SUPPORTIVE HOUSING PROGRAM

PROGRAM SUMMARY

GENERAL PROGRAM DESCRIPTION:

The Supportive Housing Program provides 501c3 debt financing and subsidy funding to eligible non-profit sponsors to create housing for persons with special needs. The program targets low income tenants, with special emphasis on those with incomes at or below 30% of the area median income. Eligible sponsors must be 501c3 non-profit corporations. The program may be used for the purchase, purchase and rehab, or new construction of facilities such as transitional housing, group homes, emergency shelters, congregate housing, and supported or independent apartments.

The SHP program offers financing which is structured according to the type of project being proposed:
Category A: for projects designed to serve people whose housing costs are neither currently being directly or indirectly supported by, nor eligible for contractual support by, the State of Maine.
Category B: for projects designed to serve persons whose housing costs are either currently being directly or indirectly supported by, or eligible for contractual support by, the State of Maine with the exception of consumers of mental health services.
Category C: for projects designed to serve consumers of mental health services as recognized by the Department of Mental Health, Mental Retardation, and Substance Abuse Services.

During the review process for the SHIP Program two years ago, it was determined that the financing structure needed refinement in order to better serve the different population groups within the broad definition of persons with special needs. This review team agreed that the rewrite of the SHP program with the division into categories A, B, and C as defined above makes sense because it provides the sponsors with a programmatic structure which better meets the housing needs of many different special needs populations while using our subsidy more efficiently.

The following chart illustrates the major differences among the three categories:

A	B	C
Subsidy of $20,000/Unit + Additional $10,000 as Matching Funds	Subsidy of $5,000/Unit + Additional $5,000 as Matching Funds	Subsidy of $20,000/unit G. O. Bond Proceeds
Homeless Youth, Homeless Families, Domestic Violence Victims, Refugees, Dually Diagnosed, etc.	Contract State Backed Populations (Revenue Stream)	Mental Health Consumers
70% LTV	100% LTV	85% LTV

THE NEED: (from 1997 Consolidated Plan)

- 27,000+ older Maine persons have mobility impairments or self care limitations; approximately 8,400 are being served.
- 60% of Maine seniors make less than the median income; 25% make less than 30% of median income.
- The population of persons with mental health service needs is 21,000; approximately 1200 housing units are currently available for them.
- A conservative estimate is that 1,300 children with special needs also need housing.
- There are more than 27,000 people between the ages of 16 and 64 with physical disabilities.

THE PROGRAM'S TARGET POPULATION:

Persons with special housing and service needs whose income is less than 50% AMI with one half of the units set aside for people whose income is less that 30% AMI.

MARKETING has been done through:

Public notices, mailings, meetings with potential sponsors, quarterly nonprofit meetings

DELIVERY VEHICLE:

501C3 Non-Profit Corporations

1997 PROGRAM RESOURCES:

$3,089,000 Subsidy
$3M+ of 501c3 bond proceeds

1997 PRODUCTION:

122 Units CLOSED
75 Units IN PIPELINE

STRENGTHS/WEAKNESSES: The review team, when analyzing program strengths and weaknesses, and making recommendations, agreed to look at the SHP program by category rather than as a whole, since there are unique issues represented within each category. Below are the strengths/weaknesses and recommendations for each category:

SHP A:

STRENGTHS:

1. Allows sponsors to access capital in ongoing fashion for homeless/near homeless populations that are hard to serve (populations which typically have fewer resources).
2. Capital budgets are easy to analyze.
3. Leverages more dollars.
4. Lower construction costs.

WEAKNESSES:

1. Operating budgets are difficult to underwrite due to uncertainty of revenues.
2. Lack of developer capacity.
3. Ongoing operating is riskier.
4. Lack of management capacity of owners.
5. Subsidy per unit is higher than for other SHPs.
6. The schedule used for forgiveness of the subsidy is complex.
7. Requires developer to bring more matching funds to the deal.
8. Insufficient financing resources to accept applications after March

RECOMMENDATIONS:

1. Forgive subsidy at end of year 10, unless FedHOME requires a longer compliance period.
2. Work to enhance nonprofit capacity to develop and manage projects.
3. Examine MSHA and non-MSHA resources that can be used to buy capacity for nonprofits. Carefully select criteria and framework for how these funds would be invested in specific entities.

SHP B:

STRENGTHS:

1. Relationship with State agencies.
2. Partners are competent.
3. Cost-effective use of subsidy.
4. Credit and Collateral risk are relatively minimal.
5. DMH MOU in the event of problem assets.
6. Low operating risk due to contract.

WEAKNESSES:

1. The schedule used for forgiveness of the subsidy is complex.
2. If State doesn't renew contract, sponsor can't service debt.
3. Insufficient financial resources to accept applications after March.
4. Higher construction costs due to licensure.
5. Licensure slows process down.

RECOMMENDATIONS:

1. Forgive subsidy at end of year 10, unless FedHOME requires a longer compliance period.
2. Work to enhance nonprofit capacity to develop and manage projects.
3. Examine MSHA and non-MSHA resources that can be used to buy capacity for nonprofits. Carefully select criteria and framework for how these funds would be invested in specific entities.
4. Complete DHS MOU.
5. Examine methods to secure subsidy resources whose source is external to MSHA.

6. Continue to participate in the Physical Licensing Work Group which is examining licensure issues and encourage them to examine methods for decreasing time to secure licensure.

SHP C:

STRENGTHS:

1. Relationship with State agencies.
2. Partners are competent.
3. Credit and collateral risk are relatively minimal.
4. DMH MOU in the event of problem assets.
5. Low operating risk due to contract.
6. Dedicated subsidy resource.
7. Highly motivated State agency due to Consent Decree.
8. G. O. Bond usage could serve as a model for creating special needs housing in the future.
9. $4M is significant credit enhancement.

WEAKNESSES:

1. The schedule used for forgiveness of the subsidy is complex.
2. If State doesn't renew contract, sponsor can't service debt.
3. Higher construction costs due to licensure.
4. Licensure slows process down.
5. Nonprofit sponsors are unhappy with forgiveness schedule; adverse impact on their books.
6. Processing time is long, approval process involves MSHA/DHS/DMH/Fire Marshal's Office.

RECOMMENDATIONS:

1. Analyze process to determine how we can shorten approval timeline.
2. Begin long-term planning to replace this subsidy source.
3. Forgive subsidy at end of year 10.
4. Work to enhance nonprofit capacity to develop and manage projects.
5. Examine MSHA and non-MSHA resources that can be used to buy capacity for nonprofits. Carefully select criteria and framework for how these funds would be invested in specific entities