



# Supportive Housing Leadership Forum

November 28-29, 2006  
Arlington, VA

## ***Permanent Financing Sources for Supportive Housing – Innovative Strategies for Increasing Revenue for Supportive Housing (capital, operating, services).***

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There are many interesting examples of innovative strategies states have used to increase revenue for supportive housing through permanent financing sources for capital, operating and services costs. Real estate recording fees, tax and levy strategies, and affordable housing trust funds are just a few. Understanding how some of these sources were created and used to invest in supportive housing, and as well as who and what were involved in creating, administering, and allocating this type of funding are essential in order for other public leaders and policymakers to replicate these efforts in their jurisdictions.

### **Key Players**

- Public leaders
- State legislatures
- State and local government agencies
- Advocates

### **The Basics**

The strategies described below are often combined to create different funding streams for financing supportive housing; i.e. they are not mutually exclusive. However, in order to highlight some basic information, the descriptions below have addressed each strategy individually. It should be noted that is not unusual for there to be seven to ten funding sources in a supportive housing deal.

### **Real Estate Recording Fees**

Real estate recording fees are basic fees for the recording of deeds, mortgages and/or deeds of trust, amendments to those documents, assignments of mortgages/deeds of trust, and satisfaction/release of mortgages/deeds of trust.<sup>1</sup>

#### *Illinois Rental Assistance Program*

The Illinois Rental Housing Support Program was signed into law on July 3, 2005. The program is funded through a \$10 collected fee from real estate document recordings and was expected to generate \$25 million during its first year. Through the Illinois Rental Housing Support Program, landlords receive grants to make rental units affordable to households that earn less than 30% of the area median income. The IL Housing Development Authority awards funds to local administering agencies, which can be local housing authorities, municipalities, or community groups. The local administering agencies contract with landlords who apply to the Rental Housing Support Program. Tenants pay a flat rent of approximately 30% of their income and the local administering agency pays the balance of the rent negotiated with the landlord. As required by the legislation, a minimum of 10% of the funds will finance new development and half of the funds will be dedicated to affordable housing for people earning less than 15% of the area median income.<sup>2</sup>

### **Tax and Levy Strategies**

Tax and levy strategies are examples of state and local governments leveraging existing, and in some cases new taxes to help finance public programs such as housing programs.

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<sup>1</sup> [www.ernstpublishing.com/rerecguide.htm](http://www.ernstpublishing.com/rerecguide.htm)

<sup>2</sup> [www.ihda.org](http://www.ihda.org)

### *California Chronic Homeless Initiative and the Mental Health Services Act*

Governor Arnold Schwarzenegger's statewide initiative to end long-term homelessness combines and leverages funds from a variety of state sources including State Department of Mental Health – Mental Health Services Act funds. Specifically, the passage of a voter initiative - Proposition 63 (now known as the [Mental Health Services Act](#) or MHTSA) in November 2004, provides the first opportunity in many years for the Department of Mental Health (DMH) to provide increased funding, personnel, and other resources to support county mental health programs and monitor progress toward statewide goals for children, transition age youth, adults, older adults, and families. Funds for the MHTSA are collected annually through a 1% income tax increase on all individuals making over \$1 million a year. The Act addresses a broad continuum of prevention, early intervention, and service needs and the necessary infrastructure, technology, and training elements that will effectively support this system and proposes up to \$75 million a year for housing programs. The Chronic Homeless Initiative will use some of these funds to develop supportive housing for individuals with mental illness:

- Additional \$400,000 of state MHTSA funds will support development of local collaboratives to produce supportive housing
- \$750,000 in predevelopment funds (from MHTSA) for supportive housing for homeless individuals with serious mental illness

### **Housing Trust Fund**

Housing trust funds are distinct funds that are established by legislation, ordinance, or resolution to receive public revenues, which can only be spent on housing. The key characteristic of a housing trust fund is that it receives revenues from dedicated sources of public funding such as taxes, fees, or loan repayments.<sup>3</sup> Many but not all housing trust funds have ongoing revenue streams, but some only receive funds if there is a budget surplus or a discretionary priority/investment made.

### *New Jersey Special Needs Housing Trust Fund*

In August, 2005 the New Jersey State Legislature passed the Special Needs Housing Trust Fund Act. This Act authorizes the creation of a housing trust fund from proceeds from motor vehicle surcharges securitization bonds. The fund is issued by the New Jersey Economic Development Authority and dollars are dedicated: (i) to creating additional units of permanent supportive housing and community residences through new construction or substantial rehabilitation; and (ii) to supporting community grants and loans to develop and ensure the long-term viability of such housing and residential opportunities for individuals with special needs with priority given to individuals with mental illness.<sup>4</sup>

### *D.C. Housing Trust Fund*

The District's Housing Production Trust Fund is administered by the D.C. Department of Housing and Community Development (DHCD), and advised by the Housing Production Trust Fund Advisory Board, a nine-member body of residents, developers, advocates and financiers appointed by the Mayor. The DHCD distributes funds through an annual, competitive application process.

At least 40% of all funds must be used to serve households with incomes below 30% of the area median income (AMI). At least 40% of funds must be used to serve households with incomes between 30% and 50% of AMI. The remaining 20% of funds may be used to serve families with incomes up to 80% of AMI. In addition, at least half of all Trust Fund funds must be used to produce or preserve rental housing.

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<sup>3</sup> [www.communitychange.org/issues/housing/trustfundproject/](http://www.communitychange.org/issues/housing/trustfundproject/)

<sup>4</sup> New Jersey P.L. 2005, CHAPTER 163

The District has had a Housing Production Trust Fund since 1989, but for over a decade the fund had no dedicated source of revenue. In 2001, \$25 million was deposited into the fund from the sale of the District's Department of Employment Services building to the Freedom Forum. In January 2002, Mayor Williams signed the Housing Act of 2002 into law, which dedicated 15% of deed recordation and transfer tax revenues to the Housing Production Trust Fund.<sup>5</sup>

#### What can public leaders do?

- **Establish a Task Force:** Establish a nonpartisan housing task force comprised of community leaders, residents, housing developers, human service agencies, etc.
- **Conduct a Needs Assessment:** Understand the landscape of affordable housing in state/ jurisdiction, the needs of residents and the funding gaps for permanent supportive housing
- **Develop Report/Recommendations:** Craft a report of program, policy, and financing recommendations for improving access to affordable housing in given state/jurisdiction
- **Draft Legislation:** Draft legislation based on report recommendations that proposes different sources of permanent financing sources to develop and expand affordable housing units state/jurisdiction

#### Resources / Contact Information

Corporation for Supportive Housing: [www.csh.org](http://www.csh.org)

- Financing Supportive Housing  
<http://www.csh.org/financing>

Center for Community Change

- Housing Trust Fund Project [www.communitychange.org/issues/housing/trustfundproject/](http://www.communitychange.org/issues/housing/trustfundproject/)

#### Contact Information

- Corporation for Supportive Housing  
[www.csh.org](http://www.csh.org)
- Peter Kasabach, Chief of Policy and Community Development  
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<sup>5</sup> Coalition for Nonprofit Housing and Economic Development