



## Ending Homelessness: How Banks can Finance Permanent Supportive Housing

Presented by USICH and OCC - April 25, 2012



## Panelists

- Barbara Poppe, Executive Director, USICH
- Deborah De Santis, President and CEO, Corporation for Supportive Housing
- Joseph Molnar, Managing Director, Huntington National Bank
- Barry Wides, Deputy Comptroller for Community Affairs, Office of the Comptroller of the Currency



## Webinar Purpose

- USICH and OCC joint partnership to highlight how banks can play a critical role in their local communities to end homelessness
- At the end of this webinar, participants will understand how banks can:
  - Play a role in the national initiative to end homelessness
  - Finance more permanent supportive housing by investing in low-income housing tax credits
  - Invest in pre-development loan pools
  - Participate with local councils and homelessness contacts

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## Webinar Format

- Call will last approximately 1 hour and 30 minutes
- We have reserved time at the end of the webinar for Q&A.
- Audience members who would like to pose a question can do so at any time through the “questions” function found in the “GoToWebinar” toolbar.
- Call audience members are “muted” due to the high number of participants.
- Call will be recorded.

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## Homelessness 101

- On a single night in January 2011:
  - 636,017 people experienced homelessness (5.3% reduction since 2007)
  - 67,496 Veterans experienced homelessness (12% reduction over 2010)
- Five states accounted for 1/2 of the nation's total homeless population: CA (21%), NY (10%), FL (9%), TX (6%), and GA (3 %)
- Recovery Act helped prevent and end homelessness for over 1.2 million people

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## Chronic homelessness

- Definition – individual is disabled and has no home continuously for 1 year or more, or has been homeless more than 4 times in the past 3 years
- 1/3 of adults experiencing chronic homelessness are military veterans
- Communities have made significant progress in reducing chronic homelessness by over 1/3 in the last 7 years

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## Opening Doors

- Nation's first-ever comprehensive strategic plan to prevent and end homelessness.
- Based on solution-driven goals that are cost-effective
- Four goals:
  - 1) Finish the job of ending **chronic** homelessness by 2015.
  - 2) Prevent and end homelessness among **Veterans** by 2015.
  - 3) Prevent and end homelessness among **families, youth, and children** by 2020.
  - 4) Set a path to ending **all** types of homelessness.

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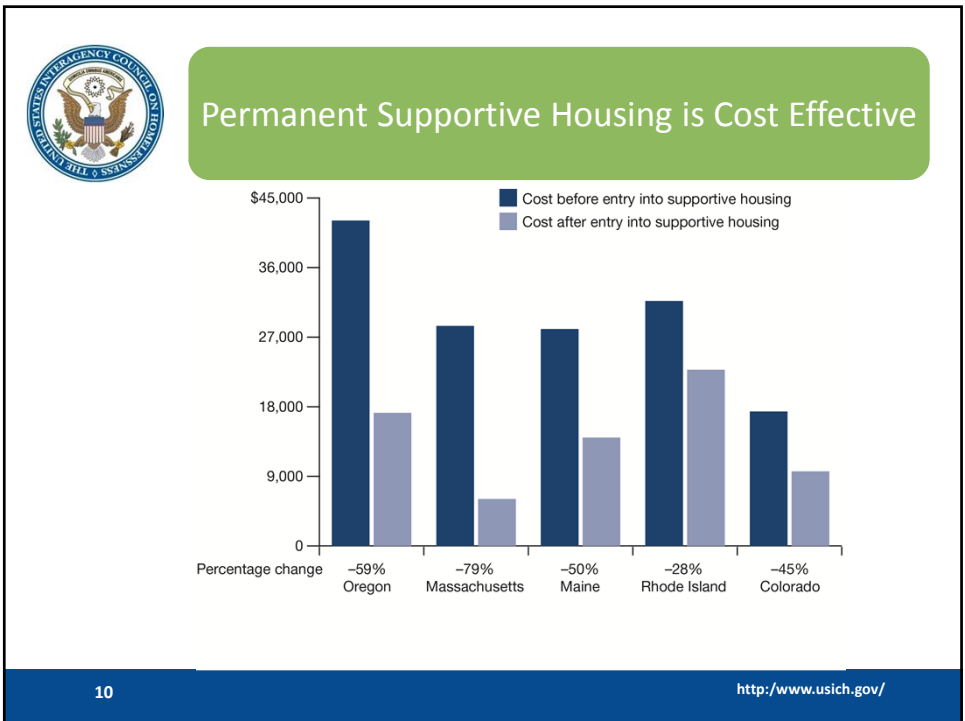
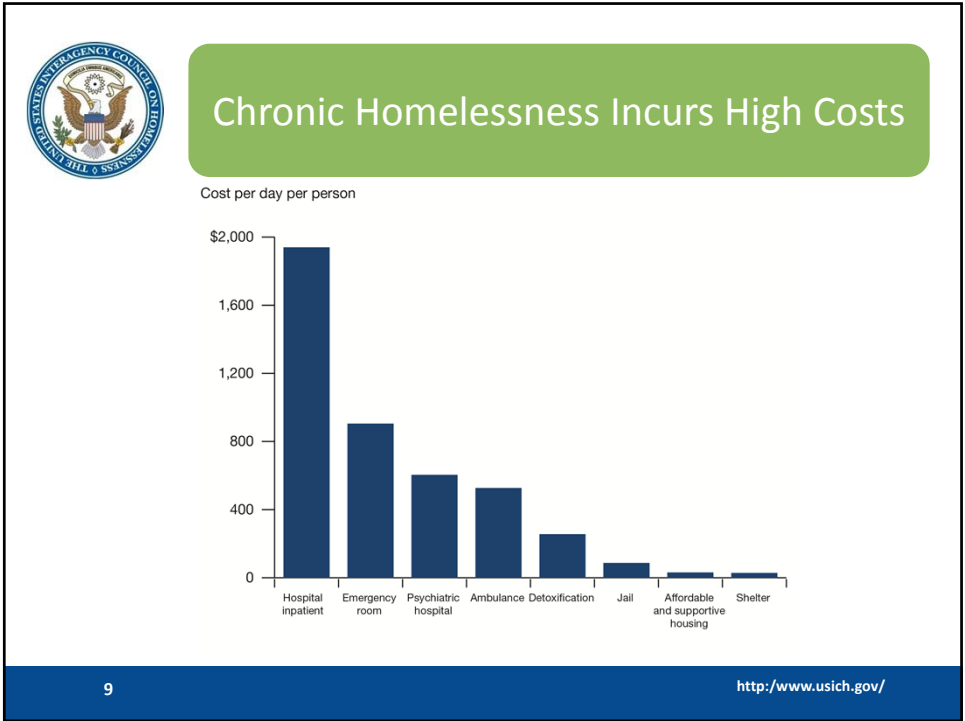
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## Permanent Supportive Housing

- Designed to be affordable and offers services for the specific needs of an individual or family
- Rents on PSH units are subsidized to ensure affordability
  - 1) Pairing rental subsidies with dedicated services
  - 2) Building new or rehabilitated units at one site that offers rental subsidies and on-site services
  - 3) Setting aside units within an affordable housing community that offer rental subsidies and on-site supportive services
- Housing First approach

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## Supportive Housing: An Investment that Works

April, 2012  
csh.org

### Banks Ending Homelessness?

CSH thinks it's possible....

...and we know it's a good investment.

## Who is CSH?

We help communities throughout the country transform how they address homelessness and improve people's lives.



- Policy
- Practice
- Lending

## CSH Knows Lending Matters

We offer low, simple-interest loans and low origination fees to jump-start projects.

- \$310+ million in loans and grants
- Nearly 50,000 new housing units
- Lending resources of \$50+ million
- External loan funds

## What Is Supportive Housing?



## Is Supportive Housing for Everyone?

NO. Supportive housing is proven to work best for very vulnerable men, women and families

- Chronically homeless
- Frequent users/multiple barriers
- Chronic health issues
- Mental health issues



## What Financing Is Needed?

Several funding sources

- Early-stage working capital
- Short-term acquisition and predevelopment loans
- Construction financing
- Capital for equity and permanent financing
- Subsidies for services and operating costs

## What Are Current Funding Sources?

- Low-Income Housing Tax Credit (LIHTC) (54%)
- Housing Finance Agencies (15%)
- Redevelopment agencies (9%)
- Commercial banks (7%)
- HUD (7%)
- Community Block Grants (4%)
- State and Local Housing Trusts (4%)

HUD covers many operating subsidies and services support

## Innovative Funding Opportunities

### External/Acquisition Loan Funds

- streamlines supportive housing funding
- ties predevelopment and acquisition loans to long-term public financing
- prioritizes projects to mitigate risk

### New Markets Tax Credits

- attracts greater levels of debt and equity financing
- limited basis for very large, multi-use developments

## Planning for Long-Term Success

### CSH helps position projects for sustainability

- develop project plans
- build budgets
- model expenses
- access public and private funding
- fund reserves to future viability

## Mitigating Risk

- Long-standing relationships with prospective borrowers can help plan high-quality projects
- Training and technical assistance builds capacity
- Close ties with government eases qualification process
- Strong service partnerships maximize housing stability
- Stability of supportive housing tenants increase rental income and reduced repair and maintenance expenses

## A Special Product to Mitigate Risk

### CSH's Project Initiation Loans

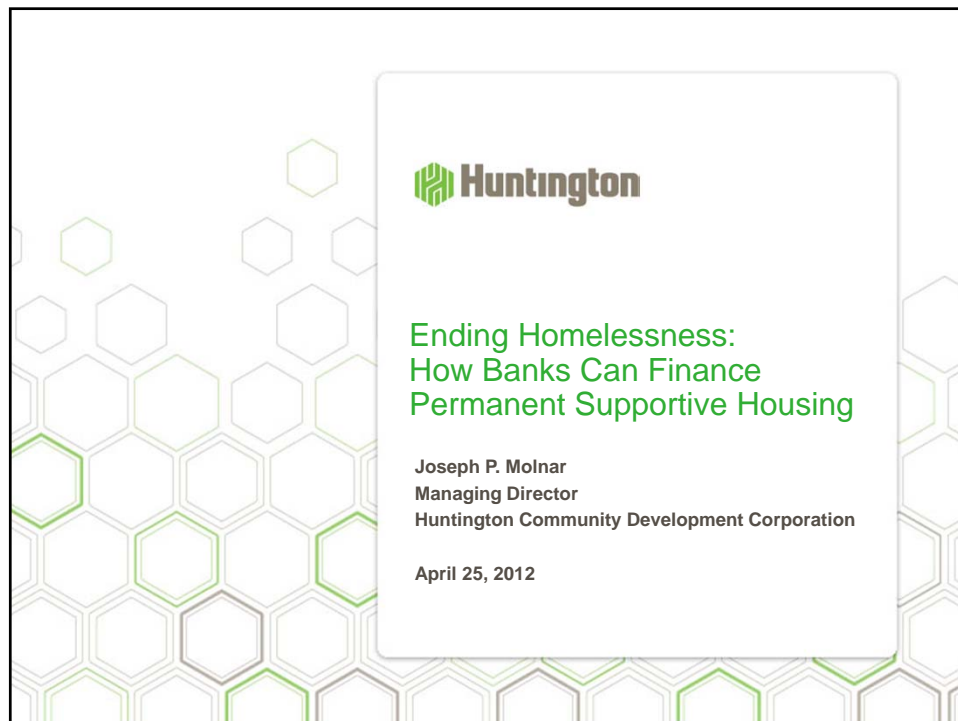
- Funds early-stage predevelopment and planning
- Support robust due diligence and feasibility assessments
- Capped at \$50,000

The result? Stronger projects, better positioned to repay larger property acquisition and predevelopment loans.

## Supportive Housing: A Good Investment

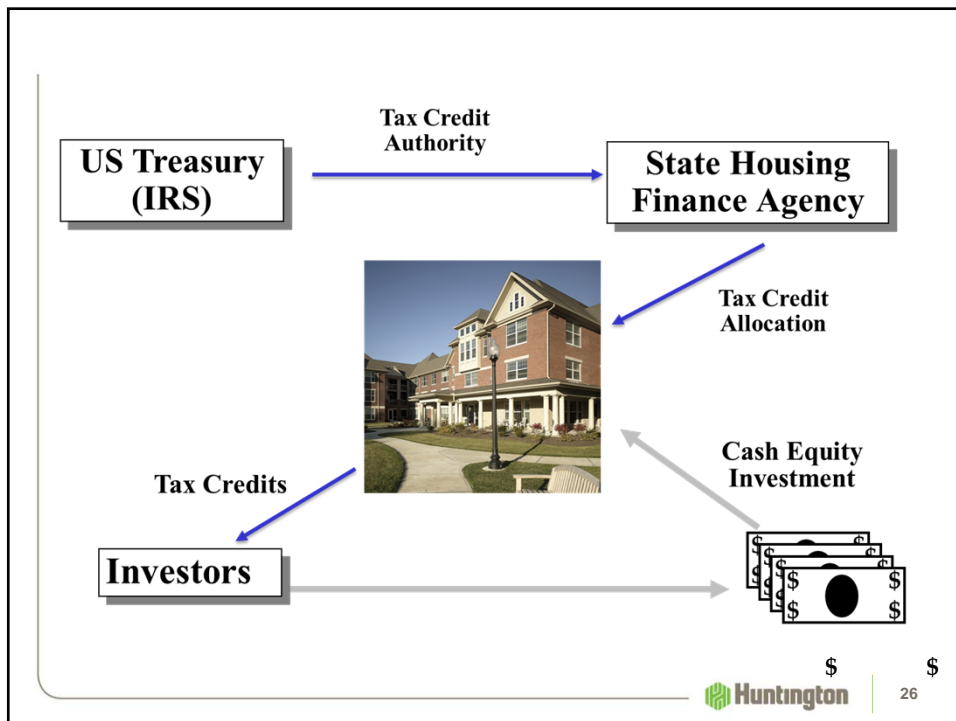
### CSH and Enterprise Research

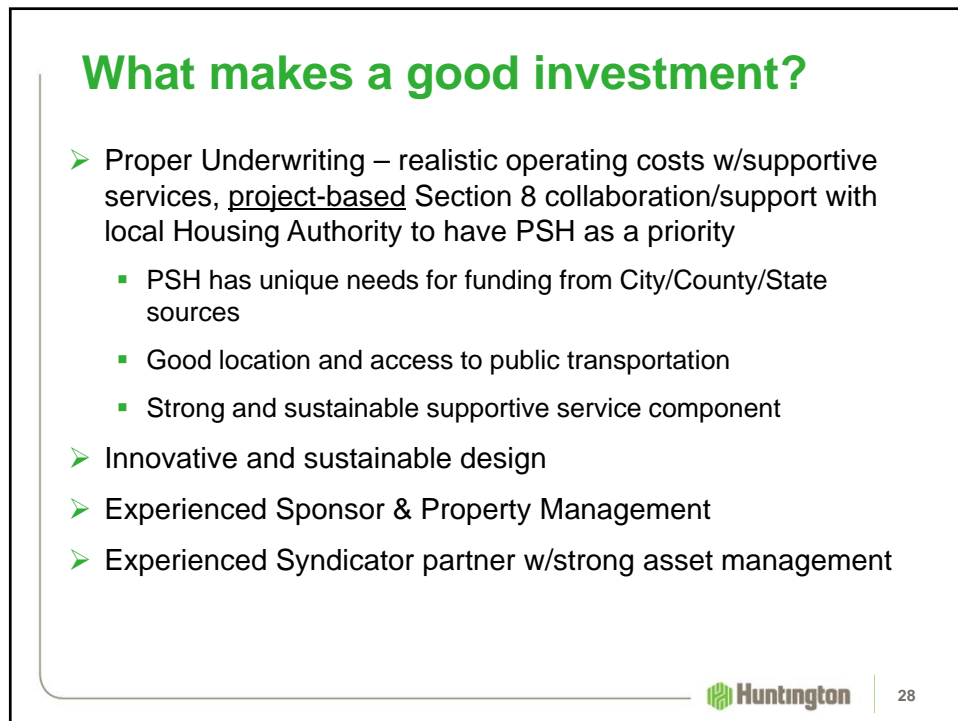
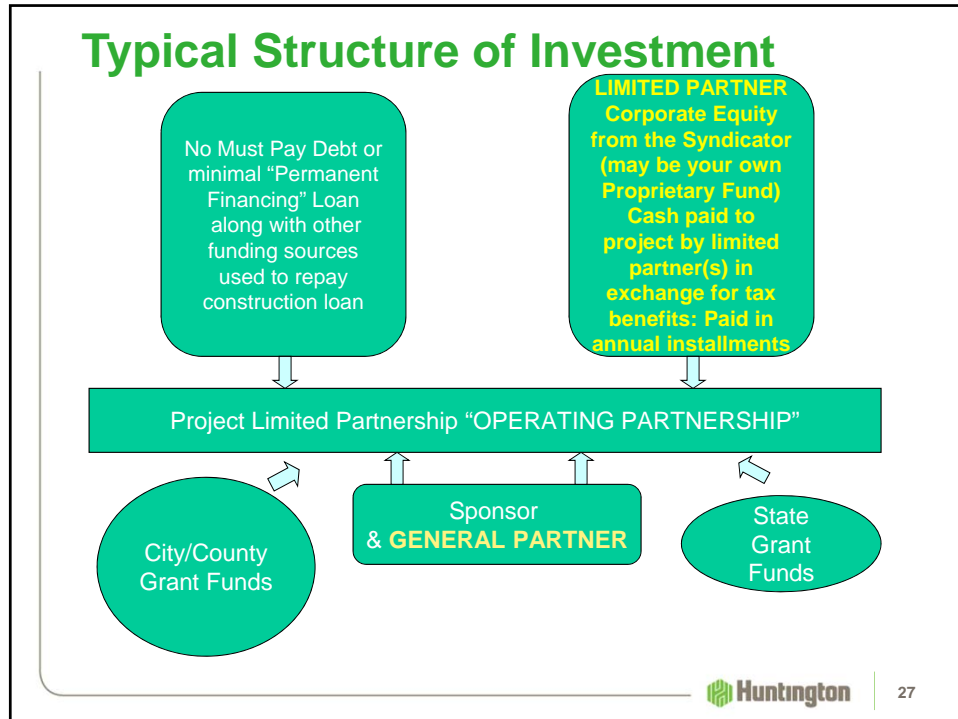
- Occupancy was strong for both sets of projects.
- Operating expenses are 11% higher for supportive housing, but operating subsidies to cover the difference.
- Cash flow is higher for supportive housing projects. Net operating income is 46% lower, but offset by lower debt service.
- Supportive housing projects successfully maintain operating subsidies and offer services over time.



## Keys to Investing in Permanent Supportive Housing:

- Gain understanding of affordable housing needs and homelessness in your community
- Get to know your PSH community partners
- Champion PSH in your company to gain broader support for lending/investment
- Partner with regional LIHTC Syndicators who have significant expertise in affordable housing and PSH
- Due diligence must include neighborhood/community groups have been engaged to discuss/address concerns
- Stay connected w/partners as LIHTC applications are submitted with State Housing Finance Agencies





## Why invest?

- Low risk of loss for this asset class; supported by studies by Ernst & Young and Reznick
- Competitive after-tax return with predictable stream of annual tax credits
- Significant demand w/waiting lists
- Addresses growing homeless population with positive outcome and making a real difference in people's lives
- Significant Neighborhood/Community Impact
- Collaboration drives community pride by addressing issue with real solution and tangible results
- Qualified investment for CRA investment test consideration



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## Huntington's experience

- Continuing executive leadership role with Community Shelter Board and other PSH organizations + financial support
- Invested \$34.5 million in past 5 years
- 7 PSH properties, 487 units in Ohio, Michigan and Indiana
- 100 unit property under construction, \$8.5 million investment
- All performing as underwritten and better; strong demand
- Strong PSH sponsors/developers:
  - ✓ National Church Residences (Columbus, OH)
  - ✓ Community Housing Network (Columbus, OH)
  - ✓ Dwelling Place (Grand Rapids, MI)
- Well balanced with other Community Development efforts



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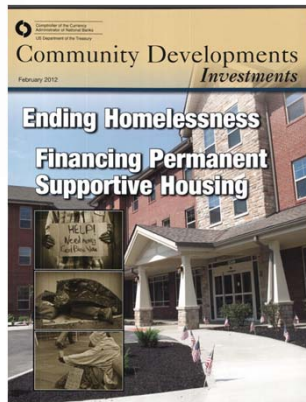


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**Financing Opportunities:  
Banks Assisting in  
Ending Homelessness**






## Tools for Bankers

For the development of permanent supportive housing facilities:

- Banks providing construction and/or permanent debt financing
- Banks making Low-Income Housing Tax Credits and New Markets Tax Credit Investments
- Bank investments in affordable housing loan funds
- “Equity equivalent” (EQ2) loans to nonprofit housing development organizations


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## Additional Opportunities

- Bank leadership in local partnerships to address local affordable housing needs (nonprofit developers, local government agencies, etc.)
- Bank officers serving on the boards of local affordable housing partnerships and/or nonprofit development corporations
- Contributions to organizations addressing affordable housing needs
- Donations of foreclosed properties for affordable housing


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## National Bank: Public Welfare Investments

- National banks can make investments to promote the public welfare, such as affordable housing
- Investment authority: 12 USC 24 (Eleventh) and 12 CFR Part 24
- Banks make investments through a filing process with the OCC (At: [www.occ.gov/cdd/pt24toppage.htm](http://www.occ.gov/cdd/pt24toppage.htm))
- Eligible banks can invest up to 5% of capital and surplus through an “after the fact” notice process (and up to 15% of capital and surplus with prior OCC approval)

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## Federal Savings Associations: Public Welfare Investments

Federal Savings Associations have the authority to make public welfare investments of the type permitted for a national bank under 12 CFR Part 24, including investments in affordable housing (<http://www.occ.gov/static/news-issuances/ots/ceo-memos/ots-ceo-memo-102.pdf>)

- Authorized to make *de minimis* public welfare investments—12 CFR 160.36. These investments are limited in aggregate to the greater of 1% of capital or \$250,000.
- Authorized under 12 CFR Part 159 to invest in service corporations engaged in a broad range of preapproved activities, including investments that promote the public welfare.
- May make certain equity investments in real estate under HOLA 5(c)(3)(A), particularly for affordable housing. See OTS legal opinion dated May 10, 1995 <http://www.occ.gov/static/news-issuances/ots/ceo-memos/ots-ceo-memo-41.pdf>


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## CRA Consideration for Permanent Supportive Housing Activities

- Affordable housing is a fundamental CRA element
- CRA consideration potentially eligible for:
  - LIHTC funds facilitate affordable housing as well as New Markets Tax Credits projects financing supportive housing and ancillary services
  - REO donations for affordable housing
  - Board service and technical assistance to affordable housing-focused organizations
  - Loans to affordable housing projects
  - Investments in/loans to affordable housing loan funds
  - Grants to affordable housing organizations and supportive services in their housing projects


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## CRA Consideration for Permanent Supportive Housing Activities

- Positive CRA consideration for:
  - Qualified investments or community development loans, provided they benefit:
    - The bank's assessment area, or
    - The broader statewide or regional area that includes the bank's assessment area
  - Community development services such as technical assistance to organizations that support affordable housing; examples include:
    - Participation on loan committees
    - Treasurer of the board


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## Evaluating Community Development Activities

- In addition to their quantitative assessment of the amount of a financial institution’s community development activities, examiners must make qualitative assessments of an **institution’s leadership in community development matters and the complexity**, responsiveness, and impact of the community development activities of the institution.
- Examiners will consider the **responsiveness to credit and community development needs**, as well as the innovativeness and complexity, if applicable, of an institution’s community development lending, qualified investments, and community development services. These criteria include consideration of the degree to which they serve as a catalyst for other community development activities.
- When evaluating qualified investments that benefit an institution’s assessment area(s) or a broader statewide or regional area that includes its assessment area(s), examiners will look at the following four performance criteria:
  - The dollar amount of qualified investments;
  - The innovativeness or complexity of qualified investments;
  - The responsiveness of qualified investments to credit and community development needs
  - The degree to which the qualified investments are not routinely provided by private investors.
- “Innovativeness” and “complexity” are not factors in the community development test applicable to intermediate small institutions.

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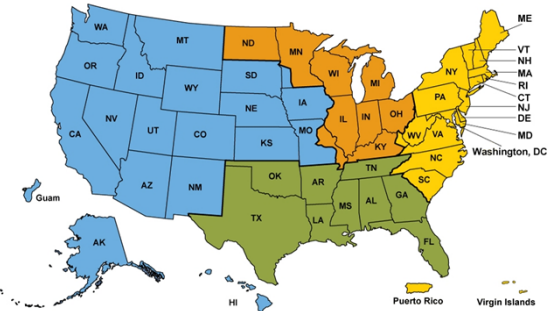
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E-mail and telephone information for the OCC’s District Community Affairs Officers is available at [www.occ.gov/cacocontacts](http://www.occ.gov/cacocontacts)

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## OCC Resources

- Low-Income Housing Tax Credits: Affordable Housing Investment Opportunities for Banks  
<http://www.occ.gov/topics/community-affairs/publications/insights/insights-low-income-housing-tax-credits.pdf>
- New Markets Tax Credits: Unlocking Investment Potential  
<http://www.occ.gov/topics/community-affairs/publications/insights/insights-low-income-housing-tax-credits.pdf>
- Ending Homelessness – Financing Permanent Supportive Housing  
<http://www.occ.gov/publications/publications-by-type/other-publications-reports/cdi-newsletter/feb-2012/homeless-ezine-table-of-contents.html>
- Tax Credits Resource Directory  
<http://www.occ.gov/topics/community-affairs/resource-directories/tax-credits/tax-credits-lhtc.html>
- Community Development Investment Authority Guide (for FSAs) <http://www.occ.gov/static/news-issuances/ots/ceo-memos/ots-ceo-memo-102.pdf>
- OTS Op. Chief Counsel, May 10, 1995  
[http://www.ots.treas.gov/?p=LegalOpinions&ContentRecord\\_id=e8a6db27-46d4-41b6-8ab2-272d35609bd1](http://www.ots.treas.gov/?p=LegalOpinions&ContentRecord_id=e8a6db27-46d4-41b6-8ab2-272d35609bd1)

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## Find your local homelessness contacts

[Resources](#) | [Funding & Programs](#) | [Opening Doors](#) | [Partners](#) | [Take Action](#) | [Media Center](#) | [About USICH](#)

### State Homeless Resources Map

[Show this page](#)



Key - Total Homeless Population on a Given Night in 2011

Fewer than 2,000	2,001-5,000	5,001-10,000
10,001-25,000	Over 25,000	

Ohio (OH)

Statistics    Contacts

Total Homeless Population 13,030

Persons in Families 5,218

Experiencing Homelessness

Veterans Experiencing Homelessness 1,279

Persons Experiencing Chronic Homelessness 1,881

Rate of Homelessness per 100,000 Population 113

USICH Contact (202) 705-4863 usich@usich.gov

State Interagency Council? No

State Homelessness Plan? No

Governor's Lead Contact on Homelessness

[http://www.usich.gov/usich\\_resources/maps/overall\\_homelessness\\_rates](http://www.usich.gov/usich_resources/maps/overall_homelessness_rates)

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## Importance of Local Partnerships

- Help develop local strategic plan to end homelessness
- Create local collaborative of funders to create a pipeline of permanent supportive housing
- Share expertise and help improve local non profit capacity to develop permanent supportive housing
- Foster cross system collaborations between health care, human services, and housing
- Encourage housing industry to tackle and support permanent supportive housing, including as policy priority
- Key partners: local and state government, housing industry, healthcare and human services, philanthropy, homeless services providers

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## Questions?

- Please submit your questions via the chat function.
- The webinar will be available on our websites at <http://www.usich.gov>



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