

Returns

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NORTHERN NEW ENGLAND HOUSING INVESTMENT FUND REPORT

Avesta and Preble Street: Partnering to put housing first

The basic premise of Housing First is simple. If someone is experiencing chronic homelessness – meaning they are continuously homeless for a year or more, or have had four or more episodes of homelessness in three years – they are provided housing first and then given the support they need to work on other issues they may have.

Before Housing First became an accepted and proven model, people would often receive housing only after they met certain thresholds, such as sobriety, employment, or treatment for mental illness.

According to Greg Payne, Development Officer at Avesta Housing,

housing was often used as “a carrot,” an incentive to get people to change behaviors. The “housing ready” model does work for some populations, but when survival is the primary goal, it’s tough to take care of the rest.

“What we’ve learned over time is that homelessness is too traumatic and difficult to expect that people can battle and overcome these other obstacles before getting housing,” said Payne. “Housing First works because the stability of a home makes the other life changes much more possible to achieve.”

Avesta, partnered with NNEHIF, has developed three affordable

apartment buildings in Portland, Maine using the Housing First approach: Logan Place in 2005, Florence House in 2010, and Huston Commons in 2017.

The key to success for these Housing First communities is to offer the 24-hour support and services that residents need to thrive, whether its treating addiction, opening a bank account, or learning new life skills. At all three properties, there is 24-hour on-site support, provided by Preble Street.

PARTNERS FOR A COMMON PURPOSE

Avesta and Preble Street have had an ongoing partnership for more than twenty years. In the early 2000s, leaders at both organizations were frustrated by the high numbers in Portland’s homeless shelters – and concerned that some of those people kept bouncing from shelter to the emergency room to jail and back again. It was clear that they needed to try something different.

Together they decided to open a property specifically targeting those

Continued on the next page—



Huston Commons, the third Housing First community in Portland, Maine, celebrated its grand opening on September 12, 2017.



NORTHERN NEW ENGLAND
HOUSING INVESTMENT FUND

Housing First

(continued from the previous page)

who have the most struggles and are most difficult to house. When Logan Place opened the doors to its 30 apartments on March 23, 2005, shelter numbers immediately went down 10% (and stayed down).

Mark Swann, Preble Street's Executive Director, knew the tenants who moved into Logan Place.

"I'd known most of them since 1991 when I started at Preble, and I've since watched their lives transform with the sanctity of a home," he said. "Suddenly instead of encountering Geno on a park bench where he's intoxicated at ten o'clock in the morning, I was in his apartment talking to him about the Red Sox and playing a game of cribbage."

Huston Commons is the most recent Housing First project, welcoming 30 more people who were previously experiencing chronic homelessness. Preble Street and Avesta again worked closely together.

Avesta found a site to develop the property, following many conversations with Preble Street about what neighborhood would work best. Avesta managed planning and zoning, inviting Preble Street to participate at hearings or other meetings, when necessary. Avesta was also responsible for coordinating the financing (us-



The community space at Huston Commons offers a sun-filled spot for residents and guests to gather.

ing LIHTC as the funding base) and building of the project itself.

Simultaneously, Preble Street worked on finding funding for their on-site social workers, which is, according to Payne, "the single biggest impediment" to developing properties like Huston Commons, due to a complete lack of an ongoing source for support services.

A third partner has played a critical role: the Portland Housing Authority provides project-based rental assistance for the tenants, who have little to no income.

"If we didn't have the site-based section 8 vouchers, I don't think any of this would work," said Swann. "We've been blessed to have such a supportive partner in PHA."

With all the costs of building and staffing Housing First projects, housing people is still less expensive than allowing those same people to repeatedly cycle through public resources.

Payne puts it succinctly: "It costs more to the public, and to the person." ♦

AFTER MOVING INTO LOGAN PLACE THE TENANTS EXPERIENCED:

88%
fewer nights
in jail

81%
fewer contacts
with police

67%
fewer emergency
room visits

66%
fewer ambulance
trips

79%
fewer detox
program visits

From "Logan Place: Bringing Chronically Homeless People Home for Good" (2007 Cost Analysis Report)

Rental Assistance Demonstration

R.A.D. turns public housing into affordable housing

Half a million dollars doesn't go far. Not when you have to maintain 458 apartments in aging buildings, some of them more than fifty years old. That's the situation in Dover, New Hampshire, but the Dover Housing has been working on a solution.

"Housing authorities across the nation are faced with capital needs that are not being met," said Allan Krans, Dover Housing's Executive Director. "In order to lessen our dependence on federal capital grants, we turned to RAD."

The Rental Assistance Demonstration program (RAD) was started by the Department of Housing and Urban Development (HUD) in 2012 to allow public housing agencies to leverage private debt and equity to reinvest in their old properties – and to improve and preserve them. RAD is a budget-neutral program, meaning that it doesn't involve federal funds but rather a loosening of federal regulations to allow for public-private collaborations.

Whittier Falls is the first project in New Hampshire to undergo a RAD conversion. In Dover, two developments stand side by side: Mineral Park, built in 1953, has 124 units and Whittier Park, built in the early 1960s, has 60 units. Krans anticipates that the upgrades – new roofs, siding, windows, kitchens, bathrooms, and energy efficiency measures – will make the residents of Whittier Falls proud to call it home.

CONVERSION, TRANSITION

Shifting from public funding to bank loans, bonds, Housing Tax Credits, and other financing vehicles common in the private sector doesn't happen quickly. The process typically takes about two years, said Krans, but for Dover Housing it took a bit longer as they transitioned "from being managers of housing to real estate developers."

When asked for advice for other housing agencies considering RAD conversion, Krans said: "Communicate early and often with your stakeholders, especially residents and town leaders. Explain clearly what your goals and intentions are, then listen closely to dissect what's really important to the residents. Their priorities should become your priorities."

Dover Housing worked "shoulder to shoulder" with HIF Consulting throughout the conversion process. The consultants helped to develop a specialized team, starting with the right legal support, architects, and general contractor. According to Steve Schuster, who manages projects at HIF Consulting, it was important to get the design team together early to determine an approach for the renovation to high-quality looking apartments.

Another important introduction that HIF Consulting made was to Julie Jussif, Director of Secondary Mortgage Market/Financial Analysis at the New Hampshire Housing

Finance Authority (NHHFA). Krans and Schuster brought the project to NHHFA in 2016. After visiting the property and discussing how the RAD program could be utilized, Jussif says the decision to collaborate on the project was easy.

"Based upon the size of the project, income restrictions, and level of rehab required, our tax-exempt bond program works well for this project," said Jussif.

NHHFA's tax-exempt bond program also qualifies the project for 4% Low-Income Housing Tax Credits (LIHTC), which brings cash equity into the deal, helping to reduce the debt burden on the project.

When the Whittier Falls deal closes in November, it will represent the culmination of many months of cooperation between housing professionals: the Dover Housing Authority, HUD, NHHFA, and the LIHTC program, facilitated by the experts at HIF Consulting. ♦

INTERESTED IN R.A.D.?

Contact HIF Consulting to find out more: (207) 772-8255 or sschuster@nnehif.org.

Expert Q&A

Meet Thomas J Gioia, CPA with Otis/Atwell CPAs

Complex. Nuanced. CPA Thomas Gioia uses these words to describe the rules of the Low Income Housing Tax Credit (LIHTC) program – and to explain why you need an accountant to employ the program successfully.

We spoke with Gioia, a managing partner at Otis/Atwell CPAs in South Portland, Maine, about Housing Tax Credits and his 30-plus years working with the affordable housing industry.

Why would someone need an accountant when dealing with Housing Tax Credits

The rules and regulations governing the program are complex and nu-

anced. Having professional guidance during the development process is prudent. In all honesty, it would be practically impossible to do without accounting expertise.

Who are your clients?

We provide services for profit and nonprofit developers of multi-family affordable housing properties, as well as for syndicators (or funders) of multifamily properties, such as NNEHIF.

What are some common pitfalls in the beginning stages of development?

One frequent mistake is not documenting the early costs expended so that they can be included in the final credit certification. There may be hundreds of thousands of dollars in pre-development expenses prior to the loan closing, such as architect drawings and other soft costs. Once you get the loan closing, then the records are submitted to get reimbursed for the construction loan, but you'll see a "leakage of benefits" if you don't have a good accounting system right from the get-go. Development record keeping is critical, so we recommend that developers call an experienced accountant as early in the process as possible.

Another pitfall is to get too deep into a proposal when it's clear that

the town you want to build in is not receptive to the project. Time and time again, I've seen people spend a lot of money trying to push permitting through before they decide to cut their losses.

How do you know you've been successful with a client?

For us, the most critical time is when the building is about to open and our client has a giant construction loan outstanding that's going to be taken out with equity and capital from NNEHIF. This is when we step in to make a cost certification as quickly as we can, so that we can help cut back the interest expense of the loan. Otis/Atwell has been involved in the affordable housing space for years, so all of the agencies and housing authorities know us well; we usually submit the cost certification 3-4 days from the time we get all the records.

What advice would you give to an organization considering using Housing Credits for the first time?

Be aware that the process from application to completion will take years, not months. If you have a good proposal, it has a good chance to get funded and built, but you must have patience. ♦

