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MARCH / APRIL 2016 VOL. 73 NO. 2

- New Directions and Opportunities for Ending Homelessness
- The Intersection of EPC and RAD
- NAHRO Updates Report on Impact of CDBG Cuts

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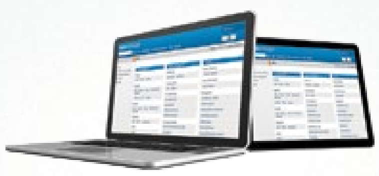

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These joint recommendations have called for responsible levels of funding for housing and community development programs, which have increasingly been subject to funding cuts.

NAHRO, PHADA and CLPHA Announce Joint Budget Recommendations

The National Association of Housing and Redevelopment Officials (NAHRO), the Council of Large Public Housing Authorities (CLPHA) and the Public Housing Authorities Directors Association (PHADA) have released joint budget recommendations for FY 2017. These joint recommendations have called for responsible levels of funding for housing and community development programs, which have increasingly been subject to funding cuts. The three groups believe that these funding levels find the appropriate balance between the needs of housing programs and the limitations on the federal budget imposed by the tough fiscal climate.

CLPHA, NAHRO, and PHADA make the following recommendations:

Public Housing Operating Fund	$5,464 million
Public Housing Capital Fund	$5,000 million
Section 8 Tenant-Based Housing Choice Voucher HAP Renewal	$18,477 million
Section 8 Ongoing Administrative Fees	$2,122 million
Section 8 Project-Based Rental Assistance	$10,839 million
Mobility Demonstration	$15 million
Consolidated Family Self-Sufficiency (FSS) Program	$85 million
Choice Neighborhoods Initiative	$200 million

These recommendations come as Congress begins its appropriations work for FY 2017. The House Appropriations Transportation, Housing and Urban Development (T-HUD) Subcommittee held a hearing on the President's budget request with HUD Secretary Julian Castro in March.

Both full committee chairman Hal Rogers (R-Ky.) and subcommittee chairman Mario Diaz-Balart (R-Fla.) chided the President and Secretary Castro for the inclusion of mandatory dollars in their proposal, calling the tactic a "budgetary gimmick." Both the full committee Ranking Member Nita Lowey (D-N.Y.) and the subcommittee Ranking Member David Price (D-N.C.) commented that the restrictive caps that have been in place since the Budget Control Act of 2011 don't provide adequate resources to meet the housing and community development needs of the country.

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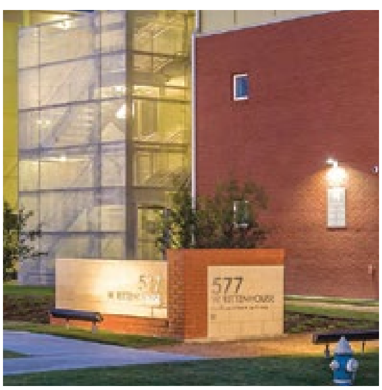

FEATURES

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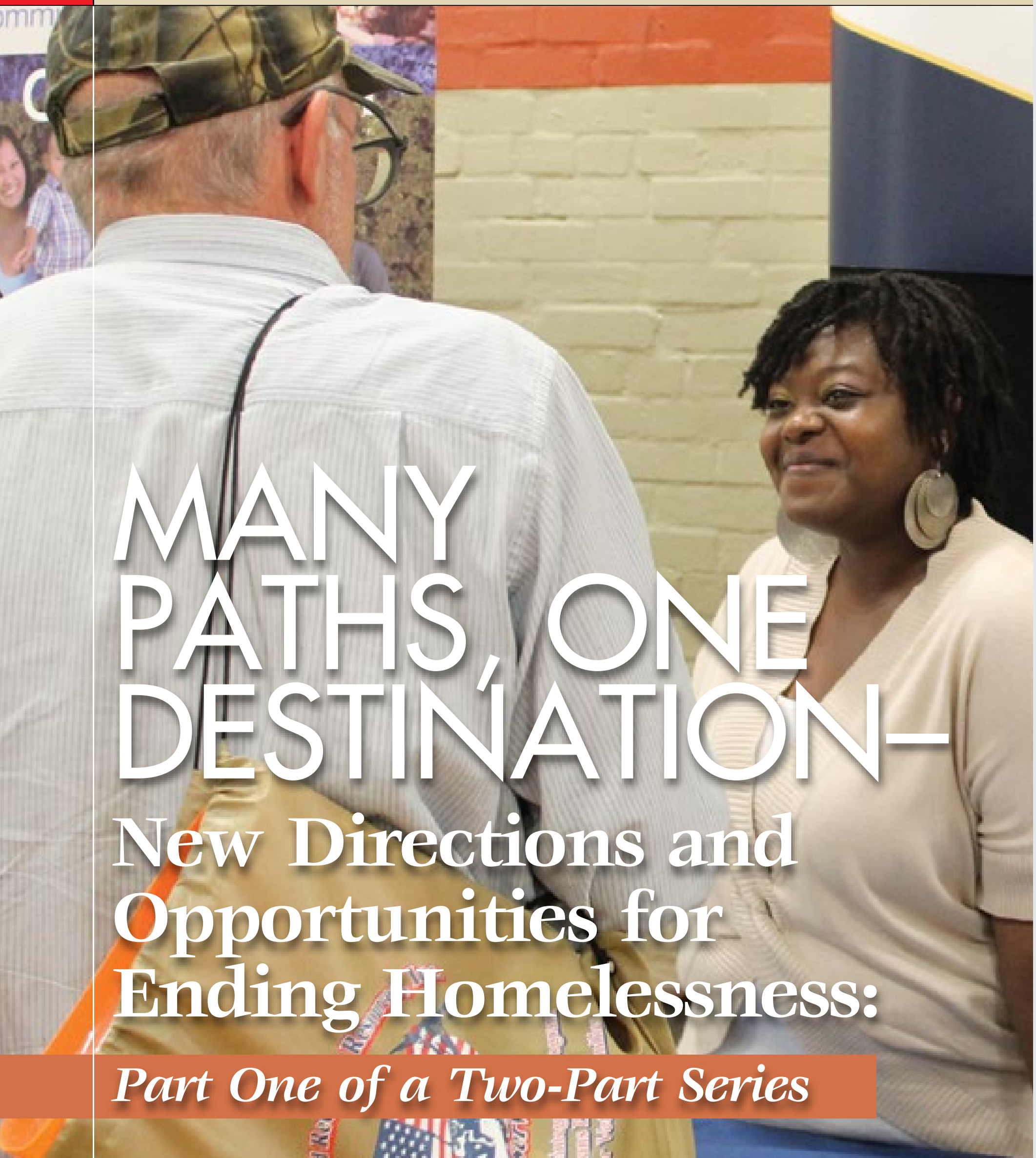

MANY PATHS, ONE DESTINATION–

New Directions and Opportunities for Ending Homelessness:

Part One of a Two-Part Series

BY LISA A. BAKER, JILL ELLIOTT, JULIE WILLIAMS MITCHELL AND MARK THIELE ON BEHALF OF THE NAHRO COMMUNITY REVITALIZATION AND DEVELOPMENT COMMITTEE'S HOMELESSNESS TASK FORCE

"My life was a wandering; I never had a homeland. It was a matter of being constantly tossed about, without rest; nowhere and never did I find a home."

—Jan Amos Komenský, *Labyrint světa a ráj srdce* (Labyrinth of the World and Paradise of the Heart)

THE FIRST OF A two-part series, this article, which was adapted from a longer white paper, examines current public housing authority (PHA) collaborations in Housing First models. The second part of the series, to be published in the May-June 2016 issue of this magazine, will focus on future directions for successful collaborative programming.

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Introduction and Background

According to the U.S. Department of Housing and Urban Development (HUD), on any given night over 600,000 people are homeless; it is estimated that approximately 2.3 to 3.5 million Americans experience homelessness annually. The truth is that anyone can be homeless, and there are myriad ways in which people end up homeless. Some of these ways include:

- Having a low or fixed income and becoming unable to pay escalating rent costs;
- Moving for a new job that is no longer available on arrival, or arriving and being unable to find housing;
- Fleeing domestic violence;
- Having trouble adjusting to civilian life following a military discharge;
- Being unable to rely on family support;
- Being disabled or having a chemical dependency that interferes with daily functioning.

Homelessness is often divided into two major sub-types:

- **Short-term homelessness**, which occurs due to an unforeseen circumstance (e.g., job loss, loss of housing without notice, domestic violence, unexpected injury and healthcare bills, etc.); and
- **Chronic homelessness**, which involves long-term and/or repeated episodes of homelessness, often in conjunction with disabilities and/or substance abuse issues.

Some population types are more likely to experience homelessness than others. According to the National Alliance to End Homelessness (NAEH), veterans make up 33 percent of the chronic homeless population. Victims of domestic violence, aged-out foster youth, those with early childhood trauma and victims of extreme violence are much more likely to experience repeated bouts of homelessness than the general population; 92 percent of homeless women have experienced physical or sexual assault at some point in their life. Thirty-six percent of those experiencing homelessness each year are families, and it is estimated that over 50,000 children spend six months or more on the street each year.

Rising housing costs and changing wage patterns mean that risk of homelessness is increasing in all household sizes across America, encompassing the "working poor" and, in some high-cost areas, reaching even into higher income worker populations. As more households earn less—even as they work more hours, often hold down more than one part-time job, and work in more unstable jobs without employer-paid benefits—the "working poor" segment is expanding faster than any other demographic in this country. They are slipping further behind and blurring the lines between households who may have experienced only short-term homelessness and those who have traditionally been seen as more susceptible to chronic homelessness.

Responses to Homelessness

Traditional Model: The best description of the traditional response to homeless programming comes from the United States InterAgency Council on Homelessness (USICH) in the article, "Retooling the Homeless Crisis Response System:"

"Historically, people experiencing homelessness have had to navigate an uncoordinated set of services and programs to obtain assistance, with many of the available programs and services oriented towards managing the symptoms or experience of homelessness rather than providing rapid connections to stable and permanent housing that would end homelessness. Often, permanent housing was only offered at the end of a linear process or the

achievement of particular service milestones. This resulted in many individuals and families remaining in homelessness, when—for any number of reasons—they could not achieve the high barrier to entry into permanent housing."

In many jurisdictions, traditional models have siloed services in which shelter and transitional programs exist separately from those that concentrate on permanent housing. Often, they also require separate assessments and applications for assistance while putting the responsibility on the individual to cobble together his or her own way out of homelessness."

Housing First Model: Instead of assuming a linear progression to "housing readiness," Housing First offers permanent, affordable housing as quickly as possible for individuals and families experiencing homelessness, and then provides the supportive services and connections to the community-based supports people need to keep their housing and avoid returning to homelessness. Housing provides a stable foundation from which a person or family can access needed services and supports to begin the recovery process and pursue personal goals.

The distinguishing characteristics of Housing First include a non-siloed and community-based approach. It is also characterized by a locally agreed upon coordinated entry mechanism and appropriate placement in programming designed to lead to permanent housing in the shortest time possible. It focuses on preventing homelessness where possible (e.g., homeless prevention or rapid rehousing) and it may involve short-term shelter (such as for victims fleeing domestic violence) and/or transitional housing as in the traditional model. The difference is that the shelter is meant to be a short-term solution; it should be coordinated with and lead directly to permanent or permanent supportive housing.

The Role of Public Housing Authorities in Combating Homelessness

Public housing authorities (PHAs) serve the most vulnerable populations in America. As the role of providing affordable housing has morphed over time into serving extremely low-income populations, PHAs have been in the front lines for decades in preventing and ending homelessness—a role for which they have not always been acknowledged.

That role is becoming more recognized as the country continues to see the loss of deeply affordable housing units, chronic underfunding of housing operations, housing production programs that don't reach deeply affordable levels without additional subsidy, as well as the loss of

Housing Choice Vouchers (HCVs) after years of stagnant allocations coupled with lower utilization caused by escalating rents. These issues are exacerbating homelessness and hampering PHAs' ability to provide the housing stability that social services, medical programs and short-term housing providers need in order to have a strong permanent housing backbone that can make real inroads to ending homelessness. As we will see in the Houston model, recent federal investment in Veterans Affairs Supportive Housing (VASH) in both project-based and tenant-based vouchers really show how a dedicated commitment to housing with wrap around services can make a major difference in this battle.

Despite the funding difficulties, there are many ways in which PHAs can continue to play this role. PHAs also have the ability to take on new roles as well as look to new programs and funding sources through partnerships and collaborations. PHAs are uniquely positioned to serve as program hubs providing the permanent housing and using their existing infrastructure to further collaboration in client centered partnerships.

Collaboration: Continuous communication has been a regular theme in successful PHA collaborations. PHAs have recognized this and, throughout the country, have often led or co-led local teams working on homeless initiatives.

Collective impact initiatives depend on appropriate stakeholders working closely together and encouraging team members to do what they do best in a way that supports and is coordinated with the actions of the group. Successful collaborations link government, service providers and funders together. Fixing only one point on the continuum—such as faster intake—won't make much difference unless all parts of the continuum improve at the same time. This opens the door to true alignment. No single organization, however innovative or powerful, can accomplish this alone. Ending homelessness requires the accountability and experience of a collaborative team.

Industry advocates and technical assistance (TA) providers have been important in creating and providing training, tools and support to the field. "100,000 Homes," the boot camps and the "25 Cities initiative" are all examples of efforts to provide technical assistance and peer support to national efforts to end homelessness. Forward-thinking PHAs across the nation are Continuum of Care (CoC) partners and/or lead agencies and NAHRO has convened industry leaders and provided conference panels that propel the conversation forward, including NAHRO's joint work with the United States InterAgency Council on Homelessness (USICH). Some examples of existing tools and toolkits include:

- The Corporation for Supportive Housing (CSH) provides a particularly useful toolkit on its website at www.csh.org/phatoolkit. The tool provides multiple detailed examples of initiatives from PHAs nationwide.
- USICH also provides a highly detailed guidebook to PHAs on ending homelessness at usich.gov/usich_resources/pha_portal/.

Innovation—In many cases, PHAs are leaders in producing innovative and collaborative solutions to the challenge of homelessness. Some examples:

- Creating one-stop shop/mass briefings that leverage multiple resources to allow expedited assistance for the most vulnerable homeless individuals and families;
- Using triage tools such as the Vulnerability Index (VI) to standardize targeting and improve timely access to available resources (dedicated vouchers, HUD-VASH, SSVF, rapid rehousing, etc.);
- Working with street outreach to identify homeless on the streets and target appropriately to chronically homeless individuals, linking households to the right intervention with the right level of care;
- Working to create coordinated entry/access system(s) across the CoC to connect homeless individuals and families regardless of where they enter or present in the system;
- Committing Project-Based Vouchers (PBVs) to permanent supportive housing programs;
- Pursuing alternate funding streams, such as ESG, CDBG funding or CoC dollars;
- Developing and working with rapid rehousing programs;
- Seeking waivers for special programming;
- Processing redesigns such as form simplification and/or elimination and streamlining to better and more quickly serve the target population;
- And, where funding and circumstances allow, creating a dedicated position supporting homeless initiatives.

As demonstrated by the case studies below, PHA collaboration in ending homelessness can and does take many forms. In some cases, giving preference for chronic homelessness in voucher wait lists and supporting a Housing First model for rapid acceleration of wait list time is successful. In other communities, project-based vouchers (PBVs) for the homeless ensure financial support for the development that accepts the homeless household with little or no income. In high cost areas, project-basing vouchers can also mean that affordable housing is available in an escalating market. And PBVs have the advantage of creating a "special needs" wait list where PHAs and partners can marry needed social supports to affordable housing. In many communities, PHAs develop new housing units with homeless and special needs components, whether or not the project uses PBVs as a funding tool.

On the Horizon—Current Case Studies and Opportunities

Houston, Texas: Declaring an Effective End to Veteran Homelessness

PHAs are a major lifeline to the community, especially for those of extremely low- and low-income. In most communities, its resources are the link between mainstream social services that are crucial to supporting homeless households' needs and ability to seek improvement in their health and lives. PHAs are critical partners in the CoC and bring infrastructure and support to community collaboration models of leadership. Houston, Texas, is one example of this leadership.

On June 1, 2015, Houston, which is the fourth-largest city in the country and has the second-highest population of veterans, reached functional zero on veteran homelessness. The city accomplished this through federal and local leadership on the issue. Houston's mayor, Annise Parker, delivered the message that by working together as a team, the city's various stakeholders could transform the response to veterans' homelessness. Over 30 agencies across the city and Harris County were able to retool and deploy resources more quickly and effectively in order to house over 3,650 homeless veterans in just over three years, wrapping partnership and collaboration around the ability to use HUD-VASH vouchers and PHA expertise as part of the response.

At the center of Houston's success is its Coordinated Access

System, which provides access to services from multiple, convenient locations.

Step 1: Housing assessors based at assessment hubs, in the call center, or on outreach teams conduct housing assessments and vulnerability index assessments

Step 2: The results of these assessments are used to determine the appropriate intervention and to prioritize referrals.

Step 3: The assessment determines the housing match, and whether rapid rehousing or permanent supportive housing best matches the need and which housing program is appropriate based on program eligibility.

Step 4: The recommended intervention and eligible programs are discussed with the family, resulting in a housing referral.

Step 5: Households are then connected with a Housing Navigator, who helps them through the process of acquiring housing.

The goal is to go from referral to move in within 30 days.

Fargo, North Dakota: Medical Respite Saves Lives and Reduces Costs

The health needs of homeless persons are complex and are compounded by social, cultural and financial barriers (Roche, 2004). They suffer higher rates of uncontrolled acute and chronic illness and mortality as compared to the general population (Baggett et al., 2010). In national studies, overall prevalence rates of chronic medical illnesses range from one-third to one-half of surveyed homeless populations (Zerger 2002). Lack of control is four–six times higher for the homeless with asthma, cardiovascular disease is two–four times higher, and diabetes is up to two times higher than individuals who are in stable housing (Bonin et al. 2004, Zerger 2002).

The trend towards shorter hospital stays and more procedures done on an outpatient basis is particularly problematic for homeless individuals. People experiencing homelessness may be discharged with prescriptions they cannot afford to fill, and/or with instructions for follow-up care they cannot heed—such as bed rest, nutritious food, or preparations for tests or surgery that are impossible for them to carry out. This gap in health services may lead to poor health outcomes, costly emergency room visits and additional inpatient hospital stays, all of which negatively impact the individual, the health system and the community as a whole.

Medical respite has emerged as one response to this healthcare gap. Respite care refers to recuperative or convalescent services for those who may not meet criteria for hospitalization, but who are too sick or vulnerable to be discharged to the streets. The National Health Care for the Homeless Council identifies lower mortality rates as well as a reduction in the inpatient length of stay, emergency department visits, outpatient clinic visits and readmissions to the hospital for those homeless individuals who are discharged to medical respite compared to those who are discharged to the streets. The demonstrated cost avoidance for hospitals collaborating to offer medical respite has exceeded more than $5 million annually for numerous communities including Cincinnati, Ohio, Richmond, Va., and Salt Lake City, Utah (NHCHC, 2011). There are two primary models: **free-standing medical respite** and **shelter-based**, with a wide range of intensity and type of services offered as well as facility options. Medical respite programs have been implemented in a range of settings and program models. For more information on models, see the 2015 Medical Respite Program

Directory, which identifies 73 medical respite programs in the United States. The National Health Care for the Homeless Council has also proposed minimum standards, which are available at www.nhchc.org.

Housing-based approaches have proven successful in helping people address their health and mental health issues. Programs such as "100,000 Homes" have demonstrated that nearly 85 percent of the chronically homeless remain stably housed (Tsemberis & Stefancic, 2007). This approach is also much cheaper for taxpayers as it reduces the use of expensive, publicly funded services like emergency rooms, shelters and jails. According to a 2007 National Alliance to End Homelessness report, the annual savings was reported to be more than $15,000 per person in the communities of New York, N.Y., Denver, Colo. and Portland, Ore.

Here are several examples of collaboration with stakeholders on respite programs.

San Diego Rescue Mission: Shelter-Based Respite Model

The Recuperative Care Unit at the San Diego Rescue Mission has operated for six years. This unit addresses critical needs for up to 32 homeless men and women newly released from the hospital who still require medical attention. The program provides a safe, supportive environment offering meals, medical treatment oversight and follow-up care. The program also helps patients explore long-term housing options. It has demonstrated an ability to promote recovery at a fraction of the $1,400/day cost per individual. Those using the Recuperative Care Unit were more likely to follow aftercare instructions and had fewer repeat hospital visits, which saved taxpayer dollars and kept healthcare costs down for everyone. See more at http://www.sdrescue.org/our-programs/housing/recuperative-care/.

San Francisco Medical Respite Program: Free-Standing Residential Model

The San Francisco Medical Respite program is a 45-bed residential facility in downtown San Francisco, established in 2007 by the San Francisco Department of Public Health Housing and Urban Health Department (SFDPH). This program accepts patient referrals from local public and private hospitals and the Veterans Administration. Patients are typically triply diagnosed with medical, psychiatric, and substance issues and most have multiple chronic medical conditions. The interdisciplinary team provides urgent and intermediate care, health education services, and referrals to primary and specialty care in the community. Under the supervision of social workers, community health workers provide support services as well as case management. Respite staff members continue to follow patients throughout medical treatment and discharge planning to make appropriate referrals and assist with patient appointments as needed. Learn more about this program at http://hospital-sfgh.medicine.ucsf.edu/services/respite.html.

Fargo, N. Dak.: Hybrid Model with Housing Authority Participation

Case management needs and the ability to provide seamless program delivery dictates that there should be variety and flexibility within models to create the least amount of patient disruption. This is especially true for clients whose disabilities include physical mobility issues. Stakeholders in Fargo, N.Dak. have created one such hybrid variation. Plans for the Fargo Medical Respite program include provision of recuperative care in both a local emergency shelter (New Life Center [NLC]), along with a two-bedroom apartment of the Fargo HRA. The shelter has the capacity to admit individuals who are less medically complex while the apartment setting will be used by individuals with mobility issues or who are more medically complex because the building has an elevator and on-site support services.

Community partners include Fargo Housing and Redevelopment Authority (FHRA), Sanford Health, New Life Center, Homeless Health, the North Dakota Department of Health and more than a dozen other community agencies. Admission criteria have been developed and case managers in the hospital will screen all patients who've been identified as homeless to determine whether they meet criteria for transfer to the medical respite program. These case managers will perform comprehensive assessments as required by homeless programs known as VISPDATs and help patients fill out Medicaid applications. One registered nurse (RN) project manager will provide plan care oversight for medical respite patients admitted to either unit. Skilled nursing and therapy services will be provided by the health system's home health division. Each participant will have an established provider at the local federally qualified health center to ensure that medical needs of patients are addressed in an on-going manner even when transitioned into permanent housing. Billable expenses will be funded by Medicaid for all who are eligible for the expanded plan and grant funds from other sources will cover the expenses for those who are not Medicaid-eligible. Creating programming in this manner is a client-centered approach instead of a funding-based approach and also allows programs to reap economy of scale cost reductions and leverage resources from more traditional Continuum of Care (CoC) programs, along with new funding streams created through changes in Medicaid.

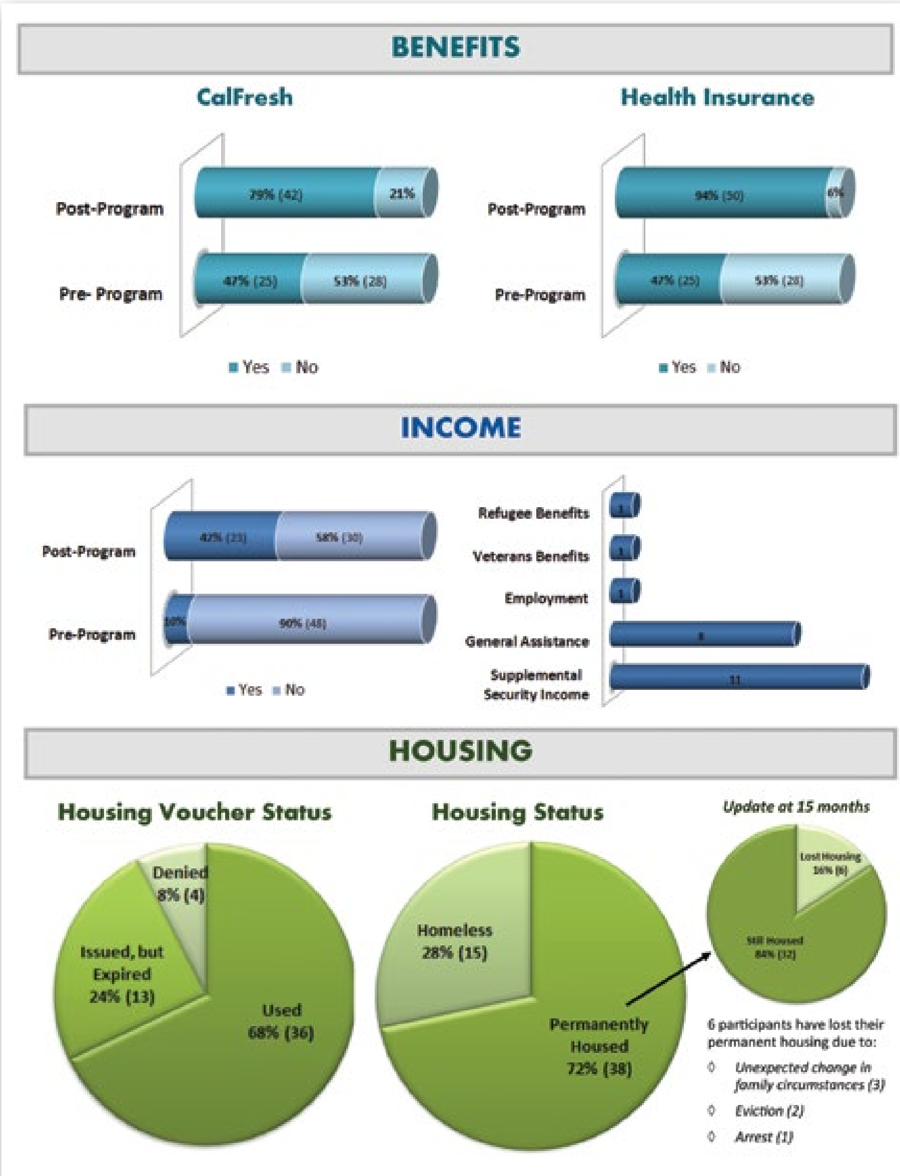
In this model, the recommended length of stay is approximately 45 days, which enables the Medical Respite staff to complete the assessment and develop a plan to transfer to housing with all of the support services in place. If approved for housing, upon completion of the medical respite program, the participant will transfer to a housing property if a unit is available. Participants must be available to meet with medical respite staff and home health providers for scheduled appointments; missing two scheduled meetings could result in discharge from the medical respite program.

A respite coordinator will follow the coordinated assessment protocol to assist program participants with the transition from the medical respite program into permanent housing, and provide ongoing evaluation and support for six months following permanent housing placement. Participants who achieve identified treatment goals will be discharged from the medical respite program into the area housing authority mainstream housing programs that accept VISPDATS which includes SPC, Single Room Occupancy (SRO) units, Cooper House, and the high rises. HUD has approved transfer to a FHRA permanent housing unit which best fits the unique needs of these participants and approved a limited number of applicants who can come through the HUD VISPDAT model. With encouragement from staff at the State Department of Health, a grant application has been submitted with a request to access funding from the Money Follows the Person (MFP) Housing Program to give each participant a small stipend to help them set up their new home as they transition into permanent housing. Participants will be assisted with transfer into FHRA mainstream homeless programs thru the coordinated assessment protocol.

North Dakota state health department representatives believe that the hybrid medical respite program is ideally suited to meet the criteria for comprehensive case management, coordination, health promotion, transitions across the continuum and referral to social support services within the community as defined within the Patient Protection and Affordable Care Act (PPACA).

City of West Sacramento, Yolo County, Calif.: "Bridge to Housing"—A Model for Working with Chronic Homeless in Encampment Settings

The North Levee area had an established community of approximately 71 people experiencing homelessness, along with 47 dogs and 22 cats. Members of



this homeless community lived there, without trash service, sanitation or running water, for an average of 4.5 years, with some members having been homeless for more than 10 years. The City of West Sacramento had worked previously to clear the area of homeless camping on several occasions; however, without other alternatives, the homeless continued to return to the site after each instance. In 2014, the West Sacramento Police Department reached out to representatives of public, private and faith-based agencies to think about a different and more effective way to work with the North Levee homeless encampment.

Yolo's Continuum of Care, the 10-Year Plan Commission, the cities, county and Yolo Housing had been working through how best to make the transition from a traditional housing landscape to a Housing First model. The North Levee project gave members the opportunity to field test Housing First and identify the most successful components and lessons that could be utilized in the future. The result was "Bridge to Housing," a time- and population-limited effort designed to test a Housing First model for Yolo County. It was one of the first large scale efforts to end an encampment and one of the first to work with people in a Housing First model without "cherry-picking" client populations, such as those eligible for VASH, seniors or disabled. This allowed partners to look at presenting issues of chronically homeless needs and available resources without the artificial lens of a single program.

While Housing First proponents will emphasize categorically that communities not focus or stay "stuck" in pilot projects, Yolo's partners found that using a pilot project to "jump start" a change in focus was sound strategy. It engaged multiple partners who had to learn to work together; it forced partners to consider barriers, such as information sharing, that increase the tendency to silo; and it was a small project using many of the collaborative best practices outlined in this report that taught lessons which could be applied globally. More importantly, seeing its success made partners want to collaborate further. As an example, the 10-Year Plan Commission is in the process of updating its plan in order to use the lessons of Bridge to Housing in a 2.0 regional/local framework, demonstrating the power of collaboration. The original project was broken down into components, which included:

- Initial Outreach: In September and October, outreach with residents completed three outreach assessments to identify participants in the program and build trust.

- Neighborhood Clean up Day: Requested by the homeless residents as a way to give back to the community. Volunteers from the faith community, residents, the homeless community, housing authority, county and city participated. Fifteen tons of trash were collected. Homeless participants met elected officials, social service workers and neighbors in a non-confrontational way and helped raise awareness about homelessness.
- Moving Day! Boot Camp for Housing: Participating members moved to housing at a master-leased motel in West Sacramento and managed by Yolo Housing. Prior to the move, there was pet washing and health care, public health and mental health assessments, immunizations, laundry, food and legal assistance, as well as transportation to the motel for participants and their pets provided by county agencies, private volunteers, faith-based groups and the city.
- Boot Camp for Housing—Triage, Assessment, Application: During the 109-day stay at the motel, residents received assistance in applying for benefits, including job training and assistance, chemical dependency, health insurance, disability benefits, counseling, housing voucher wait list enrollment and other services. On-site mobile medical/psychiatric helped disabled residents prepare for SSI/SSA applications. Residents also received cell phones and worked to re-engage in living indoors and in community.

- Placement in Permanent Housing: Includes ongoing and, in some cases, intensive case management to help them succeed in their new housing. At the end of the program, almost 70 percent of graduates found permanent housing, predominantly using standard tenant-based vouchers. Almost one year into the program, they are almost all still housed. This is a phenomenal outcome using standard vouchers in non-permanent supportive housing for long term chronically homeless. At time of program inception, approximately 11 percent had income and most did not have identification or service enrollment, with the exception of some participants in the food stamp program (Cal-Fresh).
- Example of PHA and Partner Collaboration: Bridge to Housing was a multi-disciplinary effort that included: The County, District Attorney's Office, Employment & Social Services Environmental Health, Mental Health, Health Services, Probation, Public Defender's Office, Sheriff-Animal Services, Yolo Housing, City of West Sacramento, New Hope CDC, Aggie Animal Rescue Club at UC Davis, California State Parks, CommuniCare Health Centers, Dog's Best Friend Mobile Grooming, Dog Gone Mobile Grooming, Ethan Conrad Properties, Food Bank of Yolo County, Legal Services of Northern California, Mercy Faith Coalition, Northern California Construction & Training, Petco, West Sacramento, Turning Point Community Programs, United Christian Centers, Waste Management, Yolo Community Care Continuum, Yolo County Day Reporting Center (Sacramento County Office of Education) and Elica Health Center.

This project is a good example of multi-disciplinary collaboration wrapped around the PHA's core community components of property management, service integration and housing vouchers. It involves integration with health, mental health, community, faith-based, social services and funding into a single client centered model.

The Homelessness Task Force is a branch of the Community Revitalization and Development (CR&D) Committee, a NAHRO national policymaking committee. CR&D addresses a broad range of issues related to the economic vitality of cities and the development and conservation of neighborhoods, including administrative, legislative, regulatory, and funding issues of community development programs and operations. More information about the NAHRO Community Revitalization and Development Committee is available at www.nahro.org.

Notice to NAHRO Commissioners

IN 2016, LET NAHRO help you:

- **Learn:** NAHRO's Professional Development System provides commissioner certification courses that will strengthen your Commissioner skill set.
- **Network:** The Commissioners Resource Page contains resources that will help you connect to Commissioner Mentors across the country, best practices information and more. This page is available to NAHRO members and non-members.
- **Advocate:** The Advocacy Center, which is available to both NAHRO members and non-members, is filled with useful information to help you inform your local stakeholders and members of Congress about important issues that need Congressional and community support. Share your stories and push to get adequate funding for the programs your agencies use to assist its residents.

Let NAHRO, your region and your chapters be your source for timely tools that will help you and your colleagues learn, network and advocate. ■

Call for Proposals: 2016 NAHRO National Conference and Exhibition

SHARE YOUR experience and expertise as a housing and community development professional. We are specifically interested in case studies, hands-on solutions and strategic explorations, as well as your thoughts on what's worked (or not) in your agencies, organizations or communities.

We are **not** interested in sessions that market your product or services.

Session proposals should address issues relevant to housing and community development per the following topic tracks:

- Public Housing
- Section 8
- Housing/CD Finance
- Community Development
- Commissioners
- Organizational Management
- International

Submissions must include title, description, three (3) learning objectives and suggested panel participants. Sessions should be designed to be 90 minutes in length.

The criteria for selection includes:

- Overall quality of the proposal
- Focused, well-defined, relevant, and timely topic
- Practical application of material
- Presentation skill of the proposed speaker(s)
- Applicability to a national audience

Proposals must be submitted online at www.nahro.org/2016-call-session-proposals (NAHRO member login required to view page), and the deadline is May 13. Notification regarding accepted proposals will be made by July 31. ■

CALL FOR ARTICLES

The *Journal of Housing and Community Development*

THE *Journal of Housing and Community Development* is the premier affordable housing and community development industry publication. Given that NAHRO members have a wealth of information about best practices, cutting-edge techniques and successful case studies to share, NAHRO encourages the membership to submit proposals for relevant articles, draft articles/or and op-ed pieces for consideration.

The standard article length is between 1,500-3,000 words. Please submit materials via email, in Microsoft Word or other text format, and include graphs, and other visual aids when possible. Shorter pieces such as press releases and case studies for the News Briefs section are also welcome.

Questions? Please contact Sylvia Gimenez at sgimenez@nahro.org. ■

NEWS BRIEFS

STUDIES, SURVEYS AND STATISTICS

NAHRO Updates Report on Impact of CDBG Cuts

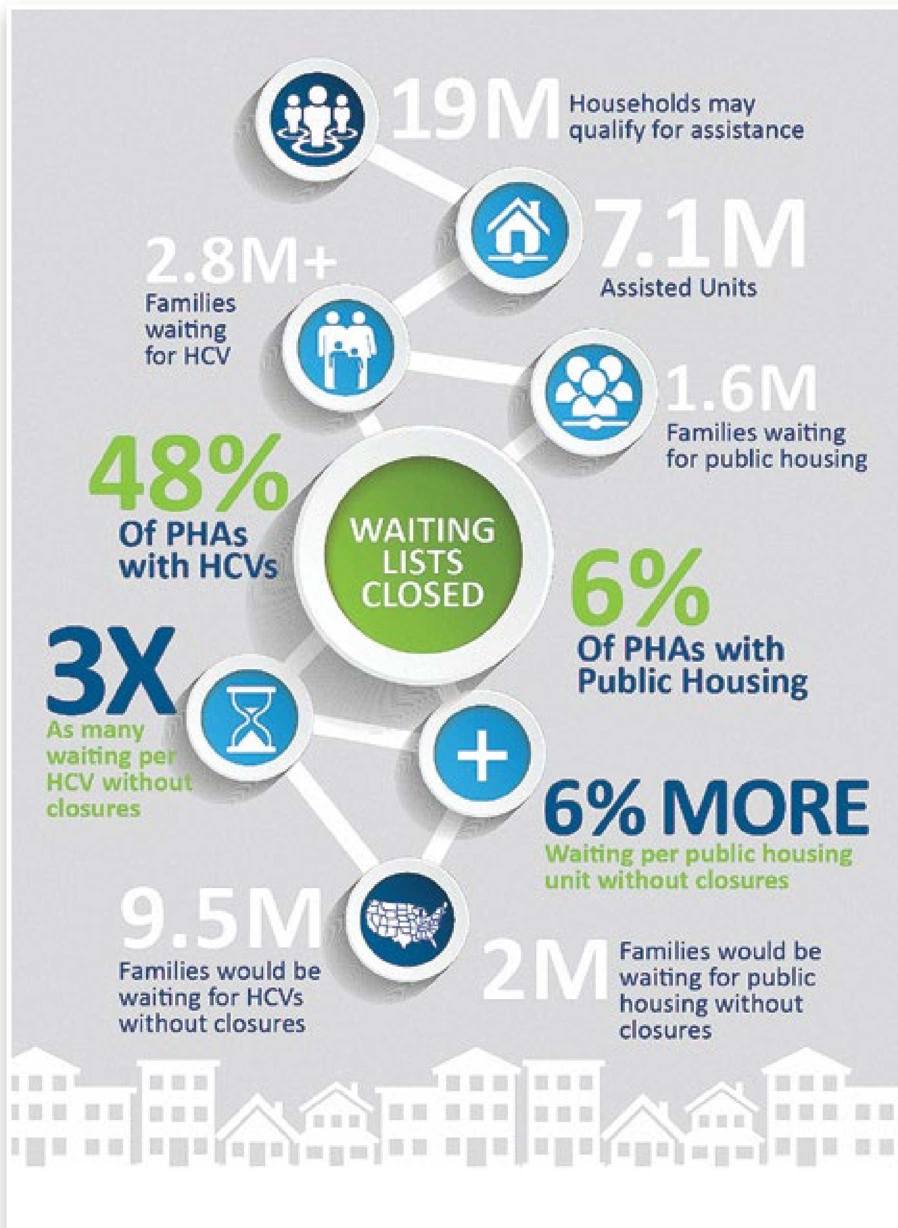
BY JENNY HSU

IN MARCH 2016, NAHRO published an update to a report titled "Consequences for American Communities: A National Survey on the Impact of Recent Reductions in Community Development Block Grant Funding," which highlights the importance of the CDBG to American communities. Produced on behalf of the CDBG Coalition (a group of 21 national associations representing local elected officials, housing and community development professionals, planners, economic development entities, and nonprofits), the report will be used as an advocacy tool as coalition members work to restore CDBG funding for FY 2017. Since FY 2010, CDBG funding has been cut from $3.9 billion to $3 billion in FY 2016, a reduction of nearly 25 percent, before taking into account inflation. The report is available online at www.nahro.org.

NAHRO's updated report incorporates additional survey information from a total of 161 CDBG formula grantees within 40 states, representing 13 percent of all CDBG formula grantees. Survey respondents were asked to provide projections of what they will be able to achieve with their reduced FY 2015 formula allocations as compared to the results they achieved using their FY 2010 grants.

The projected reductions from 161 states, cities, and counties include:

- 1,273 fewer businesses to be assisted;

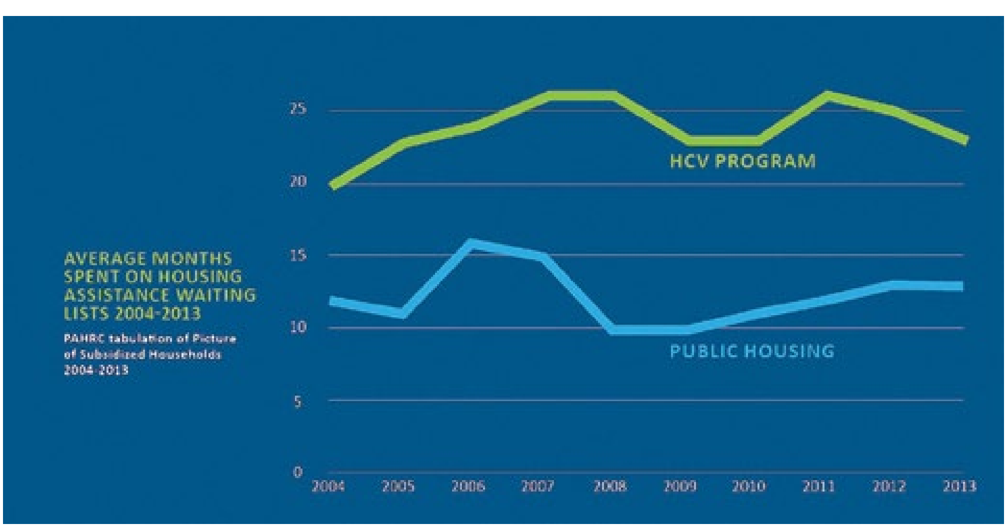


• 1,450 fewer jobs to be created;
• 891 fewer jobs retained;
• 1,748 fewer households to be assisted through homebuyer assistance activities, including 1,034 fewer first-time homebuyers;
• 6,341 fewer minority homebuyers; and 257 fewer veteran homebuyers;
• 936,671 fewer low- and moderate-income persons to be served;
• 56,698 fewer homeless persons to be served;
• 163,972 fewer elderly persons to be served;
• 67,412 fewer children and youth to be served;
• 178,757 fewer persons with special needs to be served;
• 5,487 fewer veterans served;
• 4,390 fewer households to be assisted through housing rehabilitation activities, including 2,100 elderly households;
• 439 new city and county public improvement projects to be canceled or delayed that would have served 11,395,715 people.

Additionally, 91 entitlement community respondents estimated that only 49 percent (1,751 out of 3,702) of all CDBG applications submitted would be funded in FY 2015. A total of $132 million in additional formula funding would be needed to fund all submitted applications. The report also captures supplementary comments from grantees that describe the impact of CDBG funding cuts. According to respondents, funding reductions are forcing communities to scale back important community programs (or eliminate them entirely), and have also resulted in a loss of CDBG program knowledge among community staff.

One California entitlement community states: "These [CDBG] cuts have hurt two groups particularly. First, [they have] severely impacted our service providers and the members of the community who desperately rely on those services. The City relies on CDBG to provide gap funding for all of our public service programs. As other State and County funding sources, as well as some key Federal sources have disappeared, the need for CDBG has increased whilst CDBG continues to be slashed. This means that our seniors, youth, and residents with a disability have had to face a reduction in critical services, such as meals, youth/anti-gang mentoring, and general accessibility to public infrastructure.

"The second cut has come from a loss of CDBG program knowledge within the City organization. The unreliability of CDBG has resulted in a loss of permanent administrative positions in favor of temporary or term administrative positions. This has resulted in staffing turnover, a loss of general efficiency, and issues around meeting the extensive and complicated CDBG reporting and program management requirements. Each year the City plans its CDBG budget prior to the announcement of how much CDBG the City will receive. This timing issue combined with the reduction in funding makes it almost impossible to run stable and effective programs and projects as well as maintain consistent experience and reliable administration."



PAHRC to Release Paper on Waiting Lists and Demand for Affordable Housing

BY TUSHAR GURJAL

ON MARCH 1, the Public and Affordable Housing Research Company (PAHRC), which is part of the HAI group, published a paper titled "Housing Agency Waiting Lists and the Demand for Housing Assistance." NAHRO and industry partners PHADA and CLPHA have historically worked with PAHRC to assist them with their research projects. This paper explores how rental housing assistance waiting lists operate, the factors that impact how long people may wait for assistance, and a "corrected" waiting list count. The paper is available at www.pahrc.org.

The paper begins with a brief overview of how housing agency waiting lists function by describing what a waiting list is, how agencies maintain waiting lists and how agencies set waiting list preferences. Who receives federal housing assistance is determined by federal law and is based on a family's adjusted annual income and specific income targeting percentages. When there are no available vouchers or units, families can add their names to a waiting list. Usually, housing agencies maintain their list by following policies that are set by their Board of Commissioners and defined within their consolidated planning process. While HUD requires that 75 percent of households admitted to the Housing Choice Voucher (HCV) program and 40 percent of households admitted to the public housing program be extremely low-income (30 percent of the area median income or below), agencies may set additional preferences. Example preferences include priority for the elderly, veterans, victims of domestic violence, or those experiencing homelessness. Housing agencies develop preferences based on community need and community feedback.

Wait list times are a function of a variety of factors.

Wait list times are a function of a variety of factors. The report found that in 2013, approximately 41 percent of housing agency HCV programs and 13 percent of housing agency public housing programs had average wait times longer than two years. Also, it would take 9.3 years, on average, to provide every family currently on waiting lists with rental assistance (assuming a 15 percent turnover rate). A family currently spends an average of 23 months on the HCV waiting lists and 13 months on public housing waiting lists. Those agencies that have more vulnerable or harder to serve demographics report longer average wait times. Additionally, large families, extremely low-income families, elderly families, and disabled families may be considered more difficult to serve if their special needs make renting more difficult. The report also found that geography and local market factors play a role, with agencies near major cities (such as Washington, D.C. or New York City) having wait times in excess of a decade.

Finally, the report tries to estimate the demand for rental housing assistance in the United States. It notes that while waiting lists can be helpful barometers of unmet demand, they underestimate the true level of unmet demand because many of them are closed and artificially capped. Even an estimate of families who want to apply for rental assistance, but cannot, is not a great estimate because it does not take into account those who could benefit from rental assistance but do not apply for it. The paper estimates that for every current HCV, there are four additional families that need assistance; for every current public housing unit, there are 1.8 additional families that need assistance. The paper also notes that, in some areas, the estimates may be up to 12 times higher for HCVs and 15 times higher for public housing. Factors that play a large role in the size of an area's waiting list include the cost of rental housing, demographic factors (e.g., population counts and location in a metropolitan area), the supply of low-cost housing, and other measures of need (e.g., size of local homeless population and percentage of renter that are extremely low-income).

The paper concludes by noting that the current supply of affordable housing is inadequate and that "increasing our nation's supply of affordable housing should be a top priority." ■

Awards of Excellence: AFFORDABLE HOUSING

Pivotal Point Apartments

BY CARMEN SMITH

Cedar Pointe Apartments: A Smart Living Community

Tampa Housing Authority

TAMPA, FLA.

The development of Cedar Pointe was made possible through a partnership and collaboration between the Tampa Housing Authority (THA) and the Hillsborough County Affordable Housing Department (HCAHD). HCAHD received Neighborhood Stabilization Program (NSP) funds, which were utilized partially to acquire a blighted, foreclosed, 76-unit multi-family property originally known as Cedar Pointe. After the acquisition of the property, the County voted in favor of operating a funding agreement with THA. Through its Affordable Housing Services Department, ownership of the property was transferred to THA on August 30, 2010, which allowed THA to effectively rehabilitate the development utilizing a portion of the $19 million NSP grant. All told, roughly $8.8 million was provided, which included $1.8 million for acquisition of the 74-unit decrepit development. THA leveraged roughly $945,209 in replace-

Cedar Pointe Apartments

ment housing capital funds.

Due to years of property neglect, the initial plan was changed from rehabilitation to redevelopment. This plan was to demolish existing buildings and construct 84 energy-efficient and environmentally friendly residential units. Unfortunately, due to limited funding, only 60 units were constructed: eight public housing and 52 market-rate for residents earning between 80 percent and 120 percent of Area Median Income (AMI). Modern amenities include: washer and dryer hook-ups, balconies, storage space, playground, splash pad area and a dog walk park. All plumbing fixtures were designed to meet the National Energy Policy Act standards; in order to conserve water, and a water well was installed for landscape irrigation. THA also offers nutrition classes, home-ownership training, a community garden, and active participation in children's education through the provision of a computer in each unit that will help provide a pathway to self-sufficiency.

Cedar Pointe is walking distance from the neighborhood stores, parks, shopping plazas, schools, financial institutions

JEFFREY WANDASIEWICZ OF ARC ARCHITECTS

Cedar Pointe Apartments


Cedar Pointe Apartments

and restaurants. The project was conceived and executed with consideration of the development's placement in a highly desirable and economically vibrant hub.

Jack Capon Villa Developmentally Disabled Housing

Housing Authority of the City of Alameda

ALAMEDA, CALIF.

Jack Capon Villa is the City of Alameda's first multi-family affordable housing project for adults with developmental disabilities. The property provides 18 one- and two-bedroom apartments for households in which at least one member has a disability and total household income is at or below 50 percent of the area median income (AMI). A manager's unit is also included.

The property was built in response to community and local government who were advocating on behalf of individuals from low-income households and those whose aging parents are no longer able to provide financial or service support. Nearly all residents rely solely on Supplemental Security Income (SSI), which is approximately 20 percent of AMI. During community planning for the project, special education teachers, family members and others serving the local developmentally disabled community requested that the project be named after Jack Capon, a resident who had founded the Special Olympics Program in Alameda.

It took nearly five years of efforts by stakeholders and staff to gain all needed public approvals, and another two years to obtain funding. The site was initially owned by the City of Alameda, who transferred it to the housing authority. The housing authority served as a co-general partner in the tax credit partnership and continues to participate in the project as the owner and lessor of the land. Also, critical funds for soil remediation were made available to the project through the State Department of Toxic Substances Control in the form of a special grant available only to public agencies. Project-based Section 8 vouchers provided by the housing authority generate the revenue needed to operate the project successfully while allowing tenants to pay 30 percent of their adjusted monthly income for rent.

The building features wheelchair-accessible units and an ele-


Jack Capon Villa

Jack Capon Villa

vator, an on-site manager's unit, a community room, computer lab and an environmentally-friendly building. It also features artwork by Creative Growth Art Center, an Oakland-based nonprofit serving artists with developmental disabilities. Art is incorporated within the project including tile work in the front of the building, landscape sculptures in the courtyard landscaping, and a unique individual tile created for every unit. An art wall in the community room is decorated with rotating art by adults with disabilities, providing a unique connection to the artistic community.

Another benefit of this community is the ability to streamline the services residents need. Based on California's Lanterman Act, all people with developmental disabilities who are entitled to services are able to receive the services they need in order to live inclusively in their community and choose their own service provider to meet those needs. Services provided to Jack Capon Villa residents include case management; adult educational, health and wellness or skill building classes; health and wellness services and programs; language access; and health or behavioral health services.

Jack Capon Villa

One of the project's partners, Housing Consortium of the Easy Bay, serves as the resident services coordinator. This links all of the service providers and case managers, ensuring that all Jack Capon Villa residents will receive the services they are entitled to, and helps stakeholders work together to resolve housing or housekeeping issues that may arise.

Through a special collaborative effort by the utility provider, the project was accepted into a pilot program that allowed a master meter for hot water, which is necessary in order to benefit from the solar hot water system. As part of the pilot program, residents at Jack Capon Villa still receive reports on their unit's water usage. The motivation behind the reports is to provide residents with a way of monitoring the results of their actions to use less water, and to monitor water over and under use.

Jack Capon Villa is located at the site of a former city parking lot, two blocks away from the Park Street shopping district, which is the city's main downtown area.

A Pivotal Point for Domestic Violence Survivors

Everett, Wash.

THE HOUSING AUTHORITY OF THE CITY OF EVERETT

Through a partnership with the Domestic Violence Services of Snohomish County (DVS), the Everett Housing Authority converted an Army Reserve Center into a shelter with 20 units of supportive housing with a preference for survivors of domestic violence experiencing homelessness.

Pivotal Point Apartments

The project utilized funding from various sources and required nearly a decade of planning. Pivotal Point Apartments, completed in August 2014, quickly achieved nearly 100 percent occupancy. Residents have access to onsite services, as well as services at the adjacent DVS emergency shelter, and have a safe place where their families can begin to heal.

Before this project, EHA partnered with DVS to assist survivors of domestic violence and their families via project-based voucher assistance. In 2014, DVS opened the doors of a Pivotal Point that includes an emergency shelter for victims of domestic violence, administrative offices for staff that provide support to the survivors and a daycare for the shelter occupants' children.

The property is located in the former parking lot of the Oswald Army Reserve Center. In 2005, as part of the Base Realignment and Closure (BRAC) process, this Reserve Center was selected for closure by the Department of Defense. BRAC stipulates that the conversion of military surplus property must comply with a re-use plan that appropriately balances the community economic redevelopment and development to assist the homeless population within the community as selected by a designated committee by the City of Everett.

In 2009, multiple agencies submitted Notices of Interest detailing their hopes for the property's intended use. A committee of citizens then made a recommendation to the city regarding which organization should be granted the right to utilize the property. After heavy deliberation by the committee, DVS was selected. However, this was only the first step toward making a reality. DVS successfully acquired support from the state, the county and the city to renovate the Center's armory and gymnasium:

- $2.5 million dollars from Washington State Housing Trust Fund;
- $1.05 million from Snohomish County (including Community Block Grant funding); and
- $350,000 from the City of Everett.

EHA also assembled financial backing for the development the 20-unit Pivotal Point project:

- $1.8 million dollars from the Washington State Housing Trust Fund;
- 9 percent tax competitive tax credit award from the Washington State Housing and Finance Commission (WSHFC) (EHA selected PNC as its tax credit investor); and
- An EHA loan to the project.

Due to the renovation and construction, DVS has increased their shelter capacity from 15 to 52 beds. They have also been able to expand the number of DVS staff members, enabling them to provide shelter and support services to a greater number of victims each year. From November 2013 through October 2014 DVS was able to provide shelter to 109 adults and 176 children for a total of 10,200 bednights in their new emergency shelter—a dramatic increase from the 5,673 bednights in the previous DVS shelter.

Pivotal Point Apartments is home to 47 residents. Since residents are experiencing homelessness and in many cases have left their belongings behind, EHA and DVS both furnish each unit. EHA provided items that stay with the unit such as tables, chairs, a couch and dressers. DVS gifted residents with mattresses, bed frames, bedding, and handmade quilts donated by members of the community—all of which clients are able to take with them in the future. In addition, upon move-in, DVS gives each resident a care package of toiletries, cleaning supplies, pots and pans and a $100 gift card to the DVS' New & Again Thrift Shoppe.

Pivotal Point residents have access to a variety of services such as legal advocacy, child care, education programs for themselves and their children, job training programs; they can also avail themselves of a full-time DVS employee who provides support. The onsite community room provides a space for support groups, community potlucks, and even has several computers with Internet access so that residents can access educational materials and online resources for themselves and their children. In addition to the 20 units located at Pivotal Point, EHA has provided for a police presence by creating a ground floor office at Pivotal Point, or "cop shop," to be used by the Everett Police Department.

Rittenhouse

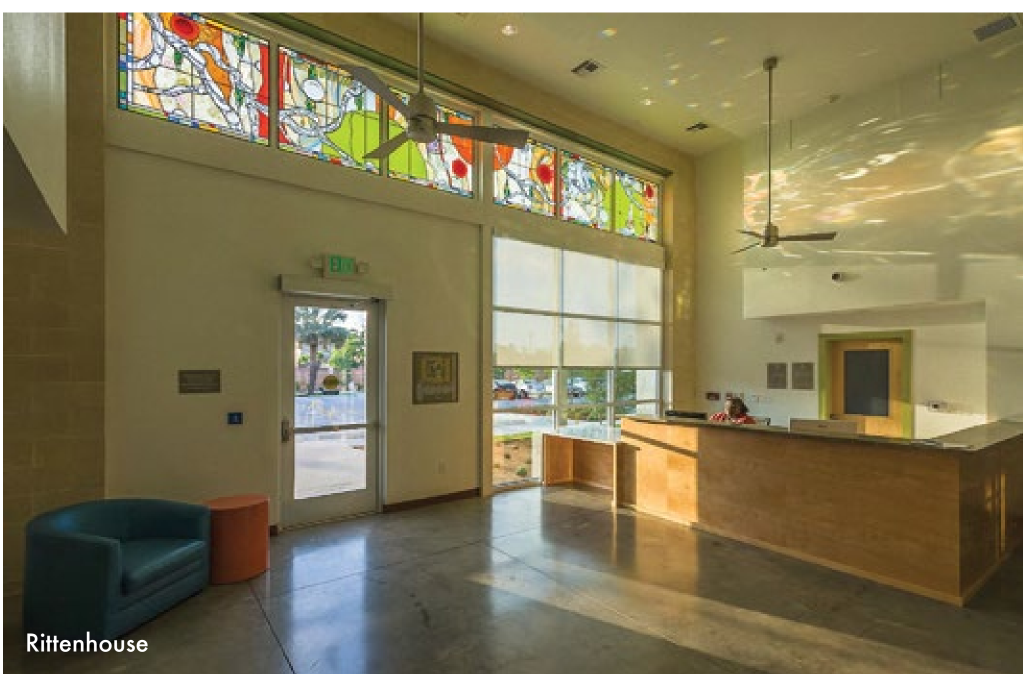
New Hope Housing, Inc.

HOUSTON, TEXAS

Rittenhouse, New Hope Housing Inc.'s seventh property, provides 160 people in the Houston area the opportunity to live in a high-quality, environmentally friendly, affordable housing development with the support services to help them exit the cycle of homelessness and stabilize their lives.

New Hope was established by the parishioners of Christ Church Cathedral, who saw the growing homeless population in downtown Houston, just outside of their church. They built the first-single room occupancy (SRO) property in Houston and the first successful one in Texas. Throughout their history, they have adopted a continuous development cycle to meet housing demands all while operating debt-free. Since inception, New Hope has raised more than $90 million to support its mission, with 954 SRO units at seven properties that have served more than 8,300 people.

Almost 60 percent of New Hope residents are formerly homeless and more than 60 percent have a physical or cognitive disability. Residents include: veterans, the elderly, the chronically ill, part-time students, people with cognitive and physical impairments, those


Rittenhouse

Rittenhouse

overcoming substance abuse, the working poor making as little as $7.25/hour, and the formerly homeless. Data shows that the monthly incomes of New Hope's residents' typically do not exceed $800 (approximately 60% of their resident population).

Rittenhouse is New Hope's fourth tax credit development; hence, the property has a 40-year land use restriction agreement (LURA). Therefore, for the next 40 years, New Hope is responsible for the provision of on-site supportive services, fiscal oversight, management, operations, and compliance reporting standards for the Rittenhouse development.

Rittenhouse has been a catalyst for further development: A new LA Fitness and an Acres Home Multi-Service Center opened; there have been street, esplanade and sidewalk improvements; a new water distribution and waste-water collection facility; newly constructed single-family homes; older homes have been upgraded with paint and landscaping; and, vacant lots have been cleared for single-family homes as well as for commercial use.

In addition to benefiting the Rittenhouse neighborhood, New Hope's housing and services program affects the city at large through being eminently practical and cost effective. For example, the average monthly expense to house, feed, and provide services to an individual in a shelter is $2,257 as compared to a rental rate of $495 at Rittenhouse. This rental rate includes free utilities and Internet; cable TV access; supportive services; and use of community spaces. It includes a reception area; 24/7 staffing with a single point of ingress/egress; social service offices; property management; library; fully-equipped business center; multi-purpose training room; theater/dining room; community kitchen; and, laundry facilities.

Rittenhouse is LEED for Homes-certified at the platinum level, the highest level awarded by the U.S. Green Building Council. The total development cost of Rittenhouse was $13.5 million and New Hope has begun plans for developing its next project, New Hope Housing at Reed. ■

The Intersection of EPC and RAD: A ROADMAP FOR PHAS

BY JAIME BORDENAVE, RICHARD D. SANTANGELO, P.E., DR. STEVE MORGAN AND MICHAEL NAIL

Acknowledgment: "The information, data, or work presented herein was funded in part by the U.S. Department of Energy, Energy Efficiency and Renewable Energy Program, under Award Number DE-EE0006498."

THIS ARTICLE is intended as a guide for public housing authorities (PHAs) and their partners who are considering the Rental Assistance Demonstration (RAD) or Energy Performance Contracting (EPC), or both. These programs may be complementary to each other when a PHA has an existing EPC, or is considering energy-efficient opportunities for RAD conversions two or more years into the future. After providing a basic introduction to both the RAD and EPC initiatives, as well as an overview of how they can work together, we will examine five examples to determine the impact of EPC incentives, tax credits and other timing-dependent variables and discuss the financial benefits of implementing an EPC program before a RAD conversion versus a RAD-only strategy. We will then conclude with the principles of the EPC-RAD dynamic and a decision-making flowchart.

Making a RAD-EPC decision boils down to a PHA's strategic objectives, timing and financing. The strategic objectives are the PHA's asset management goals over the next 10 to 20 years, and should include the appropriate mechanisms (e.g., EPC, RAD, or both) for implementing their redevelopment strategy. Timing is influenced by the PHA's commitment and focus, and an available ceiling level for conversion to RAD. Financing involves suitable operating and capital funding levels to successfully transition to RAD, rent structure to address debt service, reserves for that rainy day and, where required, tax credit availability to augment financing. Given a sense of those variables in which a PHA must operate, the discussion and analyses in this article should provide guidance for a PHA exploring redevelopment options as part of its strategic planning process.

INTRODUCTION

What Is Energy Performance Contracting (EPC)?

ON ITS WEBSITE, HUD explains that "Energy Performance Contracting (EPC) is an innovative financing technique that uses cost savings from reduced energy consumption to repay the cost of installing energy conservation measures. Normally offered by Energy Service Companies (ESCOs), this financing technique allows building users to achieve energy savings without up-front capital expenses. The costs of the energy improvements are borne by the performance contractor and paid back out of the energy savings. Other advantages include the ability to use a single contractor to do necessary energy audits and retrofit and to guarantee the energy savings from a selected series of conservation measures."

HUD provides three EPC financial incentives—the frozen rolling base, the add-on subsidy, and the resident-paid utility incentives. Besides or apart from EPC incentives, HUD also offers performance incentives that PHAs can receive through reducing consumption or extraordinary rate reduction efforts through utility supply negotiated procurement. Recently, HUD revisited the rate reduction incentive (RRI) to promote renewable energy technology. The outcome of recent guidance is a more harmonious and rewarding incentives program when renewable energy is used in an EPC. More than $1.3 billion has been invested by over 330 agencies for this set of incentives since 1995.

What Is the Rental Assistance Demonstration (RAD)?

HUD EXPLAINS that "[t]he Rental Assistance Demonstration was created in order to give public housing authorities (PHAs) a powerful tool to preserve and improve public housing properties and address the $26 billion dollar nationwide backlog of deferred maintenance. RAD also gives owners of three HUD 'legacy' programs (Rent Supplement, Rental Assistance Payment, and Section 8 Moderate Rehabilitation) the opportunity to enter into long-term contracts that facilitate the financing of improvements." RAD is a voluntary program offered by HUD and authorized by Congress as a demonstration to provide an alternative route to preserving public housing properties. Inspired by the growing gap between PHA capital needs—now estimated at $26 billion—and growing annually by a net $2 billion, the program offers the Section 8 platform and its long-term funding contract as a more sustainable option. The Section 8 conversion option is available under either the project-based voucher (PBV), or the project-based rental assistance (PBRA) programs. RAD Conversions provide either 15- or 20-year contracts, and the opportunity to mortgage properties, leverage Low-Income Housing Tax Credits (LIHTCs), and access other sources of financing. The RAD option is available for applications submitted until September 30, 2018, assuming there are units available under the cap of 185,000 units. As of January 1, 2016, there is a waiting list for RAD vouchers that are recaptured by HUD or returned by PHAs that decide to not move forward. It is also possible that Congress will lift the cap again, based on a growing waiting list.

The long-term contracts, historically stable appropriations and private sector stakeholders in the legal, development and financing markets prompt many observers to predict that project-based Section 8 properties will receive more sustainable HUD subsidies for the foreseeable future than public housing has experienced in recent years or will see going forward.

The HUD website (www.HUD.gov/RAD) offers a toolkit, featuring an inventory assessment tool, an application form, and all the requirements for compliance and issuance of a CHAP (a commitment to enter a Housing Assistance Payments Contract). To qualify, agencies must hold two resident meetings, gain formal board approval, assemble a development team, obtain letters from lender and equity providers (as needed), and engage a physical needs assessment contractor. From application to closing, agencies should anticipate a 6—18 month process, depending on the financing approach and the complexity of the project.

RAD and EPC: The Intersection

The RAD demonstration began in the summer of 2012. Initially limited to 60,000 public housing units, it was expanded to 185,000 units in December of 2014 by Congress. RAD has captured the full attention of virtually all agencies, large and small, and with good reason. It offers more appropriations stability looking forward, a leveraging of capital to meet a considerable fraction of the $26 billion current capital need backlog, fewer Department of Housing and Urban Development (HUD) regulations, and improved resident options. As of December 2015, the full complement of 185,000 units applying for conversion has been allocated to PHAs.

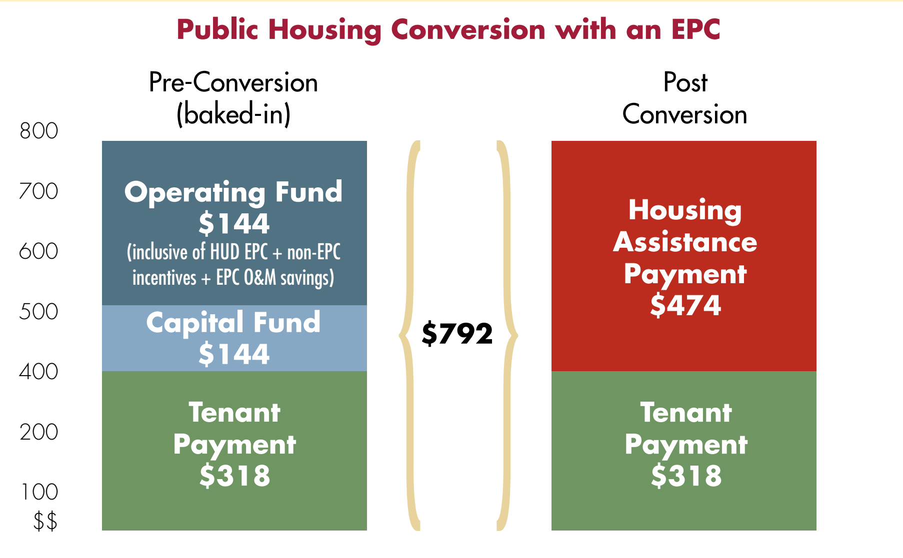
Unfortunately, in the short run, all the attention placed on RAD has distracted from EPC, which is another significant capital redevelopment program. Despite its investment of more than $1.3 billion in capital improvements at more than 330 agencies over the past decade, less than 20 EPC projects were submitted for HUD approval during 2013 and 2014, about a two-thirds drop from previous years. A major reason for this was the perception that mortgage lenders would require that EPC debt obligations be retired before conversion of projects through RAD could take place, and that alternative debt retirement or refinancing options were not viable. Exacerbating this perception was the push by PHAs to submit a RAD application before the ceiling of units permitted under the demonstration was reached.

Yet the RAD conversions that have already taken place with existing EPC debt obligations were all resolved without harm to the agencies involved, through a variety of creative financing strategies. Moreover, the financial value to the PHA of conversions to RAD with EPC incentives structured into RAD the transaction is considerably enhanced. As depicted in Figure 1, the calculation of RAD contract rents for EPC agency projects allows the frozen rolling base incentives for utilities—established on the basis of pre-EPC consumption levels—to be locked-in permanently for the life of the Section 8 contract and subsequent renewals.

Agencies contemplating a multi-phase RAD conversion over several years can bake-in the EPC benefits into their Housing Assistance Payment (HAP) contract by undertaking EPCs before the conversion takes place for those properties not immediately converting, provided the PHA can complete the transition within the permitted conversion timeframe and the HUD selected RAD funding year. In addition, implementing an EPC prior to conversion can improve the HUD subsidy (i.e., if an add-on subsidy incentive is used as part of an EPC) over non-EPC RAD converted properties. The property taking advantage of EPC can see lower operating costs, a fully-integrated energy solution, superior resident comfort, improved asset sustainability, a hedge against future utility rate increases, and better financial leverage.

Not all situations lend themselves to an EPC solution, or to RAD. EPC is one of many financial approaches in the toolbox of PHAs confronted with a $26 billion backlog of capital improvements, of which 16-20% is specifically energy-related. It is not feasible today to carry out an EPC program and a RAD conversion for the same projects simultaneously, for reasons of timing and management complexity. Some properties are already energy-efficient; others will undergo gut rehabilitation or demolition, rendering an EPC program impractical; and some properties with less significant energy-related capital need may finance these improvements as part of their mortgage financing in the RAD conversion. Still other PHAs may have already added energy conservation measures through their Capital Fund Program. Each of the described situations requires its own assessment.

Figure 1—**Pre/Post Conversion with an EPC–*Locked-in Effect***



What is Right for My PHA?

The following table helps an agency apply its particular situation to the choices involved redeveloping its properties for RAD and EPC.

EPC Incentives and Non-EPC Incentives

A meaningful approach to the discussion of EPC-RAD intersection is through implementation models from the perspective of a PHA considering the transition under various scenarios. First, however, we need to understand the EPC and non-EPC incentives that have made the EPC program so successful over the years. As the PHA transitions from the Public Housing program to RAD, we come to realize the locked-in impact associated with the RAD formula (Figure 1 - Operating Subsidy + Capital Fund = Housing Assistance Payment) used to calculate the contract rent under RAD. Table 2A explains the EPC incentives and how they are locked-in when converting under RAD. Table 2B explains the non-EPC incentives and how they are *locked-in* when converting under RAD.

Table 1–**Redevelopment Options**

Redevelopment Options	Approach	Rank
Choice Neighborhoods Grant (and predecessor HOPE VI program)	Relies on a financial model that typically combines a substantial grant (e.g., $30 million), traditional public housing operating funds, private equity—generally raised through the sale of Low-Income Housing Tax Credits—and other sources of capital.	#1 - Best option for severely distressed projects in distressed neighborhoods. However, this is a highly competitive and expensive process, which makes it improbable for most PHAs, especially smaller ones. Currently only three or four awards are made per year.
Section 18 demo/dispo with Demolition or Disposition Transition Funding (formerly Replacement Housing Factor) + tenant protection vouchers for qualifying properties	PHAs must show that the necessary modification and/or rehabilitation to a project is not cost-effective. HUD considers modifications not to be cost-effective if current capital needs exceed 62.5% of Total Development Cost (TDC) for elevator structures and 57.25% of TDC for other types of structures. PHA may receive DDTF funding for public housing units demolished or sold, spread over a period of five years.	#2 – This is a strong option, but entails a time consuming process. It is also difficult to qualify for because of the high cost thresholds.
RAD/EPC	Convert to Project-based Section 8, with debt and equity as needed.	#3 – This combines the RAD demonstration program with locked-in incentives from one of HUD's most successful redevelopment programs.
Mixed-Finance/EPC	Leveraging with tax credits—private equity—generally raised through the sale of Low-Income Housing Tax Credits	#4 –PHA units do not support debt, as they would under RAD. Also, if replacing with new construction, the mixed-finance approach results in much lower contract rents than under RAD.
Leveraged Capital Fund Financing Program CFFP/EPC	PHA may borrow private capital to make improvements and pledge, with repayment subject to the availability of Appropriations, a portion of its future years' annual Capital Funds to make debt service payments for either a bond or conventional bank loan transaction. CFFP can be used in conjunction with an EPC.	#5 –The decline in capital funding levels makes this approach less viable as a comprehensive solution to redevelopment. In addition, the available funding sources under #3 make larger redevelopment efforts possible.
Unleveraged CFFP/EPC	Use of CFFP alone or EPC alone.	#6 –The lack of leverage and the addition of interest costs ultimately reduce the capital funding available.
Capital Fund	Business as usual – using limited capital funds for Section 9 eligible expenses.	#7 –The declining trend in capital funding levels makes this approach less viable as a comprehensive solution to redevelopment.

Table 2A–**EPC Incentives**

EPC Incentives	How EPC Incentives Work	EPC Converted to RAD
Frozen Rolling Base (FRB)	Consumption is frozen based on 3 year average at time of approval. Reduced consumption generates savings that are used to cover debt for Energy Conservation Measures (ECMs), e.g., water measures. If rates under EPC increases; they are covered by adjustment to utility costs in project budget. At the contract term end, consumption level is lowered to then-current usage, resulting in a lowered subsidy.	Utility costs, not consumption, at time of conversion are built into RAD Contract Rents. Reduced consumption generates savings that are used to cover debt for ECMs. Utility adjustments for project paid utilities must follow the procedures outlined in Housing Notice H-2015-04, June 22, 2015. Utility consumption level is not reduced at the end of the financing term. Savings continue in perpetuity, with annual OCAF adjustments. Results in ongoing financial gain by PHA.
Add-on Subsidy (AOS)	HUD provides Add-On Subsidy to cover the ECMs (e.g., lighting) for set amortization term, including financing costs. If savings are less than projected, PHA must return the "shortfall" to HUD. If savings are greater, overage repaid to HUD.	Add-On Subsidy (subcategory of the Operating Subsidy) is built into the contract rent. Remains in contract rent after conversion, indefinitely.
Resident-Paid Utilities (RPU)	ECMs that reduce tenant-paid utilities result in lower utility allowance for tenants and higher tenant rents with rent increase going toward debt service. Total tenant payment remains the same.	For projects with an existing EPC using the Resident Paid Utility (RPU) Incentive, HUD will allow an amendment to the posted RAD rent to add the Per Unit Month (PUM) EPC Resident Paid Utility Incentive (PIH Notice PIH-2012-32 (HA), REV-2 Issued: June 15, 2015) page 65. Utility adjustments for RPU: For the PBV program, utility allowances are set according to the Housing Choice Voucher program and not by project. For the PBRA program, follow the procedures outlined in Housing Notice H-2015-04, June 22, 2015.

Table 2B—**Non-EPC Incentives**

Non-EPC Incentives	How Incentives Work	EPC Converted to RAD
Operating Fund Benefit (OFB)	With or without EPC, PHA shares energy savings with HUD, until consumption normalizes – 75% of consumptions savings to the PHA -25% to HUD.	After conversion, OFB is reflected in the UEL conversion to RAD. Best to convert 2-3 years after EPC measures are fully installed to maximize benefit in perpetuity.
Rate Reduction Incentive (RRI)	Based on "extraordinary" agreement to reduce utility rates. PHA shares the savings 50/50 with HUD. In conjunction with an EPC and renewable technology PHA may be able to retain 100% of savings. No set time period.	Savings would continue indefinitely. Sharing with HUD would discontinue.

Comparison of EPC and RAD Under Multiple Scenarios

Here are five EPC scenarios based on alternative distribution of the incentives among Frozen Rolling Base (FRB), Add-On Subsidy (AOS) and Resident Paid Utilities (RPU). For each EPC scenario, we look at the economic benefit under these five approaches: (a) EPC throughout the duration of a traditional contract term (i.e., 15-year financing); (b) EPC project converted to RAD, with the RAD project using debt only, and no tax credit leverage; (c) RAD project from the outset, using debt only; (d) EPC project converted to RAD, with the RAD project using debt plus 4% tax credit equity; and (e) RAD project from the outset, using both debt and 4% equity.

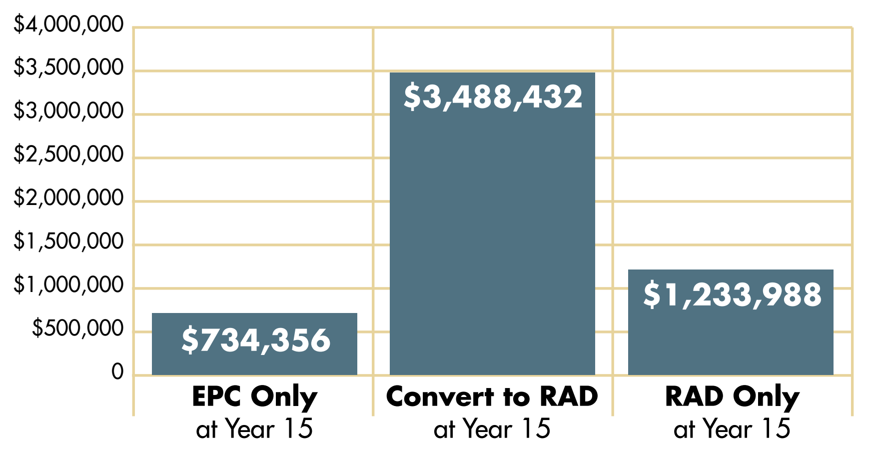
The five EPC scenarios are as follow:
(See Table 3, page 32.)

In nearly all scenarios, converting an existing EPC project to RAD has far greater economic benefit to the authority/project than does seeing EPC through to the end of its financing term alone. Also, in looking at RAD with debt only, in three scenarios, undertaking the same energy conservation measures as part of a RAD conversion, without first undertaking EPC is more beneficial than the EPC

Table 3–**Scenario Descriptions**

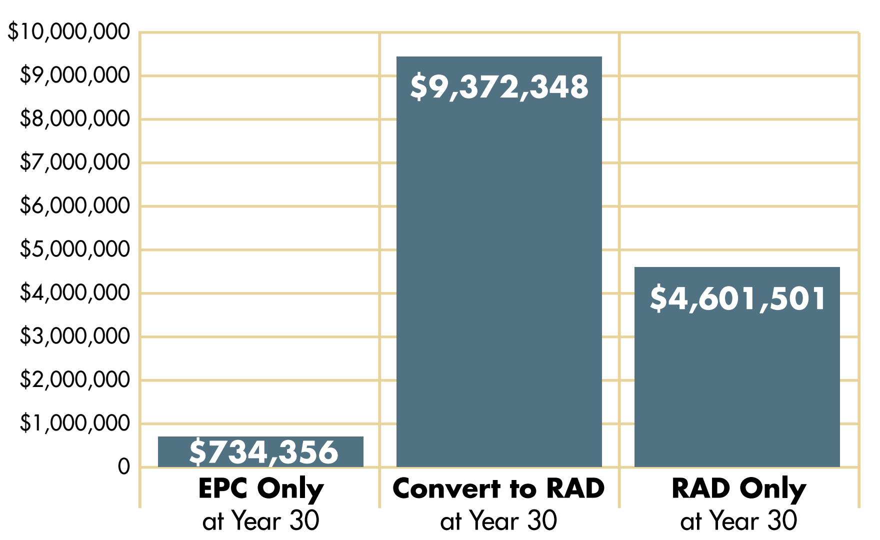
Economic Benefit	Distribution of EPC Incentives Under Each Scenario FRB/AOS/RPU	Project Parameters
Scenario 1	50%/25%/25%	**EPC Parameters & Terms** Hard costs of $2.5 million; 15 year term; 4% interest rate; 3% annual inflation; and, 0.5% replacement cost factor. **RAD Parameters & Terms** 30 years term; and, 4% interest.
Scenario 2	50%/0%/50%	
Scenario 3	50%/50%/0%	
Scenario 4	0%/50%/50%	
Scenario 5	100%/0%/0%	

Figure 2—**Scenario 1, at year 15 using debt only**



RAD also includes $2.5MM debt in this scenario.

Figure 3—**Scenario 1, at year 30 using debt leveraged**



RAD includes debt leveraged with 4% equity in this scenario.

at the end of the 15-year financing term. Since the economic benefit of EPC ends when the financing is repaid, but continues under RAD, when the analysis is taken out to 30 years, RAD will always be more beneficial than EPC alone under all of the scenarios.

The following graphs help visualize the tables discussed above. The first illustration, Figure 2, compares Scenario 1 at year 15 with EPC-to-RAD conversion and RAD-only solutions using debt only.

The second illustration, Figure 3, compares Scenario 1 at year 30 with EPC-to-RAD conversion and RAD-only solutions using debt leveraged with 4 percent LIHTC. An EPC converted to RAD is the optimum approach under debt only for 15 years.

Since the economic benefit of EPC ends when the financing is repaid, but continues under RAD, when the analysis is taken out to 30 years, RAD will always be more beneficial than EPC alone under all of the scenarios.

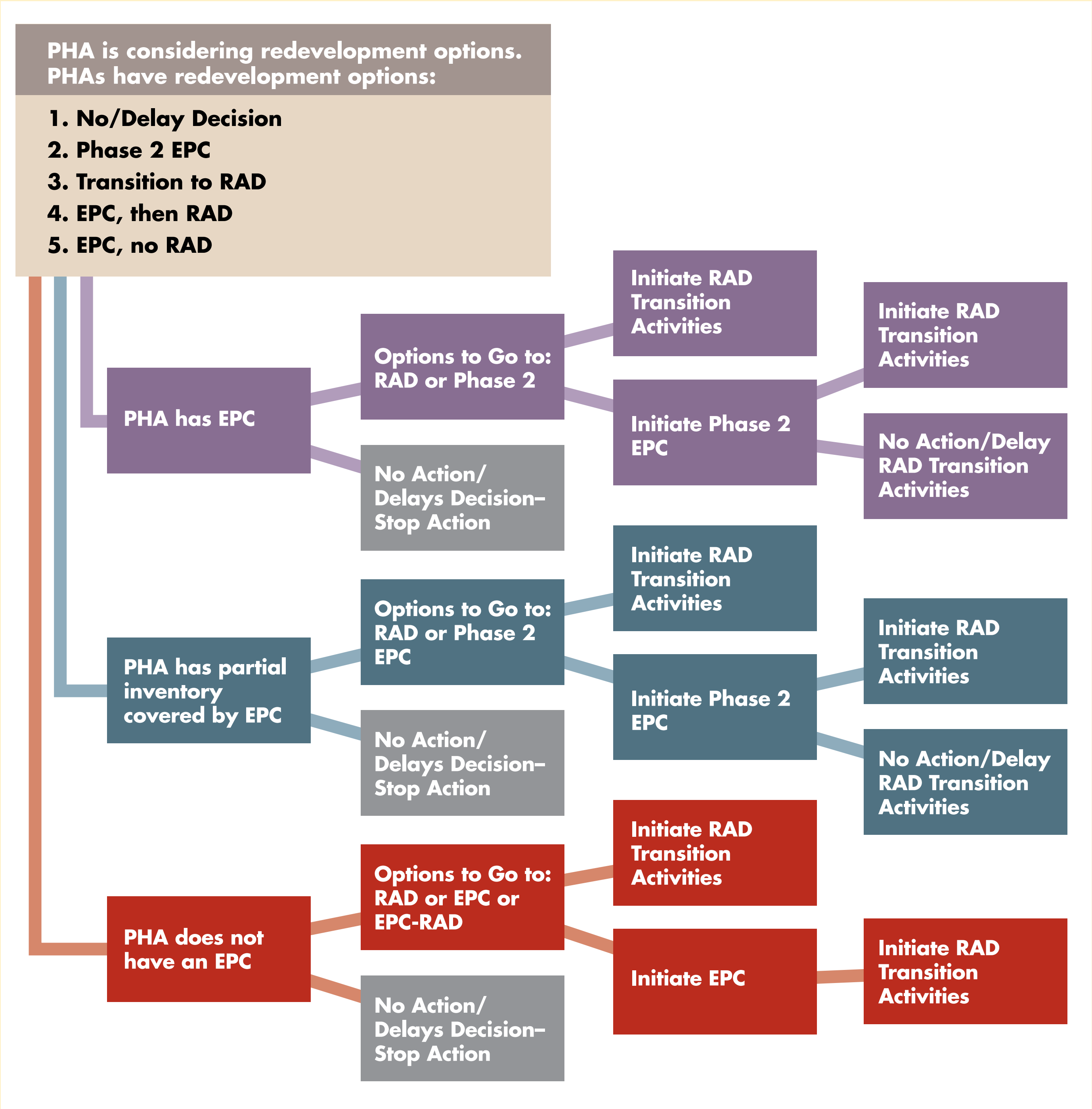
Let's walk through what could represent a typical decision process for a PHA considering an EPC or RAD. Figure 4 starts with a PHA that recognizes its capital redevelopment needs including energy.

In all scenarios, converting an EPC through RAD is better than undertaking an EPC alone. Also, in 12 of 15 scenarios, undertaking the same energy project via RAD alone is better than doing so via an EPC alone.

Looking Forward: Energy Incentives Post-RAD Transition

As RAD conversions grow to scale and the Section 8 platform becomes increasingly the focus for all affordable housing

Figure 4–**EPC–RAD Decision Intersection**



policymaking related to energy efficiency, the paucity of viable energy-efficiency financing strategies for properties with particularly significant capital needs looms large. In its recent PIH Notice, PIH-2012-32 (HA), REV-2, HUD has begun to address the barriers on the multifamily side that deal with utility allowances; however, more needs to be done. For example, HUD should provide guidance and establish a pilot for PACE and bill repayment, and establish an overarching policy framework that reviews all of the barriers and their potential solutions.

Many of the concepts below can be combined with future RAD conversion requirements; all deserve elaboration and further analysis by HUD and affordable housing advocates and stakeholders:

- Establishment of energy performance contracting for affordable housing properties, such as that contemplated in pilot Social Investment Bond negotiations with Enterprise Community Partners (utilizing third-party aggregation and administration);

- Partnership with Fannie Mae and others to establish Energy Efficiency Mortgages accompanied by relaxed debt/income ratios for properties making comprehensive investments;
- Aggressive marketing in pursuit of Property Assessed Clean Energy financing implementation, with an even more streamlined HUD approval process than that now offered;
- Pursuit of utility Pay for Performance program designs for electricity and gas investments in efficient equipment upgrades;
- Aggregated power purchase agreements for photovoltaic (PV) and other renewable technologies, and implementation of virtual net metering as demonstrated by Pacific Gas & Electric today;
- Utilization of on-bill repayment options provided by electric and gas utilities;
- Encouragement of one-stop contracting for audit, design, implementation and financing of efficiency and renewable measures via a host of incentives, including utility allowances flexibility;
- Adoption of energy benchmarking for all HUD-assisted multifamily properties;
- Partnerships with Housing Finance Agencies to facilitate offering of low cost, accessible financing for properties seeking deep retrofits; and,
- Encouragement of healthy homes and resilience measures as integral part of retrofit packages, including partnerships with health insurance and health providers in low-income neighborhoods.

More aggressive policy adaptations for future RAD conversions should consider a mandatory energy building standard for developments, scored by energy features such as those provided in the Enterprise Green Communities criteria. At the very least benchmarking should accompany conversions, with a minimum grade or score required for conversion acceptance. Mandates will not be enforceable without corresponding incentives and access to affordable debt, especially debt that can be offset by utility savings.

Acknowledgments

Many thanks and credit go to the following for their efforts in researching, collecting and presenting and providing the latest EPC-RAD transition information. Jaime Bordenave, a RAD developer, is credited with analyses of the scenarios and assisting in the research.

Additional Resources:

Status of HUD's Rental Assistance Demonstration (RAD) Evaluation and Results to Date, September 30, 2014; U.S. Department of Housing and Urban Development (HUD), Office of Policy Development & Research (PD&R), summarizing the approach to evaluating RAD, and reports on RAD progress and achievements through August 2014. Subsequently, an Interim Report: Evaluation of HUD's Rental Assistance Demonstration, has been drafted and is under final publication preparation by PD&R, anticipated for release in Summer 2016.

Conversion of Public Housing to Project-Based Assistance Broad Data Analysis Report, March 14, 2012; Quantitative exploration of the implications of changing the funding of our nation's public housing stock from the current Annual Contributions Contract (ACC) program to project-based Section 8 rental assistance or project-based vouchers (Project-Based Assistance).

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Michael Nail, President and CEO of Enlightened Enterprises, Inc. and its two energy divisions, Enlightened Energy Consultants (EEC) and Enlightened Energy Solutions (EES). These companies bring enlightened, resilient, sustainable energy solutions to Public Housing Authority (PHA) and other public sector clients. More information is available at www.englightenedenergysolutions.com. Mike may be contacted at enlightened1on1@aol.com.

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