement and housing tenancy support services. Research on best practices shows that for some individuals experiencing long-term homelessness, intensive outreach and engagement services are vital. For a variety of reasons, many people experiencing long-term homelessness are often resistant to and suspicious of attempts to engage with service providers. Establishing a trusting relationship requires frequent and consistent attempts at outreach. This process cannot be viewed as a short-term intervention; rather it is a process that requires multiple contacts over an extended period of time.

Housing tenancy support services for persons experiencing long-term homelessness pose a special funding challenge because there is no single definition of these services nor is there a single funding stream currently available to pay for them.

In addition to gaps in resources, a number of other issues affect the provision of supportive services including the complexity of Medicaid programs, the requirement of individual eligibility, and the lack of flexible funding for services that cannot be covered by traditional social service programs.

Minnesota has a state-supervised, county-administered human service system. Under this system, the county is the direct manager of human service programs. This has the advantage of allowing for planning to address local needs but there is variation in the amount and range of services provided across counties. Counties provide the required financial match for a number of important health and human service programs. Changes at the state or federal level in how existing programs are accessed, or increases in the scope of services or utilization mean increases in county funding requirements. Not all counties would be equally able to address this funding challenge.

Because of these issues, it is very difficult to determine in advance the percentage of funding from public sources that might be available for new housing with support service programs. Based on Department of Human Service's estimates, the contribution of mainstream programs under current law and funding levels is not expected to exceed 50% of the cost of necessary services.

Basic structural issues between the housing development and human service system also need to be addressed. Strategies need to be developed that address the fact that supportive housing involves two systems – housing and supportive services – with incompatible delivery mechanisms. Housing assistance – at least in terms of development and redevelopment – is delivered through a property. Supportive services are delivered to an individual and, except for those persons who are institutionalized, the services follow a person to wherever they happen to live. Merging these two systems is a significant challenge.

Housing providers need to feel confident that the services needed for a resident to remain a good tenant are secure over the long-term. Service funding works on a much shorter time frame that is tied to state and local government budget cycles. In many cases, efficiencies of scale from a housing provider's standpoint would attach services to the housing so that a large portion of the residents would have access to the services. From the service provider's perspective, individuals or households and not supportive housing projects or other groups are deemed eligible for a program's benefits. It is necessary to determine eligibility on an individual basis and services must be tailored to each individual's unique needs and cannot be provided as one size fits all.

Furthermore, there is a great deal of concern about not recreating the institutional setting that failed in the past. The principles adopted by the Working Group related to consumer choice and matching the provision of services to demonstrated individual need should be maintained as funding strategies are explored. The Working Group process has demonstrated that there is no "silver bullet" strategy to integrating the housing and social service delivery systems. However,

a number of incremental strategies were identified that should be explored as set forth below. The aggressive pursuit of these strategies could result in the “system change” that is necessary to better integrate housing and service funding streams for the purpose of providing housing and necessary support services to persons experiencing long-term homelessness.

6.3.3. Strategies to Address the Gaps in Capital, Operating and Services Funding

This part describes a wide array of strategies that might be employed to address the gaps identified in the Working Group, by cost category. There are a number of possible changes that should be explored over the next several years. Not every avenue that is explored ultimately will be productive. It will be noted where there are immediate opportunities to pursue a strategy as part of the business plan.

The goal of providing housing and necessary support services for individuals, youth and families with children experiencing long-term homelessness can be attained with maximum access to federal resources, reallocation of state resources, change within existing systems, and development of additional resources from federal, state and philanthropic sources. More cost-effective services and delivery mechanisms must go hand-in-hand with increases in resources.

Given the estimated size of the population, long-term homelessness in Minnesota is a manageable problem that should be able to be solved. The system change necessary to accomplish the goal of ending long-term homelessness will have a positive impact on the entire housing and service systems serving individuals and families experiencing homelessness.

6.3.3.1. Capital Cost Strategies

Increase Funding for Capital Costs:

General obligation (GO) bond proceeds are one useful resource to meet capital costs of supportive housing. The 2004 capital bonding legislation is an opportunity to increase this resource.

Federal tax credits are the largest source of equity for low- and moderate-income rental housing development. The Minnesota Housing Finance Agency’s allocation and selection plan will prioritize permanent supportive housing for persons experiencing long-term homelessness. A combination of state GO bond proceeds and tax credit syndication proceeds may be an effective combination of resources; however, a number of legal issues complicate the coordination of these two resources. Every effort should be made to determine whether and how these two resources could be effectively combined.

General obligation bond proceeds may be an attractive resource for public owners to use to purchase the land for supportive housing and establish a land trust. Federal tax credits could possibly be used to assist with the financing of the building. Creative use of resources should be encouraged.

Increases to state appropriated programs that fund capital costs, such as the Housing Trust Fund, can help fill the capital cost gap as well as some reallocation of state appropriated funds.

Community Development Block Grant (CDBG) funding is a potential federal resource for both capital costs and services costs. Consideration should be given to the consolidation of CDBG activities with Continuum of Care efforts and other resources in order to access and target assistance to end long-term homelessness in local communities.

Capital Cost Efficiencies:

Factors such as the site, the availability of other community space nearby, and community concerns will impact a project's costs. Efforts must be undertaken to reduce development costs while not jeopardizing quality.

The process by which funding is committed and loans are closed must be continually reviewed and efficiencies implemented.

Continued efforts are necessary to examine, develop, and apply cost reduction strategies in four areas: design, technology, building delivery systems, and land, regulation, and siting.

- Design: design strategies warrant further exploration including: a uniform or standard design for the interior spaces; smaller sized units; simplified rooflines; standardized building platforms and unit sizes; inter-changeable pre-built components; simpler cabinets and utilization of inmate-built cabinets and other components. The size, configuration, and need for community or program space should be thoroughly analyzed for each project.
- Technology: Certain technological innovations show promise for cost savings in construction and/or ongoing operating costs. Alternatives to costly full basements; systems to improve moisture control; less costly wall, floor, and roof systems; and durable, maintenance free, energy efficient windows should be utilized.
- Building Delivery Systems: The building delivery system including the bid process, change orders and construction oversight should be re-examined to improve efficiencies.
- Land Use Regulation and Siting: Further examination should be given to incentives for local units of government to ease land use regulations that add to the costs of developing supportive housing and to remove barriers to siting supportive housing. It will be necessary for state, local government and other community leaders to help resolve issues that make it difficult to site housing for those experiencing long-term homelessness.
- The Department of Corrections has seven Institution/Community Work Crews (ICWC) building affordable workforce housing in Greater Minnesota in partnership with five different nonprofit agencies. These programs vary in cost efficiency due to the skills and abilities of the carpenters, developers and general contractors

involved. The developers are typically able to reduce the labor cost in houses built by approximately 50% by using ICWC. The Department of Corrections also has a very large cabinet shop at MCF-Faribault that is capable of providing cabinets, pre-finishing of millwork and other services or products at very competitive rates.

6.3.3.2. Operating Cost Strategies

Increase Access To Income Supplements:

Income maintenance programs reduce the need for rental assistance since they increase the amount of a tenant's contribution to rent. The following are several strategies to increase income for eligible persons experiencing long-term homelessness.

- Minnesota Supplemental Assistance (MSA): Expand eligibility for Minnesota State Supplement shelter needy assistance to individuals leaving Rule 36 Mental Health treatment facilities. Persons who had experienced long-term homelessness before entering treatment facilities may benefit from this change. This change would increase their income and lower the amount of operating costs or rental assistance subsidy to serve them.
- SSI Outreach and Assistance: Establishing eligibility for SSI brings not only increased income to the household and potentially reduces the costs to the State for state-funded income supports, it also leads to Medical Assistance eligibility, which in turn means expanded opportunities for supportive services reimbursement. One immediate strategy that DHS will implement is to increase funds for efforts to educate persons experiencing homelessness about SSI and MA eligibility criteria, benefits, and application procedures and to assist in the application and process and establishment of eligibility. Much of the work currently being done around SSI eligibility is focused on the appeal process after a denial of an application for benefits.
- The federal government also has recognized the importance of this strategy and issued a request for proposals for funding for long-term homelessness outreach and evaluation. At least four providers in Minnesota have applied for federal funding; decisions are expected early 2004. Minnesota should pursue any future opportunities for federal funding for this activity.
- Group Residential Housing: Expand the availability of Group Residential Housing base funding to Housing with Service settings for persons experiencing long-term homelessness funded with state bond proceeds, described in the business plan. This will significantly increase the contribution to rent that an eligible tenant can provide in these settings.

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Increase Availability of State-funded Rental Assistance or Operating Cost Subsidies:

State funding for rental assistance or operating cost subsidies will be increased on a temporary basis from MHFA resources. Resources will be made available in 2004; however, these resources will be exhausted in six-seven years.

Increases to State appropriated rental assistance programs such as Housing Trust Fund and Bridges could also help fill this gap.

Increase Availability Of Federally-Funded Rental Assistance:

Section 8 rental assistance subsidizes the difference between a HUD-established fair market rent (FMR) and 30% of a tenant's income. Without additional rental assistance for persons experiencing long-term homelessness, or other funds becoming available that would mitigate the need for on-going rental assistance, the goal of ending long-term homelessness cannot be accomplished.

Local housing authorities should also be encouraged to re-examine their preference for Section 8 and consider adding a preference for persons experiencing long-term homelessness, if they have not already done so.

Maximize Utilization Of Project-Based Section 8 Assistance:

Project-based assistance is Section 8 rental assistance that attaches to a unit of housing as opposed to traveling with a tenant. Project-based assistance is an effective tool in providing operating cost subsidies for supportive housing.

Local housing authorities should be encouraged to project-base the maximum allowable amount of Section 8 assistance. A number of local housing authorities have been very responsive to the needs of the residents of supportive housing for rental assistance. Currently no housing authority has converted the 20% maximum vouchers to project-based assistance. HUD regulations should be reassessed in light of the need to provide ongoing rental assistance for persons experiencing long-term homelessness. Federal, state and local officials, and funding partners should work together to address this gap in operating cost subsidies.

Maximize HUD McKinney-Vento Funding for Supportive Housing:

Provide technical assistance to new permanent supportive housing developments within each Continuum of Care region to ensure access to the full amount of federal homeless assistance funding.¹³ Strategically use McKinney Vento operating and service funds to serve persons experiencing long-term homelessness that may not be eligible for state-funded supportive housing.

¹³ The State of Minnesota could have obtained an estimated additional \$3.4 million in McKinney-Vento funding in 2003.

Re-entry Housing:

The Department of Corrections will undertake increased efforts to address the issue of re-entry housing for offenders in transition from incarceration to the community, possibly including: temporary board and care, $\frac{3}{4}$ way houses, halfway houses, and increases to the emergency fund. Offenders who meet the Department of Corrections risk criteria for housing services and who experienced long-term homelessness prior to incarceration will be eligible to receive assistance in these efforts. The Department of Corrections will provide data regarding offenders who have experienced long-term homelessness who receive assistance in these efforts. The Department of Corrections will consult with the Department of Human Services and the Minnesota Housing Finance Agency in regard to the Corrections re-entry housing efforts through the interagency decision-making process established by this initiative.

Licensing of Supportive Housing:

Some types of licensing or registration of supportive housing may assist in accessing additional funding.

6.3.3.3. Service Cost Strategies

Service cost strategies address previously discussed funding gaps by identifying ways to maximize the use of existing DHS programs and federal match where available. Since service funding gaps cannot be addressed solely with existing resources, a number of funding priorities are also delineated if new resources are made available in the future.

After a review of Minnesota's Medicaid programs, the Department of Human Services has determined that every effort has been made to make them as broad and flexible as is permissible under current federal law. Federal and state programs and policies, including discharge practices, should be reviewed continually for opportunities to improve services and provide increased flexibility and choice for persons experiencing long-term homelessness.

Provide Flexible Funding:

New resources are needed for those services not currently eligible for funding under existing programs or for unanticipated costs. DHS will contribute funding on an annual basis, beginning in 2004, to a pool of flexible funding to be created for housing with support projects applying to the MHFA Super RFP process. Funding could be used for one-time costs, to help leverage other service funding resources, or to support housing tenancy support services needed by persons experiencing long-term homelessness.

- One resource for this fund is mental health client service funds now used for housing subsidies. MHFA has agreed to provide funds from its own resources, on a temporary basis, to increase the funds available under the Bridges program so that the amount of funding for housing subsidies for persons with a mental illness remains stable while service funding increases. The long-term funding of this increase to the Bridges program will need to be addressed in the future.

- Emergency Shelter is an important part of the continuum of care for persons experiencing homelessness. At present, Group Residential Housing (GRH) is a source of funds to pay for services for persons in shelters. DHS proposes to make GRH funding more flexible so that it could also be used for to pay for supportive housing services. The purpose of this change would be to better serve persons experiencing long-term homelessness who are now reliant on shelters, but who would be better served by supportive housing. Approximately \$600,000 per year could be used in this more flexible fashion. There is a reasonable expectation that, as the supply of supportive housing for persons experiencing long-term homelessness is increased, the demand for emergency shelter space will be reduced.
- Minnesota has been a leader in providing transitional housing, which is a form of supportive housing (generally shorter-term). DHS currently operates a program that provides funding for transitional housing, but these funds are limited by statute to programs with 24-month residency limits. In order to serve the needs persons experiencing homelessness who need longer-term support, DHS proposes to change the Transitional Housing Program so that programs that provide support beyond 24 months would be eligible for up to 10% of this funding pool or \$300,000. This change, as well as the proposal to make GRH funding more flexible, may have the potential of leveraging federal funding by facilitating the use of waivers.
- Legislation for the GRH and Transitional Housing Program changes may be necessary. The challenge with increasing flexibility in these programs is to avoid adding to the problem of homelessness with these changes.

Target New Funding:

If additional funding is made available, it could be targeted to persons who are not currently receiving the level or type of services that they need, due to inadequate funding. For example, programs such as Assertive Community Treatment, Targeted Case Management, ARMHS or MA waivers could provide the appropriate intensity of services for persons who have a severe mental illness so that they can maintain stability.

Increase Availability Of Technical Assistance:

Provide information on service funding resources and other DHS programs and work with housing developers or providers interested in serving persons experiencing long-term homelessness.

Coordinate with Rule 36 Restructuring and Mental Health Initiatives:

As part of the restructuring of adult mental health residential services, DHS is currently working with multi-county planning groups to enhance the capacity of some of these facilities to provide more intensive, short-term treatment, to convert a percentage of current funding to a range of permanent supportive housing options and to develop ACT teams. Persons who have

experienced long-term homelessness may benefit from improved access to intensive community-based services. DHS will consider the needs of persons experiencing long-term homelessness as the restructuring of this program progresses.

Chemical Dependency Case Management Option:

A new service option will soon be available for persons with chemical dependency who could benefit from case management or service coordination. The new treatment service licensing rule, which is scheduled to be implemented on September 1, 2004, adds case management as a service that can be provided by licensed chemical dependency treatment providers. This should allow counties and tribes to contract with providers and pay for case management for individuals who are eligible for the Consolidated Chemical Dependency Treatment Fund. These services could follow an individual into a variety of housing settings. The Chemical Health Division of DHS uses federal Substance Abuse Treatment and Prevention block grant money to fund case management services for chronically chemically dependent individuals. Provision of this service is based on a Request for Proposals and is dependent on available funding and the quality of proposals received by the Chemical Health Division.

Redirect State Funding In PATH Projects To Other MH Service Models:

DHS proposes to use state funding in PATH projects to maximize federal reimbursement. In order to access additional federal reimbursement for those individuals who are Medical Assistance (MA) eligible, State funds could be used as the match for MA programs such as Assertive Community Treatment (ACT), Adult Rehab Mental Health Services (ARMHS) and Targeted Case Management. Currently there are eight counties across the state receiving Project for Assistance in Transition from Homelessness (PATH) funds that serve homeless people who have a serious mental illness or concurring mental illness and substance abuse.

Work With Existing DHS Workgroup On Case Management Reform:

The workgroup will be asked to address issues specific to persons experiencing long-term homelessness. This group is to report to the legislature in 2005. In redesigning these services, the needs of persons experiencing long-term homelessness must be kept in mind as well as how supportive housing can assist with the delivery of case management services.

Work with DEED on Employment Support Services for Persons with Mental Illness:

Encourage supportive work programs for persons with mental illness experiencing long-term homelessness as a component of supportive services in the future.

Partner With Counties To Develop Capacity:

Counties are both a funding source and a deliverer of services, and as such, have a critical role in addressing long-term homelessness. Counties should continue to be involved in the development and implementation of strategies to achieve the goal. Consideration must be given to county budgets when program changes are contemplated that require funding for the non-federal share of program costs.

Discharge Planning:

Develop and implement policies for the discharge of persons from publicly funded institutions or systems of care to prevent persons being discharged from immediately becoming homeless. These institutions and systems of care include health care facilities, foster care or other youth facilities, and corrections programs and institutions.¹⁴

Support Federal Ending Long-Term Homelessness Services Initiative (ELHSI):

The initiative creates a new federal program that would provide individuals and families who experience long-term homelessness with the full range of services they need to stay off the streets. If funded, this program could alleviate some of the difficulty faced by providers of housing with supports services. The Congressional delegation has been encouraged to support this initiative.

Metropolitan Area Regional Planning:

The state agencies will support the work of the counties in the Twin Cities metropolitan area in developing collaborative policies on long-term homelessness issues between counties.

Technical Assistance:

Increased efforts should be made to provide technical assistance to nonprofit organizations and others in areas of the state with a limited capacity to develop supportive housing.

6.4. Interagency decision-making process and a plan to fund supportive housing.

See business plan at Section 7.

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¹⁴ In order to prevent discharge from resulting in homelessness, the State begins the process of discharge planning when a person enters an institution, not when he or she is ready to be released; ensures that all other services needed and all available entitlements are secured prior to discharge; and that all stakeholders are included in the discharge planning process. Prior to discharge, an assistance plan is established for persons who receive treatment for mental illness, mental retardation or chemical dependency in a regional treatment center, for youth in foster care programs, and for offenders released from a correctional facility. The plan provides case management services, assistance in finding housing, employment, adequate medical and psychiatric treatment, and aid in the readjustment to the community.

7. Recommendations and Next Steps: A Business Plan to End Long-Term Homelessness by 2010

The plan must include an estimate of the statewide need for supportive housing, an estimate of necessary resources to implement the plan, and alternative timetables for implementation of the plan. It will propose changes in laws and regulations that impede the effective delivery and coordination of services for the targeted population in affordable housing.

This section provides the principal recommendations and business plan of the Working Group based on the information, analysis and discussions that have been part of the Working Group process. A detailed description of the major assumptions upon which the business and financial plan is based is set forth in the section of the report titled “Business Plan” assumptions following the conclusion at section 8.

7.1. Vision and Goal.

The vision of the Working Group is to end long-term homelessness for all individuals, youth, and families with children in the state of Minnesota by the end of 2010. As a result, the goal is to making housing and service options that allows persons who have experienced long-term homelessness to be successfully housed over the long-term. As this vision and goal are pursued, it is important to not lose focus on the needs of the broader homeless population and those who are at risk of homelessness. The broader homeless situation should be improved, not worsened, as a result of proceeding to implement these recommendations.

7.2. The Need: Provide Housing with Support Service Opportunities to 4,000 Additional Households.

Based on the 2003 homelessness survey of the Wilder Foundation, Minnesota should plan to provide supportive housing to an additional 4,000 long-term homeless households by 2010. This would accommodate some growth in the population of persons experiencing long-term homelessness over the seven-year period. It will be important, of course, to update the plan and be prepared to pursue other necessary strategies based on the 2006 Wilder survey and other available data. For example, it is anticipated that providing significant additional housing with support opportunities will free up shelter and transitional housing space for persons experiencing homelessness on a temporary basis. If this does not occur and there is a demonstrated shortage of temporary housing opportunities for persons experiencing homelessness, separate strategies to address this issue should be pursued. In addition, it is necessary that existing housing opportunities with support services for persons experiencing homelessness be maintained so that existing units are not lost.

7.3. The Strategy: Cost Effective Reforms for Providing Housing and Support Services.

The evidence reviewed by the Working Group demonstrates that permanent supportive housing works. Outcomes for persons experiencing long-term homelessness are enhanced, and the costs of crisis services are reduced. Providing housing with adequate supports to 4,000 households is a major challenge, financially, and to the capacity of our housing and social service delivery

systems. To maximize the amount of supportive housing available, the Working Group reviewed strategies to provide supportive housing more cost-effectively by utilizing strategies including:

- controlling development costs by using innovative designs, alternative materials, and limiting transaction costs;
- maximizing the use of the private, competitive rental market to avoid the costs of new construction;
- carefully scrutinizing support service levels to focus on those that relate directly to being successfully housed over the long-term; and
- requiring persons experiencing long-term homelessness to pay a portion of their rent from available sources and use financial incentives to minimize the amount of state support necessary.

7.4. The Financing Plan: Initial State Leadership to Leverage Other Resources.

The following table summarizes the financing plan, which estimates a total approximate cost of \$540 million over seven years. It is important to note that this financing plan is a unique effort to estimate over time the costs and potential sources for providing housing and support services from multiple funding sources each of which have different allowable uses and eligibility criteria. As a result, the plan provides an estimated order of magnitude, not precision, for the costs and potential sources. This plan will require continued updating as implementation proceeds.

**Financing Plan Estimate (2004 - 2010)
(in millions)**

<u>Sources</u>		<u>Costs/Uses</u>	
<u>Identified Sources</u>		New construction (500 units)	\$ 85
State General Obligation Bonds (\$16.2 million in 2002; \$20 million in 2004; remainder in 2006 and 2008)	\$ 90	Acquisition and rehabilitation (1,500 units)	\$125
Minnesota Housing Finance Agency State Appropriated Programs Agency Resources	\$ 90	New units integrated into mixed-income developments (400 units)	\$ 50
Private Tax Credit Equity (MHFA allocation)	\$ 60	Rental/operating assistance (1,600 units for available units in the rental market -\$40 million; remainder to support other new units identified above - \$60 million)	\$100
Department of Human Services	\$120		
<u>Remaining Sources:</u>	\$180		
Federal Government		Housing Support/Community	\$180
Local Government		Living Services/Income Supplements	
Philanthropic/Nonprofit			
State (Departments of Human Services, Corrections, and MHFA)			
Total	\$ 540	Total	\$ 540

Key points related to the financing plan include:

- *Phase-in.* The dollar figures represent the additional resources necessary to house and serve an estimated 4,000 long-term homeless households based on an estimated schedule for providing the housing and support services over the seven-year period.
- *Identified Sources.* The “identified” sources represent those that can be reasonably anticipated based on existing funding levels and with minor changes to some programs. They are, however, not guaranteed. The identified sources are general obligation bonds, funds from the state appropriated Housing Trust Fund, MHFA resources from the Agency’s bond funds, and service funds allocated by the Department of Human Services. Department of Human Services funding is not available in a “lump sum” or “pool” as individual determinations of eligibility must be made; however, approximately \$10 million has been identified initially for use as part of a flexible service fund.
- *Remaining Sources.* By identifying and attempting to quantify the “remaining sources”, it is clear that state government cannot finance this plan alone. Filling the gaps requires at least two strategies. First, leveraging state resources to obtain federal, local, and philanthropic resources. These sectors have contributed to past and ongoing efforts for persons experiencing long-term homelessness and there is reason to believe they may continue and enhance their efforts, particularly if the state provides continued leadership. Second, addressing the identified service funding gaps requires exploring opportunities to increase the use of “mainstream” services as defined earlier, and targeting resources to the needs of persons experiencing long-term homelessness. To the extent additional state resources are necessary but unavailable, the ability to achieve the goal, or the timetable within which it can be achieved, will be affected.
- *Ongoing Costs.* After 2010 there will be ongoing costs for rental assistance and for support services. Reducing or eliminating these costs to the state would require successful “mainstreaming” of most support service costs and for the federal government to fulfill its role of providing rental assistance. A very imprecise estimate of these costs by 2010 is \$88 million, annually. To the extent such funding is necessary and unavailable in 2010, the housing would become part of the affordable housing supply primarily for those other than persons experiencing long-term homelessness.
- *Savings and Benefits.* These figures do not include an estimate of the reduced costs to counties, other local units, and the state of reduced use of “crisis” services by persons experiencing long-term homelessness. Nor do they account for the benefits associated with the better outcomes that should be achieved by persons experiencing long-term homelessness such as increased employability.

7.5. The Implementation Plan: Establish Accountability and be Proactive.

The Working Group process has resulted in a wealth of knowledge and a committed group of stakeholders. An essential element of implementing the business plan will be to take advantage of and build on this knowledge and to continue to involve stakeholders. The business plan should be implemented, in general, as follows:

- *Continued Interagency Cooperation.* The Departments of Human Services, Corrections, and the Housing Finance Agency should enhance and institutionalize their joint efforts to proactively solicit and fund supportive housing for persons experiencing long-term homelessness. The existing “super RFP” process of the MHFA should be utilized, but there should be flexibility so that funds are available on a pipeline basis as well. Priority for funding should include proposals that:
 - serve long-term homeless families and children;
 - have project-based rental assistance committed; and
 - will leverage other funds including CDBD, HOME, and tax credits.

In addition, it will be important that projects to be funded have a service funding plan that is approved by the Department of Human Services and the county in which the project is to be located.

- *Develop the System for Supportive Housing.* The state agencies also should continue their work to develop creative funding strategies that allow a more natural “system” to develop to provide for the development of supportive housing. It will be critical to involve the federal government, counties and other local governments, and nonprofit funders as partners in addressing funding and funding system issues. A key part of this system should include a database on housing with support service opportunities, a one-stop shop, to avoid unnecessary duplication and so that persons experiencing long-term homelessness can be easily and efficiently housed in an appropriate setting.
- *Evaluation.* Rigorous evaluation and search for best practices should be integrated into the implementation process. The data necessary to plan, measure and evaluate successful outcomes will be collected every three years by the Wilder Statewide Study of People Without Permanent Shelter. The Department of Human Services, Department of Corrections, and the Minnesota Housing Finance Agency, with the assistance of stakeholders, should also contribute key information. Additionally, all state or federal funded housing providers that target persons experiencing homelessness including emergency shelters, domestic violence shelters, and transitional and supportive housing programs will participate in Minnesota’s Homeless Management Information System (HMIS).¹⁵
- *Stakeholder participation and capacity building.* A broadly representative advisory body like the Working Group should be established to assist in implementation of the business plan and track progress. Persons who have or are experiencing homelessness should be included. In addition, it will be important to

¹⁵ HMIS is an internet-based system that will provide standardized and timely information to improve access to housing and services and strengthen our efforts to end homelessness. Data on homelessness including unduplicated counts, use of services, and the effectiveness of the local homeless assistance system will be collected. HMIS may track the success of outcomes of persons experiencing long-term homelessness who enter supportive housing and whether the same persons ever return to shelters.

work with developers, local governments, and service providers to develop and maintain the capacity to implement the plan and assist in addressing siting and similar issues.

- *A long-term homeless director without new bureaucracy.* A director for ending long-term homelessness should be engaged, using existing resources, to coordinate implementation of the business plan. The director should report to the Commissioners of Human Services, Housing Finance, and Corrections. In addition, and also within existing resources, the Department of Human Services intends to offer technical assistance for service planning for housing with support service projects.

8. Conclusion: An Opportunity to Succeed

The Working Group has sought to develop a plan that addresses a complex social issue in a businesslike way. Proceeding to implement the plan offers significant benefits and few risks. The benefits will accrue to persons experiencing long-term homelessness in increased productivity and quality of life, and to the rest of Minnesota in reduced crisis service costs and in knowing that the needs of some of our most vulnerable citizens are being addressed. The risk of proceeding is confronting obstacles that we fail to overcome, not achieving the goal, and being held publicly accountable. Even if this occurs, a bold, ambitious effort would have been undertaken that will create affordable housing that can be made available to others, and services would have been provided to those who need them.

Establishing goals that improve quality of life, developing implementation plans, aligning resources, and being held accountable—for success or failure—are essential principles of good public governance. The Working Group on long-term homelessness advocates putting these principles to work for individuals, youth, and families with children experiencing long-term homelessness, and calls on the “many hands” that are necessary to proceed and risk success.

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ENDING LONG-TERM HOMELESSNESS IN MINNESOTA REPORT SUPPLEMENT

This is a supplement to the report from the Working Group on Long-Term Homelessness, the purpose of which is to set forth the assumptions upon which key elements of the business and financing plan are based. These assumptions were arrived at based on extensive analyses of data from the Wilder survey; cost and other information from existing housing with support service projects; and meetings, interviews and surveys involving many Working Group members, stakeholders, and other knowledgeable persons. These assumptions will be continually tested against new data and actual experience, and refined and adjusted accordingly.

The supplement has three elements. First, the table setting forth the financing plan is set forth again for reference purposes. Second, the assumptions related to the “sources” are set forth. Third, the assumptions related to the costs and uses are set forth. There is some overlap relating to the assumptions for sources and costs/uses. Where this overlap occurs, an effort was made to cross-reference in order to avoid unnecessary duplication.

Financing Plan Estimate (2004 - 2010) (in millions)

<u>Sources</u>	<u>Costs/Uses</u>
<u>Identified Sources</u>	New construction (500 units) \$ 85
State General Obligation Bonds \$ 90 (\$16.2 million in 2002; \$20 million in 2004; remainder in 2006 and 2008)	Acquisition and rehabilitation (1,500 units) \$125
Minnesota Housing Finance Agency \$ 90 State Appropriated Programs and Agency Resources	New units integrated into mixed-income developments (400 units) \$ 50
Private Tax Credit Equity \$ 60 (MHFA allocation)	Rental/operating assistance (1,600 units for available units in the rental market -\$40 million; remainder to support other new units identified above - \$60 million) \$100
Department of Human Services \$120	
<u>Remaining Sources:</u> \$180	
Federal Government	Housing Support/Community \$180
Local Government	Living Services/Income
Philanthropic/Nonprofit	Supplements
State (Departments of Human Services, Corrections, and MHFA)	
Total \$ 540	Total \$ 540

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Assumptions On Sources Of Funding

1. Capital Bonding:

Assumption: \$90 million of general obligation bonds over 7 years.

Rationale: State general obligation bonds are a valuable resource and an appropriate use of bond proceeds, which will be used to construct capital facilities that will last 30 years or more. General obligation bond funds must be used for projects that are owned by a public entity, such as a local unit of government, and there are limits to reimbursable costs. This requires a willing local government owner, which may in turn lease the project to a nonprofit housing and service provider.

General obligation bonding accounts for \$90 million of the anticipated \$260 million capital costs of the plan, or just over one-third. In 2002, the legislature appropriated \$16.2 million of capital bonding for projects that will primarily serve homeless veterans to be located in St. Cloud and Minneapolis. The plan anticipates a modest increase from the 2002 appropriation in 2004 to \$20 million. This amount has been recommended by the Governor as part of his capital budget. The plan anticipates additional capital appropriations of \$25 million in 2006 and \$30 million in 2008.

2. MHFA Resources:

Assumption: \$90 million of State appropriations and Agency resources

Rationale: This consists of three sources. The first is the Housing Trust Fund at \$25 million. This is a part of a biennial appropriation to the Minnesota Housing Finance Agency (\$8.6 million FY 04-05), which is used to provide rental and operating assistance to very low-income persons. It is also used as a source of capital funding. It is anticipated that a significant amount of Housing Trust Fund proceeds will be necessary to maintain existing supportive housing. The Housing Trust Fund proceeds in the plan are for new units and related rental assistance and housing support services. Appropriation increases of \$2 million each year are anticipated for the Housing Trust Fund in 2005, 2007, and 2009. If these additional appropriations are not forthcoming, there will be a shortfall in the financing plan or the resources would come from other housing programs.

The second is the Preservation Affordable Rental Investment Funds (PARIF), another appropriated resource (\$18.5 million for FY 04-05). It is anticipated that up to \$10 million of PARIF resources can be used as part of the financing plan over the seven-year period to the extent that these funds are not needed for the preservation of federally assisted housing.

The third is non-appropriated "Agency" resources, which account for \$50 million of the plan. Agency resources are those that can be periodically released from MHFA bond funds. This represents a significant commitment of the Agency, and can be a one-time commitment only as there is no anticipated return on investment for these funds. Foregoing any return of investment has an impact on the Agency's ability to invest in other affordable housing over the long-term.

The Agency is reviewing strategies to minimize the impact on other affordable housing programs as a result of a one-time use of funds for this purpose.

3. Private Tax Credit Equity:

Assumption: \$60 million of tax credit equity.

Rationale: The Low-Income Housing Tax Credit (LIHTC) program created in 1986 and made permanent in 1993, is an indirect federal subsidy used to finance the construction and rehabilitation of low-income affordable rental housing. Washington lawmakers created this as an incentive for private developers and investors to provide more low-income housing. Typically, affordable rental housing projects do not generate sufficient profit to warrant the investment.

The LIHTC gives investors a dollar-for-dollar reduction in their federal tax liability in exchange for providing financing to develop affordable rental housing. Investors' equity contribution subsidizes low-income housing development, thus allowing some units to rent at below-market rates. In return, investors receive tax credits paid in annual allotments, generally over 10 years.

It is proposed that 25% of the approximately \$5.412 million in tax credits allocated annually by the MHFA will be set aside for permanent supportive housing starting in 2005. It is anticipated that \$1.353 million ($\$5.4 \times .25$) in tax credits which are received by investors over ten years, will generate approximately \$10 million in equity per year assuming current market prices of seventy-four cents per tax credit dollar per year times ten years. ($\$1.353 \text{ million} \times 10 \times .74 = \$10,000,000$).

4. DHS Sources and Uses/Costs:

This is the assumption for all DHS sources and uses/costs because the concepts are so inter-related in this context.

Assumption: DHS will contribute \$120 million, from all sources, to the costs of providing necessary services and rent contributions. An estimated \$180 million is the cost for service and income supplements - \$150 million for services, and \$25-30 million for income supplements.

Rationale: In order to determine the total funding amount available from DHS service and income supplement sources for individuals and families experiencing long-term homelessness, it was first necessary to estimate their need for services, the cost of those services, and the percentage of the need that could be covered by existing DHS programs at current levels of funding. The value of income available for rent and any new or redirected sources of DHS funding were also added to the total amount of DHS program resources to be made available.

There is no definitive research on the level of service needs over the long-term for households who have experienced long-term homelessness. It is recognized that the level of service needs will fluctuate over time for most households. The fluctuation in service needs over time is taken into account by the use of average costs of services, rather than trying to make assumptions about how long any household might need a particular level of service. There is consensus

among stakeholders and Working Group members that some form of housing tenancy supports will need to be provided to all households for an extended period of time.

Recent data from the Supportive Housing and Managed Care pilot shows a 15% reduction in the average cost of services to families from FY 2002 to FY 2003; this may be some evidence of the extent of the change in service level needs as families progress. This pilot is serving among the very hardest to serve of the homeless population. However, long-term data is not yet available from the pilot.

Fifty percent (50%) of the persons included in the Wilder Statewide self-report that they have a mental illness or a chemical dependency, or both. Other research suggests that the percentage is probably much higher. This assumption leads to an assumption of a need for intensive services.

DHS staff estimated that 50% of the total costs of necessary services (\$150 million) would be able to be covered by existing state and federal programs at current funding levels. This means that there is \$75 million from its service programs alone that is available or could be available to pay for services for the long term-homeless with minor changes to some programs. This funding is not available in a lump sum or a pool, as each program has individual eligibility requirements and special efforts may be necessary to assure that persons experiencing long-term homelessness become eligible for the programs.

The value of certain income supplement programs is also estimated for purposes of the business plan. Data from the actual contributions of households to rent in a variety of affordable rental settings was provided by the MHFA. It is estimated that \$25 - 30 million in income supplements would be used by this population to pay toward rent in housing with supports settings.

- \$10 million in flexible, targeted funds from GRH and Transitional Housing: DHS could redirect existing funding in two programs, Transitional Housing and the GRH program to the extent possible to meet the need for a flexible fund for service costs. It is expected that a total of \$10 million over the seven-year period of the Business Plan could be made available. Neither of the proposals described below costs additional state money nor should they reduce the number of people served under the existing programs. They have the potential of leveraging federal funding which would mean additional resources may be made available as a result of this proposal. The proposals expand the use of these funding sources so individuals experiencing long-term homelessness in these programs that need supportive housing have more options. An amendment to GRH and Transitional housing statutes will be needed. The amendment would limit the use of this funding to settings created under the Business Plan and bonding proposals. The flexible funding could be part of the Super RFP process for these projects.
- GRH funding that is currently only available and used for some of persons experiencing long term homelessness in shelters for services would be made available for use in supportive housing developed under the Governor's Business Plan and bonding proposal. Approximately \$600,000 per year could be used in this more flexible fashion.

- Transitional housing funding, \$300,000 per year (approximately 10%) of existing state funding would be used for transitional housing operating and service costs for housing with support projects for the long-term homeless clients they serve. Funds would continue to be used for operating or service costs in the new settings.
- \$10 million in Mental Health Service funding refinancing - BRIDGES and PATH proposals: An additional \$10 million for mental health services would be made available primarily by the MHFA's assumption of rental subsidy costs through the Bridges programs so that DHS Mental Health Initiative funding could be used solely for services.
 - Bridges mental health client service funding under the Adult Mental Health Initiatives can now be used for housing subsidies. The MHFA has agreed to provide funds from its own agency resources, on a temporary basis, to increase the funds available under the Bridges rental subsidy program so that the amount of funding for housing subsidies for persons with a mental illness remains stable while service funding increases. The amount of funding that would be picked up by the MHFA in the Bridges program is expected to be \$1.33 million per year for the seven years of the Business Plan. The long-term funding of this increase to the Bridges program will need to be addressed in the future.
 - DHS proposes to use state funding in PATH projects to maximize federal reimbursement. In order to access additional federal reimbursement for those individuals who are Medical Assistance (MA) eligible, State funds could be used as the match for MA programs such as Assertive Community Treatment (ACT), Adult Rehab Mental Health Services (ARMHS) and Targeted Case Management. Currently there are eight counties across the state receiving Project for Assistance in Transition from Homelessness (PATH) funds that serve homeless people who have a serious mental illness or concurring mental illness and substance abuse. The federal share of the PATH program in 2004 is \$517,000 and the State required match is \$172,334. The State contributes \$287,667 above the match, which can be used for the MA match.

The estimated cost of \$180 million is for housing support, community living, and income supplement costs. It is based on the Wilder data assumptions about the number and type of households used in the business plan. This service cost assumption was based on the following calculations:

- Costs of \$10,000 per year per individual and \$15,000 per year per family for services were used. These numbers were based on information submitted from current supportive housing providers to the Working Group. The services costs are based on estimates from current supportive housing providers. The Supportive Housing and Managed Care pilot estimates average costs for families of \$16,660, excluding an average of 22% for housing costs. In addition, the Wilder Roof

Project and Project Quest (Hearth Connection) estimate on the range of service costs at the highest level of intensity to be between \$10,061 and \$16,142. The lower number for singles is consistent with Hearth Connections' estimates. The assumption uses an amount close to, but not at the top of the range. The fact that persons experiencing long-term homelessness are a hard-to-serve population who are experiencing multiple challenges was also considered.

- The phase-in assumptions of the capital portion of the business plan were also applied to the service costs. All of these calculations created an estimate of \$150 million that would be needed for services for persons experiencing long-term homelessness for the duration of the business plan.
- \$25 million is estimated for the costs of providing income supplements that help defray operating costs.
- The estimates do not include an inflation factor.
- No attempt has been made to offset the costs by anticipated savings, but savings in crisis services are expected.
- The estimated total is not all new costs, since an estimated 66.6% of homeless households surveyed reported receiving income from MFIP or GA, employment services from MFIP, any kind of medical care through a regular medical benefit or insurance program, or reported being covered by MA or GAMC.
- The costs of health care, chemical dependency treatment, and mental health care are not reflected in these estimates.

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5. Remaining Sources:

Assumption: \$180 million

Rationale: The remaining sources are of four types: 1) other state sources, including the MHFA, DHS, and DOC as they may become available. As the plan proceeds, there may be additional resources identified from these sources; 2) the federal government. This would be primarily for rental assistance and service funding as detailed elsewhere in this report, but also for capital funding from HUD; 3) local government. Many local governments contribute to capital or service funding for housing and support services in-kind, cash and cost avoidance. Although the current fiscal situation makes providing such funding difficult, many local governments, particular counties, recognize the cost-effectiveness of supportive housing in reducing crisis costs which are a significant burden on counties as well; 4) philanthropic sources. Minnesota has been fortunate to benefit from foundations that have made a priority of investing in affordable housing, including The McKnight and the Charles K. Blandin Foundations. It will be important to maintain existing commitments and expand them to a broader base of foundations that may want to invest in an innovative plan to address the long-term homelessness issue.

Assumptions on Cost/Uses

1. The Number of Households to be served.

Assumption: At least 4,000 households will need to be served over the next 6 years.

Rationale: The assumption is based on information from the Wilder Research Center Statewide Survey of Homeless Persons, conducted in October 2003 on the number of persons currently experiencing long-term homelessness; an adjustment is made to this data to account for additional persons who may experience long-term homelessness at some point over the course of the next six years.

- Based on the 2003 one-night count, the Wilder Research Center estimates that over the course of a year there were no fewer than 3,288 persons who experienced long-term homelessness, including 454 children.
- The number of households estimated over the course of the year to experience long-term homelessness is 2,834.

The estimate is based on the single-count of persons experiencing long-term homelessness who are in emergency shelters, battered women's shelters, other emergency arrangements and places not intended for habitation and the count of those in transitional housing who have chemical dependency, mental illness, and/or chronic health conditions for which they have not received recent care. Including this subset of persons in transitional housing in the estimate of the number of persons experiencing long-term homelessness is reasonable because persons who needs, but are not receiving, treatment for these health issues are unlikely to be able to make the transition to unsupported housing within 24 months without supportive services.

The 2003 Statewide Survey was able to provide a count of persons who met the Working Group's definition of persons experiencing long-term homelessness. The estimates provided to the Working Group by Wilder based on the 2000 Statewide Survey used a different definition and included everyone in transitional housing. The method used in the 2003 estimates is the more conservative method.

A 40% increase above the number of long-term homeless households estimated in 2003 is assumed. Between 1997 and 2003, the total number of persons experiencing homelessness increased by approximately 40%. The increase occurred primarily between 1997 and 2000; between 2000 and 2003, the count remained essentially flat. Several factors led us to assume an increase.

- First, the assumption attempts to recognize that, despite our best efforts, over the next six years, new people will experience long-term homelessness. It is expected that there will be some turnover in the permanent supportive housing; however, it is assumed that the turnover rate in permanent supportive housing will be less than the incremental increase in the number of persons experiencing long-term homelessness. There is no reliable way to measure the turnover in supportive housing at this point since this is a relatively new industry in Minnesota, particularly for projects serving the hardest to serve – the long-term homeless.

- Second, recent economic forecasts show that payroll employment remains stubbornly below end-of-recession levels. Full-time work was half as common in 2003 as in 2000 among persons experiencing homelessness. Slow growth in the labor force may impact the extent of homelessness.
- Third, the Wilder Research Center acknowledges that there is no reliable methodology for using “cross-sectional data” to produce annual population estimates. Their annual estimates are described as conservative.
- Finally, the Wilder Research Center concurs that 4,000 households is a reasonable planning estimate since it is a number above the most conservative estimates and below the most inclusive estimates.

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2. Types of Households to be Served.

Assumption: Two-thirds of the households experiencing long-term homelessness are single adults or unaccompanied youth. The remaining one-third of the households is assumed to be families with children.

Rationale: According to the 2003 Statewide Survey:

- 90% of the households meeting the definition of long-term homeless were households composed of single adults or unaccompanied youth;
- If all transitional housing residents who meet the definition of long-term homeless, regardless of current health status or need, are considered 80% of those households were single adults or unaccompanied youth;
- One-third of the households in transitional housing, who meet the definition of long-term homeless, were households with children.

About 10% more children were homeless in October 2000 as compared to October 2003. The drop in the number of homeless children may be due to the reclassification of one large facility.

3. Size of Households to be Served.

Assumption: Families to be served will predominately consist of one adult and two to three children.

Rationale:

- The Wilder survey found that the average number of children with a parent meeting the definition of long-term homeless was 2 children.
- This compares to the average family size in MHFA’s Housing Trust Fund Rental Assistance portfolio of: 2.26 children.

- The average MFIP family is 3 persons; 68% of the MFIP caseload has 1 or 2 children.
- Including only long-term homeless persons in emergency settings or those in transitional housing who are not receiving care for a major problem, 97% of those in emergency settings and 87% of those in transitional housing reported that they needed housing with two bedrooms or less.

4. Housing Type and Mix: New Construction and Acquisition/Rehabilitation vs. Rental Assistance.

Assumption: Sixty percent of the housing units needed to meet the goal (2,400 units) will be provided through new construction or acquisition and rehabilitation and the remaining 40% of the need (1,600 units) will be met through rental assistance in existing housing.

Rationale: Available resources are insufficient to build our way out of the problem. The plan promotes utilization of existing rental housing that is well located and suitable for the targeted population. The current environment in which vacancy rates are somewhat higher than ideal lends itself to making use of existing housing. There is a role for the private sector to play in meeting the goal of ending long-term homelessness and that role is to make existing units available to persons who have experienced long-term homelessness, provided that the necessary supports, including rental assistance are in place.

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5. Housing Type and Mix: Sole Purpose vs. Scattered-Site.

Assumption: One-half of the housing opportunities (2,000 units) will be sole purpose/ single site and one-half (2,000) will be mixed-income/scattered-site/clustered site.

Rationale: This approach implements one of the principles adopted by the Working Group that housing choices should be maximized and that these units should be flexible options so that the individual housing needs are met.

A. Sole Purpose / Single Site (2,000 units):

Sole purpose/single site buildings are buildings in which all of the units are supportive housing. These sole purpose buildings could be a variety of models from harm reduction/safe havens, to single room occupancy building, to large family housing. Sole purpose buildings are recommended because:

- Residents benefit from peer examples whom they encounter on a daily basis.
- Residents who share similar histories of homelessness can easily develop a sense of community.
- Sole purpose buildings allow support services to be delivered very efficiently.

B. Scattered-site / Clustered Site (1,600 units):

Several considerations lead to the assumption that a significant portion of the needed units should be provided in scattered sites.

- Consumers and advocates for persons experiencing homelessness as well as direct service providers encouraged the integration of supportive housing into the larger community.
- The transition to general occupancy housing when support services are no longer needed can be easier if a resident has lived in a community that is not exclusively supportive housing. Living in a scattered-site setting avoids the disruption of having to move when a resident is ready to graduate from housing with supports.
- Scattered sites lessen many of a neighborhood's objections to having supportive housing units located in their neighborhood. The difficulties confronted by providers of housing with supports in attempting to site a development must be considered. Dispersing the housing with supports throughout a community makes the housing less visible and alleviates concerns about a concentration of units in a neighborhood.

The private sector can play a role in helping to meet the goal of ending long-term homelessness through the provision of housing in scattered sites.

C. Mixed-income (400 units):

One strategy for implementing the scattered-site component of the business plan is to include some units of housing with supports in new construction, mixed-income developments. Most likely these would be developments in which the MHFA is assisting with some affordable units. A few supportive housing units (probably no more than 10% of the total) could be included in the mix.

The MHFA conducted a small, informal survey of developers/management companies with whom it has considerable experience to gauge their receptivity to including some supportive housing units in their housing developments. While the response was mildly receptive to the notion, acceptance hinged on crucial conditions, including a guarantee that needed services would be provided. Until more success can be demonstrated with including supportive housing units in mixed-income developments, the assumption of 400 mixed-income units is aggressive.

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6. Housing Type and Mix: New Construction vs. Acquisition/Rehabilitation.

Assumption: Seventy-five (75%) of the units (1,500 units) in sole purpose developments will be provided through acquisition and rehabilitation; only 25% (500 units) in sole/single purpose buildings plus another 400 units in mixed-income developments will be provided through new construction.

Rationale: This 75/25 split between acquisition/rehabilitation and new construction for sole purpose building reflects the Agency's emphasis on achieving the goal with the least expensive, but highest quality product. Acquisition/rehabilitation is a far less expensive means of producing supportive housing than new construction and will enable us to meet the identified housing needs with the funds that realistically will be available for this effort.

This emphasis on acquisition/ rehabilitation is one of the reform elements of the business plan. In addition to cost considerations, siting issues that result in delays and additional expenses lead to acquisition/rehabilitation as the major means of producing supportive housing units. It is recognized that there may be relocation and attendant relocation costs in many instances. Projects that involve minimal relocation will be preferred. The problem of adding to the ranks of persons who are at risk of becoming homeless should not be exacerbated by these activities.

In the most recent funding rounds through MHFA, approximately one-half of the funded requests for supportive housing were for acquisition/rehabilitation; the other half were for new construction projects.

The rental housing market has softened significantly in the last two years as reflected in the change in vacancy rates from 2.2% in 2000 to 6.7% in 2003. Vacancy rates in higher-end buildings are especially high. Opportunities exist to acquire and complete modest rehabilitation of well-located, decent housing at a very reasonable cost. The market conditions are now such that a strategy emphasizing acquisition/rehabilitation is not only reasonable and prudent, it is a smart business decision.

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7. Housing Type and Mix: Rental Assistance.

Assumption: Virtually all of the households experiencing long-term homelessness will need some level of rental assistance, either project-based (2,400) or tenant-based (1,600), for a period of time.

Rationale: The costs of operating a rental-housing unit, and particularly a supportive housing unit, exceed the ability to pay of most persons and families experiencing long-term homelessness. The following chart sets forth average incomes from the most common sources of income and the amount available for monthly rent at 30% and 50% of income.

Income Source	Amount (Monthly)	30% of Monthly Income	50% of Monthly Income
Average Income Wilder Survey Metropolitan Area	\$513	\$154	\$256.50
Average Income Wilder Survey Greater Minnesota	\$494	148	\$247
MFIP (1 parent, 2 children)	\$532	\$160	\$266
SSI (Single adult)	\$564	\$169	\$282

The majority of persons experiencing homelessness do not currently have access to rental assistance. The Wilder Survey reported that 40% of those surveyed were on a waiting list for Section 8 or some other type of housing assistance. Nearly 48% of those on a waiting list in the metro area and 74% of those in Greater Minnesota had been on the waiting list for 6 months or less. Of those surveyed in the metropolitan area, 33% could not get on a waiting list because the list was closed. (See *Statewide Survey*, Tables 38 and 39.) Only 3.9% of those surveyed in the metropolitan area and 5.7% of those surveyed in Greater Minnesota reported having a housing voucher in the last two years that they could not use because it was revoked or expired or no landlord would accept it. (See *Statewide Survey*, Table 40)

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8. Amount of Rental Assistance.

Assumption: Single adults will need, on average, monthly rental assistance of \$378 and families with children will need, on average, monthly rental assistance of \$851.

Rationale: The actual operating costs for supportive housing provide guidance as to the amount of rental assistance that will be needed. Below is a chart of the operating costs for a variety of supportive housing developments in the metro area.

Operating Costs Identified for Supportive Housing

Development Location	Type of Housing and Units	Costs are based on:	Unit Count	Total Annual Operating Costs **	Total Operating Costs Per Unit Month	Annual Taxes	Gross Rent	Average Tenant Portion Paid
Minneapolis	Rehab -Family Apartment	Actual	17	\$131,300	\$644	\$ 300	1BR = 784 2BR = 1003 3BR = 1071	1BR = 21 2BR = 256 3BR =129
St. Paul	Rehab -Family Apartment	Actual	31	224,630	604	18,475	1BR = 650 2BR = 750	1BR = 273 2BR = 177
Minneapolis	New Family Townhouse	Actual	24	\$303,791	1,055	43,858	2BR = 1003 3BR = 1356 4 BR = 1537	2BR = 31 3BR = 112 4 BR = 172
St. Paul	New Family Townhouse	402	25	307,768	1,026	43,000	2BR = 948 3BR = 1282 4BR = 1453	2BR = 60 3BR = 121 4BR = 91
Minneapolis	New Family Townhouse	402	20	205,213	855	21,000	2BR = 862 3BR = 1166 4BR = 1321 5BR = 1519	2BR = 275 3BR = 179 4BR = 116 5BR = 75
Minneapolis	New Family Townhouse	Budget	14	113,225	674	3,800	EFF = 296 1BR = 353 2BR = 416 3BR = 500 4BR = 574	EFF = 164 1BR = 76 2BR = 285 3BR = 46 4BR = 122
Average Family Per Unit Per Month: \$810								
St. Paul	Single Adult Efficiency	Actual	76	301,228	330	3,882	236	SRO =236
St. Paul	Single Adult Efficiency	Actual	70	338,968	404	11,095	247	SRO = 247
St. Paul	Rehab Single Room Occupancy	402	71	434,391	510	1,400	Information Not Available	Information Not Available
Minneapolis	Rehab -Youth Efficiency	Actual	30	210,978	586	19,940	EFF = 446 1BR = 106	EFF = 94 1BR = 71
Minneapolis	Rehab -Single Adult Efficiency	Budget	61	431,744	590	20,000	609	SRO = 173
St. Paul- <i>Proposed</i>	New Single Room Occupancy	402	71	422,020	495	15,000	Information Not Available	Information Not Available
Average Single Room Occupancy Per Unit Per Month: \$486								

** Annual Operating Costs include taxes, insurance and annual reserves deposits, and also front desk cost if paid from operating.

Another indicator of the amount of rental assistance needed is the fair market rents (FMRs) established by the U.S. Department of Housing and Urban Development. Below is a chart with 2004 FMRs in selected areas, for selected apartment sizes.

Location	FMR - 0 Bedroom	FMR - 2 Bedroom	FMR - 3 Bedroom
Twin Cities Metro	\$578	\$951	\$1,286
Duluth	\$302	\$499	\$666
Rochester	\$389	\$714	\$986
Kandiyohi County	\$350	\$537	\$673
Moorhead	\$385	\$603	\$832
St. Cloud	\$349	\$535	\$674

Due to the small sample size and lack of long-term operating history, the business plan uses an amount higher than the average estimate of the cost of rental assistance/operating support to avoid deficits in the financial plan. The plan anticipates rental assistance administrative expense reimbursement consistent with the federal Section 8 voucher program.

Based on data from existing supportive housing developments, the average monthly contribution toward rent by a single person is \$200 and by a household with children is \$100. The \$200 per month contribution by a single person is also supported by an analysis of the Bridges program participants. These amounts reduce the level of needed rental assistance or operating subsidies.

The estimated cost of providing rental assistance over the next seven years is \$100 million. The estimated annual cost for 4,000 households is \$33 million.

The business plan incorporates two reform measures relating to rental assistance. It is recommended that the rental assistance be structured to incorporate an incentive to move from the state-funded rental assistance to Section 8. This incentive most likely will take the form of requiring a larger tenant contribution towards the rent – more than 30% of the tenant’s income. The federal program will be more attractive to households once they have earned income.

The plan also recommends that a policy be implemented that incents supportive housing providers to maximize the number of households that are served with a given amount of rental assistance. Therefore, the plan contemplates giving priority to requests for rental assistance funds that will serve households at the lowest monthly cost. Consideration will be given to setting a maximum monthly payment for rental assistance, adjusted for family size and location.

9. Length of Rental Assistance.

Assumption: The state-funded rental assistance is temporary.

Rationale: State-funded rental assistance will end after 6 years. The expectation is that, in time, there will be sufficient non-state resources, primarily from a variety of federal sources that will address ongoing operating cost needs. This could occur though increased resources such as Section 8 vouchers for persons experiencing long-term homelessness, utilizing other existing resources such as Shelter Plus Care. Even Minnesota, with its history of providing state

funding for housing, should not be expected to assume this role and fund a major ongoing program. Without this federal assistance, long-term homelessness will reappear shortly after the state-funded rental assistance ends. The assumption regarding the temporary nature of the state-funded rental assistance may be the most aggressive assumption contained in the business plan.

As it relates to Section 8 vouchers, current waiting lists at HRAs and PHAs across the state range from 1 month to 4 years. The waiting list time does not reflect the time that a household has to wait until a waiting list is opened; in the metro area this can add up to 3 years to the time it would take to obtain a Section 8 voucher.

At the current funding levels for the Section 8 program, the local HRAs and PHAs cannot be expected to be able meet the rental assistance needs identified in this plan. A number of the large HRAs and PHAs are approaching the limits on the amount of Section 8 assistance they may project-base. Many have over-committed their Section 8 vouchers and may be forced to rescind commitments to households who are seeking housing now or fail to renew previously issued vouchers.

The plan includes an assumption that local HRAs and PHAs will be willing to project-base Section 8 assistance in supportive housing units when more voucher funding is made available. Many HRAs and PHAs have already demonstrated a willingness to do so. A reexamination of preferences may be appropriate as more federal assistance becomes available and the end of state-funded rental assistance approaches.

Finally, the plan assumes that private landlords will participate in efforts to meet the goal. Assuming that the needed rental assistance is available, private landlords must be willing to accept as tenants individuals and families who do not have a recent rental history and who may very well have blemished rental histories, if the state is to meet its goal. The plan envisions (and budgets for) housing tenancy support services being available to every household in need of services. These housing support services may replicate the work done by the Wilder Roof project and St. Stephens Church in helping homeless households find a landlord willing to accept them as tenants and acting as a resource for the landlord when problems arise. The plan assumes that with certain safeguards in place, landlords will be partners in achieving the goal.

In sum, the commitment of the federal government, local landlords, and the local PHAs and HRAs is essential for this critical element of the financial plan to work.

10. Development Cost Estimates.

Assumption: Development costs will average:

Type of Unit/ Construction Type	Per Unit Cost
Family – New Construction	\$185,000
Family – Acquisition/ Rehabilitation	\$90,000
Families – Mixed-Income Construction	\$140,000
Singles – New Construction	\$120,000
Singles – Acquisition/Rehabilitation	\$60,000
Singles – Mixed-Income	\$95,000

Rationale: In making assumptions about the costs of developing various types of supportive housing units, actual experience in recent years was examined. The assumptions are neither the highest amounts nor the lowest; but instead represent amounts believed to be sufficient to produce quality housing.

Supportive Housing Summary

Location	Number of Units	% of Non-Housing Space	TDC \$	TDC \$ Per unit
Family - New Construction				
Minneapolis	20	38.54%	\$ 5,850,519	\$ 292,526
Maplewood	13	18.08%	\$ 3,373,866	\$ 259,528
Minneapolis	12	1.28%	\$ 2,636,017	\$ 219,668
St. Paul	5	21.44%	\$ 1,181,600	\$ 236,320
Brooklyn Park	4	20.28%	\$ 572,338	\$ 143,085
Mankato	8	0.00%	\$ 805,990	\$ 100,749
St. Paul	26	8.46%	\$ 7,068,786	\$ 271,876
Total in category	88	17.42%	\$ 21,489,116	\$ 244,195
Per Unit				
Family - Rehab and Expansion				
Maplewood	35	10.74%	\$ 4,532,878	\$ 129,511
Minneapolis	39	24.94%	\$ 4,482,127	\$ 114,926
St. Paul	44	12.40%	\$ 5,313,445	\$ 120,760
Minneapolis	24	0.00%	\$ 2,315,000	\$ 96,458
Total in category	142	15.49%	\$ 16,643,450	\$ 117,207
Per Unit				
Family - Rehab				
Minneapolis	15	17.40%	\$ 255,520	\$ 17,035
St. Louis Park	20	6.93%	\$ 705,000	\$ 35,250
St. Paul	12	10.26%	\$ 718,665	\$ 59,889
St. Paul	18	25.00%	\$ 2,100,000	\$ 116,667
Total in category	65	15.43%	\$ 3,779,185	\$ 58,141
Per Unit				
Family - Acquisition/Rehab				
Duluth	6	0.00%	\$ 1,112,871	\$ 185,479
Robbinsdale	30	17.82%	\$ 2,750,000	\$ 91,667
St. Louis Park	20	0.00%	\$ 1,687,349	\$ 84,367
Mankato	8	5.59%	\$ 885,613	\$ 110,702
Total in category	64	7.19%	\$ 6,435,833	\$ 100,560
Per Unit				

Supportive Housing Summary (continued)

Location	Number of Units	% of Non-Housing Space	TDC \$	TDC \$ Per unit
Singles - New Construction				
Bloomington	21	38.57%	\$ 2,366,208	\$ 112,677
Minneapolis	31	14.19%	\$ 6,337,217	\$ 204,426
Apple Valley	36	2.84%	\$ 4,316,950	\$ 119,915
Minneapolis	26	49.62%	\$ 5,317,486	\$ 204,519
Minneapolis	12	0.00%	\$ 927,175	\$ 77,265
Mounds View	19	40.16%	\$ 2,152,200	\$ 113,274
Cloquet	5	0.00%	\$ 911,800	\$ 182,360
Rosville	22	44.02%	\$ 2,499,500	\$ 113,614
St. Paul	12	17.43%	\$ 2,894,171	\$ 241,181
Minneapolis	96	20.00%	\$ 8,866,277	\$ 92,357
St. Louis Park	7	8.73%	\$ 1,047,626	\$ 149,661
Total in category	287	25.96%	\$ 37,636,610	\$ 131,138
Per Unit				
Singles - New Construction and Rehab				
Minneapolis	39	0.00%	\$ 6,223,315	\$ 159,572
Total in category	39	0.00%	\$ 6,223,315	\$ 159,572
Per Unit				
Singles - Rehab				
Minneapolis	22	0.00%	\$ 377,503	\$ 17,159
Grand Rapids	16	12.33%	\$ 103,467	\$ 6,467
St. Paul	151	55.45%	\$ 3,500,000	\$ 23,179
Duluth	18	13.76%	\$ 214,399	\$ 11,911
St. Paul	70	50.55%	\$ 1,682,692	\$ 24,038
Total in category	277	47.72%	\$ 5,878,061	\$ 21,220
Per Unit				
Singles - Acquisition/Rehab				
Minneapolis	5	0.00%	\$ 193,234	\$ 38,647
Anoka	4	0.00%	\$ 221,900	\$ 55,475
Total in category	9	0.00%	\$ 415,134	\$ 46,126
Per Unit				

Originally, lower per unit development costs were proposed. In response to well-reasoned comments about the unrealistic nature of the proposed costs, the target was raised for family new construction.

The plan recognizes that projects will come in with costs both above and below the target. Factors such as site concerns, community mandates, and common space requirements will impact the likelihood that a project can be delivered at these target amounts. The plan does not preclude innovations in housing models and welcomes innovations in construction techniques and materials that produce costs savings. Like all of the other assumptions, the cost assumptions will be compared to actual experience and revised accordingly.

Program or common space costs are included in the data from which the target costs were derived. Criteria should be developed to guide decisions about the need for, the size of, the convertibility of program space, and costs of program space. Closer scrutiny of program space is a reflection of the policy of seeking reasonable and appropriate reductions in all aspects of the costs of producing supportive housing.

The assumptions reflect the emphasis on reducing the cost of developing supportive housing. This policy will be implemented by setting targets for costs and rewarding those applicants who produce a quality product that costs less than the target amount.

11. Inflation.

Assumption: All housing related costs will increase 5% each year.

Rationale: 5% per annum inflationary adjustment is reasonable in light of data on recent experience. Between 1999 and 2003, the Consumer Price Index for rent for primary residence increased by 19%. For the same period of time, the Producer Price Index for input (materials) for multi-unit residential construction increased by 2%.

12. Phase-In.

Assumption: By the end of seven years, all of the estimated 4,000 households experiencing long-term homelessness will have housing opportunities and access to necessary support services.

Rationale: It is impossible to provide all of the needed housing and support services overnight. Housing developments that are selected for funding will be ready for occupancy approximately two years later. The phase-in is planned as follows:

Year	Percent of Households Served
2004	5%
2005	15%
2006	25%
2007	40%
2008	60%
2009	80%
2010	100%

By 2010, at least 4,000 households will be served.

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