Using the Housing Credit for Supportive Housing for Persons with Disabilities in North Carolina

Summary of Program and Outcomes to Date:

In the Qualified Allocation Plan (QAP) for its Low Income Housing Tax Credit (LIHTC), the North Carolina Housing Finance Agency (NCHFA) has established a threshold requirement that all LIHTC applications must commit that 10% of the units in the development will be reserved for extremely low-income persons with disabilities, including those experiencing homelessness. Units that carry such restrictions are eligible for rental subsidies through North Carolina's Key Program – a demonstration rental assistance program administered by NCHFA, and jointly funded by NCHFA and the North Carolina Department of Health and Human Services (DHHS). The Key Program is designed to serve as a "bridge" project-based subsidy unless and until a Section 8 Housing Choice Voucher is available or the tenant leaves the property.

Advocates for the disability community worked closely with NCHFA and DHHS to create a targeting program designed to meet the housing needs of persons with disabilities, including formerly homeless persons – traditionally underserved populations. Since the targeting of units for this population:

- Over 900 targeted units have received an LIHTC allocation among 147 funded properties in 80 different communities across the state.
- 437 of these units have been completed and are certified for occupancy.
- 91% of those units are occupied by adults with disabilities, including families and/or the formerly homeless.

NCHFA Organizational Background and Environmental Context:

NCHFA is a self-supporting public agency. The mission of the Agency is to create affordable housing opportunities for North Carolinians whose needs are not met by the market. Since its creation in 1973, the Agency has financed more than 168,000 affordable homes and apartments, totaling more than $9 billion. NCHFA provides financing through the sale of tax-exempt bonds, and through the management of federal and state tax credit programs, the federal HOME Program, the state Housing Trust Fund, and other programs. NCHFA receives an annual LIHTC allocation of approximately $17 million. In addition, the North Carolina General Assembly created a State Housing Credit in 1999 to be used in conjunction with the LIHTC.

The North Carolina Interagency Council for Coordinating Homeless Programs (ICCHP) Point in Time Count estimates there are 11,165 homeless people in their state, including 3,523 people in families – 2,303 of whom are children. Partly in response to such demonstrated need, NCHFA has partnered with DHHS since 2002 to facilitate the inclusion of persons with disabilities and those experiencing homelessness with properties receiving new allocations of LIHTCs.

Evolution of the Targeting and Key Programs:

The way in which NCHFA has prioritized the development of supportive housing in the LIHTC program has evolved over the years. In the 2002 and 2003 QAPs:

- Substantial points were made available to developers that targeted 10% of the units in their developments to persons with disabilities and those experiencing homelessness.

- Bonus points were available to applicants for making a percentage of the units in their development accessible, above the legal minimum requirements, to persons with mobility impairments.
- Developers partnered with a Local Lead Agency in the preparation of a Targeting Plan, outlining how the development will work with the local community to make the units available and useful to the target population. A Local Lead Agency's primary responsibility is to refer prospective tenants. While it may serve a particular population, the Local Lead Agency has agreed to represent the area's human service providers.

Unfortunately, due to changes in federal policy and the increasingly limited availability of Section 8 Housing Choice Vouchers, many developments that received the bonus points in 2002 or 2003 have not been able to carry out the affordability strategy that had been identified in their Targeting Plan. However, NCHFA and DHHS are in the process of finalizing the details of how to get Key Program funding to these developments.

The 2004 QAP:

- Moved the submission of a Targeting Plan from an opportunity to receive bonus points to a threshold requirement. This meant that **all** LIHTC applications had to include an acceptable Targeting Plan that made 10% of the units in the development available to extremely low-income persons with disabilities or those experiencing homelessness.
- Removed the responsibility of the developer to design a financing strategy that could make the set-aside units truly affordable to persons with incomes as low as Social Security Income (SSI).
- The Key Program is a demonstration rental assistance program administered by NCHFA and funded jointly by NCHFA and DHHS, and was made available to assure the affordability of the units. Eligible recipients are adults with disabilities who are receiving income based upon their disability (SSI, SSDI, etc.) and whose household income does not exceed 30% of the area median. Key Program assistance serves as a bridge until a Section 8 Housing Choice Voucher is available, and the amount of monthly assistance currently averages $215.

The 2005 QAP:

- Changed the submission of a Targeting Plan from an application requirement to a post-award activity required only of developers who receive an LIHTC award.
- Creation of truly accessible units also became a threshold requirement.

NCHFA staff routinely provides statewide training on how to develop a Targeting Plan, and they also conduct "courtesy visits" to the properties as they are leasing up so as to explain the various requirements. DHHS staff also provides technical assistance, responsive to the individual projects and the needs of the Local Lead Agencies.

Administrative Processes and Requirements:

A required and critical element of the Targeting Plan is the *Referral, Screening, and Communications Plan.* This document includes:

- How the community of providers will work with the Local Lead Agency in making referrals and work together to ensure tenants have access to services they may need.
- How the Local Lead Agency will work with property management staff to offer assistance with any problems that may arise during a referral's tenancy.
- How management will screen referrals, negotiate reasonable accommodations, and maintain contact with the Local Lead Agency during a referral's tenancy.

- How the Local Lead Agency and management will maintain communication that accommodates staff turnover during the compliance period.

The Local Lead Agency pre-screens all applicants and maintains a waiting list for referral to the management company. All referred applicants are still subject to the established screening criteria the management company uses for all prospective tenants. Requests for reasonable accommodations in accordance with state and federal fair housing laws are also given appropriate consideration. It is mutually agreed that tenant participation in supportive services will not be a condition of tenancy.

For a period of 90 days after the initial rent-up period begins, the management company agrees to establish a preferential leasing opportunity for the number of units specified in the LIHTC application for the target population. A separate waiting list is established for any units that may become vacant after the initial rent-up period. In the event a targeted unit becomes available and no tenant has been referred by the Local Lead Agency, the unit is held vacant for a period of not less than 30 days. If, after this period, no eligible tenant from the target population has been referred, the unit may be rented to any tenant eligible for the non-targeted units in the property. The next available unit in the property will be made available to a targeted tenant. This market-driven arrangement ensures, to the extent possible, unit availability for the targeted population without placing undue burden on the property owner to hold a unit vacant for a tenant that may or may not exist in the community at any given time.

Lessons Learned:

Throughout the maturation of the program, numerous lessons have been learned:

- Rental subsidy, even if it's "bridge" assistance like the Key Program, is crucial to the financial feasibility of these developments.
- The program has received wide support from disability advocates. It creates high quality, professionally managed accessible and affordable housing units that are integrated in the community. Tenancy is controlled by a standard lease; participation in services and supports is based upon the needs and preferences of the individual.
- Because the units would be built regardless of serving this need, the capital expenditure for construction is not a cost of the partnership.
- The close working relationship between affordable housing providers and human service agencies has provided an increased understanding of the reasonable accommodations mandate under the federal Fair Housing Act.
- Requiring these units in every LIHTC development has also resulted in dispersion around the state that probably wouldn't have happened otherwise. It has also reduced the amount of community opposition, mainly due to the integration of these units in otherwise undesignated, affordable developments.
- The categorical funding that supports most human service programs present challenges to developing collective and cross disability local referrals. Implementing the program in local communities has required extensive technical assistance and coordination by DHHS staff.

Note: For more information regarding the efforts of states to use LIHTCs for supportive housing, please see *Using the Housing Credit for Supportive Housing: An Assessment of 2005 State Policies* available at www.shippartners.org. A collaborative effort of CSH and Enterprise, this report represents the first-ever comprehensive look at the innovative policies states have adopted to foster and encourage supportive housing development within QAPs, and an updated edition is planned for 2007.

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