2007 Recalibration of the Business Plan for Ending Long-Term Homelessness in Minnesota

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HeadingHome MINNESOTA

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I. Introduction

The face of homelessness in Minnesota is the face of a school child waiting in front of a shelter for a bus to the other side of the city. It is a veteran struggling with post-traumatic stress syndrome. It is a camp outside a town in southern Minnesota. It is an annual service remembering people who died while homeless. The face of homelessness is people of every age and ethnic group hoping they can find their way back to a place in the world – not just a house with a roof and a bed and a bathroom but a place where they are welcome and respected and valued. A home.

In 2003, leaders from public, private and nonprofit communities in Minnesota decided to launch an all-out effort to bring people home, beginning with those who have long histories of homelessness. Based on legislation proposed by Governor Tim Pawlenty and adopted by the Legislature, a Working Group was formed that developed a Business Plan to End Long-Term Homelessness by 2010, primarily by creating 4,000 units of permanent supportive housing. The idea behind the Business Plan was to tackle a complex social problem – long-term homelessness – in a business-like manner, defining a strategy, setting goals for each year of the plan, outlining a financing strategy, evaluating progress, and adjusting the Plan to reflect experience.

Shaila is a single mother of four small children who suffers from severe depression. For four years, she and her children moved from one shelter to another between short stays in rental units that always ended in eviction. In 2005, Shaila began participating in Project Quest, which provided rent subsidies and support services. She maintained her housing, got her mental health under control, and began working on her GED. Recently Shaila qualified for Public Housing, so has secured ongoing rental assistance. She is now smiling, enthusiastic, and thankful for the chance she had to reclaim her life as an individual and as a parent.

Three years have passed since the Business Plan was launched; it is time to take stock and readjust where necessary. One of the hallmarks of the Plan is its transparency— in both development and ongoing implementation. Stakeholders were engaged in formulating the plan and the public was fully informed about the strategies, assumptions and resulting financing plan. That level of transparency is continued in this document, which reviews all assumptions and experience to date. The recalibration of the Plan is based on facts set forth in this report – facts that can be broadly reviewed and analyzed.

The best news is that implementation of the Plan is ahead of schedule and within the financing plan. The cumulative goal for the end of 2006 was to finance 1,000 additional housing opportunities for people who experience long-term homelessness. By that date, Minnesota Housing and its partners had funded 1,091 housing opportunities, 677 of them with rental assistance only, which means they can be occupied more quickly than if new construction or rehabilitation were needed. Progress has exceeded goal each year of the plan. In 2004, when the goal was to fund 200 housing opportunities, 274 were funded. In 2005, when the cumulative goal was to fund 600 housing opportunities, 667 were funded. In 2006, when the cumulative goal was to fund 1,000 housing opportunities, 1,091 were funded. Based on the original financing plan, it was anticipated that funding commitments for these housing opportunities would be $72 million, not including services. The actual commitments, again not including services, were $64 million.

Most importantly, as of December 31, 2006, 397 households – some single adults, others families with children – who had long histories of homelessness are now living in housing created through the plan. They finally have a chance to stabilize their lives – housing, employment, relationships – and become part of a broader community. In the words of Ernest at Crestview supportive housing development in Saint Paul, "Housing allowed me to become a dad again, to become a husband again, to become a man again instead of a boy."

It is clear from the data and stories that the Business Plan is on the right track. Housing is created. People are moving in. Lives are beginning the slow, sometimes faltering journey toward stability. As the Business Plan recalibration illustrates, the Plan needs some adjustments here and there – primarily in the cost and distribution of certain types of housing – but it does not need a major overhaul. The main lesson from the first three years of implementation is that the Plan is working. By marshaling resources, directing them to the strategies of the plan and remaining focused on results, the Plan has exceeded its initial goal: to create 1,000 permanent supportive housing opportunities for people experiencing long-term homelessness.

Steve, a 59-year-old Vietnam veteran camped outside for 19 years. With the help of outreach workers in Saint Paul, he has now moved into an apartment at Crane-Ordway, created through the Business Plan to End Long-Term Homelessness. He is working to obtain service-connected disability benefits from the VA, a step he was unwilling to take until he was housed. Steve says, "I have never felt as 'at-home' as I do in this apartment."

Some of the recurring questions about the Business Plan revolve around the issue of ending long-term homelessness: What, for example, does it mean to "end long-term homelessness"? Why is the focus on long-term homelessness rather than all homelessness? What if the state and its partners are successful in creating 4,000 additional permanent supportive housing opportunities yet continue to find people in Minnesota who are experiencing long-term homelessness? Is this success or not? How will people be sustained in housing after 2010?

The core answer to all of these questions is that the Business Plan to End Long-Term Homelessness does not live in isolation. It depends for its success on a broad understanding of the causes and effects of homelessness and a willingness to address them. The Plan focuses on long-term homelessness as a way of reaching down to the most troubled and vulnerable populations. The strategy will be successful; however, only if, working together, the state and its partners are able to prevent people from entering the ranks of the long-term homeless. Three ongoing complementary initiatives not directly part of the Business Plan itself are critical to its long-term success: (1) preventing people from becoming and remaining homeless, (2) assisting offenders leaving jail and prison to reintegrate into society, and (3) maintaining the existing inventory of supportive housing. This report discusses each of these initiatives and its relationship to the goal of ending long-term homelessness.

Over the past three years, Minnesotans have also demonstrated a willingness to address the causes and effects of homelessness. The cities of Duluth, Minneapolis and Saint Paul have joined with their corresponding counties of Saint Louis, Hennepin and Ramsey to develop plans to end all homelessness in their communities. Twenty counties in southeastern Minnesota have done likewise. The plans are aligned to accomplish a common goal and are gaining commitment from the public and private sectors, as evidenced in the increase in state funds proposed by the Governor and appropriated by the legislature for the 2008-09 biennium, as well as new commitments from the philanthropic community. Minnesotans are stepping up to the challenges of homelessness in this state through their government, their community institutions and their faith communities.

With the help of outreach workers in Minneapolis, James, a 64-year-old Vietnam veteran, moved into an apartment funded with a long-term homeless rental subsidy. Since being housed, James has reduced his alcohol intake by approximately 80 percent. He has made such a positive impression that the manager of his apartment building has been willing to house eight other homeless people in his building.

Sustaining people in housing after 2010 will demand both changes to the system through which, as a society, we respond to homelessness and a broader commitment to housing assistance from the federal government. Resources will shift from maintaining people in homelessness – through shelters, detox facilities, and emergency health care – to preventing and ending homelessness by increasing the supply of rental assistance and permanent supportive housing. This will require a higher commitment from the federal government to funding the most basic ingredient for both affordable and supportive housing: rental assistance.

The successes of the Plan to date could not have been accomplished without the support and hard work of a broad community of participants and stakeholders across the state. The Ending Long-Term Homelessness Advisory Council brought together leaders from the public, private and nonprofit sectors who gave their time, energy and expertise to advise those implementing the Plan on issues ranging from evaluation to construction costs to service models. Many thanks to those who participated on the Advisory Council and its committees. (See Appendix A for list of Advisory Council members.)

II. Background and Organization of Report

In March 2004, a broad-based Working Group of leaders from the public, private and nonprofit communities issued "Ending Long-Term Homelessness in Minnesota: Report and Business Plan of the Working Group on Long-Term Homelessness." The Working Group had been established by the Commissioners of Human Services, Corrections, and Housing, at the direction of Governor Tim Pawlenty and the 2003 Minnesota Legislature. The Report and Business Plan enunciated a plan, including a financing approach, for ending long-term homelessness in Minnesota by 2010, along with specific goals for each year.[1]

The primary strategy adopted by the Working Group and reported to the 2004 Legislature was to create permanent supportive housing for individuals, unaccompanied youth, and families with children that were experiencing long-term homelessness: that is, people who had been homeless for one year or more or at least four times in the past three years. The specific goals are defined primarily in terms of permanent supportive housing opportunities funded.

In the three years since the launching of the Business Plan, the state and its partners have made considerable progress in implementing the Plan itself. Much more significantly, momentum has built for broadening efforts to address homelessness throughout Minnesota. Many regions of the state have developed and are implementing plans to end homelessness, both aligning with and going beyond the goals of the Business Plan. The private sector has become increasingly engaged in these efforts. All sectors – public, private, nonprofit, city, state, county, regional, business, philanthropic, and faith – are coming together in new ways to focus on successfully housing the homeless by providing a broad range of housing and service options. The Business Plan is now part of a combined effort known as Heading Home Minnesota – an effort that incorporates all plans to end homelessness in our state.

Minnesota's Business Plan included two features that set it apart from many other plans to end homelessness. These features – which have been adopted by regional plans in our state – are (1) annual goals and (2) a detailed financing plan. Three years into implementation, it is time to compare progress to the goals of the plan and determine what adjustments, if any, need to be made. That is the primary purpose of this document. The document reports progress on the plan, recalibrates the plan based on lessons learned, and highlights issues for further attention.

The document is organized as follows:

- Progress toward goals
    - Legislative Goals: reviewing the goals set out by the Minnesota Legislature in 2003

[1] See http://www.mnhousing.gov/initiatives/housing-assistance/homelessness/index.aspx to access the Business Plan to End Long-Term Homelessness, which is referenced in this report as either the "Plan" or the "Business Plan."

- Business Plan Recommendations: reviewing the goals set out by the Working Group in the Business Plan
- Building Commitment: reviewing progress in building commitment to the goals and strategies of the Plan throughout the state

- Recalibration

  - An overall summary of the Business Plan as recalibrated
  - Assumptions: reviewing, updating, and recalibrating the assumptions on costs and uses as set out in the Business Plan; setting out costs of the new assumptions.
  - New Financing Plan
  - Strategies to address gaps in funding: status report

- Looking Forward: Reviewing issues and initiatives that will be resolved as implementation progresses, including:

  - State initiatives: prevention and re-entry
  - Definition of long-term homelessness
  - Use of transitional housing to implement Business Plan
  - Federal role in funding rental assistance
  - Governance of Heading Home Minnesota

As implementation continues – and, in fact, picks up pace – evaluation of the Plan against goals will continue. Those implementing the Plan will regularly analyze and assess progress, costs, commitments (both public and private), and potential gaps. The Plan will be recalibrated again at the five-year mark in 2009, with the idea of formulating recommendations for completing the Plan itself and sustaining its accomplishments into the future.

The recalibration process and this document have benefited greatly from many stakeholders, particularly those who are working tirelessly to implement the plan. Their work is appreciated and necessary for successful implementation of the Plan. A draft of the recalibrated plan was made available on April 19, 2007, and written comments were requested by May 4, 2007. Seven comments were received, follow-up conversations were conducted with many of those who submitted comments, and this final recalibration document reflects many of the comments received.

III. Progress Toward Goals

The primary indicator of success in implementing the Business Plan will be the number of housing opportunities created and occupied by people who had met the definition of "long-term homelessness." At the end of three years, implementation is ahead of schedule. Full implementation of the Business Plan will require a sustained effort by many public, private and nonprofit partners over the seven-year course of the plan.

A. Legislative Goals.

This section reviews progress not only in reaching the specific goals of the plan but also in building the sustained effort necessary to reach plan goals in succeeding years. The section begins by reviewing the goals set out by the Minnesota Legislature, with a focus on the first goal: that of creating housing opportunities. The section then reviews the broad recommendations for implementation set out by the Working Group and concludes with a discussion of the increasing commitment in all sectors to ending homelessness in Minnesota.

The initial legislation creating the Working Group on Ending Long-Term Homelessness in Minnesota set forth three primary goals of the initiative:[1]

- Reduce the number of Minnesota individuals and families that experience long-term homelessness;
- Reduce the inappropriate use of emergency health care, shelter, chemical dependency, corrections and similar services; and
- Increase the employability, self-sufficiency, and other social outcomes for individuals and families experiencing long-term homelessness.

1. Reduce the number of Minnesota individuals and families that experience long-term homelessness.
The main strategy for ending long-term homelessness in Minnesota is to develop 4,000 additional permanent supportive housing opportunities, which means places to live and the necessary support services so people can be successfully housed over the long term. At the time the Business Plan was adopted, Minnesota had approximately 2,000 units of such housing, primarily in site-based housing funded by the state and/or federal government, as well as some scattered-site units available through the HOPWA program (Housing Opportunities for People with AIDS) and Minnesota Housing's Bridges and rental assistance programs.

In consultation with the Wilder Research Center, the Working Group developed and adopted a goal that would provide housing for the number of households that were experiencing long-term homelessness at the time of the 2003 Wilder Survey, allowing for some growth in the number over time. (See p. 53 of the Business Plan for specific information on developing the goal.)

Several measures are useful in examining whether the Plan is reducing the number of Minnesota individuals and families that experience long-term homelessness. These include:

a) *Number of individuals, youth and families with children meeting the plan's definition of "long-term homelessness."*
The primary tool for measuring the number of individuals and families experiencing long-term homelessness in Minnesota is the Wilder Survey, which the Wilder Research Center conducts every three years. In 2003, Wilder estimated that 2,800 households were experiencing long-term homelessness, based on the state's definition. Wilder has now completed its 2006 survey and will be assisting the state in developing a comparable number based on the new survey.

b) *Number of permanent supportive housing opportunities made available*.
The Business Plan set out goals for each year of implementation. The goals are measured in terms of permanent supportive housing opportunities created. A permanent supportive housing opportunity includes housing with the services needed by the family or individual occupying the housing. Housing can be created in a variety of ways, including:

- Constructing new and rehabilitating existing units. Most construction that will be counted toward reaching the Plan's goals is funded through Minnesota Housing's annual RFP (Request for Proposals) process that brings together a number of funders to consider and fund proposals submitted by developers.
- Including units for households experiencing long-term homelessness in mixed-income developments. Minnesota Housing also uses its RFP process to select units in mixed-income developments.
- Funding rental assistance only. Simply providing rental assistance allows many households to live in existing units, thus creating additional housing opportunities for families and individuals experiencing long-term homelessness. Minnesota Housing uses its RFP process to award rental assistance subsidies.
- Providing housing through the Group Residential Housing program administered by the Department of Human Services.
- Funding housing (capital, operating and/or services costs) with federal dollars.
- Making housing available outside the Plan. Families and communities may provide housing on their own initiative. Such housing opportunities

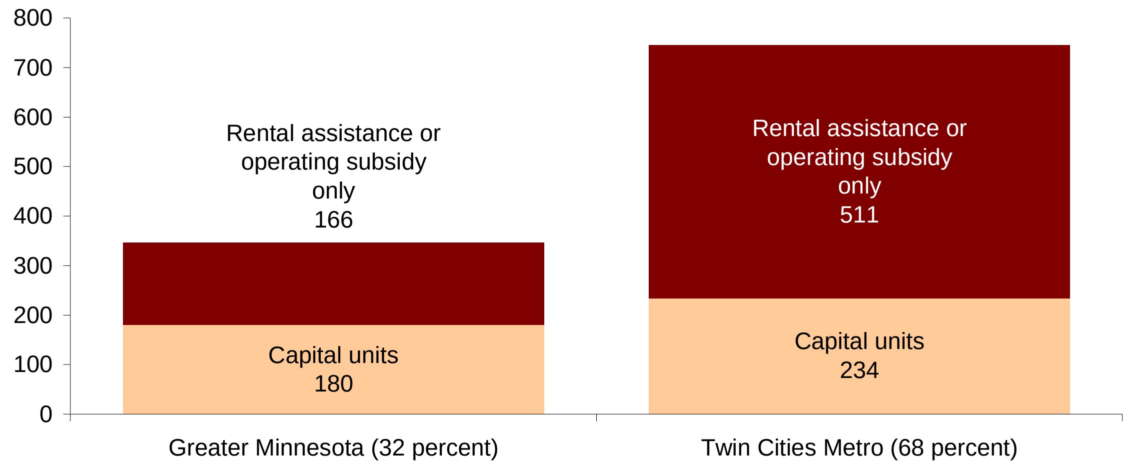
do not "count" for purposes of the plan but do count to those who are housed and likely result in a lower cost for the Business Plan.

To date, all housing opportunities counted toward reaching the goals of the Business Plan have been funded by Minnesota Housing and its partners. The annual goals for the first three years of implementation, and the number of units actually funded in those years, are:

Housing Opportunities Planned and Funded
Comparison as of December 31, 2006

Year	Housing Opportunities Planned		Housing Opportunities Funded (to date)	
	Number (annual)	Number and Percent (cumulative)	Number (as of December 31)	Net Annual Increase
2004	200	200 (5 percent)	274	274
2005	400	600 (15 percent)	667	393
2006	400	1,000 (25 percent)	1,091	424
2007	600	1,600 (40 percent)		
2008	800	2,400 (60 percent)		
2009	800	3,200 (80 percent)		
2010	800	4,000 (100 percent)		

A list of funded opportunities, updated quarterly, is available at http://www.mnhousing.gov/initiatives/housing-assistance/homelessness/index.aspx. The 1,091 opportunities funded to date are distributed throughout the entire state with 68 percent in the Twin Cities metropolitan area. Of the 234 capital units in the Twin Cities metropolitan area, 84 are in Minneapolis and 111 are in Saint Paul.



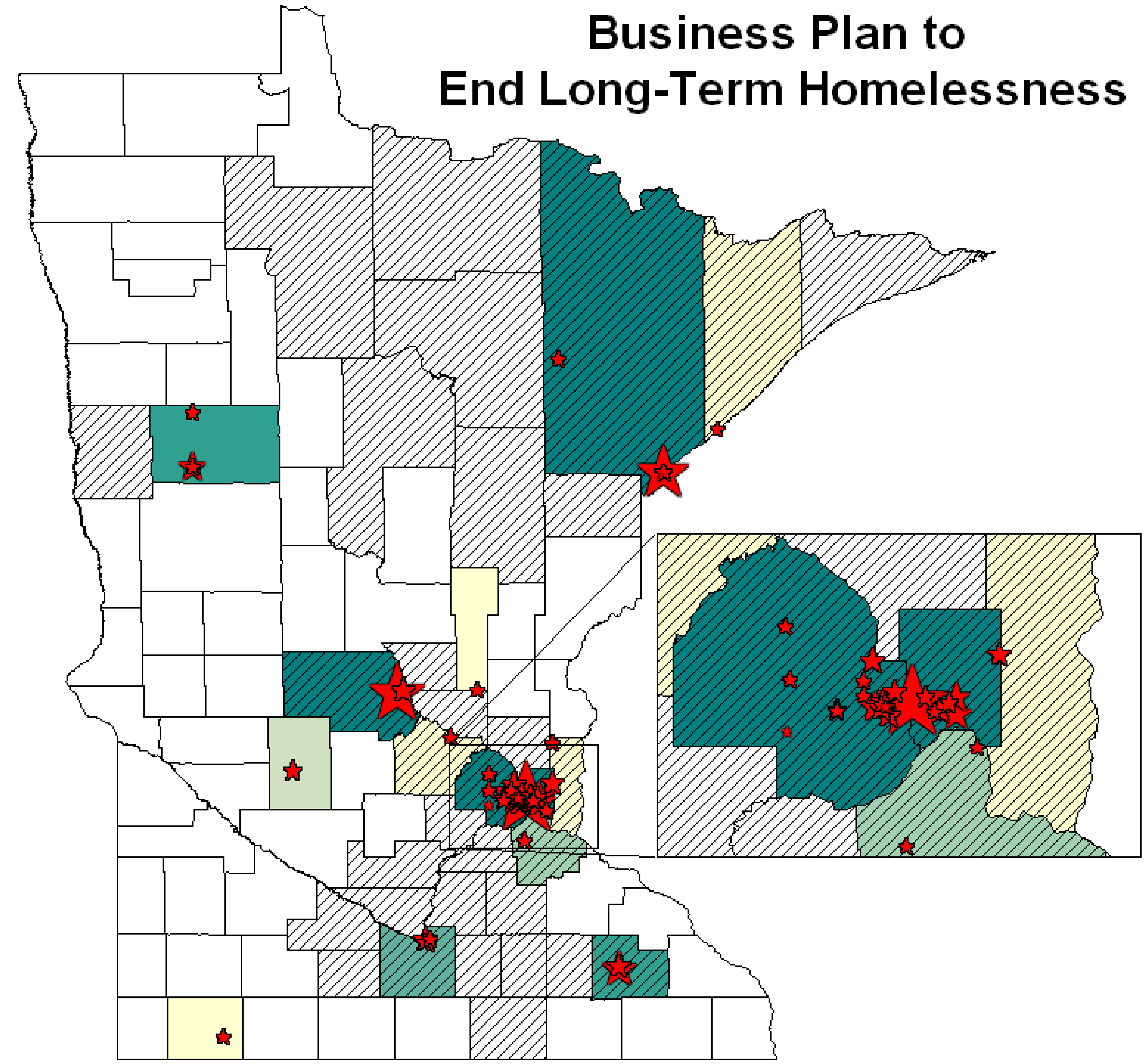
c) *<u>Number of individuals, youth and families with children experiencing long-term homelessness who secure permanent supportive housing</u>*.

According to data available from the Homeless Management Information System (HMIS), on December 31, 2006, 397 individuals and families that had experienced long-term homelessness were living in permanent supportive housing created under the Business Plan.[2] There may have been households that had been in housing and moved out, so this may not represent a total of all households that moved into housing since implementation began.

d) *<u>Number of nights individuals, youth and families who have experienced long-term homelessness spend in stable housing</u>*.

Of the 397 households in permanent supportive housing discussed above, 45 percent had been living in stable housing for a year or longer and 35 percent had been in stable housing for four to 12 months.

Business Plan to End Long-Term Homelessness



Counties with rental assistance / operating subsidies for people experiencing long-term homelessness
Total Housing Opportunities committed through December 31, 2006: 677

Available (33)

Number of new and rehabilitated housing units for people experiencing long-term homelessness by county
Total housing opportunities committed through December 31, 2006: 414

- 46 to 118 (4)
- 20 to 46 (2)
- 18 to 20 (1)
- 8 to 18 (1)
- 6 to 8 (1)
- 3 to 6 (5)

Number of new and rehabilitated units for people experiencing long-term homelessness by development

- 60
- 30
- 6

2. Reduce the inappropriate use of emergency health care, shelter, chemical dependency, corrections and similar services. Homelessness – and especially long-term homelessness – is expensive. Malcolm Gladwell drove home this point in a February 2006 article for *The New Yorker*.[3] The article featured Murray Barr, a man living in Reno, Nevada, who had been homeless for years and whose health care and other expenses had been borne by the community. In the words of Patrick O'Bryan, a bicycle cop in Reno, "It cost us one million dollars not to do something about Murray."

> *St. Stephen's and Simpson Housing Services in Minneapolis use Minnesota Housing rental assistance vouchers to provide housing for single adults. Nineteen residents recently reported that their use of detox facilities declined from 99 visits before entering the program to two after entry. Emergency room admissions declined from 34 to 10 and the number of jail stays and tickets declined from 59 to one.*

Studies throughout the country confirm this finding. As implementation of the Business Plan proceeds, Minnesota will be studying costs foregone or savings as well as outcomes, using data collected through HMIS and other state systems.

3. Increase the employability, self-sufficiency, and other social outcomes for individuals and families experiencing long-term homelessness. The third goal of the Business Plan is to improve social outcomes for individuals and families experiencing long-term homelessness. This is the most expansive goal of the Business Plan and will take the longest time to achieve; it is also the most difficult to measure.

Specific objectives and outcomes will be developed for this goal and will likely include increased income, increased level of education, and increased hours of employment, among others. Minnesota will then gather and analyze data from HMIS that will be used to evaluate how well the strategies of the Business Plan are accomplishing the desired outcomes. HMIS stores data that include the following:

> *Denver's Ten Year Plan to End Homelessness includes a cost benefit analysis similar to the Hearth Connection study. The analysis examines the health and emergency service records of a sample of 150 chronically homeless individuals with disabilities for 24 months prior to and 24 months after entering the Denver Housing First program. The findings document a reduction in emergency services costs for the sample group. The total emergency related costs for the sample group declined by 73 percent, or nearly $600,000 in the 24 months of participation in the program compared with the 24 months prior to entry in the program. When the investment costs of providing comprehensive supportive housing and service through the Housing First Program are factored in, there is a net cost savings of $4,475 per person.*
>
> *(Denver Housing First Collaborative, Cost Benefit Analysis and Program Outcomes Report, Jennifer Perlman, Psy.D. and John Parvensky, Colorado Coalition for the Homeless, December 11, 2006).*

- Income (household income, income from employment, income from assistance or disability payments)
- Employment, education and training
- Health care and medical services
- Independent living skills
- Child care
- Family reunification
- Housing stability and rental assistance

At this time, there is no information available on social outcomes for those served under the Business Plan. Two projects in Minnesota – Hearth Connection[4] and Jackson Street Village – have analyzed interim outcomes of their work with similar populations. Both have seen improvements in areas having to do largely with housing stability and emotional or mental health; both have seen mixed results in areas related to income.

Jackson Street Village, a single-site supportive housing community for families in Saint Paul, reports the following interim findings for the families in their program:

- *Increased housing stability (2/3 of families had been homeless before entering Jackson Street Village)*
- *No change in the number of participants employed; decrease in average number of hours worked*
- *Fewer children reported to have learning or school problems; increase in number of children with Individual Education Plans.*
- *Decrease in number of emergency room visits; decrease in percentage of respondents reporting that children's immunizations were up-to-date*
- *Significant physical and/or mental health problems that indicate barriers to daily activities such as employment*
- *No admissions to detox facilities among residents*

(The Jackson Street report is at http://wilder.org/search.)

Hearth Connection is also gathering data on children in the pilot and evaluating the impact of housing on children. They have found that the children suffer from a variety of health problems, many of which have gone untreated. Over half of the children in the pilot have an Individual Education Plan (IEP), an indicator of disability.

Hearth Connection most recently reported that after 18 months in the program:

- *Participants experienced an average drop of 20 percent in the number of mental health symptoms they were experiencing.*
- *Participants who reported use of alcohol at entry showed a slight increase in reported use of alcohol, despite having reduced usage at the nine-month point. Researchers postulate that these data may reflect the cyclical nature of alcohol addiction.*
- *Participants who had reported using illegal drugs at baseline cut their usage of such drugs roughly in half.*
- *The percentage of participants reporting earned income decreased from 36.4 to 28.8.*
- *Participants increased their receipt of benefits from rental assistance, Social Security and SSI while receipt of other social welfare benefits (e.g,. MFIP) decreased.*
- *Participants' median total monthly income increased.*
- *Participants reported an improvement in their overall quality of life and community safety.*

(The Hearth Connection reports are not yet available to the public.)

Hearth Connection also found that children in the pilot have grown up in environments where they are exposed to a variety of violent and traumatic events. Almost one-third had seen someone attacked with a weapon. Half had heard gunfire nearby (including 80 percent of teens age 16-18). Almost 80 percent of all children had experienced three or more violent events in their lives. One in five children age 8-11 had experienced eight or more violent events.

B. Business Plan Recommendations.

The Business Plan included five recommendations for implementing the Plan. The recommendations and progress to date are:

1. Continued Interagency Cooperation.

The three state agencies responsible for developing the Business Plan – Human Services, Housing, and Corrections – are also leading its implementation. Leaders from the three agencies meet bi-weekly to monitor progress on the plan and to address issues as they arise. As an example of cooperation, the Department of Human Services collaborates with Minnesota Housing in awarding funds through Minnesota Housing's RFP process.

2. Develop the System for Supportive Housing.

The current "system" of funding supportive housing is very fragmented. Providers willing to develop and operate permanent supportive housing need to rely on a wide variety of funding sources for capital, operating, and services costs; and many of the funding streams do not fit well together.

Because of the disjointed nature of the current system of funding supportive housing, the Working Group recommended that state agencies continue to develop creative funding strategies that would allow the emergence of a more natural "system" for creating and funding supportive housing. Two significant steps have been made in implementing this recommendation: (1) the Legislature's creation of the Supportive Services Fund and (2) the private sector's funding of the Partners Fund.

The Supportive Services Fund is a flexible fund available to provide a wide spectrum of services to people who have experienced long-term homelessness. Grantees using the Services Fund are required to find and use all mainstream benefits for which the person coming into housing is eligible. As implementation proceeds, the Supportive Services Fund will be a key tool for both funding services and creating new approaches to service delivery.

The Partners Fund is a flexible fund established by private philanthropy with two primary goals in mind: (1) to fill gaps in services that cannot be filled by other funding, including the Supportive Services Fund and (2) to encourage grantees to find creative funding solutions. The Partners Fund is currently available to fund projects in the Twin Cities metropolitan area although it is expected to expand to Greater Minnesota in the future. To date, the Partners Fund has received $2.65 million in contributions to be spent over a period of five years. Approximately $500,000 has been awarded to grantees through the Partners Fund.

It remains to be seen how the system of the future will fund and deliver services to address homelessness in Minnesota. Ideally, any structure that emerges will:

- Simplify the current morass of funding for capital, operating and services costs;
- Include both public and private sector funding;
- Maximize use of mainstream resources such as SSI and Medicaid;
- Transform current spending for the use of shelters, emergency health care, and other expensive services to more preventive care for people who are homeless; and
- Avoid creating new "programs" and new rules and regulations.

The changes now underway in funding housing and services will point the way to more systemic solutions.

3. Stakeholder participation and capacity building.

In keeping with the Working Group's recommendation, an Ending Long-Term Homelessness Advisory Council provides guidance and counsel on implementation of the Business Plan. The Council includes approximately sixty members from the public, private and nonprofit sectors and accomplishes most of its work through six subcommittees:

a) The Evaluation Committee oversees evaluation of the plan.
b) The Services Funding Committee develops best practices for providing and funding services; the Committee is in the midst of defining various kinds of housing and suggesting how each can best be used in implementing the plan.
c) The Regional Needs Committee monitors local and regional plans. The Committee also expects to spur development of plans where needed.
d) The Landlord Committee works to develop a cadre of landlords willing to rent to people who have experienced long-term homelessness.
e) The Best Practices Committee has examined construction costs and made recommendations that inform this recalibration.

f) The Community Support Committee is charged with developing support for the plan in the private sector. Its members have been working with a broader committee addressing fund-raising for the various plans to end homelessness.

The various tasks accomplished by members of the Council and its subcommittees are important. More important, however, have been the support and wise counsel members have provided day after day, week after week as the implementation unfolds.

One of the newest developments in implementing all plans to end homelessness in Minnesota is the emergence of Heading Home Minnesota, a coordinated, collaborative approach to designing and implementing state and local plans to address homelessness throughout the state. Local and regional plans included in Heading Home Minnesota are discussed elsewhere in this report.

4. <u>Evaluation</u>.

The Business Plan calls for a rigorous evaluation and a search for best practices. The following steps have been taken toward this goal:

a) The Evaluation Subcommittee of the Ending Long-Term Homelessness Advisory Council has taken several steps toward defining outcomes for the Plan and a structure for collecting the necessary data:
   (1) Developing a logic model, showing how strategies adopted under the plan are expected to end long-term homelessness, and
   (2) Developing measures for each of the outcomes sought by the Legislature (used in the discussion of legislative goals, above).
b) The Services Funding Subcommittee of the Ending Long-Term Homelessness Advisory Council is laying the groundwork for determining best practices. The Committee has explored various models of housing and services that fit with the Business Plan and will then develop ideas for determining what ingredients are needed for the success of each model.
c) The HMIS has been modified to collect data needed for program management and evaluation. Thirty-three providers are now using HMIS, and the first reports on people experiencing long-term homelessness were issued in July 2006.

5. <u>A long-term homeless director without new bureaucracy</u>.

The Director for Ending Long-Term Homelessness, hired in 2004, directs and coordinates the work of the state and its partners to implement the Business Plan. The position is housed at Minnesota Housing and reports to the Commissioners of the three agencies leading implementation: Housing, Human Services and Corrections.

C. Building Commitment.

The progress Minnesota has made in funding new housing opportunities for people experiencing long-term homelessness is the product of an increased commitment throughout the broader community to ending homelessness in the state. The renewed and intensified commitment can be seen at the Minnesota Legislature; in the work of many state agencies; in counties, cities and other local units of government; and in the private sector. This section of the report summarizes these efforts – efforts that must grow and be sustained to reach the goals of state, local and regional plans.

1. The Governor and Minnesota State Legislature.

In each of the three full sessions following completion of the Business Plan, the Governor and Legislature provided additional funding and made policy changes to advance implementation of the Plan.

a) *Funding*

In 2005 and 2006, the Governor requested and the Minnesota Legislature approved a total of $31.5 million in bonding in support of the Business Plan. The bonding funds will be used to develop supportive housing (See Section IV and accompanying endnotes for detailed discussion).

In 2005-2007, the Legislature, based in large part on the Governor's requested budget, also appropriated the following additional funds to support the Business Plan (all are increases to the base budget unless noted otherwise):

- $13.5 million to the Housing Trust Fund (a fund managed by Minnesota Housing that can be used to provide zero-interest deferred loans for housing development, operating costs, and rental assistance for very low-income tenants). $5 million of this amount is one-time funding.
- $12 million to the Supportive Services Fund, administered by the Department of Human Services, $2 million of which is one-time funding.
- $2.3 million for youth foster care transition
- $2.7 million for transitional housing operated by the Department of Corrections
- $7.5 million for Family Homeless Prevention and Assistance
- $2 million for Bridges rental assistance
- $750,000 in one-time funding for transitional housing
- $1.75 million for housing assistance for people with mental illness (with $3 million in the base for the 2010-11 biennium)
- $1.6 million to the Department of Corrections for three re-entry projects that include a housing component
- $2.7 million for Group Residential Housing

- $700,000 for outreach grants through the Department of Public Safety (one-time funding)

b) *Policy*
The Legislature made the following policy changes over the past three years to facilitate implementation of the Plan:

- Modified the Group Residential Housing (GRH) and Housing with Services statutes to expand the supportive housing options available to homeless people otherwise eligible for GRH.[5]
- Created the Supportive Services Fund to provide integrated services necessary to stabilize individuals, families and youth living in supportive housing who have experienced long-term homelessness and are now in supportive housing.[6]
- Permitted up to 10 percent of Office of Economic Opportunity (OEO) Transitional Housing funding to be used for permanent housing for individuals and families experiencing long-term homelessness.[7]
- Passed bonding language allowing the use of general obligation bonds to fund permanent supportive housing for people who have experienced long-term homelessness and those at risk of long-term homelessness.[8]
- Created and funded three street outreach projects administered through the Department of Public Safety. The three projects, in Minneapolis, Saint Paul and Duluth, are designed to engage people living on the streets and move them into housing.[9]
- For purposes of receiving targeted case management services, amended the definition of "vulnerable adult" to include people experiencing long-term homelessness.[10]

2. State agency commitment.
As implementation of the Plan has progressed, state agency commitment has grown in two ways: (1) agencies have worked collaboratively to stay focused on the plan and make the most efficient use of state resources and (2) individual state agencies have increased their commitment to implementing the Plan.

a) *State partnerships and collaboratives*.
In addition to the Interagency Implementation Team and joint RFP process, mentioned above, agencies implementing the Business Plan have augmented and/or developed the following organizational structures to maximize the knowledge and expertise available for implementation of the Business Plan:

(1) The State of Minnesota Interagency Task Force on Homelessness works to effectively use state resources to prevent and end homelessness. Representatives of over ten agencies meet monthly to coordinate services and activities. Member agencies include the state departments of

Corrections, Education, Employment and Economic Development, Health, Housing, Human Services, Public Safety, and Veterans Affairs, as well as the Metropolitan Council and the Veterans Homes Board.

(2) The Stewardship Council, a newly formed collaborative of state, county and intermediary agencies has responsibility for preserving existing supportive housing in the Twin Cities metropolitan area.

Through Minnesota Housing and the DHS Office of Economic Opportunity, the state has strong partnerships with the thirteen Continuum of Care groups throughout Minnesota. Especially in rural areas, these partnerships help Continuum of Care coordinators and committees to play a key role in implementing the Business Plan.

State staff have also learned from colleagues around the nation by attending a Policy Academy on Improving Access to Mainstream Services for Families with Children Experiencing Homelessness and an Employment Learning Community focused on cross-system collaboration for the employment of people experiencing chronic homelessness.

The state received a SOAR (Supplemental Security Income/Social Security Disability Income Outreach Access and Recovery) Technical Assistance grant that provided instruction to state and local staff in helping people experiencing long-term homelessness to access SSI and SSDI benefits. Local staff are now training their colleagues in these valuable techniques.

A final state partnership that deserves mention in this section is the collaboration between Minnesota Housing and the Division of Mental Health in the Department of Human Services. Minnesota's Commissioner of Housing and Director of Mental Health were instrumental in forming a new collaborative that will expand on the state's already strong history of collaboration between housing and mental health (e.g., Bridges program, Main Street housing project in Ramsey County, Minnesota Crisis Housing Fund). The National Council of State Housing Agencies and National Association of State Mental Health Program Directors have developed a Memorandum of Understanding focused on a common goal of creating supportive housing for people with mental illness who are homeless. The core principles recognized by national leaders in the areas of housing and mental health are that: (1) affordable housing is a critical element of mental health recovery and treatment and (2) state housing and mental health agencies share responsibility and resources for providing supportive housing for people with mental illness and disabilities. (See Appendix B for a copy of the Memorandum.)

b) *Individual agency commitment.*
Over the past three years, many state agencies have demonstrated their ongoing commitment to ending long-term homelessness in Minnesota.

- To date, the Minnesota Housing Board of Directors has committed $28.4 million of agency resources against a planned total commitment of $50 million to the Plan. These funds are being used for capital, operating support, and rental assistance. The agency has also modified a number of its programs and processes to focus on the goal of ending long-term homelessness.
- The Department of Human Services (DHS) shifted priorities to develop and staff the Supportive Services Fund. DHS is also providing technical assistance to counties wanting to maximize use of the Group Residential Housing (GRH) program for people experiencing long-term homelessness.
- The Department of Corrections has charged a staff person with responsibility for addressing the housing needs of offenders who have no place to go when they leave correctional institutions. The Department of Corrections is also leading a re-entry initiative, discussed elsewhere in this report.
- The Department of Employment and Economic Development (DEED) played a lead role in developing and staffing the Employment Learning Community discussed above. The Rehabilitation Services division of DEED also awarded a grant to Guild Incorporated to develop supported employment for a project targeting people with serious mental illness who have experienced homelessness.

3. Regional and Local Governments.

Minnesota has been very fortunate in the extent to which regional and local governments have become involved in ending long-term homelessness (or, for some, all homelessness) in their communities.

a) *Heading Home Ramsey* is a partnership between Ramsey County, the City of Saint Paul, and civic, business, and philanthropic leaders. The Ramsey Plan is divided into two phases: Part I focuses on ending long-term homelessness, with major investments to increase the number of supportive housing opportunities, increased rental assistance, improved coordination and delivery of services and housing and by building a community-wide response to homelessness. Part II focuses on short-term homelessness and prevention. Part I has been accepted by the County Board and City of St. Paul. Part II will be presented to the Board and City Council in 2007.

Midway Residence in Saint Paul is a prime example of a development that will further the business plan. Owned by the Saint Paul Housing and Redevelopment Authority, Midway expects to open in late 2007 and will house

120 single adults in single-room occupancy units. Sixty of the 120 units replace existing housing; 60 will add to the stock of housing available for singles.

b) *Heading Home Hennepin* represents a partnership between Hennepin County; the City of Minneapolis; and civic, business, and philanthropic leaders. The plan has six broad goals: (1) prevention; (2) coordinated outreach; (3) development of 5,000 new housing opportunities for youth, singles, and families with children; (4) improved service delivery; (5) increased capacity for self-support; and (6) implementation of systems improvements. The Hennepin Plan adopts a zero tolerance policy for discharging people from public systems into homelessness.

   Hennepin County has not only endorsed *Heading Home Hennepin* but also has committed $2.5 million to its plan to date, including $2 million for capital, $250,000 for refugee initiatives, $164,000 for medical outreach and approximately $60,000 for a position to work with veterans who are homeless. The funds for the refugee initiative match a $500,000 gift from The McKnight Foundation to house refugees.

   The city of Minneapolis has earmarked $100,000 for outreach in that city.

c) *Heading Home St. Louis County* embodies a partnership between the City of Duluth, Saint Louis County, and other community leaders. The Saint Louis County plan has five key goals: (1) preventing new homeless occurrences, (2) shortening the length of homelessness and rapidly re-housing people in the most permanent arrangement, (3) expanding access to housing/services, (4) increasing supports to maintain housing, and (5) increasing public commitment to ending homelessness. The Duluth City Council and the Saint Louis County Board adopted this plan in March 2007.

d) *Heading Home Southeast Minnesota* is a plan to end homelessness in Blue Earth, Brown, Dodge, Faribault, Fillmore, Freeborn, Goodhue, Houston, Le Sueur, Martin, Mower, Nicollet, Olmsted, Rice, Sibley, Steele, Wabasha, Waseca, Watonwan, and Winona Counties. The plan was developed through a partnership among continua of care, human services directors, housing and redevelopment authorities, mental health initiatives, and the Regional Housing Academy representing both for-profit and nonprofit housing developers, civic leaders, and funders of affordable housing. Phase I of the plan, now underway, calls for the creation of 132 units of permanent supportive housing for persons who are long-term homeless. Phase II will include plans to end homelessness more broadly, with special attention to youth and families with children. The plan will address regional needs for homelessness prevention, outreach and assessment, emergency shelter, transitional housing, affordable housing, and supportive services.

e) *Other regional plans*. Through the Regional Needs Advisory Committee and local Continuum of Care planning, other Metro Area counties and Greater Minnesota regions are working on developing plans to end long-term homelessness based on identified need.

f) *Project Homeless Connect.* One of the newest tools used by local areas for reaching and assisting people experiencing long-term homelessness is Project Homeless Connect (PHC), a "one-stop shop" model of delivering services to people experiencing homelessness. PHC events bring together various services providers in a community for one day to help people access housing, benefits, employment, medical services, legal, and other services. These events are also distinctive in the extent to which they engage whole communities in efforts to end homelessness, including local businesses, corporations, universities, as well as police departments, and many others.

Minnesota PHC events have taken place in Minneapolis (three times), Saint Paul, several small central Minnesota communities, and Duluth. Guests at the events overwhelmingly report satisfaction with the wide-ranging services and assistance offered, with the following needs being addressed (in order of importance to the guests): housing assistance, employment assistance, medical and dental care, and transportation assistance. Between 2,500 and 3,000 people have been served at PHC events in Minnesota. Of those served, more than 25 percent met the state's definition of long-term homelessness, and more than 40 percent reported having disabilities of long duration. All of these communities, as well as Moorhead, are planning PHC events in 2007.

4. Federal Government.

The federal government has been contributing to Minnesota's Business Plan to End Long-Term Homelessness in three primary ways: (1) providing funding through the McKinney-Vento Homeless Assistance Grants, (2) providing strong leadership through the United States Interagency Council on Homelessness (USICH), and (3) providing numerous opportunities for technical assistance. In addition, Congress has directed three grants to the plan.

a) *McKinney-Vento Funding*.
The state of Minnesota receives approximately $20 million each year from the U.S. Department of Housing and Urban Development (HUD) in McKinney-Vento funding for rental assistance, support services and operations of new and existing permanent and transitional housing programs for homeless families and singles. Bonus funds available through McKinney-Vento are used to fund

the Samaritan Initiative, which is directed to single adults experiencing chronic homelessness. The McKinney-Vento funding is critical to the success of the plan because it provides housing (and some services dollars) to individuals experiencing long-term homelessness and prevents others (families and singles) from long-term homelessness. Details are discussed in Section IVD of this report.

b) *Leadership.*
The mission of the USICH is to coordinate the federal response to homelessness and to create a national partnership at every level of government and every element of the private sector to reduce and end homelessness in the nation. Bringing together the highest leadership level of twenty federal agencies, the Council works to improve access to and coordination of federal investments among its Council member departments and agencies; ensure the effectiveness of federal activities and programs; engage and assist state and local governments, advocates, service providers, and customers in creating effective local solutions; and provide technical assistance and evidence-based best practice information to partners at every level of government, as well as the private sector.

To date, the USICH has spurred the development of over 300 state and local plans to end long-term homelessness and convened a number of national meetings where state and local leaders learn from each other, from prominent researchers in the field and from providers of housing and services and people who have experienced homelessness themselves. One of the most exciting aspects to the work of ending homelessness is that states and local areas are trying new approaches and learning from each other. The level of communication and collaboration on these initiatives is unprecedented and can serve as a model for addressing any number of complex social issues in the future.

Through the USICH, Minnesota leaders have gathered ideas from other cities and states for use in implementing Minnesota's Business Plan. These include a unique fund-raising effort in Denver, Colorado; the Pathways to Housing program in New York City; and Michigan's model for gaining commitment from local and regional governments. The USICH has sponsored several symposia for disseminating research methods and data, all of which will strengthen the implementation of Minnesota's plan.

c) *Technical Assistance.*
The federal government has also provided states with a number of opportunities for technical assistance. As mentioned earlier, Minnesota was able to take advantage of the Policy Academy on Family Homelessness and an Employment Learning Community. The state and its partners also received

technical assistance to help develop the resources of the continua of care in Greater Minnesota and to train providers in the community to help people access Social Security benefits.

d) *Congressional Grants.*
Since implementation began, Congress has awarded the following grants that support the Business Plan:
(1) For federal fiscal year 2005, a special economic development initiative grant of $248,000 for supportive housing,
(2) For federal fiscal year 2006, a special economic development initiative grant of $99,000 for supportive housing for homeless youth and a neighborhood initiative grant of $198,000 for homeless youth.

5. Private Sector Commitment.

Minnesota has been fortunate in the degree to which the private sector has expressed its commitment to preventing and ending homelessness in our community. This commitment is not new. For over 20 years the private sector has been a key partner and a critical funder in helping the community address the problem of homelessness. Foundations have contributed millions of dollars a year to support a full range of responses including prevention, emergency shelter and supportive housing. Foundations have also played a leadership role in helping the community better organize its efforts to address homelessness by providing grants to support the planning and implementation of major systems change innovations.

Several representatives of the philanthropic and business communities have participated in one or more of the state and local work groups developing and implementing plans to end homelessness. Many foundations provide grants to providers who manage housing projects and provide services to people who have experienced homelessness. In addition, four foundations and an intermediary organization (The McKnight Foundation, Travelers Foundation, the Frey Foundation, the Pohlad Family Foundation and the Family Housing Fund) have created and contributed to the Partners Fund, a fund developed to provide short-term flexible funding to supportive housing projects in the Twin Cities metropolitan area.

In February 2006, the Frey Foundation made a gift of $5 million over five years specifically to support the Business Plan to End Long-Term Homelessness. In addition to the Partners Fund, the Frey gift is helping to support individual provider organizations and intermediaries that help develop and sustain supportive housing. More recently, the Pohlad Family Foundation pledged to contribute $1 million to the Partners Fund over a period of three years, to be used primarily in Hennepin County.

IV. Recalibration

A. Summary

The following table outlines the key assumptions made in the Business Plan to End Long-Term Homelessness and identifies at a glance which assumptions the 2007 recalibration adjusts (in bold) and which ones remain. The final column estimates the cost differential for remaining Plan implementation through 2010 for the assumptions that the recalibration adjusts.

Assumption	Original Business Plan	Experience to Date	Recalibrated Plan	Estimated Cost Differential through 2010
Households to be served				
Number of housing opportunities created	1,000 by 2006 4,000 by 2010	1,091 by 2006	4,000 by 2010	N/A
Percent family housing	33% families	45% families	33% families	N/A
Size of family households	1 adult, 2-3 children	1 adult, 2.3 children	1 adult, 2-3 children	N/A
Types of new housing opportunities: Rental assistance vs. types of capital development				
Rental assistance or operating subsidy only	40% (1,600 units)	62% (677 units)	**50% (2,000 units)**	($3.5 million)
Capital development (may also include rental assistance or operating subsidy)	60% (2,400 units)	38% (414 units)	**50% (2,000 units)**	
Sole purpose	*83.3% (2,000 units)*	*76% (314 units)*	***70% (1,400 units)***	
New construction	25% (500 units)	73% (228 units)	**40% (560 units)**	
Acquisition / rehabilitation	75% (1,500 units)	27% (86 units)	**60% (840 units)**	
Mixed income	*16.7% (400 units)*	*24% (100 units)*	***30% (600 units)***	
New construction	100% (400 units)	52% (52 units)	**40% (240 units)**	
Acquisition / rehabilitation	0% (0 units)	48% (48 units)	**60% (360 units)**	

<table>
<tr><th colspan="2">Assumption</th><th>Original Business Plan</th><th>Experience to Date</th><th>Recalibrated Plan</th><th>Estimated Cost Differential through 2010</th></tr>
<tr><td colspan="6">Types of new housing opportunities: Sole-purpose single-site vs. scattered-site / clustered</td></tr>
<tr><td colspan="2">Sole-purpose single-site</td><td>50%
(2,000 units)</td><td>29%
(314 units)</td><td>35%
(1,400 units)</td><td rowspan="2">($3.5 million)
(Same as above)</td></tr>
<tr><td colspan="2">Scattered-site / clustered</td><td>50%
(2,000 units)</td><td>76%
(777 units)</td><td>65%
(2,600 units)</td></tr>
<tr><td colspan="6">Unit cost estimates: Capital development costs (Italics in “Original Business Plan” reflect inflation adjustments to 2007 values; Experience to date are projects selected in 2006.)</td></tr>
<tr><td rowspan="2">Sole-purpose new construction</td><td>Families</td><td>$185,000
($214,161)</td><td>$196,000</td><td>$206,000</td><td rowspan="6">$73 million</td></tr>
<tr><td>Singles</td><td>$120,000
($130,915)</td><td>$118,558</td><td>$125,000</td></tr>
<tr><td rowspan="2">Acquisition / rehabilitation</td><td>Families</td><td>$90,000
($104,186)</td><td>$99,000</td><td>$104,000</td></tr>
<tr><td>Singles</td><td>$60,000
($69,458)</td><td>$45,500</td><td>$90,000</td></tr>
<tr><td rowspan="2">Mixed-income new construction</td><td>Families</td><td>$140,000
($162,068)</td><td>$212,000</td><td>$223,000</td></tr>
<tr><td>Singles</td><td>$95,000
($109,974)</td><td>N/A</td><td>$161,000</td></tr>
<tr><td colspan="6">Unit cost estimates: Capital development units requiring state-funded rental assistance or operating subsidy</td></tr>
<tr><td colspan="2"></td><td>100%
(2,400 units)</td><td>36%
(150 units)</td><td>50%
(1,000 units)</td><td>($5.6 million)</td></tr>
<tr><td colspan="6">Unit cost estimates: Amount of monthly rental assistance and monthly operating subsidy required</td></tr>
<tr><td rowspan="2">Rental assistance</td><td>Singles</td><td>$378</td><td>$535</td><td>$565</td><td rowspan="2">$5.9 million</td></tr>
<tr><td>Families</td><td>$894</td><td>$733</td><td>$780</td></tr>
<tr><td rowspan="2">Operating subsidy</td><td>Singles</td><td>$486</td><td>$425</td><td>$450</td><td rowspan="2">($11.5 million)</td></tr>
<tr><td>Families</td><td>$810</td><td>$450</td><td>$475</td></tr>
<tr><td colspan="6">Unit cost estimates: Length of time rental assistance required</td></tr>
<tr><td colspan="2"></td><td>6 years</td><td>Unknown</td><td>6 years</td><td>N/A</td></tr>
</table>

Assumption	Original Business Plan	Experience to Date	Recalibrated Plan	Estimated Cost Differential through 2010
Annual Services costs				
Singles	$10,000	$10,000	$10,000	N/A
Families	$15,000	$14,000	**$14,000**	($3 million)
Inflation assumption				
	5%		5%	N/A

The estimates used to create the latest financing plan assumed that capital units developed under the Plan would not incur services costs until 27 months after the Minnesota Housing Board approved a selection. This is a broad estimate of the time lag necessary to take a development from initial selection through to occupancy by persons who had experienced long-term homelessness. Delaying services costs for capital units has reduced the overall remaining costs of the Plan by over $50 million.

The estimated cost differentials presented in the above table reflect the individual financial impact of each changed assumption and not the cumulative effect of the changes made in this recalibration. For example, increasing the estimated total development costs of capital development adds $73 million to the costs of the Plan for the original 2,400 capital units. However, the recalibration reduces the number of capital units to 2,000 and adjusts the unit mix, thus changing the financial impact of increasing the capital development costs. The cumulative effect of the recalibration changes is estimated to add roughly $9 million to the remaining costs of the Plan.

Combined, delaying services costs and adjusting the costs through the recalibration process reduce the estimated overall costs of the Plan by $57 million through 2010 as described in the financing plan.

The following table compares the original financing plan to the recalibrated financing plan. Like the original financing plan, it is a unique effort to estimate over time the costs and potential sources for providing housing and support services from multiple funding sources. It does not include any cost savings that may be realized as a result of reduced usage of crisis and emergency housing and services and better outcomes.

Financing Plan Estimate
2004 Business Plan Compared with 2007 Recalibration
(in millions)

Sources	**2004**	**2007**	**Costs/Uses**	**2004**	**2007**
<u>Identified Sources</u>:					
State General Obligation Bonds	$90	$77	New Construction	$85	$87
Minnesota Housing State Appropriated Programs and Agency Resources	$90	$96	Acquisition and Rehabilitation	$125	$88
Private Tax Credit Equity (Minnesota Housing allocation)	$60	$60	Units Integrated into Mixed-Income Developments	$50	$85
Department of Human Services	$120	$88	Rental/Operating Assistance	$100	$77
<u>Remaining Sources</u>: Federal Government, Local Government, State Departments, Philanthropic/Nonprofit/Other	$180	$162	Services/ Income Supplements	$180	$146
Total	**$540**	**$483**	**Total**	**$540**	**$483**

B. Assumptions.

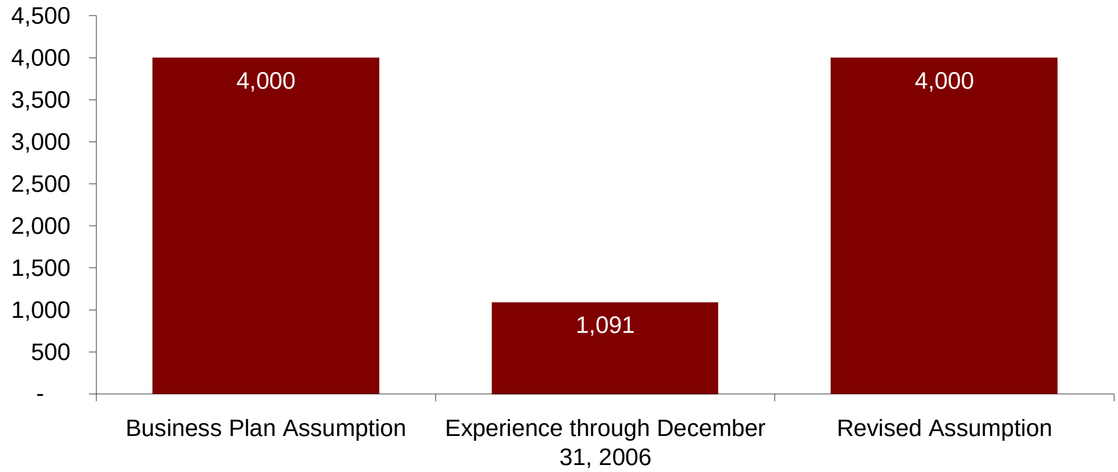
In developing a Financing Plan, the Working Group made assumptions regarding both the overall cost of the plan and potential sources of funding. This section reviews and, where applicable, updates assumptions that impacted the overall cost of the plan, then reviews and updates assumptions regarding sources of funding. Detailed information supporting the assumptions is presented in endnotes to the document.

1. Cost Assumptions

There are four sets of assumptions addressing: (1) households to be served, (2) types of housing to be developed, (3) cost of each type of housing, and (4) cost of services. There are also assumptions about the length of rental assistance and inflation that affect the overall cost of the plan through 2010. For each assumption, the section states the original assumption, summarizes new information that would impact the assumption, and states the revised assumption. If the assumption has been changed, the cost of the change is included. The section also discusses any issues with regard to the assumption. Additional information regarding the assumption (if any) is in the supplement.

a) *Households to be served*

(1) Number

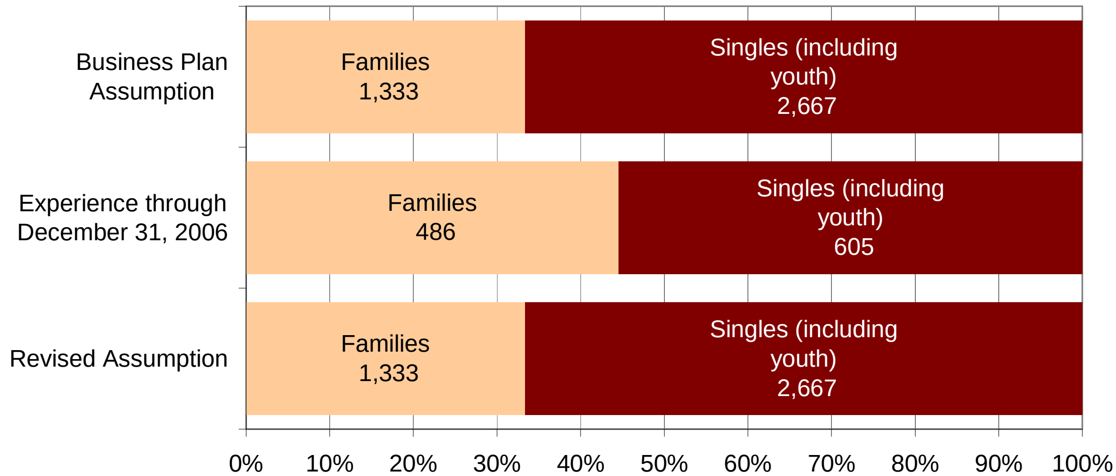


Business Plan Assumption: At least 4,000 households will need to be served over the six years of implementation.

New Information: This number is based on the Wilder Survey of 2003, adjusted to allow for increases in the count. This assumption will be reviewed after analyzing the results of the 2006 Wilder Survey.

Revised Assumption: No change.

(2) Types of households to be served.



Business Plan Assumption. Two-thirds of the housing opportunities will be for single adults or unaccompanied youth. The remaining opportunities will be for families with children.

The actual distribution of single households experiencing long-term homelessness to family households is roughly nine to one. The Working Group decided to plan for a larger proportion of families to allow for family reunification.

Experience through December 31, 2006: There is no new information that affects this assumption. The fact that the experience to date shows a greater proportion of families than planned over the life of the Plan reflects the Working Group's decision to focus first on families as a way of moving children into housing as quickly as possible.[11]

Revised Assumption: No change.

(3) Size of family households to be served.

Original Business Plan	Recalibrated Business Plan
1 Adult 2-3 Children	1 Adult 2-3 Children

Business Plan assumption: Families to be served will predominantly consist of one adult and two to three children.

New information: Data on families using Minnesota Housing's rental assistance program validate this assumption.[12]

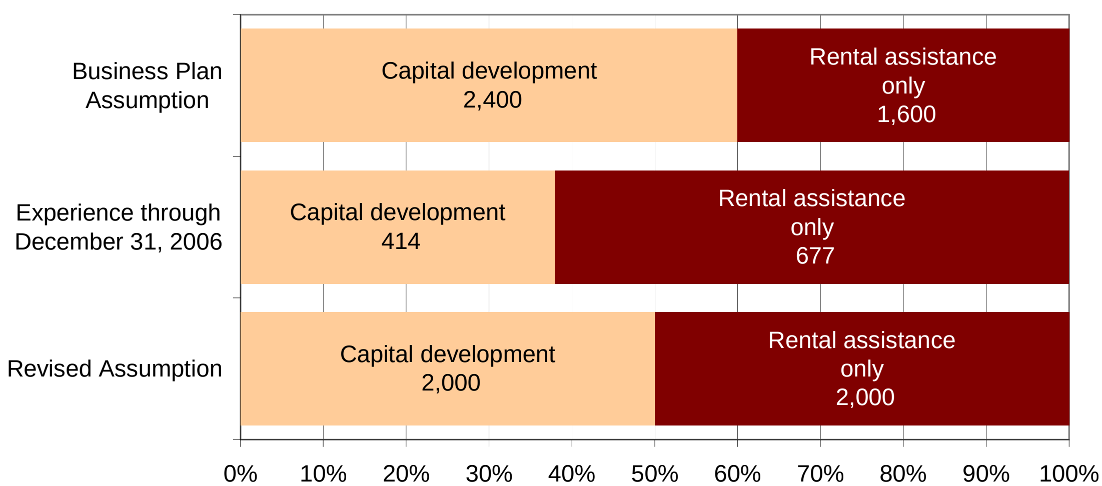
Revised assumption: No change.

b) *Housing Types and Mix*

The next group of assumptions addresses the kind of housing being developed. Housing opportunities can be created simply by providing rental assistance for use in the private rental market. Other opportunities require an investment of capital funds. Among the units requiring capital, some will be new; others will be created by purchasing and rehabilitating existing units. Some will be in single-site buildings; others will be clustered in mixed-income developments. The Business Plan made assumptions about each type of housing.

(1) Capital development (new construction and acquisition/rehabilitation) vs. rental assistance/operating subsidy.

The following chart illustrates the experience to date in developing units needing capital funding and those needing rental assistance or operating subsidy only:



Business Plan Assumption: The plan estimated that 60 percent of the housing opportunities would require capital funding (new construction or acquisition and rehabilitation) and the remaining 40 percent would be created by providing rental assistance for use in existing housing (in this context, rental assistance includes operating subsidies that are not tied to a capital development).

Experience through December 31, 2006: At the end of 2006, the proportions were reversed from the assumption. Sixty-two percent of new housing opportunities had rental assistance only. Thirty-eight percent included a capital investment.[13]

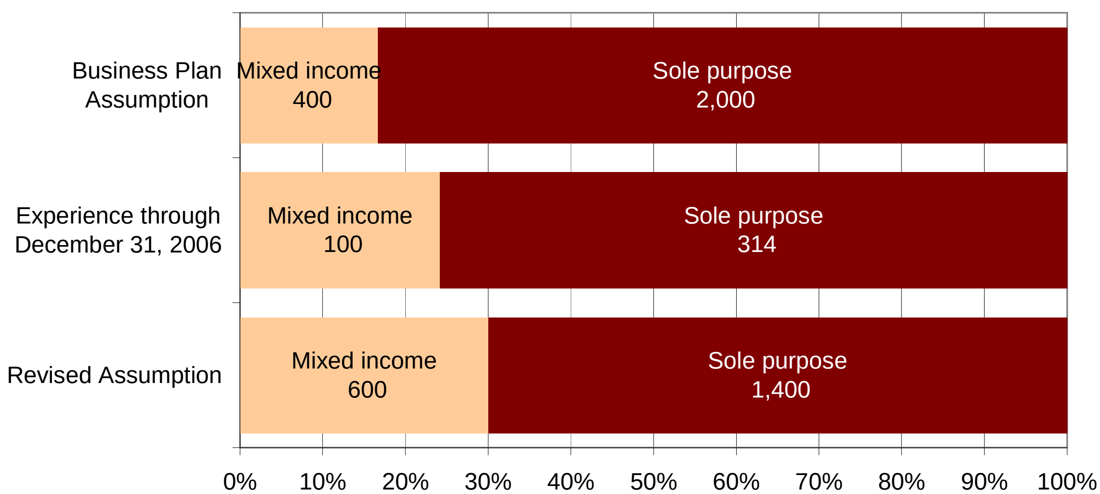
Two factors influenced the larger proportion of housing opportunities created with rental assistance:
- An early focus on rental assistance as a way of getting people into housing as quickly as possible, and
- The type of applications for development funds received by Minnesota Housing through its RFP process.

Revised Assumption: Fifty percent of new housing opportunities will be created by providing rental assistance/operating subsidy only; fifty percent will require a capital investment. This change balances the interest in creating units through rental assistance against the need to maintain a supply of housing that is not subject to changes in the rental market.

Cost impact: This change results in a reduction of $27 million from the estimate in the original financing plan because capital costs are incurred on 400 fewer units.

(2) Sole-purpose vs. Mixed-income

The following chart illustrates the experience to date on the distribution of capital units between sole-purpose and mixed-income developments.



Business Plan Assumption: The Business Plan assumed that 16.7 percent of all units with capital costs would be mixed-income. The remainder would be in sole-purpose developments.

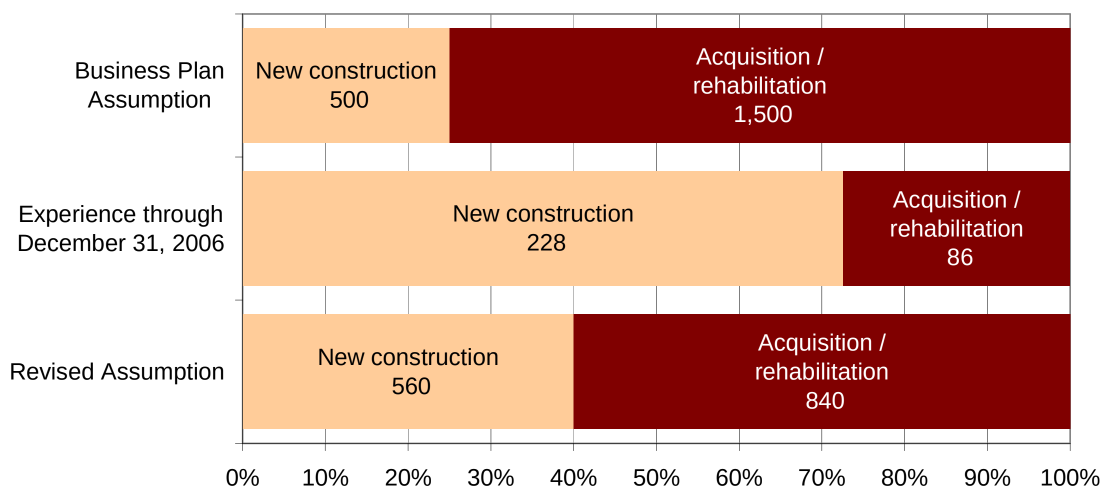
Experience through December 31, 2006: Mixed-income units are 24 percent of all capital units funded as of December 31, 2006.

Revised Assumption: Thirty percent of all capital units will be mixed-income.

Cost impact: Taken alone, the increased percentage of mixed-income units would increase the total estimated cost of the Business Plan by $7 million. When this change is built onto the previous change, the total estimated cost of the plan is reduced by $21.5 million.

(3) Sole-purpose: New Construction vs. Acquisition/Rehabilitation

The following chart illustrates the experience to date on the distribution of capital units between new construction and acquisition/rehabilitation.



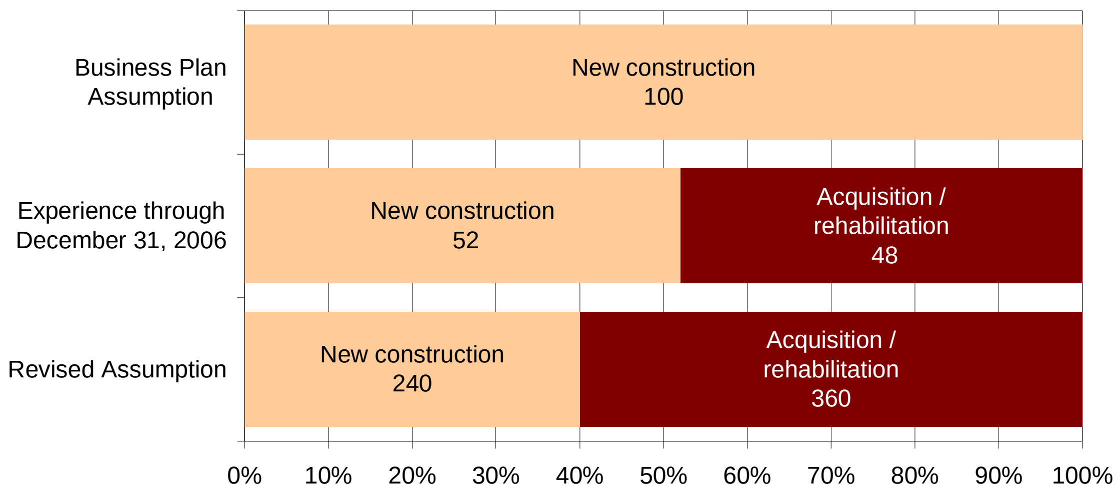
Business Plan Assumption: Twenty-five percent of units created in sole-purpose developments would be new construction; the remaining 75 percent would be developed through acquisition/rehabilitation.

Experience through December 31, 2006: The number of units created through acquisition/rehabilitation was significantly less than anticipated in the Plan, primarily because of high acquisition costs and hidden costs such as lead, asbestos and mold abatement and the need for more substantial rehabilitation than expected.[14]

Revised Assumption: Forty percent of sole-purpose units will be created through new construction; the remaining 60 percent will be acquisition/rehabilitation.

Cost impact: Taken alone, reducing the share of sole-purpose development to be acquisition/rehabilitation from 75 percent to 60 percent (and adjusting the share of new construction accordingly) would increase the total estimated cost of the Business Plan by $26 million. When this change is built onto the previous changes, the total estimated cost of the plan is reduced by $3.5 million.

(4) Mixed-income: New Construction vs. Acquisition/Rehabilitation.



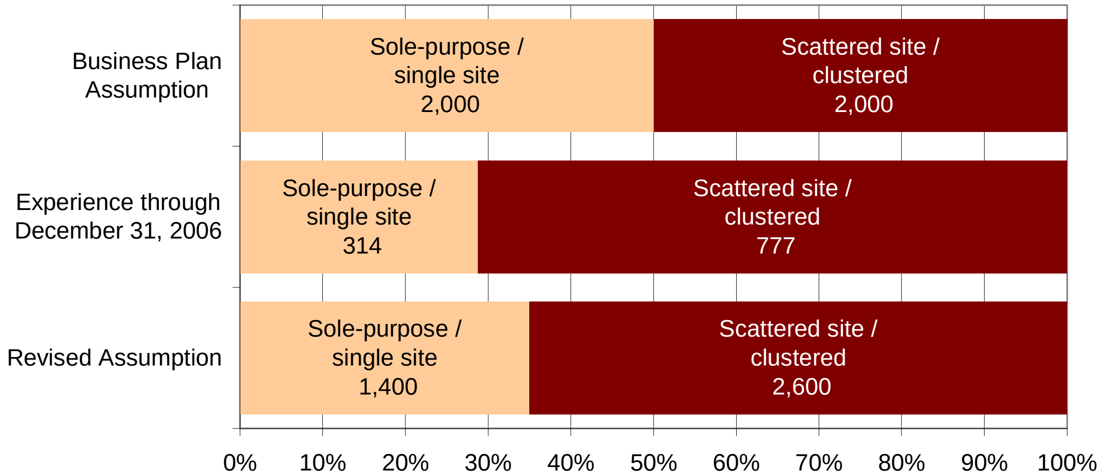
Business Plan Assumption: The Business Plan assumed that all mixed-income units would be new construction.

Experience through December 31, 2006: Almost half of all mixed-income units (48 percent) were created through acquisition/rehabilitation. Only 52 (52 percent) were new construction.[15]

Revised Assumption: Of 600 mixed-income units, 40 percent will be new construction; 60 percent will be created through acquisition/rehabilitation

Cost Impact: This change has no cost impact.

(5) Sole-purpose vs. scattered-site/clustered.



Business Plan Assumption: 2,000 units (50 percent) would be sole purpose/single site, and 2,000 (50 percent) would be mixed-income/scattered-site/clustered. The 2,000 scattered-site units include 400 developed in mixed-income housing and 1,600 in apartments scattered throughout the community and made available with rental assistance or operating subsidy.

Experience through December 31, 2006: Two factors influence the change in proportion of single-site vs. scattered/clustered units:

- The interest on the part of applicants for Minnesota Housing funds to create new housing opportunities using rental assistance only.
- The importance of taking into consideration the number of existing single-site units as the plan keeps a balance between single-site and scattered/clustered opportunities.

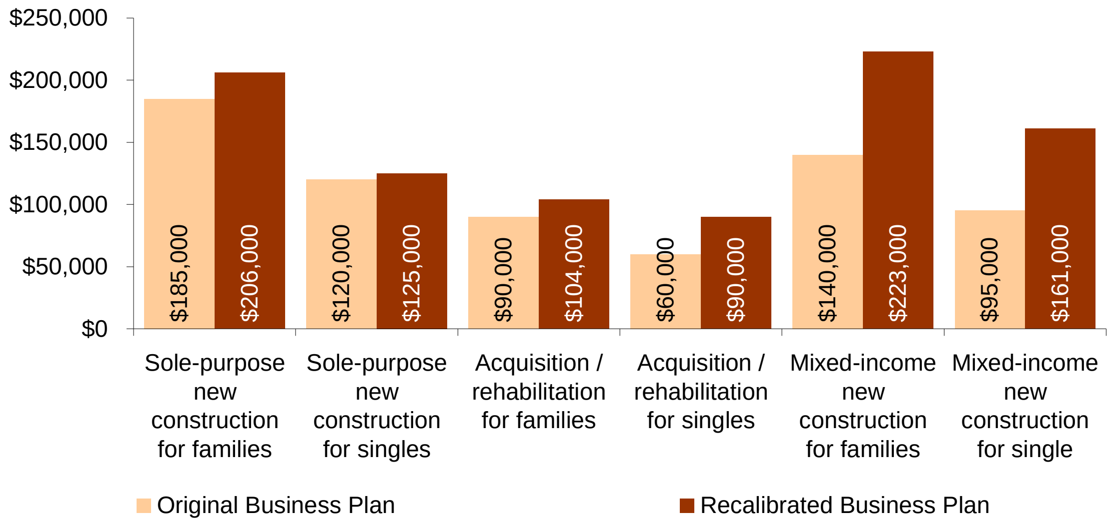
Revised Assumption: Thirty-five percent of new housing opportunities will be in single-site developments; 65 percent will be scattered or clustered.

Cost Impact: This change does not in itself have a cost impact. Rather, it reflects the changes made in (1) and (3).

c) *Unit Cost Estimates*

(1) Development.

The following chart illustrates the experience to date on the cost of developing units to implement the Business Plan:



Type of Unit/ Construction Type	Original Business Plan	Business Plan Adjusted for Inflation to 2007 at 5%/year	Experience to Date (2006 Funded Projects)	Recali-brated Business Plan
New Construction (single-purpose)				
Families	$185,000	$214,161	$196,000	$206,000
Singles	$120,000	$130,915	$118,558	$125,000
Acquisition/Rehabilitation (single-purpose and mixed-income)				
Family	$90,000	$104,186	$99,000	$104,000
Singles	$60,000	$69,458	$45,500	$90,000
Mixed-income (new construction)				
Family	$140,000	$162,068	$212,000	$223,000
Singles	$95,000	$109,974	None selected	$161,000

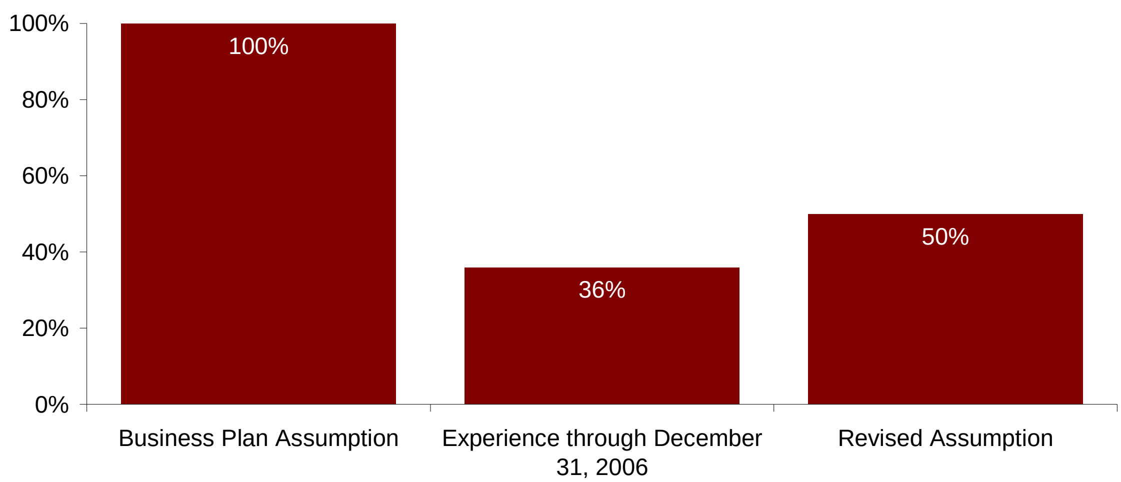
Business Plan Assumption: The Business Plan included estimates of construction costs for each type of construction that would be used in implementing the Plan (see Development table above).

New Information: Over the past three years, the costs of new construction generally aligned with the costs used in the original Business Plan, with a slight adjustment downward for new construction of units for singles. The costs of acquisition and rehabilitation were considerably higher than estimates in the original Plan.[16]

Revised Assumption: See table for new estimates.

Cost Impact: The net total cost of adjustments to construction cost estimates is $73 million.

(2) Rental Assistance and Operating Subsidy: Number of households.



Business Plan Assumption: Virtually all households experiencing long-term homelessness will need some level of housing subsidy for a period of time. The subsidy may be in the form of project-based or tenant-based rental assistance; it may be in the form of operating subsidy to the owner of the development. The plan assumed that all of the developments requesting capital funds would require some form of rental assistance or operating subsidy.

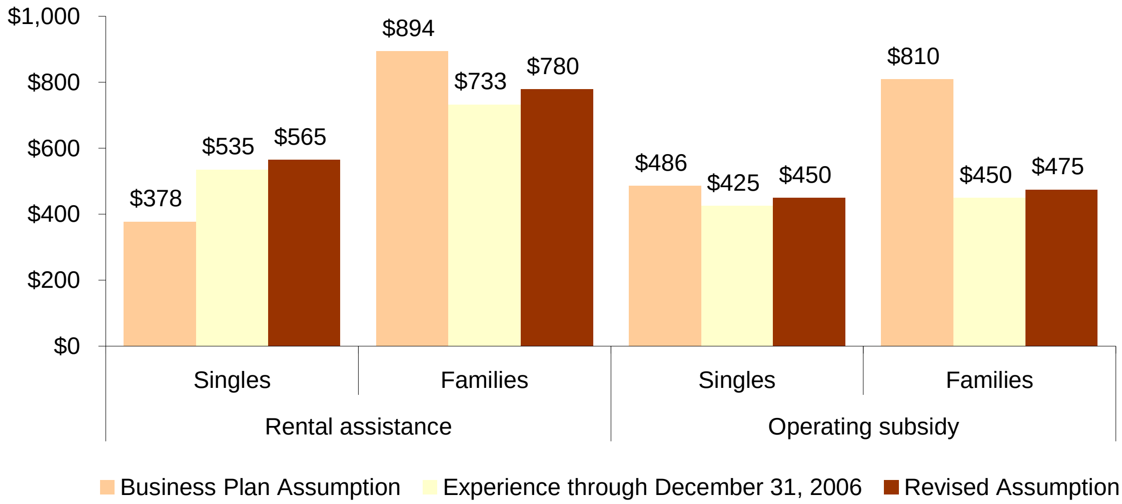
New Information: Developers requested project-based rental assistance or operating subsidy for only 414 (36 percent) capital units funded through December 30, 2006. Some developments have access to project- or tenant-based rental assistance for some of the units, so are requesting operating subsidy only on a portion of the units. Other developers are planning to cover operating deficits with reserve funds, or through subsidies from a nonprofit parent organization. It is too early to know whether these costs will need to be adjusted when units come on line.[17]

Revised Assumption: There is no change to the underlying assumption that virtually all housing opportunities will require some level of rental or operating assistance. Numbers have been adjusted to reflect an assumption that only 50 percent of capital units will receive state-funded operating subsidy.

Cost Impact: Lowering the number of capital units receiving operating subsidy from 100 percent to 50 percent results in a savings of $25 million.

(3) Rental Assistance: Amount.

The following chart compares the Business Plan, experience to date, and the proposed Recalibration on the monthly costs of rental assistance and operating subsidy:



Note to chart: Operating cost estimates in the Business Plan were based on actual costs of operating existing supportive housing developments in the Twin Cities metro area. Actual costs are taken from applications for funding that have been approved by Minnesota Housing to date.

Business Plan Assumption. The Business Plan assumed per unit costs for rental assistance, based on anticipated household incomes and market rental rates. The plan assumed per unit costs for operating subsidy based on data provided by supportive housing providers (see table above for assumptions on rental assistance and operating subsidy).

New information: Over the course of implementation, singles have contributed less than anticipated to their rental costs and families more.

The recalibrated rental assistance numbers reflect experience to date. Operating subsidies are less for both groups, with the largest change being in per unit operating costs for families.[18]

Revised assumption: Original assumptions are revised to reflect experience with a five percent adjustment for inflation between 2006 and 2007.

Cost Impact: The net cost of revising rental assistance estimates is $6 million. The net savings in revising estimates for operating subsidies is $11.5 million. The total estimated net savings is $5.5 million.

(4) Rental Assistance: Length of Time Required.

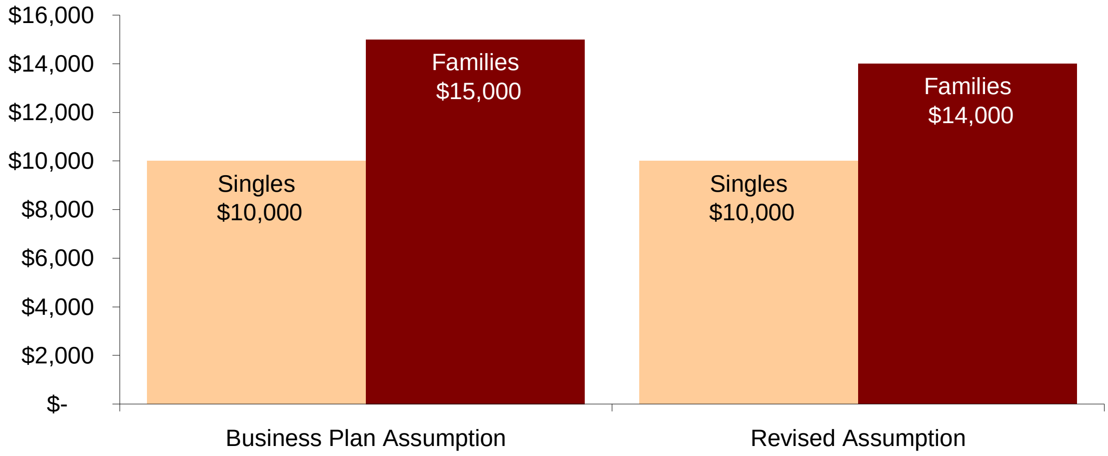
Business Plan Assumption: The Business Plan assumed that state-funded rental assistance would be temporary, ending after six years, with the further assumption that federal rental subsidies would become available. These assumptions are not changed in the recalibration. However, the lagging federal commitment calls into question the federal role.[19]

New information: The length of state-funded rental assistance is discussed in more detail in Section V.[20] These points deserve mention here:

- The federal commitment to funding housing subsidies remains insufficient, which means there is little movement from state-based to federally-funded rental assistance.
- Since the Business Plan was developed, Congress has restricted the availability of Housing Choice Vouchers (HCVs).
- Local Public Housing Agencies (PHAs) are reluctant to use more project-based Section 8 assistance because tenants that receive a project-based subsidy can, after one year in the development, go to the top of the waiting list for tenant-based vouchers. In this way, providing project-based assistance creates a burden on the PHA to sustain more vouchers.
- The federal Shelter Plus Care program is a source of rental assistance for tenant- and project-based programs serving families and single-person households, including individuals experiencing long-term homelessness. Eighteen housing authorities and six county governments in Minnesota have grant agreements under the Shelter plus Care program.
- The state can sustain rental assistance for the 1,091 currently funded units until 2015 with a projected increase to the Housing Trust Fund appropriation of $4,000,000 per biennium.

Revised Assumption: No change.

d) *Services*.



Business Plan Assumption: Based on information submitted by a number of supportive housing providers, the Working Group assumed costs for services of $10,000/year for singles and $15,000/year for families, excluding the cost of basic health care.

New Information: At this point in implementing the Business Plan, experience in estimating the cost of services continues to lag behind that of estimating rental assistance and capital costs, in part because of the wide variety of needs among people who have experienced long-term homelessness and in part because of the difficulty in comparing costs reported by various providers. Hearth Connection has the broadest range of experience providing a documented package of services to individuals and families who have been homeless for long periods of time. The adjustment in the cost of services for families is based on Hearth's experience.[21]

Revised Assumption: See above.

Cost Impact: Reducing per year cost of services for families from $15,000 to $14,000 results in a net savings of $3 million to the plan.

e) *Inflation*.

Business Plan Assumption: The Business Plan assumed an inflationary increase of five percent per year for the life of the plan.

New Information: Using the Producer Price Index for residential construction and RS Means construction cost index,[22] construction costs have increased approximately eight percent annually from 2003 through 2006. The rental portion of the Consumer Price Index indicates an annual average increase of three percent between 2003 and 2005. Since the estimates in the Business Plan include both construction and rental costs, it is appropriate to continue using an average five percent inflationary adjustment.

Revised Assumption: No change.

f) *Phase-in.*

The Business Plan assumed that all of the estimated 4,000 households experiencing long-term homelessness would have housing opportunities and access to necessary support services, phased in as follows:

Year	Housing Opportunities Planned		Housing Opportunities Funded (to date)	
	Number (annual)	Number and Percent (cumulative)	Number (as of December 31)	Net Annual Increase
2004	200	200 (5 percent)	274	274
2005	400	600 (15 percent)	667	393
2006	400	1,000 (25 percent)	1,091	424
2007	600	1,600 (40 percent)		
2008	800	2,400 (60 percent)		
2009	800	3,200 (80 percent)		
2010	800	4,000 (100 percent)		

Since implementation is ahead of schedule, there is no reason to make adjustments to this schedule.

g) *Potential Reforms.*

In addition to assumptions regarding rental assistance, the plan assumed two reform measures. The status of each is as follows:

(1) The first reform would be to require more than 30 percent tenant contribution toward rent to create an incentive for households to move from state-funded to Section 8 rental assistance. The purpose of this reform is to stretch state rental assistance dollars as far as possible and make maximum use of federal subsidies. This reform has not been implemented, in part because of the scarcity of Section 8 rental subsidies. The reform will continue to be analyzed as implementation proceeds.

(2) The second reform is to establish a priority for funding for rental assistance requests that serve households at the lowest monthly cost. The reason for this reform is, again, to serve as many households as possible with state rental assistance funding.

This reform is not about "serving households more able to pay" but rather about getting the most for the state's rental assistance dollar. The state has implemented this reform by analyzing rental assistance proposals carefully and encouraging administrators to lower their costs and reduce the rents they pay wherever possible without compromising the safety, security and well-being of tenants.

2. Assumptions on Sources.

a) *Housing*.

(1) Capital Bonding.

Original Business Plan	Recalibrated Business Plan
$90 million	$77 million

Business Plan Assumption: The Business Plan assumed that $90 million of state general obligation bonds would be available over seven years. The total includes $15 million (rounded from $16.2 million) appropriated to the Veterans Home in 2002. Ninety million dollars represents just over one-third of the assumed capital costs of the Plan.

New Information: To date, $60 million of bonding authority has been requested and $46.5 million received.[23]

Revised Assumption: In view of the reduced number of units requiring capital expenditures, the recalibrated plan foregoes the capital funds requested but not approved. The revised assumption is that $77 million of state general obligation bonds will be available under the Plan.

The use of state supported general obligation bond proceeds requires that state laws for all general obligation bond projects be followed, which have made this a difficult funding source to utilize in some circumstances. Legislation is being pursued that would permit the interest that otherwise would be used to pay debt serve on state general obligation bonds to be used instead to pay the interest on debt issued by Minnesota Housing on behalf of qualified 501(c)(3) organizations which would develop and own supportive housing developments. This would eliminate, for instance, the public owner requirement associated with general obligation bonds.

(2) Minnesota Housing resources.

	Original Business Plan	**Recalibrated Business Plan**
Housing Trust Fund	$25 million	$36 million
Affordable Rental Investment Fund – Preservation (PARIF)	$10 million	$10 million
Non-appropriated agency resources	$50 million	$50 million

Business Plan Assumption: The Business Plan assumed that Minnesota Housing would contribute $90 million toward implementation, including funds from the following sources:

- Housing Trust Fund (state appropriated) - $25 million
- Preservation Affordable Rental Investment Funds (state appropriated) - $10 million
- Non-appropriated agency resources - $50 million

New Information: Due primarily to the increased rental assistance commitments, Housing Trust Fund dollars are being spent at a faster rate than assumed. The recalibrated plan assumes a higher level of spending from the Housing Trust Fund, reflecting the increased appropriations to the budget, and retains the amounts assumed from the Preservation Affordable Rental Investment Funds and non-appropriated agency resources.

Revised Assumption: Minnesota Housing will contribute $96 million toward implementation of the Business Plan, including the $5.5 million appropriated for the Housing Trust Fund for 2008-09 that was not included in the original Plan.[24]

(3) Private Tax Credit Equity. The Business Plan assumed $60 million of tax credit equity.

This assumption is not changed.[25]

b) *Services.*

Business Plan Assumption: The Business Plan assumed that the human services system would contribute $120 million from all sources (state, county, and federal funds) to the costs of providing necessary services and rent contributions. Fifty percent of necessary services would be covered by existing state and federal resources. The plan further assumed that $25-$30 million in income supplements would be used by people experiencing long-term homelessness to pay toward rent in supportive housing settings.

Revised Assumption: There is no change to the assumption that 50 percent of the necessary services will be covered by existing state and federal resources. It is too early in implementation of the plan to know the amount of income supplements being accessed by people served under the Business Plan.[26]

c) *Remaining Sources*

Business Plan Assumption: The Business Plan assumed that $180 million would be needed in addition to identified sources. The additional funds will come from: (1) other state sources, (2) federal government, (3) local government, (4) philanthropic sources.

Revised Assumption: The recalibrated Business Plan shows $162 million in funding needed from remaining sources, including the federal government, local governments, other state resources, and the philanthropic and business communities.[27]

C. New Financing Plan.

The Business Plan included a financing plan, estimating the costs over seven years (2004 – 2010) of developing 4,000 additional permanent supportive housing opportunities and likely sources of the funding that would be needed. An updated Financing Plan for the recalibrated Business Plan follows:

Financing Plan Estimate (2004 – 2010)
(in millions)

2007 Recalibration

Sources		*Costs/Uses*	
Identified Sources:			
State General Obligation Bonds	$ 77	New Construction	$ 87
Minnesota Housing State Appropriated Programs and Agency Resources	$ 96	Acquisition and Rehabilitation	$ 88
Private Tax Credit Equity (Minnesota Housing allocation)	$ 60	Units Integrated into Mixed-Income Developments	$ 85
Department of Human Services	$ 88	Rental/Operating Assistance	$ 77
Remaining Sources: Federal Government, Local Government, State Departments, Philanthropic/Nonprofit/Other	$162	Housing Support/Community Living Services/Income Supplements	$146
Total	**$483**	**Total**	**$483**

With regard to costs:

- The dollar figures represent the amount of capital, operating subsidy, rental assistance and services committed in 2004 – 2006, plus the amount for each type of spending estimated for the years 2007 – 2010 based on the recalibrated assumptions. Future estimates include funding needed to sustain current commitments.
- As noted in the original Business Plan, there will be ongoing costs for rental assistance and support services after 2010. The services costs will be reduced to the extent services can be "mainstreamed," that is, funded by established resources such as Medical Assistance. The cost of rental assistance will be reduced to the extent the federal government fulfills its role of providing rental assistance to low-income households.

With regard to sources:

- The "identified sources" are those that can be reasonably anticipated based on existing funding levels, including:
  - State general obligation bonds. The amount of bonding is estimated to include the allocation secured to date plus the planned request of $30 million for 2008. It does not include $13 million requested but not received to date.
  - Minnesota Housing funds: Housing Trust Fund, Affordable Rental Investment Fund – Preservation (PARIF) and agency funds, discussed elsewhere in this document.
  - Private tax equity in the same amount estimated in the original Business Plan.

- Funding from human services system. The estimate represents one-half the total estimated cost of services plus $30 million in income supplements to individuals and families (same as original Business Plan).

- The "remaining sources" shows the amount of funding needed for which no specific source has been identified. The federal government, other state agencies, local governments, and the business and philanthropic sectors are all potential sources of funding for the remaining costs.

As noted in the original Business Plan, the numbers in the Financing Plan do not include an estimate of reduced costs to counties, other local units, and the state of the reduced use of "crisis" services by people experiencing long-term homelessness. Nor do they estimate the benefits associated with better outcomes such as increased employability.

D. Strategies to Address Gaps in Funding: Status Report.

The Business Plan identifies a broad variety of strategies for funding gaps in financing. This section reviews the strategies and evaluates their ongoing use. The section also identifies any additional strategies.

1. Capital Cost Strategies.

a) *Types of Funding*

(1) Bonding. One of the strategies for increasing dollars available for capital costs of the plan was to seek additional bonding authority for permanent supportive housing. This strategy is being implemented and is discussed in more detail in other sections of this report.

(2) Tax credits. The Business Plan identified the need to address housing tax credits and general obligation bond funds. Minnesota Housing has explored this strategy. These two sources of funding are not very compatible because only public entities are eligible to receive general obligation bond funds, while only taxable entities benefit from low-income housing tax credits. The combination of both types of funds in a single project requires the use of condominium or registered land survey techniques and such projects increase the complexity and cost of the project.

(3) Increases to state appropriated programs. The Business Plan anticipated additional appropriations to the Housing Trust Fund. In 2005, the Legislature appropriated an additional $4 million and added $4 million to the 2008-09 base. In 2007, the Legislature added $500,000 to the base and appropriated an additional $5 million in one-time funding.

(4) Community Development Block Grant (CDBG) funding. CDBG funds can be used for many activities including property acquisition, demolition,

and planning activities. The Business Plan suggested that consideration be given to consolidating CDBG and Continuum of Care efforts. This recommendation has not yet been addressed but will remain for consideration.

b) *Capital Cost Efficiencies*.
The Business Plan stated that efforts must be undertaken to reduce development costs while not jeopardizing quality and suggested several areas to examine for potential efficiencies. The following strategies, used when appropriate, may reduce costs on the margin:

Design

- Develop larger facilities over 50 units to maximize economies of scale.
- Use green design for long-term energy cost savings.
- Increase standardization between facilities allowing for bulk purchasing of materials.
- Reduce the amount of space for services. However, raw space is inexpensive compared to system stem (plumbing, electrical, kitchen/bathrooms) costs which remain unchanged even when unit size or service space is reduced.
- Substitute lower cost material options. The use of vinyl tile versus carpeting has provided savings both up-front and long-term maintenance. It has been found that due to the severe usage many of the facilities experience over the long term, it is more cost effective to use higher quality materials to reduce long-term operating costs than to reduce the initial cost of construction.

Technology/Building Delivery Systems

- The funding providers have generally been open to new technologies and value engineering of the building design. Currently, building code and local acceptance have been a factor in the implementation of some of these technologies.
- Panelization and manufactured housing components still have potential for moderate cost reduction as the industry matures and receives higher building code and local acceptance.

Land Use Regulation and Siting

The local community can play a role in cost reduction by instituting recovery relief such as density bonuses and streamlining permit processes.

2. <u>Operating Cost Strategies</u>

a) *<u>Increase Access to Income Supplements</u>.*
Since increased income reduces the need for rental subsidy, the Business Plan suggested increasing access to income supplements as a strategy for addressing operating costs.

(1) Group Residential Housing (GRH). The Business Plan called for expanding GRH availability. As a result of legislative changes to the GRH program, two counties immediately began to develop projects providing new housing options for people experiencing long-term homelessness. Dakota County, in partnership with Mental Health Resources, Inc., began relocating homeless clients into a Minnesota Housing development that had recently been completed. Hennepin County formed partnerships with Lutheran Social Services, Catholic Charities, People Inc., Spectrum Mental Health, Simpson Housing, St. Stephen's, Elim Transitional Housing, and the Assertive Community Treatment teams to create the Housing First Project, using Minnesota Housing subsidies to qualify rental housing for GRH-eligible homeless clients. This project hopes to house 150 clients in its first year. Similar efforts are beginning in other Minnesota counties.

(2) Minnesota Supplemental Aid (MSA). The Business Plan recommended expanding eligibility for MSA Shelter Needy allowance. In 2005, the Legislature expanded the MSA Shelter Needy program to include people with mental illness who relocate from intensive rehabilitative treatment to the community. The MSA Shelter Needy benefit is equivalent to the GRH benefit in terms of income available to pay for housing, but has no restrictions on the types of housing where it can be used for rent.

(3) SSI Outreach and Assistance. The Business Plan stated that DHS would increase funds for efforts to educate people experiencing homelessness about SSI and MSA criteria, benefits and application procedures. DHS, DEED, and several counties and nonprofits recently participated in a federally-funded training on SSI outreach, which was the first step in training three people (one each in Ramsey and Hennepin counties and one on the Red Lake reservation) to train others throughout the state on how to reach out and establish SSI eligibility for people who have experienced long-term homelessness. In addition Minnesota's PATH (Projects for Assistance in Transition from Homelessness) program has funded a psychologist who works in the Twin Cities metropolitan counties to assist people experiencing homelessness with SSI applications.

b) *Increase Availability of State-Funded Rental Assistance or Operating Cost Subsidies*.
One strategy for moving forward on the Business Plan was to infuse the plan with state funds for operating subsidies and rental assistance in anticipation of people becoming eligible for ongoing federal rental assistance. To date, the state has contributed more than anticipated as described in the chart below:

	Tenant- or Sponsor-Based Rental Assistance		**Project-Based Rental Assistance or Operating Subsidy**	
	Dollars	**Units**	**Dollars**	**Units**
Business Plan Budget (to date)	$4,962,416	400	$7,443,624	600
Funded (to date)	$7,456,458	677	$2,929,693	150

c) *Increase Availability of Federally Funded Rental Assistance*.
The Business Plan points out that the goal of ending long-term homelessness will require additional federally funded rental assistance. One strategy of the Business Plan for addressing the gap in operating costs is to increase the availability of Section 8 rental assistance, particularly Section 8 Housing Choice Vouchers (HCV). This strategy has been frustrated by a number of federal policy and market developments since development of the Business Plan. (See CBPP report referenced earlier.)

d) *Maximize Utilization of Project-Based Section 8 Assistance*.
Minnesota Housing has worked with the Minnesota Chapter of the National Association of Housing and Redevelopment Organizations (NAHRO), as well as with public housing agencies in Saint Paul, Duluth, Minneapolis, Olmsted County, and Dakota County to develop and implement ideas for accomplishing this goal. While there are several barriers to increasing utilization of Project-Based Section 8 assistance for people experiencing long-term homelessness (the biggest of which is the very real and expressed need of other vulnerable populations for resources that are so limited), discussions continue, especially around the ideas of providing incentives and technical assistance to local agencies. The PHAs are reluctant to create a preference for people experiencing long-term homelessness and support expanding the Bridges program as a means of providing rental assistance to people with mental illness while they wait for Section 8 vouchers. The Governor has included this expansion in his 2008-09 budget.

e) *Maximize HUD McKinney-Vento Funding for Supportive Housing*.
The Business Plan stated that new permanent supportive housing developments within each Continuum of Care region would receive technical assistance to

ensure they could access the full amount of funding under the McKinney-Vento Act.

The following chart shows the amount of funding for which Minnesota was eligible and the amount received in the three years of Plan implementation. The amount for which a state is eligible includes both the "pro rata need" and a "maximum eligible bonus." (Funding for Emergency Shelter Grants is not shown on this table.)

Year	Funding Award	Funding Eligibility	Pro Rata Need	Maximum Eligible Bonus
2003	$17,741,159	$18,400,585	$13,746,337	$4,654,248
2004	$19,701,509	$20,378,865	$14,139,093	$6,239,772
2005	$19,109,722	$15,420,536	$13,409,164	$2,011,372
2006	$18,083,083	$15,499,814	$13,478,100	$2,021,714

In 2005 Minnesota's Continuum of Care funding award was $19,019,722, which was $3,599,185 over the state's pro rata need and bonus. This shows the tremendous effort made by Minnesota's 13 continua in applying for this important source of funding.

f) *Develop Re-entry Housing*.
Developing housing for offenders in transition from incarceration to the community is another strategy suggested by the Business Plan. This issue is discussed in Section V.

g) *Registering of Supportive Housing*.
The Business Plan suggested that some kinds of licensing or registration of supportive housing may assist in accessing additional funding. The Minnesota Legislature acted on this suggestion by modifying the Housing with Services Contract Act. The Act now allows the registration of supportive housing for people experiencing long-term homelessness; hence this type of housing is now eligible to receive GRH payments on behalf of renters. Using the Housing with Services registration also provides a strong consumer focus because the Act requires a contract between the landlord and the tenant that clearly defines the services, benefits, and responsibilities of both parties.

3. Service Cost Strategies.

a) *Provide Flexible Funding*.
The Business Plan contemplated a flexible fund to which DHS would contribute from existing funding streams. There is no current plan to consolidate funding streams.

(1) Mental health client service funds.
Minnesota Housing agreed to provide funds, on a temporary basis, to provide additional housing subsidies for people in the Bridges program, thus freeing up DHS Bridges subsidy money for services. This recommendation was not implemented, primarily because the administrative complexity of such a change was not warranted, especially in view of the Legislature's creation of the Supportive Services Fund.

(2) Emergency shelter.
There are seven unique homeless shelters in Dakota, Ramsey, and Hennepin counties that also receive service payments through GRH. Pursuant to the Business Plan, the GRH statute was changed to allow GRH service payments to follow individuals into supportive housing if relocating from one of these seven shelters.

This section of the Business Plan discussed the idea that the demand for shelter space will be reduced with the increase in supply of permanent supportive housing. It is too early in implementation of the Plan to see any impact in the shelters as yet.

In its report on emergency and transitional housing use in Ramsey County, Wilder Research found an increase in the use of these resources between 2003 and 2005. At the same time Wilder's recently released *Overview of homelessness in Minnesota 2006* showed an approximately 20 percent drop in the use of transitional housing compared to its 2003 study.[28] (Both reports are available at www.Wilder.org.) Clearly the issue of whether and the extent to which the demand for shelter and transitional housing is increasing or decreasing needs further analysis.

(3) Transitional housing.
The Legislature approved the Business Plan's proposal to change the Transitional Housing Program so that 10 percent of the funds would be available for permanent supportive housing.

DHS (through the Office of Economic Opportunity) is using the money for longer stays, as expected by the Legislature. In state fiscal year 2006, 35 households were reported as having stayed longer than 24 months. To date there have been 16 requests for extended stays in SFY 2007.

(4) Legislation for GRH and Transitional Housing Program changes.
As discussed earlier, the Legislature increased the flexibility of these programs, following suggestions made in the Business Plan.

b) *Target New Funding*.
The Business Plan recommended that, if additional funding is made available, it be targeted to people not currently receiving the level of service they need. Currently, there are 26 Assertive Community Treatment teams serving approximately 1,750 individuals. Two teams have been specifically established to serve individuals experiencing long-term homelessness and several teams have obtained housing subsidies for clients on their teams who do not have adequate, low-income housing available.

Several agencies serving homeless people have become Adult Rehabilitation Mental Health Service (ARMHS) providers predominantly serving homeless individuals. One of the options of ARMHS is to assist individuals in obtaining and maintaining housing.

c) *Increase Availability of Technical Assistance (Services)*.
The Business Plan suggested that state staff make available technical assistance that will help providers and developers to access service funding and other DHS programs. DHS staff from the Office of Economic Opportunity and Community Supports Division provide technical assistance to housing and service providers regarding financial programs and options for funding. DHS and Minnesota Housing staff are working together to intervene with providers who may be struggling as they try to aid the hardest to serve.

d) *Coordinate with Rule 36 Restructuring and Mental Health Initiatives*.
The Business Plan states that DHS will consider the needs of people experiencing long-term homelessness as the Rule 36 program is restructured. ("Rule 36 programs" are residential programs licensed by the Department of Human Services for people with mental illness.)

As the system transitioned from the former Rule 36 facilities to smaller Intensive Residential Treatment (IRT) settings, counties were required to use any additional revenue for other housing options such as supportive living situations (subsidized apartments) and Adult Foster Care. There was no net loss of bed capacity as the system created a broadened range of housing alternatives. The result is that people with a serious mental illness who are experiencing long-term homelessness have access to both traditional inpatient settings as well as longer term sub-acute treatment setting and permanent housing options. Of equal importance is that these expanded treatment and housing with services options can proactively prevent individuals from becoming homeless.

e) *Chemical Dependency Case Management Option*.
The Business Plan noted that a new rule governing the Consolidated Chemical Dependency Treatment Fund (CCDTF) would add case management as an

allowable service. Planners expected that the use of CCDTF funds for case management would free some federal grant dollars for direct treatment services.

While this direct exchange of dollars did not occur, it is important to note that a total of $749,000 in chemical dependency grant funding goes to organizations providing services to people who have experienced long-term homelessness. The money is administered by seven organizations located throughout Minnesota.

f) *Redirect State Funding in PATH Projects to Other Mental Health Service Models*.
The Business Plan stated that DHS proposed to use state funding in PATH projects to maximize federal reimbursement. State funds would be used for the match for Medical Assistance (MA) Programs such as ACT (Assertive Community Treatment). The state has reconfigured the state allocation for PATH projects to allow the use of some PATH funds as a match for MA services.

g) *Work with Existing DHS Workgroup on Case Management Reform*.
The Workgroup on Case Management Reform no longer exists.

h) *Work with Department of Employment and Economic Development (DEED) on Employment Support Services for Persons with Mental Illness*.
The Business Plan calls for encouraging supportive work programs for people with mental illness experiencing long-term homelessness as a component of their supportive services. As mentioned earlier, the work to integrate supportive employment into the plan to end long-term homelessness has begun.

i) *Partner with Counties to Develop Capacity*.
The Business Plan recognizes that counties both fund and deliver services. Counties need to be tied in with all aspects of the state plan to end long-term homelessness and need to be part of any planning in their local areas.

The most significant way in which counties have become involved in implementing the plan is through the Supportive Services Fund, as discussed elsewhere in this report. The Legislature designed the Fund to be administered by consortia of counties. This effort to break down barriers among counties has been successful to date, with five county consortia (including 34 counties and six Native American bands) coming together to administer the Fund.

Other ways in which counties are involved in implementing the plan include (1) reviewing services plans in funding proposals submitted to Minnesota

Housing, (2) modifying the use of the Group Residential Housing program to address long-term homelessness, (3) consulting with the state and providers on the uses of county-based funding to support the plan, and (4) participating in Continua of Care at the local and regional levels.

j) *Improve Discharge Planning*.
The Business Plan stressed the importance of developing and implementing policies for discharging people from publicly funded institutions as a strategy for preventing homelessness. Publicly funded institutions in Minnesota include health care facilities, foster care or other youth facilities, and corrections programs and institutions. Each system has established discharge policies, which will be reviewed for their effectiveness in preventing homelessness as implementation of the Business Plan proceeds. Policies now in place include the following:

Foster Care: DHS, through state legislation, has directed counties to develop discharge plans with all youth in foster care beginning at age 16. Discharge plans must include housing and employment options and the assigned county case manager is to work closely with the youth and foster provider to implement all discharge plans. Foster care youth may petition to stay in foster care until age 21. State wards stay in foster care until age 21. In 2005, the Governor proposed and the Legislature appropriated $2.2 million in assistance to help adolescents who are transitioning out of foster care achieve stability and prevent them from becoming homeless.

Mental Health: People committed to any of the state regional treatment facilities are assigned a mental health case manager through the county that pursued the commitment. Discharge planning begins while the commitment process is still occurring. Housing after discharge is part of the treatment plan.

Corrections**:** In order to prevent offenders from being released into homelessness, the state, following best practice, is moving the process of offender transition closer to the point of admission. Getting the offender to actively participate in transition planning at the earliest possible point in his/her incarceration allows for a greater chance of success once release occurs.

k) *Support Federal Ending Long-Term Homelessness Services Initiative*.
One strategy suggested by the Business Plan was to support the federal Ending Long-Term Homelessness Services Initiative (ELHSI). The title of the legislation that was ultimately introduced in both the 108th and 109th Congress was changed to the Services for Ending Long-Term Homelessness Act (SELHA).

SELHA would authorize funding for a flexible array of services in permanent supportive housing, focused on helping people move toward recovery and self-sufficiency. It would be administered by the Substance Abuse and Mental Health Services Administration within HHS. Services would include mental health, substance abuse, health education and referral, self-sufficiency, and case management.

Governor Pawlenty and Minnesota Housing highlighted with members of the Congressional Delegation the state goal of ending long-term homelessness and asked for their support in both the 108th and 109th Congresses.

Between the 108th and 109th Congresses, support for the bills increased from 24 cosponsors in the House to 118, and from one Senate cosponsor to 19. Five of Minnesota's House members and both Senators cosponsored SELHA in the 109th Congress.

l) *Develop Metropolitan Area Regional Planning*.
State agencies support the work of counties in the Twin Cities metropolitan area in developing collaborative policies on long-term homelessness between counties. This is happening as administrators work together to administer the Supportive Services Fund in the Twin Cities metropolitan area. The seven metro counties participate in collaborative planning and administration of the Fund, which is leading to more aligned policies and procedures.

m) *Provide Technical Assistance (Housing)*.
The state works with the Corporation for Supportive Housing, Minnesota Housing Partnership, Family Housing Fund, and Local Initiatives Support Corporation (LISC) to provide assistance to nonprofit organizations wishing to develop supportive housing. This strategy can be particularly important in areas such as Greater Minnesota where Continuum of Care Coordinators and others have less access to financial resources and other support necessary for their efforts.

V. Looking Forward

As mentioned in the introduction, the Business Plan does not operate in isolation. The federal funding climate has a major impact on Minnesota's ability to reach the goals of the Business Plan as do other state initiatives such as preventing homelessness and assisting offenders in re-entering society. Program and funding restrictions also impact the extent to which Minnesota can move from the current system to a more flexible funding and regulatory environment. This section of the report provides a status report on major implementation issues.

A. State Initiative: Preventing Homelessness.

The best way to address homelessness is, of course, to prevent it. Many private and public efforts prevent homelessness, from families that house members who fall on hard times to specific government-funded programs aimed directly at people who become homeless. Two unique Minnesota programs deserve mention as part of this report because they are so closely aligned with the plan to end long-term homelessness.

The first is the Family Homeless Prevention and Assistance (FHPAP) program, lauded as one of the best programs in the nation for preventing homelessness. For the 2008-09 biennium, the amount invested in this program was doubled to nearly $15 million. FHPAP prevents homelessness among families and individuals by providing direct cash assistance for housing needs, such as short-term rent assistance, security deposits, and utility assistance, as well as specialized case-management services, including financial literacy training and education, and assistance in finding housing. Although cost is not the primary reason for a focus on prevention, data show that it is far less expensive than maintaining people in homelessness. Hennepin County estimates, for example, that an episode of family homelessness costs $4,790 while prevention costs between $472-$750. Saint Louis County estimates that one episode of homelessness costs $1,531 per person, four times the cost of a typical FHPAP intervention in that county. Currently, 15 grantees and a total of 62 agencies deliver FHPAP services and assistance in 52 of Minnesota's 87 counties.

The second initiative that, while not directly serving people experiencing long-term homelessness, will help prevent further homelessness is Minnesota's Comprehensive Offender Reentry Plan (MCORP). Minnesota currently has over 8,000 offenders incarcerated in state correctional institutions, 95 percent of whom will at some point be released. Led by the Department of Corrections, MCORP is a strategic initiative between invested state agencies, the courts and the community to plan for offender re-entry from the time of court sentencing through offender reentry into the community as productive, law-abiding citizens. The focus of this effort is on housing, employment, family support, and treatment for behavioral and physical health.

Success of the MCORP initiative is key to full implementation of the Business Plan, both to house people who experience long-term homelessness and to prevent further homelessness. Twenty-six percent of people experiencing long-term homelessness reported a criminal history affecting their housing status, according to the Wilder Research Center's 2003 Study on Homelessness. Their criminal history is one of the most significant barriers they face in securing and maintaining housing.

MCORP will include three pilot projects in Hennepin, Ramsey and Olmsted counties. As these counties plan to meet the housing needs of 1,200 –2,000 offenders likely to be released, careful attention will be paid to offenders who have experienced long-term homelessness and who may otherwise be homeless again and more likely to re-offend.

B. Definition of Long-Term Homelessness.

Two issues have arisen with regard to the definition of households served under the Business Plan. The first has to do with families, the second with youth.

Families. The United States Department of Housing and Urban Development (HUD) defines a chronically homeless person as an unaccompanied homeless individual with a disabling condition who has either been continuously homeless for a year or more or has had at least four episodes of homelessness in the past three years. *Federal Register,* Vol. 68, No. 80, April 25, 2003. The Working Group both modified the federal definition of chronic homelessness and included families and youth, as well as single adults, in the definition. The primary concern with Minnesota's definition as applied to families is that homelessness of any duration has a devastating impact on children.

Recognizing the impact of homelessness on children, new housing opportunities have been focused on families and the reach of the Supportive Services Fund has been extended to families "at risk of homelessness." To date 45 percent of housing opportunities created under the plan are for families even though families with children are only about ten percent of all long-term homeless households.

The proposed increase in FHPAP will also reduce family homelessness by "closing the front door": i.e., preventing it. The state expects that the efforts to prevent homelessness and address families first under the Business Plan will address the need to keep children housed.

Youth. Homeless youth are youth who do not have family that can or is willing to support them. They have fallen through the cracks of our child welfare system, primarily due to lack of capacity. An estimated 22,410 youth experience at least one night of homelessness every year in Minnesota, according to Wilder Research Center's 2003 Study on Homelessness.

The Business Plan included 50 opportunities for youth in the plan to end long-term homelessness, and 17 housing opportunities for youth have been created under the plan to date. Since the plan was developed, however, there have been many questions about both the number of youth meeting the definition and the role of the plan in addressing youth homelessness. Homeless youth are different from homeless adults in that they face additional barriers such as their vulnerability to adult exploitation and lack of income and employment history. Those implementing the Business Plan will continue working with DHS and members of the community addressing youth homelessness to ensure that housing and services developed under the plan meet the needs of youth.

The number of youth experiencing long-term homelessness will also be revisited as the 2006 Wilder numbers are analyzed.

C. Transitional Housing.

A third question is the role of transitional housing in the Plan to end long-term homelessness. This issue has been taken on by the Services Funding Committee of the Ending Long-Term Homelessness Advisory Council, which will make a recommendation to the Council at a later date. The Committee has noted that, in general, permanent supportive housing is more appropriate for people who have experienced long-term homelessness because of the many challenges and barriers experienced by this population. At the same time, the Committee agrees that transitional housing may be appropriate for some families, including those that have experienced domestic violence and those needing to maintain sobriety. The Committee further recognized that housing options are often limited by funding availability. In past years, there has been more funding available for transitional than for permanent supportive housing.

D. Federal Subsidies.

One of the thorniest issues impacting implementation of the Business Plan is that of federal subsidies for rental assistance. In the words of the original Plan, "The assumption regarding the temporary nature of the state-funded rental assistance may be the most aggressive assumption contained in the Business Plan."

The Business Plan assumes that the state will temporarily assume the cost of rental assistance to create housing opportunities for people experiencing long-term homelessness. The Plan further assumes that the federal government will gradually take over the funding of rental assistance by providing either project- or tenant-based housing vouchers under current programs.

Since implementation began, there has been no movement toward increased funding at the federal level. In fact, any movement has been in the opposite direction:

1. Beginning in federal fiscal year 2005, Congress has declined to fund the "Central Reserve." As a general matter, local housing authorities can allocate a certain number of vouchers. The actual cost of the vouchers has fluctuated with the cost of rental housing. Until 2005, Congress had funded a substantial "Central Reserve" that was used to cover additional costs of housing choice vouchers (HCVs) and had allowed housing authorities to subsidize units in excess of their number of authorized vouchers.

   Increasing costs in the program caused Congress to attempt to more directly control program costs. Beginning in FY 2005, the HCV appropriation was not supplemented by a central reserve, housing authorities were restricted from subsidizing more units than were authorized, and housing authority reserves were scaled back. The result is that the number of vouchers in use has been reduced to fit within the available funding.

   According to the Center on Budget and Policy Priorities (CBPP), the impact of these changes on the availability of housing vouchers in Minnesota has been a loss of 1,423 assisted housing units, a portion of which could have been available to support the Business Plan. Looking forward, CBPP estimates that formulas under consideration for allocating 2007 HCVs will reduce the number of funded vouchers in Minnesota by an additional 659 or increase them by up to 454. Under no scenario will the funding return Minnesota to its previous capacity.[29]

2. It should be noted that, even if Congress acted to increase the number of vouchers and funding levels, action by local housing authorities, as administrators of the HCV program, would still be required before the vouchers could be used to support the Business Plan. Housing authorities would need either to project-base a number of HCVs to specific units within developments for occupancy by people experiencing long-term homelessness, or create preferences for this population on their waiting lists. HCV regulations limit the number of vouchers housing authorities may project-base, and some authorities, especially in jurisdictions with high populations of people experiencing homelessness, are either at or near the limit. Other housing authorities have been reluctant to establish priorities for people experiencing homelessness. It is, therefore, unclear that increased HCV funding would result in additional vouchers to defray operating costs of housing for the homeless.

3. The only new vouchers entering the inventory of vouchers are tenant protection vouchers. Tenant protection vouchers provide a replacement subsidy for tenants losing project-based rent assistance and do not increase the number of assisted rental units and are not a source of additional vouchers that can support the Business Plan.

E. Heading Home Minnesota – Continued Engagement and Governance.

Heading Home Minnesota is the "umbrella term" recently created to describe the set of plans to end homelessness in Minnesota. At present, Heading Home Minnesota includes the Business Plan to End Long-Term Homelessness as well as plans in Ramsey, Hennepin, Saint Louis, and 19 counties in southeast Minnesota. Each plan has its own governance structure, and it is important now to devise a workable structure under which those implementing plans throughout Minnesota can join forces, leverage resources, and continue to engage the broader community of stakeholders necessary for continued success.

VI. Conclusion

Minnesota has made substantial progress in the first three years of implementing the Business Plan to End Long-Term Homelessness. This progress has come in many forms: housing 397 individuals and families that have not had stable housing for years, creating over three times that many housing opportunities that soon will be home to additional individuals and families that have experienced long-term homelessness, building commitment to ending the scourge of homelessness throughout the state, breaking down institutional silos of every shape and form to bring people who care together to solve a problem that haunts us all.

These accomplishments are a testament to people throughout the state – providers, developers, government officials, lawyers, business people, philanthropists, people who are experiencing homelessness, police, analysts, members of faith communities, and legislators, to name a few – who contributed their time, energy and creativity to finding and implementing solutions to homelessness. The work is not done. Challenges are before us – and new ones will surely arise. Our experience together over the past three years gives confidence that we will meet these challenges and, indeed, bring our fellow travelers safely home.

An Image of Home by Ruthann Hanson Magler

We open the door to home
And enter the world
We open the door to the world
And enter home
…

Home is where we imagine
Goodness to be
A shelter against
The chaos of life

A launching pad
From which to enter
The world
In exchange for
A purpose in life

VII. Glossary of Acronyms

ACT: Assertive Community Treatment
ARMHS: Adult Rehabilitation Mental Health Service
CBPP: Center on Budget and Policy Priorities
CCDTF: Consolidated Chemical Dependency Treatment Fund
CDA: Community Development Authority
CDBG: Community Development Block Grant
DEED: Department of Employment and Economic Development
DHS: Department of Human Services
EDA: Economic Development Authority
ELHIF: Ending Long-Term Homelessness Initiative Fund
ELHSI: Ending Long-Term Homelessness Services Initiative (federal)
FHPAP: Family Homeless Prevention and Assistance Program
GO: General Obligation
GRH: Group Residential Housing
HCV: Housing Choice Voucher
HMIS: Homeless Management Information System
HOPWA: Housing Opportunities for Persons with AIDS
HRA: Housing and Redevelopment Authority
HTF: Housing Trust Fund
HUD: U.S. Department of Housing and Urban Development
IEP: Individual Education Plan
IRT: Intensive Residential Treatment
LIHTC: Low-Income Housing Tax Credit
LISC: Local Initiatives Support Corporation
LTH: Long-Term Homeless / Long-Term Homelessness
MA: Medical Assistance
MCORP: Minnesota's Comprehensive Offender Reentry Plan
MFIP: Minnesota Family Investment Program
MOU: Memorandum of Understanding
MSA: Minnesota Supplemental Aid
NAHRO: National Association of Housing and Redevelopment Officials
OEO: Office of Economic Opportunity
PARIF: Affordable Rental Investment Fund – Preservation
PATH: Projects for Assistance in Transition from Homelessness
PHA: Public Housing Agency
PHC: Project Homeless Connect
SELHA: Services for Ending Long-Term Homelessness Act
SOAR: Supplemental Security Income/Social Security Disability Income Outreach Access and Recovery
SSDI: Social Security Disability Income
SSI: Supplemental Security Income

USICH: United States Interagency Council on Homelessness

Appendix A

Ending Long-Term Homelessness Advisory Council Membership

Co-Chairs:

Joan Fabian, Commissioner
Department of Corrections

Cal Ludeman, Commissioner
Department of Human Services

Timothy Marx, Commissioner
Minnesota Housing

Members:

Sean Allen
Assistant Director
Rochester Area Foundation

Richard Amos
Program Manager
St. Stephen's Housing Services

Alan Arthur
President
Central Community Housing Trust

Herb Bergson
Mayor
City of Duluth

Dick Brustad
Vice President
Community Housing Development Corporation

Dan Cain
President
RS Eden

Chris Coleman
Mayor
City of St. Paul

Steve Cramer
Executive Director
Project for Pride in Living

Michael Dahl
Executive Director
MN Coalition for the Homeless

Claudia Dengler
Vice-President
Wilder Foundation

Susan Dioury
Senior VP, Chief Lobbyist
Minnesota Association of Realtors

Jim Dobbs
President
Churches United for the Homeless

Gail Dorfman
Commissioner
Hennepin County Board of Commissioners

John Duffy
President
Duffy Development Company, Inc.

Clark Dyrud
Commissioner
Minnesota Department of Veterans Affairs

Father John Estrem
Chief Executive Officer
Catholic Charities
Archdiocese of Minneapolis & St. Paul

Bob Fisher
The Sleep-Out

Carol Frey Wolfe
Vice President
Frey Foundation

Tom Fulton
President
Family Housing Fund

Sam Grabarski
President
Minneapolis Downtown Council

Jon Gutzmann
Executive Director
St. Paul Public Housing Agency

Warren Hanson
President
Greater Minnesota Housing Fund

Mary Hartmann
Executive Director
New Foundations

Jennifer Ho
Executive Director
Hearth Connection

Margot Imdieke Cross
Accessibility Specialist
Minnesota State Council on Disability

Chuck Johnson
Assistant Commissioner
Department of Human Services

Raelynn Jones
Chair
X Committee

Sean Kershaw
President
Citizens League

Rachel Kincade
Executive Director
Life House

John Labosky
President
Capital City Partnership

Ellen Luger
Exec. Dir., General Mills Foundation
Vice Pres., General Mills, Inc.

Cora McCorvey
Executive Director
Minneapolis PHA

Annette Meeks
Representative of District 7
Metropolitan Council

Robert Meyer
Human Services Director
Blue Earth County

Jim Miller
Executive Director
League of Minnesota Cities

Lisa Moe
President
Stuart Corporation

Jodi Nelson
Lead Congregational Organizer
Metropolitan Interfaith Council on Affordable Housing

Steven O'Neil
Commissioner
St. Louis County Board

Rev. Mark Peters
Executive Director
Lutheran Coalition for Public Policy in Minnesota

Mary Pickard
President
Travelers Foundation

Patricia Pettit
Executive Director
Hart Community Services, Inc.

R.T. Rybak
Mayor
City of Minneapolis

Terry Schneider
Director
South Metro Human Services

Lauren Segal
President
Greater Twin Cities United Way

George Sherman
President
Sherman Associates

Dexter Sidney
Director
Minnesota Field Office
US Dept. of Housing and Urban Development

Louise Simons
Divisional Social Services Director
Salvation Army

George Stone
Director
Corporation for Supportive Housing

Peg Sweeney
Commissioner
St. Louis County Board

Sarah Taylor-Nanista
Collaborative Director
Streetworks

Cathy ten Broeke
City/County Coordinator on Homelessness
City of Minneapolis/Hennepin County

Bruce Thielman
Executive Director
St. Cloud HRA

David Twa
County Manager
Ramsey County

Mark Ulfers
Executive Director
Dakota County CDA

Bill Vanderwall
Vice-President
Community Services
Lutheran Social Services

Charlie Weaver
Executive Director
Minnesota Business Partnership

Linda White
Senior Deputy Director
Fannie Mae

Patrick Wood
Consultant

Advisory Council Staff:

Laura Kadwell
Director for Ending Long-Term Homelessness in Minnesota

Appendix B

NCSHA/NASMHPD Partnership

Bringing Housing and Mental Health Communities Together

Memorandum of Understanding
Between
The National Council of State Housing Agencies
And
The National Association of State Mental Health Program Directors

2006

INTRODUCTION

This Memorandum of Understanding (MOU) expresses the commitment and plans of the National Council of State Housing Agencies (NCSHA) and the National Association of State Mental Health Program Directors (NASMHPD) to establish a professional partnership to strengthen their common efforts to promote, facilitate, and support the provision of affordable permanent housing for low- and extremely-low income persons with mental illness and disabilities ("Supportive Housing").

On August 22-23, 2006, representatives of seven state housing finance agencies (HFA) and seven state mental health agencies held a Housing and Mental Health Summit in Washington, DC, to discuss state efforts to coordinate housing and mental health services. They were joined and assisted by representatives of the National Governors Association Center for Best Practices (NGA), the Corporation for Supportive Housing (CSH), the Technical Assistance Collaborative (TAC), and the National Alliance to End Homelessness (NAEH).

The Summit promoted a better understanding of common interests and helped participants outline an action plan for working together to advance them. At the end of the Summit, the state housing and mental health officials present resolved to pursue a strategic alliance between the two organizations and their members to promote the advancement of Supportive Housing. This MOU outlines the mission of that alliance, the Summit's findings relevant to the alliance, and an action plan for advancing the alliance's mission.

MISSION

- The mission of NCSHA is to advance through advocacy and education the nation's State Housing Finance Agencies' efforts to provide affordable housing to those who need it most.

- The mission of NASMHPD is to reflect and advocate for the collective interests of State Mental Health Authorities and their directors at the national level.

- NCSHA and NASMHPD enter into this MOU to pursue a strategic alliance to promote the advancement of Supportive Housing

FINDINGS

During two days of discussion at the Summit, the participants agreed to the following findings and principles:

- Affordable housing is a critical element of mental health recovery and treatment.
- Mental health treatment and recovery are critical to housing stability.
- The delivery of affordable housing to persons with mental illness and disabilities is improved when state housing and mental health agencies collaborate effectively.
- Successful models of state housing and mental health agency collaboration exist, but are not widely used in many states.
- These successful models take a variety of approaches.
- Barriers exist that impede the successful collaboration of housing and mental health officials, including lack of communication, separate funding streams and delivery systems, and state and federal laws and regulations that reduce flexibility.
- Barriers also exist that impede separate and coordinated efforts to deliver supportive housing to persons with mental illness and disabilities, including lack of funding, state and federal laws and regulations that reduce flexibility, and community opposition to developments and facilities that provide supportive housing and services for persons with mental illness and disabilities.
- There are substantial unmet needs for affordable supportive housing for persons with mental illness and disabilities.
- State housing and mental health agencies share responsibility and each have access to resources for promoting, facilitating, and supporting efforts to provide Supportive Housing.

ACTION PLAN

- Based on information gathered at the Housing and Mental Health Summit, NCSHA and NASMHPD agree to take the following steps to further this partnership:

- Share information at national conferences and other meetings on the need for state housing and mental health agency collaboration and how to replicate and build on successful collaboration models.
- Consider how to raise awareness of the need for Supportive Housing, including how to overcome community opposition with positive images and more effective communications techniques.
- Develop materials to help state housing and mental health agencies collaborate more effectively.
- Identify common federal legislative and regulatory priorities and develop a strategy for advancing them.
- Continue to work with NGA, CSH, TAC, and NAEH—and other organizations as appropriate—to advance our common objectives.
- Report at least annually to their respective Boards of Directors of the progress made pursuant to this MOU, any changes that may be appropriated and anticipated next steps.

- Based on information gathered at the Housing and Mental Health Summit, state housing and mental health agency representatives agreed that state agencies should consider taking the following steps to further this partnership:

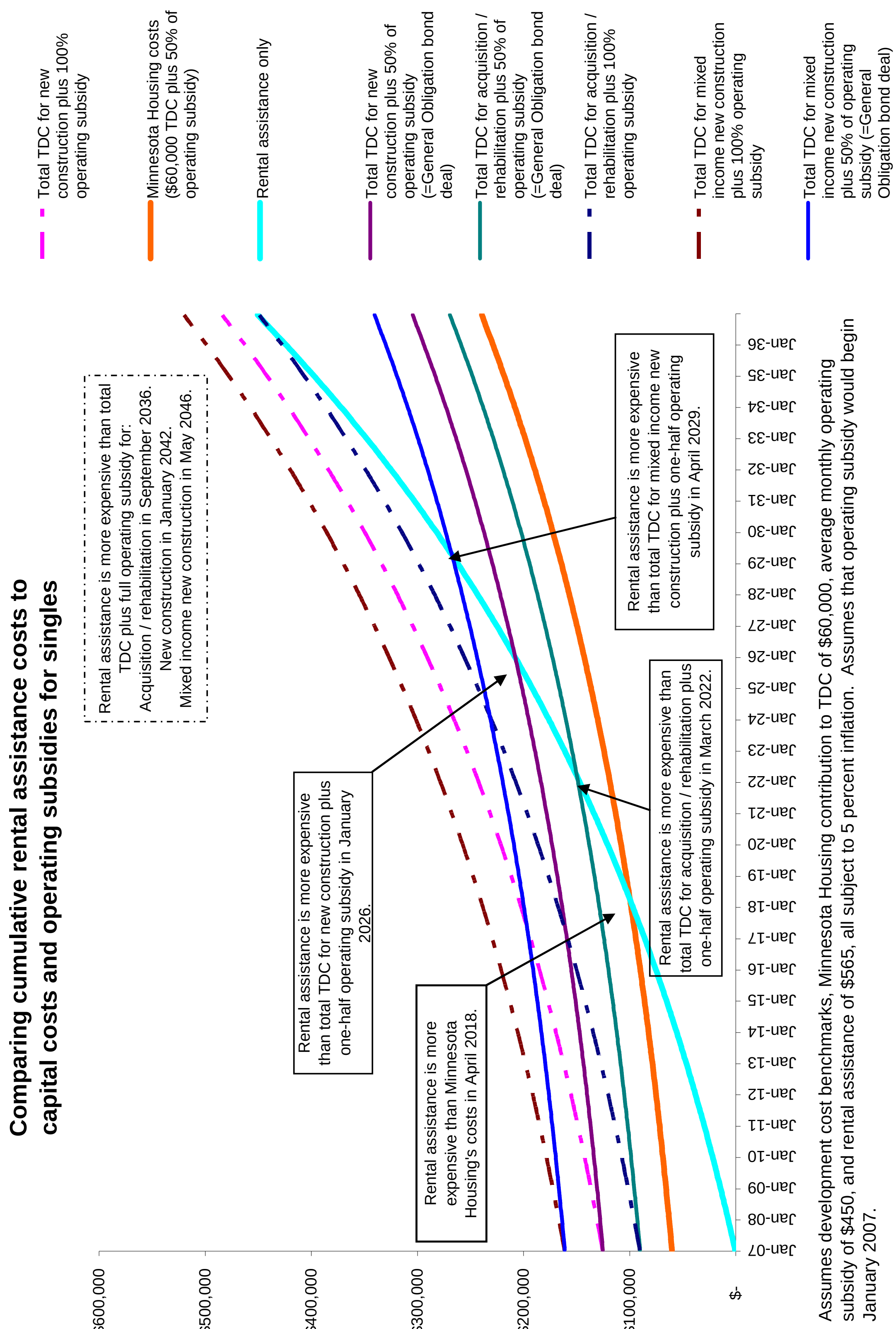
  - Develop specific goals for the provision of Supportive Housing which are tied to the extent feasible to state, regional, or local efforts to address identified Supportive Housing needs of persons experiencing homelessness and that reflect the issues, needs, and resources in their state. Work together to address financial barriers by identifying how resources can be combined and used more effectively.
  - Identify common state legislative and regulatory priorities and work together to advance them.
  - Explore the possibilities of increasing financial support from private foundations, including support of critical research and promising models.
  - Dedicating staff, within their mission, scope, and resources, to fulfilling the goals of this memorandum, including the possible assignment of full-time staff dedicated to and responsible for coordinating state housing and mental health agency collaboration.

PARTNERSHIP SUPPORT

- NCSHA and NASMHPD agree to appoint staff to support this partnership and help coordinate their organizations' and members' efforts to implement this MOU. The initial appointees of each organization are:

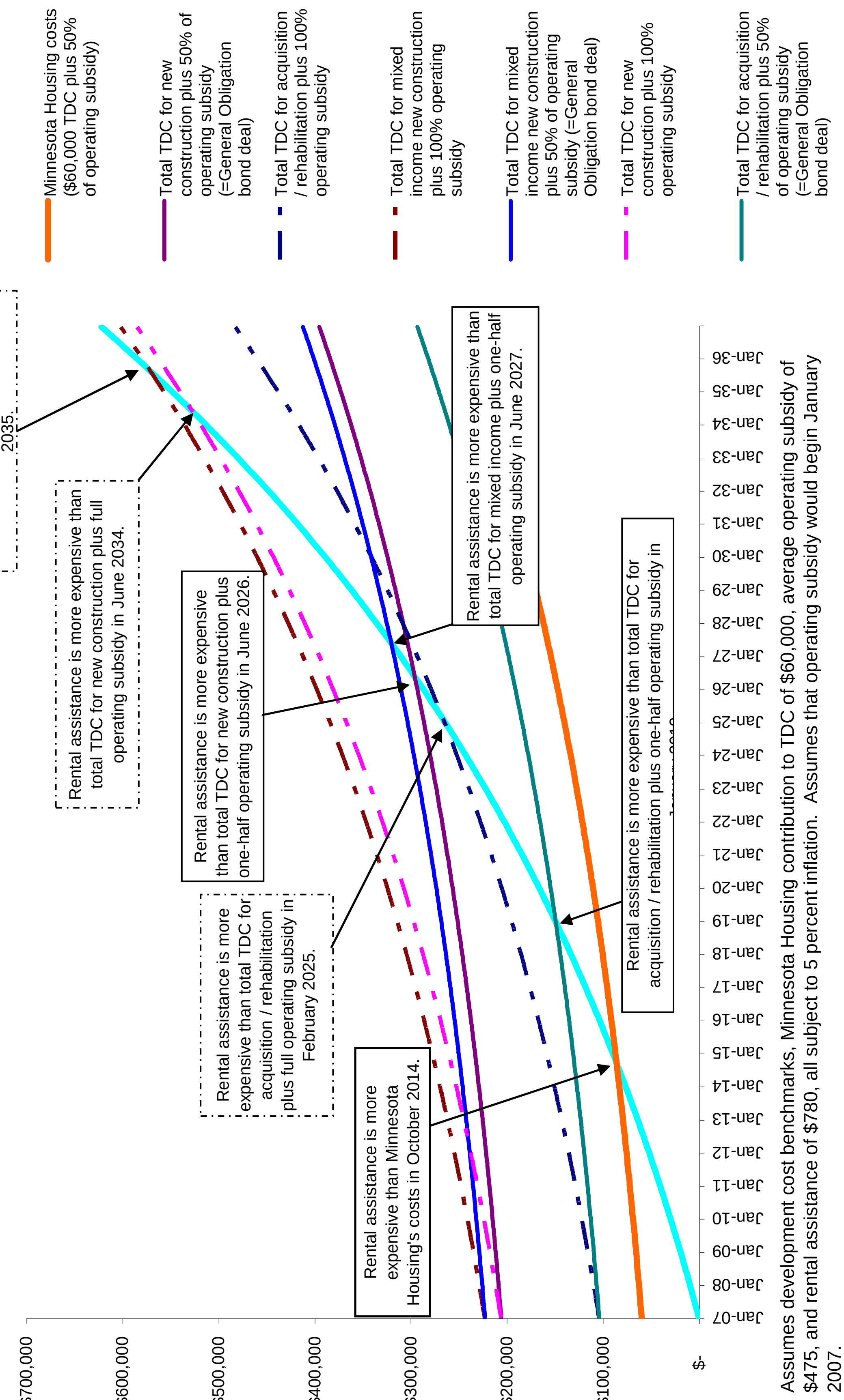
- David Miller, Senior Policy Associate, NASMHPD
- Grant Ellis, Legislative and Policy Associate, NCSHA

Appendix C



Assumes development cost benchmarks, Minnesota Housing contribution to TDC of $60,000, average monthly operating subsidy of $450, and rental assistance of $565, all subject to 5 percent inflation. Assumes that operating subsidy would begin January 2007.

Comparing cumulative rental assistance costs to capital costs and operating subsidies for families



Assumes development cost benchmarks, Minnesota Housing contribution to TDC of $60,000, average operating subsidy of $475, and rental assistance of $780, all subject to 5 percent inflation. Assumes that operating subsidy would begin January 2007.

Endnotes

[1] Laws of Minnesota 2003, Chapter 128, Article 15, Section 9.

[2] Minnesota's Homeless Management Information System (HMIS) is a client-level database that combines information from many different homeless and social service providers. The HMIS includes demographic and income data, barriers to housing, reasons for homelessness, disabilities, services provided and other information that will assist in serving people who are homeless and in evaluating the Plan.

[3] Malcolm Gladwell, "Million Dollar Murray," *The New Yorker*, February 13, 2006.

[4] Hearth Connection is a nonprofit agency that manages the Supportive Housing and Managed Care Pilot established by the Minnesota Legislature at Minn. Stat. 256K.25. Since 2006, Hearth Connection has also contracted with three county consortia to manage the funds they receive from the Supportive Services Fund.

[5] Minn. Stat. 144D.025 and 256I.04, subd. 2a.

[6] Minn. Stat. 256K.26

[7] Minn. Stat. 256E.33, subd. 2

[8] 2005 Laws of Minnesota, Ch. 20, Art. 1, Sec. 24, Subd. 2

[9] 2005 Laws of Minnesota, Ch. 136, Art. 8, Sec. 27.

[10] Minn. Stat. 256B.0924, subd. 3(b)

[11] Types of Households
The idea of planning for more families than are represented in the long-term homeless population appears to be valid, based on information from both Hearth Connection and Crestview. Hearth reports that over 50 percent of single adults are parents, many of whom want to reestablish contact with their children. In 2006, 25 children at Crestview reunified with their families. Five fathers were reunited with the mothers and children; two single fathers obtained custody of their children after moving to Crestview.

[12] Family Size
The following information is available on size of families entering permanent supportive housing:

- According to data recorded in HMIS through December 31, 2006, families experiencing long-term homelessness had an average of 2.1 children.
- Hearth Connection reports an average family size of 2.8 children.
- Of 174 families who had been served since the beginning of the rental assistance program for families experiencing long-term homelessness, 30 percent had two or more adults in the home.
- Looking carefully at the size of families needing housing helps ensure that new housing opportunities are designed to accommodate the need. Data on Minnesota Housing's rental assistance recipients show that, of households with five or more family members, all but two families are living in units with three or more bedrooms. This would suggest that units are accommodating families' needs.
- A factor to monitor in planning for families experiencing long-term homelessness is the number of Hmong families that will continue to need housing. During the past year Mary's Place in Minneapolis opened its doors to many Hmong families who had no access to housing. In October 2006 there were 21 families living at Mary's Place, half of which had six or more members. While most families experiencing homelessness have few children, the plan needs to consider the need to house large families as well.

[13] Capital Development vs. Rental Assistance/Operating Subsidy
In 2006, for example, Minnesota Housing received 12 requests for rental assistance for 353 units. This demand for rental assistance funds reflects, in part, a housing market with high vacancies and competitive rents, in which landlords have been willing to accept tenants with poor rental histories, as long as a service provider backed the tenant. Conversely, the Agency received 37 requests for capital funding for 301 units of housing, many of which could not be funded because of various factors such as the intense competition for the limited number of housing tax credits available, financial/market and/or service plan feasibility.

In funding new housing opportunities through the 2006 RFP, Minnesota Housing made a decision to increase funding for rental assistance for a number of reasons. Minnesota Housing received far more requests for rental assistance funding than for capital funding, in part to accompany service dollars with rental assistance dollars. Most households receiving services funding from DHS also needed rental assistance. The Agency decided to fund rental assistance to accompany the services dollars as a way to maximize the leverage of the services money.

Considerations in determining the ratio of developing new units vs. providing housing opportunities through rental assistance or operating subsidy

The recalibrated Business Plan assumes that, beginning in 2007, 50 percent of new housing opportunities will be provided through new construction or acquisition and rehabilitation and 50 percent through rental assistance in existing housing. In reviewing this assumption, the state considered three possibilities:

(1) Leaving the assumption as in the original plan: 60 percent of units created with capital expenditures and 40 percent with rental assistance only,
(2) Reversing the percentages to reflect more closely the current distribution of proposals to Minnesota Housing; and
(3) Changing the assumption to reflect the trend toward more units created with rental assistance but not entirely reversing the percentages.

The primary reason for changing the original assumption is that there have been far more requests to develop units in the existing rental market than for new capital development. At the same time, it seems wise to continue to put some emphasis on new capital development, in part to avoid being too dependent on the rental market and in part to minimize costs in the long term. While the Plan depends on developing scattered-site housing opportunities throughout the community, it is important to be cautious about relying too heavily on opportunities created through rental assistance, primarily because the rental market is subject to market forces beyond the state's control and may ultimately drive up the cost of implementation. After four years of relatively high multifamily rental vacancies and negligible rent increases in the Twin Cities metro area, for example, the third quarter of 2006 saw vacancy rates decline to 4 percent, the lowest since 2001. The third quarter also saw the beginning of some rent increases. With relatively few new market rate units expected in 2007, the vacancy rate could fall to the tight 3 percent range and more aggressive rent increases are expected. Vacancies are higher among more expensive units and very tight among affordable units.

<u>Impact of change in capital costs on overall costs to implement the Business Plan.</u>

It is clear that capital costs increase the cost of housing – and make capital development more expensive than providing rental assistance only – at the beginning of implementation. At the same time, however, it appears to be less expensive to operate capital units developed by the agency than to subsidize rental assistance in the private market. This tradeoff between immediate expenditures on rental assistance and capital investment in the development of new or rehabilitated housing units depends on the timeframe for the analysis as well as on other assumptions concerning the costs borne by the state.

Appendix C contains two graphs representing the relationship between costs of rental assistance and capital over a period of 30 years, beginning January 2007 (one graph showing family developments, the other showing development for singles). In the first few years rental assistance (shown by the blue line on the graph) is less costly than any option that includes capital costs. The point where the blue line crosses other lines is the point at which projects that include capital costs begin to be less expensive than those that simply provide rental assistance.

The graphs include several scenarios for capital costs. Probably the most representative line is the solid purple-pink line representing total construction costs for new development plus operating subsidy for one-half of the units (described as one-half of all operating subsidy). On the singles graph, the rental assistance line crosses this line after 15-20 years (2022 for acquisition and rehabilitation, 2026 for new construction). At that point, rental assistance in existing units becomes a more expensive way to provide ongoing housing than creating units through construction or acquisition and rehabilitation. If the state is paying 100 percent of operating costs, providing housing through rental assistance only is less expensive than paying for capital for much longer – close to 30 years (see dotted pink line on graph). Other scenarios are described on the graphs themselves and can be compared to the cost of providing only rental assistance.

As implementation proceeds, the state will be paying close attention to the relative costs of capital development and rental assistance. Factors to be considered in making further adjustments will be:

- The likelihood of maintaining rental assistance once a household is placed in a unit.
- Consumer choice. The Business Plan places a high value on consumer choice of housing. To the extent consumers are choosing one type of housing over another, it is important that the choice of implementation strategies reflect as closely as possible the choices consumers are making.
- Difficulty of siting large projects. While at some point it becomes less expensive to create capital developments than to maintain units created by providing rental assistance only, it is often difficult to locate these developments in communities throughout the state.

[14] The plan assumed a major emphasis on acquisition/rehabilitation versus new construction for several reasons, including:

- Cost: It was assumed that acquiring existing structures would be more cost efficient than building new, thus reducing the overall costs of producing the required 2,000 units.
- Siting: The use of currently existing structures would reduce/eliminate many of the issues of neighborhood and community acceptance.
- Production. Quicker production of units was assumed, predominantly due to quicker community approvals and, in the case of vacant buildings, quicker ability to make units available.

Minnesota Housing staff and the Construction Costs Committee of the Ending Long-Term Homelessness Advisory Council ("Construction Costs Committee") reviewed the production results of 2005 and 2006, which appeared to indicate that the Business Plan may have been too aggressive in setting the goal for the number of units to be produced through acquisition/ rehabilitation. This review led to the following observations:

- The real estate market for better quality existing apartment buildings was extremely tight, often pushing the acquisition price above $50,000 per unit due to the condo conversion trend.
- Many of the less expensive properties had hidden costs due to functional obsolescence, need for substantial rehabilitation, and major environmental issues (lead, asbestos, mold, etc.).
- Buildings with tenants required relocation payments and/or long turnaround timeframes.
- Neighborhood/community reaction in many instances was not much different from newly proposed developments.

Data to date suggest that the distribution of units between new construction and acquisition/rehabilitation should be reversed, with 75 percent of units being created through new construction and 25 percent through acquisition and rehabilitation. There are, however, several reasons to continue a focus on acquisition and rehabilitation, including the lower costs of acquisition and rehabilitation compared with the cost of new construction, and the fact that it is frequently easier to acquire and rehabilitate an existing property than to buy land and secure the necessary permits for new construction. For these reasons, the assumption is that a majority of units will be created through acquisition and rehabilitation, but the percentage is lowered from 75 percent to 60 percent.

[15] Distribution of mixed-income units. The plan called for 100 units in mixed-income developments by December 31, 2006, and 100 such units were funded. The number and percent of units set aside for persons experiencing long-term homelessness in mixed-income developments ranges from a minimum of four units to a maximum of 14 units, and from 4 percent to 27 percent of the total units. Mixed income developments typically have amortizing debt, are owned by for-profit entities, and have been funded with tax-credit equity. All selected developments have provided services budgets, services plans and Memoranda of Understanding (MOUs) among the owner, management company, and primary services provider.

Distribution of new units between families and singles. Of the 400 scattered-site units to be funded in existing buildings by December 31, 2006, 267 (2/3) were to be for singles and 133 (1/3) for families. Of the 643 that have been funded, 298 are for singles and 345 are for families. The funding of scattered-site units exceeded the goal for both singles and families (funding 112 percent of the singles goal and 259 percent of the families goal). Fifty-four percent of funded units are for families and 46 percent for singles. Part of the reason for the difference in distribution between the plan and the status as of December 2006 is the emphasis put on housing families in the first years of implementation.

[16] Construction Costs.
New. Costs of new construction generally aligned with the costs used in the original Business Plan, with a slight adjustment downward for new construction of units for singles. Minnesota Housing and the Construction Costs Committee reviewed the numbers in order to publish guidelines for development (also known as benchmarks) in the annual Request for Proposals. The benchmarks give potential developers some idea of what Minnesota Housing will consider acceptable and appropriate costs for each type of development.

Acquisition and Rehabilitation. Costs of acquisition and rehabilitation were considerably higher than estimates in the original Plan. The Plan originally projected costs of acquisition and rehabilitation at $60,000 per unit for single occupancy and $90,000 per unit for a family. When the Construction Costs Committee reviewed the costs to date at the beginning of 2006, the actual costs were $87,174 for single occupancy and $69,000 for a family (This average cost was an

aberration because two of the three family developments included no acquisition costs and, therefore, did not provide an accurate view of likely future development costs).
The Construction Costs Committee recommended increasing the 2006 benchmark to address the rising acquisition costs that had occurred since development of the Business Plan, and cautioned that if demand continued in the market place for existing properties, the corresponding benchmarks may have to be increased again. On the basis of this recommendation, Minnesota Housing increased its benchmarks for acquisition and rehabilitation to $90,000 per unit for single occupancy and $110,000 per unit for a family

[17] Number of households requiring rental assistance or operating subsidy.

- Some developments have access to project- or tenant-based rental assistance for some of the units, so are requesting operating subsidy only on a portion of the units. Other developers are planning to cover operating deficits with reserve funds, or through subsidies from a nonprofit parent organization.
- The plan also assumed that the 400 housing opportunities created in scattered-site housing would require a rental subsidy. All 643 households in scattered-site or clustered housing receive some form of rental assistance. In addition, 34 units of existing site-based housing for singles receive operating subsidy.

[18] Amount of rental assistance and operating subsidy needed.

Rental Assistance

- The plan assumed that single adults would contribute $200 per month toward rent and families would contribute $100. To date, the average single tenant is contributing $133 per month toward rent, which is below projected amounts. The average family contribution toward rent is $218 per month, which is above the original projection.
- Generally speaking, single adults live in units with 0 or 1 bedroom. The average actual subsidy for 0 and 1 bedroom units exceeds the original assumption because of lower tenant incomes and higher administrative costs and security deposits than projected.
- Generally speaking, families live in units with two or more bedrooms. The average actual subsidy, which includes costs of administration and security deposit payments, made on behalf of households living in units with two or more bedrooms is $733 per month, below the original projection of $894 per month. The current cost of rental assistance is below the assumed cost; however, the rental market is presently experiencing flat rents and high vacancies. If this economic condition changes, rental costs will increase rapidly.

Operating Subsidy

- One hundred thirty of the 190 capital units with operating subsidy or project-based rental assistance are for singles, six are for single youth, and 54 are for families, including 10 youth with children.

[19] Douglas Rice and Barbara Sard, *Cuts in Federal Housing Assistance are Undermining Community Plans to End Homelessness,* Center on Budget and Policy Priorities, February 1, 2007. Available on-line at http://www.cbpp.org/2-1-07hous.htm.

[20] Length of Time Rental Assistance Needed.

- At this point, it is too early to know how long households stay in permanent supportive housing and their reasons for leaving. As a result, it is difficult to accurately estimate the need for rental assistance over the life of the Business Plan.
- There has been no change in the federal commitment to funding housing subsidies, which means that there is little movement from state-based to federally funded rental assistance. Congress has not provided funding for additional, or incremental, vouchers since 2002. The only new vouchers entering the inventory of vouchers are tenant protection vouchers. Tenant protection vouchers provide a replacement subsidy for tenants losing project-based rent assistance and do not increase the number of assisted rental units and are not a source of additional vouchers that can support the Business Plan.
- In fact, Congress has restricted the availability of Housing Choice Vouchers (HCVs) since the Business Plan was developed. See Section V for discussion of this issue.
- Section 8 waiting lists are closed in the most populated areas of the state. In the Twin Cities metropolitan area, they are closed and not expected to open for one to two years unless additional Section 8 funding becomes available. The Metropolitan Council HRA estimates a six-to-seven-year wait to receive a voucher. In Greater Minnesota, most housing authorities have open waiting lists but there are two-to-four-year waits to receive vouchers in Bemidji, Duluth, Saint Cloud, Moorhead and Clay County, Olmsted County, and Blue Earth County.
- The Plan assumed that local PHAs would be willing to project-base Section 8 assistance in supportive housing units when more voucher funding was made available. Even though more voucher funding has not been made available, Minnesota Housing has discussed with PHAs the possibility of using more project-based Section 8 assistance for people experiencing long-term homelessness, but they are reluctant to do so because tenants can take advantage of their portability rights and leave the development after a time. Additionally, PHAs are limited to project-basing no more than 20 percent of their HCV budget authority, so individual PHAs may or may not have the capacity to project-base additional vouchers. PHAs are not required to reduce the number of vouchers previously allocated to a project if funding is reduced, so may be reluctant to be forced into the position of addressing funding reductions by reducing assistance to households that are not homeless.

[21] Services.

- The basic principle behind the package of services provided in permanent supportive housing is that individuals and families that have experienced long-term homelessness will have access to whatever services they need to stabilize their housing and improve their lives. Services will not be the same for every household because people are starting at different places in their lives and perceive the need for different kinds of assistance. An individual who has been living on the streets or in shelter may want assistance in applying for Supplemental Security Income (SSI) benefits, transportation and assistance in finding work. A family may need child care, development of parenting skills, and assistance in budgeting. In short, a wide spectrum of services, in addition to housing and health care, need to be available to move people out of homelessness and into more stable lives. Services costs of

$10,000 per year per individual and $15,000 per year per family for services were originally projected (separate from rental assistance and basic health care).

- Hearth Connection has the broadest range of experience to date providing a documented package of services to individuals and families who have been homeless for long periods of time. Hearth finds that, before subtracting dollars leveraged from other sources, costs average just over $10,000/year for singles and just over $14,000/year for families. These costs are higher than those funded through the Supportive Services Fund in either northwest or southwest Minnesota, but it is too early to know how the variables of client wants and needs, the level of services being provided, the success rate of people leaving programs and remaining housed, and the relative experience and models of providing services will impact the overall services budget.

Supportive Services Fund

The most uniform source of information about the cost of services will eventually be data provided by administrators of the Supportive Services Fund ("the Fund") which the Department of Human Services (DHS) allocates to county consortia. The purpose of the Fund is to provide flexibility so people experiencing homelessness can receive the services they need when they need them. Funds are available for any and all services needed by individuals, youth and families being served; and providers are required to access mainstream services whenever possible. Examples of services provided through the fund include the following (as listed in the DHS Request for Proposals):

- *Benefits assistance* – guide clients through the application process for various financial assistance.
- *Chemical health care* – coordinate and/or attend chemical health appointments, maintain contact with other service providers, provide on-going support.
- *Child care* – assist parents in finding quality child care programs, after school programs and apply for child care financial assistance.
- *Criminal justice* – provide resolution, diversion and re-entry services.
- *Culturally appropriate services* – establish relationships with various culturally knowledgeable and sensitive providers in the community.
- *Domestic abuse* – provide safety planning, refer for therapy and support groups.
- *Employment/vocational services*
- *Eviction prevention*
- *Front desk services* – coordinate services, mediate disputes between tenants, work with property management on building maintenance issues.
- *Independent living skills* – teach client skills including meal planning and preparation, budgeting and managing finances, laundry, housekeeping, personal care and use of public transportation.
- *Mental health care* – coordinate and/or attend mental health appointments, maintain contact with other service providers, monitor effects of medications.
- *Crisis planning*
- *Medical care* – monitor medications and health conditions, consult with medical providers as needed.

- *Parenting* – teach parenting skills and provide ongoing support for appropriate skills; assist parents in accessing children's mental health.
- *Recreation/Leisure/Social* – provide and coordinate community recreational activities.
- *Transportation*
- *Veteran's benefits and services* – advocate, refer and coordinate with agencies that provide services to veterans.

To date, DHS has awarded services contracts to five county consortia. Grants ranging from $44,000 to fund a small project in southwest Minnesota to $5 million for the metropolitan area are expected to cover a two-year period. The costs of services to be delivered under these contracts varies by location, size of household, and nature of services provided and range from $2,000 for a single person in the northwest part of the state to $14,498 for a family in the metro area.

[22] *RS Means Building Construction Cost Data 2007 Book*, Kingston, MA: Reed Business Information, 2007.

[23] General Obligation Bonds
The following table shows the general obligation bonding money requested and received to date:

Year	**Planned Request under Business Plan (in millions)**	**Actual Request (in millions)**	**Received (in millions) and percentage of request**
2002	$16.2	$16.2	$16.2 (100%)
2004 - 05	$20	$20	$12 (60%)
2006	$25 raised to reflect shortfall in 2005)	$25	$19.5 (59% of planned request; 78% of actual request)
Total	$60	$60	$46.5 (77.5% of planned bonding funds to date)

The current status of projects funded with General Obligation bonds is as follows:

Year GO Bonds Funded	**Project and Location**	**Public Owner**	**Target Population**	**Amount of GO Funding Allocated**	**Status**
2002	Veterans Home, Saint Cloud	Saint Cloud HRA	Single veterans, homeless and near-homeless	$6,000,000	Project complete and open for occupancy.
2002	Veterans Home, Minneapolis	Hennepin County HRA	Single veterans, homeless and near-homeless	$10,606,946	Project, units being leased.

2005	Midway Residence, Saint Paul	Saint Paul HRA	Chronic inebriate and other disabled individuals who are or are at risk of LTH	$10,599,852	Under construction, opening anticipated in 2007.
2005	Candle Rose, Rochester	Olmsted County HRA	LTH individuals with disabilities	$1,469,805	Rehabilitation of existing building underway.
2006	Willow East/Hwy 34 Group Home, Detroit Lakes	Becker County EDA	LTH individuals	$200,075	Rehabilitation of existing buildings one for permanent supportive housing, the other for transitional housing, recently funded.
2006	West River Apartments, Detroit Lakes	Becker County EDA	LTH families	$1,400,000	New construction, recently funded.
2006	Park Avenue Apartments	Hennepin County HRA	LTH families	$1,363,975	New construction, recently funded.

Minnesota Housing and various public agencies throughout the state are working together to maximize use of bonding funds appropriated to date. Despite the fact that the Agency did not receive all funds requested and has not yet allocated all funds designated, implementation of the Business Plan remains (and is slightly ahead) on schedule, due largely to the focus on rental assistance as a means of creating housing opportunities.

[24] Minnesota Housing Resources

- The original plan assumed that $25 million would come from the Housing Trust Fund (HTF) to be used for rental and operating assistance as well as capital funding. It was assumed that HTF resources would be used to maintain existing housing, as well as to fund new units. The Business Plan assumed an increase of $4 million per biennium to the HTF for ending long-term homelessness, beginning in 2005. To date, the HTF has contributed approximately $13.2 million toward implementation, including $6.4 million for capital, $5.7 million for rental assistance and $1.1 million for operating subsidies. The plan projected that $7,511,834 of HTF would be used through 2006. Minnesota Housing used 176 percent more Housing Trust Fund dollars than the plan projected
- The Plan assumed that $10 million would come from the Affordable Rental Investment Fund - Preservation (PARIF) fund. To date, $714,000 has been used from PARIF, preserving 39 units.
- The Plan provided that Minnesota Housing would invest $50 million from non-appropriated Agency resources. On May 27, 2004, the Agency amended its 2004-05 Affordable Housing Plan (AHP) to allocate $10 million to a newly established Ending Long-Term Homelessness Initiative Fund (ELHIF) to advance the Plan. An additional $20 million was allocated to ELHIF from Agency resources in the 2006-07 AHP. The Agency will adopt its AHP for the 2008-09 AHP in September, 2007 at which time an additional allocation to ELHIF will be

considered. Of the total allocated, the Agency had committed approximately $16.2 million as of October 2006, including $9.8 million for capital, $5.3 million for rental assistance, and $1.1 million for operating subsidies. In general, this means expenditure of non-appropriated Agency resources is slightly ahead of schedule: 32 percent of the funds ($16.2 million) have been used to develop 27 percent (1,091) of the anticipated housing.

[25] Tax Credit Equity

The Low-Income Housing Tax Credit (LIHTC) program is an indirect federal subsidy used to finance the construction and rehabilitation of low-income affordable rental housing. LIHTC gives investors a dollar-for-dollar reduction in their federal tax liability in exchange for providing financing to develop affordable rental housing. The Business Plan proposed to set aside 25 percent of the tax credits allocated annually by Minnesota Housing for developments containing four or more units of permanent supportive housing for households experiencing long-term homelessness, beginning in 2005. It was estimated that this amount of tax credits would generate approximately $10 million in equity per year.

- The following chart shows the number of tax-credit developments included in the Business Plan to date, along with the equity generated and the number of units developed for people experiencing long-term homelessness (LTH):

Number of Tax Credit Developments	Number of LTH units in Tax Credit Developments	Total Development Cost	Total Tax Credit Equity Generated	Pro-Rated Tax Credit Equity Allocated to LTH Units	Tax Credit Equity Per-LTH Unit
28	227	$214,323,235	$99,093,748	$16,618,397	$73,208

While Minnesota Housing has been successful in attracting tax credit applications from owners who will develop units for households experiencing long-term homelessness, the inability of these households to pay rents set at 50 percent of area median income negatively impacts the amount of amortizing debt that the development can carry. Tax credit investors perceive this situation as increasing their risk, and the investors will demand that the owner establish larger operating reserves, which are funded by the tax credit equity. This requirement reduces the amount of tax credit equity that can be used for costs of building the property, which in turn increases the amounts of state deferred funds which must be provided to the owner.

The Business Plan projected that $60,000,000 of tax credit equity would be used to produce 400 units by 2010. The Business Plan did not indicate how many of the 400 units would be tax credit units. Since the plan inception, $16,600,000 of tax credit equity has actually been used to produce 227 units of supportive housing for households that experienced long-term homelessness.

[26] Additional Information on Funding for Services

- Medical Assistance and General Assistance Medical Care: The most detailed information available on the amount of Medical Assistance funding for people experiencing long-term homelessness is from Hearth Connection, which estimates that 24 percent of all services funding is reimbursed by Medical Assistance. If 24 percent of all services costs were reimbursed by Medical Assistance, that would be a total contribution of $43.2 million over the life of the Plan.

- Targeted Case Management: The federal government has changed the extent to which it will fund targeted case management, one of the services most frequently accessed by people who have experienced long-term homelessness. It is too early to know the exact impact of this change on the cost of services included in the plan. In addition to limiting services for people experiencing long-term homelessness, the change may reduce the amount of leverage available to providers.
- Mental Health services: People experiencing long-term homelessness are accessing mental health services through the ACT (Assertive Community Treatment) teams, ARMHS (Adult Rehabilitation Mental Health Services) under the Medical Assistance program and other resources. It is not yet clear how to cost out the mental health services supporting the Business Plan.
- Chemical Health services: People experiencing long-term homelessness use chemical dependency services funded by the Consolidated Treatment Fund. The DHS Chemical Health Division also awards grants to organizations serving people who are chronically homeless. In FY07, these grants total approximately $750,000.
- Group Residential Housing (GRH) Services Supplement: The Group Residential Housing program provides room and board in a licensed setting to qualifying individuals and families. The GRH payment may include a "services supplement". At this time, DHS can provide the number of people receiving GRH and service supplement but has no way to determine how many have experienced long-term homelessness. These data will be available through a combination of DHS sources and HMIS as implementation proceeds.
- Supportive Services Fund: As mentioned elsewhere in this report, in 2005, the Legislature established and funded a services fund to support the Business Plan. These funds are in DHS's base budget.
- Bridges: The Business Plan proposed to provide Minnesota Housing funds, on a temporary basis, to increase resources available under the Bridges rental subsidy program. The concept was that funds provided by DHS for Bridges could then be redirected to services. This proposal was not implemented primarily because, upon further reflection, it seemed wiser to use Minnesota Housing dollars simply to increase the amount of rental assistance available through its programs when possible and not to disturb the distribution of Bridges dollars from DHS to counties. This issue will be revisited as the Bridges program continues to be evaluated.

<u>Additional Information/Experience on Income Supplements</u>:

- The plan assumed that $25-$30 million in income supplements will be used by people experiencing long-term homelessness to pay toward rent in supportive housing settings. These funds would come primarily from money now appropriated to programs such as Group Residential Housing, General Assistance and Supplemental Security Income.
- To date, the rental subsidy needed by singles is greater than the assumption made in the Business Plan and the subsidy needed by families is smaller (see discussion of rental

assistance assumptions, above). It is not clear whether any of this discrepancy is tied to income sources such as SSI. As efforts to improve SSI outreach increase and data become available through HMIS, it will be possible to analyze this question.

- The Group Residential Housing program is being used to serve people experiencing long-term homelessness in two primary ways. The first is as a source of rental assistance/operating support in developments financed through Minnesota Housing. An example is Midway Residence which will have 58 GRH-subsidized units. The second way in which the GRH program is being used to support the plan is by providing GRH to people leaving shelters and moving into scattered site apartments. This approach now funds approximately ten individuals. Program administrators seek landlords willing to register their buildings to receive GRH payments, then link the individual, the housing opportunity and a service provider to create permanent supportive housing.

[27] Remaining Sources

There is no change to the assumption that the Business Plan will require funding from sources other than those identified in the plan, including: (1) other state sources, (2) federal government, (3) local government, (4) philanthropic sources. The amount of remaining funding required is changed from $180 million to $142 to reflect other changes discussed above.

Experience to date: The most complete source of information on the variety of funds supporting implementation at this time is Minnesota Housing’s quarterly report on funded projects. The report is of limited value because it is not limited to funding for people experiencing long-term homelessness and does not include funding for rental assistance or services. It does, however, give an idea of the broad spectrum of funding sources supporting the development of supportive and affordable housing in Minnesota. In addition to support from a number of state sources, the quarterly report shows significant support from:

- Federal government. 14 percent of all funds were from federal sources, including HUD’s Supportive Housing Program and the Federal Home Loan Bank. HUD’s Shelter Plus Care program is also a major source of funding for the Business Plan. As mentioned earlier, successful implementation of the plan depends on rental assistance funding from HUD, primarily through Section 8.
- Local and municipal governments. 17 percent of all funds were from local sources. Counties and cities large and small are contributing to the development of housing in Minnesota. They include Hennepin, Ramsey, Saint Louis, Washington, Blue Earth, Mille Lacs, Dakota and Olmsted counties, as well as the cities of Saint Louis Park, Minneapolis, Saint Paul, Rochester, Maple Grove, and Duluth.
- Faith-based organizations contributed approximately 0.3 percent of funds to develop supportive housing. Organizations included individual churches as well as the Greater Minneapolis Council of Churches, Interfaith Equity and the Council of Catholic Women.
- Nonprofit groups and foundations provide a significant level of support to the development of housing in Minnesota. Organizations such as the Family Housing Fund, Greater Minnesota Housing Fund, Southwest Minnesota Housing Partnership, White Earth Tribal Council and the Minnesota Green Initiative, as well as the Bayport, Bush, Mardag,

Minneapolis, Ordean, First Homes, Phillips, Wells Fargo, Charlson, Saint Paul, Otto Bremer, TCF, and Enterprise Foundations contributed 7 percent to the total.

Private giving (from the business and philanthropic communities) has also been critical to the ability of supportive housing developments to provide services to their residents. Although a breakdown of such giving over time is not available, private giving to support the Business Plan is growing:

- Soon after the Plan was launched, the McKnight Foundation contributed $150,000 to what became the Heading Home Minnesota Partners Fund. The purpose of the fund was primarily to spur creative ideas for funding services. With contributions from Travelers, the Family Housing Fund and the Frey Foundation, the Partners Fund has grown to $2.65 million and is making grants to providers serving individuals, youth and families experiencing long-term homelessness.
- In February 2006, the Frey Foundation contributed $5 million over five years to support the plan. Of the $5 million, the Frey Foundation designated $3.5 million for distribution by the foundation directly to providers, $1 million for distribution through the Partners Fund and $500,000 for two intermediary organizations, the Family Housing Fund and the Corporation for Supportive Housing.
- The Pohlad Foundation recently gave $1 million to support the plan. These funds, available over a three-year period, will go to the Partners Fund for distribution to providers, primarily in Hennepin County.

A Steering Committee of leaders from the business and philanthropic communities is providing advice to Heading Home Minnesota on increasing public awareness of the plans and leveraging increased private investment in ending homelessness in Minnesota.

[28] Wilder Research Center, *Overview of homelessness in Minnesota 2006*, March 2007. Available on-line at www.wilder.org.

[29] Center on Budget and Policy Priorities, “Housing Vouchers Funded in Minnesota Under Pending Proposals,” November 1, 2006. Available on-line at: www.cbpp.org/states/11-1-06hous-mn.pdf.