

Recommendations to Stabilize Supportive Housing using Statewide and Local Affordable Housing Aid

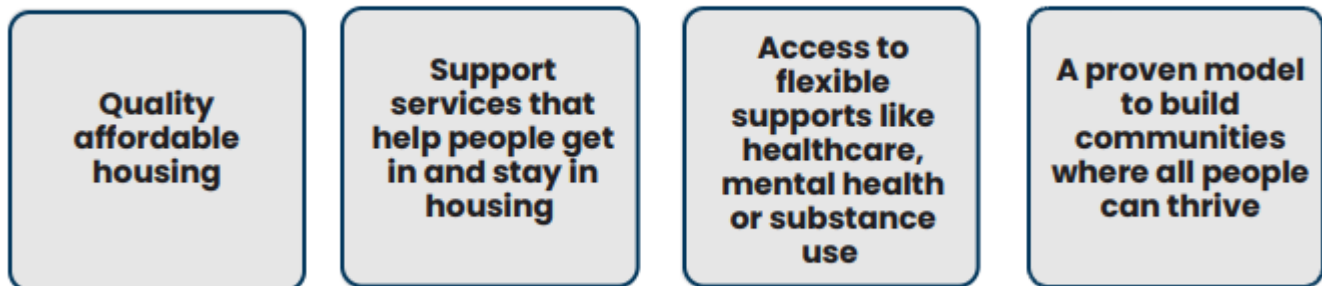
We must increase the stability of the supportive housing sector to ensure Minnesotans who are currently living in supportive housing are not displaced from their current housing and that Minnesotans who are unstably housed or homeless are not faced with even fewer housing resources. By stabilizing existing supportive housing, we will set a path forward to maintain long-term sustainability for all supportive housing developments, including new developments currently in the pipeline.

Factors such as lower rent collection rates, higher vacancy rates, higher acuity of needs in tenants, increased costs driven by inflation, insurance cost increases, ripple effects from COVID including decreases in community infrastructure resulting in the need for increased security, and staffing churn have weighed heavily on existing supportive housing providers nationally and across Minnesota.ⁱ Some of the most well-established and savvy supportive housing providers in the state are making it publicly known that they will be financially unable to keep their current housing portfolios up and running without stabilizing financial help.

For the Minnesotans currently living in the more than 7,000 units of supportive housing across the stateⁱⁱ, losing their current supportive housing would be traumatic and potentially deadly. For communities and leadership, the threat of thousands of vulnerable Minnesotans becoming unhoused has extremely negative consequences that could include at minimum a significant increase in street homelessness and encampments, increases in jail capacity, and pressure on already overburdened emergency room and hospital systems.

Supportive housing is affordable housing paired with home and community-based services for our most vulnerable residents that addresses the root causes of homelessness including chronic physical and behavioral health conditions.

Supportive Housing is...



Currently in Minnesota, it is estimated that we need 15,375 more units of supportive housing to meet the need.ⁱⁱⁱ This includes both individuals and families who are homeless and/or cycle through crisis response systems and institutional settings such as nursing homes, foster care, hospitals, jails, shelters, or group homes due to a lack of affordable housing with supportive services. These settings fail to provide the necessary long-term housing and health support. Without supportive housing, people continue to cycle through these institutions, often being discharged back to the streets to restart the cycle.

This cycle is costly with jurisdictions spending \$15,000 or more per person per year on public services like emergency shelters, public safety (e.g. EMS, 911, detox facilities), emergency department visits, jail stays and more.^{iv} In contrast, supportive housing increases stability while also reducing spending on these services by up to \$6,875 per person per year.^v

In dozens of studies across the country over the last 20 years, supportive housing has proven to be an effective intervention that improves housing stability, reduces the use of expensive crisis care, and improves outcomes even for individuals with complex needs. Based on this body of research, the Substance Abuse and Mental Health Services Administration (SAMHSA) has long regarded supportive housing as an evidence-based practice that is “the most potent” intervention to impact housing stability and help people with disabilities and other barriers to housing achieve their desired goals.

To maintain these positive economic, social, and personal outcomes, supportive housing providers rely on on-going and aligned service and operating funding. However, consistently accessing this funding is a challenge for most providers.

During the 2022 Minnesota legislative session an on-going state appropriation was passed to create the [Statewide Affordable Housing Aid fund \(SAHA\)](#). SAHA helps counties, Tribal nations, and greater Minnesota local governments develop and preserve affordable housing within their jurisdictions to keep families from losing housing and to help those experiencing homelessness find housing. SAHA funding in 2024 will be approximately \$26.9 million.

During the 2023 Minnesota legislative session a metro area sales tax was passed known as [Local Affordable Housing Aid \(LAHA\)](#). This funding is dedicated to helping metropolitan local governments develop and preserve affordable housing within their jurisdictions to keep families from losing housing and to help those experiencing homelessness find housing. The 0.25% sales tax applies to retail sales made in any of the following counties: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties and their respective cities. This new tax will generate approximately \$48.3 million per year with first disbursements beginning in July 2024.

Both SAHA and LAHA funding is disbursed to counties and cities two times per year – on July 20th and December 26th.

This funding creates new, significant, and immediate opportunities to stabilize and increase access to housing resources for low-income Minnesotans and those suffering from destabilizing behavioral health issues and systems involvement that disproportionately impact Minnesotans of color.

Recommendations to Stabilize Supportive Housing using SAHA and LAHA funding

Immediate/Emergency Recommendation:

- 1) Prioritize stabilizing the lives of current supportive housing residents and keep them from losing their homes.
- 2) Prevent supportive housing developments from going out of business by providing eviction prevention funding and/or other emergency operating gap funding.

Ongoing, Counties and Cities should:

1. Create a supportive housing operating gap funding pool.
2. Create a supportive housing services gap funding pool.
3. Provide funding for 24/7 front-desk staff.
4. [Increase the use of Medicaid to pay for supportive services](#) by requiring contracted county social service partners to bill for Medicaid once DHS can guarantee that eligibility determinations will be made within 30 days.
5. Create [capitalized operating reserves](#) for projects that provide [quality supportive housing](#) for locally identified high priority homeless populations.
6. Work with local Community Development Agencies (CDAs) and Public Housing Authorities (PHAs) to:
 - a. Better connect and align with local, regional, and state housing and homelessness goals;
 - b. Better direct project-based vouchers to supportive housing buildings, especially the [new Bring it Home, Minnesota vouchers](#) coming online in the next year; and
 - c. Create a Right to Move policy modeled after the Dakota County CDA policy that provides on-going affordability of rent to individuals and families who decide to move out of supportive housing utilizing project-based vouchers, by providing housing choice vouchers to those families who no longer need the intense wrap-around services that come with supportive housing.
7. Work with partners and intermediary organizations to:
 - a. Utilize the [CSH and HSS TA Team Best Practice Guide for Supportive Housing Providers: Combining Medicaid Housing Stabilization Services and Homeless and Housing Funding report](#) to maximize braiding and blending of currently available Minnesota service dollars in supportive housing;
 - b. [Provide trainings and support on Property Management best practices](#) and [coordination with support service staff](#) to increase housing stability of residents and decrease housing vacancy;
 - c. Develop an Operating Costs Toolkit that supportive housing operators can utilize immediately to ensure they are drawing down all currently available funding for operating costs;
 - d. Increase the alignment and efficiencies of current county service dollars;
 - e. Conduct a supportive housing portfolio needs assessment that would provide quantitative data to inform what is needed to stabilize supportive housing in the short-term and establish long-term stability; and
 - f. Collect qualitative data from the numerous listening sessions that have already been held with supportive housing developers, social service providers, supportive housing tenants, and other key stakeholders over the last year to inform what is needed to stabilize supportive housing in the short-term and establish long-term stability. Supplement this qualitative data with local listening sessions if needed.

Recommendations for State partners to Stabilize Supportive Housing

We recognize that our Counties and Cities cannot do this work alone, and that their efforts must be supported by their partners at the State. With this in mind, we offer these recommendations.

Ongoing, State partners should:

- 1) [Create a Supportive Services Transformation Fund](#) (a service funding gap pool) until Medicaid can be built out to pay for more services.
- 2) Continue efforts to [increase the use of Medicaid to pay for services via administrative and policy changes](#) at the state and federal levels.
- 3) Deploy the \$15 million in the Community Stabilization program specified to stabilize supportive housing in a quick, flexible, and urgent manner.
- 4) Deploy the \$10 million Strengthen Supportive Housing Program to meet operating gaps and fund coordination and capacity for delivery of Medicaid services. Advocate for this to be an ongoing funding stream.
- 5) Create [capitalized operating reserves](#) for projects that [provide quality supportive housing](#) and reform underwriting practices that promote long term sustainability of supportive housing.
- 6) [Provide trainings and support on Property Management best practices](#) and [coordination with support service staff](#) to increase housing stability of residents and decrease housing vacancy.
- 7) Continue to push for better funding alignment and streamlining between state and federal programs by:
 - a. Increasing program eligibility alignment;
 - b. Streamlining administrative and reporting requirements;
 - c. Increasing service funding rates to align with true cost; and
 - d. Create a path for capital, operating and services funding to all come together/be awarded at the same time.
- 8) Partner with CoCs to increase access to housing and service dollars through coordinated entry.
- 9) Work with local housing authorities to better direct project-based vouchers to supportive housing buildings, especially the [new Bring it Home, Minnesota vouchers](#) coming online in the next year.
- 10) Ensure connections are made with legislative task forces focused on this work, state partners, and advocacy partners.

Please direct any questions to Amy Stetzel, CSH Upper Midwest Regional Director, amy.stetzel@chs.org

ⁱ See CSH Supportive Housing Industry Operating Survey Results. Available: <https://www.csh.org/resources/supportive-housing-operational-challenges-survey-results/>

ⁱⁱ See MN Housing 2022 Supportive Housing Annual Report. Available: https://www.mnhousing.gov/content/published/api/v1.1/assets/CONT6BFD62EA5B304AABA924C83E999DEDBA/native?cb=_cache_780a&channelToken=294436b7dd6c4570988cae88f0ee7c90&download=false

ⁱⁱⁱ See CSH Supportive Housing Needs Assessment. Available: <https://www.csh.org/supportive-housing-101/data/>

^{iv} See Cost and Offsets of Providing Supportive Housing to Break the Homelessness-Jail Cycle. Findings from the Denver Supportive Housing Social Impact Bond Initiative. Available: www.urban.org/sites/default/files/publication/104499/costs-and-offsets-of-providing-supportive-housing-to-break-the-homelessness-jail-cycle_0.pdf

^v See Analyzing the Cost and Offsets of Denver's Supportive Housing Program. Available: <https://www.urban.org/research/publication/analyzing-costs-and-offsets-denvers-supportive-housing-program>