

Testimony of Sally Luken, Corporation for Supportive Housing (CSH) Ohio Program

Mr. Chairman, Representative Tiberi, and other members of the Subcommittee, on behalf of the Corporation for Supportive Housing (CSH), thank you for the opportunity to testify. CSH has had a longstanding and productive relationship with this Subcommittee and its excellent professional staff throughout the tenures of your predecessors, Mr. Lazio and Ms. Roukema. Today, I will do my best to provide you with ideas and information that you may find useful in the ambitious work you are doing to address critical concerns about economic development and housing affordability in Ohio and nationwide.

In keeping with your request, I will focus my testimony today on housing production. In particular, I will make recommendations to the Subcommittee based on past successes and ongoing needs in Columbus/Franklin County and across Ohio related to housing production targeted to the state's lowest income individuals and families—i.e., those who have been homeless repeatedly or for long periods, are experiencing temporary bouts of homelessness, and/or who are at risk of homelessness.

Background

I. Supportive Housing and Long-term Homelessness

Housing affordability is at the root of homelessness. Yet, in addition to grinding poverty and/or high local housing costs, tens of thousands of homeless Americans also struggle with mental illness, substance addiction, and other health problems that create additional barriers to stability. Without the flexible, accessible supportive services they need to address these conditions, homeless people with special needs cannot escape homelessness, because their chronic conditions – when untreated—hinder good tenancy. At the same time, while homeless, these vulnerable people cannot access appropriate medical, mental health, and other services. Due to their homelessness, they either receive no help or a costly patchwork of services obtained during a tragic cycle through emergency rooms, psychiatric hospitals and even jails. ***Research from around the country, and right here in Columbus/Franklin County, shows that as a consequence of this 'double whammy' of homelessness and ongoing health challenges, these individuals and families can languish on the streets, in emergency shelters and other institutions repeatedly and for months and even years.***

Supportive housing ends this vicious cycle of long-term or 'chronic' homelessness. It combines the permanent, affordable housing that all homeless people need, with the flexible and voluntary services that many require to move from isolation to community. Supportive housing provides mental health and substance abuse services, employment training, and a range of other supportive services that keep people housed while they build skills to reclaim a stake in the economic, social, and civic life of their communities.

Studies nationally and in Columbus/Franklin County prove that supportive housing is cost-effective as well as humane. The integration of affordable housing and services requires federal, state and local agencies to coordinate budgets and work in new ways. But the end result generates enormous savings to the costly, emergency systems that are currently (and poorly) caring for homeless individuals and families. Indeed, rigorous research shows that based on the most conservative assumptions - without taking into account the positive impacts on health status and employment status, or improvements to neighborhoods and communities - **it costs little more to permanently house and support people with chronic health problems than it does to leave them homeless.**

Nationally, the successes of this intervention are both dramatic and well-documented:

- Studies have repeatedly shown that 80% of formerly homeless tenants of supportive housing remain housed there after one year.¹
- Researchers from the University of California at Berkeley found that, in the first twelve months of a supportive housing placement, the same population reduced its use of hospital emergency room services by 58% and its use of inpatient services by 57%.²
- **A study recently released by the University of Pennsylvania's Center for Mental Health Policy and Services Research tracked the cost of nearly 5,000 mentally ill homeless people in New York City** for two years while they were homeless and for two years after they were housed. The study's central findings include:
 - **It costs over \$40,000 annually to keep mentally ill people homeless** – with 86% of the costs borne by the public health care and mental health systems.
 - **Supportive housing provides major reductions in costs incurred by homeless mentally ill people across the seven service and criminal justice systems studied** with 72% percent of the reductions in health care costs - \$16,282 per occupied housing unit per year.
 - The net cost of ending homelessness for this population – comparing the most conservative estimates of multiple-system cost reductions to the cost of high-quality supportive housing – is negligible. In other words, it cost

¹ U.S. Department of Housing and Urban Development. 1995. National Evaluation of the Supportive Housing Demonstration Project: Final Report. Washington: HUD.; Lipton, F.R. 1997. The New York-New York Agreement to House Homeless Mentally Ill Individuals: Summary Placement Report. New York: New York City Human Resources Administration / Office of Health and Mental Health Services.

² Proscio, T. 2000. Supportive Housing and Its Impact on the Public Health Crisis of Homelessness. New York: Corporation for Supportive Housing.

essentially the same amount to house people as it did to leave them homeless.

In Columbus/Franklin County, the outcomes from the Rebuilding Lives are similarly compelling. It is no exaggeration to say that Columbus/Franklin County was the first community in the nation to overhaul its approach to homelessness in recognition of over a decade's worth of on the ground experience by local supportive housing providers and studies from around the country. For over four years Columbus/Franklin County has focused on ending homelessness for individuals with long-term and repeated instances of homelessness by making available to them high-quality permanent supportive housing.

And it's working.

- Despite serving formerly homeless individuals with long-term and repeated incidents of homelessness, ***Rebuilding Lives supportive housing demonstrates individual housing stability that averages 1.5 years.*** As no Rebuilding Lives supporting housing program has been operational for more than three years and most have just become operational in the last 18 months, the average length of housing stability will continue to increase.
- ***Over 93 percent of tenants retain their housing for one year or more*** and do not return to emergency shelter.
- ***The daily cost to operate a unit of supportive housing in Franklin County is \$36-38, significantly less than the alternative service systems that would otherwise serve chronically homeless individuals with long-term needs.*** For example: Minimum-security jail residence for a misdemeanor offence is \$58 a day; a state psychiatric hospital stay costs \$482 a day; inpatient hospital care costs \$1,085 a day.
- Demand for currently operational supportive housing is so high that ***each Rebuilding Lives program is fully occupied at 90-99 percent of capacity.***

The development and operation of supportive housing assists large-scale efforts to revitalize economically depressed communities and helps tenants connect with the workforce. Not only do supportive housing organizations build or rehabilitate quality affordable housing that enhances neighborhoods, but they also contribute to local redevelopment efforts and economies by offering employment services to its tenants and, in some cases, by directly offering job opportunities on site or even launching new business ventures. For example, in 1996, the Corporation for Supportive Housing began *Next Step: Jobs*, a national employment demonstration involving 3,500 tenants of supportive housing living in 42 buildings. To measure the results of *Next Step: Jobs*, researchers studied the experiences of tenants in the program. ***Abt Associates' final report on the Next Step; Jobs initiative concluded that, after five years of employment supports, formerly homeless tenants substantially increase their employment and income.*** In addition, researchers concluded that the government's savings in reduced public benefits to tenants and increased tax revenues more than pays for the public expenditures for supportive housing employment services.

Notably, here in Columbus/Franklin County, the Rebuilding Lives initiative was undertaken as part of a successful large-scale effort to redevelop the Scioto peninsula.

II. The Corporation for Supportive Housing (CSH)

CSH helps communities create permanent housing with services to prevent and end homelessness. As the only national intermediary organization dedicated to supportive housing development maintains eight field offices located in: California, Connecticut, Illinois, Michigan, Minnesota, New Jersey, New York and Ohio. Since its inception 12 years ago, CSH has helped non-profits and state/local governments across the country to end homelessness for chronically homeless people by providing permanent supportive housing. CSH offers loans, grants and technical assistance to supportive housing providers to address the health, mental health, substance abuse treatment, and employment service needs of homeless people through supportive housing. ***To date, CSH has committed \$71 million in loans, grants and recoverable grants nationally—in over 1,100 funding actions to over 400 providers—to provide critical seed capital and financing to support the development of nearly 12,000 units of supportive housing.***

In 1999, CSH was invited to establish an office in Ohio by the Community Shelter Board (CSB), the Coalition on Homelessness and Housing in Ohio (COHHIO), and the United Way of Central Ohio. With financial commitments from the CSH National office and the United Way of Central Ohio, Columbus based foundations and businesses, CSH Ohio became a partner with the *Rebuilding Lives* Funder Collaborative. This new collaborative in Columbus was charged with implementing the *Rebuilding Lives* plan. Membership in the Funder Collaborative includes the City of Columbus, the Franklin County Commissioners, the United Way of Central Ohio, CSB, the Franklin County Alcohol, Drug Addiction and Mental Health Board, the Columbus Metropolitan Housing Authority, and local foundations. CSH's role is to bring to bear its technical and financial assistance to expedite meeting the *Rebuilding Lives* goal of creating 800 units of supportive housing.

To date, CSH Ohio has leveraged over \$1.1 million in national philanthropy for Ohio to expand the capacity of local nonprofit organizations to create supportive housing for homeless persons. With a small staff of 3.5 full-time equivalents, four consultants and our national office, CSH-OH has ***assisted over 70 nonprofits and local government agencies--*** 14 of which are faith-based-- through technical assistance and grants, ***leading to the creation of over 400 Rebuilding Lives units currently in operation or under development.***

CSH Ohio is increasingly working with groups across the state, including in Cleveland, Toledo, Lancaster, Akron and Canton, Dayton, Lebanon, and Wooster as well as Columbus/Franklin County. For example, CSH Ohio staff facilitated the preparation of a five-year plan for the *Housing First* initiative in Cleveland and Cuyahoga County to create 1,000 units of supportive housing and continues to assist a twenty-three-member consortium in further refining this plan. In Toledo, CSH Ohio provided technical assistance, business planning expertise, and a small business loan (\$50,000) to Neighborhood Properties, Inc, a nonprofit, to start a small business to employ NPI's tenants. Consistent with the work of the President Bush's Interagency Council on

Homelessness and reports of his New Freedom on Mental Health Commission, CSH Ohio is leading an effort to insure supportive housing providers access mainstream resources such as Medicaid, Workforce Investment Act (WIA), and Bureau of Vocational Rehabilitation funds. Finally, CSH staff has also presented workshops at statewide venues such as the Coalition on Homelessness and Housing in Ohio's annual conference, the joint annual housing conference of the Ohio Housing Finance Agency and the Ohio Capital Corporation for Housing and the annual conference of the Ohio Community Development Corporation Association.

III. Planning to End Homelessness—A Growing Movement

Over the past several years, policymakers at every level have taken a new look at homelessness. A consensus is emerging: we can and must plan to end—rather than simply manage—homelessness, especially for people with the biggest problems who tend to be most ‘chronically’ homeless – homeless repeatedly or for long periods of time – those with addiction, mental illness, HIV/AIDS, etc. Equally clear is the essential role of permanent supportive housing in this paradigm shift, given its proven track record for those chronically ill individuals and families who confront frequent or long-term episodes of homelessness.

Recognizing that long-term homelessness is a significant but solvable problem, the Bush Administration, Congress, and blue-ribbon commissions appointed to examine the nation’s housing and mental health systems have adopted the goal of ‘ending chronic homelessness’ through the creation of enough permanent supportive housing to meet the need. In discussing his HUD budget proposal for FY 2004, President Bush reiterated on March 18, 2003:

“As a nation, we must confront this problem and work to provide shelter and assistance to those in need. To enhance the quality of life for our citizens, my Administration remains committed to ending chronic homelessness...”

Meanwhile, Congress has stated in enacting each of the last three HUD appropriations bills its intention “that HUD and local providers increase the supply of permanent supportive housing for chronically homeless, chronically ill people over time until the need is met (estimated 150,000 units)”. Both the President’s New Freedom Commission on Mental Health and the Congressionally appointed, bipartisan Millennial Housing Commission (MHC) have specifically prioritized ending chronic homelessness. Most recently, the New Freedom Commission – chaired by Ohio Department of Mental Health Director Mike Hogan, recommended that “in partnership with the Interagency Council on Homelessness, HUD develop and implement a comprehensive plan designed to facilitate access to 150,000 units of permanent supportive housing for people who are chronically homeless.”³

³ “*Achieving the Promise: Transforming Mental Health Care in America*,” p. 43. CSH and others estimate that ending widespread chronic homelessness will require the creation of approximately 150,000 additional units of permanent supportive housing. While the best available research suggests that there may now be 260,000 chronically homeless people in the country, we recommend the creation of 150,000 new units of permanent supportive housing because: there will be some natural unit turnover each year; some individuals will need to take advantage of a

In short, the rest of the country and federal policymakers have increasingly come to the same conclusion that the homeless planning community in Columbus reached nearly 5 years ago. And its groundbreaking and innovative focus on ending chronic homelessness through the Rebuilding Lives initiative has earned Columbus/Franklin County recognition as a national leader in combating homelessness.

- On June 9, 2003, the lead editorial in the New York Times lauded Columbus for its pioneering approach to end chronic homelessness through the development of supportive housing with targeted medical and social services.
- CSB, Columbus, and Franklin County were identified as among the 25 top-performing communities across the United States in the annual competition for Continuum of Care Homeless Assistance Grants administered by HUD. A HUD study released during the summer of 2002 further singled out Columbus/ Franklin County generally as a "high-achieving" area in the field of combating homelessness, and the Community Shelter Board in particular for fostering an "atmosphere of success, accountability, and results."
- On March 19, 2002, the Community Shelter Board received the 2002 Nonprofit Sector Achievement Award from the National Alliance to End Homelessness. CSB was recognized for its leadership and work to build the partnerships necessary to end homelessness. In June 2001, the Urban Institute released a new book on homelessness. In the book, *Helping America's Homeless: Emergency Shelter or Affordable Housing?* that cited *Rebuilding Lives* for its efforts to offer policy makers and practitioners valuable information to guide them in developing programs that prevent first time and repeat spells of homelessness.
- The US General Accounting Office (GAO) recognized the Community Shelter Board's work in its "Homelessness: State and Local Efforts to Integrate and Evaluate Homeless Assistance Programs" report released on June 29, 1999. This report recognized the Community Shelter Board as one of four model efforts from around the country to link and integrate their homeless assistance programs with mainstream systems and measure and evaluate outcomes for their homeless assistance programs.

It is opportune, then, that the Subcommittee has chosen to conduct this hearing in Columbus, which is quite literally at the cutting edge of ending homelessness generally, and targeting long-term homelessness in particular. The policy recommendations offered below are designed to ensure that the *Rebuilding Lives* initiative continues to drive that cutting edge with its innovation, and to help other communities implement the 'best practice' this initiative embodies. ***In a very real way, when it comes to evaluating reforms to federal homeless policy within this Subcommittee's jurisdiction, one can reasonably argue that "as goes Columbus/Franklin County, so will follow the rest of the country."***

complementary set of more intensive treatment programs; and a very small fraction may not be readily served by permanent supportive housing or treatment.

Policy Recommendations

CSH respectfully submits that creating 150,000 supportive housing units in the next decade is one bold but realistic objective this Subcommittee should adopt as a benchmark for its actions during the 108th Congress. Indeed, this goal would build on the Subcommittee's own leadership on homeless policy issues over the past half-decade, and add its powerful voice to a chorus that includes the Bush Administration, the VA-HUD Appropriations Committees in both houses of Congress, the Millennial Housing Commission, and the President's New Freedom Commission on Mental Health.

Today, I would highlight two policy strategies the Subcommittee should implement during this Congressional session to spur progress toward this ambitious goal both nationally and here in Ohio.

I. Ensure that HUD McKinney-Vento homeless assistance programs continue to sustain and produce permanent supportive housing.

The three programs authorized by the McKinney-Vento Homeless Assistance Act of 1987 —Shelter Plus Care (SPC), the Supportive Housing Program (SHP), and Section 8 Mod Rehab SRO —have been a significant source of funding for permanent supportive housing targeted to homeless persons with disabilities. Currently, these programs assist nearly over 50,000 supportive housing units nationwide, and over 700 units in Columbus/Franklin County. Indeed, given the Subcommittee's—and my—focus on housing production today, it is worth emphasizing at the outset that HUD's homeless assistance programs have for the past decade functioned as one of the few production engines of housing affordable to extremely low income households. This is due in no small part to the leadership of this Subcommittee during the 106th, 107th, and first session of the 108th Congress. Ensuring that these programs continue to generate new supportive housing requires, at a minimum, that this Subcommittee:

- **Authorize a Homeless Housing Permanence Account to provide a reliable, long-term source of funding for expiring operating subsidies to permanent supportive housing under the McKinney-Vento Shelter Plus Care (SPC) and Supportive Housing Program permanent housing component (SHP-PH).**

The annual appropriations for these programs cannot generate new permanent supportive housing if a substantial portion (and, eventually, all) of current year funding must be used simply to sustain existing supportive housing. Nor does it make sense as a matter of policy to require significant percentages of targeted federal "homeless" assistance funds to be spent on persons who, thankfully, are no longer homeless and instead live in permanent housing. However, ***communities are finding it increasingly difficult to plan and sustain their local HUD McKinney-Vento funded "Continuums of Care" – which include emergency shelters, transitional housing, employment and other programs as well as supportive housing – when they are uncertain whether Congress will provide sufficient funding to renew these critical subsidies,***

initially funded under the SPC and SHP-PH programs. Without reliable renewal funding for these subsidies, localities faced the specter of dismantling their homeless care systems rather than reinvigorating their efforts to end homelessness. HUD's latest estimates put the SPC and SHP-PH expiring subsidy burden at nearly \$200 million in FY 2004 and project growth to nearly \$600 million annually by FY 2006.

I should first briefly explain why rent and operating subsidies like those provided and SPC and SHP-PH are so crucial to permanent supportive housing. Reliable rent or operating subsidies are the engine that drives permanent supportive housing as a financial proposition because formerly homeless tenants of supportive housing are extremely poor and cannot pay sufficient rent to cover the costs of operating the housing in which they live.

To understand why this is so, consider the following facts. For those supportive housing tenants whose mental illness or other chronic health condition is deemed too disabling for them to work, the Supplemental Security Income (SSI) program provides them a modest monthly income. Indeed, in Ohio, such benefits are \$545 per month. Using the standard of 30% of adjusted income going toward housing, this person could afford to pay about \$163 per month in rent--not enough to cover the cost of operating housing in the Columbus area, where HUD estimated the Fair Market Rent for a 1 bedroom apartment in 2002 to be about \$496. Even a minimum wage job, which at a 40 hour work week yields an annual income of about \$10,300 and a monthly income of about \$860--does not provide enough income for an individual to afford a 1 bedroom apartment in Columbus. **Multi-year rent or operating subsidies under SPC and SHP-PH and similar programs make up the difference between what such extremely poor tenants can afford to pay in rent and the costs of operating the housing, transforming supportive housing into a viable financial proposition from the perspective of the supportive housing provider, and – even more important—truly into a permanent place to call home for its tenants.**

Rent and operating subsidies play another crucial role as well; namely, they enable supportive housing providers to leverage investments that meet the capital and supportive services funding needs of permanent supportive housing. For example, when a project sponsor has a reliable operating subsidy to make up the difference between what those tenants can afford to pay in rent and the actual costs of operating the housing, private sector investors in the Low Income Housing Tax Credit (LIHTC) are willing to place tax credit equity in the supportive housing project because they know the project will be able to continue serving extremely poor, formerly homeless tenants and remain financially viable. **This means developers like National Church Residences can purchase property and construct or rehab buildings for their projects.**

Conversely, without the guarantee of an ongoing operating subsidy—whether from a mainstream program like Section 8 or McKinney-Vento programs like SPC, the SHP-PH, or the Mod Rehab SRO program—capital sources such as the LIHTC or HOME program will not be invested in permanent supportive housing that serves extremely poor tenants. Further, those who do invest will protect their investment over the long term by insisting that --in the event of the discontinuation of subsidies--even mission-driven, non-profit developers plan for the eviction of such tenants in favor of higher income households

who can afford rents that will cover the full operating costs of the building.

A similar dynamic governs the services side of the supportive housing equation. Funders of mental health, substance addiction, employment and other services—mostly state and local government entities like the Franklin County Alcohol, Drug Addiction and Mental Health Board (often combining their own revenues with federal ‘pass through’ funds)—want to be certain that if they underwrite the services in a permanent supportive housing project, the units in that project continue to serve the population whose needs these agencies are mandated to address. But the only mechanism that can allow a supportive housing developer to house extremely low-income tenants is the presence of an ongoing operating subsidy. Simply put, if the operating subsidy evaporates, so does the supportive housing provider’s ability to house the target population of the service funding agency, which rapidly threatens the supportive services overlay of the entire project. A reliable operating subsidy, then, is key not only to leveraging capital investments to cover so-called ‘hard-costs’ of developing supportive housing, like acquisition and construction, but also to obtaining the funding for needed supportive services.

Loss of an operating subsidy is also devastating for supportive housing that relies on the private rental market. By no means does all supportive housing take the form of multi-family projects developed and operated by non-profits. In fact, nearly one-half of the McKinney-Vento SPC program’s 27,000 units nationwide consist of units rented in the private market and ***the Rebuilding Lives initiative makes extensive use of scattered-site apartments distributed geographically across the community.*** Tenants of these units receive supportive services delivered by local public and non-profits agencies. Private landlords are willing to rent to this vulnerable population because they know they can rely on the federal government to subsidize the tenants rent and on local service providers to make sure the tenants continue to address their special needs. ***If these landlords receive any signal, however, that the rent subsidy cannot truly be counted upon, they will exit the program or evict tenants who can no longer afford the rent.***

I. FY 1999-2000: A Gathering Storm— Mounting SPC and SHP-PH Renewal Costs

For all of these reasons, the mounting costs of renewing expiring SPC and SHP-PH subsidies out of an essentially static McKinney-Vento Homeless Assistance account had, by fiscal years (FY) 1999 and 2000 created a crisis within local Continuums of Care. The prospect of having to “rob Peter to pay Paul” loomed especially large in innovative Continuums like Columbus/Franklin County that had emphasized permanent supportive housing. Indeed, CSH, CSB and others involved in *Rebuilding Lives* recognized that, without Congressional action, the Columbus/Franklin County Continuum of Care would soon confront a scenario in which the funding it could expect to receive from HUD in the Continuum of Care competition— notwithstanding its consistent ranking as a top performer—would no longer suffice even to renew its permanent supportive housing programs, much less sustain the other elements of its continuum of housing and services or to make further progress in combating homelessness.

II. FY 2001-FY 2003: This Subcommittee Leads Congressional Action

Beginning with the FY 2001 HUD appropriations bill, Congress has enacted temporary measures to avert this crisis, thanks in large measure to the leadership of this Subcommittee. Heeding the message communicated by bi-partisan authorizing bills introduced within this Subcommittee (see Note 4, infra), Congressional appropriators have in each of the past three fiscal years provided enough incremental funding in the McKinney-Vento Homeless Assistance Grants account to renew all expiring SPC subsidies, while maintaining at the remainder of the Homeless Assistance Grants at its FY 2000 funding level (\$1.023 billion). In its proposed HUD budget for fiscal year 2004, the Administration requested \$194 million within its overall McKinney-Vento request of \$1.375 billion to cover expiring SPC subsidies. On July 14th, the House VA-HUD Appropriations Subcommittee included the same amount in its proposed allocation to the McKinney-Vento account of \$1.242 billion.

These additional appropriations-- \$100 million each in FY 2001 and FY 2002, \$193 million in FY 2003, and \$194 million in FY 2004 (pending)—represent significant steps in the right direction. In Columbus/Franklin County alone, expiring subsidies costing over \$3 million annually assist over 500 units of permanent supportive housing. They have, moreover, enabled communities across the country to continue to make progress in creating supportive housing for disabled homeless individuals and families who need it. Combined with the requirement that 30% of the annual McKinney-Vento appropriation be targeted to permanent supportive housing (discussed further below), these funding increases spurred the creation of nearly 20,000 new permanent supportive housing beds in the FY 2001 and FY 2002 Continuum of Care funding rounds, including dozens of new units in Columbus/Franklin County. This incremental funding has simultaneously enabled Columbus/Franklin County and other localities to sustain other needed existing and new homeless housing and services programs, including critical street outreach and transitional housing for homeless families.

III. FY 2004: Ending the Uncertainty—the Homeless Housing Permanence Account

The foregoing measures—while welcome—are simply stopgaps. Moreover, they fail to provide a reliable source of renewal funding for expiring subsidies to permanent supportive housing under the Supportive Housing Program, an indefensible distinction on either pragmatic or fairness grounds.

This accounts in part for the decline in incremental supportive housing beds funded in the Continuum of Care from over 11,000 in FY 2001 to just under 9,000 in FY 2002. And the outlook for all of these essential subsidies remains uncertain in the current and future fiscal years. The status quo sends a troubling signal to local and state governments, low income housing tax credit investors in thousands of units of supportive housing, private landlords who participate in the SPC program – and most importantly – to the vulnerable tenants of SPC and SHP-PH units, whose housing cannot now truly be called ‘permanent.’ The time has come to move beyond stopgap measures toward a permanent solution.

Prior to the FY 2003 appropriations process, a clear consensus had emerged among advocates and within this Subcommittee regarding the appropriate strategy; namely, renewing expiring SPC and SHP-PH subsidies from the Housing Certificate Fund which pays for equivalent rent subsidies initially funded under the Section 8 Housing Choice Voucher program and-- even more compelling-- under the McKinney-Vento Mod SRO Rehab program (the third set of operating subsidies to permanent supportive housing whose initial term the Homeless Assistance Grants account funds). This approach had been endorsed in several pieces of authorizing legislation introduced in the 106th, 107th, first session of the 108th Congress⁴ as well as by the bi-partisan Millennial Housing Commission.

In enacting the FY 2003 HUD appropriations bill, however, Congress significantly altered its approach to renewing expiring Section 8 subsidies (both under the old project-based program and the existing Housing Choice Voucher program). While reiterating its ongoing commitment to renew all expiring subsidies, so that no tenant of Section 8 assisted housing would be displaced, Congress restructured the appropriations accounts that funded these renewals. Specifically, the final FY 2003 HUD appropriations bill created separate accounts within the Housing Certificate Fund for renewing tenant-based vouchers and project-based assistance.

CSH, therefore, recommends an approach that would extend this commitment to ongoing renewal funding to expiring SPC and SHP-PH subsidies consistent with Congressional appropriators' new approach to the Section 8 program. Specifically, we endorse authorizing the creation of a new appropriations account—the Homeless Housing Permanence Fund, which would put an end to concern about reliability of funding for these critical subsidies.

Transferring responsibility for renewal of these operating subsidies to a newly created Homeless Housing Permanence Account – without corresponding reductions in McKinney-Vento funding--would carry out Congress's intent in enacting the McKinney-Vento Homeless Assistance Act of 1987. From the Act's inception, Congress made clear its expectation that federal agencies would integrate successful McKinney-funded strategies for helping persons experiencing homelessness into their mainstream housing and services programs. Recently, the Administration and others have drawn attention to the need for the Department of Health and Human Services (HHS) to take such steps in its mainstream services programs. HUD has a duty to join other agencies in bringing its mainstream resources to bear on the issue of homelessness in a sound fashion. Shifting the renewal of these expiring subsidies, so that the current year McKinney appropriation can be invested in incremental units of supportive housing and other essential components of local Continuums of Care, furthers this sound strategy.

Congress cannot justify assuring so many tenants and developers of Section 8 subsidized permanent housing reliable renewal of operating subsidies from the

⁴ Authorizing legislation introduced included: ***H.R. 1073, the Homeless Housing Programs Consolidation and Flexibility Act of 1999*** (introduced by then-Subcommittee Chair Rick Lazio); ***H.R. 888, The Homeless Prevention and Permanent Housing Act of 2001*** (introduced by then- Committee Ranking Member John LaFalce), and ***H.R. 3995, the Housing Affordability for America Act of 2002***, (introduced by then-Subcommittee Chair Roukema).

Housing Certificate Fund, while failing to extend this protection to tenants and developers of SPC and SHP-PH housing. In honoring a public commitment that no Section 8 subsidy would be defunded so as to displace subsidy-holders from housing, Congress and two successive Administrations have recognized that “permanent housing” should truly mean “permanent” --from the perspective of both the poor tenant who lives in federally subsidized housing and that of the non-profit developer or private landlord who relies on that subsidy. Yet now, while the tenant of any Section 8 housing in Ohio or elsewhere can count on their subsidy being available next year, the tenant of a SPC or SHP-PH project – who is likely to be at least as poor and have challenges beyond economic instability-- has no such guarantee.

Let me make the unfairness—and irrationality—of the status quo crystal clear in the context of Columbus/Franklin County. A disabled, chronically homeless tenant who enters the new Commons at Grant project—or indeed lives in any of the other 200 or so units of *Rebuilding Lives* housing that receive Section 8 assistance—can rely on Congress’ stated commitment to fully fund every single one of those subsidies upon their expiration.⁵ By contrast, disabled, formerly homeless tenants of the over 500 units of permanent supportive housing in Columbus/Franklin County’s Continuum of Care assisted by the SPC program face the uncertainty of whether Congress will through the FY 2004 appropriations process preserve the additional \$194 million needed to fund expiring SPC subsidies nationally without eating into other McKinney-Vento funded local programs. Finally, Congress has to date made no commitment whatsoever to provide additional funding to renew the subsidies of the disabled, formerly homeless tenants who live in SHP-PH assisted housing that the Community Housing Network operates in Columbus/Franklin County. Accordingly, CSB and others face the prospect of pitting those renewals against other needed existing or proposed homeless housing and services programs in the Continuum of Care.

Increasingly, non-profits, localities, states, and the federal government are reorienting their approach to homelessness toward a real endgame. As noted, Columbus/Franklin County is truly the national leader in this movement. I urge the Subcommittee to ensure that supportive housing is part of a comprehensive and well-funded strategy to bring this about – one that begins with homelessness prevention and ends with permanent housing for all Americans. **The first step is to sustain the supportive housing that communities like Columbus/Franklin County have already developed. Otherwise, the promising new resolve and consensus in this area are doomed to failure.**

I must emphasize the importance that Congress act this year to resolve for good this ongoing crisis. In the absence of decisive action, the vulnerable tenants of permanent supportive housing in Columbus/Franklin County and across the country risk the loss of their housing, and dedicated local stakeholders like CSB and its public sector partners in the *Rebuilding Lives* initiative-will be unable to sustain their existing portfolio of supportive housing, much less to develop the additional units needed to end long-term

⁵ I am aware that others on this panel will be discussing the potential impact on Congress’s ability to keep this commitment of proposals to change the renewal funding formula and/or to block grant the Housing Choice Voucher program. Nonetheless, neither the Administration nor the HUD Appropriations Subcommittees have sought to renege on the commitment itself.

homelessness among people with chronic health challenges in Columbus/Franklin County, the State of Ohio,⁶ and the nation as a whole.

Simply put, the dangers to the progress we have made on this issue are too great, and time is running too short, for the McKinney-Vento permanent housing renewal crisis to reach the end of the 108th Congress without final, positive resolution. If the only viable legislative option for authorizing renewal of expiring SPC and SHP-PH subsidies from a separate Homeless Housing Permanence Fund turns out to be to excise the relevant legislative language from more comprehensive – and perhaps controversial – housing bills and enact this provision as part of the fiscal year 2004 HUD appropriations bill, then those in Congress who care about this crisis must work to make that scenario a reality. CSH respectfully submits that this critical moment will approach rapidly after Congress returns from the August recess. I urge the Subcommittee not to let it pass.

- **Enact authorizing language targeting 30% of annual McKinney-Vento grants to permanent housing.**

Prior to recent leadership by this Subcommittee and others in Congress, the McKinney-Vento programs were undergoing a sea change away from housing development and into underwriting the costs of supportive services.

- Over the three fiscal years FY 1996-1998, McKinney-Vento funding of long-term rent subsidies for permanent supportive housing dropped nearly 75%. In the three fiscal years from 1993-1995, long-term rent subsidies under the McKinney-Vento programs accounted for 40% (\$970 million) of total federal homeless funding (\$2.4 billion). By contrast, from FY 1996-1998, long-term rent subsidies garnered only 14% (\$347 million) of total federal homeless funding (\$2.47 billion).
- The picture was equally grim when the analysis included McKinney-Vento funding of capital costs of permanent housing for the homeless. In 1993, fully 70% of federal homeless assistance funding was targeted to permanent housing. By fiscal year 1997, permanent housing received only 18% of McKinney funding, and this percentage increased only slightly (to 23%) in 1998.

In short, one of the few remaining production programs for housing for the poorest, most disabled Americans was quickly grinding to a halt.

Simultaneously, McKinney funding of supportive services skyrocketed, rapidly engulfing well over half of the annual McKinney appropriation each year. While services are clearly an integral part of effective interventions for vulnerable populations CSH and others became and continue to be concerned that HUD has assumed the lead role of funding services for the homeless that should be underwritten by other local, state, and federal agencies. HUD Secretary Martinez has recently echoed these concerns.

⁶ CSH Ohio recently completed an analysis of 83 of the 88 Continuums of Care in the state that revealed an estimated need for over 5,000 additional units of permanent supportive housing.

The two prior Chairs of this Subcommittee, and many of its members, were deeply troubled by these trends. Mr. Lazio and Ms. Roukema each included the 30% set aside in bills addressing homeless issues (H.R. 1073 and H.R. 3995 respectively, see Note 4, supra) Their actions and direct communication with VA-HUD Appropriations Subcommittee Chairman Walsh, were critical to the inclusion in the last 5 HUD appropriations bills of a requirement that a minimum of 30% of McKinney-Vento funds be targeted to permanent housing.

While this particular floor for a “permanent housing set aside” (as it has come to be known) is not magical, CSH submits that it has become a meaningful figure; therefore, we urge you Chairman Ney and other Members of the Subcommittee, to make it a permanent feature of the McKinney-Vento programs.

I. The Significance for Housing Production of Subcommittee Action on the SPC/SHP-PH Renewal Crisis and the 30% permanent

Again given today’s focus on housing production, ***it is worth noting the significance these actions measure could have for the production of new permanent supportive housing.*** In combination with resolving the renewal issue described above, making the 30% permanent housing targeting requirement a permanent feature of HUD homeless programs could alone subsidize nearly 100,000 new units of housing over the next decade at current funding levels (adjusted for inflation). More precisely, if McKinney-Vento Act Homeless Assistance funding were maintained at current levels (adjusted by an assumed 2% inflation factor), and current year appropriations did not have to provide renewal for expiring operating subsidies to existing permanent supportive housing, 30% of annual McKinney-Vento appropriations would yield a funding stream – about \$300 million per year inflation-adjusted-- sufficient to provide Shelter Plus Care rent subsidies (inflation-adjusted from their 1999 annual cost of \$6,100) or their equivalent to support nearly 10,000 units of additional supportive housing each year. Put another way, these two measures alone could generate the deep operating subsidies for fully two-thirds of the 150,000 unit goal.

The proof for this claim is already in the pudding; as noted, the FY 2001 and FY 2002—funding rounds for the Continuum of Care—when Congress provided one-year fixes for expiring SPC renewals and similarly imposed the 30% set aside on an annual basis—the McKinney-Vento Homeless Assistance Grants created nearly 20,000 new units of permanent supportive housing nationwide. Hundreds of these units have come on-line right here in Franklin County and in the 87 other Continuums of Care that operate across Ohio. The time has now come for this Subcommittee to ensure that the McKinney-Vento Homeless Assistance Grants function as a housing production engine for innovative and effective local initiatives, like *Rebuilding Lives*, that are seeking to end long-term homelessness throughout Ohio.

II. Enact legislation and encourage HUD to implement regulatory strategies that will close the affordability gap for households below 30% AMI who confront severe housing cost burdens.

The facts on homelessness and the lack of affordable housing in America are stark. In addition to the 2.3 – 3.5 million people that the Urban Institute estimates can expect to experience homelessness in the coming year (over 800,000 at any given time), reports by the Joint Center on Housing Studies at Harvard University and the Congressionally-appointed Millennial Housing Commission (MHC) reflect ***the growing national consensus that there is not enough housing, particularly for very poor people. The MHC report states that there are 6.7 million units affordable to the nation's 8.5 million extremely low-income renter households (those with incomes below 30% of area median income).***

Competition for affordable units with members of higher income groups further exacerbates the shortage. According to the Joint Center report, over half of the lowest income renter households end up paying more than 50 percent of their incomes in rent, and 14 percent of all lowest income households end up living in units that are overcrowded and/or structurally inadequate.

Simply put, so long as this housing affordability gap persists for many low and extremely low income families, it guarantees that some individuals and families will be displaced from their homes into the streets and shelters every year. Ending this tragic game of housing musical chairs, then, is the other necessary step in ending homelessness.

To that end, CSH proposes two specific housing policy strategies to the Subcommittee.

- **Work to expand upon and improve the tools already in toolbox of HUD and our nation's tax laws to close this affordability gap.**

McKinney-Vento homeless assistance funds targeted to permanent housing will not alone suffice to meet the 150,000 unit goal. It is critical that, therefore, that ***the Subcommittee incentivize mainstream federal affordable housing programs to generate permanent supportive housing for the chronically homeless.*** These include other supportive housing programs--such as the HUD 811 (Supportive Housing for Persons With Disabilities) and HUD 202 (Supportive Housing for the Elderly)—as well as general affordable housing/community development programs like Section 8, HOME, CDBG and the Low Income Housing Tax Credit). While each of these programs has to date spurred the development of some supportive housing they can and should do more.

It is important to understand that, as a matter of pure housing finance, supportive housing presents a "heavy lift" for most of these programs. As mentioned previously, units in supportive housing that serve extremely low income persons--defined by HUD to be those below 30% Area Median Income (AMI) – simply cannot, from collecting rents affordable to tenants, cover operating costs or service debt on capital

invested in acquisition, construction, or rehabilitation from charging rents affordable to tenants. Tenants at or below that level of income (about \$6,400 nationally) can afford no more than \$150 per month in rent. **Consequently, federal housing programs must individually or collectively put in place deep capital and operating subsidies to make supportive housing work as a financial proposition.**

In the absence of strong mandates or incentives, however, it is easier for these programs instead to assist projects serving households between 30-50% AMI (where the median income can sustain a \$360 monthly rent) or between 50-80% AMI (where the median income can sustain a \$614 monthly rent) who are also eligible for assistance. **For this reason, although programs like the HOME rental housing component and the LIHTC can and have been used in supportive housing (indeed CSH has worked with our non-profit partners on over 4000 units of housing that received over \$200 million in tax credit equity), on average they serve households at approximately 40% of area median income.**

However, special opportunities exist now to streamline and incentivize some of these programs to encourage the creation of new supportive housing. For example, Congress recently enacted a 40% increase in the LIHTC and streamlined the project-based voucher option under Section 8. To create 150,000 new units requires capitalizing on these opportunities. **We urge the Subcommittee to:**

- ✓ **Encourage PHAs to follow the lead of the Columbus Metropolitan Housing Authority in targeting both tenant-based and project-based Section 8 assistance to supportive housing.** As noted, deep operating subsidies—particularly those that can enable supportive housing operators to service debt—are often the key to putting the supportive housing financing puzzle together. The Section 8 program is an enormous potential source of such subsidies. This is particularly so in light of Congress' recent revisions to the project-based voucher statute and increase in the percentage of their portfolio that PHAs may project-base to 20%. PHAs like CMHA, which has provided *Rebuilding Lives* with over 250 Section 8 tenant and project-based subsidies, should be rewarded for targeting Section 8 assistance to supportive housing for people who are chronically homeless.
- ✓ **Incentivize states and local jurisdictions to target mainstream capital resources to supportive housing.** For example, if utilization rates of Section 8 subsidies remain at or close to current levels, Congress might consider incentivizing states and localities to target mainstream capital dollars such as HOME funds—which I know is a focus of the this hearing—to permanent supportive housing.
- **Enact a National Housing Trust Fund or an equivalent new federal housing production program targeted primarily to extremely low income families.**

CSH joins over 4,600 other organizations in endorsing the creation of a National Housing Trust Fund to help to answer the crisis by providing for 1.5 million additional affordable housing units over the next 10 years, targeted primarily to

extremely low income households. Legislation to enact a NHTF has been introduced in both the House of Representatives and the Senate (H.R. 1102 and S. 1411).

We are aware that there is substantial disagreement within the Subcommittee, and throughout Congress, over the wisdom of enacting a National Housing Trust Fund. Notwithstanding that H.R. 1102 has over 200 sponsors in the House of Representatives, it is clear that action on the bill is breaking down largely along partisan lines. This need not be so—trust funds are proven vehicles for stimulating housing production via a dedicated funding source at the state level. (Indeed, others have or will undoubtedly make you aware, Ohio in this legislative session for the first time dedicated a source of revenue to its state housing trust fund.) We hope that you, Mr. Chairman, can help to break this impasse and bring into being a National Housing Trust Fund.

If, however, the Subcommittee cannot enact a National Housing Trust Fund, I close by urging that in its stead, you must promulgate an initiative that is its equal both in magnitude and targeting of new federal housing assistance. The need for action on this decisive and significant scale should be clear to those on both sides of the aisle—the bi-partisan Millennial Housing Commission recommended the enactment of a large scale capital subsidy program targeted substantially to the extremely low income, although it did not use the phrase “National Housing Trust Fund.” ***Bluntly put, all of the policy recommendations CSH has made regarding HUD homeless assistance—though critical to combating long-term homelessness—will in the end simply ‘rearrange deck chairs on the Titanic’ when it comes to ending all homelessness if the federal government does not resume its role as a full partner to states and localities in addressing the affordable housing crisis among extremely low income households.***