



Leveraging Multifamily Affordable Housing Development to End Chronic Homelessness in Maryland:

*Permanent Supportive Housing and Homeless Preferences
in the 2024/2025 Maryland Qualified Allocation Plan*

November 14, 2024

Maryland's Need for Permanent Supportive Housing

Each year, over 4,300 Marylanders experience chronic homelessness, meaning they have a permanent disability and have been homeless for over a year. Another 25,000 will experience homelessness at some point during the year. National and state data demonstrate the most effective intervention to end chronic homelessness is through high-quality permanent supportive housing (PSH), as over 95% of participants remain in or transition to another permanent housing situation annually. To end chronic homelessness within ten years, the state must produce a minimum of 500 new permanent supportive housing units every year and reach every corner of Maryland.

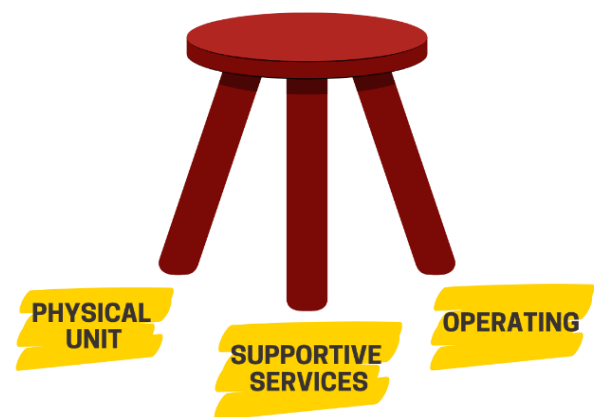
This level of production won't happen by accident - it will require strategic and creative leveraging of all housing and supportive services resources across the state. DHCD's Low-Income Housing Tax Credit (LIHTC) Program and Qualified Allocation Plan have been very effective at producing affordable housing for low-income individuals and families, creating over 4,000 new units a year. Under typical financing, most of these units are considered affordable to households at 60% of the Area Median Income.

Due to disabilities and their long-term duration of homelessness, most chronically homeless households have zero income (68%), and nearly all are under 10% of the Area Median Income. For these extremely low-income households, most LIHTC units are out of reach when it comes to affordable rents. Unless the property can leverage deep upfront capital investment, a housing voucher, or project-based rental assistance to cover the gap between actual housing cost and the tenant contribution of rent, chronically homeless households are not able to access affordable housing financed by DHCD or local governments. In addition to deeply affordable units, households enrolled in PSH receive comprehensive supportive services to stabilize housing, address health, income, and social needs, and retain housing long-term.

To develop quality and effective permanent supportive housing, there are three key ingredients needed:

1. Physical Unit - A safe, accessible, and well-managed rental property
2. Operating - The rental subsidy or operating reserves to make the unit affordable to people at extremely low incomes
3. Supportive Services - The wraparound supports to help people restabilize in housing and address their income, health, individualized needs

PERMANENT SUPPORTIVE HOUSING FUNDING MODEL



PSH programs don't just benefit people experiencing homelessness - they create substantial cost savings and value for multifamily housing owners, investors, property managers, state and local governments, and taxpayers:

1

Owners & Investors: PSH programs pay the gap in rent between the actual unit cost and the participant's required rent contribution, and it can be adjusted over time as the participant's income changes. PSH provides a stable source of rental income and typically covers 85-90% of the unit rent since chronically homeless individuals usually have extremely low incomes. Additionally, with the average turnover cost per multifamily unit at nearly \$4,000¹, PSH programs' low turnover rate can help bring down overall property costs significantly.

2

Property Managers & Resident Service Coordinators: Less unit turnover and more subsidized rental income means less time property managers are dealing with evictions, late or unpaid rent notices, marketing units, and leasing up new tenants. Property managers have more time to deal with critical building issues and other tenant needs, reducing strain on their capacity. PSH programs provide participants with comprehensive supportive services to address their housing, income, and social stability, freeing up resident service coordinators to work with other tenants.

3

Public Cost Savings: For every \$1 invested in PSH, there is a cost savings for state, local governments, and taxpayers of \$5 by reducing the use of shelter, police, fire, emergency medical services, emergency room care, and other taxpayer-funded services.

¹ <https://www.multifamilydive.com/news/turnover-costs-4000-apartment-multifamily/696298/>

PSH and Homeless Preferences in the 2024-2025 QAP

The 2024-2025 Qualified Allocation Plan (QAP) requires all applicants - both 9% and 4% credit projects - to dedicate the greater of 5 units or 15% of the units proposed for permanent supportive housing for chronically homeless households. The tenant referrals for these units would primarily come from the local Continuum of Care Coordinated Entry System covering the county the property is located within. Continuums of Care (CoCs) are local and regional organizations charged by HUD to coordinate the delivery of homeless services, ranging from emergency services like shelter and outreach to permanent housing assistance. Annually, Maryland CoCs coordinate the assessment, prioritization, referral, and program transfer of individuals experiencing homelessness for over 13,000 permanent supportive housing placements.

For each property allocated credits through the QAP, Maryland DHCD will:

1. **Provide project-based rental assistance for PSH units** needed to cover the difference between actual rent costs and the tenant's rent contribution, which will be approximately 30% of household income.
2. **Match a funded supportive services provider** to provide comprehensive, wraparound support for PSH households (detailed on page 8). The supportive services costs will be covered either by the provider's participation in the state's Medicaid 1115 waiver program for tenancy supportive services, state grant funds, another dedicated source of funding arranged by DHCD, or a combination of these sources.
3. **Establish a multi-party MOU** between DHCD, the property, Continuum of Care, and supportive services provider to clearly articulate roles, responsibilities, and accountability measures.
4. **Track and coordinate all referrals for dedicated PSH units** being placed into service or becoming vacant through turnover through existing partnerships with local Continuums of Care.
5. **Provide in-depth training and technical assistance** on quality supportive housing and best practices for property managers and resident service coordinators working with homeless households.

In the event rental assistance and/or funding for supportive services are not available at the time of a project's initial closing, DHCD will revert individual units without a commitment of rental subsidy or supportive services to a regular homeless preference. If future funds become available for rental subsidy or supportive services, DHCD will work with properties who have a regular homeless preference to determine if the units can be used for PSH.

Eligible Households

	PSH Unit	Homeless Preference
Minimum Eligibility	Chronically homeless (see below)	1. Homeless (see below), and 2. Household income that meets property requirements for a regular LIHTC unit if the household does not have a tenant-based subsidy
Household Prioritization Order	1. Chronically Homeless 2. Longest history of homelessness	1. Accepted into tenant-based subsidy program through CoC 2. Household with sufficient income to pay full unit rent
Referral Source	Continuum of Care	Continuum of Care
State-Funded Supports	<ul style="list-style-type: none"> ● Project-Based Rental Assistance ● Supportive Services ● Training and Technical Assistance ● Referral Coordination 	<ul style="list-style-type: none"> ● Training and Technical Assistance ● Referral Coordination

DHCD will establish two eligibility groups for units created through the QAP:

1. **Homeless** - An individual or family who is:
 - a. Unsheltered or resides in a motel/hotel, emergency shelter, safe haven, or transitional housing program; or
 - b. Currently resides in a facility or institutional setting and was living in a homeless location specified in 1a immediately prior to entering the facility or institution (regardless of how long they have resided in the facility or institution). Examples of qualifying facilities or institutional settings include, but are not limited to: correctional and detention facilities, foster care, residential treatment centers for behavioral health conditions, hospitals, and time-limited assisted living or healthcare facilities.

2. **Chronically Homeless** - An individual or family who is currently homeless (as defined in part 1), and meets both of the following criteria:
 - a. Has a permanent disability; and
 - b. Has experienced homelessness for at least 12 months within the last 3 years.

Individuals currently enrolled in a Continuum of Care-funded permanent supportive housing program or rapid re-housing program would retain their homeless and chronically homeless status for the purposes of determining eligibility for the state's PSH program.



It is important to note that these eligibility definitions would intentionally differ in important ways from how HUD and other federal or state agencies define and document homelessness or chronic homelessness for determining eligibility for housing assistance. The majority of existing PSH in the state is funded by HUD and presents barriers to housing for certain groups:

- Individuals who have resided in a treatment program or institutional setting longer than 90 days are not considered homeless, and any stay in a facility does not count towards their length of time homeless requirement for being considered chronically homeless
- Individuals who are unable to obtain third-party documentation of all their homeless nights/episodes (primarily impacting unsheltered households)
- Individuals who have frequent breaks in homelessness over longer periods of time, which requires significantly more documentation under HUD program requirements
- Individuals staying in motel they pay for themselves are not considered homeless
- Many chronic health conditions are not considered a disability for HUD-funded PSH

DHCD will develop specific guidance on the types of qualifying disabilities, eligibility documentation requirements, and other criteria in consultation with Continuums of Care, aging and disability services partners, and other state agencies. In general, DHCD will develop criteria aimed at reducing administrative burdens on Continuums of Care for documenting eligibility and ensuring the program is inclusive to households traditionally left out of PSH opportunities.

Partner Roles and Responsibilities

Scaling up quality supportive housing in Maryland will take multiple partners working together collaboratively with leadership and coordination from DHCD. The following section outlines anticipated roles and responsibilities partners would play in the PSH and homeless preference process for multifamily affordable housing units. In the coming months, DHCD will convene with partners to develop and clarify these roles and responsibilities for a future joint Memorandum of Understanding.



DHCD will oversee all resource development, management, and coordination of the PSH program, including:

- Providing security deposit and rental subsidies for dedicated PSH units in LIHTC-assisted properties, to make units affordable to chronically homeless households
- Collaborating with the Maryland Department of Health on the continued expansion of the Medicaid 1115 waiver, which reimburses lead entities and qualified providers for pre- and post-tenancy housing supportive services for homeless households and households exiting or at risk of entering institutional facilities. The Moore-Miller administration allocated \$6 million in annual state funding for FY25 and future years to expand the program statewide and remove local match funding requirements. DHCD will pair providers participating in the Medicaid 1115 waiver for tenancy supportive services with units created through the QAP.
- Supporting Continuums of Care in becoming lead entities for the Medicaid 1115 waiver for tenancy supportive services
- Administering supplemental funds to supportive services providers participating in the PSH program, to cover costs that are not reimbursable under Medicaid
- Providing training and technical assistance to owners, property managers, supportive services providers, and Continuums of Care on standards for quality supportive housing and building effective partnerships between properties and service providers
- Provide training and technical assistance to Continuums of Care on best practices for Coordinated Entry and integrating partner organizations into the community's shelter and housing referral process that are serving homeless households in institutional settings
- Coordinating the referral process for initial leasing of new units and turnover units between properties and Continuums of Care, monitoring timeliness of referrals, and problem-solving leasing challenges
- Monitoring performance outcomes quarterly for supportive services providers through the state's homeless services data warehouse/HMIS
- Providing unit inventory and utilization data to each Continuum of Care for the annual HUD Housing Inventory Count

- Monitoring properties for compliance with tenant selection plans, PSH preferences, and homeless preferences
- Establishing MOUs for each property with their local Continuum of Care and designated PSH supportive services provider
- Partnering with the Maryland Department of Aging and Maryland Department of Disabilities support service providers to address health, unit accessibility, safe aging in place, and independent living needs of PSH households. This includes developing a process to assist PSH households who need a higher level of home- or facility-based care in accessing those resources.

DHCD is also the lead agency for the Balance of State Continuum of Care, which covers Allegany, Calvert, Cecil, Charles, Frederick, Garrett, Harford, St. Mary's, and Washington counties. For these counties, DHCD will implement all the responsibilities outlined in both the State role as well as the Continuum of Care role.



Owner/Property Manager

Owners and property managers will provide quality housing to each PSH or homeless preference household, committing to:

- Develop a property fact sheet with unit and amenity photos for use in the household referral process
- Accept referrals for PSH and homeless preference units only from DHCD/the designated CoC
- Immediately notify DHCD/the designated Continuum of Care upon notice from the tenant they are planning to move out of a PSH or homeless preference unit, so that a new household can be prepared for referral and tenant screening
- Require all property management staff to participate in DHCD-provided training on quality permanent supportive housing and best practices for working with households transitioning out of homelessness.
- Implement low-barrier tenant screening practices in conformance with CDA Tenant Selection Plan policy².
- Proactively problem-solve lease violations with the tenant and supportive services providers, with a focus on avoiding eviction

²<https://dhcd.maryland.gov/HousingDevelopment/Documents/CDA-Memos/AFHMP-and-Tenant-Selection.pdf>

- Notifying the supportive services provider and DHCD within 30 days of a PSH or homeless preference household not paying their required tenant contribution to the rent
 - If available, provide meeting space or office space on-site to help facilitate case management and supportive services
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Continuum of Care

Continuums of Care are responsible for organizing and coordinating the homeless services emergency response system and prioritization of permanent housing assistance for their communities. For PSH and homeless preference units created through the QAP, Continuums of Care will:

- Establish partnerships with institutional or facility-based programs in the local community who are serving individuals who were previously homeless and need shelter, services, and permanent housing assistance upon discharge, to ensure they are connected to Coordinated Entry and the community's prioritized list for permanent housing assistance
- Maintain an active and up to date prioritization list of households experiencing homelessness and information necessary for determining PSH or homeless preference unit eligibility and unit matching (such as household size, number of bedrooms needed, disability status, length of homelessness, accessibility accommodations needed, etc.)
- Connect with households at the top of the housing prioritization list regularly regarding housing preferences, locations, and supportive services needs to ensure they are "housing referral ready".
- Designate a staff member to receive referral requests for available or upcoming units. Within 14 days of receiving a request, refer an eligible household who has confirmed their interest in the program and unit location to DHCD and the property. If the match is not successful, the CoC will refer the next household on the list as soon as possible.
- For PSH units, prioritize referrals of households who meet the programs' definition of chronically homeless and length of homeless history
- For homeless preference units, prioritize referrals for households enrolled in or matched to a tenant-based PSH or rapid re-housing program. Secondarily prioritize income-eligible households who are not enrolled in tenant-based PSH or rapid re-housing program.



Supportive Services Provider

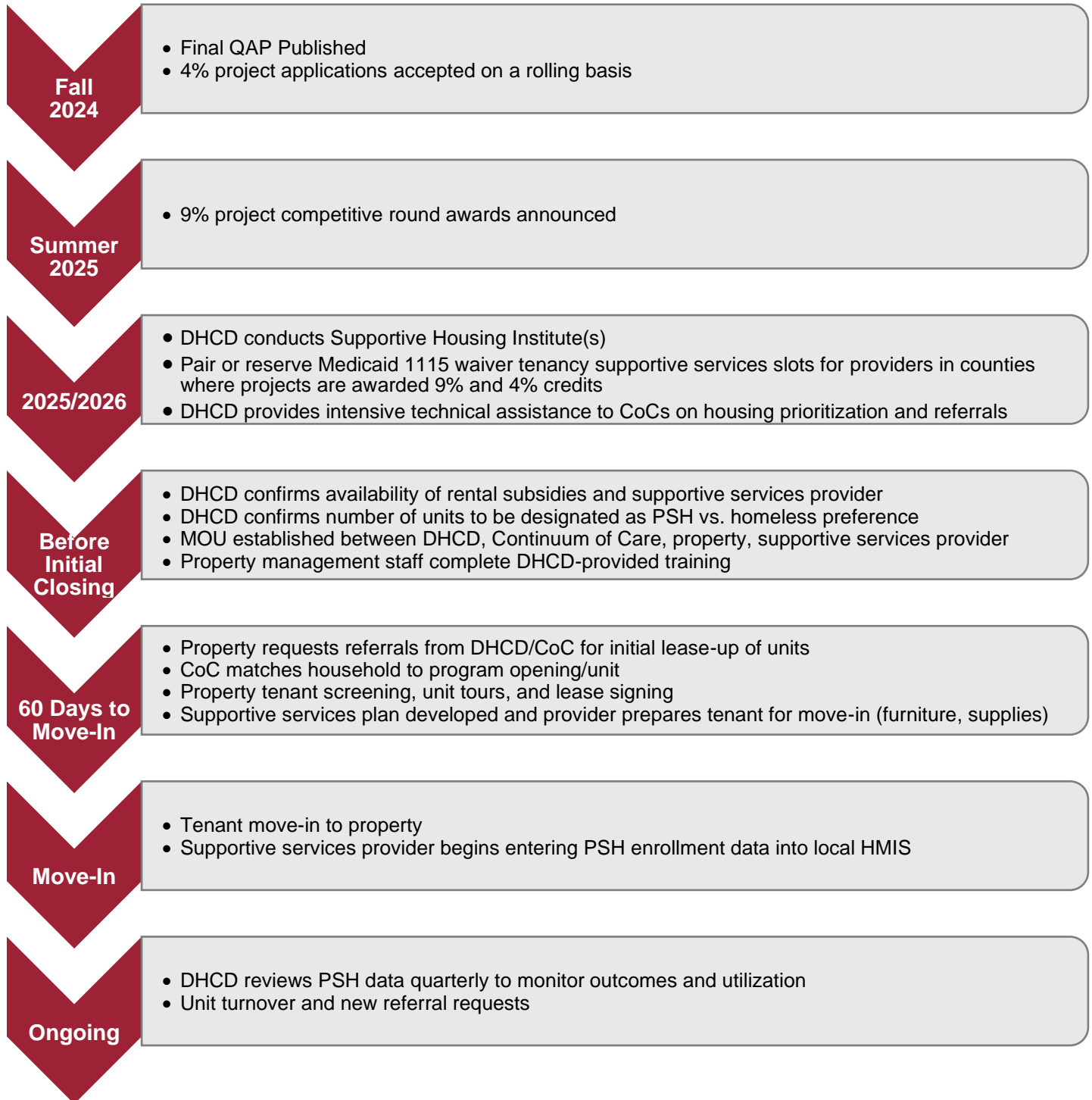
Supportive services providers will develop a comprehensive, individualized service plan with each household receiving permanent supportive housing that includes:

- Increasing or retaining disability or earned income, cash assistance, health insurance, and other benefits
- Financial counseling and budgeting assistance
- Access to medical and behavioral health care services, or home-based health care and accessibility services for completing Activities of Daily Living
- Meeting basic needs for food, transportation, furniture, home care, technology, communication devices, and other day-to-day expenses
- Participating in educational, workforce, lifelong learning, or life skill development opportunities
- Special needs for childcare, senior/older adult services, or disability-related services
- Forming social connections, hobbies, and relationships with neighbors and community members
- In-home coaching and support with home maintenance, cleaning, and safety
- Additional personal goals established by the household
- Support household with navigating lease requirements and tenancy expectations.
- Identify alternative housing opportunities for households who want to move on to a new neighborhood or unit

Providers will meet with the household regularly for case management in the home and in community-based settings, a minimum of monthly. The provider will do an income assessment monthly with the household and immediately report any changes in income to the property so that the tenant vs. program rent contribution can be recalculated.

Providers will participate in the local Homeless Management Information System (HMIS) operated by the Continuum of Care. Program enrollment, household information, and income, health, and housing outcome data will be tracked in HMIS for the duration of time a household receives permanent supportive housing.

Implementation and Referral Timeline



FAQs

Q: Who is responsible for securing rental subsidies or supportive services funding to provide the PSH?

A: Maryland DHCD will secure commitments for all of these required components. The property owner and developer are not responsible for securing these commitments or establishing their own funding agreements or Memorandums of Understanding independently with partners. DHCD will facilitate the matching of properties with available rental subsidies and supportive services, as well as establishing multi-party MOUs that include the owner, property management company, supportive services provider, and local Continuum of Care.

Q: What if DHCD does not have available rental subsidies or supportive services secured for PSH prior to initial closing?

A: Units designated originally for use as permanent supportive housing will revert to a regular homeless preference. The units would follow the same household eligibility criteria for income and other screening criteria that are in the property's tenant selection plan. The only difference would be that the referrals for those homeless preference units would come exclusively from the Continuum of Care where the property is located, and the household must meet the state's homeless definition as outlined on page 4. The Continuum of Care would use their local Coordinated Entry housing prioritization list (also known as a by-name list) to identify and refer a tenant that meets the property's eligibility criteria.

Q: Can a property select from the normal affordable housing waitlist to fill a PSH or homeless preference unit?

A: Properties may only fill PSH or homeless preference units with normal affordable housing applicants if:

- Sixty days have passed since the property submitted the first referral request to the CoC and the property has not received a referral that meets unit eligibility; or
- Less than sixty days have passed and the CoC has confirmed there are no homeless households on the Coordinated Entry housing prioritization list that meet the minimum eligibility for the unit and are willing to accept the housing offer (unlikely event)

Q: How will unit vacancies be minimized when tenants move out of PSH or homeless preference units?

A: Properties should submit a referral request to DHCD/the CoC as soon as they are aware the current tenant intends to move, with a projected date of unit availability.

Q: How will vacancies and turnover impact the property balance sheet and fiscal health?

A: Rent for PSH units that are vacant due to turnover and a pending referral from the CoC will continue to be paid from the project-based rental assistance, as long as the property followed the required notification timeline.