TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

PERMANENT SUPPORTIVE HOUSING COMMITTEE MEETING

John H. Reagan Building
Room JHR 140
105 W. 15th Street
Austin, Texas

October 15, 2015
8:32 a.m.

MEMBERS:

T. TOLBERT CHISUM
TOM H. GANN

STAFF:

TIMOTHY K. IRVINE, Executive Director
TOM GOURIS, Deputy Executive Director
Asset Analysis and Management
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MR. GOURIS: As you know, we've been trying to develop and get a better handle on what the Board is seeing as a need for permanent supportive housing. So we've been trying to hone in on what it is to be permanent supportive housing and how we can assist in financing the development of such housing.

I think we've had lots of good internal conversations in the last couple of weeks, and one of the things we've sort of identified is that there's really two kinds of thought processes. There's a thought process that revolves around the person which all housing and all things that we do in government should get back down to, but what we're trying to do here is try to figure out how to define the development from a development perspective so that we can fund the development, because that's really what we tend to do and that's what we were looking to do with this piece of funding.

A lot of the funding that we have and that is available for the person has to do with like 811 or Section 8, or there are other pieces that help with the ongoing nature of the housing costs for a household. What we're trying to do is find how can we assist in the development of that project. And so I think you're going to hear maybe, as we go through this, a little bit of
distinction between definitions that are person-centered, which are important, but the definition that we're looking for and the things that we're looking for are more development-centered, if that makes any sense. And so I wanted to say that because I think that became clear as we were having dialogue internally and some of the concerns that have been raised internally.

The first item on today's conversation piece has to do with trying to get to defining what permanent supportive housing is and what services that we're looking to see come out of that kind of housing or may be part of that housing. And what we did is we put together some definitions that we found from other places. Andrew actually collected some of these, and what we have in our own definitional book is we have two things: we have definitions of what services should be or from a development standpoint what are services, and we also have a definition of supportive housing. That is very close to, I think, what we were trying to get to with permanent supportive housing, but I think it's an opportunity for us to re-look at that and decide if that's exactly what we meant or not.

We start here with the definition that's from the United States Interagency Council on Homelessness, and its definition has a little bit more person-centric kind
of language to it, but I'll read it for you real quick just so you know what we're talking about. Permanent supportive housing is decent, safe, affordable, community-based housing that provides tenants with the rights of tenancy and links to voluntary and flexible supports and services for people with disabilities who are experiencing homelessness. And it goes on to say it's a proven, effective means of reintegrating chronically homeless and other highly vulnerable homeless families and individuals with psychiatric disabilities or chronic health challenges into the community by addressing their basic needs for housing and providing ongoing support.

So a couple of things that make that sort of maybe too specific for our purposes is that it focuses just on homelessness, and one of the comments we heard last time was are we talking about all sorts of supportive housing or are we talking about supportive housing that just focuses on homelessness. And I think that's a conversation that we need to have to see do we want to be broader than just homelessness.

The other thing is it focuses on housing for persons and it focuses on the person's ability to pick and choose and for all of it to be voluntary, which is important but it's also difficult for them to have a development that is focused on that but that doesn't
necessarily have to have tenants that have those needs or
wants or desires. So coming to some terms with that is
something that we need to do.

I think it would be good to get conversation
going on definitions, so I hope that if you guys have
comments that you want to make or be part of the dialogue,
come on up and start helping us refine. As we go through
this you'll see some proposed modifications to this
definition for our purposes and you can see kind of
directionally where we're going

I'll stop here, and Walter, if you've got a
comment, you're welcome to bring it.

MR. MOREAU: I'm Walter Moreau with Foundation
Communities.

Our biggest challenge to building more
supportive housing for extremely low income homeless at-
risk individuals and families is funding. We've got to
layer together a capital stack with ten layers of funds.
Every funding source we use has got their own special
definitions and that creates another challenge. And
what's exciting about where we're at now is really not
item 1, 2 and 3 but item number 4 which is the potential
to put some additional TCAP funding into the multifamily
NOFA so that we could apply and have that soft source of
funds.
MR. GOURIS: That's why we're doing this, Walter.

MR. MOREAU: I know. Trying to get the perfect definition would take a year or more. I watched the interagency group spend a year or more trying to define permanent supportive housing. I think you've already got in your rules a supportive housing definition that's functional, that's stood the test of time of all the QAP competition, it's probably not perfect but I think it works fine. Once you open up the definition, you've got definitions you don't have here from HUD, from the Corporation for Supportive Housing, you have a state law around integrated housing that caps the amount of housing for people with disabilities in a complex.

That's my general comment is I think the existing definitions that you've got we can all live with, and I'd encourage you to instead focus on finding funding to put into building more supportive housing. And boy, if we're going to have a discussion about definitions, it will be a year or more. I'll stop there.

MR. IRVINE: Before you start, Judy, I think it's important for our Board representatives to have a really solid foundation on some of the definitional issues because they're the ones that are going to be taking sort of a leadership role in Board dialogue on this subject,
and I guess what I see in the definitions is a couple of tensions. One, you've got to talk about funding issues, and those aren't just funding issues in terms of development, they're funding issues in terms of the person living there, can everybody afford to be getting what they need to be getting.

I think that with permanent supportive housing you're talking about unusual funding constraints, both on the development side and on the individuals. You're talking about low incomes, you're talking about low rents, but you're also talking about more costly facilities and certainly the additional costs of making good services available. So I think from a definitional perspective, you guys need to be comfortable that all of the competing interests and factors that need to be balanced are brought to bear.

MS. TELGE: I'm Judy Telge, I'm from Corpus Christi, Texas, and I'm with a couple of things. One is a very small accessible housing, Resources, Inc., developer. We have a couple of very small developments. And I'm also with the Center for Independent Living.

What jumps out at me, because we do a lot of relocation under the Olmstead Act, which I think that's something that needs to make sure that that's being considered in the definition. The problem with that is
that not everybody agrees that people in institutions are homeless. We believe they are. So I think that needs to be at least looked at as part of the definition for us to be embracing it.

The other thing I think we need to look at was stated just a minute ago is that people at extremely low income, whether they have disabilities, whether they're homeless, those really are the focus of what we're trying to reach and we'll look at that in any definition. And then the other thing is that we want to make sure that living somewhere is not contingent upon the services they need and vice versa.

So those are the things that we will look for in a definition. Does that make sense?

MR. GOURIS: Maybe I can ask a little bit about two things. One, I think what you're saying is you want us to make sure that it's a broad definition which is what our existing definition is, it's fairly broad, it doesn't specify it has to be for homelessness necessarily, but that's sort of part of the thought process, of course. It could be for folks with a disability or for a wide variety of folks who are vulnerable to a whole host of things. So you're good with that part, that broadness concept?

MS. TELGE: But you were saying that you don't think that housing and the services have to be tied
together, and that is where I think we get stuck a little bit because it sounds like that's what we're supposed to be funding for is for the purpose of providing folks who are vulnerable with housing and the ability to be independent in a way that supports their independence and that the housing somehow has to be responsible for supporting that independence. And I'm not sure I understand how you get there without having some kind of intensive support structure with the housing that's required by the housing. It may be that the person isn't ready for it or isn't willing to take it all the time or whatever, and so they can't be forced or set out of the housing, but the target is to give them that assistance because that would help them sustain their independence in the housing.

MS. TELGE: We understand that, yes.

MR. GOURIS: So we're okay with the requirement of the housing to provide it.

MS. TELGE: It cannot be just a blanket thing because there will be people that if they don't go by taking those services that are offered and therefore they're at risk of keeping that housing, that's a bigger problem. That's what we want to avoid. If people choose/need services, typically the way we handle it is they bring their services with them. The residence does
not provide the services directly, it's some other entity which it might be the managed care organization, it might be DADS with long-term services, but being in that particular housing that they've chosen and that's available does not mean they must have this, this, this or whatever service.

MR. GOURIS: So why couldn't those folks who are willing and able to bring their services with them bring that to any of our other affordable properties?

MS. TELGE: Yes, they could. And I think that may be the difference between the homeless provider stance and then the independent living stance.

MR. GOURIS: So if I'm hearing you right, it's okay for the housing, and we would encourage the housing development that we would fund to target folks who need the services, but use of the services wouldn't be a condition of occupancy.

MS. TELGE: You said that well. Thank you. But there will be services they'll need, that's understood, but it should be what they have designed for themselves, not what the housing provides.

MR. CHISUM: Did I understand you to say that some of the people who are institutionalized were, in your definition, considered homeless?

MS. TELGE: Yes.
MR. CHISUM: Would you explain that?

MS. TELGE: Yes. They didn't necessarily choose to be in a nursing facility. Maybe they chose to stay in their home, maybe they had an amputation and the home was not accessible. So therefore, somewhere along the line somebody said you probably need to go to a nursing facility to be rehabbed, to live. Well, too many people get stuck there and that is not a residence that they chose, it's a place they were put, and virtually, without that they would be homeless, unless the housing were available. I know locally our housing authority has recognized that as being a condition of homelessness but not everybody does.

MR. CHISUM: Thank you.

MS. TELGE: Thanks.

MR. GOURIS: Go ahead.

MS. HEADRICK: Good morning. My name is Isabelle Headrick. I'm with Accessible Housing Austin! and we're a nonprofit that provides affordable, accessible, integrated housing for people with disabilities in Austin, and we're closely affiliated with the disability rights advocates here in town.

I want to sort of buttress what Judy just said in terms of our belief that, first of all, there's an extremely great need for people who are extremely and
deeply low income, if you use the new term of people who are below 15 percent MFI, that we know that in Austin there's this enormous shortage of housing for people at those income levels, regardless of what kind of services they need. And it's our belief that people deserve housing, whether or not they need or want services. It's also our belief that the services and the housing should be kept separate. I don't want to see anybody lose their housing because they are failing to comply with their services or refusing to take services. And vice versa, I wouldn't want to see anybody lose their services because they are not complying with the terms of their lease and may lose their housing.

Our organization really treats our tenants as independent consumers and to what extent they ask for any referrals, we are happy to give them referrals, and people on our board have gone to jail so that those folks can get the services they need, but that those things not necessarily be so tied together that they can't be uncoupled from each other when they need to be.

The other thing I wanted to say in terms of the supportive housing definition that by definition is a property that is supposed to be debt-free. I think there's a need for properties that are debt-free that are serving the deepest low income folks, and in my opinion,
the debt-free quality should be attached to the depth of income affordability served of the individuals, not to whether or not there are services. I think that you can have a property that can function with a little bit of debt that does offer services, and then you can have a property where services are not a primary part of what's being offered and yet it's providing housing to the most extremely poor people who need it.

We're trying to develop a property that would have some folks with vouchers but also provide housing to people who don't have vouchers at a rent that they can afford and who are on Social Security. So we're trying to mix in some units.

So I'm just here to sort of corroborate what Judy is saying about the importance of not always having services and housing be provided by the same provider and serving the deepest low income folks.

MR. GOURIS: I've got a couple of questions. So what you'd be advocating for is not to create a supportive housing definition, not to fund supportive housing per se but support housing for folks who are just very low income and may or may not have supports in the housing.

MS. HEADRICK: I guess what I'm saying is I think that we can't lose sight of the fact, we can't lose
sight of the need for integration and the Olmstead decision, we can't lose sight of serving the deepest low income folks, including those who may or may not need services, because all of those are at risk for homelessness. If you're under 30 percent MFI, especially in Austin, you're at risk for homelessness. And you have to make sure that services are not mandated to any one individual, that nobody feels pressured. I think that many of the folks in the disability community have lived in supportive housing developments and felt pressured to take the services that they didn't want to take, and I think that's a real concern.

MR. IRVINE: I just had an off the top of my head idea. When you're talking about the financial structure of the development, I agree that there are possible developments that can provide services and operate with a modicum of debt, but I would like to know what people think about the idea of use of boost type tools as a way to enhance the financial viability of supportive housing.

MR. GOURIS: So let me rephrase that just a little bit because I think what Tim is saying is there's these funding sources to make a deal debt-free or nearly debt-free, and those tools exist today and are extraordinarily effective. The boost, for example, is an
extraordinarily effective tool because there's no debt associated with it, it's anticipated to be a part of the private program, and therefore, it's never anticipated or has the capacity to recycle. And one of the things that we are trying to evolve to is a place where these limited resources that are cash can recycle. If we are taking from that to put it into a dispensed position, when we already have properties that serve 30 percent households in an integrated way, how is what we're trying to do here distinct from what we're already doing?

MS. HEADRICK: Well, I would really like to see -- and maybe this isn't really answering your question -- in an ideal world I would really like to see TDHCA fund projects that include units for people who are 15 percent or 20 percent and below who don't have vouchers and include that in the mix and somehow find a way -- I mean, those of us in affordable housing love people with vouchers, right, but if TDHCA can somehow incent the creation of units that are for deepest low income, people who don't have vouchers -- which is the vast majority of the deeply low income people -- I think that would be a very exciting development. And if the National Housing Trust Fund does come into being and it helps to produce units, I think that would be a really great additional tool for exactly that kind of thing.
The disability community, we don't want to just create housing for people with disabilities, we don't want to carve out for that, we want integrated housing which means creating housing for people who really need it and in a way making it a more generic thing to have the deep income targeting, and there you are going to be doing homelessness prevention, you are serving disproportionately people with disabilities. So if there's a way to be creating more units that are serving people who don't have vouchers, then you're sort of getting at attacking the same social problems but from a different angle.

MR. GOURIS: So I'm going to ask more on this because this is an area that's always -- the economics of this is very intriguing to me to try to figure it out -- right? -- Because we're providing development funds; development funds create the project. We've done analysis of this in the past and it's pretty evident you can build the project and you can give it to a nonprofit for free to operate. There is still an operating cost associated with that project, and that is kind of the baseline of whatever modest rents might be provided. Our analysis is that even a bare bones sort of transaction, you're talking about 30 to 40 percent area median income rents to be able to support just the ongoing day-to-day functionality of the
development for maintenance and for utilities and for all those things.

MS. HEADRICK: Right. I don't think it's possible to have a project that's all units with no vouchers at all, I think it is impossible to do that. But I think that if you have the right mix of subsidized units then you can bring in a few units that are unsubsidized and where your total operating income is enough to cover your costs. So I don't believe it's possible to have all 30 percent units with no vouchers; if you're going to have an integrated project, that's not going to work.

MR. GOURIS: So the economics of that then translate to this, and that is in lieu of advocating for more voucher capacity which allows that person to then go wherever they want and be able to pay, quote-unquote, their fair share to live in that project with this voucher, then instead of doing that, allow that person to live someplace and the other tenants in that facility, in that property are actually paying.

MS. HEADRICK: So cross-subsidization.

MR. GOURIS: Well, it's not a cross-subsidization because those folks may be not having any subsidy at all, they're just paying a higher rent than they would otherwise have to pay or some kind of combination of that. Right? So the economics from a
purely academic perspective is that those other tenants
are being taxed to pay for the tenant that lives there,
which may be okay, I'm just saying that's what that looks
like if you drew it out on paper.

MS. HEADRICK: I mean, I don't see how it's a
tax, but I can tell you that on the project that we're
putting together, I put a pro forma together, we are
hoping to partner with the Section 811 program, we are
bringing in funding sources, we are hoping to serve people
with Section 8 vouchers, but the pro forma that I have put
together shows me that I can have a few units where people
are paying maybe not 30 exactly, but a flat rent that's
very low and commensurate with their Social Security
income.

So I think it's possible, I don't think it's
possible to have an entire project like this, but I do
think that when you -- in an ideal world, yes, everybody
would have a voucher. We would love to see that and
people could have complete choice of where they lived, but
we all know that there's very little availability and
there's actually very little choice for people who do have
vouchers. So I just think it's possible for TDHCA to use
some of these TCAP funds to help make some projects either
debt-free or extremely, extremely little debt to really
grab at that lowest income level and the people who aren't
being served in other ways.

And yes, sure, invite in the services but those services should not at all be mandatory or pressured. There should not be any pressure to receive services on the part of people who can make their own decisions.

MS. FINE: Hi. I'm Tracey Fine, and I actually don't even know where to start.

I like Walter's idea of having a broad definition and I think that's important. There are so many different layers and we don't want to pigeonhole ourselves with a certain layer because the definition doesn't quite fit. And if a certain layer of funding goes away halfway through your compliance period or whatnot, or vouchers go away or rental subsidy goes away, we're going to have to fill those units and we don't want to be prohibited from being able to fill those units from another needy type of person, whether it's homeless or disabled or veteran or whatever the definition may be.

We also believe that individuals should have choice in housing, and while some integrated housing is definitely part of the choice spectrum, in order to effectively address issues like homelessness, we can't do two or three units here or two or three units here and here and here and here, and have caseworkers running all across town. What's also part of the choice spectrum for
individuals is building permanent supportive housing or supportive housing where we're putting 100 or 130 units, they can take the elevator downstairs to receive the appropriate services.

We also don't believe in forced services. Our program, we call it irresistible programming where we offer things like free food, bus passes, items that are highly desirable by the clients that we serve and it helps engage them with the services. So what's so important about working in permanent supportive housing or supportive housing where you're offering a variety of person-centered wraparound services to enable an individual to live independently is that -- I just lost my train of thought -- that they're onsite and they're person-centered and you have experience in bringing those clients to you, even the ones that are hard to reach. So I think that's really important when you think about here it's most successful and using those types of financing.

And I also want to say that there's a variety of supportive housing and there's different types of impacts that this type of financing can use, and my concern also is when you think about this limited pool of money, how can we really maximize our resources, and sometimes I'm concerned that someone might submit an application, quote, supportive housing, but their impact
is much less than perhaps other types of supportive housing that provide a lot more integrated and person-centered services.

In terms of the definition, while I do think it should be broad, the flaw in the current supportive housing definition is that it focuses so much just on debt-free financing that you're pretty much defining supportive housing by debt-free financing. I do think that there should be a little bit more emphasis on the type of services that are expected to be at these types of properties.

MR. GOURIS: So if you go down a couple of pages, like the third page, there are a couple of alternative definitions. The top of the third page has one that includes some -- it talks about case management is essential to successfully housing these types of populations, but then it talks about that there's a basic need for housing to the inclusion of one or more of the following, and there's a list of services there. Are there services that we're missing that are critical to successful supportive housing, or are some of these services not necessary?

MS. FINE: You know, I think Walter might be a good person to ask that question. National Church Residences, we focus primarily on chronically homeless
individuals that do not have children. But when you think about serving families, I think the needs and services perhaps could probably change and have some more childcare focused services.

Another question. In the current way the QAP or the rules are laid out, it says a development is not supposed to provide ongoing or consistent psychiatric or medical care. Why is that in there currently?

MR. GOURIS: So there are some issues with crossing over to being a medical facility or nursing care facility or assisted living facility in that way that would prohibit that project from being eligible as a tax credit transaction. And so if it's a 24-7 medical service, it would be ineligible as a tax credit.

MS. FINE: In some of our properties, and maybe we could get away with it how those are being provided by third parties and things like that, but occasionally onsite psychiatric help and case management, I think that's been really impactful.

MR. GOURIS: I don't think we're saying you couldn't occasionally provide it or provide it on an as-needed basis to help assist a tenant, what-have-you, but if it's a requirement that the tenant needs ongoing medical care, then we're not talking about housing, we're talking about something different.
MS. FINE: Okay. I think this list is a really good start of services. I don't know if it encompasses everything, but it's a really good start.

MR. GOURIS: Okay. Thanks.

MS. HORAK BROWN: Good morning. I'm Joy Horak Brown and I'm the president and CEO of New Hope Housing in Houston, Texas.

Tom, there are not very many things I know very much about, but supportive housing is one of them. Thanks to the TDHCA and to the way you currently operate the program, New Hope is the largest single provider of supportive housing in the State of Texas. We are the largest provider of permanent supportive housing in the City of Houston. Forty-five percent of our units are permanent supportive housing, 30 percent of our units serve individuals with zero income -- zero.

There is nothing broken in the way you are currently defining supportive housing. I've been working with that for a number of years now and it is why you have been able to help us get where we are. Thank you very much. I would encourage you to drop the term permanent supportive housing. It has a very specific HUD definition which fights with other programs. It assumes, for example, that someone is chronically homeless which is living on the street for a year or more or cycling in and
out of homelessness on a regular basis. It assumes that
that person is disabled and it assumes also that that
person requires rental supports and intense services.

Now, if the Department is available to provide
rental supports for permanent supportive housing units, I
think that's terrific. I don't think you are. So for you
to add a level onto already complexity of putting together
these financing stacks to do the sort of properties that
I'm doing now, I would strongly discourage you from adding
any more restrictions than what is already in the QAP.
It's working beautifully.

You are unable, typically, to be sure you're
going to have vouchers, you're unable to be certain those
vouchers will last throughout the compliance period,
you're unable to be certain that, for example, the
Medicaid 1511 waiver program that's providing intense
services for permanent supportive housing in Houston,
you're uncertain that 1115 Medicaid program will be re-
upped by the federal government. So there are large
numbers of unknowns.

What you can be certain of is that if you have
a debt-free property that's dedicated for supportive
housing, that you will have an environment where people
with very low incomes who do not qualify to live in the
properties of those who are, your more conventional tax
credit developers have a place to be. The people who live in our buildings don't qualify to live in the more typical low income housing tax credit properties.

There's also a complication when it comes to families because family supportive housing, there are very few chronically homeless families. Families typically find a place to be before they become chronic. I would hate to think that you would define something that would keep you from serving families in supportive housing. And when you talk about integrating supportive housing into a more conventional tax credit property, much as Walter has done and as I aspire to do, then you have the 811 program which is already requiring a certain number of units for people with disabilities, so you're now fighting with your own integrated housing rule in order to put any supportive housing with the 811 in a family property.

I do think that the list of services that you show is reasonable, and again, I would really encourage you to leave things as they are, and for TCAP funds to help close the gap for supportive housing to be debt-free in an environment where we all know that cost per square foot has been escalating rapidly. In the last two years in Houston, costs for construction are up 20 percent. They're expected to level off, but then Rick Campo with CamdenLiving, who builds our properties, thought they were
going to have leveled off by the end of last year. He now
tells me they're going to level off in June. Well, you
know, if someone with that kind of reach and depth of
experience doesn't know when things are going to level
off, I'm going to tell you something, I don't know and I'd
be real surprised if you know.

We're dealing with a lot of unknowns here and
with increasing gaps, and I would just, again, encourage
you to leave things as they are. It's working.

MR. GOURIS: Thank you.

Does anybody else have comments about the
definitions, because we want to move on to the other items
if we can.

So there's a list there of some of the areas if
we were to enhance the definition to include services,
those are some of the things that we were thinking about.

The next item, item 2, talks about the sources
of funding, and I don't know if anyone has comment on this
but let me just walk you through it real quick. You'll
see it again later today when we talk about the draft NOFA
and some ideas about the draft NOFA, but these are two
charts that show the program income from TCAP repayments
and from HOME repayments over the last couple of years,
and what you'll see, of course, with the TCAP, program
income didn't exist prior to 2012 so this is the history
of the program income from TCAP.

And you can see from it what we're trying to show is that there's an interest portion and there's a principal portion, and the concept we talked about last time, and I think we're trying to evolve with, is the idea of trying to maintain the TCAP base funding source, the principal balance and keep that in whole and look at using the interest if we are going to expend funds in a way that don't recycle or don't return, focus more on the interest portion of that so that the principal balance continues to be available for the future. Because so far it's been a very successful program in that we had $148 million of grant funds that we converted into repayable, sustaining at a rate of about $6 million a year now of return that we can then reallocate, and if we can continue that pattern, then we will continue to have that in the future. As resources ramp down, this is a way that we've kind of created this trust fund, so to speak, of activity.

So here it shows the interest to date of approximately $7 million, I believe, and I think we've spent about $5-, a little over $5- on some HUD repayment issues. Those funds won't be able to come back into the principal balance of the fund, so I think we'll see later on today from the TCAP side about $2 million, a little over $2 million is the interest amount of the returned
funds that we've received so far that if we wanted to have available for things that don't replenish the funds, that would be the amount we would have.

On the HOME side the story is a little bit different in that we've had HOME funds for a lot longer period of time but we have not historically -- most of the HOME funding we've used we've granted or done as a forgivable loan. In more recent years we've emphasized more multifamily development with HOME funding, and a lot of that got tied to the Tax Credit program whereby we were able to create a repayment structure for a lot of those transactions and we're moving more toward a repayment structure with all of those multifamily deals so that we can create the same kind of effect with the HOME funds as we have with the TCAP funds and be able to then recycle those over time, particularly since the HOME program has been shrinking over the last number of years. By doing that we've actually staved off some of that shrinkage because we've created returned funds. The interest amount on that piece is a smaller chunk is what you see there.

I don't know if there are any questions about that but I wanted to give you sort of a sense of that.

MR. GANN: I'm fine with it.

MR. CHISUM: I'm fine.

MR. GOURIS: So the next section is about the
current limitations for permanent supportive housing and other considerations for permanent supportive housing, and this gets into the whole debt-free nature of things. And again, these are limitations on supportive housing that we have today that we've listed here. There may be other things we want to incorporate or modify based on the comments about it being more integrated or not integrated or what-have-you. I don't know if there are thoughts from folks out there about that or any additional thoughts on that.

MR. TAYLOR: Craig Taylor with Communities for Veterans, Sarasota, Florida, project in Kerrville. Just a point on that, in some of our developments around the country we have run into significant underwriting issues regarding subsidy layering with no-debt deals, and the requirement that HUD do the review and we have an expense to income ratio, not a DCR but an expense to income ratio that stays below a 1.1, and that has created some substantial issues for us. So I don't know if you've run into that or if you've even anticipated that but it's certainly something to take into account.

MR. GOURIS: So we do have an expense to income ratio and a debt coverage ratio, although both of those things for a strictly supportive housing development are...
kind of taken off the table, and what we really focus on with supportive housing developments is the capacity for ongoing operating subsidy to be injected into the development, so we look at the capacity of the sponsor to see how that looks.

MR. TAYLOR: The issue hasn't so much been with the state agencies as it has been when we have to kick it up to HUD, Phil Smith, and get his sign-off on that.

MR. GOURIS: And what we've found is it's pretty difficult. First of all, you can't have a debt coverage ratio if you're anticipating having a debt-free project. Secondly, an expense to income ratio for us has been a tool to evaluate the long-term viability of a transaction, the higher the expense to income ratio, as both grow, the expenses and income grow, the higher that expense to income ratio is, the less likely the deal is successful in the long run. And so it's also a difficult tool because what we've found with these kinds of developments is that the income and expenses grow or move to meet the availability of funds versus what the true need is in a property, and so it's very difficult to develop a model that actually fits that, because that ebbs and flows based on what kind of clientele you have and what-have-you.

MR. TAYLOR: And that's the point, that what we
have had to do is instead of some sort of two-three type of trending, we've had to have a willingness to be flexible about the trending so that we can maintain the numbers within the criteria that HUD has laid out. I guess that's the point I want to make there. Thank you.

MR. GOURIS: Thank you.

MS. FINE: Is it appropriate to talk about item D on page 6, development costs?

MR. GOURIS: Yes.

MS. FINE: So prior to my current role in National Church Residences, I worked for a lender and I worked for a syndicator, and I think it's really important that when we think about selling our tax credit projects to an investor that we don't want to classify supportive housing type projects as average quality. There is always a concern when you sell your supportive housing type property to an investor, particularly when you're working with any of subsidy layering, which is required if you're trying to really target the population that is extremely vulnerable and the population that many of us in this room are trying to target, in the event that that subsidy were to go away and we were not able to serve that population, there has to be a way when we sell our project that we can lease that project to the general population in the event that the operating subsidy and/or any kind of service
subsidy were to not be there. So my point is that we have
to have a really high quality product to be able to sell
it to investors in the marketplace. That's my one
comment.

MR. GOURIS: Let me make sure you understand
what that average quality refers to. It's a designation
through the Marshall & Swift valuation process that
identifies the characteristic types of quality with the
construction, and average quality is a fairly high
standard. I mean, there's higher standards but it's
not -- because the range of pricing.

MS. FINE: I apologize. Perhaps I
misinterpreted that.

MR. GOURIS: An average quality would be our
standard, our typical high quality tax credit development
from the perspective of that, not from the perspective
of -- that's just a categorization of Marshall & Swift.
But if you want to look at Marshall & Swift and say --

MS. FINE: I don't want to do that. Actually,
I'm not familiar with the Marshall & Swift quality but
just keep in mind that we do have to sell this project to
an investor. And also calling it like efficiency units, I
know a lot of people in this room really focus on
efficiency units, we like to focus on one-bedrooms for the
same reason that it's often more palatable to our
investors that we're selling it to, again, in the event that any kind of subsidy were to go away, what would we do, how would we reinvent the units, it's a worst case scenario. We find that often our investors, depending on the market, are more comfortable having a left over building one-bedrooms or a combination of one-bedrooms and efficiencies than just efficiencies. So I just don't want to completely narrow our scope to saying only efficiency units.

MR. GOURIS: So again, this is from the underwriting standard and it's to evaluate a deal that is just efficiencies, it's explaining how we would do that. It's not saying that a supportive housing deal has to be only efficiencies, in fact, I don't think we would encourage that, but if that's what it is, then that's what it is, and this is how we'd evaluate it.

MS. FINE: All right. Thanks for that clarification.

MR. GOURIS: Sure. Thanks for asking.

Other thoughts on this piece of it?

MR. MOREAU: I just wanted to comment that I think the rules and the definitions you've got work. I want to address the recycling question that we need your help. The nonprofit agencies that are trying to build supportive housing for very high need individuals and for
children that have been homeless, we can't afford mortgage
debt, we're scrambling to piece the funding together,
we're looking for additional funds. And we realize
there's a policy goal to have some funds go out as loans
and recycle and use that money in the future, but if
that's all you do, we'll never get to serve the folks that
have the highest needs.

We're not looking for new rules, definitions,
more complexity to the bureaucratic process, we already
have stacks of that from the city, from HUD, from
elsewhere, and it's a miracle whenever we can weave all
this together to even get one project built.

MR. GOURIS: You're saying please just do what
you say you're going to do and go away.

MR. MOREAU: Please go to item 4.

(General laughter.)

MR. GOURIS: So talk to me about item 4 then.
That lays out what our thought process was, no changes
necessarily to our rules, except for allowing TCAP funds
now to be used in accordance with what we have in the
already existing proposed multifamily rules.

MR. MOREAU: We would be excited and grateful
and this is a huge help. I'm using the term permanent
supportive housing, PSH, and supportive housing sort of
interchangeably. I'd be concerned if it's limited to a
new permanent definition that's chronically homeless. Then you bump into integrated housing rules. If it's just additional funds in this NOFA that can be used for supportive housing in a deferred forgivable format, that's awesome.

MR. GOURIS: And by way of background, the reason why we kind of have been doing this a little bit is because we've gotten input that we need to be focused on permanent supportive housing and that somehow is different than what we were already doing. And so that is why we're trying to understand that, evolve that and see if what we're doing meets that.

MR. MOREAU: I think some of the feedback that you've gotten that it should be permanent supportive housing, those types of projects can still fit in your definition so you're not limiting those. Just in Austin, you've supported LifeWorks' project, The Works. Their 40 apartments serve teens mostly that have aged out of foster care, so that wouldn't fit the very narrow, just strict PSH definition, but that's a very high need population. SafePlace has apartments and transitional type housing for families that are getting out of domestic violence situations so that's a real high need supportive housing type focus that's not just narrowly PSH.

MR. GOURIS: So if we get into this NOFA,
should there be any limits on the amount per -- a thought process for how much money might be available, that's not a lot of money, should that be broken down into being limited to a certain amount per project or could one project get all of it, or what are your thoughts there?

MR. MOREAU: I think there probably ought to be some cap per unit per project, but I haven't wrestled that through, and the other providers probably have different opinions. I think that make sense.

MR. GOURIS: Share those thoughts, and this goes for everyone, as you have those. If you have those, share those so that we can kind of understand if there's a consensus or an idea. If it's too broad, then we'll come up with something.

Other thoughts, Tim?

MR. IRVINE: I think it is ultimately pointing to how do you write the competitive criteria for a NOFA when you've got a fairly finite resource and not a lot of prospects on the horizon for augmenting or replenishing it, and how do you define how much you get and how do you prioritize among a variety of approaches which ones best reflect the policies that this Board embraces.

MR. GOURIS: Let me say one other thing about the TCAP funds in particular. I don't know how familiar everyone is with them, but the program income is such that
the first time we receive it back we need to reuse it for developments that have a 20-year affordability and have certain 80 percent income restrictions, so it's pretty broad. But when those funds are returned to us, those funds can be used for a much broader -- from a federal perspective, a much broader capacity. And one of the things that some of us had thought about early on with the TCAP program, seeing that down the road kind of possibility, is that maybe there would be an opportunity if we'd built up enough of a reservoir of interest income to create a different type of program, a program that wasn't development-centric but was more person-centric.

The problem is if we spend -- and this is just a philosophical question, right? -- if we spend that capacity now to do developments, then we won't necessarily have that capacity in the future to be more person-centric. It's a long-term strategy and it may be too hard for us to get to, but I'm just throwing that out there as, you know, these are all the things that could be available using this fairly limited resource but very powerful resource if we think about it. So just another thought.

Does anybody else have thoughts about item 4?

MR. TAYLOR: Craig Taylor, again, with Communities for Veterans.

I always feel like when I come up here I'm very
zeroed in on one project, Freedom's Path, Kerrville, Texas.

MR. GOURIS: You don't say.

(General laughter.)

MR. TAYLOR: Freedom's Path, Kerrville, Texas.

I'd like to say one thing about TCAP funds as well and piggyback on a comment that was made. TCAP stands for Tax Credit Assistance Program, and we ran into a problem as tax credit developers, as you surely know, with the meltdown of the banking industry, and suddenly deals that were approved and underwritten with credit pricing in the 80 and 90 cents, suddenly you couldn't sell your credits for 60 cents, and so these huge gaps were created, and to respond to that problem this wonderful program was set up and it bailed out and created a bunch of affordable housing that otherwise would not have been created.

That was a national problem, it was universal, it affected almost every developer who had a deal that was underwritten and funded. However, the TCAP money is still here, as we're having the discussion today, and in unique situations there is still the same need for that funding even though the context is highly different, and therefore, me being in front of you individually as opposed to universally.
Specifically, one of the problems we face in doing developments on VA campuses is you take all the bureaucratic layer cake that is there and you add to that the bureaucracy of bureaucracy of bureaucracies in the VA, and it is an absolute miracle that anything happens. A lot of good people in the VA but especially in the last couple of years everybody has underground, they have been just inundated with all sorts of negativity, and it's been extremely difficult in that environment to push through any project. And in some agencies, because of that, the agencies have been very good, Washington, Illinois and Ohio in particular, at refreshing our credits because we simply could not get these projects pushed through. Texas has a rule that you won't do that. We asked, we were turned down, and through a tremendous effort we were able to close.

But the point that was made just now that in that interim from the time our deal was underwritten until the time we were able to close and start funding, construction prices had gone up tremendously. And so consequently, when we did close, in order to do this project, we had this gap, and we've been as transparent as we could possibly be about that, and we had hoped that we could fill the gap with some help from this agency. And the rule came out when we needed the help, that because
we're an existing project -- and the mind-set is a sound
mind-set: Look, you came in, we underwrote you, your
project was approved at that, you should have built it for
that. But instead we're coming back and saying, No, we
built it for this and now we need additional help.

And my argument is that's true, I understand
that, but we are not able to build it for what it was
underwritten at, it did cost us more, that's as clear as a
bell, and a wonderful source of funding for that, which
was its intended use, is the TCAP funding. So my plea on
that front is some way or another you all come up with a
way that projects such as ours, which is a permanent
supportive housing project, be allowed to come back in and
compete with my peers out here for additional funding for
an existing project. That's kind of the first thing.

And the second thing is to pick up on something
that Tim said. If you're talking about just $2 million or
so dollars, this unbelievable precious resource, very,
very limited, and frankly, for my social housing point of
view, I'd feel sort of guilty about trying to compete for
that money -- I would do it but I would feel a little bit
guilty about it.

(General laughter.)

MR. TAYLOR: But almost all the permanent
supportive housing that I've seen in Texas -- and I
haven't done a thorough analysis -- has been urban and we're in a rural county, and at the time of application we were limited to $750,000 in credits. I think what we finally got was $717,000 in credits after underwriting and so forth. For a much, much broader resource, and that is the Low Income Housing Tax Credits which would be a de minimis -- I don't want to underplay it -- a de minimis amount of the total tax credits allocated, our problem could be solved on the tax credit side, not using this scarce resource.

So the idea just occurred to me when you asked about the basis boost, if we could come in and ask for an additional amount of credits, $100,000 in credits would solve our problem, but we can't do that either under the present rule. So I guess my broad brush now, to take it away from my individual project -- and we're hurting -- but the broad brush would be this: if in particular situations and even reduced down to permanent supportive housing deals which are exponentially more difficult to do than others, if there could be an opening for developers to come back to you for additional resources, competitive, underwritten, make sure we not just gilding the lily and fattening our pocketbooks with profit we shouldn't have had or that sort of thing, if there was an opening to do that, I think that would be sound policy, and leave it to
the staff and the Board to determine whether the need was there or not.

So thank you for listening. I know I took up a lot of time. Thank you very much.

MR. GOURIS: Maybe we can talk a little bit after because I have some thoughts.

MR. TAYLOR: Okay.

MR. GOURIS: Kate.

MS. MOORE: Good morning. Kate Moore. I'm a consultant but a former TDHCA employee.

I really want to encourage you to actually think even simpler than what you currently have. I think what a lot of people have in common in the room is that they want to serve extremely low income folks, and this service question, I've been doing, since I left TDHCA, a lot of work nationally in permanent supportive housing, and it's really tough to define that for a housing agency. You're not alone in that. How do you define that, how do you monitor it, it's tough.

And so if you think about making it broader and take out the service side and say you can do debt-free housing. Think of it from a development side of things, as you're saying, Tom, and not think about it from who you're serving and how you're serving them with services, I think that may be able to serve all of these viewpoints.
and bring them all together, because it's really about
being able to serve extremely low income folks. Whether
you're providing them a lot of wraparound services as a
housing provider, whether they're getting services from
an outside agency, it's not getting involved in that but
it's allowing agencies to serve those folks that really
need deeply subsidized housing.

You made a point of how is it different than
the 30 percent units and tax credits and most of those are
voucher-holders, so I'd encourage you if you're thinking
about doing this with TCAP funds, if you can find a way to
say you can't use a voucher on that unit, that way you're
expanding the pie of the number of extremely low income
people that you can serve. I would encourage you to think
about that as well.

MR. GOURIS: Thanks.

MS. FINE: Tracey Fine.

That idea of not being able to use vouchers and
TCAP together would be really challenging for a lot of our
projects. We go in at application with the 30s and 50s
and 60s and our goal when the door opens is that we can
get as many people with some kind of voucher or subsidy as
absolutely possible. So I think that would be really hard
to say you can't have TCAP and vouchers or how that would
even be monitored. I think that would be really
devastating for some of our projects we're trying to do here.

And then just to echo Joy's comments and the gentleman before me, currently on the QAP -- and I made this comment and I know lots of people are making this comment -- a one-bedroom and/or studio pro forma, we would be limited to between $50- and $60,000 per unit on an elderly urban building for supportive housing in Austin, and I don't know anyone who could really ever do that. And so are leaving credits on the table that could help close this gap. I know the tax credit pool is a limited pool and the TCAP pool is a limited pool. These projects are so impactful, it's noted that for every single unit of supportive housing, particular targeting chronically homeless, that we save $16,000 per unit per year. A 100-unit building saves $1.6 million in public resources as these individuals are out of jails and hospitals and mental health clinics and institutions. Just a little bit more fuel for your fire about being able to capture a few more credits to help make our gap a little bit smaller would help.

MR. GOURIS: And that's probably a comment better suited to the QAP process, but understood. Thank you.

Tamea.
MS. DULA: Good morning. Tamea Dula with Coats Rose.

TDHCA receives HOME funds and primarily uses those for non-participating jurisdictions. It seems to me that if you include a debt-free requirement in your supportive housing definition -- which I think is appropriate -- that there is an obligation on the part of the TDHCA to give a priority to those potential applicants who are located in non-participating jurisdictions. Participating jurisdictions have another pot of money that they can access. Maybe it won't be a subordinate opportunity for them, but those that have no other access to HOME funds should have a priority, I think.

I noted also in the Board book today in the writeup for this particular committee report that the staff has reserved the question of whether or not someone who received an award from the TDHCA within the last certain number of years -- I think it was five -- would be ineligible for HOME or TCAP funds. And I think that Craig Taylor made a very good point here, that some of the supportive housing got left out on a limb with regard to the economic circumstances of our times recently, and it seems to me that there is an obligation of sorts, because you want it to be debt-free and require it to be debt-free, that there be an opportunity if things go awry to
have recourse to some kind of opportunity to have low
interest or no interest forgivable deferred debt
available.

And in that regard, perhaps it could be a
priority rather than a shoe-in, or at least that they are
not ineligible, and maybe you can limit your ineligibility
concept so that it excludes supportive housing projects,
which would be appropriate. But that's something that I
think really needs to be further thought out and
discussed.

Thank you.

MR. GOURIS: Does anybody else have any
comments or direction or insights? I think we had some
good dialogue today.

MR. GANN: Lots of good information.

MR. GOURIS: We appreciate everyone's
contributions.

MR. IRVINE: We need to put a bow around it
because we're getting close to time for the Board to meet,
but I think we've heard actually some pretty clearly
differing approaches and models and value constructs, and
what staff will try to do is to develop for you and for
the Board some sort of a menu where you can make decisions
on policy objectives and help prioritize and push these
funds out where they can be most impactful.
MR. GOURIS: And actually, we'll see a little bit of that later today in the NOFA proposed draft, so as you all are looking at that, if there are some hot buttons that you feel you really want us to pursue or eliminate, that would be an excellent opportunity in the Board discussion on the proposed NOFA. Thank you, guys.

MR. GANN: Thank you.

MR. CHISUM: Thank you.

MR. GOURIS: Thank you all.

MR. IRVINE: 9:43 and we're adjourned.

(Whereupon, at 9:43 a.m., the meeting was adjourned.)
CERTIFICATE

MEETING OF: TDHCA Permanent Supportive Housing Committee

LOCATION: Austin, Texas

DATE: October 15, 2015

I do hereby certify that the foregoing pages, numbers 1 through 49, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Housing and Community Affairs.

10/20/2015
(Transcriber) (Date)

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