Comptroller of the Currency
Administrator of National Banks
US Department of the Treasury

Community Developments *Investments*

February 2012

Ending Homelessness

Financing Permanent Supportive Housing

A Look Inside …

Barry Wides, Deputy Comptroller, Community Affairs, Office of the Comptroller of the Curency (OCC)

In 2000, the National Alliance to End Homelessness, a federation of public, private, and nonprofit organizations, released a landmark report titled "A Plan, Not a Dream: How to End Homelessness in Ten Years," available at *www.endhomelessness.org/content/article/detail/585*. The report urged communities across the United States to move beyond simply providing people experiencing homelessness with food and temporary shelter. The report challenged communities to support solutions that help achieve the goal of ending homelessness, solutions such as affordable rental housing, job training, and counseling.

A decade later, the nation has made progress toward ending homelessness. Nationwide, the number of long-term individuals experiencing homelessness has declined by more than one-third in the past six years, according to *The 2010 Annual Homeless Assessment Report to Congress* by the U.S. Department of Housing and Urban Development. The report, available at *www.hudhre.info/documents/2010HomelessAssessmentReport.pdf*, suggests that the most promising solution helping to reduce homelessness is the development of permanent supportive housing (PSH), which combines affordable rental housing with services to help tenants remain in their homes and avoid becoming homeless again.

USICH

A mother and child stand outside their Asheville, N.C., home in December 2010. The family found a home through a program that helps individuals and families experiencing chronic homelessness.

Banks are playing a key role in the national effort to reduce homelessness by financing PSH, partnering with local nonprofits, making charitable grants, and providing leadership on local boards, community groups, and community projects.

Yet the goal of ending homelessness remains unfulfilled. On any given night, more than 650,000 individuals in the United States—including families with children—sleep on the streets, on relatives' sofas, or in shelters, according to the National Alliance to End Homelessness. More than 110,000 individuals are experiencing chronic homelessness, under federal guidelines, on a single night. As many as 67,500 military veterans were homeless on a single night in January 2011, according to the U.S. Department of Veterans Affairs.

By one federal definition, a homeless individual is someone with a disabling condition who has been continuously homeless for a year, or has been homeless at least four times in the past three years. Many more Americans live one paycheck or medical bill away from homelessness, as the economy struggles to recover from the worst recession since the Great Depression.

This issue of *Community Developments Investments* looks at the financing mechanisms that banks use to help communities invest in PSH for people experiencing chronic homelessness. Banks across the nation are helping many of the 230 communities that have developed plans and are investing in PSH projects for people experiencing chronic homelessness. More opportunities for banks to help will become available as more communities adopt plans to end homelessness.

Community Developments

Deputy Comptroller
Barry Wides

Editorial Staff
Ted Wartell
Bill Reeves
Letty Ann Shapiro
Janet Fix

Design Staff
Rick Progar
Victor Battista

Questions or comments, please phone (202) 874-4930.
This and previous editions are available at www.occ.gov/cdd/resource.htm.

On the cover
Photos of people experiencing homelessness; and the Commons at Livingston, a permanent supportive housing project in Columbus, Ohio. The Commons photo is courtesy of Great Lakes Capital Fund.

Now, the nation's goal—as articulated in the 2010 federal report by the U.S. Interagency Council on Homelessness, "Opening Doors: Federal Strategic Plan to Prevent and End Homelessness" *(www.usich.gov/PDF/OpeningDoors_2010_FSPPreventEndHomeless.pdf)* is to end chronic homelessness by 2015, particularly among our nation's veterans. Read about the important role banks play in ensuring the plan's success in the article about this interagency council, "U.S. Interagency Council on Homelessness: How Banks Are Helping to Build Homes for the Homeless," on page 5.

The U.S. Department of Housing and Urban Development defines a chronically homeless individual as having one or more disabling conditions, such as untreated mental illness, drug or alcohol addiction, or long-term health issues. Research and experience by those who help people experiencing homelessness suggest that these individuals with disabling conditions benefit from supportive housing that offers access to health and other social services.

Banks are financing PSH projects with acquisition loans and investments in equity opportunities available through the Low-Income Housing Tax Credit (LIHTC) and New Markets Tax Credit programs. The LIHTC Program, the primary source of funding for PSH, offers banks two ways to finance these projects.

First, banks are investing in state and local LIHTC equity funds, such as the Great Lakes Capital Fund. These funds, managed by experienced professionals, invest in carefully underwritten projects to reduce the risk of default and foreclosure by minimizing debt. Great Lakes has nearly 20 years experience investing in housing, including in recent years investments in supportive housing projects for people who experience homelessness in the Midwest.

The experience of Great Lakes is discussed in the article "Great Lakes Capital Fund: Raising Capital for Permanent Supportive Housing" on page 15.

On any given night, more than 650,000 individuals in the United States—including families with children—sleep on the streets, on relatives' sofas, or in shelters.

Second, banks are using LIHTCs to invest directly in PSH projects, as discussed in the article about Huntington National Bank's work, "Huntington National Bank Community Development Corporation: Making a Difference, One Bank at a Time," on page 19.

Communities are partnering with banks and nonprofit organizations, such as the Corporation for Supportive Housing (CSH), to develop and manage appropriate housing for people experiencing homelessness. In addition, CSH and other groups are working with banks to transfer foreclosed multifamily properties to developers for renovation and use as permanent supportive housing. CSH officials believe these partnerships are a win-win for banks and the communities they serve. CSH officials describe their work on behalf of people experiencing homelessness in "Corporation for Supportive Housing: Helping the Homeless Live With Dignity" on page 9.

In addition, banks make charitable grants to nonprofit sponsors that provide and enhance services offered by permanent supportive housing. Across the nation, bank grants support recreational, peer, and community activities, as well as supportive services and job training. Enhancements like these dramatically improve the quality of life for residents in supportive housing units and for their neighbors.

Banks also make nonmonetary contributions that are important to community efforts on behalf of people experiencing chronic homelessness. Bank executives provide support and guidance by serving on boards of nonprofit supportive housing developers; participating on local leadership councils; and encouraging bank employees to volunteer with nonprofit groups that help people experiencing homelessness.

Banks that support community efforts on behalf of the homeless in these ways may receive positive consideration under the Community Reinvestment Act.

This issue of *Community Developments Investments* is designed to encourage more banks to get involved in the nationwide effort to end chronic homelessness. To that end, a list of resources with links to financing sources and glossaries is provided.

Resources for Permanent Supportive Housing for the Homeless

The Corporation for Supportive Housing (CSH), available at *www.csh.org,* is a national nonprofit organization working to expand permanent supportive housing (PSH) for those experiencing homelessness. CSH offers the following information on PSH-related agencies, programs, and terms to help interested developers, service providers, and investors.

Cost Study on PSH

- **Permanent Supportive Housing: An Operating Cost Analysis (2012)** *(www.practitionerresources.org/showdoc.html?id=67590&topic=Supportive%20 Housing&doctype=Spreadsheet)*. This CSH and Enterprise Community Partners' Operating Cost Study contains valuable information that may help developers and investors determine if PSH developments can be financially stable and produce adequate returns.

CSH Fact Sheets

- **Federal Home Loan Bank's Affordable Housing Program (Potential Source for Capital Financing)** *(http://documents.csh.org/documents/ResourceCenter/FinancingGuide/FHLBFINAL.pdf)*. This fact sheet gives an overview of eligible activities, the program's grant and loan terms, and other resources.

- **Low-Income Housing Tax Credit Program (LIHTC) (Potential Source for Capital Financing)** *(http://documents.csh.org/documents/ResourceCenter/FinancingGuide/LIHTCFINAL.pdf).* This fact sheet gives an overview of activities, terms, considerations, and additional resources about the use of LIHTC for supportive housing.

- **U.S. Department of Veterans Affairs, Veterans Programs (Potential Source for Capital, Operating and Services)** *(http://documents.csh.org/documents/ProjectDevelopment/Veterans%20 Programs6.5.2011.pdf).* This fact sheet gives an overview of requirements for permanent supportive housing development that combines rental assistance vouchers, from the U.S. Department of Housing and Urban Development, with case management and clinical services, from the Veterans Administration Supported Housing Program.

Additional Information

The following information is provided by CSH and federal, state, and city agencies.

- **Continuum of Care (COC)** *(http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/homeless/)* is made up of three programs that partner with other federal agencies working through competitively awarded grants to solve homelessness. The three programs are: Supportive Housing Program, Shelter Plus Care, and Single Room Occupancy. This Web site has background on each program, grant awardees, and contact information *(http://hudhre.info/index.cfm?do=viewCocContacts).*

- **Glossary of Affordable Housing Financing and Development Terms** *(http://documents.csh.org/documents/ke/DevelopmentFinancingGlossary.doc),* key terms provided by CSH.

- **Glossary of Supportive Services** *(http://documents.csh.org/documents/ke/ServicesGlossary.doc),* key terms provided by CSH.

- **Homelessness-Related Definitions** *(www.sonoma-county.org/cdc/rd_rr_tg_rasad_terms.htm),* compiled by the Community Development Commission, Sonoma County, Calif.

- **Homelessness Resource Exchange** *(http://hudhre.info/index.cfm?do=viewShpDeskguideKey#top),* key terms compiled by the U.S. Department of Housing and Urban Development.

- **Housing Terms** *(www.communityhousingnetwork.org/getinfo/macomb/MC-HRC/HousingGlossary/terms.htm),* compiled by the Community Housing Network of Troy, Mich., a 501(c)(3) organization.

U.S. Interagency Council on Homelessness: How Banks Are Helping to Build Homes for the Homeless

Barbara Poppe, Executive Director, U.S. Interagency Council on Homelessness (USICH)

On any single night in our nation, nearly 650,000 individuals are without safe and stable housing. Thirty years ago, homelessness was predominantly experienced by single adults. Homelessness among children did not exist in the same way it does today. In 2010, more than 76,000 of America's veterans experienced homelessness on a single night. People experience homelessness for a variety of reasons. Their stories are different, but their need for stable homes is the same.

Communities across the nation have made remarkable progress in reducing chronic homelessness by more than one-third in the past six years, partially as a result of the expansion of permanent supportive housing (PSH) programs, according to the U.S. Department of Housing and Urban Development's *Annual Homeless Assessment Report to Congress*, available at *www.hudhre.info/documents/2010HomelessAssessmentReport.pdf*. This type of rental housing is designed to be affordable and offers services for the specific needs of an individual or family who has a long-term disability and is experiencing homelessness. Banks and community partners have collaborated and played a pivotal role in developing and financing this type of housing in an effort to end chronic homelessness.

USICH

Barbara Poppe, Executive Director of the U.S. Interagency Council on Homelessness, talks with Landau Murphy, a resident of the Commons at Buckingham—a permanent supportive housing project in Columbus, Ohio—about his experience with homelessness.

The U.S. Interagency Council on Homelessness (USICH) coordinates the federal response to homelessness through partnerships at every level of government and with the private sector. USICH is an independent agency within the federal executive branch. The agency consists of 19 federal Cabinet secretaries and agency heads. USICH partners with federal agencies, state and local governments, advocates, service providers, and individuals experiencing homelessness to carry out its mission of preventing and ending homelessness in America.

In June 2010, USICH and its member agencies launched a plan with the release of a report called "Opening Doors: Federal Strategic Plan to Prevent and End Homelessness," available at *www.usich.gov/PDF/OpeningDoors_2010_FSPPreventEndHomeless.pdf*. The plan serves as a road map for joint action by the federal government and its partners at the state and local levels. The plan has four goals:

- Finish the job of ending chronic homelessness by 2015;
- Prevent and end homelessness among veterans by 2015;
- Prevent and end homelessness for families, youth, and children by 2020; and
- Set a path to ending all types of homelessness.

In the United States, chronic homelessness annually affects nearly 110,000 adults and families. Someone is chronically homeless if he or she is disabled and has no home continuously for a year or more, or has been homeless more than four times in the past three years. Six out of 10 chronically homeless adults live on the streets. Most suffer from acute and debilitating health problems that are exacerbated for those who experience homelessness. One-third of chronically homeless adults are military veterans. These statistics and others are available in HUD's 2010 report.

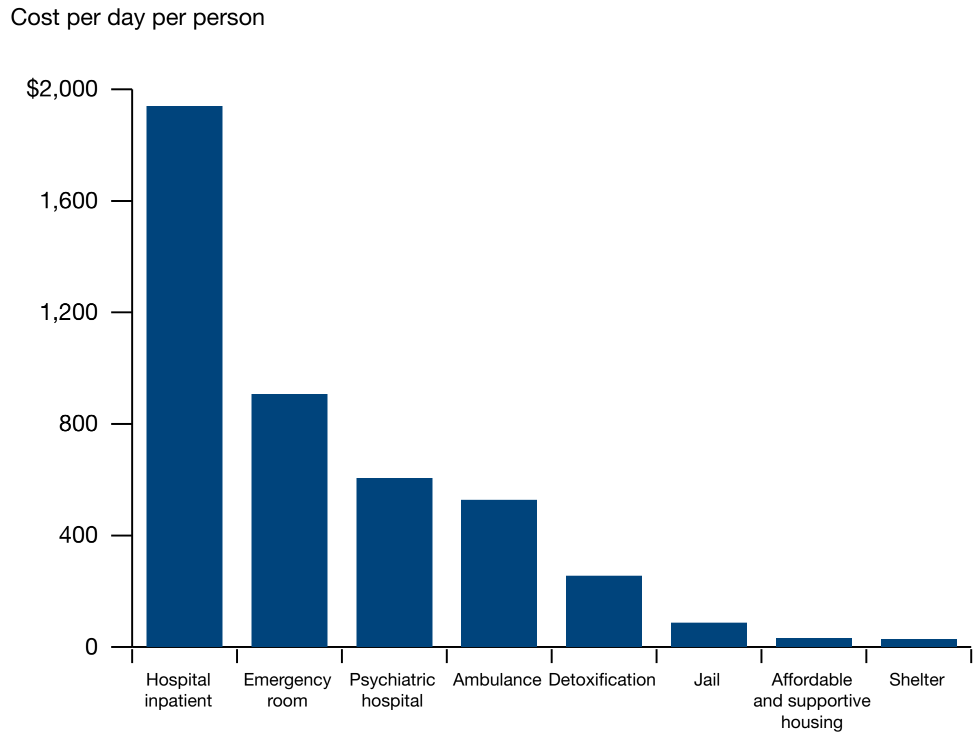
Chronic homelessness incurs high costs for communities because individuals experiencing homelessness are frequent users of community services. Consequently, chronic homelessness can be a major strain on local community budgets. The biggest costs to communities are health care expenses, because of frequent and avoidable inpatient hospitalizations, and visits to emergency rooms, detoxification centers, and nursing homes. Other high costs are associated with the criminal justice system.

Rents on PSH units are subsidized to ensure affordability for tenants who typically have incomes ranging from zero to 15 percent of the area median income. Supportive housing is delivered through three primary ways: (1) pairing rental subsidies with dedicated services; (2) building new or rehabilitated units at one site that offers rental subsidies and on-site services; and (3) setting aside units within an affordable housing community that offer rental subsidies and on-site supportive services.

"Opening Doors" cites supportive housing as most cost-effective when targeted for those with the greatest needs, such as mental illness, chemical dependency, or HIV/AIDS, or those with multiple conditions, because these individuals impose high costs on communities and governments.

The most effective type of supportive housing uses the Housing First approach, which seeks to screen in rather than screen out individuals with substance abuse and mental illness. Often, people with these conditions are not eligible to receive housing assistance from other programs, many of which require clients to be free of drugs and alcohol. Housing First seeks to move these hard-to-house individuals into permanent housing quickly and then to provide them with the support services they need to achieve and maintain housing stability. As "Opening Doors" highlights, the research is clear that PSH using a Housing First approach is the best solution for individuals experiencing chronic homelessness—and it is the most cost-effective solution for states and communities. Compared with repeated use of emergency services and jails, there is no question that PSH is the better option.

Figure 1: Average Public Cost of Services for Homeless Individuals (2004-2009)



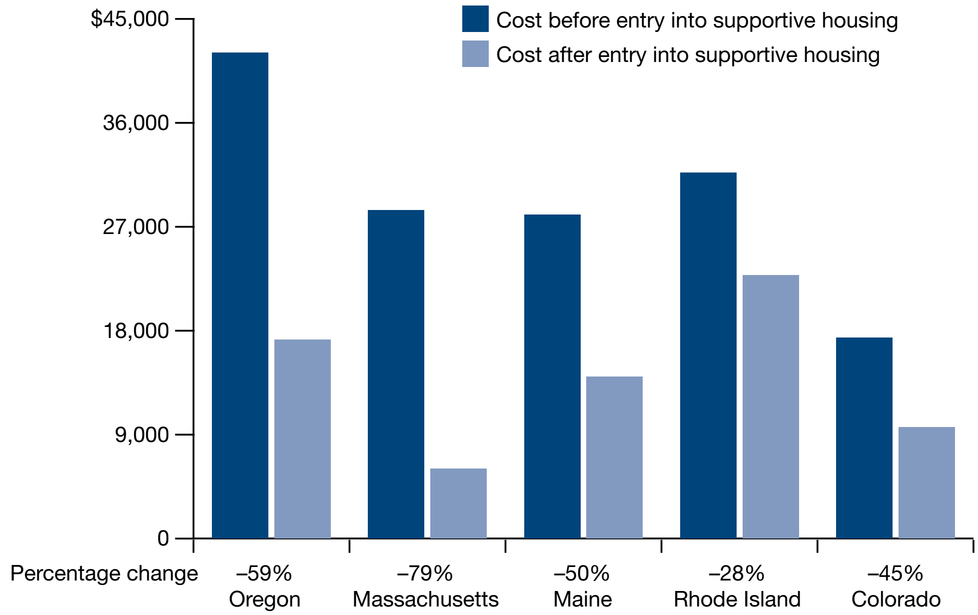
Source: "Opening Doors: Federal Strategic Plan to Prevent and End Homelessness, 2010"

Banks and other financial institutions are active investors in the tax credit market, which is critical to the development of permanent supportive housing projects.

The literature on the cost of single adult homelessness is extensive and in agreement. Figure 1 compares the average costs for a variety of services derived from cost studies of homelessness and homeless interventions conducted from 2004 to 2009 by leading researchers. The figure shows that the cost per day for a formerly homeless individual living in supportive housing is just $31. That is a fraction of the daily cost for someone in jail ($87), a detoxification center ($256), an emergency room ($905), or an inpatient hospital room ($1,940). The data in figure 1 were compiled in Opening Doors based on research in Atlanta, Ga.; Chicago, Ill.; Columbus, Ohio; Denver, Colo.; Los Angeles, Calif.; Portland, Maine; Massachusetts; New York, N.Y.; Phoenix, Ariz.; Portland, Ore.; Rhode Island; San Francisco, Calif.; and Seattle, Wash.

As figure 2 shows, after an individual experiencing homelessness moved into a PSH unit, the annual taxpayer-funded services for the individual declined sharply in Oregon, Massachusetts, and Maine. In Oregon, for example, the cost of services for an individual experiencing homelessness fell from $42,000 a year to $17,000 a year after the individual moved into PSH.

Figure 2: Average Cost of Serving the Homeless Declines in Permanent Supportive Housing (2005-2008)



Source: "Opening Doors: Federal Strategic Plan to Prevent and End Homelessness, 2010"

The most common model for developing PSH relies on low-income housing tax credits (LIHTC). The LIHTC program began as part of the Tax Reform Act of 1986 and has become the largest affordable housing program in U.S. history. The program allows nonprofit and for-profit developers to apply to state housing finance agencies for tax credits. The tax credits are available on a competitive basis for use in the development of various types of affordable housing, such as senior housing, family housing, and PSH for individuals and families experiencing homelessness.

Banks and other financial institutions are active investors in the tax credit market, which is critical to the development of PSH projects. They represent about 60 percent of the tax credit investment market and annually invest more than $5 billion nationwide. Banks and insurance companies purchase the tax credits to offset corporate tax liabilities in exchange for equity or cash, which is then used for the construction or rehabilitation of affordable housing and PSH projects.

Typically, LIHTC equity accounts for as much as 65 percent of a project's cost and the LIHTC equity attracts capital grants from the Federal Home Loan Bank, foundations, and other public and private sources of capital. In many cases, these investments can cover 100 percent of the capital cost of a PSH project, eliminating the need for a first mortgage.

Even when capital costs for a project are covered, a PSH developer needs operating capital. Developers, however, cannot count on rents from individuals experiencing homelessness, who have little or no income. Therefore, PSH projects rely on housing subsidies available through the U.S. Department of Housing and Urban Development (HUD). The HUD housing vouchers, sometimes called Section 8 vouchers, are available through the Housing Choice Voucher Program (*www.usich.gov/funding_programs/programs/housing_choice_voucher_program*). Other HUD rent subsidies may come from the Shelter Plus Care, Supportive Housing, and HOME programs. These programs provide the operating subsidies PSH developers need to help sustain these projects.

Additional sources of funding help to cover the cost of the support services the PSH project offers. Banks help cover these costs with charitable gifts to nonprofit sponsors that provide these support services. These gifts have supported recreational, peer, and community activities, and have enhanced the quality of life for supportive housing tenants and their neighbors.

In addition, bankers make nonmonetary contributions to PSH projects. They serve in executive and senior leadership positions and as volunteers on boards of nonprofit supportive housing developers. Bankers also participate on local leadership councils, such as 10-year planning bodies, interagency funding groups, and Continuum of Care (*http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/homeless/programs/coc*) coordinating committees. Bankers interested in learning more about or serving on Continuum of Care committees, as well as other efforts underway to help end homelessness, can visit the Homelessness Resource Exchange at *http://hudhre.info/index.cfm?do=viewCocContacts*.

Thanks to support from banks, the national effort to end chronic homelessness has made significant gains with targeted investments in PSH units across the nation. While this is positive news, more PSH units are needed in coming years if the nation is to meet the goals of ending chronic homelessness by 2015 and preventing and ending homelessness for families, youth, and children by 2020.

Clearly, PSH is the right thing to do for those who experience, or are at risk of experiencing, chronic homelessness. PSH also is a smart investment for banks, which benefit from PSH investments in several ways. First, they receive income from tax-advantaged investments. They generate goodwill by helping to create jobs through the construction and maintenance of PSH projects. Finally, banks may receive positive recognition from banking regulators and community members.

The cost per day for a formerly homeless individual living in supportive housing is just \$31—a fraction of the daily cost for a stay in a detoxification center (\$256), an emergency room (\$905), or an inpatient hospital room (\$1,940).

Ultimately, the biggest beneficiaries of bank investments in PSH are those who are able to leave our nation's streets for the comfort of a stable home. Continued collaboration by private and public benefactors is needed in the years ahead to finish the job of housing our nation's most vulnerable by 2015.

For more information, visit www.usich.gov; call Jason Kravitz, USICH's Director of Communications and Congressional Relations, at (202) 708-4663; or e-mail communications@usich.gov.

Corporation for Supportive Housing: Helping the Homeless Live With Dignity

Deborah DeSantis, Executive Director, and Brigitt Jandreau-Smith, Chief Lending Officer, Corporation for Supportive Housing (CSH)

"There's no place like home," Dorothy told Toto in the 1939 film *The Wizard of Oz*. But not everyone is fortunate enough to have a place to call home. Some sleep in vehicles; others on relatives' couches; still others on park benches, entryway stoops, and heating grates. Nationally, more than half a million people in the United States are homeless on any given night, and at least 1.6 million people are homeless at some point every year. Nearly 17 percent of homeless individuals who are homeless on any single night are, by federal definition, chronically homeless because they have experienced long-term or repeated episodes of homelessness.

The Corporation for Supportive Housing (CSH), founded in 1991, is a community development financial institution (CDFI). Headquartered in New York, CSH has offices in 11 states and Washington, D.C. We help communities seeking to prevent and end homelessness by helping them develop permanent supportive housing (PSH). We give each tenant individualized attention. We tackle homelessness by bringing together people, skills, and resources, and providing high-quality advice and development expertise, in a collaborative search for solutions. We make loans and grants to sponsors of supportive housing; we work to strengthen the supportive housing industry; and we help reform public policy, making it easier for communities and developers to create and operate quality supportive housing.

Our mission is to create opportunities for formerly homeless tenants to live with dignity in accordance with their own interests, and we work hard to open the doors of supportive housing to people who face the greatest challenges.

What Is Supportive Housing?

Supportive housing is essentially affordable housing that provides access to health and social services, such as mental health and addiction therapy, medical care, case management, and employment services.

Supportive housing is proving to be a successful solution to homelessness because it addresses the issues that most often cause people to become homeless. Nationally, 110,000 people are, by federal definition, chronically homeless, due in part to untreated severe mental illness (60 percent), addiction (80 percent), and other chronic health issues. Many more are at risk of becoming homeless because they face these same challenges.

Together, supportive housing's combination of place and services is addressing the needs of this fragile population.

CSH's Track Record

For 20 years, CSH has led the national supportive housing movement. CSH provides critical capital to developers to jump-start projects that might otherwise fail early in the project development process. We have been successful because, with more than two decades of experience, we understand housing markets and are willing to take calculated risks.

CSH

The Horizon Apartments, with a trompe l'oeil facade, offer 20 units of permanent supportive housing for the homeless and mentally challenged in the Venice neighborhood of Los Angeles, Calif.

CSH recognizes the importance of lending as a tool to create supportive housing. We offer low, simple-interest loans and low origination fees. Since 1991, CSH has committed more than $310 million in loans and grants to supportive housing projects and created nearly 50,000 new housing units. Today, our lending resources total more than $50 million, up sharply from $14.7 million in 2004.

In addition, we provide significant additional capital to developers through special external loan funds.

Table 1 lists the five acquisition loan funds that CSH has either created or helped to create. Through these loan funds, CSH has access to additional capital to make loans to developers to create supportive housing. Four of the funds target California; the fifth fund targets New York. CSH is either an owner or originator of each of the five funds. CSH provides technical assistance to all five funds. Although the interest rates and fees vary by fund, each fund offers low interest rates and fees designed to contain project costs. Through these loan funds, CSH has access to additional capital to make loans to developers to create supportive housing. Basic information on each loan fund is shown, including total capitalization, geographic focus, loan terms, and loans made to date.

Table 1: CSH's Role in Permanent Supportive Housing: Five Acquisition Loan Funds

	CSH-LA Supportive Housing Loan Fund	New York Acquisition Fund	New Generation Fund	Los Angeles County Housing Innovation Fund	Bay Area Transit Development Affordable Housing Fund
Total capitalization	$30 million	$150 million	$60 million	$60 million	$50 million
Geographic restriction	Los Angeles	New York	Los Angeles	Los Angeles County	Nine Bay Area counties
Maximum loan amount	$3 million	$15 million	$10 million	$5 million	$7.5 million
Legal structure	Owned by CSH	LLC	LLC	LLC	LLC
Maximum loan to value	130%	130% nonprofits, 95% for-profits	120% nonprofits, 95% for-profits	100%	110%
Rates and fees	6% interest, 1.5% origination fee	Indexed to prime, 2.5% guarantee & origination fee	Indexed to LIBOR, 2.5% guarantee & origination fee	6.5% interest, 2% origination fee	Indexed to LIBOR, 2% origination fee
Loan loss reserve	$500,000 foundation grant, $5 million Los Angeles Housing Department	$8 million from New York, $31.6 million from foundations	$10 million from Los Angeles Housing Department, $3.75 million from foundations	Community Development Commission of the County of Los Angeles absorbs first 33% of losses, originating lender absorbs next 13.5%, senior lenders in lowest-risk tier	Metropolitan Transportation Commission absorbs first 20% of losses, originating lender next 1.5%, program-related investors next 13%, originating lender next 15.5%, senior lenders in lowest-risk tier
CSH role	Owner, raised $25 million in capital, originator and technical assistance provider	Originator and technical assistance provider	Originator and technical assistance provider	Co-owner with two other CDFIs, originator and technical assistance provider	Originator and technical assistance provider
Year started	2007	2006	2008	2010	2011
Performance to date	$16 million invested (500 units)	$151 million invested (4,384 units)	$33.2 million invested (682 units)	$4.5 million invested (69 units)	$7 million invested (152 units)

Source: CSH

What Financing Is Needed?

Funding supportive housing is complex but doable. With the right mix of training and support, sponsors of this much-needed housing can access appropriate funding packages, achieve financial sustainability, and even provide returns for investors.

Supportive housing projects often have several funding sources and require significant subsidies to cover the cost of services, which includes:

- early-stage working capital for local planning and due diligence work;
- short-term loans for property acquisition and predevelopment costs;
- construction financing;
- capital for equity and permanent financing; and
- subsidies for services and operating costs.

National research commissioned by CSH identified the key funding sources for supportive housing projects. The largest source of capital is the Low-Income Housing Tax Credit (LIHTC) program, used in 54 percent of projects and making up 32 percent of all capital used for these projects. Housing Finance Agencies (15 percent), redevelopment agencies (9 percent), and commercial banks (7 percent) are the next most-used sources.

The remainder of capital typically comes from a variety of U.S. Department of Housing and Urban Development (HUD) funding: McKinney-Vento programs (3 percent); the HOME Program (3.8 percent); and Community Development Block Grant funds (4.2 percent). State and local housing trust funds provide other funding.

CSH

The rooftop deck of Horizon Apartments in Venice, Calif., provides tenants a view of famous Venice Beach.

Operating subsidies for supportive housing are primarily provided by HUD's housing voucher programs, such as the Shelter Plus Care (S+C) Program (*www.hud.gov/offices/cpd/homeless/programs/splusc*) and the Supportive Housing Program (SHP) (*http://www.hud.gov/offices/cpd/homeless/programs/shp*). HUD programs also cover the ongoing costs of providing support services to tenants through S+C, SHP, and Housing Opportunities for Persons with AIDS (*http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/aidshousing/programs*). Support services are funded by other federal and state programs.

Positioning Projects for Long-Term Sustainability

Planning is the key to long-term sustainability in supportive housing. CSH works with supportive housing sponsors to build strategic and informed plans for creating high-quality units. We provide a suite of products, services, grants, and training designed to give local service providers and housing developers an understanding of supportive housing financing, program models, and best practices. In addition, we provide one-on-one assistance to help sponsors with a range of project-specific work. This kind of assistance has helped establish a supportive housing industry that offers long-term sustainability. CSH works with sponsors in:

- developing project plans;
- building budgets for predevelopment, construction, and ongoing operations, including modeling project expenses and expected cash flow;
- accessing public and private funding; and
- working to adequately fund reserves to ensure the long-term viability of projects.

Investment Opportunities and Innovation

Traditionally, banks have invested in supportive housing projects and received solid returns by providing loans to CDFI funds that support below-market-rate lending for predevelopment and acquisition costs. Banks also lend directly to supportive housing developers to cover construction costs. Many of these investments and loans qualify for Community Reinvestment Act consideration.

In addition to the traditional LIHTC investments, banks may invest in new supportive housing opportunities, such as cutting-edge, external loan funds and New Markets Tax Credits (NMTCs). External predevelopment and acquisition funds use initial government investments to leverage significant private capital. By subordinating the government's lien position to the private capital, more housing can be created with the same amount of public grant resources. CSH, using this leverage strategy, capitalized the LA Supportive Housing Loan Fund on its balance sheet and is participating with other CDFIs in four such funds in New York City, Los Angeles, and the San Francisco Bay Area.

Industry Innovation: Acquisition Loan Funds

Typically, acquisition loan funds are independently capitalized limited liability corporations (LLC). An initial grant investment acts as a first loss, with public investors taking the primary and generally riskiest position, foundations taking the secondary loss position, and banks and other private investors taking the senior position, or the investment

Case Study: Venice Community Housing

In 2009, the Corporation for Supportive Housing (CSH) originated a $3 million acquisition and predevelopment loan for Venice Community Housing. The loan funded the purchase and rehabilitation of Horizon Apartments, a 20-unit supportive housing project in the Venice neighborhood of Los Angeles, Calif. CSH's Los Angeles Supportive Housing Loan Fund was the source of this financing. This fund is supported by government agencies and banks, including HSBC Bank, U.S. Trust, and U.S. Bank. The total development cost for Venice Community Housing was $5.375 million.

Table 2: Venice Community Housing Project Pro Forma

Redevelopment and acquisition (bridge) financing	Amount	Percent of total
CSH's Los Angeles Supportive Housing Loan Fund	$3,000,000	100
Total	**$3,000,000**	**100**
Permanent financing	**Amount**	**Percent of total**
Governor's Homeless Initiative loan, California	$2,721,000	53
Mental Health Services Act loan, California	$1,262,000	24
Venice Affordable Housing Trust Fund	$750,000	14
Public and private grants	$642,000	9
Total	**$5,375,000**	**100**
Uses of financing	**Amount**	**Percent of total**
Acquisition	$3,965,000	74
Construction	$514,000	10
Reserves	$364,000	6
Relocation	$85,000	1
Developer's fee	$140,000	3
Soft costs	$307,000	6
Total	**$5,375,000**	**100**

Source: CSH

The property was completed in 2011 and the 20 apartments were leased to formerly homeless individuals with mental illness and earning 30 percent or less of the area's median income. The complex received project-based rental subsidies from the federal Shelter Plus Care Program.

Venice Community Housing, which developed Horizon Apartments in Venice, provides an array of supportive services for the tenants, including case management and counseling for mental health and substance abuse. Annual government contracts, with expected renewals, fund these services.

Foreclosed and Abandoned Properties: Resources for Supportive Housing

Holly Denniston, Senior Program Manager, Corporation for Supportive Housing

To increase the number of permanent supportive housing (PSH) units in the United States, homeless advocates want to redevelop more foreclosed or abandoned properties with the help of a wide spectrum of developers. CSH is helping to lead the way because we are experienced in providing technical assistance and training for those interested in developing foreclosed properties and obtaining Neighborhood Stabilization Program (NSP) funding. Two recent CSH projects illustrate our success.

North Street Commons Veterans Housing: In Decatur, Ill., D&O Properties I, LLC is redeveloping a 13-unit foreclosed property. About two years ago, D&O, a for-profit developer and construction and property management firm, identified the property and sought CSH's help. CSH provided technical assistance to finance and structure a supportive housing project. CSH connected D&O with Lutheran Children and Family Services of Illinois. The nonprofit, with D&O's help, applied for and received NSP funding and project-based housing vouchers from the local housing authority. Rehabilitation of the property is under way and the housing units for the homeless should be ready for lease in the spring of 2012.

Clinton Hill: In Newark, N.J., HELP USA, a nonprofit that provides housing and supportive services to the homeless, is constructing a 56-unit supportive housing project on an abandoned lot. HELP USA is the developer, owner, and service provider. CSH provided technical assistance to HELP USA. The partnership created 15 units of permanent supportive housing units for military veterans. The housing project will have a rooftop vegetable garden that veterans will maintain as part of a therapeutic recovery program. The project relies on low-income housing tax credits; NSP funding; project-based housing vouchers; and other funding sources. Construction broke ground in February 2011.

To be successful, CSH advises that advocates for the homeless must have sufficient capital financing and a strong developer, property manager, and service provider to work with. In addition, they should seek a foreclosed or abandoned property with:

- a substantially discounted purchase price;
- access to alternative housing units for displaced tenants, if the property is not vacant;
- a location convenient to public transportation, grocery and other shopping, and neighborhood resources; and
- access to operating subsidies, such as project-based housing vouchers and Continuum of Care subsidies.

For more information, contact Holly Denniston at *holly.denniston@csh.org* and visit *www.csh.org.*

with the least risk. Typically, government agencies enlist multiple CDFIs to originate loans, with CDFIs marketing the loans, conducting due diligence, analyzing the projects and borrowers, structuring the loans, and providing technical assistance to ensure the quality of the applicants' project plans. Because there is first loss built into the structure of the funds, CDFIs do not have to raise grant funds for loan loss reserve, eliminating a major challenge to funding supportive and affordable housing projects on a large scale.

In partnership with the Los Angeles Housing Department, CSH created the Los Angeles Supportive Housing Loan Fund, a stand-alone fund that exclusively targets supportive housing creation. CSH owns this fund, which uses a capitalization structure that is similar to an LLC, although it is not an LLC. The housing department provides top loss for the fund, which has allowed CSH to attract $25 million in private investment. CSH has enjoyed great success through the Supportive Housing Loan Fund in scaling supportive housing development in Los Angeles. To learn about this project, see the sidebar about Horizon Apartments, "Case Study: Venice Community Housing," on page 12.

These acquisition funds streamline the supportive housing funding process by tying predevelopment and acquisition loans directly to public sources of long-term financing. Given their first-loss positions, the public agencies have a vested interest in the success of the funds. By prioritizing these projects for long-term financing to mitigate risk, public funding for projects is more predictable, resulting in more local production.

Role in Supportive Housing Production

CSH sees tremendous opportunity for acquisition loan funds to attract unprecedented private investments in supportive housing projects. Other than Los Angeles's Supportive Housing Loan Fund, no other existing LLC funds specifically target supportive housing. In fact, several funds are structured in ways that limit their use in supportive housing projects (for example, loan-to-value (LTV) ratios capped at 100 percent). If these funds are restructured to encourage supportive housing development, they could help governments achieve long-term supportive housing production goals and in ending homelessness nationally.

New Markets Tax Credits as New Funding Source

Supportive housing developers are also beginning to look at the New Markets Tax Credits (NMTC) program as another way to attract greater levels of debt and equity financing from banks. CSH received its first NMTC allocation in 2011, and closed its first supportive housing project in January 2012. CSH expects to close at least one of its three investments in supportive housing projects by year's end. CSH will sell its NMTCs to banks and other investors in exchange for equity and debt investments in the supportive housing projects. To date, supportive housing developers have used this program on a limited basis for very large, multi-use developments. CSH is exploring how NMTCs might fund program space for support services within housing projects, an innovation that would enable this financing to be used on a larger scale for these projects. With a seven-year compliance period, the NMTC program represents an opportunity to attract longer-term bank financing to supportive housing projects.

Risk Factors and Mitigation

As with any housing development project, supportive housing projects carry risks. Indeed, these projects may be incorrectly perceived as riskier than traditional affordable housing projects. The truth, however, is that supportive housing projects have proven to be solid investments.

CSH, in conjunction with Enterprise Community Partners, conducted the 2011 study "Permanent Supportive Housing: An Operating Cost Analysis," available at *www.csh.org/wp-content/uploads/2011/12/Report_OperatingCostAnalysis.pdf*. The study concluded that permanent supportive housing is beneficial to communities as well as to homeless individuals. The low-income housing tax credit investments analyzed in the study generally had somewhat lower revenues and higher operating expenses when compared with LIHTC affordable housing investments without support services. The primary reason that the projects had stronger cash flow was that they had significantly lower debt service obligations. These reduced obligations offset the lower revenues and higher operating expenses. In addition, a strong service partnership was critical to maximizing housing stability. Stable tenancy leads to increased rental income and reduced repair and maintenance expenses.

Generally, supportive housing projects require higher LTV ratios (for example, 120 percent on average) than other affordable housing projects (80 percent to 100 percent LTV), because supportive housing sponsors often have limited collateral. Based on CSH's very low default rate of less than 1 percent since 1992, we have not found the higher LTV to result in riskier loans.

When it comes to mitigating risk, CSH has pioneered a successful model. We develop long-standing relationships with prospective borrowers to help them plan supportive housing projects that are well-positioned with long-term financing from government and other sources. CSH provides extensive training and technical assistance to review project plans, and offers grants to build organizational capacity. CSH also maintains close ties with government funders in many parts of the country and has experience in helping prospective borrowers qualify for government support.

In addition, CSH offers Project Initiation Loans (PIL), a unique loan product designed to fund early-stage predevelopment and planning work. Capped at $50,000, PILs support robust planning and due diligence, including site and feasibility assessments. The result: stronger projects that are better positioned to repay larger property acquisition and predevelopment loans using permanent financing sources.

For more information, please e-mail Brigitt Jandreau-Smith at brigitt.jandreau-smith@csh.org or visit www.csh.org.

Great Lakes Capital Fund: Raising Capital for Permanent Supportive Housing

Dennis Quinn, Senior Vice President, Great Lakes Capital Fund (GLCF)

Imagine for a moment a homeless person panhandling in front of your neighborhood dry cleaner—disheveled at best, in very poor mental and physical health at worst. Now imagine that same person as a productive, self-supporting member of society—someone with a job, a bank account, even an apartment.

Such a transformation might sound like a miracle—and yet it is happening in neighborhoods across the United States. In the Midwest, developers of permanent supportive housing (PSH) for the homeless are working with Great Lakes Capital Fund (*www.capfund.net*) and other organizations to give chronically homeless individuals a chance at better lives. Great Lakes Capital Fund is a community development financial institution (CDFI) certified by the U.S. Department of the Treasury and is a syndicator of low-income housing tax credits (LIHTC).

Led by a team of housing industry professionals, Great Lakes serves as underwriter, risk mitigator, and asset manager for investors. These investors, especially in a volatile market, may worry that the cost of providing services-enriched PSH for the chronically homeless will diminish their returns. On the contrary, "supportive housing isn't higher risk and lower return if it's managed right and underwritten to account for any unforeseeable costs," said Mark McDaniel, Chief Executive Officer of Great Lakes.

With an average fund of more than $100 million invested annually, Great Lakes, a nonprofit, 501(c)(3) corporation, has helped raise capital for 40 supportive housing projects in Illinois, Indiana, Michigan, Minnesota, Wisconsin, and upstate New York. Over its 19-year corporate lifetime, Great Lakes has invested more than $103 million of equity in the 40 properties, creating 1,483 affordable supportive housing units for those formerly considered chronically homeless.

About Great Lakes Capital Fund

Great Lakes was established in 1992 by the Michigan State Housing Development Authority (MSHDA) in response to a lack of equity capital investments in Michigan projects. At that time, national syndicators were passing up opportunities to invest in affordable housing projects because they were located in inner cities or rural areas, sponsored by nonprofits, or included support services. The MSHDA created this state-based private equity fund to insure investment in those important markets. Since 1992, Great Lakes Capital Fund has grown into a $2 billion equity investor, serving Illinois, Indiana, Michigan, Minnesota, Wisconsin, and upstate New York.

Great Lakes' primary investment model involves multi-investor funds that invest in a diverse pipeline of properties across multiple states. Typically, investors in the LIHTC program have been larger national banks and regional banks. To attract more bank investors, Great Lakes initiated a state community fund five years ago. The community fund is a multi-investor fund targeting community banks that historically have not participated in the tax credit program. While multi-state funds tend to attract banks with multi-state branch networks, community banks tend to invest in states where they are chartered. As a result, state community funds target community banks. Great Lakes seeks to attract these small banks by lowering the required minimum investment from $1 million to $250,000.

Great Lakes examines the specific needs of each community to determine the type of housing development that would work best for the area. To assess the strength of a potential investment, Great Lakes looks at the expertise of the developer and its partners; the level of commitment and the stability of funding sources; and whether the developer can handle service delivery, as well as any architectural and engineering needed to make the space user-friendly for new residents. Great Lakes puts a strong focus on ensuring that projects are geared toward environmental efficiency and sustainability, and closely examines construction budgets. Typically, a third-party reviewer evaluates the construction plans and provides an opinion as to cost and quality of construction. Great Lakes carefully reviews operating budgets and compares the budgets with those for similar properties in its portfolio.

Piquette Square, a PSH project in downtown Detroit, Mich., provides 150 one-bedroom units for formerly homeless veterans. One of Great Lakes' LIHTC funds financed the project. The project began when a nonprofit developer, Southwest Housing Solutions, acquired the site of a former Studebaker factory near the John D. Dingell VA Medical Center. The 3.28-acre site required extensive environmental cleanup before construction of the new project could begin.

Piquette Square is an example of a project that might have been financed only through the issuance of tax-exempt bonds by the Michigan State Housing Development Authority (MSHDA). To mitigate its risk, MSHDA simultaneously approved the issuance of a project-based Section 8 housing subsidy for 150 units. The rental subsidy will remain in place for at least 20 years. The Section 8 rental subsidy typically equals the fair market rent for comparable units within the community where the property is located. In the case of Piquette Square, a project-based housing subsidy provides enough income to cover annual debt service as well as to subsidize the general operations of the property.

In addition to reusing an abandoned brownfield site, Piquette Square incorporates many environmentally sensitive and energy-saving technologies, including a geothermal heating and cooling system; water-saving features; and sensory lighting in each unit to cut down on utility costs and to minimize operation costs. Table 3 shows that the $22.9 million Piquette Square project included eight different funding sources to complete, plus many thousands of dollars in donated furniture, linens, and other kitchen and household items. Piquette Square offers mental health counseling, substance abuse treatment, on-site job training, computer labs, educational programs, and other support services to help veterans develop healthy and independent living skills.

Piquette Square opened its doors on July 15, 2010. "Our veterans have fought to protect the safety and the freedom that we enjoy every day, and we have a duty to provide them with adequate housing and medical care," U.S. Senator Carl Levin (D-Michigan) said during the opening ceremony. "Piquette Square is a major development in meeting that hallowed responsibility."

GLCF

Coniel Norman, a resident of Detroit's Piquette Square housing complex, shares news clippings of his former NBA basketball days—before his military service, before his homeless experience, and before he found supportive housing.

One of Piquette Square's first residents was Coniel Norman, a former University of Arizona basketball star. His story—playing with the NBA, joining the military, succumbing to drug abuse, and spending nearly a year living on the streets of Los Angeles, Calif.—illustrates the painful and quick slide from dignity to dysfunction that can lead to homelessness.

Piquette Square offered Norman a helping hand, a supportive

Table 3: Piquette Square Sources and Uses of Funds

Sources of funds	Amount
MSHDA* tax-exempt bond	$6,681,761
MSHDA HOME funds (chronically homeless)	1,000,000
MSHDA HOME funds (multi-family)	4,528,285
Wayne County, Mich.	510,000
Federal Home Loan Bank of Indianapolis	500,000
City of Detroit HOME funds	1,520,000
LIHTC capital contribution	6,524,503
Brownfield Tax Credit capital contribution	1,701,579
Total sources of funds	**$22,966,128**
Uses of funds	**Amount**
Land acquisition	$578,000
Construction costs	17,251,767
Soft costs	3,318,785
Financing costs	731,933
Start-up costs, reserves, escrows	1,085,643
Total uses of funds	**$22,966,128**

Source: Great Lakes Capital Fund

* Michigan State Housing Development Authority

environment, job training, and a second chance. Now, Norman is rebuilding his life alongside other former veterans and has the opportunity to stay connected with his family in Detroit.

The cost of providing services to the homeless, such as job training, mental health, and substance abuse services, are included in the original proposal a developer brings to Great Lakes. Typically, service costs are paid by a mix of state and federal dollars, such as the U.S. Department of Housing and Urban Development (HUD) Supportive Housing Program, or a project-based Section 8 rental subsidy. At the state level, supports such as Medicaid and other wellness, nutrition, and housing assistance programs are provided. Great Lakes examines a potential investment for a host of red flags, including overall sustainability (the minimum fund investment is 15 years), and whether a developer has the expertise to manage the housing or must hire someone else to manage the property. A big measure of success—or failure—can be seen by gauging the long-term commitment of any state and federal funds or private grants a developer counts on to cover expenses.

Funding levels and length of commitment vary depending on the program and agency providing the assistance. HUD's Supportive Housing Program provides an initial five-year commitment for a rental assistance program for the homeless known as Shelter Plus Care. The program requires the service provider to match dollar-for-dollar the amount of the rental subsidy provided. Once the initial commitment period ends, providers must reapply to HUD for annual renewals. In the case of Section 8 rental subsidy, HUD provides an initial commitment of 20 years, but funding is subject to annual congressional approval.

Clearly, investors, developers, and Great Lakes would prefer to have a 20-year Section 8 subsidy for every PSH project. Fortunately, Great Lakes and its developers have been successful in securing these funds for investors and developers when PSH projects required them.

Great Lakes also examines government subsidies that go directly to a developer, including operating support grants, supportive service grants, and subsidies that go directly to tenants such as HUD's Section 8 housing vouchers.

To increase community bank investing, Great Lakes established a state community fund: a multi-investor fund targeting community banks that historically have not participated in the low-income housing tax credit program.

For instance, if a project relies on rental income to fund support service staff, which often is the case, can the project continue to provide services if state or federal rental subsidies are cut? Does the developer have a backup plan and is it viable? Great Lakes' standard underwriting criteria require operating reserves equal to four to six months of operating expense, debt service, and replacement reserves. Depending on our risk analysis, sometimes we require a year or more of operating reserves. Backstopping the operating reserves are the personal and corporate guarantees of the developer and general partner.

Part of Great Lakes' overall strategy is to assist development partners by maintaining a referral network made up of service providers who have access to rental subsidies and support service funding, as well as clients who can benefit from PSH. As a result, the supported units have higher average occupancy when compared to non-supportive units. In Detroit, for example, where Great Lakes works to meet the goals of a Ten-Year Plan to End Homelessness, which is sponsored by the local Homeless Action Network, 30 supported properties have been developed. The average occupancy for the supported units is 95 percent, compared with a standard tax credit unit with average occupancy of 92 percent. All the projects have long waiting lists and stable tenant populations.

In addition to conservative underwriting, Great Lakes performs ongoing asset management, meaning that it reviews monthly, quarterly, and annual financial statements and audits; conducts regular site visits to ensure compliance in terms of tenant eligibility and income limits; and determines whether the developer and management deliver on the services they promised and keep the properties in good shape.

An important factor in financing supportive housing for the homeless is the ability to obtain soft debt financing (debt where repayment is deferred until the sale of the security, as with the Ferguson Apartments, a PSH project in Grand Rapids, Mich.)

or grants through local and state governments. “Supportive housing needs to carry less hard debt, typically none at all,” said Jim Logue, Chief Operating Officer for Great Lakes, who also serves as board member for several groups, including the national Corporation for Supportive Housing and the Federal Home Loan Bank of Indianapolis. Less hard debt (for which monthly debt service is required) means less chance of default or foreclosure for nonpayment.

Grand Rapids’ Ferguson Apartments project illustrates how soft debt financing works. The apartment complex was developed by Dwelling Place, a local nonprofit organization. Dwelling Place has four supportive housing projects for the homeless in its portfolio of about 25 properties.

As table 4 shows, the Ferguson Apartments project was financed through the generosity of many community agencies, state grants, and a soft loan of nearly $2.8 million from the sponsor. In addition, Dwelling Place raised funds from individuals, corporations, and foundations, and received an equity investment from Great Lakes.

Ferguson Apartments opened in 2002. Now, it has a nine-year successful track record. MSHDA also provided a $3.8 million Housing Assistance Payment grant to subsidize longer-term operating costs and further minimize risk to investors. At the apartments, more than 100 residents share a city building with four nonprofit agencies that provide medical care, drug and alcohol counseling, and job training. The project’s kitchen provides additional job training for some residents, who help prepare and deliver meals to residents confined to their apartments.

Table 4: Sources and Uses of Funds for Ferguson Apartments

Sources of funds	Amount
Grand Rapids, Mich., HOME loan	$500,000
MSHDA HOME loan	2,000,000
HUD Loan and Federal Home Loan Bank AHP grant	502,397
Sponsor loan	2,775,999
General Partner Capital contribution	96,949
LIHTC Capital contribution	9,691,313
Total sources of funds	**$15,566,658**
Uses of funds	**Amount**
Construction	$12,651,339
Soft costs	2,191,056
Financing costs	110,328
Start-up costs, reserves, escrows	613,935
Total uses of funds	**$15,566,658**

Source: Great Lakes Capital Fund

The performance of the Ferguson Apartments shows that tax credit investments are attractive to investors. Investment results from Ferguson Apartments exceeded investor expectations and, at the same time, helped to solve the homeless problem in Grand Rapids. Returns from the project helped the city’s economy, investors, and residents of Ferguson Apartments.

In some cases, a project-based housing subsidy, layered on a LIHTC property, can provide enough income to cover annual debt service and to subsidize the general operations of the property, thus allowing tenants with nominal rent capacity.

PNC Bank has been in partnership with Great Lakes for almost 20 years because its geographic target area mirrors that of the nonprofit syndicator. From PNC’s perspective, “There’s a financial return and a social return,” said Michael J. Taylor, PNC Senior Vice President, Community Development Banking. PNC wants to “empower citizens, to the extent possible, to actively participate in their community and perhaps reach greater opportunities in the future,” Taylor said. Investing in Great Lakes’ funds is one way the bank accomplishes this dual goal.

For more information, contact Dennis Quinn at (313) 841-3751, ext. 1317, or e-mail dquinn@capfund.net.

Huntington National Bank Community Development Corporation: Making a Difference, One Bank at a Time

Joseph P. Molnar, Managing Director, Huntington National Bank Community Development Corporation

Huntington National Bank, a regional bank headquartered in Columbus, Ohio, is using its resources to help provide affordable housing in Ohio and throughout the Midwest. The bank faces a big challenge. In 2010, approximately 150,000 Ohioans were homeless, according to the Coalition on Homelessness and Housing in Ohio (*www.cohhio.org*). An additional 327,000 households spent more than 50 percent of their income on housing, leaving precious little for food, clothing, and other necessities of life.

Huntington Bank *(www.huntington.com*) is committed to both small business and affordable housing financing in the Midwest. Ohio has a range of housing assistance services, including homelessness prevention, emergency shelters, transitional housing, and permanent affordable housing that provides supportive services. There never seems to be enough of these services, however, to fulfill the needs. Creating solutions to transition people experiencing homelessness in Huntington's communities to permanent supportive housing (PSH) is one of the bank's top community development priorities. Huntington has had to seek out these deals, because they are scarce. In addition, these projects require time, expertise, and intense effort to complete successfully.

Huntington Bank's community development arm, the Huntington Community Development Corporation (Huntington CDC), based in Columbus, has invested in PSH projects in the Midwest for many years. Over the past five years, Huntington CDC has increased its focus on housing for the homeless, investing $34.5 million in equity in seven PSH projects with 487 units in Indiana, Michigan, and Ohio.

NCR

The Commons at Livingston, in Columbus, Ohio, provides supportive services to low-income, formerly homeless, disabled veterans and others experiencing homelessness.

For more than 20 years, Huntington CDC has been an active and consistent investor in affordable housing. Our success is due to strong partnerships and portfolio performance. We work with many regional syndicators, such as Ohio Capital Corporation for Housing, Great Lakes Capital, City Real Estate Advisors, and National Affordable Housing Trust, to review, invest, and partner with local advocacy groups, such as the Community Housing Network of Columbus, and Dwelling Place in Grand Rapids, Mich. As a result, we have developed a strong working partnership with quality developers. One such organization is National Church Residences (NCR), which has created a niche in permanent supportive housing.

NCR is the nation's largest not-for-profit developer of affordable senior housing and a leader in permanent supportive housing. Huntington CDC has partnered with NCR through the

Low-Income Housing Tax Credit (LIHTC) program on investments of $14.9 million.

Our investments with NCR are made through our single investor/proprietary fund, rather than through a typical multi-investor fund. In other words, these are direct investments made by our proprietary fund and the investments are managed by National Affordable Housing Trust, NCR's syndication arm. NCR is the owner, developer, and property manager.

The investments in our proprietary fund are asset-managed for the life of the investment. Since our team of three is a relatively small shop, we benefit from our syndicator's expertise and staff of experienced asset managers. We established proprietary funds about seven years ago. We use this model as it is an efficient way to make larger dollar investments directly into developments in our Community Reinvestment Act (CRA) assessment areas.

We also continue to invest in multi-investor funds, and we have the same arrangements with our friends at Ohio Capital Corporation for Housing (Columbus), Great Lakes Capital Fund (Lansing, Mich.), and City Real Estate Advisors (Indianapolis, Ind.).

Knowledgeable and stable partnerships are critical to growing Huntington's investments in PSH development. Fortunately, NCR and other partners offer a steady pipeline of opportunities that are well worthy of our investment.

In Columbus, NCR has developed four PSH projects for formerly homeless individuals: the Commons at Chantry; the Commons at Livingston; the Commons at Buckingham; and the Commons at Grant. NCR's fifth project, the Commons at Third, is scheduled for completion in the summer of 2012.

Table 5: Sources and Uses of Funding for the Commons at Livingston

Sources of funds	Amount
HOME Grants (Ohio)	$1,000,000
Ohio Housing Finance Agency (American Recovery and Reinvestment Act, Tax Credit Exchange)	1,724,441
Federal Home Loan Bank (Affordable Housing Program)	500,000
Ohio Housing Finance Agency (Tax Credit Assistance Program)	500,000
Donation (Huntington, Porter Wright, Marris & Arthur, LLP)	1,000
Construction loan (Huntington)	1,125,000
Equity bridge (Franklin County Housing Trust Fund)	1,000,000
LIHTC equity (Huntington)	3,160,764
GP equity and deferred (National Church Residences)	226,169
Total sources of funds	**$9,237,374**
Uses of funds	**Amount**
Land	$235,610
Hard costs with contingency	4,694,938
Soft costs	1,370,245
Reserves and escrow	458,612
Financing and syndication costs	352,969
Interim loan repayments (construction)	2,125,000
Total uses of funds	**$9,237,374**

Source: Huntington Bank CDC

The Commons at Chantry has 10 units dedicated to formerly homeless families. The Commons at Livingston offers 50 units, solely dedicated to disabled and homeless veterans. The Commons at Grant, the Commons at Livingston, the Commons at Buckingham, and the Commons at Third offer formerly homeless residents the opportunity and services they need to achieve stable, productive lives while increasing personal and economic independence through a host of resources.

At these and other NCR projects, residents such as Landau Murphy, a Vietnam War veteran, have found a home and path to personal success. After returning home from the war, Murphy was injured while working as a coal miner. Following that injury and a divorce, he moved to Columbus with friends to seek an education. Instead, when his friends left town, he became homeless and lost his job. After living on the streets for numerous years, he was encouraged by the staff of the U.S. Department of Veterans Affairs to apply for housing at one of the NCR projects. The stable housing environment and support services led to training and a job: Murphy now counsels other homeless people and encourages them to come in from the streets.

In addition to equity funding, Huntington CDC has also provided $1.125 million in construction lending, supported by a $500,000 Federal Home Loan Bank of Cincinnati Affordable Housing Program grant, to the Commons at Livingston, which is designated for disabled and formerly homeless veterans.

As shown in table 5, the development of these properties requires many partners working together, with federal, state, and local government support, to achieve an effective balance of private and public capital. This willingness, along with expertise to navigate this process, has achieved measurable results and many success stories. Careful financial structuring, integration of rental subsidies, and appropriate funding of reserves to ensure long-term performance are all needed to mitigate risks associated with services that are subject to annual appropriations.

Finally, from a taxpayer viewpoint, this approach is innovative and it significantly lowers the cost to deliver safe and affordable housing, along with the supportive services, than would otherwise be delivered by hospital and nursing home providers through Medicaid and Medicare.

Permanent supportive housing is an approach to ending homelessness based on the premise that people are much more likely to become stable, contributing members of society when they have a safe, affordable place to live. This approach works by providing immediate housing (usually subsidized with project-based Section 8 rental assistance), coupled with on-site supportive services tailored to meet residents' needs. Supportive services include social, educational, therapeutic, vocational, and health care support programs, as necessary, to stabilize and maintain housing and affect lifestyle change. On-site supportive services are available to all residents of NCR's permanent supportive housing programs. NCR is generally able to finance these critical services with a combination of grants from the Community Shelter Board of Columbus and resident rents.

Most candidates for permanent supportive housing include the chronically homeless, veterans, persons with physical disabilities,

Huntington Bank CDC

Landau Murphy (right), a formerly homeless veteran and resident of the Commons at Buckingham in Columbus, Ohio, speaks with Joe Molnar, Huntington Bank CDC's managing director, and Barbara Poppe, USICH executive director, about his experience counseling homeless veterans.

and those who struggle with mental or emotional disabilities. Candidates must also demonstrate one or a combination of multiple special needs that have impeded their success in obtaining housing, including severe and prolonged mental disability, chronic substance abuse, long-term health disorders, developmental disabilities, HIV/AIDS, or other mental or physical disabilities.

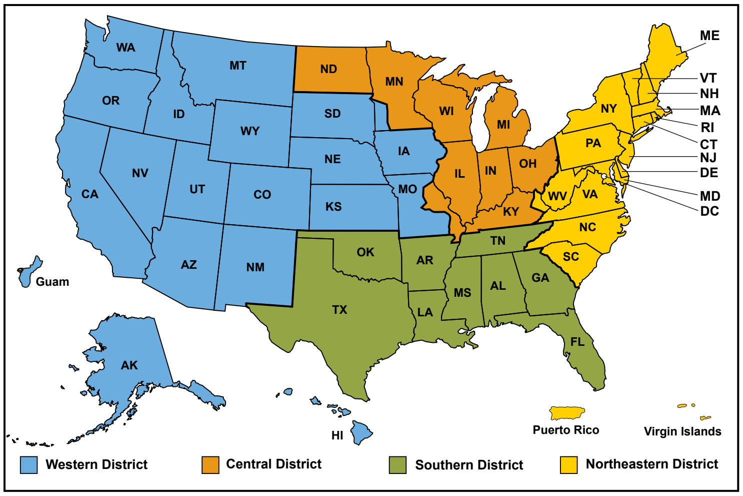
One former resident of NCR's the Commons at Grant is an example of how permanent supportive housing can help lead to productive lives. After moving into the Commons, the woman left behind her life of alcohol addiction and sleeping in homeless shelters. Having a stable place to call home, she became committed to helping herself and others. Having people to help her when needed—even in the middle of the night—made all the difference for her. After successfully reclaiming her life, she graduated from supportive housing and moving into traditional housing in 2009. She began working as a counselor and is pursuing an education.

Huntington and its partners recognize that the success of permanent supportive housing requires the coordination of federal, state, and local governments in connection with structuring the financing to secure long-term economic viability of the property. Just as important are the supportive services provided to the residents to ensure continuous support as the residents make progress in achieving independence and gaining personal and community productivity.

NCR President and CEO Thomas W. Slemmer views this partnership as a success. "In the 49 years that NCR has been developing affordable housing communities the establishment of our permanent, supportive housing presence … is one of the best examples … of community leaders and private industry coming together to solve a very real problem for an underserved population," Slemmer said.

Joseph P. Molnar can be reached at (614) 480-6104 or Joe.Molnar@huntington.com.

This Just In ... OCC's Four Districts Report on New Opportunities for Banks



Susan Howard (818) 240-5175
Michael Martinez (720) 475-7670
Aaron Satterthwaite (214) 720-2844

Committed to Ending Chronic Homelessness

The Housing Authority of Salt Lake City is committed to ending chronic homelessness in the city and is in the sixth year of a 10-year campaign. The housing authority's primary goal is to find homes for low-income residents using traditional rent subsidies or vouchers. Several key programs, however, address homelessness, particularly among chronically homeless veterans. The housing authority provides military veterans with comprehensive case management, job training, and placement services through partnerships with Volunteers of America, Utah; the Road Home; and other local providers of services for the homeless.

The housing authority has developed and rehabilitated several properties, including a number of Low-Income Housing Tax Credit program projects that have more than 300 units of transitional and permanent supportive housing for very low-income people. The housing results in a reduced burden on society, because studies indicate that in Utah, the homeless, who represent 10 percent of the population at any given time, use 15 percent of social services such as shelters and emergency rooms. Many veterans suffer from physical and mental disabilities, including post-traumatic stress disorder. Support services within individual apartment buildings help residents to better access various sources of income, including veterans' benefits. According to the authority's staff, the program has had a positive impact on residents.

Banks have supported the housing authority and its partners with operating grants for supportive services, and with bank staff volunteers who provide technical assistance and training. To help or to learn more about the Salt Lake City housing authority's activities, phone Bill Nighswonger, Executive Director, at (801) 487-2161, or e-mail *bnighswonger@qwest.net.*

Cost-Efficient Housing and Jobs in Denver

The Colorado Coalition for the Homeless is actively expanding its Renaissance Housing Model program—despite the tough economy and sluggish housing market. The program provides supportive and affordable housing for families and individuals experiencing homelessness and low-income working people who otherwise might not be able to afford quality housing in desirable locations.

In January 2011, the coalition opened a new location in Denver, minutes away from the state Capitol. Built to keep energy costs and environmental impacts low, Renaissance Uptown Lofts is delivering greater energy and water efficiencies, better indoor air quality, and better use of space—ultimately resulting in lower utility costs and rents for tenants. The coalition also expanded its Renaissance Works program, which is available on the property, to include job training and supportive employment services for homeless individuals.

Renaissance Uptown Lofts has helped to boost the local economy. The $17 million development budget created construction-related jobs, housing jobs and service-related jobs. The project generated approximately $32.3 million in total economic activity, including $461,000 in local taxes.

This new supportive, affordable housing is expected to reduce social service and emergency-related costs because more homeless people will enjoy stable housing. The coalition reported an average cost savings of $31,545 per person during the two years after homeless tenants enter supportive housing. This savings is the result of 34 percent fewer emergency room visits, 40 percent fewer in-patient hospital days, 82 percent fewer visits to detoxification centers, and 76 percent fewer days in jail.

The coalition used creative, multi-level, and leveraged financing tools, including a combination of federal tax credits; funding from state and local governments; private investment; and foundation and individual support. Investors and funders in Renaissance Uptown Lofts include U.S. Bank, U.S. Bancorp Community Development Corporation, Federal Home Loan Bank, Colorado Division of Housing, Colorado Housing and Finance Authority, U.S. Department of Housing and Urban Development, Denver Office of Economic Development, Denver's Road Home, the Denver Housing Authority, the Kresge Foundation, and individual donations.

For information on future projects and investment opportunities, phone John Parvensky, President, Colorado Coalition for the Homeless, at (303) 293-2217, or e-mail *jp@coloradocoalition.org.*

Karol Klim (404) 974-9630
Scarlett Duplechain (832) 325-6952

Georgia Strives to End Homelessness

Since 1995, the Georgia Alliance to End Homelessness has been dedicated to finding solutions to the issues surrounding homelessness in Georgia. The alliance is committed to public education and awareness of homeless issues; building and facilitating community collaborations; working to ensure appropriate referrals of persons in crisis; facilitating the ongoing identification and development of homeless resources; giving technical support to providers; and serving as a change agent.

An estimated 18,000 people in Georgia on any given day live in homeless shelters and other temporary housing. Additionally, of the thousands of residents struggling to meet their basic needs for food and shelter, more than 55 percent are single-parent families.

The Georgia Alliance provides training programs for organizations interested in reducing homelessness. Organizations can also assist by participating in grant and service opportunities. The Georgia Alliance also trains individuals who provide homeless services, provides organizational capacity, and assists groups serving the homeless. Experienced professionals and trainers from across Georgia and the nation deliver comprehensive curriculums and help the national effort to end homelessness.

Banks and other organizations interested in becoming network members and helping to end homelessness may call Tom Plamann, Director, at (770) 575-5785, ext. 103, or visit the Georgia Alliance Web site at *www.gahomeless.net.*

Our House: Providing Hope for the Working Poor

Our House, a nonprofit based in central Arkansas, helps people move from homelessness to transitional housing, and eventually to permanent supportive housing.

Because Our House targets the working homeless, adults living in its shelter or in any of its four housing programs must be willing and able to work. Our House allows families to stay together and provides assistance with long-term needs and planning. Our House is the only program of its type in Arkansas.

In 1988, Our House opened as a 40-bed emergency shelter in the old parish hall of St. Andrew's Catholic Church in downtown Little Rock. Recognizing that housing alone cannot keep a family out of homelessness, Our House began providing other essential services and to help homeless families acquire the skills and support they need to turn their lives around. In 1991, Our House began offering job skills training programs focusing on computer training. The program also provides free childcare for homeless children while their parents work full-time jobs.

In the past decade, Open House added after-school and summer programs for school-aged youth, offering the first such services in the state specifically for homeless children. Our House also co-founded a free clinic for uninsured low-income people. The clinic is located across the street from the Family Housing facilities.

Today, Our House is nationally recognized and it is a model for similar programs across the country.

For more information on how a financial institution might partner with Our House, please contact Georgia Mjartan, Executive Director, at (501) 374-7383 or by e-mail at *georgia@ourhouseshelter.org.*

Francis Baffour (212) 413-7343
Vonda Eanes (704) 350-8377
Bonita Irving (617) 737-2528 x223
Denise Kirk-Murray (212) 790-4053

Help for Cooperatively Owned Businesses

The Cooperative Fund of New England is a Community Development Financial Institution focused on providing financial and technical assistance to community-based, cooperatively owned businesses and nonprofits serving low-income communities throughout New England and parts of eastern New York state.

Founded in 1975 to support food cooperative development, the Cooperative Fund has recently expanded its focus to include other types of cooperatives involved in affordable housing development and job creation. Loans made by the Cooperative Fund can cover such needs as working capital, predevelopment costs, business expansion, and equipment and real estate purchases.

In 2010, the Cooperative Fund made loans that resulted in the creation or retention of 616 jobs and 545 units of affordable housing throughout its service area, Connecticut, Massachusetts, Maine, New Hampshire, New York, and Vermont. Recent loans originated by the Cooperative Fund have supported a variety of activities, including local retail food cooperatives, energy-efficiency service providers, youth services, affordable housing development, and rural and urban food production.

Loans provided to the Cooperative Fund are used exclusively as capital for its revolving loan program. Contributions and grants help the fund to provide technical and educational services that support its lending activities.

To learn more about the Cooperative Fund, including potential investment and lending opportunities, please contact Executive Director Rebecca Dunn at (800) 818-7833, or e-mail *rdunn@coopfund.coop.*

New Affordable Supportive Housing in Brooklyn

Brooklyn, N.Y., is gaining more than 200 new supportive housing units and creating new jobs in the process. CAMBA Gardens, a new affordable housing complex, is under construction on the grounds of Kings County Hospital. The complex will provide affordable housing, health care, and social services for tenants. CAMBA Gardens is a partnership of the public hospital, a nonprofit developer, service providers, and various government agencies. The developer, CAMBA Housing Ventures, is a community-based social service agency.

CAMBA Gardens will have 149 units for families with special needs and 63 units for low-income families. Construction began in 2011 and is expected to generate 280 construction jobs and 25 permanent jobs.

The $68 million project relies on a variety of financing. New York State Homes and Community Renewal approved $37.5 million in bonds for the project through the state's New Issue Bond Program. In addition, the New York City Department of Housing Preservation and Development Supportive Housing Loan Program provided $26 million, the New York State Homeless Housing Assistance Program funded $5.2 million, and the Federal Home Loan Bank of New York committed $1.4 million through its Affordable Housing Program. The project also relies on $25.6 million in Low-Income Housing Tax Credits.

For more information, visit CAMBA's Web site at *www.camba.org.*

Paul Ginger (312) 360-8876
Norma Polanco-Boyd (216) 274-1247 x275
Timothy Herwig (312) 660-8713

Expanding Day Care and Early-Childhood Education

First Children's Finance (FCF) is a nonprofit community development financial institution working to increase the availability of quality early-childhood education and day care for low-income families in Iowa, Kansas, Michigan, Minnesota, Missouri, North Dakota, South Dakota, Texas, Washington, and Wisconsin.

The nonprofit provides expertise and capital to other service organization and businesses. FCF offers services, including training and support for people interested in starting child-care businesses; strategic planning support for nonprofits; and consulting.

The FCF Loan Fund has made 281 loans totaling $8.1 million to small child-care businesses and nonprofit organizations. To date, nearly 50 banks, foundations, and businesses have invested in the FCF Loan Fund. Bankers can help FCF by investing capital in its loan fund; volunteering to serve as board and loan committee members; serving as advisors to the FCF Growth Fund; and making financial contributions to FCF.

For more information, contact Jerry Cutts, FCF President and CEO, at (612) 338-3023, e-mail *jerry@firstchildrensfinance.org,* or visit *www.firstchildrensfinance.org/.*

Ohio Catalyst to Affordable Housing

The Ohio Capital Corporation for Housing (OCCH) is a nonprofit financial intermediary that provides developers of affordable housing with access to capital markets. The corporation also serves as the region's largest provider of Low-Income Housing Tax Credit equity.

OCCH recently closed its 23rd equity fund, with a total of more than $2.1 billion in private investment for affordable housing projects. To date, OCCH has invested in more than 450 developments with more than 25,000 affordable housing units in Indiana, Kentucky, and Ohio. Many OCCH projects have been qualified investments under the Community Reinvestment Act.

OCCH also funds supportive housing projects. For example, OCCH's Ohio Equity Fund XX invested in the YWCA Independence Place, a 22-unit permanent supportive housing project in Cleveland. The $5.3 million project serves young women who have aged out of foster care. The YWCA of Greater Cleveland provides services for these women. The property is managed by the Cleveland Housing Network. The two nonprofit organizations jointly developed the project.

OCCH's investors include JP Morgan Capital Corporation, U.S. Bancorp, Fifth Third Bank Community Development Corporation, Key Community Development Corporation, Huntington National Bank Community Development Corporation, Park National Bank, FirstMerit Bank, First Federal of Lakewood, and Citizens Bank.

In December 2011, OCCH issued its latest private placement equity fund, OEF XXII, and expects to close the fund during first quarter 2012.

For additional information, e-mail Hal Keller, President, at *hkeller@occh.org,* or Jon Welty, Vice President, at *jwelty@occh.org;* phone (614) 224-8446; or visit *www.occh.org.*

Comptroller of the Currency
Administrator of National Banks

US Department of the Treasury

Washington, DC 20219

What's Inside

Visit the OCC's Web site — www.occ.gov/cdd/resource.htm — for additional information.