Housing 3,000 –
Chronic Homeless Policy Academy

Transitional Housing (TH) Conversion Toolkit

August 2016

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INTRODUCTION

In 2012-2013, Washington was one of four states participating in a Substance Abuse and Mental Health Services Administration (SAMHSA)-funded Interagency Policy Academy to Reduce the Prevalence of Chronic Homelessness. Washington's Housing 3,000 Policy Academy seeks to end chronic homelessness by developing and implementing effective intervention strategies for its 3,000 most vulnerable and high-cost system users, and replicating those models system-wide.

One of Housing 3,000 Policy Academy's key strategies is to prioritize housing resources for persons experiencing chronic homeless[1]. As part of this strategy, the Policy Academy set up a Transitional Housing (TH) Workgroup focused on transitional housing for conversion to permanent housing models. (Transitional housing is a resource-intensive model that works well for some populations, but otherwise may not represent the most cost-effective way to achieve desired housing outcomes for most program participants.)

To this end, in 2015 the TH Workgroup selected five TH projects of different sizes, housing models and Continuum of Care (CoC)[2] environments to work with technical assistance (TA) provider HomeBase in converting their project to either permanent supportive housing (PSH) or rapid re-housing (RRH)[3]. The projects included: (1) Dorothy Place in Bellingham, Whatcom County, operated by Opportunity Council; (2) Evergreen Family Village, operated by Serenity House of Clallam County, in Port Angeles, Clallam County; (3) Northwest Passage Apartments in Port Townsend, Jefferson County, operated by Olympic Community Action Programs; (4) Sand Point Family Housing, operated by Solid Ground, in Seattle, King County and (5) 615 South G SRO, operated by the Metropolitan Development Council, in Tacoma, Pierce County. Based on the TA activities provided to these five pilot conversion projects, HomeBase has compiled this toolkit to provide assistance and guidance to other TH projects in Washington State as they contemplate conversion to a permanent housing model.

The purpose of this Toolkit is to assist homeless housing providers interested in converting their transitional housing project(s) to either a permanent supportive housing (PSH) or rapid re-housing (RRH) model. The Toolkit is designed to provide implementation options that will enable providers to develop a conversion strategy to meet their needs.

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[1] HUD Exchange, Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH): Defining "Chronically Homeless Final Rule. December 2015; available at https://www.hudexchange.info/resource/4847/hearth-defining-chronically-homeless-final-rule/
[2] HUD Exchange, Continuum of Care (CoC) Program; available at https://www.hudexchange.info/programs/coc/.
[3] HUD Exchange, Continuum of Care (CoC) Program Eligibility Requirements; available at: https://www.hudexchange.info/programs/coc/coc-program-eligibility-requirements/

PLANNING & IMPLEMENTATION GUIDE

This guide provides strategies to help plan, implement, and sustain your permanent housing conversion. It generally presumes you have decided to convert your TH project, but may be helpful for those still considering this as well. Topics covered include financial management, separating property management from support services, regulatory requirements, and tips for working with your clients, community, and internal culture.

1. Financial Management

a. Grant-Specific Conversion Considerations: HUD CoC Program

Navigating the HUD CoC Program Reallocation Process

The HUD CoC Program reallocation process can be a very important source of funding for your converted permanent housing project. All reallocated projects are considered to be new projects by HUD, even if the "new" project reflects the same building and the same staff. This means that if you are converting from transitional housing (TH) to permanent housing, you will need to file a new project application in e-snaps[4], and not a renewal application.

Given HUD's priorities to end chronic homelessness, conversion to PSH through a CoC reallocation process will likely require that you dedicate all of your bed capacity to serving people experiencing chronic homelessness. Generally a household would lose their chronic homeless status upon entering a TH program .[5] This means that you must find alternative living arrangements for your current TH residents if the new project is required to serve persons experiencing chronic homelessness.

If you are converting to rapid re-housing (RRH), you may be able to offer your residents the option to "transition in place" and take up permanent residence in your facility's private bedrooms, depending on the rules of each year's CoC Program funding competition. In 2015, new RRH funding was only available for projects serving people who entered directly from the streets or from emergency shelters, so transitioning in place would not have been an option for CoC Program-funded projects. Keep in mind that even when HUD provides funding for this kind of conversion, the option for residents to transition in place is still only an option – a core component of a RRH program is that it is client centered and client driven, allowing for client choice in the residence. If your program is dependent on revenue streams that are in turn dependent

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[4] HUD Exchange, *esnaps:* Homeless Assistance Application and Grants Management System; available at: https://www.hudexchange.info/programs/e-snaps/

[5] For information on how TH can serve as "bridge" housing when a household has been determined eligible and accepted into a CoC program funded PSH unit but none is currently available see: The Department of Housing and Urban Development. *CoC FAQs*, FAQ ID 1913 (2015), https://www.hudexchange.info/faqs/1913/if-a-person-is-accepted-into-a-permanent-housing-program-but-the-project/

on full occupancy of your building, you will need a plan to either quickly recruit new tenants or raise additional funds.

Regardless of the type of permanent housing program you convert to, you will probably face a gap during which you are completely ineligible for HUD CoC funding[6]. Many TH projects receive a significant portion of their funding from the HUD CoC Program, and the CoC Program rules make it complicated for TH projects to convert to PSH. Specifically, HUD does not allow CoC-funded projects to change their program component (e.g., from TH to PSH) by simply modifying their grant agreement through a grant amendment. Instead, TH projects must wait until the next annual CoC NOFA competition is announced, during which the TH project must both "reallocate" (i.e., give up) its CoC-TH grant and apply for a new CoC-PSH grant. In addition, TH projects are also subject to local competition rules that may prohibit reallocation to back to the agency that is seeking to voluntarily reallocate - some CoCs may not earmark money for the agency, some may prioritize reallocated money for HMIS or Coordinated Entry (as in the FY15 CoC Program NOFA Competition) or not allow an agency to apply for PSH.

Although complicated and time-consuming, this reallocation + new application rule does not necessarily result in an interruption of HUD funding. In theory, if HUD's annual CoC NOFA competition always took place early in the calendar year, the funding gap could be avoided altogether.

Ideal TH Conversion Scenario

	2016								2017
Month	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN
FY16 CoC Program NOFA Competition	███	███							
Program Reallocates FY15 TH Grant		▓							
FY16 New CoC Grants Announced					▓				
Program's FY2015 TH Grant Expires								▓	
Program Executes FY16 PSH Grant									▓

For example, as illustrated above, if HUD always released the CoC Program NOFA in May, and closed the NOFA competition by the end of June, it could announce the CoC Program grant awards by September every year. This could give HUD sufficient time to execute all grant agreements by the start of the following year, causing all CoC grant agreements to start and expire at around the same time of year, in late December/early January.

In this scenario, a TH project could safely volunteer to have its TH grant reallocated and apply for a new PSH grant whenever it was ready for conversion, knowing that its old TH grant would expire in December and the new PSH grant agreement would start at around the same time, without any interruption in funding. However, there may be a

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[6] USICH, *Creating Effective Systems to End Homelessness: A Guide to Reallocating Funds in the CoC Program* at page 10. Available at:
https://www.usich.gov/resources/uploads/asset_library/FINAL_Reallocation_Tool_09_30_14.pdf

funding gap projects will need to take into account depending on the timing of the funding competition and Notice of Funding Availability release.

The Status Quo: Delays Causing Increased Funding Gaps

	2015	2016										
Month	DEC	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV
FY15 CoC Program NOFA Competition										███	███	███
Program Reallocates CoC-TH Grant												🟨
Program's FY2014 CoC-TH Grant Expires												🟦
FY15 New CoC Grants Announced			🟧									
Program Executes FY15 CoC-PSH Grant								🟪				
Gap in Funding				Funding Gap of Up to 4+ months								

For example, if a TH project decided to convert to PSH during the FY2015 CoC NOFA competition (released in September 2015 and completed by November 2015), the TH project would have waited until February 2015 or later for the new CoC grants to be announced, and realistically wait an additional 3-4 months or more until July 2015 to have its new PSH grant agreement executed. Depending on when its prior CoC grant agreement expired, the TH project could have therefore faced a funding gap of almost 4 months or longer. TH projects that have an operating year that ends later in the year (e.g. November 30) are much less likely to have a funding gap.

During such a months-long gap in funding, the program would have probably had to eliminate program staff and take other cost-cutting measures. Even after the new PSH grant agreement was executed, it would have probably taken the program a long time to rebuild its organizational capacity to the point where it could start accepting new PSH clients and delivering the full array of supportive services their clients needed.

In addition, each year's CoC Program NOFA has different requirements about eligible uses of reallocated funding, including eligible populations, so current TH projects may not be able to create the PSH projects they want. For example, if an agency wanted to operate a non-chronically homeless families PSH project, in some years that project would not be eligible for funding. Projects will need to take into account each year's NOFA.

In short, the unpredictable nature of HUD's CoC program funding cycle and NOFA contents can make it operationally very challenging for CoC-funded TH projects to convert to CoC-funded PSH projects. This funding gap issue, among other reasons, may explain why so few TH projects have chosen to convert to the PSH model, despite strong encouragement from HUD, the State, and their local Continuums of Care.

Alternatives to the HUD Reallocation Process

There are two main alternatives to the HUD CoC Program reallocation process: CoC Program permanent housing bonus project funding and re-purposing.

Historically, HUD has allocated funding to a CoC's projects based on the combined value of the CoC's grants during the previous year – the Annual Renewal Demand (ARD). When Congress appropriates more than enough money to fully fund all CoCs' renewal demands, HUD channels the remaining funding into "bonus projects" that CoCs can apply for in addition to their renewal funding stream. If a project is awarded permanent housing bonus project funds, that project will be eligible for renewal funding in subsequent years, increasing the size of the community's total ARD.

Permanent housing bonus project funding – while not always available – often comes with additional restrictions. For example, in 2014, bonus project funding was reserved for projects that utilized a Housing First approach and prioritized people experiencing chronic homelessness.[7] If bonus project funding is available during the year you wish to convert your project, talk to your CoC about whether you are a good fit for the bonus project funding and what you can do to maximize your chances of competing well in the CoC program competition.

To "repurpose" a project means to make small- or medium-sized changes to the design of the program without switching it from one HUD project component type to another. For example, you can change the average length of stay in your program, you can switch to a Housing First approach or incorporate other low-barrier policies all without reallocation. If operating as TH aligns with the needs of your CoC, and your primary goal in changing your program model is to better serve your clients and/or you have trouble arranging gap funding, then re-purposing might make more sense than an outright conversion.

Although repurposing can be easier and faster than converting, some elements of repurposing still require a formal grant amendment if you are receiving HUD CoC funding and make changes to any of the following: [8]
- Number of units
- Number of persons intended to be served
- Length of stay
- Target population
- Budget modification of more than 10 percent from one line item to another.

To initiate the grant amendment process, you should:
- Propose the change to your CoC and see if they have any obvious objections
- Send an email your HUD CPD Representative and explain the change you want to make and ask for guidance
- Answer all questions HUD asks, usually via email or a scheduled phone call

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[7] National Alliance to End Homelessness, Blog Post, *The NOFA is out! And includes a PSH Bonus!*, available at: http://www.endhomelessness.org/blog/entry/the-nofa-is-out-and-includes-a-psh-bonus#.Vt8taZMrlkg

[8] HUD Community Planning & Development, Presentation at NAEH National Conference to End Homelessness (2012); *Retooling Your Transitional Housing Programs*; available at: http://www.endhomelessness.org/page/-/files/4635_file_3.7_Retooling_Your_Transitional_Housing_Program_Lora_Rout.pdf

- Obtain a letter from the CoC supporting the change
- Submit a formal written request (usually a letter) to make the change, consistent with HUD guidance provided in your initial exchange with them. Your formal request will include:
  - The reason for the change
  - How the same or better level of service will be provided; and
  - Any materials related to the change (e.g. budgets, charts about who is served, etc.)
- Respond to any HUD concerns

It's important to note that you cannot "amend" your grant by making changes to your CoC renewal application and you should request amendments before the CoC NOFA process begins.

If your grant amendment is seeking HUD's approval of a recipient change, HUD's approval is contingent on the recipient meeting the capacity criteria in the CoC NOFA under which the grant was awarded, or the most recent CoC NOFA. Approval of shifting funding between activities and changing subpopulations is contingent on the change being necessary to better serve eligible persons within the geographic area and ensuring that the priorities established under the CoC NOFA in which the grant was originally awarded, or the most recent, NOFA, are met. A recent toolkit published by the National Alliance to End Homelessness explains some of the most common strategies for convincing a HUD field officer to approve a change in the terms of your grant.[9]

Repurposing projects is an effective way to make rapid progress toward filling unused capacity and improving system performance. For example, between 2012 and 2014, the city of Spokane was able to nearly double the number of households served by its TH programs from 631 to 1,175 *even while decreasing* the share of CoC funding that went to TH projects from 62% to 43%.[10] By adopting Housing First policies, increasing collaboration with other community agencies, and using progressive engagement to decrease the time needed for transition while increasing the rate of success, Spokane successfully repurposed its remaining TH programs.

Applying for Funds in a CoC Program NOFA Competition

As each funding competition cycle begins, HUD will release a Notice of Funding Availability and post detailed instructions on how to fill out an application, generally published on the HUD Exchange website.[11]

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[9] NAEH; *Transitional Housing Conversion: A Building Owner's Toolkit* at pages 10-11 (June 2016), available at: http://www.endhomelessness.org/page/-/files/2016-06-18_NAEH_BuildingOwnersToolkit.pdf

[10] Rapid Re-Housing Webinar Series: *Transforming Homeless Service Systems in Spokane, WA* (10/20/15); available at: http://www.endhomelessness.org/page/-/files/RRH%20Webinar%20Series%20Transforming%20Spokane.pdf

[11] HUD Exchange, *New Project Application Detailed Instructions*, expected to be available at: https://www.hudexchange.info/resource/4042/new-project-application-detailed-instructions/, and *Renewal Project Application Detailed Instructions*, expected to be available at:

As discussed above, you cannot apply for a "renewal grant" when you are converting from TH to PSH or from TH to RRH. Instead, you must apply as a "new project," either as part of a bonus funding competition, or as part of the reallocation process.

If you are reallocating, you will need to check with your local CoC to find out what their rules are for existing projects that voluntarily reallocate their funding. Depending on those rules, you may receive a guaranteed spot in the community-wide consolidated application, you may receive some kind of priority in the local competition, or you may be forced to compete with other new projects in the community on equal footing.

In addition, if you are seeking funding to acquire new buildings, rehabilitate old buildings, or construct new buildings to be used as part of a permanent housing project, then you must check with your CoC to see whether they will allow the application. There are no federal rules against such applications, but at the local level, most CoCs discourage applications for acquisition/rehab/construction costs, because those costs do not become part of the CoC's Annual Renewal Demand.

Each year, the CoC as a whole is eligible to apply for renewal funding based on the amount of money it received the previous year for rental assistance, operations, supportive services, and administrative costs. By contrast, money that the CoC receives for acquisition, rehabilitation, and construction costs is not eligible for renewal funding, in part because the expectation is that the construction will be done once, and then the building will be permanently available. This means that if the CoC rejects an application for funding that is eligible for renewal (e.g., rental assistance) in order to accept your application for acquisition/rehab/construction funding, then the CoC will lose money in the years to come. As a result, most CoCs will only accept acquisition/rehab/construction applications when they do not have enough applications that can be renewed to use up all of the money available through reallocation and/or bonuses.

If you are applying for rental assistance funding, you will need to determine whether your project will offer tenant-based rental assistance (TBRA), project-based rental assistance (PBRA), or sponsor-based rental assistance (SBRA).

Tenant-based rental assistance allows the project participant to locate housing of their choice in the private market. If the participant later moves to another unit, he or she can take the rental assistance and use it in the new unit. RRH projects must use a TBRA model.[12]

Project-based rental assistance is provided through a contract with the owner of a building who agrees to lease the subsidized units to program participants. PBRA does

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https://www.hudexchange.info/resource/4043/renewal-project-application-detailed-instructions/.

[12] HUD Exchange, *CoC Program Start Up Training Webinars for FY 2013 Funds; Day 2 Slides*, available here: https://www.hudexchange.info/course-content/coc-program-start-up-training-webinars-for-fy-2013-funds/CoC-Program-Startup-Training-FY2013-Recipients-Day2-Slides.pdf

not allow the participant to retain the rental assistance if they move out of the unit. Rather, the unit is rented to another eligible project participant that would benefit from the assistance.[13]

Sponsor-based rental assistance uses sponsor agencies to locate and rent housing units in the private market and then sublease these units to people experiencing homelessness.[14] Sponsors may be private, non-profit organizations or community mental health agencies established a public non-profit organization. In this model, the sponsor agency owns the units or leases the units and then subleases the unit to a program participant. Units that receive sponsor-based rental assistance can be owned or leased by the grant recipient sub-recipient, or private owner in the community.[15]

If the program participant moves out of the unit, the sponsor can then sublease the unit to the next eligible participant. Or the sponsor can elect to continue the SBRA to support the participant in his/her new unit, or the sponsor can locate another unit in the community and then sublet that unit to the same or different eligible program participant. The decision is up to the sponsor because the rental assistance stays with the sponsor.[16]

It is important to note that even though SBRA looks similar to leasing there are major differences, which include:
- The amount of rent paid to the owner is capped at rent reasonableness
- Program participants must pay their portion of the rent; and

The vacancy requirements differ from leasing.[17]

b. Addressing Capital Needs

Project conversion may require construction work for building or site configuration modifications, updates for building code compliance or improved energy efficiency, or other necessary changes. Funding strategies should include assessing the landscape of potential funding sources: private grants or loans (e.g., foundations, corporations, private individuals),[18] as well as state and local capital funding sources and those highlighted below.

Washington State Housing Finance Commission (WSHFC) Resources

Relevant funding strategies for this may include the Washington State Housing Finance Commission's (WSHFC) resources (e.g., tax-exempt bonds, Low Income Housing Tax

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[13] Id.

[14] HUD Exchange, *CoC FAQs, "What are the Characteristics of Sponsor-Based Rental Assistance?",* available at: https://www.hudexchange.info/faqs/1531/what-are-the-characteristics-of-sponsor-based-rental-assistance/

[15] HUD Exchange, *CoC Program Start Up Training Webinars for FY 2013 Funds; Day 2 Slides*, available here: https://www.hudexchange.info/course-content/coc-program-start-up-training-webinars-for-fy-2013-funds/CoC-Program-Startup-Training-FY2013-Recipients-Day2-Slides.pdf

[16] Id.

[17] Id.

[18] More information can be found here: http://foundationcenter.org/ask-us/find-us

Credit (LIHTC)).[19] Although tax exempt bonds and a low-income housing tax credit cannot directly subsidize your tenant's rent, they can lower the cost of your debt and thus the operating costs of your building.

Tax-Exempt Bonds

Because investors do not pay state or federal tax on income earned from the bonds, it may be possible to secure an interest rate up to 5% below market rate. The benefits of compound interest can translate this savings into a 20-25% decrease in the overall cost of the loan.[20]

> **NOTE: Tax-exempt bonds can't be combined with a Master Leasing model. Both programs are good ideas, but using tax-exempt bonds requires that the owner rent directly to low-income tenants, and for legal purposes, a low-income housing program does not count as a low-income tenant.**

Low-Income Housing Tax Credits (LIHTCs)

Low-Income Housing Tax Credits operate as a dollar-for-dollar credit against an investor's tax liabilities to attract equity capital that lowers the cost of debt burden on LIHTC properties. They make it easier for property owners to offer lower rental rates, and can provide funding to buy, build, or rehabilitate affordable housing. Despite their relative complexity, LIHTCs have historically performed as a very secure form of debt financing, with less than one percent of LIHTC projects falling into foreclosure between 1997 and 2010.[21]

If you have *already* received low-income housing tax credits to fund the capital costs on your *current* building, you will need to review the terms of those credits to ensure that you do not pay penalties during your conversion process. The year during which you received the credits will determine both the length of your compliance period, and the terms with which you are required to comply. For example, projects developed before 1989 typically had 15-year compliance periods, which would have expired by now. Projects developed during or after 1989 typically have 30-year compliance periods, which would still be active.[22] Typically, the more time that is left in your compliance period, the larger the size of the financial penalty that would be imposed if your current building stopped serving low-income and/or disabled households. You should get in

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[19] Washington State Housing Finance Commission, *Multifamily Housing*. Available at: http://www.wshfc.org/mhcf/index.htm

[20] SAMHSA Evidence-Based Practices KIT: *Permanent Supportive Housing (Building Your Program)* at p. 101, sidebar, available at http://store.samhsa.gov/shin/content//SMA10-4510/SMA10-4510-06-BuildingYourProgram-PSH.pdf

[21] Office of the Comptroller of the Currency, Community Affairs Department. *Low-Income Housing Tax Credits: Affordable Housing Investment Opportunities for Banks.* (March 2014). Available at: http://www.occ.gov/topics/community-affairs/publications/insights/insights-low-income-housing-tax-credits.pdf

[22] NAEH; *Transitional Housing Conversion: A Building Owner's Toolkit* at page 9 (June 2016), available at: http://www.endhomelessness.org/page/-/files/2016-06-18_NAEH_BuildingOwnersToolkit.pdf

touch with both the state housing finance agency and with your equity investor(s) as soon as possible to attempt to negotiate around these penalties if they potentially may apply.

Combining Tax-Exempt Bonds and LIHTC

When paired with each other, tax-exempt bonds and LIHTCs can help provide a significant contribution towards or offset of construction costs. This may make the project more attractive to private investors, and become part of your marketing pitch towards them.

> **Washington State Housing Finance Commission (WSHFC) Resources:**
> Main Page: http://www.wshfc.org/index.htm
> Nonprofit Facilities - http://www.wshfc.org/facilities/index.htm
> Multifamily Housing - http://www.wshfc.org/mhcf/index.htm
> Sustainable Energy Program - http://www.wshfc.org/energy/index.htm
> Lan

HOME

HOME funding is distributed from the federal government through states, counties, and cities, and can be used for either tenant-based rental assistance or to build or improve units of very-low-income (below 60% of median income) permanent housing[23]. HOME funds may *not* be used for "operating subsidies" for rental housing. However, HOME funds may be counted toward the 25% local match required for CoC Program funds, even though HOME funds are also a type of federal funding.[24]

In 2016, HUD distributed HOME awards to the cities of Bellingham, Longview, Richland, Seattle, Spokane, Tacoma, Vancouver, and Yakima, and to Clark, King, Kitsap, Pierce, Skagit, Snohomish, Spokane, Thurston, and Yakima Counties [25]. If your program falls in one of these areas, contact your local government representative about HOME. If your program does not fall into one of these areas, contact the Washington state government or the Washington Balance of State Continuum of Care about

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[23] HUD, *The HOME Program: HOME Investment Partnerships*; available at: https://portal.hud.gov/hudportal/HUD?src=/hudprograms/home-program
[24] HUD, *Home and CDBG: Working Together to Create Affordable Housing – Training Manual*, February 2012; available at: https://www.hudexchange.info/resources/documents/HOME-CDBGGuidebook.pdf
[25] HUD, *Community Planning and Development Program Formula Allocations for FY 2016*, available at:
https://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/about/budget/budget16

applying for statewide/rural funding.[26] You can obtain more information on the HOME program from HOME's website.[27]

Other Potential Funding Sources

Other capital financing resources include CDBG and the Federal Home Loan Bank Affordable Housing Program. Note that CDBG is primarily intended for rehabilitation and acquisition, with only small and rare exceptions for funding new construction. For a general overview of eligible CDBG and HOME projects, you can consult HUD's Guidebook,[28] HUD's Basic Overview[29], or HUD's Online Technical Assistance videos.[30] In addition, you should contact your CoC to find out info about your district's Consolidated Plan and any potential HOME and CDBG financing for conversions to permanent housing projects.

c. *Planning for Long-Term Sustainability*

Identifying sources of funding so that your project is sustainable for the long-term is, of course, key to any project. These should include assessing operating and services funding needs, as well as strategies to assist clients in exiting your program while remaining stably and permanently housed. The following resources, in addition to surveying applicable private, state, and local funding, may be useful to look into as part of your funding survey.

Potential Operating, Services, and Other Funding Sources

Washington State Medicaid Transformation Waiver (Section 1115 Waiver)
Projects, particularly permanent supportive housing projects and those serving higher-need populations, should keep abreast of Washington State's Medicaid Transformation Waiver (1115 Waiver), which currently is being negotiated between the Washington State Health Care Authority and the Centers for Medicare and Medicaid Services. It will allow for expanding options for how Washington State (through your agency and partnering agencies) can serve those with long-term needs and provide the most vulnerable Washington residents experiencing homelessness with the supports they need to gain housing stability and stay healthy.

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[26] Washington Department of Commerce, *Balance of State Continuum of Care*, available at: http://www.commerce.wa.gov/Programs/housing/Homeless/Pages/ContinuumofCareHomeless AssistanceProgram.aspx

[27] HUD Exchange, *Home Investment Partnerships Program*, available at: https://www.hudexchange.info/programs/home/

[28] HUD, *HOME and CDBG Guidebook*, available at: https://www.hudexchange.info/resources/documents/HOME-CDBGGuidebook.pdf

[29] HUD Community Planning & Development, *Basic Home & CDBG: An Overview of Program Requirements*, available at: https://www.hudexchange.info/resources/documents/HOME-CDBG_Slides.pdf

[30] HUD Exchange, *Explore CDBG*, available at: https://www.hudexchange.info/community-development/cdbg-ta-products/

Public Housing Authority Resources

Projects should work proactively with their local public housing authority to coordinate and ensure clients have access to available resources for which they may be eligible. For example, projects should assess how Section 8 Housing Choice Vouchers (HCVs), accessed via the local public housing authority, can factor into strategies for helping their clients maintain permanent housing. These vouchers take years to acquire, but once acquired, they can be held by tenants indefinitely as long as the tenants don't breach their lease or commit a crime. By using HCV payments to cover the cost of rent for those tenants who, through progressive engagement, need less intensive support services, you can employ a "move up strategy" with tenants and "graduate" them out of your program. This allows for your project funds to serve the most vulnerable.

In addition, local Public Housing Authorities ("PHAs") are allowed to devote up to 20% of their Section 8 HUD funding toward project-based vouchers ("PBVs").[31] Unlike Housing Choice Vouchers, PBVs are tied to a particular building for specified units and a specified term rather than to an individual tenant.

SAMHSA

SAMHSA funding is available from the Department of Health and Human Services (HHS) to fund a limited number of supportive services for households experiencing homelessness. These services focus on substance abuse and mental health treatment and services. In the past, SAMHSA has funded behavioral health treatment and other recovery-oriented services, "coordination" services that support the implementation of integrated community systems of permanent housing and supportive services, and referral services that try to connect clients who experience substance abuse with mainstream healthcare resources and benefit programs such as health insurance, SSDI, TANF, and SNAP.

Other Relevant Sources for Conversions to Permanent Housing

Projects converting to rapid rehousing can look into Emergency Solutions Grant, HOME Tenant-Based Rental Assistance, the HUD Continuum of Care Program, HHS's Temporary Assistance for Needy Families, and the VA's Supportive Services for Veteran Families programs for applicability.

Projects converting to permanent supportive housing can survey the HUD Continuum of Care Program and Medicaid resources.

Other Considerations

In general, converting to a project serving a higher-need population likely will increase your need for case management services. Plan for realistic levels of staffing – and realistic staff salary budgets – to prevent burnout or a decrease in the quality of your services. Assess your staffing capacity to ensure that staffing expertise aligns with client needs, and hire or partner with other service providers as needed to fill gaps.

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[31] HUD, *FAQs about Project Based Vouchers*, available at:
https://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hcv/project

One of the keys to long-term sustainability, especially for RRH projects, is to constantly and assertively cultivate good relationships with landlords. Assuring a landlord that his or her unit will not be vacant for long and that you have project participants ready to move in and that someone in your agency is on hand at all times to address any concerns goes a long way to creating long-term stability. *(More information on landlord engagement is provided later in this guide.)*

2. Separating Property Management from Supportive Services

a. Division of Roles and Responsibilities

In a "traditional" TH program, property management and supportive services may be integrated. This integrated model may be oriented around a "housing ready" philosophy, rather than a "Housing First" model, and have some or all of the following characteristics. The same team and the same director may be responsible for recruiting tenants, supporting tenants during their stay, and deciding when it is time for a tenant to exit the program. Tenants may be required to participate in the TH programming as a condition of staying in the building, and *vice versa*. TH projects leasing project buildings may be imposing "occupancy charges" on residents that count as part of the program's income. These occupancy charges may help pay for both housing and services.

By contrast, many "best practice" permanent housing models provide clients with a more direct relationship to their housing, and encourage a separation between property management functions and supportive services functions. Each tenant holds a *bona fide* lease or sublease to his or her own apartment, and is entitled to stay in that apartment unless he or she is formally evicted. Rental subsidies are based on a percentage of the tenant's income. If a tenant has no income, he or she may still be eligible. Tenants then pay rent to the building's property manager.

To manage this separation, a permanent housing program may have different teams of staff or even different entities to handle the property management and supportive services functions. One team would handle the physical and financial aspects of keeping up the property and serve as the entity that maintains the property. Another team handles the social and emotional needs of the tenants, and serves as the team that helps tenants manage rent payment, build behaviors that assist in avoiding lease violations, or when necessary, make alternate living arrangements.

Some "best practice" providers split out the housing and services functions, building into project budgets housing specialist staff in addition to case managers and other service providers. Housing specialist staff handling all the housing search, landlord engagement and maintenance—oriented around the view of the landlord as an additional "client." Case managers are then freed up to focus on clients' service needs.

b. Reasons for the Separation

There are three main reasons for the separation between property management and supportive services. First, the separation helps staff focus on a reasonably narrow range of skills. It is difficult to find a single employee who is both capable of and

interested in splitting his or her duties among things such as accounting, maintenance, landlord-tenant law, mediation, psychiatric nursing, job counseling, child care, nutrition, case management, and applying for public benefits all at the same time.

Second, the separation helps familiarize clients to the forms and customs of independent living., such as proactively seeking outside support when they have difficulty paying rent, and negotiating with a property manager when they have concerns about maintenance, neighbors, safety or fees.

Third, the separation helps empower clients by treating them as tenants who have rights and obligations. A "Housing First" model, focusing on permanently housing clients as quickly as possible and without preconditions, stresses the importance of offering <u>voluntary</u> services to tenants and crafting those services so that most tenants will find them attractive and beneficial. This challenges staff to increase the quality of the services they provide, and allows tenants to actively engage in their own recovery by choosing how and when they will take advantage of services offered in or throughout the permanent housing program. When property management and supportive services are integrated, there can be an element of coercion in the provision of services. Separating property management from supportive services helps avoid this actual or potential issue.

c. Resolving Conflicts Between Departments

One challenging feature of a separate property management team is an unclear chain of command; there are some "intermediate" functions that may appear to be partly the responsibility of both teams. Especially if you are managing the separation by partnering with another organization to provide outside property management services (or outside supportive services), you may experience some friction based on different values, priorities, or management styles.

To counter this friction, "it is essential to determine upfront acceptable and unacceptable norms of behavior (e.g., alcohol use, drug use, noise disturbances), methods for engaging tenants in services and activities, and application and eviction criteria."[32] If you have a common set of policies, then disagreements about a particular case can be resolved by adherence to these policies instead of filtered through personal preferences, bias or conflicts.

It also helps to acknowledge that even when one team has primary responsibility for a function, the other team may have a valid supporting role to play – and, conversely, that just because a team is doing some work on an issue does not mean that this team bears primary authority. For example, the property management team will have primary responsibility for physical maintenance of the building, so the supportive services team should not try to make decisions about which areas of the building will be repaired first. On the other hand, the service team may be responsible for teaching tenants how to

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[32] SAMHSA Evidence-Based Practices KIT: *Permanent Supportive Housing (Building Your Program)* at p. 38, available at http://store.samhsa.gov/shin/content//SMA10-4510/SMA10-4510-06-BuildingYourProgram-PSH.pdf

use the work-order process and giving feedback to the property management team about which parts of the work order process are most difficult for tenants to use.

Sometimes an apparent overlap in responsibilities can be resolved by thinking more concretely about what a task really involves. For instance, client or tenant "orientation" may involve the property management team, supportive services team, or both depending on what kind of orientation you wish to conduct. Most of the time, the property manager is responsible for "orienting" tenants to fire drills, tenant meetings, garbage collection, and other tasks that would take place in any private apartment building. The supportive services team would be responsible for "orienting" tenants to neighborhood resources, staff locations, learning skills related to being good tenants and neighbors, and the steps involved in unpacking and settling into a new home.

d. Intakes and Exits in a "Housing First"-Oriented Program

One of the places where the division between property management and supportive services becomes most visible is when clients join or exit the program.

At intake, case workers assist tenants to develop a plan to support that tenant in retaining housing, including (as appropriate) peer mentoring, budgeting, support groups, psychosocial assessment, counseling, and referrals. Tenants may want support with cooking, personal hygiene, self-care, housekeeping, and/or communication skills. The goal is for voluntary, cooperative skill-building to replace top-down enforcement of behavioral rules as the primary tool for helping tenants adapt to their new homes.

Paradoxically, both separation and cooperation are needed to effectively manage exits from a permanent housing program. Separation is needed so that some team members can help counsel tenants about their problems while other team members fairly and impartially enforce the program's rules. Cooperation is needed so that case workers have ample time to fix a problem that threatens a resident's tenancy before the problem becomes unrecoverable, and to minimize "preventable" evictions. Providers can and must make every effort to avoid unnecessarily evicting a tenant, but part of that effort includes setting and communicating clear expectations about each tenant's obligations.

The chart below from the Substance Abuse and Mental Health Services Administration's guide to Permanent Supportive Housing, adapted from the Emerald Commons Policies and Procedures of Enterprise Community Partners in Cleveland, Ohio, provides one set of guidelines as a template for making sure that property managers and case workers employ a useful division of roles and a useful communication routine for coping with challenging tenants.[33]

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[33] SAMHSA Evidence-Based Practices KIT: *Permanent Supportive Housing (Building Your Program)* at p. 41, available at http://store.samhsa.gov/shin/content//SMA10-4510/SMA10-4510-06-BuildingYourProgram-PSH.pdf

Rent Arrears/Collection Flow Chart

Calendar Date	Actions by Property Management	Actions by Supportive Services
1st of month	Property management delivers rent notices by this date.	
3rd of month	Property management prepares list of tenants with unpaid rent.	Service staff receives copy of unpaid rent roster.
3rd to 7th of month 7th of month	Property management tracks rent payments and notifies service staff of any payments. Property management delivers late payment notice and warning of late payment fee to tenants.	Service staff contacts all tenants in rent arrears; seeks to identify issues causing nonpayment. Service staff seeks to engage tenants and assess situation. Possible actions: 1. Assist in resolving benefit and entitlement issues; 2. Address employment-related issues; 3. Provide assistance in accessing emergency payments; 4. Help tenants develop repayment plan; 5. Service staff cannot engage tenants or cannot develop resolution; or 6. Service staff discusses alternative housing arrangements with tenants.
14th of month	Joint meeting with service staff. Property management issues late fee notice to tenants. Property management asks agency's attorney to begin eviction action. Property management advises tenants to seek legal assistance. Property management sends copies of all notices to service staff.	Joint meeting with property management. Service staff pursues actions 1-6 identified above. Service staff seeks to intervene, encouraging tenants to seek legal assistance and providing referral for legal help.
21st of month	Agency attorney sends notice to tenants of intent to seek eviction.	Copy of attorney letter sent to service staff. Service staff continues to pursue possible resolutions 1-6 identified above. Service staff seeks to identify alternative housing.
28th of month	Attorney has court summons issued. Tenants can no longer enter into repayment plan with property management. Court authorizes eviction or develops stipulated agreement between property management and tenants.	Service staff receives copy of court summons. Services staff reviews court process with tenants and encourages them to get legal assistance if they haven't already. Service staff reviews alternative housing options with tenants.

3. Regulatory/Other Related Requirements and Considerations

a. HUD Continuum of Care (CoC) Program

Most of the regulatory requirements associated with being part of a Continuum of Care – the Point-in-Time Count, the Housing Inventory Count, the Annual Performance Report, and the annual CoC Program funding application – will be familiar to TH operators who have participated in a Continuum of Care. A few regulatory requirements

are unique to HUD CoC Program-funded permanent housing.

RRH: Minimum Meetings with Case Workers

When managing a CoC Program-funded RRH program, each client must meet with a case worker at least once per month to "assist the program participant in maintaining long-term housing stability."[34] At this meeting, the case worker and the tenant will jointly determine what obstacles exist that might prevent the tenant from making rapid progress toward economic self-sufficiency. The meeting is *required*, which is an exception to the general thrust of Housing First policy.

In addition, an RRH program must evaluate each tenant at least once each year – and whenever the program learns of a change in the participant's income – to confirm that "the program participant lacks sufficient resources and support networks necessary to retain housing without Continuum of Care assistance."[35]

RRH: Timing Requirements

Programs using CoC Program funding for RRH must provide rental assistance for no more than 24 months per client. RRH programs may provide supportive services for no longer than 6 months after rental assistance stops.[36]

RRH: Written Policies for Choosing Tenants and Setting Subsidy Levels

Each Continuum of Care must establish, and each CoC Program-funded RRH project must follow, a written set of policies and procedures for "determining and prioritizing which eligible families and individuals will receive rapid re-housing assistance, as well as the amount or percentage of rent that each program participant must pay."[37]

Renovating Properties that May Have Lead Paint

When renovating a property for the use of tenants who will apply tenant-based rental assistance (e.g., CoC Program tenant-based rental assistance or Section 8 vouchers), programs must comply with the lead paint requirements of 24 CFR part 35, subparts A, B, J, and R.[38] Depending on the level of federal assistance being used toward rehabilitation and the total surface area of paint that is being rehabilitated, these regulations may require the project to test for lead paint, abate lead-based paint hazards, stabilize deteriorated paint surfaces, obtain clearance prior to allowing anyone to occupy the unit, require the owner of the home to adopt ongoing lead-based paint

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[34] Continuum of Care Program interim rule, 24 CFR 578.37(a)(1)(ii)(F), available at: https://www.hudexchange.info/resources/documents/CoCProgramInterimRule_FormattedVersion.pdf.
[35] Id. At 24 CFR 578.37(a)(1)(ii)(E).
[36] Id. At 24 CFR 578.37(a)(1)(ii), (ii)(C), (ii)(D).
[37] Id. At 24 CFR 578.37(a)(1)(ii)(A).
[38] Continuum of Care Program interim rule, 24 CFR 982.401(j).

maintenance activities, or a combination of these.[39]

Prohibition on Leasing Properties Owned by Your Organization

CoC Program-funded projects will be subject to the following CoC Program restriction: "Leasing funds may not be used to lease units or structures owned by the recipient, subrecipient, their parent organization(s), any other related organization(s), or organizations that are members of a partnership, where the partnership owns the structure, unless HUD authorized an exception for good cause."[40]

Minimum 1-Year Lease Agreements

Program participants in permanent housing who receive any rental assistance through the CoC Program must "enter into a lease agreement for a term of at least one year, which is terminable for cause. The leases must be automatically renewable upon expiration for terms that are a minimum of one month long, except on prior notice by either party."[41]

Minimum Number of Bedrooms

CoC Program-funded project residents generally must have private apartments with a sufficient number of bedrooms for all of their household members. "The dwelling unit must have at least one bedroom or living/sleeping room for each two persons. Children of opposite sex, other than very young children, may not be required to occupy the same bedroom or living/sleeping room."[42]

15-Year Minimum Length of Program

If you are contemplating the use of new construction, acquisition, or rehabilitation funds from HUD, note that "all recipients and subrecipients receiving grant funds for acquisition, rehabilitation, or new construction must operate the housing or provide supportive services in accordance with this part, for at least 15 years from the date of initial occupancy or date of initial service provision. Recipient and subrecipients must execute and record a HUD-approved Declaration of Restrictive Covenants before receiving payment of grant funds."[43] In addition, other funding sources, such as those of the Washington State Housing Finance Commission, may have longer restricted use periods.

If the project does not continue serving individuals and families experiencing homelessness for the full 15 years, HUD may require that the project pay back some or all of the funds used for renovation or construction. The primary purpose of this rule is to prevent developers from using subsidies to build "permanent housing for homeless"

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[39] HUD Lead Safe Housing Rule, 24 CFR 35 subparts B through R (2004), available at: https://portal.hud.gov/hudportal/documents/huddoc?id=DOC_12311.pdf
[40] Continuum of Care Program interim rule, 24 CFR 578.49(a)(1).
[41] Continuum of Care Program interim rule, 24 CFR 578.51(L)(1.
[42] Continuum of Care Program interim rule, 24 CFR 578.75(c).
[43] Continuum of Care Program interim rule, 24 CFR 578.81(a).

and then repurposing those subsidies by quickly converting the building to market-rate for-profit housing.

Relocation Payments for Residents Displaced for More Than 1 Year

If your new CoC Program-funded permanent housing project risks the displacement of current tenants, CoC Program regulations dictate that "any program participant who has been temporarily relocated for a period beyond one year must be treated as permanently displaced and offered relocation assistance and payments."[44] Relocated residents are eligible for either the actual cost[45] of their moving expenses (plus reasonable counseling and assistance in planning the move), or for a flat fee[46] based on the number of rooms and furniture. There are also requirements on who can be displaced during construction of a new permanent housing project and how they must be accommodated. If you plan a construction or renovation project that will displace current tenants, you should consult with a landlord-tenant attorney to avoid inadvertently triggering liability based on a failure to make relocation payments to displaced tenants. Even if tenants will ultimately be able to return to live at the project site, they may still be entitled to moving costs and an up-front offer to live at the project under reasonable terms.

Construction to Begin and End Promptly After Grant Award

When a CoC Program project grant is used for construction, "construction activities must begin within 9 months of the latter of signing of the grant agreement or of signing an addendum to the grant agreement authorizing use of grant funds for the project, [and] construction activities must be completed within 24 months of signing the grant agreement. Activities that cannot begin until after construction activities are completed must begin within 3 months of the date that construction activities are completed."[47]

Leniency for Hard-to-House Populations

With regard to termination of program participants, HUD requires leniency when working with hard-to-house populations. Specifically, organizations "that are providing permanent supportive housing for hard-to-house populations of people experiencing homelessness must exercise judgment and examine all extenuating circumstances in determining when violations are serious enough to warrant termination so that a program participant's assistance is terminated only in the most severe cases."[48] In other words, PSH projects must do everything in their power to avoid evictions.

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[44] Continuum of Care Program interim rule, 24 CFR 578.83(b)(2).

[45] Payment for Actual Reasonable Moving and Related Expenses, 49 CFR § 24.301, available at: https://www.law.cornell.edu/cfr/text/49/24.301

[46] Uniform Relocation Assistance and Real Property Acquisition Policies Act: Fixed Residential Moving Cost Schedule (2008), available at: https://www.hudexchange.info/resources/documents/Module4_URA_MovingCost.pdf

[47] Continuum of Care Program interim rule, 24 CFR 578.85(b)

[48] Continuum of Care Program interim rule, 24 CFR 578.91(c).

b. Leveraging Federal Community Planning Requirements

Your project can benefit from coordinating with the entities responsible for meeting the following federal planning requirements.

HUD's Consolidated Plan

Aside from the CoC Program, HUD provides annual funding through Community Development Block Grants (CDBG), Emergency Solutions Grants (ESG), Home Investment Partnerships (HOME), and Housing Opportunities for Persons with AIDS (HOPWA).

Each year, HUD allocates funding to government agencies for all four of these programs using a formula based on poverty, population, housing conditions and in the case of HOPWA, on cumulative AIDS cases, with an incidence bonus for above average new AIDS diagnoses, within each government's jurisdiction. Cities and counties with more than 50,000 people are eligible for direct funding, and less-populated areas are eligible for funding through a formula allocated to each state.[49]

Each government agency that receives one or more of these formula grants must prepare a Consolidated Plan (Con Plan) describing how the agency has used performance reviews, community feedback, and federal criteria to divide the funding equitably among an appropriate balance of programs that together provide an appropriate variety of services.

It would be wise to contact the county or state staff persons who prepare the Con Plan as soon as possible so that you can advocate for increased funding either for your program in particular, for your target population(s) or for your general program model. Con Plans are created every five years, with annual updates, so generating a commitment to your program's philosophy can pay dividends for years to come.

HUD makes available a list of CPD Consolidated Plans, Annual Action Plans, and Consolidated Annual Performance and Evaluation Reports (CAPER). You can find out what jurisdiction (city, county or state) covers your program, and then click on the appropriate plan to download a copy of your local Con Plan. Within the plan, you should find contact information for the appropriate Con Plan staff members.[50]

Public Housing Authority Plan

Similar to the Con Plan, a Public Housing Authority Plan (PHA Plan) must be prepared by each agency that administers Section 8 Housing Choice vouchers and other forms of federally-supported public housing. As with the Con Plan, the staff who prepare the

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[49] SAMHSA Evidence-Based Practices KIT: *Permanent Supportive Housing (Building Your Program)* at p. 74, available at http://store.samhsa.gov/shin/content//SMA10-4510/SMA10-4510-06-BuildingYourProgram-PSH.pdf

[50] HUD Exchange, *CPD Consolidated Plans, Annual Action Plans, and CAPERs.* Available at: https://www.hudexchange.info/consolidated-plan/con-plans-aaps-capers/

PHA Plan must solicit feedback from residents in their local community and explain how they will use federally allocated funding to address community priorities.

The PHA Plan is prepared both annually and every five years. You can review current and proposed PHA Plans to assess their relevance for your new conversion project's participants and provide input as needed, particularly to ensure the needs of chronically homeless and homeless individuals with disabilities in the community are taken into account. Discussion strategies can include focusing attention on providing "housing as a foundation for life in the community," "reductions in crises and avoidable costs for emergency and institutional care," "reductions in stigma and discrimination,"[51] and finding shared values and goals.

Your program can benefit from finding your local housing authority[52] and discussing the PHA's plan to implement a homeless housing preference (prioritizing Section 8 vouchers for people who are homeless, disabled, or extremely low-income). Unlike the Con Plan, which may be prepared by the state on behalf of rural areas, there is no state housing authority in Washington. All PHA Plans are prepared by individual city- and county-based public housing authorities.

c. Zoning

A handful of cities and counties in Washington have zoning requirements that treat TH and PSH differently. For example, the City of Auburn requires that PSH buildings have 1,200 square feet of lot area per unit, a maximum lot size of two acres, a minimum separation from other PSH projects of five miles, and a written management plan on file with the local planning director.[53]

Converting from TH to PH may take your project out of a zoning category intended for institutional living and cause it to be re-classified as general purpose multi-unit residential housing.

In addition, any modifications or rehabilitation you perform on a building may impact general zoning requirements such as minimum setback distances, maximum height ordinances, and rules about general appearance and character. For instance, the City of Sultan requires that if a facility "is located within a residential neighborhood, it shall be maintained to conform to the character of that neighborhood. This applies to design, density, lot size, landscaping, or other factors affecting the neighborhood character.

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[51] USICH, *Fulfilling the Dream: Aligning State Efforts to Implement Olmstead and End Chronic Homelessness* (February 2016), available at:
https://www.usich.gov/resources/uploads/asset_library/Olmstead_Brief_02_2016_Final.pdf
[52] HUD, *PHA Contact Information for Washington State*, available at:
https://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/pha/contacts/wa
[53] City of Auburn, WA Municipal Code §18.31.160, available at:
http://www.codepublishing.com/WA/Auburn/html/Auburn18/Auburn1831.html#18.31.160

This will prevent disruption of a neighborhood due to the introduction of a dissimilar structure."[54]

Especially if your conversion will involve any physical modifications that are noticeable from the outside of your structure, you should check the zoning plan on file for your neighborhood to make sure that your project is a conforming use. If the project is deemed non-conforming, you may be able to apply for a variance. E.g., the Tiny Homes project at Quixote Village in Olympia won a variance[55] to the zoning code enabling construction of its community of 30 homes.

d. Construction / Renovation Permits

In most cities, in order to perform any significant construction or renovation – such as ripping out or adding new walls, upgrading the electrical systems or plumbing, or adding new doors, windows, or access ramps – you will first need a permit from the city or county. This, in turn, usually requires involving a certified general contractor, electrician, or plumber (for minor modifications) or an architect (for major construction).

First, you will need to gain site access. If you don't already own or control the property where you will be doing the work, you need to make arrangements with the current owner for them to allow your contractor to access the building. Next, the contractor will need time to study your site, prepare blueprints, and file the appropriate paperwork with the city/county. Finally, the city/county will need time to review and approve your proposed plans and issue permits. Fees can range from several hundred to several thousand dollars depending on the scope of the construction. Snohomish County publishes a bulletin that shows how to calculate a typical fee based on the square footage of your project.[56]

Some laws impose obligations on landowners that are triggered when the landowner renovates or builds a new structure. For example, the Americans with Disabilities Act of 1990 requires owners to spend up to 20% of the cost of any alterations made to a "primary function area" (e.g., offices, meeting rooms, bedrooms) on enhancing handicapped accessibility to that area and to the amenities (e.g. bathrooms, water fountains) that serve it.[57]

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[54] City of Sultan, WA Municipal Code Chapter 16.44, available at: http://www.codepublishing.com/WA/Sultan/html/Sultan16/Sultan1644.html

[55] Community Frameworks White Paper March 2015. *Tiny Houses: A Permanent Supportive Housing Model*; available at: http://www.communityframeworks.org/ws-main/docs/FINAL%20Tiny%20Homes%20White%20Paper%20March%202015.pdf at page 7.

[56] Snohomish County Planning & Development Services, *Residential Building Permit Fees (Assistance Bulletin #18),* available at: http://snohomishcountywa.gov/DocumentCenter/Home/View/30415

[57] U.S. Dept. of Justice, Civil Rights Division, *Reaching Out to Customers with Disabilities: New Buildings, Additions, and Remodeling (Lesson 3).* Available at: http://www.ada.gov/reachingout/lesson33.htm

e. Restrictions Based on Covenants and Funding Agreements

Depending on how you acquired the land for your TH project and what agreements you have made into order to fund that project, your program may be subject to restrictions based on covenants to use the property in a particular way.[58] For example, if you promised to use the entire property to provide affordable housing for veterans, but the new permanent housing project will serve a mix of veteran and non-veteran households, you could trigger a violation of a prior funding agreement. Similarly, capital funds provided in connection with low-income housing tax credits may contractually require you to use your current building to house people who have low-income, or who have disabilities.[59]

In many cases, especially where the converted project will uphold many of the same values as your previous project, your sponsor or the agency that holds the right to be benefited by your covenant will agree to waive or modify the agreement. You may be able to obtain a copy of any covenants that affect your land by contacting the title insurance company that helped underwrite the original real estate transaction, or by filing a request at the County Registrar's office or Recorder's office.

Take care when buying or leasing new property, as that property may also be encumbered by covenants based on someone else's prior agreement or based on the rules of a local homeowner's association. It is important for you (or a lawyer who directly represents your agency) to thoroughly review all documents provided at any real estate closing, even if the broker assures you that the documents are routine.

4. Community Outreach and Engagement

a. Engaging Community Stakeholder Support

A number of stakeholder considerations are "mandatory" for any conversion process. If you are receiving (or plan to receive) CoC Program funds, then you need to make sure the CoC supports your conversion. If you are using (or plan to use) a building owned by another organization, then you need that organization's approval. Beyond these "must-have" sources of support, though, there are many other groups and individuals in your community useful to have in your corner. As you build a deep, broad coalition of support for your conversion, it becomes easier for you to secure permits, funding, advice, and partnerships and defeat NIMBYism. Some groups that might have opposed or interfered with your conversion may withdraw objections if you have endorsements from the other appropriate local groups.

The chart below can help you map out who in your community would be most valuable as a supporter of your conversion, how you can contact those people or organizations, and what you can say to those organizations to persuade them to support your cause.

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[58] Findlaw, *CC&R Basics*, available at: http://realestate.findlaw.com/owning-a-home/cc-r-basics.html

[59] NAEH; Transitional Housing Conversion: A Building Owner's Toolkit at pages 9-10 (June 2016), available at: http://www.endhomelessness.org/page/-/files/2016-06-18_NAEH_BuildingOwnersToolkit.pdf

Development Plan: Stakeholder Engagement Chart

Type of Stakeholder	Which Groups Will We Engage?	Who Will Engage Each Group?	How Will We Communicate?	What Value Can Permanent Housing Offer This Group?
Foundations - Local - State - National				
Businesses - Local - National				
Community Organizations - Faith-based - Housing Advocates - Disabled Advocates - Poverty Advocates - Neighborhood Associations				
Community Individuals - Next-door Neighbors - Prospective Tenants - Local leaders? Who is influential in your community?				
Government - Federal - State - CoC - County - City				

b. Addressing NIMBYism

Especially if you are expanding or relocating your program as part of your conversion, your neighborhood may be confused or upset about hosting a permanent housing program targeted for homeless people. People Assisting the Homeless (PATH), a family of agencies working together to build new housing in California, has been able to successfully overcome neighborhood opposition to permanent housing programs in San Diego and Santa Clara by using early engagement, one-on-one communication, and collaborative design.

Many projects will have a legal requirement to hold community meetings at a particular point in the development process, either as a result of one of their funding streams, or because of the local zoning rules. Early engagement means that your team starts meeting with influential members of the community even <u>before</u> these legal requirements become active. Community members may often be aware of the requirement to hold community meetings, but meeting with community leaders ahead of schedule helps send the message that you are genuinely interested in their concerns.

In turn, the key to engagement is one-on-one communication. For one project, PATH used data from the city Planning Department to map out every business and every house of worship within 1,000 feet of their proposed permanent housing site, and then set up meetings to talk about how the PSH model works, who would run the PSH

program, and how the program hopes to contribute to the community. PATH also began street outreach efforts months before breaking ground at the construction site, giving outreach workers a chance to meet future tenants one-on-one and administer the VI-SPDAT (i.e., a standardized questionnaire designed to assess a client's vulnerability, or to assess what type of housing services a client needs), so that PATH would have clear profiles of the people they are trying to serve when talking to community leaders.[60] Some community members may need multiple conversations before they adjust their preconceptions about how PSH works. Community meetings can be split up into breakout groups so that community members who do not want a PSH project in their backyard can express themselves, one at a time – and apart from the larger group, about issues that concern them most.

For some people, a project designed to assist people experiencing homelessness– even PSH or RRH – may conjures up negative assumptions about the project and project clients, and their abilities to integrate into the neighborhood or community. Strategies to counter this may include hiring a professional architect, accepting community input about the exterior layout and landscaping, or both. If you can show people that your building will be one of the most beautiful structures on the block, they may be willing to give you the benefit of the doubt about some of their other concerns. Skid Row Housing Trust in Los Angeles has won multiple awards and honors for the design and architecture of their PSH projects.[61]

People who have a preconceived notion about how housing programs work need multiple opportunities to learn about how PSH and RRH can have a positive impact on the community. For example, according to PATH, one San Diego neighborhood saw a 70% drop in homelessness as a result of a new PSH program.

Having well-thought-out answers prepared to community objections can help blunt the force of those objections. Some common questions at community meetings may include the following:
- How can you prove my property values won't go down?
- How do you know crime rates won't go up?
- Who's eligible to be in this building?
- What kind of rules and expectations will residents have to live up to?
- Isn't there already an over-concentration of homeless programs in our neighborhood?

Finally, it often helps to refer to "clients" as residents and to the "project" as a person's home. The idea is that homelessness ends as soon as the tenants start renting; using appropriate terminology can help to reinforce this as a permanent housing program immediately providing a safe, stable, long-term home for its tenants.

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[60] OrgCode Consulting, *Vulnerability Index – Service Prioritization Decision Assistance Prescreen Tool ("VI-SPDAT")*, available at: http://www.orgcode.com/product/vi-spdat/
[61] http://skidrow.org/category/awards-recognition/

5. Re-locating Current Clients

Project conversions need to factor in that existing clients may not be able to be served by the new project due to conversion time, potential construction or rehabilitation to make a project suitable for permanent housing use, or other restrictions. Some clients who are about to "graduate" from your TH program may be able to proactively seek out their next permanent housing situation. Other clients will need substantial assistance from program staff to locate an available apartment and negotiating an appropriate lease.

> **Conversion to a CoC Program-funded permanent housing project:**
> Keep in mind that <u>even your most vulnerable clients likely are not eligible to stay in your program</u> if you convert to CoC Program-funded permanent housing, because in recent years new CoC-funded projects have typically required that all incoming tenants meet the chronically homeless definition (PSH); or coming directly from an unsheltered situation, a shelter, or are fleeing domestic violence (RRH). An individual coming directly from TH would not fit into these categories.

Building and site configuration may present additional issues to consider. For example, projects with a single site and converting to RRH should consider whether it is interested in using its resources to serve as an ongoing landlord for project graduates and whether covenant restrict use. In a RRH program, clients must have the option of remaining in their current apartment even after their subsidies and services expire, which would quickly use up your inventory of available housing units. Even if you were able to go out into the community and find other landlords to participate in your RRH program, allowing your old building to turn into a series of private apartments may violate one or more covenants. Many TH buildings have covenants attached to them that require that the building be used to provide ongoing active services to homeless or other specific populations, rather than converted into a source of affordable housing.

> **HUD Guidance on Use Restrictions:**
> HUD has put out guidance on converting site-based projects under 15- or 20-year use restrictions without having to repay funds:
> https://www.hudexchange.info/resource/4892/converting-sitebased-projects-under-15-or-20-year-use-restrictions-without-having-to-repay-funds/

Therefore, regardless of whether you convert to PSH or RRH, your project should have options for your TH clients who are not be able to stay in your building. One option for TH program participants with a qualifying disability who were living on the streets or in emergency shelter immediately prior to entering TH or fleeing domestic violence situations is permanent supportive housing not dedicated for chronically homeless people. The next section discusses landlord outreach and engagement as additional ways to help permanently house your clients.

6. Landlord Outreach and Engagement

a. Conducting Landlord Outreach (Overview)

Part of helping your current tenants find new homes is cultivating an expansive network of potential landlords. Landlord outreach is also a key part of any scattered-site permanent housing program, especially for RRH. While programs employ diverse initiatives to recruit and maintain cooperative landlords, the most effective strategies share several key principles.

*First, successful agencies approach gaining **access** to landlords aggressively, as a long-term investment rather than a task peripheral to the program.* They establish systems for landlord recruitment and integrate relationship-building with landlords into every level of their program model. They hire staff with expertise in the rental sector, including real estate agents and staff who can speak another language fluently enough to talk with landlords from an immigrant or ethnic community. They may involve housing specialist staff to work directly with landlords, or if that is not feasible, coach case managers to
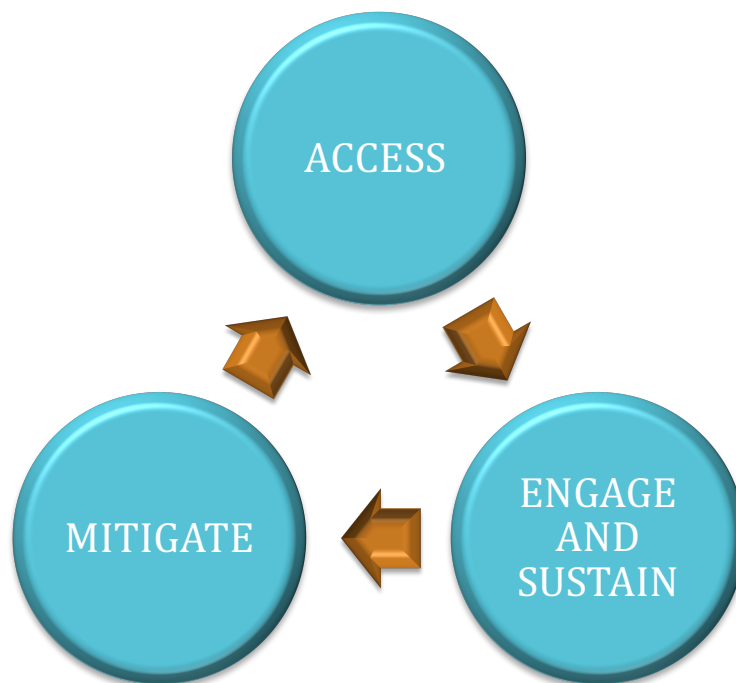
actively support landlords and build connections during client visits, and hand-deliver rental checks to maximize opportunities for face-to-face engagement. Ensure that the individuals responsible for implementation of the outreach campaign are familiar with the program and its talking points. Landlords often appreciate having a single point of contact who is professional, competent and can coordinate outreach to the tenant. If you do not have time or funding to hire staff with these skills, consider reaching out to other providers who may have pre-existing relationships with local landlords.

*Second, successful programs treat landlord **engagement** as they would donor cultivation or sales.* They actively seek opportunities to minimize the burden on the

landlord through administrative flexibility, identify the ways the program can benefit landlords, and focus resources on being a good partner. The result is the steady accumulation of units by individual landlords and the fostering of the program's reputation and positive image. The messaging and outreach campaign must be coordinated to ensure adequate follow-up and an appropriate balance of outreach and respect for the landlord's time. Customer Relationship Management (CRM) practices and technologies or similar tools can facilitate tracking. Aligning the campaign with other homeless housing providers engaged in similar landlord outreach ensures landlords do not receive conflicting information and avoid the possibility that agency efforts undermine each another.

*Third, and relatedly, successful programs establish robust systems to **mitigate** the landlord's risk.* While creative strategies such as risk management pools (i.e., a dedicated pool of funds to reimburse landlords for property damage or missed rental payments, etc.) can be useful, particularly in bringing new landlords into a landlord partnership, the program's long-term support and quick response to crises earns landlords' trust over time. Many landlords share fears around renting to homeless or formerly homeless households that should be addressed directly to assure landlords that they will be supported partners in this initiative. Most concerns relate to financial losses, administrative burdens, and legal exposure associated with delayed or missed rent, property damage, neighbor complaints, unlawful activity on the premises, and costly eviction proceedings. In Washington, landlords can typically make more money by renting in the open market than by participating in a subsidy program. *Accordingly, it is critical to make participation in the program as attractive as possible by ensuring that participation is* <u>easy</u> *and* <u>incentivized.</u>

b. Conducting Landlord Outreach (Access)

Of course, incentives need to be applied to particular landlords – no matter how well developed your incentive program is, you need someone to whom you can offer those incentives. Here are some categories of landlords who may be interested in doing business:

➢ *Public interest developers.* Developers who take an interest in economic development, such as the members of the Washington Economic Development Association ([www.wedaonline.org)](www.wedaonline.org) or the Washington Community Reinvestment Association ([www.wcra.net)](www.wcra.net) can be excellent partners. These entities may be more willing than strictly for-profit developers to agree to set aside units as they become available.

➢ *Locally-based management agencies.* Management agencies can be a fruitful access point to a network of similarly situated landlords; where one of an agency's landlords is participating, others might follow – *and* the management agency may be willing to broker an introduction. Larger agencies that are not locally based, however, often have bureaucratic barriers and rules that prevent flexibility.

➢ *Small landlords.* Smaller landlords typically have fewer administrative barriers and can be more responsive on a case-by-case basis. Because these landlords tend to have smaller margins, the opportunity for regular rent and reduction of advertising and vacancy costs can be a meaningful incentive. One housing program in San Francisco observed that "you have to be really careful with the 'mom and pop' landlords. . . . Send them tenants they may find more attractive like single moms who are working really hard."

➢ *Medium-sized holdings.* Landlords with medium-sized holdings are less able than large corporations to absorb vacancy costs, they are more flexible in their policies and procedures, and they are less risk averse than "mom and pop" landlords. Therefore, go after them in particular!

c. Support and Incentives for Landlords (Engagement)

These are some ways to incentivize landlords to offer housing to formerly homeless people:

- A provider may require as part of participation in its program enrollment in a protective payee program (PPP). PPP's hold a client's monthly income in an escrow account that is managed by a third party who becomes responsible for making rent payments on behalf of the tenant. Protective payee services should not be confused with representative payee services; the latter are targeted for individuals deemed incapable of handling their own finances (e.g., severely disabled individuals on Social Security Income (SSI), Social Security Disability Income (SSDI), while the former have no legal requirements for participation.

- Some communities maintain a hotline that landlords can call at any time of day or night to answer questions or address crises. Hotline staff should be highly responsive and familiar with the rental sector and property management, and should be connected to and able to quickly communicate with the case management team and ideally a staff person available 24 hours a day, seven days, a week, 365 days a year to go to the property as soon as possible.

- An alternative or supplement to the hotline is a "mobile clean-up" or "mobile maintenance" team that can travel to the unit and clean or repair damage in a reasonable timeframe. The CASA program in Raleigh, NC, staffs a team to work directly with tenants to address maintenance requests, conduct safety inspections, undertake preventative maintenance, and help tenants understand the appliances and systems in their home. Similarly, the Pathways to Housing program in Philadelphia, PA has an open-ended contract with five housekeeping services that provide emergency cleanings as needed. These programs are responsive to landlord concerns about dealing with damages and messes and can provide an added incentive of relieving the landlord of regular maintenance as well.

d. Reducing Risks for Landlords (Mitigate)

One technique used by the Landlord Liaison Project in King County to persuade landlords to rent to formerly homeless households for the first time is the creation of a "risk mitigation" pool. The pool reassures landlords that property damage caused by tenants can and will be absorbed by the program, even if property damage exceeds the amount of the tenant's security deposit. Risk mitigation pools are often created by county governments, which can leverage their powers of taxation to issue a large guarantee ($800,000 - $1 million) without incurring much in the way of insurance or borrowing costs. The idea is that the large figure can be published in program brochures to reassure landlords, but the program can be designed so that very little money is actually spent each year. In King County, for instance, the risk mitigation pool can only be tapped after a tenant's security deposit is exhausted, receipts are required for all expenses, and even then, only a few thousand dollars in damages per household are reimbursed.[62]

e. Facilitating a Smooth Transition

One TH provider in Snohomish County was able to place every single one of its outgoing tenants into permanent housing as it converted to permanent housing. Here is some advice from that provider:

- If you have been partnering with a local housing authority to secure Section 8 vouchers for your clients as they exit your program, explain the conversion to the PHA and see if they are able to accelerate the timetable for any of your outgoing tenants.

- If you are converting to a PSH program, try to find a locally- or ESG-funded RRH program that can take on your graduates as RRH tenants, or at least help pay for their move-in costs.

- If you are using a master lease, negotiate with the building owner to see about ending the lease during the exact month when your last TH tenant will leave, rather than at the end of the lease year. Some property owners who lease to a nonprofit are afraid of the bad PR associated with raising rents on a homeless services provider, but those same property owners would be thrilled to have the provider voluntarily relinquish the lease even a few months early so that the owner can start charging market rents.

- Start the planning process now, because there's a real urgency about the change – but don't act rashly. Plan ahead and give yourself a full year to prepare yourselves and your residents for the change.

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[62] Washington State Dept. of Community, Trade, and Economic Development, *Landlord Incentives and Protections: Encouraging Landlords to Rent to Recovering Substance Abusers* (Report to Washington Legislature December 2006); available at: http://partnering-for-change.org/wp-content/uploads/2011/07/LandlordIncentivesProtections.pdf

7. Culture Change

a. Supporting Organizational Change

Converting from TH to PH is significant. Here are three strategies for helping your organization manage that change gracefully, as proposed by Peter Brinckerhoff, a nationally-recognized leader in improving management of not-for-profit organizations.[63]

First, try to gather as much concrete, timely information as possible about how the organizational change will impact specific individuals' day-to-day routines. No matter how sweeping your philosophical conversion, people who work at your program will still want to know if they will keep their jobs or how their job descriptions might change, will they have to drive to a different work site, go back to school, work under a different manager, change their schedule, provide different kinds of services, or provide services to different kinds of people. There may be very little room for individual case workers to control the answers to these questions during your conversion, but you can help minimize their loss of control by providing people with the information they need to start coping with the change.

Second, don't lessen the value of your past work by portraying the new program as the "good, best, and only way" of providing services. You may explain why you think permanent housing will do more to further your program's mission than TH. Focus on a positive message, for example: "the conversion to permanent housing will continue our tradition of high-quality services and innovative programming so that we can keep offering the best possible service to our program participants."

Third, "push as many decisions as possible as close to the point of service as possible," (i.e., toward individual case workers and office staff). You can empower your staff by including them in the discussions for a new program model, new services to be provided and the policies that will support the conversion. Regardless of whether or not all members of your staff agree to/like the transition to permanent housing, they will take more ownership of the process and cooperate more fully when engaged in components of how the change will take place.

b. Increasing Staff Capacity

Depending on the scope of your conversion and conversion project type, you may need to provide training for your current staff, hire new staff with new capacities, or a combination of the two. For example, "effective PSH programs serving people experiencing chronic homelessness typically have tenant to staff ratios of between 8:1 and 12:1."[64] Unless you are partnering with an outside organizations such as a Federally

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[63] *Mission-Based Management: Leading Your Non-For-Profit Into the 21st Century* at p. 227. Written by Peter C. Brinckerhoff. Published by Alpine Guild, Inc. in 1994.

[64] HUD, *Creating Effective Systems to End Homelessness: A Guide to Reallocating Funds in the CoC System* at p. 13. Available at: https://www.usich.gov/resources/uploads/asset_library/FINAL_Reallocation_Tool_09_30_14.pdf

Qualified Health Center (FQHC)[65] to provide the relevant skills and services, you may need case workers who are trained in – at a minimum – mental health services, and substance abuse services if you are serving chronically homeless or higher-need populations.

A conversion to RRH will put fewer demands on your staff's medical skills depending on your target population, but may require a higher level of skill at recruiting and retaining private landlords, and at developing detailed, realistic budgets that can help tenants quickly adjust to financial independence.
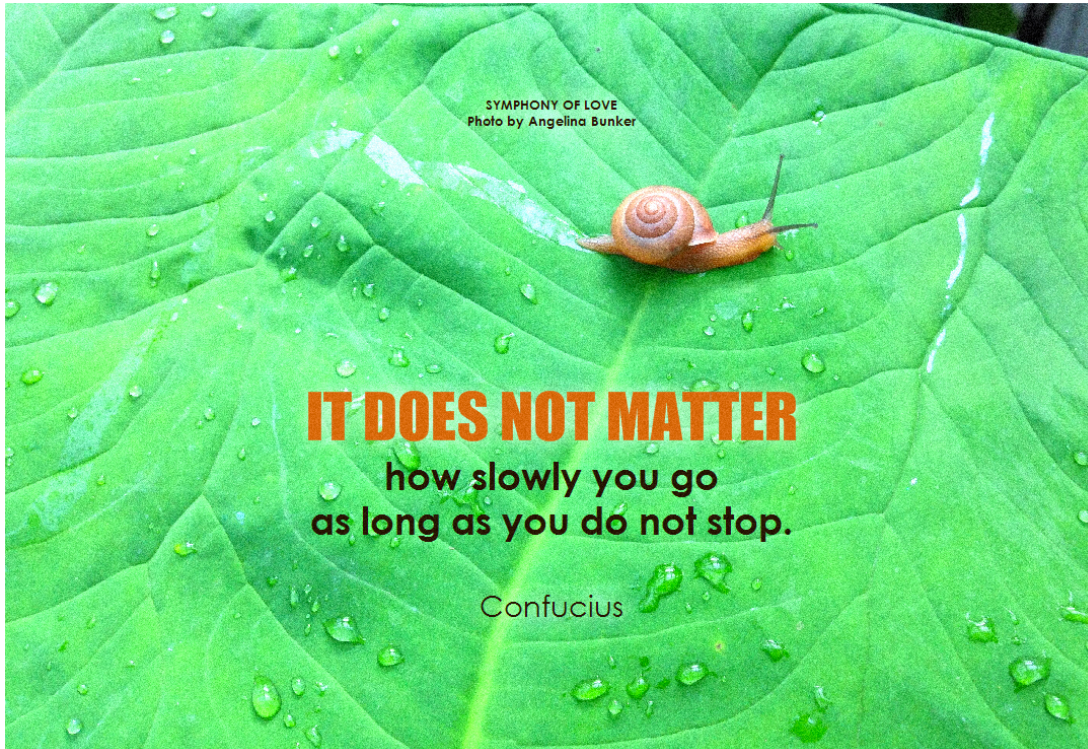
One technique for "bootstrapping" needed skills when you are unable to pay for intensive training is to host a series of community forums on the topics about which your staff needs to learn more. Hosting a forum gives you a chance to invite more knowledgeable experts to educate your staff, as well as providing an incentive for staff to collect and research information, resources, and skills to support their own professional development. You may not need much "expertise" in a topic area in order to host a successful community forum; if staff are confused by a topic, chances are that at least some other providers in the area are confused as well, and they may be grateful for the opportunity to learn together with you. Alternatively, if you notice that another provider appears to have a great deal of experience with the topics you are discussing, you may want to approach them for guidance and mentorship.

Another technique that can help give your staff more time to acquire the needed skills is to divide up your conversion into multiple phases. If you take on permanent housing clients gradually rather than all at once, then your staff is less apt to be overwhelmed and more likely to have time to onboard with educational and training materials to a new program design model. These professional development materials will take on extra relevance and be easier to absorb if the new techniques can be immediately applied to your first wave of permanent housing clients.

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[65] U.S. Dept. of Health and Human Services, Health Information Technology, "What are Federally qualified health centers (FQHCs)?; available at:
http://www.hrsa.gov/healthit/toolbox/RuralHealthITtoolbox/Introduction/qualified.html

c. Developing a Culture of Continual Improvement

SYMPHONY OF LOVE
Photo by Angelina Bunker

IT DOES NOT MATTER
how slowly you go
as long as you do not stop.

Confucius

Transitioning to a permanent housing model is challenging, and you don't have to pressure yourself or your team to get everything correct right out of the gate. The important thing is that you commit to continual improvement in your skills and policies. You will make mistakes, but if you are willing to learn from them, they will help you provide better service.

Part of continual improvement is making a priority to surround yourself with talented, experienced leaders in your field. If you work in a more urban or suburban community, that could be as simple as showing up to a number of available meetings, conferences, or networking events and asking questions. If you work in a more rural community, you may need to subscribe to listservs, order copies of recently published books, sign up for free webinars through the HUD Exchange website[66], and travel to conferences. By putting your program in contact with a wide range of sources of expertise, you give yourselves the opportunity to discover better ways of fulfilling your mission.

The other part of continual improvement is two-way, honest, objective evaluation. As you test the evidence-based practices of RRH and PSH, ask yourself: what are we doing that appears to be working well? What does not seem to be working well? Why? How can it be fixed?

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[66] HUD Exchange, *Training*, available at: https://www.hudexchange.info/training-events/

CONCLUSION

Converting to permanent housing is no small endeavor. There are financial challenges, staffing challenges, real estate challenges, and recruiting challenges, all on top of learning how to organize and deliver new kinds of housing and services. The good news is that today there is more financial and technical support for programs that want to convert to permanent housing than there has ever been before.

Other TH programs that have paved the way can share information about best practices, resources, and funding sources. Talk to your local CoC, talk to your local PHA, talk among your staff and board, talk political decision makers and to the influential people in your neighborhood, talk to potential landlords, and find out exactly what assets you have to work with.

Converting is hard, but you don't have to implement a perfect conversion to make the process worthwhile. A well planned conversion can offer huge benefits to your tenants by helping to connect them to the right level of care and expanding the number of people you can serve. Whichever model you choose and whenever you decide to convert, good luck! We're rooting for you.

APPENDIX: ADDITIONAL RESOURCES

This Toolkit is part of a larger collection of materials intended to provide information and resource materials for housing providers who are interested in TH conversion, as well as CoCs and CoC stakeholders.

Other resources available for TH projects that are considering or undertaking conversion to PSH or RRH include:

- U.S. Interagency Council on Homelessness (USICH), *Creating Effective Systems to End Homelessness: A Guide to Reallocating Funds in the CoC Program* (Information for strategically reallocating funding through HUD's annual CoC Competition)

- USICH, *Supportive Housing Opportunities Planner (SHOP) Tool* (Tool to help communities identify the specific set of strategies needed to end chronic homelessness)

- USICH, The *Housing First Checklist: A Practical Tool for Assessing Housing First in Practice* (Tool to help communities assess whether a particular homeless program is employing a Housing First approach)

- USICH, *Implementing Housing First in Permanent Supportive Housing* (Tool developed by USICH and SAMHSA to help communities implement PSH using a Housing First approach)

- National Alliance to End Homelessness (NAEH), *Organizational Change: Adopting a Housing First Approach* (Guide to facilitating organizational culture change to adopt Housing First)

- USICH, *Core Components of Rapid Re-Housing* (Information on designing and implementing rapid re-housing programs)

- National Alliance to End Homelessness (NAEH), *Rapid Re-Housing Tools* (Toolkit to help design and implement an effective rapid re-housing program)

- U.S. Department of Housing and Urban Development (HUD), *FAQs re Notice on Prioritizing Persons Experiencing Chronic Homelessness and Other Vulnerable Persons in Permanent Supportive Housing* (HUD responses to FAQs on targeting PSH for chronically homeless people)

- HUD, *Defining Chronically Homeless Final Rule* (Final rule on definition of chronic homelessness)

- HUD, *Coordinated Entry Policy Brief* (Guidance to CoCs on developing coordinated entry processes locally)

- HUD, *System Performance Measures Introductory Guide* (Guide on how to calculate and use system-level performance measures in awarding CoC Program projects and evaluating system performance)

- U.S. Department of Health and Human Services, *A Primer on Using Medicaid for People Experiencing Chronic Homelessness and Tenants in Permanent Supportive Housing* (Guide on how Medicaid can cover services in PSH)