Using Public & Private Partnerships to Develop Permanent Supportive Housing

A Guide to Developing Permanent Supportive Housing in Fort Worth, TX

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Using New Leaf Community Services and Paulos Foundation developments in Fort Worth, Texas as case studies, this guide assists potential developers to understand the permanent supportive housing development process by identifying three pillars of successful developments and explaining the components of each pillar.

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IN COLLOBORATION WITH
NEW LEAF COMMUNITY SERVICES

Preamble

This guidebook was created through the collaboration of the Texas A&M University School of Law Entrepreneurship and Community Development Clinic and New Leaf Community Services. The Texas A&M Entrepreneurship and Community Development Clinic provides law students, under the leadership of Dean Luz Herrera and other supervising attorneys, an opportunity to provide legal assistance to qualified community members by helping them form business entities, resolve landlord/tenant disputes, and support community programs.

New Leaf Community Services is a nonprofit organization that operates in Fort Worth, Texas. New Leaf seeks to assist in Fort Worth's goal to provide permanent supportive housing to community members. The organization consists of several partnerships including First Presbyterian Church, L2L development, Paulos Foundation, and DRC Solutions. The organization follows the "Housing First" approach to ending homelessness, which emphasizes providing safe, clean, attractive, supportive, and well-managed permanent supportive housing for community members who have the most difficulty finding and maintaining housing. The two most successful projects undertaken by members of the organization have been the Palm Tree Apartments/Paulos Foundation and the Quail Trail Project/New Leaf Community Services.

The Palm Tree Apartments was a refurbishment project which, after five months of renovation, converted older apartments into permanent supportive housing. The Palm Tree Apartments is a Housing First program, meaning residents receive housing, case management, and access to supportive services to address the factors that contributed to their lack of housing, but with very low barriers to entry. More than 80% of Palm Tree residents lived in unsheltered conditions in the local area before arriving at Palm Tree. From 2017 through 2019, 80% either retained their housing or moved on to other permanent housing. Residents participate in regular community and local neighborhood association meetings, a monthly communal food pantry, a community garden, and general health programs.

Meanwhile, the Quail Trial Project is an apartment complex being built by New Leaf Community Services. The Quail Trail project seeks to construct and operate 48 new permanent supportive apartments in 12 four-plex buildings. The units are one bedroom; one bathroom and total development costs are more than 4.7 million dollars. Fundraising for the project began in 2018. The developer acquired the site in May of 2019 and broke ground during the summer of 2020. This project is an attempt to assist with Fort Worth's long-term goals of providing permanent supportive housing to the community at large.

Both the Palm Tree Apartment and Quail Trial projects will be referenced throughout this guidebook as examples of successful permanent supportive housing projects. New Leaf has also kindly created a Google Drive with more information and examples of applications, contracts, and plans for PSH projects. More general information about both the Palm Tree Apartment Project and the Quail Trail Project can be found in Appendix B located on page 29.

Table of Contents

Ending Homelessness and the Need for Permanent Supportive Housing in Fort Worth

I. The "Housing First" Approach

"Housing first" provides permanent housing for community members who experience homelessness without preconditions to enter the program. Often, people who experience prolonged or chronic homelessness also experience serious or persistent problems like substance abuse disorders, mental illness, post-traumatic stress, or medical conditions, which require a more substantial level of supportive housing than what may available in a particular community. The Housing First approach is based on the belief that *at-risk populations need housing first* - before they can address underlying issues.

The Housing First approach does not mandate participation in medical treatment or supportive services prior to or in addition to securing housing. Instead, to encourage client choice, supportive services are offered to people on an optional basis by case managers using motivational techniques to encourage participation. These voluntary supportive services are used to promote housing stability and personal well being throughout the housing placement process. Two common models that follow the Housing First approach are: (1) rapid re-housing and (2) permanent supportive house. This guide focuses solely on the latter – the implementation of permanent supportive housing.

II. Permanent Supportive Housing

Permanent supportive housing (PSH) focuses on individuals and families who suffer from chronic homelessness and who have a documented disability or chronic health condition. According to the U.S. Department of Housing & Urban Development (HUD), an individual is considered chronically homeless if both of these conditions are met:

1. The individual lives in either:
    i. A place not meant for human habitation

ii. A safe haven
iii. An emergency shelter, or
iv. An institutional care facility for less than 90 days and immediately before entering it lived in one of the three above places; and
2. The individual has lived in this manner:
   i. For at least 12 months continuously or
   ii. On at least four separate occasions in the past three years if:
      a. The occasions totaled at least 12 months; and
      b. Each break separating the occasions included at least 7 nights in a place other than those described in the first section.

PSH addresses both the structural and individual factors associated with prolonged homelessness by linking quality, affordable, accessible housing with supportive services, such as mental healthcare, addiction treatment, etc. HUD has identified several key features of PSH programs:

1. Few to no programmatic prerequisites to permanent housing entry,
2. Low barrier admission policies,
3. Rapid and efficient entry into housing,
4. Supportive services are voluntary but used to persistently engage tenants to ensure housing stability,
5. Tenants have full rights, responsibilities, and legal protections,
6. Practices and policies to prevent lease violations and evictions, and
7. Applicable in a variety of housing models, single and scattered site.

A primary goal of PSH is tenant retention; therefore, rental subsidies for PSH units typically exclude a time limit as long as the lease terms and conditions are met. Another important aspect of PSH is that all members of the tenant household have easy, facilitated access to a flexible and comprehensive array of supportive services, which depending on available funding, are used to help the household obtain and sustain stable housing.

Participation in supportive services is optional to enable client choice, which improves the likelihood that tenant households use the programs to their fullest potential. These supportive services may include behavioral health support, medical care, and case management services, which vary across programs. For instance, case management provides participants with coaching on maintaining housing and avoiding eviction. Such a program can be instrumental to improve the lives of program participants by providing access to stable housing. Additional information about supportive services can be found at the end of this guidebook.

III. Is Permanent Supportive Housing A Good Option?

At its core, PSH focuses on the most vulnerable people in our country - those who struggle to maintain permanent housing. Research suggests that access to the foundation of housing can result in the ability to achieve growth in professional and financial areas. The combination of affordable housing (through rental subsidies) with supportive services not only places the chronically homeless in housing, but also provides them with the necessary resources to access and maintain stable and permanent housing.

Permanently reducing chronic homelessness benefits those placed in PSH units, but also benefits the community where PSH developments are located. In some individualized research projects, PSH programs were determined to help reduce the demand for homeless shelters, prisons/jails, and healthcare services, thus reducing the costs of those programs. Ideally, PSH programs can provide people with a one-stop shop for both their housing and health needs, thereby eventually leading to an overall improved quality of life for these community members.

The Three Pillars of PSH Projects

The PSH development process is complex, risk-laden, and uncertain. Learning the components of a successful PSH project can help to simplify the process, and reduce risk and uncertainty faced by a developer. Using the developments constructed by New Leaf Community Services and the Paulos Foundation in Fort Worth, Texas, the authors have identified three essential pillars –(1) project development, (2) project operations, and (3) client services. That is, a successful PSH project requires a developer to have these three “pillars” consisting of individual components or “bricks.” For the pillar to be successfully constructed, a developer must acquire each brick at some point in time during the project.

It is important to note that the pursuit of all three pillars is not a “step-by-step” process and some of the bricks may be added to the pillars in any order. A developer can acquire some of the bricks of the three pillars on a different timeline and a developer should work simultaneously to obtain multiple bricks. An important tip for a developer is to remain organized throughout the process to ensure that all funder compliance requirements are met and that all bricks are accounted for.

Pillar I: Property Development

The property development phase consists of tasks that must be completed to prepare the property for tenants to move in. During this phase, the developer:

1. Identifies a property site for the project.
2. Purchases and potentially holds the property.
3. Develops detailed plans for the project based on developer goals.
4. Develops an architectural plan that allows the developer to accomplish goals.
5. Determines the cost of constructing the project.
6. Acquires funding for construction of the project.
7. Contracts with project managers who will oversee/manage construction of the project.

A. Identify Property Site

A key primary step to develop a PSH project is to select a property site for the project. A developer will likely choose between refurbishing a pre-existing building or constructing a new building. This decision will greatly affect the developer's ability to receive funding as well as the amount of required funding for the project. There are also a number of factors a developer should consider when selecting a property site.

1. Poverty Deconcentration

A HUD policy initiative known as poverty deconcentration encourages developers to construct affordable housing projects in neighborhoods with low levels of poverty. The movement began in the late 1980s in response to high amounts of affordable housing projects being constructed in areas of high poverty and low access to resources. The movement aims to mix affordable housing projects into areas with low levels of poverty, high opportunity, and better access to schools, jobs, and shopping, thus avoiding the concentration of poverty into one geographic area with low resources. When selecting a property site for a PSH project, therefore, a developer should take into account the economic indicators for the area in which the property site is located. More specifically, a developer should determine the income levels within the census tract in which the project site is located and compare it to the federal poverty rate. For example, the 4444 Quail Trail Project is in census tract 1007.00 in Fort Worth, Texas, where 28.9% of all persons and 21.1% of all families had incomes below the federal poverty rate in 2017. HUD policy currently requires that new affordable housing using federal funding be constructed in areas with poverty rates of less than 20%. However, the developer can point to improving trends over time or other positive development activity in the area for neighborhoods with poverty rates up to 30%.

One benefit of poverty deconcentration is that it can provide low-income families with safer housing, better neighborhoods, and good schools. Ideally, poverty deconcentration allows a low-income household to overcome economic barriers by establishing a stable living situation and the opportunity to improve their quality of life. Funding sources will also typically take into consideration the extent to which a project aims at deconcentrating poverty, so it is something a developer should be mindful of when choosing a location and throughout the development process.

2. Zoning

When selecting a property site, another factor a developer should consider is the zoning classification of the property. Zoning is a tool used by cities to regulate land use and promote orderly growth of a city. General zoning classifications include: single family, multi-family, commercial, industrial, and a number of other more narrowly tailored uses. A PSH project typically must be zoned for multi-family use regardless of whether a developer constructs a new building or refurbishes an existing building. A development site is considered multi-family for zoning purposes if three or more dwelling units exist on the property. When selecting a property site, a developer can either:

1) Select a property site that is located in the proper zoning district at the time of purchase; or
2) Select a property site not located in the proper zoning district and apply to the City Council for a zoning change or zoning variance.

Locating a property that is zoned for multi-family housing can save the developer time and money. The application process for rezoning can be lengthy, requires going before the City Council and local community groups, and rezoning approval is not guaranteed. Even if a project site does not require rezoning, it is advisable for a developer to reach out to the local city council member, because the support of the city council is essential to secure funding.

Some cities, such as Fort Worth, may authorize reasonable accommodations if a PSH project meets certain requirements. In addition to the zoning variance, the City of Fort Worth has enacted a reasonable accommodation ordinance under which a developer can seek an administrative ruling for residential use of a property without rezoning if all of the residents of a development will have a disability, also required to obtain HUD funding for PSH rental subsidies. Developers of single site PSH projects can use this ordinance if all of the residents will meet the HUD definition for chronic homelessness and are disabled, but council review and approval may still be required.

3. Access to Essential Services

Another factor in a funder's assessment of a project's application is the proposed development's accessibility to essential community services. PSH developments serve low-income individuals who may not own a vehicle or have access to an alternative mode of transportation. Therefore, it is paramount to locate the development in close proximity to community services sufficient to support the needs of the development's residents. A development should be readily accessible to the following services:

1) Public transportation, such as bus or metro lines.
2) Retail and grocery stores.
3) Entertainment/recreational services such as fast food chains or other local restaurants, public parks, libraries, etc.
4) Employment opportunities, such as at stores and restaurants.
5) Educational opportunities, such as at high schools and community colleges.
6) Healthcare, such as hospitals, federally qualified health care centers, or other urgent care clinics.
7) Other public services, such as banks, food pantries, post offices, etc.

Selecting a property site with ready access to these services is paramount in a project's application for funding being granted as well as a project's ability to meet the needs of it's tenants.

4. Environmental Site Assessment

If the developer is seeking to obtain funding from HUD, the developer must complete a Phase 1 Environmental Site Assessment (ESA), (including a Part 58 HUD assessment) of the proposed property site, whether refurbishing an existing building or constructing anew. A Phase 1 ESA is considered the industry standard for determining whether a past release of hazardous substances or petroleum products has occurred or there is a material threat of a future release of such substance on a proposed property site. HUD is concerned with the potential presence of such materials regardless of whether they are man-made or naturally occurring (e.g., radon), or whether they are likely to have been "released" into the environment or contained within a structure (e.g., intact asbestos-containing materials or lead-based paint in a structure).

A Phase 1 ESA should be conducted as soon as possible in the development process. Obtaining and reviewing a Phase 1 ESA takes approximately one month, but if review of the Phase 1 ESA indicates the need for further investigation or if the property qualifies as historic, the process can take much longer. Further investigation indicates whether contamination may be present or precautionary measures are needed. There must be time to complete the following steps prior to finalizing the environmental review and committing HUD assistance to the development:

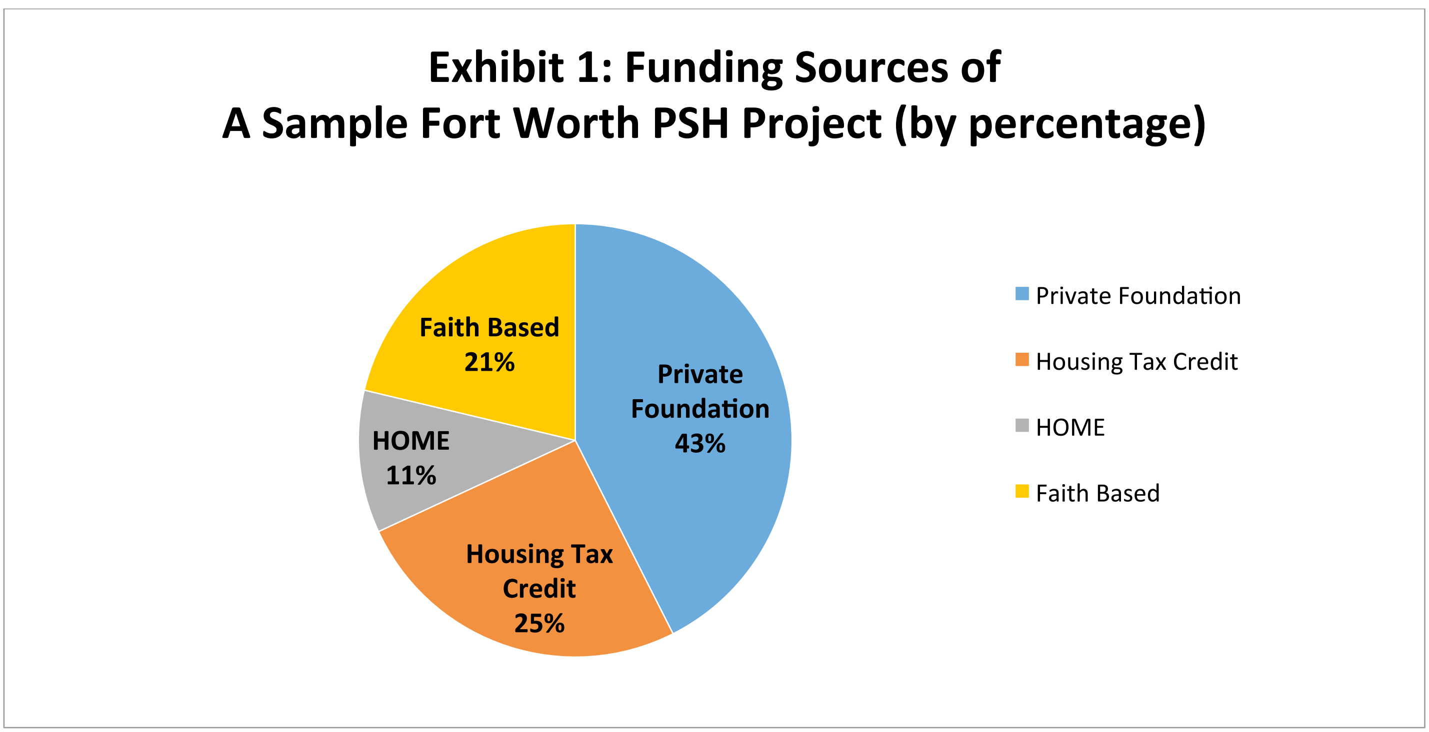
1) Adequate characterization of confirmed or potential site contamination;
2) Determination of necessary corrective action and institutional or engineering control measures; and
3) The completion of the appropriate oversight agency review processes.

A Phase 1 ESA must have been prepared within six months of the transaction. This period can be extended up to one year by updating the ESA. A Phase 1 ESA completed more than a year before HUD's environmental review is not sufficient by itself but may be used as a source in conducting a new Phase 1 ESA, which may significantly expedite the process.A contractor specializing in these assessments, which the developer may select, will perform the Phase 1 ESA. Once the Phase 1 ESA has been completed, the developer will submit it to the entity authorizing the funding, which is typically the local municipality. The municipality will then complete the requirements for the Phase 1/Part 58 reports, which are required by HUD. The Part 58 review process can also consume one month or more so the developer should select a contractor for the Phase 1 who has experience working with the municipality and understands the requirements for the Part 58.

B. Construction Funding Sources

Developers of PSH funding should set a goal to produce a project without debt financing. PSH projects have many extraordinary operating expenses, including paying for full-time case management, supportive services, unit furnishings, and tenant needs for basic household items. Property taxes and debt service can consume a large proportion of operating revenue making the project unsustainable. Developers should also raise enough funds to start the project with a substantial reserve for on-going and long-term maintenance. Two percent of development costs and twenty percent of the annual operating budget are commonly accepted benchmarks for operating and long-term replacement reserves.

There are numerous potential funding sources available to assist a PSH project developer. Some of these funding sources are private and others are government-sponsored. The Fort Worth Housing Finance Commission requires that private donations match public dollars at a ratio of one to one for PSH projects. Many funding sources use a competitive application process, scoring applications and award funding to the highest scoring applicant. Each of these funding sources will be discussed within this guidebook and break down of potential funding is provided in the graphic below.[1]



[1] The New Leaf Community Services Quail Trial Project provided the data for this graphic as well as Exhibit 2 on page 9. More information can be found in the Google Drive, which is linked in Appendix B.

1. Private Foundations and Faith-Based Organizations

As illustrated in the chart above, while federal funding can assist a developer to pursue a PSH project, federal funding alone cannot sustain a project. Therefore, finding private sources to support a project is essential to a project's success. The two most common types of non-federal funding are: (1) private foundations; and (2) faith-based organizations. Many of these groups will likely have some interest in fighting homelessness and be interested in donating to a PSH project outright.

One benefit to securing privatized funding is these donations can be solicited at any time and for varying amounts throughout the project. Both faith-based organizations and private foundations can have annual schedules for when applications are accepted and when funding decisions are made. Many do so only once per year. Further, it is not uncommon for these types of funders to stipulate when a project will receive their donation or for what portion of the project the developer can use the funds. Below is a chart that generally illustrates the varying amounts and organizations that might go into the creation of a PSH project, but these are not real organizations.

Exhibit 2: Table Illustrating Committed Funding to a PSH Project with Payment Dates

Foundation	Amount Committed	Expected Final Payment Due
S Foundation	$250,000	January 2025
Church of Z	$750,000	Upon Construction Completion
P Foundation and Partners	$1,200,000	Paid

It is very beneficial for a developer to obtain privatized donations before applying for federal or local government funding. When evaluating funding applications, government entities assess the likelihood of project success without the requested funds. Therefore, the more financing a project has without government assistance or debt financing, the more likely the project will succeed and the higher the government ranks the application for financial assistance. A developer should also be mindful that successful applicants might only receive partial funding, making it even more important for developers to secure multiple funding sources.

2. HOME Investment Partnership Program

The National Affordable Housing Act of 1990 created the HOME Investment Partnership Program (HOME) and is the largest Federal block grant available to communities to create many types of affordable housing. HUD oversees the operations of the HOME program. Each year, HUD determines the amount of HOME funds that states and local governments—also known as participating jurisdictions (PJs)—are eligible to receive using a formula designed to reflect relative housing need. Each participating jurisdiction is required to submit a 5-year consolidated action plan, which includes identification of the major issues the specific jurisdiction faces and lays out the jurisdiction's goals.

According to the five-year consolidated plan released in 2018, the City of Fort Worth anticipates available HOME funds of $11,446,440. This amount is not guaranteed, and the available funds vary each year. The City of Fort Worth will release an annual Notice of Funding Availability (NOFA), which announces the available HOME funds for the upcoming year and requests applications from developers. Non-profit and for-profit housing developers along with Community Development Housing Organizations are eligible to apply. Cities set particular goals for each NOFA that may include PSH support. HOME funds must be used to develop affordable housing units for households at or below 80% of the Area Median Income (AMI). The NOFA also establishes limits on the total amount of rent that may be charged.

A developer may use HOME funds to:

1. Acquire and develop the property site and/or related eligible costs to support new construction or major building rehabilitation.
2. Construct new PSH housing.
3. Support development with architectural or engineering services and other related soft costs.

For the project, a developer must also submit a tenant selection policy and marketing plan to comply with HOME requirements. PSH projects may choose to satisfy this requirement by recruiting tenants through a local Continuum of Care Coordinated Entry System (CES). A CES is a community-wide system for soliciting and accepting applications through which all homeless persons are assessed and referred to an appropriate program. For projects containing more than five HOME-assisted units, the City of Fort Worth requires developers to take affirmative marketing steps by providing information and targeting eligible persons without regard to race, color, national origin, sex, religion, familial status or disability. The developer must also take necessary steps to inform and solicit applications from persons in the housing market area who are not able to apply without special outreach, like families who have an adult or child member with disabilities. HUD advises that CESs may meet HOME requirements for tenant selection and marketing.

Section 504 of the Rehabilitation Act of 1973 requires new multi-family housing projects receiving federal funding to have a minimum of 5% of total units or at least one unit, whichever is greater, that is accessible for persons with mobility impairments. A developer must also make at least 2% of all units, but at least one, accessible for persons with hearing or vision impairments. These requirements are necessary for projects receiving any type of HUD construction or operational funding.

It is important to note that a contract for the construction of any type of affordable housing with twelve (12) or more units that receive HOME funds is subject to the Davis-Bacon Act, which significantly increases construction costs. A developer should become familiar with the requirements of Title 24 of the Code of Federal Regulations to understand HOME and other HUD funding compliance requirements. For example, HOME funding also requires Section 3 compliance, which adds significant administrative costs for documentation and outreach to potential subcontractors certified as a Disadvantaged Business Entity.

Application requirements may change so refer to HUD and the Neighborhood Services Department of the City of Fort Worth for the most current information available when you are ready to apply. HOME compliance requirements require a contract with the granting municipality that extends through construction or rehabilitation and through a twenty-year affordability period.

a. Application Considerations

A developer should be aware that local and federal application requirements differ. Generally, cities develop their own procedures and applications to access HOME funding. Below is an example of the criteria typical for a HOME funding application. Applications for HOME funding are scored on a 100-point scale based on responses to questions pertaining to a number of criteria.

1. <u>Degree to which the Project Meets Housing Needs</u> (30 Points)

This section allows the developer to provide an overview of the project. Developers provide the location of the project including the current zoning and income level of the area. The number of units in the project and whether those units are PSH units is also provided here. The developer is asked to generally describe the future development and what amenities and services will be provided. The developer is also asked about ability to fund project operations in the long-term and what the developer's plan is to fund the project construction.

2. <u>Proposer's Financial Capacity & Project's Financial Sustainability</u> (25 Points)

This section asks how likely the project is to go forward if the full amount requested is not granted and also asks how the developer may handle unexpected expenses during construction. The developer then must provide a list of the staff that will be involved in the implementation of the project and what their qualifications are. Finally, the developer is asked if they have any experience with projects that use HUD grants funds.

3. <u>Previous Experience with Similar Projects/Partnerships</u> (15 Points)

Here, the developer provides their previous experience with other affordable housing projects as well as a timeline for the proposed project. This section asks about any environmental review concerns of the property and what the plan is to address them. It also asks what the Developer's plan is to comply with the marketing requirement of the Fair Housing Act. Partnering with persons or organizations with prior experience can enhance performance on this section of the application.

4. <u>Project Delivery/Occupancy</u> (30 Points)

This section requires the developer to complete the project within 2 years of being awarded HOME funds. The developer is asked to demonstrate that the project will be completed within that time period.

Municipalities as forgivable loans without interim debt service grant HOME funds. HOME contracts may require a performance and payment bond, guaranty, or other financial vehicle to ensure project completion, all of which add to project costs. HOME compliance requirements may also be challenging for a small, inexperienced developer or general contractor due to their complexity. It is very important for applicants to understand that HOME contracting is a very complex phase of the project, and although this guide seeks to simplify the process, the overall application is not as simple as it appears and will require accurate record keeping and additional research by the developer.

3. Low Income Housing Tax Credits

The Low Income Housing Tax Credit (LIHTC) provides a tax incentive to construct or rehabilitate affordable rental housing for low-income households. Each year, Congress determines a limit on the amount of Housing Tax Credits (HTC) that can be allocated to the states for that year. Each state is then allocated funds in the larger of an amount set by Congress or an amount calculated on a per capita basis for the particular state. States are then required to create a qualified action plan (QAP) for that year, which provides for how the state will allocate their credits. The Texas Department of Housing and Community Affairs (TDHCA) oversees the allocation of HTC in Texas and awards two types of tax credits: Non-Competitive Credits (4%) and Competitive Credits (9%). Applicants are often required by the QAP to get an endorsement of the project or a vote of no opposition from local municipalities. Early City support is very helpful. Cities often set annual criteria for these resolutions of support and the developer should find out what they may be.

a. 4% Housing Tax Credit Program

The 4% HTC program is one of the primary ways in which private capital is directed towards the preservation of affordable housing and typically all applicants receive credit from the program. TDHCA allocates 4% credits exclusively to developments that use tax-exempt bonds as a component of their financing. The 4% credits are allocated so long as there is a private activity bond “volume cap” in which the tax-exempt bonds finance at least 50% of the land and buildings in the project. (Volume caps are set and changed from time to time by federal law.) Generally, credits are automatically available in conjunction with tax-exempt bond financing, given the rules and requirements are met.

There are a number of different bond issuers a developer may choose from, including local issuers, the Texas State Affordable Housing Corporation, and TDHCA. Additional information regarding the 4% HTC program and tax-exempt bonds may be found on the TDHCA website.

b. 9% Housing Tax Credit Program

The 9% HTC program is a highly competitive application process as the credits are limited and projects must compete in statewide competition where only the highest scored projects are funded. The TDHCA establishes regional allocation estimates based on a formula. These estimates act as a limit on the amount of tax credits that may be allocated to projects in that region.

Applications are scored based on criteria set out in TDHCA’s annual Qualified Allocation Plan (QAP). Numerous provisions in the QAP provide for potential points that a project may receive if certain requirements are met. Highest scoring projects typically aim to:

1. Develop high-quality housing.
2. Service and support Texans most in need.
3. Promote community support and engagement.
4. Efficiently use limited resources and hold applicants accountable.

Points are also available in other areas based on support from the local government, state representatives, and community organizations. Additional information on applying for and receiving funding through the 9% HTC program can be found on the TDHCA website. Application requirements change annually so refer to TDHCA for the most current information available when you are ready to apply. It may also be beneficial, and quite common to do so, to hire a consultant who can help with the application process and support compliance with current requirements of tax credit programs.

A developer should be aware that the application process adds significant transaction costs. A developer needs to be able to control and hold a project site for the duration of the application period to secure the tax credits, which can last over a year. Developers must also be able tolerate the risk of being denied by a program. A denial of these programs will make private and faith-based funding absolutely necessary to continue a project.

4. Federal Home Loan Banks

The Federal Home Loan Bank System is a federal government sponsored enterprise that supports mortgage lending and related community investment. There are 11 regional FHL banks across the country that each serves a different region. Each FHLB is required to participate in the Affordable Housing Program (AHP) that assists its member financial institutions to provide affordable housing for eligible households in the communities it serves. The Board of Directors of each FHLB is required to adopt an AHP Implementation Plan, which will describe how the AHP of the FHLB will operate. FHLB Dallas serves Texas, New Mexico, Arkansas, Louisiana, and Mississippi, but developers may apply for funding in any region regardless of project location if they meet the regional qualifications.

For a developer to obtain funding through a FHLB, the developer must partner with one of the FHLB member financial institutions to submit an application for funding. All applicants are scored based on the ability of each project to meet minimum AHP eligibility requirements. Applicants are also ranked against one another based on the Bank's scoring criteria. FHLB eligibility requirements can be found in Section 1291.5(c) of the AHP regulations. Categories for scoring include the following: owner-occupied housing, subsidy needs, project costs, feasibility of the project, financing needs, retention of tenancy, and fair housing standards. Additional details regarding the minimum eligibility requirements and application scoring can be found in the FHLB Dallas AHP Implementation Plan. Many developers hire consultants to assist with the FHLB application process.

5. Fort Worth Housing Finance Corporation

The Fort Worth Housing Finance Corporation (FWHFC) was created in 1979 to help finance the ownership and development of single-family and multi-family dwellings for persons of low and moderate income. FWHFC now serves as a housing development arm of the City of Fort Worth and works to further the City's housing policies. Despite its connection to the City of Fort Worth, its own separate board of directors, and thus, exercises autonomy in determining the means by which it will support additional housing projects governs FWHFC.

Since 2010, the Fort Worth population has increased by more than 26%, and in 2018, 16% of its population had incomes at or below the poverty threshold and 20% of households had incomes below $25k per year. These statistics illustrate the need for low income housing in Fort Worth. However, a HUD report noted that Fort Worth was receiving "an overconcentration of vouchers and assisted housing" in specific areas around the City. To meet the needs of a growing population and achieve poverty deconcentration, the FWHFC has participated in a number of activities, including acquiring land, direct development, constructing new single-family homes, and financing the construction of multi-family housing.

Revenue earned from the FWHFC's sale of finished units is then reinvested back in the organization's efforts to create additional affordable housing. As a funding source, the FWHFC issues tax-exempt bonds and extends loans to developers of affordable housing projects. FWHFC also partners with developers that develop, own, and manage specific projects. One example of this is the Landings at Marine Creek Apartments, which is a $40 million-dollar project made possible by the combined efforts of FWHFC, a private development group, government subsidies, and state tax credits.

In 2018, the FWHFC and the Fort Worth City Council adopted resolutions to support the Fort Worth Affordable Housing Strategic Plan. The Strategic Plan includes a special focus on the creation of Permanent Supportive Housing for chronically homeless individuals and families as a priority and identifies the Corporation and the City as funders and development partners to create Permanent Supportive Housing. Additionally, the Plan recommends guidelines for developers to qualify for City or Corporation funds for Permanent Supportive Housing projects.

The FWHFC's availability of funding for a project is more sporadic and limited than other funding sources because they rely on revenue from their own business operations, as opposed to federal grants or other lump sum sources. However, when the FWHFC acquires sufficient funding, it may set aside these funds for developers in the form of forgivable loans if the developer meets FWHFC criteria for that particular funding cycle. For example, in 2019 the FWHFC set aside $5,000,000 that it had accrued from municipal bonds issued throughout the 80s and 90s for permanent supportive housing projects. Funding must be matched by private philanthropy. Developers interested in pursuing a PSH project in Fort Worth should reach out to the FWHFC regarding available funding.

C. Project Manager

In addition to finding appropriate funding and selecting a property site, a developer must also retain a project manager. The project manager is typically an entity that oversees the project's development from the idea stage to the completion of site construction and readiness for operations. The project manager will contract with architects and engineers to assist the developer and project manager to create a feasible plan for the entire development, as well as each individual housing unit. Project managers can help the developer to hire and manage a general contractor.

HOME funding requires a developer to use a defensible procurement process to select a general contractor or construction manager. There are advantages and disadvantages to hiring a general contractor over a construction manager and vice versa. Some general contractors may not have the in-depth understanding of HUD requirements. Construction managers can give developers more cost transparency and control, hiring consultants as needed for special requirements. Based on the specific project, developers may have to do a cost analysis between choosing a construction manager versus a general contractor. Due to the complex nature of the construction of PSH projects, the project manager should select a general contractor who exhibits:

1. A passion for and knowledge of affordable housing.
2. Knowledge of relevant HUD regulations.
3. An understanding of how tax credits work.
4. An understanding of how construction draws work for PSH projects.
5. Track record of producing comparable projects on schedule and under budget.

Pillar II: Project Operations

The second pillar includes tasks required for the project to successfully operate once construction is complete. The primary goal under the Project Operations pillar is to acquire financial assistance to offset a development's operating costs. Nonprofit housing is typically under-capitalized, so rental subsidies and property tax exemptions are extremely important for the continual operation of a project. For participants in PSH, rental subsidies are paramount because they have little to no income. However, it is important to note that rental subsidies do not lower overall operations costs. Operators will likely only be able to lower overall costs through property tax exemptions and debt reduction.

A. Rental Subsidies

A rental subsidy for affordable housing pays the portion of the rent that a resident is not able to pay. HUD operates almost all US rental subsidy programs. For most HUD rental assistance programs, tenants pay 30% of their adjusted gross income in rent and the HUD rental subsidy pays the balance. Many PSH participants have no income and pay a minimum amount, typically $50. Even so, tenant contributions to rent typically amount to 20% of total revenue for PSH projects. HUD pays rent up to a maximum of Fair Market Rent, set annually at the county level. Pro forma operating budgets must show that they can fully support operations at Fair Market Rent revenue levels. HOME and HTC projects generally set lower limits (than FMR) for how much rent the developer can charge. These amounts must be factored into the total revenue projection for the project, based on the number of units being funded by HOME or HTC. Two of the primary rental subsidy programs available to developers are Project Based Vouchers and Continuum of Care funding.

1. Project Based Vouchers

Project Based Vouchers (PBVs) are offered by public housing agencies. In Fort Worth, the public housing agency operating the PBV program is Fort Worth Housing Solutions (FWHS). FWHS allocates PBVs based on an application process where FWHS will assess each project's eligibility and qualifications. It is important to note that FWHS is not required to distribute PBVs in any given year. If FWHS chooses to distribute PBVs for a given year, they will issues a Request for Proposals (RFP). Each RFP released by FWHS may have different application time periods, eligibility requirements, and scoring systems based on a variety of factors. Due to these variables, it is important that a developer pays close attention to the specific contents of any particular RFP.

If a developer is granted a PBV, the tenant pays only 30% of his or her adjusted income. The PBV will make up the difference between the adjusted rent and the fair market rent. FWHS allocates PBVs to developers based on 15 to 20-year contracts, affording a developer a great deal of security regarding rental subsidies. Since one of the key goals of PSH is to allow tenants the ability to maintain their housing despite other life obstacles, a tenant typically continues to pay reduced rent until income increases sufficiently to make the rent affordable without assistance (i.e. equal to 30% of their income).

2. Continuum of Care Funding

The HUD Continuum of Care (CoC) Program is designed to promote communitywide commitment to the goal of ending homelessness. A CoC is a network of entities in a particular geographic area that coordinate their work to remedy homelessness in that area. Our local CoC is TX-601 and serves Fort Worth, Arlington, and the rest of Tarrant and Parker Counties. The CoC is governed by a board of community members and elected officials who are involved in local efforts to remedy homelessness. The board must appoint a local entity that will carry out the business and day-to-day operations of the CoC. For TX-601, that entity is the Tarrant County Homeless Coalition (TCHC).

a. Allocation of Funding

Similar to other funding sources, the TCHC allocates CoC funding based on a competitive application process in compliance with HUD requirements. If awarded, the tenant will pay no more than 30% of their adjusted gross income, with HUD funds covering the remaining rent up to the HUD-determined fair market rent. The applicant and recipient of CoC funding will contract with HUD for reimbursement of rental assistance paid. The developer or a developer partner such as a nonprofit providing case management to PSH residents may choose to apply for funding on behalf of the project.

TCHC allocates CoC funds to projects on single year terms. Projects receiving CoC funds for a given year are subject to regular review of the project's performance. Award recipients must reapply and compete for funding each year. Renewals are awarded based on performance metrics determined by the CoC. Funds are allocated on an annual basis because it allows the TCHC to prioritize the projects that are most successful in ending homelessness and also incentivizes projects receiving funds to monitor and improve their performance. HUD allows funds to be used for services, administration, and construction projects, but TCHC focuses on rental assistance and to a lesser extent, services.

Recipients of CoC funds are determined through HUD's annual CoC funding competition. HUD will release a Notice of Funding Availability (NOFA) for the year and then accept applications from CoCs across the country. Each CoC application is scored on a 200-point scale based on a variety of factors such as system performance, strategic planning, and overall coordination and engagement of the CoC. HUD then allocates funds based on application scores, with the highest scoring CoCs receiving an increase in funding from the prior year.

The projects in each CoC's application are determined by a local competition administered by the CoC. During this local competition, the CoC assesses applications for funding from PSH (and other) projects in the area. The CoC will decide whether to grant the amount of funding requested by the project, grant an amount less than that requested, or to reject funding for the project altogether. Projects selected by the CoC will consist of both projects seeking renewal of funding and new projects applying for CoC funding for the first time, with renewing projects being funded first.

The new project application for the local TX-601 CoC competition consists of narrative questions that were determined through consideration of local priorities as well as policies and priorities established by HUD in that year's NOFA. Renewal projects are evaluated based on the project's performance from the previous year in meeting quantitative metrics selected by the CoC.

Renewal projects that perform poorly may have their funding reallocated to another renewal project that performs strongly or to a new project that demonstrates promise. The rankings of both new and renewal projects may be affected by local CoC and HUD policy for that particular year. TX-601 will release a ranking policy explanation and a reallocation policy explanation each year during the application process.

HUD requires CoCs to rank each project seeking funding, with the strongest project ranked first and the weakest ranked last. The CoC must then divide the ranked applications into two tiers. First tier projects will be conditionally accepted if the project passes HUD's eligibility and threshold reviews up to the total funding allocation for the CoC's tier 1 projects. Second-tier projects are only funded if HUD allocates sufficient additional funding. In 2018, TX-601 placed 94% of projects seeking funding in the first tier. The CoC allocates funding to projects in the order they were ranked until there is no more available funding.

b. Project Monitoring

Projects receiving CoC funds for a given year are monitored by TCHC throughout the year. Projects are required to complete a mid-term monitoring review upon completion of the first six months of the operating year. Midterm reviews consist of the following components:

1. HUD Compliance Review;
2. Desk Review;
3. Performance Review; AND
4. Homeless Management Information Systems Review.

The HUD Compliance Review and Desk Review are both conducted in alignment with HUD's Internal Wellness Top 10 Checklist and consist of the TCHC reviewing records maintained by developers or service providers (whoever is the recipient of the grant) regarding the following:

1. Participant Eligibility;
2. Leasing and Rental Assistance Requirements;
3. Examination of Participant Income;

4. Housing Quality Standards;
5. Use of a Coordinated Entry System;
6. Use of Homeless Management Information System;
7. Standard Operating Procedures of Project;
8. Financial Policies and Procedures of Project;
9. Grant Fund Matching Sources and Uses; AND
10. Homeless Persons Participation in Policymaking of Project.

The Performance Review consists of TCHC assessing the grant management and performance of the project in relation to performance metrics for client retention and income increases, cost effectiveness of operations, occupancy, expenditure of funds, and other factors. The Homeless Management Information Systems Review includes TCHC review of a variety of records and grantee procedures to ensure HUD security and data quality standards are being met.

Upon completion of these four components, an on-site review is conducted to discuss the results. TCHC generates a monitoring report and shares it with the developer. The report includes data that allows the developer to analyze the project's performance and make any necessary adjustments for the remainder of the year.

In addition to the midterm review, all projects receiving CoC funding are required to submit an Annual Performance Report (APR) to HUD within 90 days of the end of the operating year. A project's APR serves as a primary source for the development of the project's performance scorecard during the annual funding competition. TCHC works closely with grantees in completing the APR and ensuring the report meets all HUD requirements and accurately reflects the project's performance over the prior year.

B. Property Tax Exemption

Acquiring the property tax exemption is critical for any PSH project because it decreases operating expenses and makes the project more financially feasible. To apply for the property tax exemption in Texas, a developer must file an Application for Charitable Organization Property Tax Exemption (Form 50-115) with the appraisal district office in the county in which the property is located. The chief appraiser in each county must determine whether the statutory qualifications for the tax exemption are met. The application may be submitted between January 1st and April 30th of the year for which the exemption is requested. The application is based on requirements set forth in Texas Tax Code Section 11.18 and the permanent exemption is specifically granted under Section 11.18(d)(2). If projects are granted under Section 11.20(a)(2), then the project must reapply for the permanent exemption within three years or whenever the development is complete.

1. Charitable Entity Qualifications

To receive the property tax exemption under Section 11.18, an entity must qualify as a charitable organization under the Texas Tax Code. An organization must meet all of the following requirements to qualify as a charitable organization under Section 11.18, which requires the organization to:

1. Be engaged primarily in public charitable functions under Texas Constitution Article Vlll, Section 2(a).

2. Be organized exclusively to perform religious, charitable, scientific, literary, or educational purposes.

3. Engage exclusively in performing one or more of the charitable functions listed in Section 11.18(d). Section 11.18(d)(2) is the provision used for a permanent supportive housing project, and requires the organization to provide support or relief to:
   a. Orphaned, delinquent, dependent, or handicapped children who need residential care;
   b. Abused or battered spouses or children in need of temporary shelter;
   c. **The impoverished**; or
   d. Victims of natural disaster without regard to ability to pay.

4. Operate in a manner that does not result in:
   a. Accrual of distributable profits;
   b. Realization of private gains resulting from payment of compensation in excess of reasonable allowance for salary or other compensation for services rendered; or
   c. Realization of any other form of private gain.

5. Use its assets in performing the organization's charitable function or the charitable function of another organization.

6. Direct by charter, law, or other document, that on the discontinuance of the organization, the organization's assets are to be transferred to:
   a. The state of Texas, the United States, or to an educational, religious, charitable, or other similar organization qualified for exemption under IRC Section 501(c)(3); or
   b. If required for qualification under IRC Section 501(c)(12), to the members of the organization who have promised in membership applications to immediately transfer the assets to a party listed above in section (a).

If the organization divides responsibility with another organization, to qualify for exemption, that other organization must: (1) Be exempt from federal income tax under IRC Section 501(c)(3); (2) Satisfy requirements 4, 5, and 6 above; and (3) Be under common control with the charitable organization that applies for the property tax exemption.

2. Potentially Exempt Properties:

If a developer qualifies as a charitable organization, it may exempt the following property:

1. Buildings and tangible personal property that:
   a. Are owned by the charitable organization; and
   b. Are used exclusively by qualified charitable organizations.

2. For property under construction, real property that consists of:
   a. An incomplete improvement that:
      i. Is under active construction or other physical preparation; and
      ii. Is designed and intended to be used exclusively by qualified charitable organizations.
   b. The land the incomplete improvement is located on that will be reasonably necessary for use of the improvement by qualified charitable organizations.

For purposes of this section, "building" includes land reasonably necessary for use, access, and ornamentation of the building. The exemption for projects under construction and the land the incomplete improvement is located on is good for up to 3 years. An incomplete improvement is considered to be under "physical preparation" if the charitable organization has:

1. Engaged in architectural or engineering work, soil testing, land clearing activities, or site improvement work necessary for construction of the improvement; OR

2. Conducted an environmental or land use study relating to the construction of the improvement.

Also, significant to note is that use of property by a party not qualified as a charitable organization does NOT result in a loss of the exemption if:

1. The use by the unqualified party is incidental to use by the qualified charitable organization; and
2. The use is limited to activities that benefit beneficiaries of the qualified charitable organization that owns or uses the property.

The information in this section is derived from Texas Tax Code Section 11.18 (a) and (b) and a link to the section is located in the Appendix.[2]

C. Property Manager

The final task a developer must complete under Pillar II (Project Operations) is to contract with a property manager. The property manager will oversee the day-to-day operations of the project once it is fully operational, which includes being responsible for leasing, rent collection, maintenance, bookkeeping, and security. Therefore, the property manager of a permanent supportive housing project is a significant position due to the high levels of collaboration necessary among the developer, service providers, and tenants. Although they are not solely responsible for the project's success or failure, they are involved in making sure the residents remain housed and whether the project is financially sustainable. For these reasons, it is paramount for a developer to contract with a property manager it trusts with experience in affordable housing to ensure the successful performance of the project. Detailed agreements are required that define the property manager's role and responsibilities in relation to the case management agency toward the common goal of preventing evictions. Property managers typically charge a fee, often 3%-6% of collected rents, and are also paid for all actual costs of administrative and maintenance support of the property.

Pillar III: Supportive Services

One of the most important aspects of PSH is its partnership with supportive services for their participants. These supportive services assist residents to transition out of homelessness and establish a stable long-term housing arrangement. It is important that a PSH project make a wide array of supportive services available to its tenants. This flexibility allows tenants to take advantage of a set of services unique to their needs and increases the chances of the tenant remaining housed in the long term.

A. Supportive Service Providers and Funding

Flexible and voluntary supportive services are a central part of any PSH program. Therefore, it is important for developers to find and contract with nonprofit organizations who can maintain these services. Typically, developers will contract with an agency for case management at the project. One case manager for every 20 to 24 residents is typical.

[2] Certain activities, such as platting or replanting, can cause a property tax exemption to be rescinded and require the developer to reapply.

For single site PSH projects with 20 or more residents, case management should be stationed on-site with dedicated office and meeting facilities. Case managers develop resident service plans based on client choice and personal goals that identifies the services that will be available to residents. Case managers meet with clients at least once per month in their units, more often for the first three months of housing, and as needed.

A case management service provider will create a project's supportive services package and manage the delivery of such services, generally through a network of community-based partners. The case management service provider will perform case management services discussed in the section above and will also serve as the administrator of the project's supportive services program. Ensuring a developer contracts with a quality case management service provider is critical to the ultimate success of the project.

B. Types of Supportive Services

Services within a PSH program vary depending on the program and individual resident needs. A developer will contract for these services through a nonprofit that specializes in PSH. The Corporation for Supportive Housing and the National Healthcare for the Homeless Council has recommended several strategies and service models to developers. Overall, these supportive services assist residents to transition out of homelessness and establish a stable long-term housing arrangement. It is imperative that PSH projects make a wide variety of services available to its tenants because the flexibility of the program increases the likelihood that tenants will utilize the programs and achieve the project's long-term goals of maintaining resident tenancy. Programs the PSH project should consider implementing include:

1. Case Management

   Case managers are the most important service providers to a permanent supportive housing project because they connect residents to all other supportive services. Case managers are also responsible for knowing where residents are, helping them to receive and maintain any public benefits, assuring residents have access to all needed services, help residents to navigate the healthcare system, accompany residents to their appointments when needed, and identify any behaviors that might lead to eviction. The case manager will also assist the developer in connecting residents with all necessary supportive service providers in the area. The intensity and frequency of case management will vary depending on the resident.

2. Outreach

Outreach services involve the steps taken to reach the individuals for which permanent supportive housing projects are designed. These individuals are not always able to access permanent supportive housing projects through traditional means such as referrals or appointment. Reaching homeless individuals targeted for permanent supportive housing often requires outreach through a qualified organization. Outreach programs are an integral part of the TX-601 CoC.

Projects that are funded the CoC are required to use the CES and accept at least 90% of tenants referred by the CES. In Fort Worth, all projects receiving City funding must use the CES of the CoC.

3. Engagement

Case managers should continuously reach out to residents encouraging them to take advantage of services that will help the individual remain housed, increase self-sufficiency and quality of life. Engagement services emphasize establishing a trusting relationship with formerly homeless individuals in order to provide them with the types of supportive services they need. Establishing trust and a strong relationship with homeless individuals is just as important as providing them with medical services. Establishing these relationships furthers the goal of permanent supportive housing to house homeless individuals on a permanent basis.

4. Medical Care

Permanent supportive housing projects should make the following medical services available:

a. Urgent Care
b. Preventative Care
c. Primary Care
d. Pain Management
e. Health Behavior Education
f. Motivational Enhancement

Supportive services agencies will connect tenants to community-based organizations who can provide these services. The developer generally does not provide or pay for these services themselves, except to pay for case management. Case management services generally cost between $3000 and $3500 per year per person.

5. Behavioral Health Care

Permanent supportive housing projects should connect residents with services addressing mental health and substance abuse. Care from these services should be ongoing and individualized to each patient. It is important that the service providers in this area are professionals and possess all necessary certifications to help participants with any of their mental or physical needs.

6. Individualized Services

Individualized services can take on many forms depending on the program. The case management team with the resident typically determines what services are needed on a case-by-case basis, depending on resident needs. Case managers may choose to offer guidance in budgeting, housekeeping, and other matters of daily living. For some residents, the case management agency may assist with employment needs. Employment services should be utilized to help prepare residents to enter the workforce and identify potential employment. However, some residents with greater limitations may need more personalized care, such as in-home care funded by Medicaid. All of these services come with their own limitations, which is why a professional case management team is critical for any PSH project.

Conclusion

Across the United States, cities are recognizing the benefits of using Permanent Supportive Housing as a sustainable solution to combating homelessness. With high retention rates, policymakers are seeing how providing low-income community members with stable housing can be a gateway to reducing the likelihood of them returning to homeless shelters. Thanks to this change in policy, federal, state, and local governments have created different initiatives to help developers who are undertaking a PSH development. Although these projects can appear daunting, ideally this guide has provided potential developers with an understanding of the development process for permanent supportive housing as well as understanding the benefits these projects can provide to the Fort Worth community.

Appendix A: Resources for Developers

New Leaf Community Services Google Drive Link

New Leaf Database for PSH Project Materials & Application Examples
https://drive.google.com/drive/folders/1iViUqd26ja1FM1t1RaPV0lpyhTr_j7sR?usp=sharing

Permanent Supportive Housing Background

Impact of Permanent Supportive Housing in Fort Worth, Texas
https://shnny.org/uploads/Our_Neighbors_Our_Neighborhoods.pdf

City of Fort Worth Final Report from the Homelessness Task Force
http://fortworthtexas.gov/boards/homelessness/taskforce/final-report.pdf

Permanent Supportive Housing Guidelines and Recommendations
https://fortworthtexas.gov/uploadedFiles/PSH-draft-guidelines.pdf?v=2

Texas Department of Housing and Community Affairs
https://www.tdhca.state.tx.us/multifamily/apply-for-funds.htm

Fort Worth Housing Solutions for Permanent Supportive Housing
https://www.fwhs.org/wp-content/uploads/2018/08/Permanent-Supportive-Housing-PBV.pdf

Property Development

HUD Strategic Plan for Poverty Decentralization
https://www.hud.gov/sites/documents/HUDSTRATEGICPLAN2014-2018.PDF

Fort Worth Zoning Applications
https://fortworthtexas.gov/zoning/fees/

City of Fort Worth Application for Reasonable Accommodation
http://cctfortworth.net/developmentservices/pdf/accessibility-application.pdf

City of Fort Worth Code of Ordinances
https://codelibrary.amlegal.com/codes/ftworth/latest/ftworth_tx/0-0-0-1

Environmental Impact Statement Requirements
https://www.epa.gov/nepa/national-environmental-policy-act-review-process#EIS

Construction Funding

Texas Tax Code Section 11
https://statutes.capitol.texas.gov/Docs/TX/htm/TX.11.htm

HOME & CDBG Guidebook by HUD Exchange
https://files.hudexchange.info/resources/documents/HOME-CDBGGuidebook.pdf

Non-Competitive 4% Housing Credit
https://www.tdhca.state.tx.us/multifamily/housing-tax-credits-4pct/index.htm

Competitive 9% Housing Tax Credits
https://www.tdhca.state.tx.us/multifamily/housing-tax-credits-9pct/

FHL Bank of Dallas Affordable Housing Loan Program
https://www.fhlb.com/community/Pages/Affordable-Housing-Program.aspx

Fort Worth Housing Finance Commission
https://cdn.ymaws.com/www.nalhfa.org/resource/cform/1606939/20170320_103001_12950.pdf

City of Fort Worth 2020 Tax Credit Policy
http://fortworthtexas.gov/files/fc7ec9b6-3e82-41aa-9c8c-1af3ee527e27.pdf

Fort Worth Neighborhood Services 2020 Housing Tax Credit Applications
http://fortworthtexas.gov/neighborhoods/

Rental Subsidies

United States Interagency Counsel on Homelessness Project-Based Voucher Guide
https://www.usich.gov/resources/uploads/asset_library/PHA_ProjectVouchers.pdf

Project Based Vouchers
file:///Users/lisamares/Downloads/Project Based Vouchers

Continuum of Care (CoC) Program Eligibility Requirements
https://www.hudexchange.info/programs/coc/coc-program-eligibility-requirements/

Form 50-115: Application for Property Tax Exemption
https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwis-d_p1qXsAhUFKKwKHX2wDgIQFjAAegQIBRAC&url=http%3A%2F%2Fcomptroller.texas.gov%2Fforms%2F50-115.pdf&usg=AOvVaw2X9xlIFOyVfPEiZ-B6EOdB

Supportive Services Information:

Texas Health and Human Services
https://hhs.texas.gov/doing-business-hhs/provider-portals/behavioral-health-services-providers/permanent-supportive-housing-providers

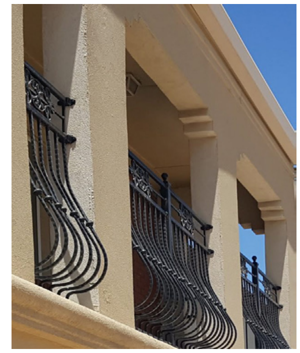
Essential Characteristics of Supportive Housing
https://www.cbpp.org/research/housing/supportive-housing-helps-vulnerable-people-live-and-thrive-in-the-community

Example PSH Referral Form
https://www.transitionalservices.org/sites/default/files/attachments/psh-referral-form.pdf

The Palm Tree Apartments

A Permanent Supportive Housing Community

Mission: To provide safe, clean, attractive, supportive, and well-managed permanent supportive housing for those who have the most difficulty finding and maintaining housing.



History & Challenges

The Palm Tree Apartments, constructed in 1955, is a multi-family property located in the Six Points Urban Village, Scenic Bluff Neighborhood.

After years of neglect, the property posed serious threats to the development of the urban village, including 16 code violations in the two years prior to acquisition. The property had been cited for bed bugs, un-repaired deterioration, one untenantable unit, and unsupervised residents with criminal backgrounds (50% of residents had backgrounds including multiple assaults, violent felonies, and one open warrant.)

Physical property problems included deteriorated roof, antiquated central heating and air conditioning, only one electrical breaker box serving entire property, leaking steel galvanized and cast iron plumbing, an untenantable unit with damaged sub-flooring requiring asbestos abatement prior to replacement, and an inadequate number of gas water heaters.

Further, through meetings with local neighborhood association leaders, the community identified ongoing problems with vagrancy, panhandling, and camping on public and private property.

The property had such a bad reputation and unlivable conditions that CFW Directions Home case managers would no longer place program participants at the Palm Tree Apartments.

What had been a desirable address in the middle of the last century had become not only an eyesore but a hazard to the community.

Property Information

2625 Race Street, Fort Worth, TX 76111 | 682-841-1338 Office Hours: Monday – Friday, 8am to 5pm Efficiency, one-, and two-bedroom apartments

Solutions & Success

In 2015, the Paulos Foundation purchased the Palm Tree Apartments and entered into a partnership with the DRC and Fort Worth Housing Solutions. The project set goals for property rehabilitation and to target unsheltered homeless persons in the immediate area for housing candidates. After eight months of renovations, the Palm Tree was ready to welcome the first residents.

The Palm Tree Apartments is a Housing First program, meaning residents receive housing and simultaneously receive case management to address the factors which contributed to their lack of housing.

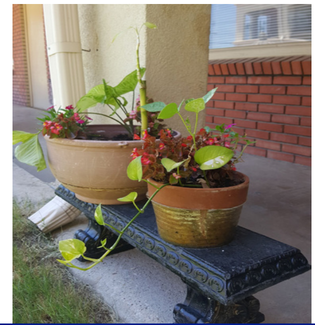
Over 80% of Palm Tree residents have come from unsheltered homelessness in the local area, and all faced obstacles to securing housing. Full-time on-site case management through the DRC allows the project to win exemptions from many of the normal FWHS criminal background prohibitions, as well as provide services related to other barriers. Residents sign a regular TAA lease. The property is managed by a professional management company.

DRC case managers are on the property 40 hours per week and available on call round-the-clock for emergencies. Case managers are able to address resident issues proactively such as assisting residents in working out payment plans for rent delays, training residents in good property maintenance, and addressing interpersonal or personal problems with counseling and direction to supportive services.

The Palm Tree has succeeded in retaining over 70% of the initial cohort after two years of operation. Residents participate in regular community and local neighborhood association meetings, a monthly community mobile food pantry, a community garden, and health programs covering topics such as smoking cessation.

In 2017, the Palm Tree Apartments received an Award of Excellence from the National Association of Housing and Redevelopment Officials in the category of “Affordable Housing.”

The Palm Tree Apartments



A Permanent Supportive Housing Community

Mission: To provide safe, clean, attractive, supportive, and well-managed permanent supportive housing for those who have the most difficulty finding and maintaining housing.

Born out of the desire of the Paulos Foundation to contribute to permanent solutions for homelessness, the Palm Tree Apartments are a cost effective, efficient, and sustainable strategy for supporting property and community development in a gentrifying urban village of Fort Worth.

Financing

Acquisition	The Paulos Foundation/PF Residential, LLC	$685,000	$45.04/gross sf
Rehab	The Paulos Foundation/PF Residential, LLC	$679,617	$44.68/gross sf
Furnishings	MHMR Healthy Community Collaborative	$15,000	$625/unit
Occupancy	Fort Worth Housing Solutions Rental Subsidies	$180,504/yr	$1.36/leased sf
Occupancy	Tenant Rent Contributions	$41,328/yr	$.31/leased sf

Efficient & Sustainable

Project-based Vouchers (HUD Section 8) were granted by Fort Worth Housing Solutions, with an application from the developer. Property revenue supports the full cost of operations and case management. Case management fees also provide for free household cleaning supplies, personal hygiene items, laundry detergent, furnishings for incoming tenants, and bus passes for travel in support of health maintenance and employment.

Revenue (discounted)	$212,858	$8,869 per unit
Expense (Property Operating)	$92,214	$3,842.25 per unit
Expense (Case Management)	$79,362	$2,939 per resident
Reserve (Capital/Replacements)	$7,200	
Net Income	$34,082	

Contacts

Owner: PF Residential, LLC (A project of the Paulos Foundation)
Flora Alexandra Brewer, MPA, President
flora@paulosproperties.com | 817-946-4939

Case Management: DRC Solutions
Cindy Wright, Director of Housing
CWright@DRC-Solutions.org | 817-823-3766

Bruce Frankel, Executive Director
BFrankel@DRC-Solutions.org | 817-690-8867

Public Support: Fort Worth Housing Authority Project Based Vouchers
Selarstean Mitchell, Vice President
smitchell@ftwha.org | 817-333-3601

A Project of

PAULOSFOUNDATION

DRC Community Solutions to End Homelessness

FORT WORTH HOUSING SOLUTIONS Housing with a Mission

New Leaf Community Services

4444 Quail Trail

Problem/Opportunity

In its point-in-time count of homeless persons in January 2019, the Tarrant County Homeless Coalition found 2,028 persons homeless and estimated that 15% of these persons were chronically homeless. Chronically homeless persons have been homeless continually for more than one year or experience frequent episodes of homelessness and have significant levels of disabilities, creating a significant drain on public services.

Permanent supportive housing (PSH) combining permanent rental subsidies with supportive services has proven to be a very effective solution with housing retention rates of greater than 85%, improvements in health, increases in income and reductions in public services.

The City of Fort Worth (CFW) estimates a need for 1450 additional units of PSH from 2017 to 2026 and has allocated $5.6m in funding to support construction of 224 new units creating an opportunity for public-private partnerships to address the need.

Response

First Presbyterian Church (FPC) of Fort Worth decided to allocate $1m over three years to respond to this opportunity and contribute to the development of PSH. FPC joined with like-minded partners to form New Leaf Community Services (NL) to provide a platform for the ongoing development of PSH in Fort Worth. Partners include the Paulos Foundation, experienced in developing and operating PSH at its Palm Tree Apartments, L2L Development Advisors, experienced in real estate and affordable housing development, and DRC Solutions, an experienced provider of supportive services.

The new 501(c)3 corporation will own PSH properties, aggregate funding, and contract for property and case management services for PSH projects, serving as an ongoing repository for community experience and expertise in PSH project development.

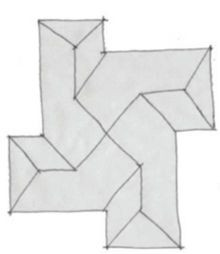
4444 Quail Trail

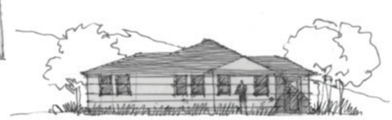
The first project (QT) of NL is located at 4444 Quail Trail, a three-acre site in north Fort Worth. The property is ideally located in a walkable community with access to public transportation, healthcare, jobs, affordable retail and recreation. The location, purchased May 2019, has the support of City Council Member Carlos Flores for PSH development. The community has a three-year record of declining poverty and increasing median incomes making it a positive environment for PSH residents.

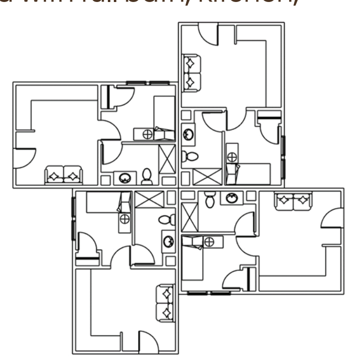
The Design

The project has been designed to be compatible with surrounding residential uses and is composed of 12 single-story fourplexes, each containing four one-bedroom apartments of approximately 450 square feet for a total of 48 units. Each fourplex is designed for cost-effective construction and arranged to maximize passive solar exposure, personal green space, security and privacy. Each apartment will be equipped with full bath, kitchen, sitting area and bedroom.

The development is anchored by a common area to include a community room with kitchen and large screen television for classes, meetings and recreation; laundry room, and offices for on-site case managers and other supportive service providers including healthcare and employment counseling.







The Services

Two case managers and one property manager will provide on-site resident services on a full-time basis including access by phone evenings and weekends. Case managers connect residents to resources both on-site and in the community for food, welfare benefits, health care, education, and employment and provide counseling to help residents achieve their personal goals.

Sustainability

Based on three years of experience at the Palm Tree Apartments model PSH program, PSH projects can cover all operating expenses, including case management, within fair market rental revenue if the project is debt-free. Residents pay 30% of their adjusted gross income and HUD rental subsidies pay the balance of operating costs. After nearly three years of operations, the Palm Tree Apartments, funded by HUD rental subsidies, have required no additional funding to pay for all property and case management expenses.

The Palm Tree Apartments

QT has been recommended to receive HUD rental subsidies in a local competition with award anticipate in 2020.

Funding Needs

The cost of site acquisition, construction and initial furnishings for QT is $4.7m or approximately $98k per unit, including common area cost. NL will assemble funding from government and philanthropy to ensure the property is debt-free and financially sustainable.

Fort Worth Housing Finance Corporation will fund up to $25,000 per PSH unit for qualified projects. A group of major Fort Worth Foundations led by the Morris Foundation has committed to match CFW funds. First Presbyterian Church and the Paulos Foundation have made firm commitments of a combined $1.8m. The remaining $544k required is being solicited from small foundations, faith-based organizations, individual donors and Federal Home Loan Bank grants.

The following table shows the anticipated breakdown of public and private investment in the project.

Source of Funds	Per Unit	Total
First Presbyterian Church	$20,833	$1,000,000
Paulos Foundation	$16,667	$800,000
Major Foundations	$25,000	$1,200,000
Fort Worth Housing Finance Corporation	$25,000	$1,200,000
Other	$11,339	$1,140,000
Total Requirement	$98,839	$4,744,281

Timeline

Pending the award of HUD rental subsidies and CFW funding, the QT project can be fully leased and operational by January 1st of 2021.

Residents will be recruited from the Tarrant County Homeless Coalition's Coordinated Entry System and prepared for housing while the project is in the final phases of construction.

The following table shows approximate timing of project phases.

Project Phase	Est. Timing
Site acquisition	Complete
Architecture & engineering	4th Qtr 2019
City, HUD awards, Capital funding	1st Qtr 2020
Permitting	1st Qtr 2020
Site Prep & Construction	2nd-4th Qtrs 2020
Residents housed	1st Qtr 2021

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