

## EXECUTIVE SUMMARY

In the early 1990's, Connecticut was one of many states across the country that experienced a phenomena that stimulated the search for new housing solutions and new community-based services. Homeless shelters were at capacity, hospitals around the State were treating numerous episodes of illness and injury among indigent, often homeless, abusers of alcohol and drugs, and the State of Connecticut had been progressively discharging long-term patients from its three large mental health hospitals for several years.

The State of Connecticut (the "State") and the Corporation for Supportive Housing (CSH"), a national, nonprofit intermediary organization whose mission is to expand the quantity and quality of service-supported, permanent housing for individuals with special needs who are homeless or at risk of becoming homeless, joined forces in June 1992 to design and implement a demonstration program to address the housing issues facing homeless and at-risk populations. The understanding between the parties was that the State would identify the necessary financing and, if this were accomplished, CSH would dedicate \$900,000 of its own national funds to the initiative, raise matching funds locally, make equity investment proceeds available to the project, and staff the development of the Program. The production target was 400 units of housing to serve the intended population by bringing together multiple forms of public and private financing, by working through community acceptance and approvals for specific supportive housing projects, by managing the project planning, construction and "rent up" of buildings, and by providing for effective, coordinated operation of both the building properties and the service programs for tenants. The joint initiative became the Connecticut Supportive Housing Demonstration Program ("the Program"), which ultimately produced 281 units of service-enriched permanent housing for homeless and at-risk populations.

The concept of supportive housing had been tested on a relatively large scale in New York City, Chicago, and the San Francisco Bay Area by 1992 when the Melville Charitable Trust funded CSH to assess the feasibility of a supportive housing demonstration program in Connecticut. But the concept had not been tested to the same extent in mid-size cities like New Haven and Hartford, or in towns the size of New Britain and Middletown. Although there was a "model" for supportive housing, it would require adaptation to Connecticut's governmental structures and interests and to local conditions and needs. This study is an objective evaluation of that adapted model for supportive housing.

The purpose of this study is to perform an objective evaluation of the Program in a number of key areas. One of the primary purposes of the study is to determine if stable housing reduces the need for expensive health and social services over time, enhances the quality of life of its residents, and allows residents to attend to their employment and vocational needs. This determination is being made through an analysis of data on the residents and their service usage over a three-year period. In addition, the study is intended to evaluate the financial stability of the projects participating in the Program over a three-year period. This report is the third and final of three reports that address these two key areas of tenant outcomes and project financial stability. Also included in this year's study is an additional

chapter that updates from the first year's report the data regarding the impact of the projects on neighboring property values. The first Program evaluation report, issued in October 1999, also included a financial analysis of the Program's costs and its cost effectiveness, an assessment of the aesthetic and economic impact of the siting process, and an analysis of the development phase of the Program.

### **Organization of Study**

This year's study is divided into four components. The first component, the "Executive Summary", details the highlights, conclusions, and recommendations of the other components of the report. The second component of the study, entitled "Effect of Supportive Housing on Tenants", analyzes data derived from surveys that were completed by tenants, property managers, and social services providers. It also analyzes data regarding the use of social services by the tenants and the costs of Medicaid services rendered. The third component of the study, "Project Financial Stability", evaluates the financial stability of the individual projects using defined and developed methodologies. The fourth component of the study is entitled "The Impact of the Projects on Neighboring Property Values", and it analyzes the sales values of commercial properties in the projects' neighborhoods to determine if property values have increased or decreased from the time before the projects were developed to the date of the first study and then through March 1, 2002.

### **The Consultants**

This year's evaluation was performed by two separate consultants: Arthur Andersen LLP and The Center for Mental Health Policy and Services Research of the Department of Psychiatry at the University of Pennsylvania Health Care System ("UPENN").

The Center for Mental Health Policy and Services Research of the Department of Psychiatry at the University of Pennsylvania Health Care System was engaged to produce a detailed description of the Program and to determine if the provision of stable housing reduces the need for expensive health and community social services over time. UPENN used both data derived from surveys and secondary data. The survey data came from two sources, tenants and service providers, including property (building) managers, social services directors or supervisors, and case managers/case workers. There were four survey instruments for tenants that were administered at six-month intervals by case managers/case workers as interviews. Property managers, social service supervisors, and case managers completed written survey instruments. Secondary data were obtained from two governmental agencies, the Department of Social Services, Medicaid Unit, and the ABBY client tracking system of the Connecticut Department of Mental Health and Addiction Services. Based on the data obtained, staff at UPENN prepared the chapter entitled "Effect of Supportive Housing on Tenants, Including Utilization and Costs of Services."

Arthur Andersen LLP, a multidisciplinary professional services firm, was engaged to collect and analyze data from project sponsors, property management, and social service providers and from CSH, local municipalities, and the State. In contrast to the first two evaluations, the data used to complete the financial stability analysis in this year's study were derived from year-end 2000 audited financial statements and supporting documentation, as opposed

to fourth quarter unaudited Statements of Cash Flow, which are submitted to the Connecticut Housing Finance Authority ("CHFA") and the State of Connecticut Department of Economic and Community Development ("DECD"); from the original project projections prepared by underwriters at the National Equity Fund; from the 2001 budgets submitted by property management to DECD or CHFA; and from interviews with Program participants. Those data were used by Arthur Andersen to write the chapter of the report entitled "Project Financial Stability". Data from the first year's study and the Conn Comps and Warren Group property sales databases were compiled for Arthur Andersen to complete the chapter of the report entitled "The Impact of the Projects on Neighboring Property Values".

## **The Connecticut Supportive Housing Demonstration Program**

Statistics related to homelessness and persons at risk bear out the need for supportive housing that the State of Connecticut recognized during the early 1990's. Forty-one shelters receiving State funding reported that about 15,600 different people used the shelters between October 1992 and September 1993. Approximately half of the shelter residents had been evicted by landlords or family and friends. Data from two years later showed that ninety-two percent of the single-person shelter population was concentrated in three counties - Fairfield, Hartford, and New Haven - although the shelters within the Connecticut Coalition to End Homelessness network were scattered across 25 towns. At the end of 1993, Connecticut had an estimated 25,000 cases of HIV/AIDS and the sixth highest per capita rate of AIDS cases in the nation. Furthermore, over the previous decade, the State had been progressively discharging long-term patients from its three large mental health hospitals, reducing beds in the facilities from 2,358 in 1983 to 1,186 in 1993, a decline of 62%.

The Program was designed to provide supportive housing, which is a non-institutional form of housing for people who have special needs but who are able to live independently if they have some assistance. In supportive housing projects, tenants have their own apartments, they enter into rental agreements and pay their own rent, and the housing is intended to be permanent as long as the tenants abide by the terms of their leases. In most supportive housing projects, there is common space for tenants' social activities and security systems to keep tenants safe and to control access to the project buildings. Although counselors are present during daytime and some evening hours, tenants are not required to obtain assistance from the social services providers - i.e., the utilization of case management services by the tenants is completely voluntary.

Unlike the development of most residential programs for people with special needs, the development of supportive housing involves bringing together multiple forms of public and private financing, obtaining community acceptance and approvals for specific supportive housing projects, managing project planning, construction and "rent up," and providing effective, coordinated operation of both the property and the service program. In addition to the usual housing development tasks of financing and siting, owners and property managers confront, with the advice of the on-site service providers, questions of tenant qualifications and tenant mix (both in terms of ability to pay rent and special needs); structural and other

building accommodations for special needs; tenant screening procedures; on-site staffing; security; eviction policies that would support the revenue needs of the buildings and the needs of vulnerable tenants; and protocols for communication between property managers and service providers.

## **The Program Partners**

There are various partners that are participating in the Program. The following chart lists all of the Program partners and, where applicable, their financial investments in the Program or the projects with which they are associated:

### **Public Funders of the Program**

#### **Providers of Capital Financing**

- Connecticut Department of Economic and Community Development (DECD) - \$62,500 per developed unit
- Connecticut Housing Finance Authority (CHFA) - \$12,500 per developed unit (also administrator of Low Income Housing Tax Credits)

#### **Provider of Annual Service Funding**

- Connecticut Department of Mental Health and Addiction Services (DMHAS) - \$5,000 per year per special needs unit
- Connecticut Department of Social Services (DSS) - \$2,500 per year per special needs unit

#### **Provider of Project-based Rental Subsidies**

- U.S. Department of Housing and Urban Development (HUD) - \$7,947,000 Program Grant

#### **Policy Coordinator**

- Connecticut Office of Policy and Management (OPM)

### **Private Funders of the Program**

#### **Provider of Predevelopment Loans, Technical Assistance, Capacity-Building Grants**

- Corporation for Supportive Housing (CSH) - \$2,381,364 total of loans, grants and technical assistance

#### **Funders of CSH**

- Ford Foundation, Pew Charitable Trusts, Robert Wood Johnson Foundation
- Connecticut philanthropy, including: Community Foundation for Greater New Haven, Ensworth Charitable Foundation, Fairfield County Foundation, Fisher Foundation, Greater Bridgeport Area Foundation, Hartford Courant Foundation, Hartford Foundation for Public Giving, George A. and Grace L. Long Foundation, and Melville Charitable Trust

#### **Investors in Projects for Operating Reserves and Capital Costs**

- National Equity Fund (NEF) - \$28,000,000 (approximate Program total)

**CONNECTICUT SUPPORTIVE HOUSING DEMONSTRATION PROGRAM - PARTICIPANTS**

<u>Projects</u>	<u>Lead Sponsor</u>	<u>Service Provider</u>	<u>Property Management</u>
Liberty Commons 8 Liberty Street Middletown	The Connection Fund	St. Vincent DePaul Place	Community Housing Management
Hudson View Commons 525 Hudson Street Hartford	Broad Park Development Corp	Chrysalis Center	Broad Park Development Corp
Crescent Apartments 431 Washington Street Bridgeport	Central CT Coast YMCA	YMCA, Bridge House, Family Services Woodfield, Regional Network of Programs	Community Housing Management
Colony Apartments 41 Ludlow Street Stamford	St. Luke's LifeWorks	St. Luke's LifeWorks	Community Housing Management
Brick Row 25 Vermont Drive Willimantic	United Services, Inc.	United Services, Inc.	Community Housing Management
Mary Seymour Place 2197 Main Street Hartford	My Sisters' Place	My Sisters' Place	Greater Hartford Realty Mgmt. Co.
Cedar Hill Apartments 1465 State Street New Haven	HOME, Inc.	Columbus House	HOME, Inc.
Fairfield Apartments 1062 Fairfield Avenue Bridgeport	Central CT Coast YMCA	YMCA, Bridge House, Family Services Woodfield, Regional Network of Programs	Community Housing Management
Atlantic Park 658 Atlantic Street Stamford	St. Luke's LifeWorks	St. Luke's LifeWorks	Community Housing Management

Given that many State agencies changed names and functions between 1992 and the end of 1995, the remainder of this report will refer to these agencies by their present names and acronyms, except when historic accuracy is called for:

**DECD** - Department of Economic and Community Development – the agency that was created when the Department of Housing and the Department of Economic Development were consolidated into one agency;

**CHFA** - Connecticut Housing Finance Authority;

**DMHAS** - Department of Mental Health and Addiction Services – the agency that was created when the Addiction Services Division of the Department of Public Health and Addiction Services and the Department of Mental Health were consolidated into one agency;

**DSS** - Department of Social Services – the agency that was created when the Department of Human Resources and the Department of Income Maintenance were consolidated into one agency; and

**OPM** - Office of Policy and Management- the State agency responsible for policy coordination.

In April 1994, a Memorandum of Understanding (“MOU”) was entered into between CSH and six State agencies – OPM, DECD, DMHAS, DSS, CHFA and the Department of Public Health and Addiction Services, which at the time was the State agency responsible for services to people with addictions. In the Memorandum of Understanding the State agreed to provide financial resources through CHFA and DECD for the Program to develop the project sites. DMHAS and DSS agreed to provide annual grants to the Program for on-site supportive services. CSH agreed to provide predevelopment financing to project sponsors and to provide grants to individual sponsors on an as-needed basis for core operating support. An interagency Taskforce chairperson was chosen to facilitate the overall coordination among Taskforce members, to convene meetings of the Taskforce, and to serve as the point person on press issues.

The project sponsors are community-based, nonprofit organizations that developed the projects and that serve as the general partners of the partnerships that own the projects. The selection of sponsors began in early 1993 with the publication of a request for qualifications (or “RFQ”) from not-for-profit organizations interested in the development and management of housing and the provision of supportive services to homeless, at-risk and low income individuals. Of the 28 applicants responding to the RFQ, ten organizations were selected to develop a total of 12 projects, two each in Bridgeport, Hartford and Stamford, and single projects in Bristol, Meriden, Middletown, New Britain, New Haven, and Willimantic (Windham) (the projects in Bristol, Meriden and New Britain were never built). Project sponsors then chose property management companies to operate the projects and nonprofit social service providers to provide on-site support services to the tenants.

Other partners include the national foundations (Ford Foundation, Pew Charitable Trusts, Robert Wood Johnson Foundation) and Connecticut philanthropy that fund CSH’s efforts to provide predevelopment loans, technical assistance, and capacity-building grants. The U.S.

Department of Housing and Urban Development provides project-based Shelter Plus Care rental subsidies that are administered by DMHAS. Federal Low Income Housing Tax Credits ("LIHTC") are administered by CHFA and distributed to the projects to stimulate corporate investment. Corporate investment in the projects for operating reserves and capital costs is provided through the National Equity Fund.

### **Interagency Collaboration**

The Connecticut Supportive Housing Demonstration Program represented a unique arrangement to accomplish a State objective in 1992. It entailed partnerships, collaborative work, and consensus decision-making of many types and at many levels. Among the organizational features that marked the Program as pioneering at the time were:

- The involvement of six state agencies in a single initiative with the objective of providing coordinated, simplified, and expedited development and oversight of the initiative.
- A substantial role for private entities in the initiative - including coordination and leadership on some aspects. Specifically, the Corporation for Supportive Housing was a partner with the State in developing the Program, and was the primary source of money for pre-development costs of supportive housing projects and of technical assistance to the projects. Also, the National Equity Fund played a key role in Demonstration Program project financing.
- A collaborative grant-making initiative by nine Connecticut foundations to finance CSH's work in the State and to create a pool of funds for CSH to lend and re-grant to supportive housing sponsors to cover predevelopment and "soft" costs of the projects.
- Formal structures and agreements to join local housing developers and social service providers in the same projects as well as parameters for project design and service program implementation that encouraged and facilitated a collaborative approach to the day-to-day operation of housing with services.
- Agreements and procedures for one state agency (DSS) to transfer funds for services in the Demonstration projects to another State agency (DMHAS) and the authority to administer those funds; and agreements and procedures for a single quasi-governmental organization (CHFA) to oversee the development of projects that were financed with its own resources and with the resources of a State agency (DECD).

These unprecedented ways of doing business in the Supportive Housing Demonstration Program were intended to make possible a type of housing that most Program partners believed could only be created by bringing together different professions, different sources of funding, and different regulatory and oversight authorities under an integrated system of some type. To some partners, these new ways of doing public business constituted part of the

model for supportive housing generally, or for the Connecticut Demonstration Program specifically.

Development of projects was expected to begin in January 1993, with the whole process of site selection, design, bidding and construction to take from 12 to 30 months after that, depending on the specific plans for each project. The nine projects of Connecticut's Supportive Housing Demonstration Program that were built and occupied actually opened their doors between June 1996 and June 1998. Because the development of supportive housing is extraordinarily complex in the best circumstances, and it was untested in Connecticut at the beginning of the Program, the first project opened its doors almost 2 ½ years later than was originally planned.

### **The Financing and Development of Program Projects**

In the MOU entered into in April 1994, DECD agreed to provide a total of \$20 million in taxable bond financing and CHFA agreed to provide a total of \$4 million in loan funds from the proceeds of its Investment Trust Fund for the projects developed under the Program. DECD and CHFA provided capital financing in the form of construction and permanent loans at an interest rate of one percent annually. Loan principal is due as a balloon payment upon the earlier of sale or refinancing of the projects or at the end of 30 years.

Based on the funding amounts authorized by DECD and CHFA, DECD provided \$62,500 in financing per Program unit and CHFA lent \$12,500 per unit. Two of the projects received DECD's financing under the Affordable Housing Program, a third project received its financing through the Community Housing Development Corporation financing program, and the remaining six projects received their DECD funding from the PRIME financing program.

In addition to providing the capital financing, the State has incurred the costs of funding on-site supportive services. DSS and DMHAS agreed in the MOU to provide an annual, pooled support service grant of \$7,500 per unit reserved for persons with identified special needs. DMHAS disburses the funds and is required to examine the total on an annual basis and to budget additional funds, if needed and available, to cover inflationary escalations in project service costs. The State intends for the grants to be renewed annually during the term of the DECD and CHFA mortgage loans, unless the MOU is terminated. Currently, the cost to the State of funding the on-site supportive services is \$1,071,944 per year.

The projects were also financed using the Low Income Housing Tax Credit program (LIHTC), which is a Federal program that provides dollar-for-dollar tax credits to owners and investors in low income rental housing. Each project created a fund to finance shortfalls in revenue (which were expected, given the low incomes of the intended tenants) by "selling" the tax credits allocated to the projects by CHFA. The tax credits were syndicated by the National Equity Fund to yield a 15-year stream of investment income for corporate investors, who in turn provided cash to capitalize the operating reserves of the projects and to cover development costs above the \$75,000 per unit limit of the loan terms. NEF effectively became a limited partner in the projects, representing the tax credit investors, and the tax credit market tapped by NEF eventually produced about \$28 million for this purpose, ranging from

\$1.3 to \$3.2 million per project, depending on the number of project units. CSH administers the operating reserve funds for the projects, disbursing payments on the basis of DECD- and CHFA-approved budgets.

DMHAS administers project-based rental subsidies on behalf of the Program projects for units reserved for people qualified under the U.S. Department of Housing and Urban Development's Shelter Plus Care Program. (These are 5 to 10-year federal subsidies requiring a match of state funds.) The total value of the subsidies to the Program reached approximately \$8 million for 138 of the 281 units developed under the Program.

Funds to cover predevelopment costs, including fees associated with site control, accounting, appraisal, architectural, engineering, environmental, legal, real estate and other services, insurance, property taxes, and other costs incurred prior to construction loan closing, were provided by CSH to projects through a line of credit averaging \$100,000 per project. CSH was repaid by project sponsors out of construction loans (for mortgageable costs) or equity investment proceeds (for non-mortgageable costs such as developers' fees).

Some of the project sponsors incurred predevelopment costs that could not be included within the overall costs that were mortgaged by CHFA and DECD. Therefore, those costs were deducted from the sponsors' developer fees. Furthermore, most of the project sponsors provided or obtained some type of additional financial assistance for the development and operation of the projects.

### **The Program Projects**

Nine housing projects were developed and are currently in operation under the Program. Each project consists of a single site with 25-40 housing units, generally efficiency and one bedroom apartments, along with common meeting rooms and staff offices. The first project that was developed is in Middletown, two are in Hartford, one is in Willimantic, two are in Bridgeport, one is in New Haven, and two are in Stamford. One of the project sponsors in Hartford, as well as the project sponsors in New Haven and Stamford, serve as managers of the properties, in addition to their roles as the project sponsors. The project sponsors in Willimantic, Bridgeport, Stamford, and one of the Hartford sites also provide the social services at those six locations.

Appendix A contains a complete listing and brief description of each of the Program projects.

### **The Program Tenants**

The tenants participating in the Connecticut Supportive Housing Demonstration Program are all single people with low incomes (at least fifty percent below the median annual income, as determined by HUD). At least seventy percent of the projects' apartments are reserved for occupancy by individuals who were formerly homeless or at risk of homelessness, and approximately fifty percent are reserved for individuals with identified special needs, such as serious mental illness, chronic substance abuse problems, or HIV/AIDS.

The Demonstration Program was designed specifically to serve a population with a high level of need, and it does. Four hundred and forty-four individuals enrolled as tenants between the opening of the first project in June 1996 and the end of February 2001. Of the enrolled tenants, UPenn reported demographic data in this report on the 430 individuals who entered the housing, completed enrollment forms and consented to participate in this evaluation. Seventy-eight percent of the tenants surveyed reported having been homeless at some point in their lives. Only thirty-eight percent had lived independently or with family in the time immediately before settling into the housing. Twenty-three percent of the tenants were living in homeless shelters or on the street in the time immediately before entering the Program. Eighty percent reported having moved at least twice in those two years.

Nine percent of the survey respondents had been in foster care as a child, nine percent had been a victim of violence before the age of 18 and 30 percent had been the victim of violence after the age of 18 and in the two years prior to entering the housing. Twenty-three percent reported spending some time in jail or prison in the two years prior to entering the housing and 35 percent reported having been hospitalized for health reasons during that same time period. Thirty-five percent reported receiving mental health treatment in the two years prior to entering the housing and 30 percent received detox services during that time.

UPENN also found that of the survey respondents that were living in homeless shelters or on the street immediately before entering the Program, those respondents had spent an average of 15 months in those prior housing situations. Those respondents who lived independently or with family immediately before settling into the Program spent an average of 35 months in their prior living situations. Of the remaining respondents, 13 percent were in congregate living situations, four percent were in hospitals/residential programs, six percent were in unknown or other situations (including transitional housing, correctional facilities, and campgrounds, among other living situations), and 16 percent were missing data regarding their living situations immediately before entering the Program.

Fifty-seven percent of the tenant respondents reported never abusing alcohol and 67 percent said that they never abused drugs in the two years prior to tenancy. The term "abuse", however, is open to interpretation.

Of the tenant respondents, 66 percent are men, 45 percent are African-American, a third are European-American, and 12 percent are Hispanic. Five percent responded as veterans and the average age of entry into the housing is approximately 43 years.

### **Staffing at the Projects**

Project management in each of the nine projects generally has at least one staff person on-site during the day and someone on beeper during evenings and weekends. The on-site staff person may be either the property manager, an assistant to the property manager, or a maintenance superintendent. At least one case manager is also on-site during the day and

sometimes on Saturday. Like property management, the social services staff is accessible by beeper at night and on weekends.

Generally, property managers make the decisions about who is accepted for tenancy. There is an application process to get into the housing, which includes an interview and credit check. To be considered for tenancy, applicants must have some housekeeping and cooking skills, must be able to look after themselves, and must have income adequate to pay at least a minimal rent. Reasons for rejecting an applicant include a history of violence, fire setting, and certain drug-related criminal activities.

As in most congregate residential settings from condominiums to cooperatives, all of the projects have house rules. Rules about overnight visitors vary from site to site, with most sites allowing overnight visitors for a limited number of nights. Only one site reported not allowing overnight guests at all. The enforcement of the house rules falls to the property managers. Rule violations may result in verbal or written warnings or in Notices to Quit.

All projects have case management services available to all tenants. Case management services include linkage with other service providers, help with grocery shopping, and just “being there” as a supportive, caring person. One of the most important roles of the social service providers is to act as an advocate or interested party when a tenant is in danger of being evicted or is facing legal action for nonpayment of rent or for violation of another lease provision. When a tenant is in danger of facing legal action that will affect their housing, social service staff will talk to the tenant to determine the reason(s) why the tenant is not abiding by the provisions of the lease. Social service staff will then attempt to work with the tenant and with property management to remedy the issue.

Case managers/case workers all reported having at least an associate degree and several reported having Master’s degrees. Nurse visits and housekeeping services were also delivered on site.

## **Results of UPENN’S Analysis** *(Chapter 1)*

This chapter of the evaluation focused on four aspects: 1) a description of the tenants, in terms of both demographic and other characteristics; 2) detailed data on patterns of tenants’ service utilization over five years, from 24 months prior to 36 months following entry into the housing; 3) key outcomes and changes in health from entry to three years later; and 4) findings on turnover and on differences and similarities among all tenants, those who left for good reasons and those who were evicted. UPENN performed its analysis by focusing on five sub-samples of tenants that consisted of the following: 1) 430 tenants who entered the housing, completed enrollment forms and consented to participate in the evaluation, 2) a 30-month evaluation sample of 54 tenants for whom there were enrollment, initial and periodic survey data; 3) the full Medicaid sample of 126 tenants for whom there were five years of Medicaid service utilization data, regardless of whether they remained in the housing for three years; 4) the long-stay Medicaid sample of 79 tenants for whom there were Medicaid data and who stayed in housing for at least three years; 5) and the Shelter plus

Care sample of 82 tenants who were part of the Shelter Plus Care Program, who agreed to take part in the evaluation (regardless of their length of stay) and for whom there were Medicaid data. Seven major findings highlight the results of this evaluation.

First, the **Program serves the intended population**. As intended, a very large proportion of the tenants have a history of residential instability including being homeless or at risk of homelessness, having moved a great deal and doubling up with others. Smaller, but material proportions of the tenants have significant disabilities, including mental illness, substance abuse or serious physical disabilities that meet the eligibility criteria for the Program.

A very important finding revealed **positive outcomes**. Tenants functioned at high levels, were able to develop goals and direction for themselves, progressed toward greater independence, and were satisfied with most aspects of the Program. While tenants expressed awareness of and concerns about social isolation, overall, the finding suggest that **being in the housing is beneficial for the people** it is designed to serve.

The third major finding is that, as a group, the **tenants decreased their utilization of acute and expensive health services**, mostly medical inpatient services. The decrease in use of medical inpatient was true for most subgroups.

Fourth, there was an **increase in tenants' utilization of necessary on-going health care and support**. Utilization increased in services, such as home healthcare and outpatient substance abuse treatment services, that enabled tenants to remain in the community, rather than be hospitalized

The fifth finding relates to an **increased efficiency in the utilization of healthcare resources** by a larger number of people. The average cost of healthcare service utilization decreased for inpatient services and increased for home healthcare and outpatient substance abuse treatment. The number of service users tended to increase (with the exception of inpatient).

Comparisons of the tenant subgroups identified the S+C tenants as a most disabled group with the most troubled history. The small number of S+C users of specific services made some comparisons difficult. Overall, however, **some utilization (e.g., of home healthcare) was higher for this group**.

Finally, over the course of four and a half years, approximately 39% of the tenants exited the housing and over a third (36%) of those who departed left under negative circumstances. While the number of negative exits represents 36% of all exits, only 14% of all tenants who entered the housing left for negative reasons. Even this small proportion is a matter of concern, because, as reported above, staying in the housing is related to substantive improvements in a variety of areas. **Negative exits seemed to be associated with substance abuse, some aspects of functioning, not working toward goals in life, unemployment and social isolation**. These findings, however, must be replicated and/or studied further to allow sound inferences. Overall, the findings were consistent with expectations. They also

support the importance of evaluation and documentation of the impacts of programs and interventions.

Clearly, supportive housing presents both opportunities and challenges to policy makers, service providers and tenants. Supportive housing offers affordable housing, linkage to needed services, and is a desirable alternative to high-risk situations. It creates a better social environment, is financially sound and is likely to advance public health. The greatest challenges for supportive housing involve the need to reduce evictions, as well as continued documentation of the value added by supportive housing. Reducing negative exits might require better understanding of the determinants of dropouts and use of such knowledge to improve programs. Documentation of the value of supportive housing is essential for policy development and continued funding.

## **Results of Project Stability Analysis** *(Chapter 2)*

This chapter of the study analyzed the financial stability of the nine projects financed by the Program: Liberty Commons in Middletown, Hudson View Commons in Hartford, Crescent Apartments in Bridgeport, Colony Apartments in Stamford, Brick Row in Willimantic, Mary Seymour Place in Hartford, Cedar Hill Apartments in New Haven, Fairfield Apartments in Bridgeport, and Atlantic Park in Stamford. As of December 31, 2000, all nine of the projects had been operating for at least thirty months.

Overall, the nine projects appear to be financially stable. All but two of the projects have operating reserve balances that are greater than projected, and the other two projects that are behind their projections (Colony Apartments and Atlantic Park) have incurred security expenses that have been much greater than anticipated. The financial stability of those two projects should not, however, be impaired as long as future expenses are monitored and annual sources of revenue (such as rental income) are sufficient to offset the higher expenses.

As with last year's evaluation of all nine projects, the performance of parties who affect the financial stability of the projects has been commendable. Tenants are still not vacating the units in significant numbers, but when they do, the associated financial impact does not adversely affect the projects' financial stability. As of December 31, 2000, all nine projects performed satisfactorily on a financial basis and the parties involved in managing the success of the projects continued to do so while under tight budgetary constraints.

Some of the key findings of this year's financial analysis are the following:

### **Turnover and Occupancy Rates**

As of December 31, 2000, the occupancy rates at each of the projects were high and only varied slightly. The lowest occupancy rate, 88.04 percent, was at Crescent Apartments. The highest occupancy rate, 99.43 percent, was at Colony Apartments. Of the eight projects included in this evaluation, five experienced increases in their occupancy rates since the last evaluation (Liberty Commons, Hudson View Commons, Colony Apartments, Cedar Hill

Apartments, and Atlantic Park). The remaining three projects (Crescent Apartments, Brick Row, and Fairfield Apartments) experienced decreases in occupancy rates ranging from 1.63 to 6.24 percentage points. Decreases in the occupancy rates are attributable to property administration issues and apartments remaining vacant for extended periods of time.

The 2000 turnover rates for the eight projects included in this year's evaluation were again not as consistent as the projects' occupancy rates. Colony Apartments, which had the highest occupancy rate, also had the lowest turnover rate at 6.9 percent. Crescent Apartments, with the lowest occupancy rate, had the highest turnover rate at 21.1 percent. Of the eight properties analyzed, five of the projects (Liberty Commons, Colony Apartments, Brick Row, Cedar Hill Apartments, and Atlantic Park) experienced decreases in turnover rates. Hudson View Commons had a turnover rate equal to its 1999 rate and Crescent Apartments and Fairfield Apartments experienced increases of 10.6 and 8.8 percentage points, respectively, in their turnover rates. Units turned over for reasons ranging from moving to other housing because they considered supportive housing to be a transitional living arrangement, to evictions for non-payment of rent or other lease violations, to death of the tenant.

### **The Effect of the Terms of the Subsidies on the Long Term Feasibility of the Projects**

All of the projects receive one subsidy, Shelter Plus Care, for a term of five or 10 years. If any of the projects are able to receive the subsidy for a longer term than forecasted, then the term of the subsidy will have an effect on the long-term feasibility of the project. The terms of the projects' subsidies have not changed since the projects were underwritten; therefore, the effect of the subsidy on the overall performance of the projects has remained unchanged. In 2000, other developments in Connecticut that had expiring Shelter Plus Care subsidies were able to renew their subsidies for annual terms.

### **The Effect of the Future Capital Costs on the Long Term Feasibility of the Projects**

Although replacement reserves for all nine projects are adequately funded, none of the nine projects have as yet budgeted the use of those funds for specific capital improvements. Each project has had sufficient funds from the operating reserve withdrawals to cover to-date capital expenditures.

### **The Effect of the Sponsors' and Property Managers' Ability to Plan Future Capital Needs on the Long Term Feasibility of the Projects**

Property management determines if there is a need for capital projects. Once property management decides if a capital project is necessary, property management approaches the sponsor with bids that management has received from contractors. Before a project can be started, however, the project sponsor must get approval from CHFA to incur the capital expense.

None of the nine projects have budgeted replacement reserve funds for potential capital projects and the to-date capital expenditures have not had an effect on what was projected to be sufficient replacement reserves.

## **The Effect of Potential Changes in Future Funding on the Long Term Feasibility of the Projects**

The feasibility of the projects after the 15-year tax credit period expires is highly dependent upon the continued receipt of funding beyond tenant rent payments once the existing rent subsidies and operating reserves are exhausted. Greater future funding, in the form of an extension of the terms of the Shelter Plus Care subsidy or greater numbers of Section 8 certificates received by project tenants, may be sufficient to prevent the operating subsidy funds from being exhausted, as forecasted, by the end of the fifteenth year of the projects' operations.

Comparing the operating reserves to the original NEF projections, only two of the properties (Colony Apartments and Atlantic Park) are trailing their original operating reserve projections. Colony Apartments is behind its projections by \$116,184 and Atlantic Park is behind by \$92,079. Both of those projects also had operating reserve account balances that were significantly lower than NEF's projections in 1999 due to the high costs of providing adequate security measures at the sites, which continued to be an issue through 2000. The other seven projects are ahead of NEF's operating reserve account projections by amounts ranging from \$10,278 to \$232,412.

Colony Apartments, Cedar Hill Apartments, and Fairfield Apartments are behind their replacement reserve projections by \$737, \$6,925, and \$298, respectively. Colony Apartments and Fairfield Apartments are behind their replacement reserve projections due to the amount of interest that has been paid on those investment accounts. Cedar Hill is behind its replacement reserve projections due to the timing of the project commencing operations and contributing revenues to the replacement reserve account.

## **The Consistency of Performance Based on Original Projection Assumptions for the Projects**

As of December 31, 2000, seven of the nine projects continued to exceed their original operating projections and assumptions on a cumulative basis. Colony Apartments and Atlantic Park were again behind their original cumulative operating projections, but by \$57,011 and \$38,052, respectively, as opposed to by \$26,629 and \$36,056 in 1999. For the projects that exceeded their cumulative projections and assumptions in 2000, the range of exceeded projections is from \$21,412 for Brick Row to \$95,064 for Mary Seymour Place.

## **The Consistency of Performance Based on Future Trends**

The comparison of each project's actual performance in 2000 to the 2001 operating budgets revealed that property management at all nine projects are creating relatively accurate annual budgets that reflect the needs of the projects, while remaining relatively consistent with prior years and inflation.

The 2001 budgets were also compared to the original NEF projections to determine if future budgets are consistent with the original projections. The 2001 budget for each of the nine projects differs from the original projections due to various circumstances. Some projects have projected greater revenues because there are Section 8 subsidies contributing to their revenues or tenants are paying greater portions of their monthly rents than was originally

anticipated. Expenses at the projects are typically budgeted to be greater than what was projected because projects have had to provide greater security measures than originally anticipated, along with other expenses that are greater than projected by NEF.

While the security costs have been greater than expected and projected by NEF, those costs have not had adverse effects on the future operating reserves of seven of the nine projects and property management have been able to adjust those projects' budgets to accommodate the increased security costs. Colony Apartments and Atlantic Park are the only two projects that are behind their cumulative NEF projections due to the amounts that have been withdrawn from their operating reserve accounts to fund security at their current levels. Although the project sponsor subsidized security costs at both sites using the projects' DMHAS grants in 2000, additional sources of funds will necessary going forward so that the operating reserves will not be depleted faster than anticipated. Futhermore, for all of the projects, additional future resources will be needed to provide the projects with both adequate 24-hour security measures and adequate building services and amenities.

## **The Impact of Property Management on the Financial Performance and Stability of the Projects**

### Turnover and Occupancy Rates

An analysis of turnover rates has demonstrated that property management has been able to retain more of the tenants in 2000 than 1999. The turnover rates range from a low of 6.9 percent to a high of 21.1 percent, opposed to a range of 5.9 percent to 37 percent in 1999. The analysis of the occupancy rates, which range from 88.04 percent to 99.43 percent, has demonstrated that even when a tenant vacates a unit, management is able to fill the unit in a short period of time.

### Bad Debt Analysis

The inability to collect rents should not currently be considered a major issue for any of the nine projects because five of the nine properties have not had any bad debt expenses, nor have eight of the nine projects budgeted for the expense. Liberty Commons had \$3,205 of bad debt expenses in 2000, Hudson View Commons had \$5,025, Cedar Hill had \$5,565, and Atlantic Park had \$5,526. Although there is more bad debt reported in 2000 than other years, the expense is not at a level to be considered a major issue for any of the projects.

### Repairs and Maintenance Analysis

An analysis of the 2001 budgeted Repairs and Maintenance expenses compared to the 2000 and 1999 actual expenses revealed that management at all nine of the projects have been budgeting reasonable amounts for said expenses. Although expenses at certain projects are budgeted to increase or decrease by considerable amounts in 2001, those increases/decreases are based on various issues that management has addressed.

The actual cumulative Repairs and Maintenance expenses were compared to the budgeted cumulative expenses to determine whether the actual cumulative expenses were less than budgeted. The analysis disclosed that seven of the nine projects have cumulative Repairs

and Maintenance expenses that are less than budgeted. Mary Seymour Place is over its cumulative budget by \$9,072 and Atlantic Park is over its cumulative budget \$8,943.

### **The Impact of Social Services Staffing on the Financial Performance and Stability of the Projects**

One of the most important roles of the social service providers is to act as an advocate or interested party when a tenant is in danger of being evicted or facing legal action for nonpayment of rent or for violation of another lease provision. When a tenant is in danger of facing legal action that will affect their housing, social services will talk to the tenant to determine the reason(s) why the tenant is not abiding by the provisions of the lease. Social services will then attempt to work with the tenant and property management to remedy the issue.

Although there seemed to be a relationship in 1999 between the number of hours that case managers spend onsite and the retention of tenants, the same correlation cannot be made as of December 31, 2000. The project with the highest turnover rate, Cedar Hill, had case managers onsite for the median number of hours per week. The project with the lowest turnover rate, Colony Apartments, had case managers onsite for the least number of hours per week.

In spite of the fact that no conclusion can be reached with regard to the relationship among onsite social service providers, property management, and tenant stability, there is a consensus that having social service providers onsite has proven to be a valuable resource that assists in addressing tenant issues and tenant retention.

### **The Impact of Tenant Mix to the Performance and Stability of Each Project**

An analysis of the projects' rent rolls revealed that 50 percent of the tenants at the nine projects are in fact Shelter Plus Care tenants.

An analysis of the average cost of a vacant unit revealed that the average cost of a vacant unit is equivalent to two to three months' rent at four of the nine projects. The average cost of a vacant unit is as such at those locations because most of the units were vacant for periods of time greater than two to three months. Crescent Apartments and Fairfield Apartments continued to have much higher average costs of a vacant unit (\$3,610 and \$2,916, respectively) because units remained vacant for extended periods of time at those two projects in 2000. Four of the other projects had average costs of a vacant unit that were less than one month's rent to slightly more than one month's rent. Disparities in the average costs of a vacant unit were attributable to the period of time that a unit remained vacant and the number of units that were vacated.

### **Impact of the Projects on Neighboring Property Values** *(Chapter 3)*

The data collected to assess the impact of the projects on neighboring property values imply that the markets surrounding all but one of the projects improved from the date of our first evaluation, June 25, 1999, through March 1, 2002. Only the values of properties sold in

Colony Apartments' neighborhood in Stamford decreased during that time period. The decrease in values, however, was a nominal \$1.96 weighted average price per square foot. The neighborhoods that experienced the most notable increases in property values since June 25, 1999 were those of Brick Row in Willimantic, which went from a weighted average price per square foot of \$18.80 to \$30.67 and Fairfield Apartments in Bridgeport, which went from a weighted average price per square foot of \$42.40 to \$53.73. The neighborhood surrounding Liberty Commons in Middletown experienced an increase from \$22.56 to 31.76 in the weighted average price per square foot; that of Hudson View Commons in Hartford experienced an increase of \$15.51 from \$10.25 in the weighted average price per square foot; that of Crescent Apartments in Bridgeport increased from \$14.21 to 15.36 in the weighted average price per square foot; that of Mary Seymour Place in Hartford increased from \$13.13 to \$22.13 in the weighted average price per square foot; that of Cedar Hill Apartments in New Haven increased from \$28.27 to \$31.50 in the weighted average price per square foot; and Atlantic Park's neighborhood in Stamford experienced an increase of \$77.61 from \$70.16 in the weighted average price per square foot of the properties sold surrounding the project.

From January 1, 1994 through March 1, 2002, values increased steadily in the neighborhoods surrounding Liberty Commons, Crescent Apartments, Brick Row, Mary Seymour Place, Cedar Hill Apartments, and Fairfield Apartments. Values in the neighborhoods surrounding Hudson View Commons and Atlantic Park had originally decreased from January 1, 1994 through June 25, 1999, but then the values in those two neighborhoods increased from of June 26, 1999 through March 1, 2002.

The neighborhoods encompassing Liberty Commons, Hudson View Commons, Brick Row, Cedar Hill Apartments, and Atlantic Park all had properties sell both since January 1, 1994, then again as of March 1, 2002. Almost all of the properties in the five neighborhoods were purchased for higher prices once they sold the second time, which is a further implication that the neighboring property values increased since the projects were completed.

## **Final Thoughts and Conclusions**

As further expressed and illustrated in the following chapters, the Connecticut Supportive Housing Demonstration Program offers affordable housing, linkage to needed services and a desirable alternative to high-risk situations. It creates a better social environment, is financially sound and is likely to advance public health. Tenants decreased their utilization of acute and expensive health services and tenant satisfaction with all aspects of the Program are high. Tenants functioned at high levels, were able to develop goals and direction for themselves and progressed toward greater independence. Occupancy rates are high and turnover rates are low at all nine of the projects and as with prior years' evaluations, the performance of parties who affect the financial stability of the nine projects has been commendable, while not compromising the level of services and amenities provided to the tenants. Finally, property values in the neighborhoods surrounding the projects have remained steady or increased since the projects were developed.