

**Potential Solutions for Increasing the Role of Site-  
Based Providers in the  
Metro Long-Term Homeless Project**

**Metro Services Funding Workgroup**

**December 1<sup>st</sup>, 2008**

## **Executive Summary**

**Purpose.** At the request of the Regional Metro Committee, a workgroup—consisting of over twenty providers, intermediaries, advocacy agencies, and county and state programs—met for 12 two-hour meetings, plus sub-committee meetings (May-Nov 2008) to create recommendations to the state and metro counties for enhancing the current Metro Long-term Homeless Project and increasing the participation of site-based providers. The purpose of this document is to summarize our process and recommendations.

### **Premises.**

- **Our focus was on Long-term Homelessness.** The workgroup focused on services funding specifically designated for long-term homeless households simply because the funding utilized by the Metro Counties is designated to long-term homelessness. This should not be viewed as an endorsement of one homeless population over another. Our workgroup recognized that there is a service funding gap for all supportive housing (Long-term Homeless and Homeless).
- **The workgroup recommendations are administrative, not legislative.** The workgroup document and recommendations are intended to inform administrative decisions made by the State and metro counties. The workgroup was not asked to consider how our work might inform decisions made at the state legislature.
- **We are all working to end homelessness.** While approaches vary, we are united around the same goal to end homelessness.

**Recommendations.** In the enclosed paper, we have provided the summary of our discussions and conclusions leading to key recommendations.

#### **1. Prioritization of Site-Based Housing**

- **Workgroup recommends** that metro counties/state will ensure that strategic and equitable distribution among scattered/site-based housing occurs through *allocations* of a set percentage (to be determined once the level of funding is known) to households in scattered/sites.

#### **2. Referral, Prioritization, and Enrollment**

- **Workgroup recommends** that (at least in the case of site-based placement) *common criteria* be used to determine household eligibility for participation in the Metro Project in lieu of the predominant *case by case prioritization* currently in practice.
- **Workgroup recommends** that contracted site-based programs have an ability to fill allotted slots by conducting *site-based referral*—engage and identify households who meet/exceed the long-term homeless definition.
- **Workgroup recommends** the Metro Long-term Homeless Project’s administrator(s) promote permeability and continuity between the site-based opportunities and the mobile team opportunities through increased coordination of referrals and increased communication.

#### **3. Predictability and reliability**

- Within the allocation determined to serve households in site-based projects, our **Workgroup recommends** that *all* developments with units set aside to serve long-term homeless households be eligible for available slots/contract.
- **Workgroup recommends** that State and County Human Services *coordinate* with Minnesota Housing Finance Agency with capital, operating, and services funding for new developments serving long-term homeless households.
- **Workgroup recommends** the project distribution and selection process should seek to preserve both the priorities identified by the Regional Metro Committee and the criteria of an effective funding model as identified by the workgroup.

**Summary of Lessons Learned.** Our workgroup had the following “aha” moments. While these items are not noted in the remainder of this document; our workgroup felt that these items are important for the reader to note in order to understand our process and conclusions.

- **Start with the Ideal World.** The workgroup believes a key to the productive nature of our work emerged from the decision to begin our discussions by talking about whether we could identify solutions in the case in which an adequate level of services funding existed. Starting from this place of “enough funding” allowed us to focus on what we have in common, as opposed to our differences.
- **It’s about Funding Models, not Housing/Service Models.** While the tension between scattered-site housing and site-based housing has been on-going in our community, too often these tensions have been raised by critiquing each other’s service delivery models rather than focusing discussion on the funding model. Our workgroup found that our ability to separate the two helped us to hold constructive conversations which could elicit possible solutions.
- **Current framework can work.** We reviewed the state statute and came to consensus that there is no need to amend. We also reached consensus that there is value in retaining the current administrative entity. In fact, Hearth Connection provides funding to sites differently in other regions of the state. The current framework, with adequate funding, could meet consumer needs in different housing/service models.

## **Charge to the Work Group and Composition**

On March 20<sup>th</sup>, 2008, representatives from the state and the seven metro counties that lead the Metro Long-Term Homeless Project met with members of the Metro Supportive Services Advisory Committee and other interested members of the community to talk about what has worked and what hasn't worked in the Metro Long-Term Homeless Project, specifically as it relates to site-based supportive housing. The meeting was facilitated by Mike Manhard and Reyne Branchaud-Linsk. One of the questions that was asked during the meeting was whether the Metro Long-term Homeless Project's funding model inherently doesn't work well for sites, or whether it could work for sites if there were enough funding overall.

A work group was established to examine this question during the summer of 2008. Its charter is as follows:

There is not now enough supportive service funding to make supportive housing effective and to bring about an end to long-term homelessness for families, unaccompanied youth and single adults. The State and the Metro Counties have asked for input on how to better include site-based supportive housing in the Long-term Homeless Projects. The service community agrees that the most effective way to advocate for new money will be if all organizations committed to ending long-term homelessness have a unified strategy at the Legislature.

The work group will describe and understand two different proposals for providing service funding to sites: one in which funding follows people and one in which funding is committed to people living in sites. Hybrids will also be considered. The work group will then assess the pros and cons of these models and present their findings to the metro counties.

## **Two Items of Note:**

- The purpose of this workgroup was administrative, not legislative. Descriptions and recommendations contained in this document represent consensus positions of the workgroup for the purpose of assisting metro counties and state staff in administering Long-term Homeless Services Funding. As we have met and discussed this document it seems that some may take our descriptions and arguments to the legislature, but it must be noted that the workgroup has not agreed on legislative action. While it is understood that descriptions and arguments made in this document may be used by some for legislative action, workgroup members were not asked in this effort to consider how our work would relate to possible legislative action.
- Since the Metro Long-term Homeless Project services funding is, in fact, targeting only households experiencing "long-term homelessness", our workgroup focused our discussions on this specific population. We felt there was a significant enough gap between site-based programs serving long-term homeless households and the Metro long-term homeless project, that we were determined to focus our discussions just on the State's long-term homeless services funding. This being understood, the workgroup does *universally* recognize that services funding is lacking in both homeless and in long-term homeless programs. We consider any efforts to identify services funding for programs serving "homeless", but not exclusively long-term homeless households to be complementary to our efforts.

## **Work group members included:**

Lee Blons, Plymouth Church Neighborhood Foundation

Reyne Branchaud-Linsk, Co-Chair Metro Supportive Services Advisory Committee, Dakota Woodlands

Trisha Cummins Kauffman, East Metro Women's Council

Vicki Farden, Minnesota Housing  
Teri Funk, Safe Haven  
Julie Grothe, Guild Incorporated  
Mary Hartmann, New Foundations  
Jennifer Ho, Hearth Connection  
Markus Klimenko, Hennepin County  
Jane Lawrenz, DHS  
Ali Legler, DHS  
Mike Manhard, Co-Chair Metro Supportive Services Advisory Committee, MESH  
Julie Manworren, Simpson Housing Services  
Rhonda McCall, Minnesota Housing  
Barbara McCormick, Project for Pride in Living  
Katherine Pollock, Partners Fund  
Matt Ryg, MESH  
Ellie Skelton, Wayside House  
George Stone, Corporation for Supportive Housing  
Maureen Warren, Wilder  
Erin Wixsten, Lindquist Apartments  
Patrick Wood, Minnesota Coalition for the Homeless  
Mike Wynne, EMERGE Pillsbury United Communities  
Carol Zierman, Ramsey County

Our workgroup met for 12 two-hour meetings, plus sub-committee meetings (May-Nov 2008) to:

- Identify guiding principles,
- Quantify the long-term homeless services funding need,
- Reach common understanding of strengths and challenges of current funding models,
- Propose recommendations to the state and metro counties for how to fund long-term homeless services in a manner that ensures participation of the full continuum of supportive housing.

What follows is a summary of these discussions.

### **Fundamental Understanding of the Work Group**

Several participating providers work with both mobile service delivery as well as services delivered at single sites (or units) dedicated for the long term homeless population. All providers recognize the challenges in working with this population, in whatever setting, and acknowledge that the only effective way to end homelessness is to offer an array of housing options for this population. At varying times in the path to stabilization, the same individual or household may avail themselves of either housing opportunity. The dedication of the service providers is to maintain the strong, relational-based support which has been demonstrated to be of value in ending the cycles of homelessness, whichever housing setting is available, chosen or appropriate.

Consequently, early on, the group recognized that attempts to understand the distinctions between services in site-based or scattered-site settings are worth pursuing only insofar as this helps to describe how funding models can be adapted to best meet the broadest delivery of services. The target populations of each setting are less distinguishable (when described as a group) than one might imagine, given the various programmatic approaches and philosophies. None of the distinctions in population or program, however, fall naturally into

single-site/scattered-site groupings. It is presumed by the work group that the richness of this variety is necessary to achieve the goal of ending long-term homelessness.

### **Criteria of an Effective Long-Term Homeless Supportive Services Funding Model**

The needs of three key stakeholder groups must be considered in evaluating funding models for supportive services. First and foremost come the needs of people who have experienced long-term homelessness and are residents – or prospective residents – of supportive housing. They are heavily invested in having supportive housing break the cycle of homelessness, a goal shared by the other two key stakeholder groups: supportive housing providers, developers, owners and operators; and government as the hoped-for primary funding source of supportive services.

These stakeholders all have an interest in a service funding model that supports a range of *options* in supportive housing and meets consumer needs. Consumers want choice among multiple housing and service models; government wants options that work well for different groups with different needs; and supportive housing operators seek to fill specific needs based on their mission or project design.

All three stakeholders want a funding model that promotes *success*. Consumers benefit from knowing that supportive housing that works for them will be adequately funded; government wants its money to go towards good outcomes; and supportive housing providers want to operate, and be seen as operating, effective housing solutions.

In discussing the following criteria, the work group noted that all three stakeholders care about all of them, but that they might prioritize things differently. The discussion highlighted those differences in order to clarify when a given stakeholder group might be more inclined toward one way of funding supportive services over another way.

Supportive housing developers have a need for *predictability* and *reliability* that begins long before a supportive housing community opens its doors. With commitments to those who finance the capital that extend fifteen or even thirty years, developers need to know that the service funding will be there early enough to secure capital funding, and that it will stay there if they abide by their commitments.

Site-based supportive housing operators also need to know that the funding model will reflect an *adequate level of funding* needed to operate a site-based program and with the intensity needed to support residents with long histories of homelessness.

Government and consumers have a shared interest in *transparency* and *accountability*. Consumers want to know how much programs are being paid so they can assess whether they are getting value. And they want to know which programs work for which populations. Government wants to know where money is spent and that the services purchased were delivered as efficiently as possible, getting the best possible results for consumers.

Government and consumers also have a shared interest in *portability* and *mobility*. As people's circumstances, needs and preferences change, residents should be able to move into different homes and still get the services they need.

Government and supportive housing developers and providers share an interest in *innovation* and *flexibility*. There should always be room for someone to try something new to meet an unmet need or do something that yields better outcomes or is more efficient, whether at an individual resident level or in designing a new supportive housing community.

Both government and supportive housing operators have an interest in *administrative simplicity*.

Government uniquely cares about *leveraging funding* from multiple sources. If the State is putting its money into supportive services, can other money be brought in from the federal or local government or from foundations?

Based on the items noted above, the workgroup has identified the following criteria for determining an effective service funding model.

<b>Criteria</b>	<b>Questions: Will the model...</b>
<i>Range of options</i>	<ul style="list-style-type: none"> <li>• allow consumers a choice among a variety of housing options?</li> <li>• encourage the development of multiple types of housing to meet the variety of needs among the targeted population?</li> <li>• provide flexibility to individual providers in meeting specific needs based on mission or project design?</li> </ul>
<i>Measuring success</i>	<ul style="list-style-type: none"> <li>• encourage success by providing stable funding to providers with high performance?</li> <li>• provide programs with the ability to demonstrate good outcomes to funders?</li> </ul>
<i>Predictability and reliability</i>	<ul style="list-style-type: none"> <li>• provide funding or a guarantee of funding to providers before a site “opens its doors”?</li> <li>• allow for long-term commitments to be made?</li> <li>• provide consistent levels of funding over time, while at the same time allowing for flexibility as changes occur, including:               <ul style="list-style-type: none"> <li>○ changes in the populations being served and their level of need?</li> <li>○ rising costs of providing services?</li> <li>○ varying availability and accessibility of other funding sources?</li> </ul> </li> </ul>
<i>Adequate level of funding</i>	<ul style="list-style-type: none"> <li>• provide adequate resources to reflect the true costs of services?</li> <li>• address additional costs that may be incurred by site-based providers?</li> <li>• allow for increases in funding to be made over time?</li> </ul>
<i>Transparency and accountability</i>	<ul style="list-style-type: none"> <li>• have a structure that can be communicated clearly to the broader community?</li> <li>• allow funders and programs to track in detail how funds are being spent?</li> <li>• reward efficient use of funds?</li> </ul>
<i>Portability and mobility</i>	<ul style="list-style-type: none"> <li>• allow for consumers to continue to receive services, even if their circumstances change, including:               <ul style="list-style-type: none"> <li>○ moving from site-based to scattered-site?</li> <li>○ moving from scattered-site to site-based?</li> <li>○ moving across counties?</li> <li>○ moving to other areas of the state?</li> <li>○ changing household size and composition?</li> </ul> </li> </ul>
<i>Innovation and flexibility</i>	<ul style="list-style-type: none"> <li>• allow for opportunities for providers to try new and unique service models?</li> <li>• have the ability to address unforeseen unmet needs?</li> <li>• allow funds to be used for a wide variety of services?</li> </ul>
<i>Administrative simplicity</i>	<ul style="list-style-type: none"> <li>• limit unnecessary paperwork and reporting?</li> <li>• allow for understandable rules and regulations with regards to funding amounts, eligibility, etc?</li> </ul>
<i>Leveraging other funding</i>	<ul style="list-style-type: none"> <li>• allow for and encourage providers to access other funding, including:               <ul style="list-style-type: none"> <li>○ federal funding?</li> <li>○ local government funding?</li> <li>○ grants from foundations?</li> </ul> </li> </ul>

### **Service Funding for All Long-Term Homeless Supportive Housing**

The group agreed that the need for supportive service funding extends to supportive housing that predates the state plan. For the last 20 years, the state and federal government have encouraged the development of supportive housing, which has led the way in showing how to break the cycle of long-term homelessness, even though there has never been an adequate and reliable source of service funding. It is as important to ensure that these assets in our community have access to the service funding they need as it is to promote the development of new site-based supportive housing opportunities. Otherwise, our most experienced, long-time supportive housing developers will be very hesitant to create new supportive housing, underwriters will be hesitant to finance new projects and the total number of units will not grow to reach the need if older projects cease to be viable as supportive housing.

In short, pursuit of the goal to end homelessness heightens the need to provide service funding to a variety of service-provision models, whether single-site-based or scattered-site, whether newly developed or already part of the supportive housing stock. Failing to accomplish this not only weakens our continuum of supportive housing, it also limits the housing choice long-term homeless households will have as certain models of supportive housing may be left out.

### **Quantifying the Need**

In order to quantify what is needed annually to fund services adequately to accomplish the goal of ending long-term homelessness, the need was assessed for both supportive housing opportunities being created towards the realization of the state plan and for supportive housing that already existed when the plan began.

For supportive housing counted under the *2004 State Business Plan for Ending Long-Term Homelessness in Minnesota*, and as recalibrated in 2007, the group adopted 4,000 as an appropriate target for the number of new supportive housing opportunities to be created. The state plan's estimate factored in the potential for undercounting in the Wilder survey and for increases in the number of people who would become homeless long-term during the period of the plan.

The state plan estimates that 67% of units developed under the plan should be targeted to single adults and unaccompanied youth and 33% toward families with children. Although this represents a higher percentage of families than the Wilder survey results, it reflects the fact that families are more likely to be undercounted than single adults because they are more likely to be doubling up with friends or family.

The group also adopted the state's figures for estimating the average cost to provide supportive services: \$10,000 per year for a single adult or unaccompanied youth and \$14,000 per year for a family.

The most difficult factor to estimate in quantifying the amount of supportive housing service funding needed to end long-term homelessness is how much funding can be leveraged from other sources. Historically, the two largest sources of mainstream funding for services were HUD's Supportive Housing Program (HUD SHP) and the state's Group Residential Housing Program (GRH). HUD, however, has redirected its funding priorities to focus much more on the housing part (capital investments and rental subsidies) of supportive housing. That means it is far less likely that new supportive housing will be able to count on HUD to be a significant funder of services. In addition, HUD's focus on long-term homeless single adults makes it highly unlikely that new supportive housing for families will be able to get any service funding from HUD, at least in the near future.



GRH still appears to be a source of service funding for supportive housing. In the last few years at least four new supportive housing sites have been able to secure additional GRH service rates through the legislative process. And GRH is being used in more scattered site supportive housing under technical changes to the law. GRH is limited in terms of which populations it best supports. For example, GRH only covers the service needs of adults in families, not for their dependent children. Although some very small families might benefit from GRH, by and large it is best suited to a single adult population with chemical dependency or mental illness that is unlikely to have significant opportunities for income through employment.

Other possible sources of service funding include Medical Assistance, grants from the federal Substance Abuse and Mental Health Services Administration (SAMHSA), private foundations and individual contributions, and other federal, state and county grants.

For the purposes of quantifying how much service funding is needed from the state’s Long-term Homeless Supportive Service Fund to fill the gap left after these other sources are tapped, the group estimates that supportive housing that is being created now towards the goals of the state plan can leverage 10% of its service funding from other sources when it is for families and 33% of its service funding from other sources when it is for single adults or unaccompanied youth. It is important to note that there are fewer sources for youth than for singles, but on average, the 33% estimate seems reasonable.

	<i>Supportive Housing Created Under the State Plan</i>		
	<b>Families</b>	<b>Single Adults/Youth</b>	<b>Total</b>
<b>Percentage</b>	33%	67%	100%
<b>Units/Opportunities</b>	1,320	2,680	4,000
<b>Annual Service Cost per Unit</b>	\$14,000	\$10,000	
<b>Total Annual Service Need</b>	\$18 million	\$27 million	\$45 million
<b>Percentage Service Cost Leveraged</b>	10%	33%	
<b>Annual Leverage</b>	\$2 million	\$9 million	\$11 million
<b>Net Annual Service Need</b>	\$16 million	\$18 million	<b>\$34 million</b>

In order to quantify how much service funding is needed for supportive housing that existed before the state plan, the group needed to estimate how many units there are and how much funding they are able to leverage from other sources. In this exercise, the group focused not on individual projects but tried to look across all of the metro projects as a group. The group recognized the increase in site-based supportive housing being developed in Greater Minnesota, but thought that the majority of those units have been counted under the State Business Plan. Therefore the group thought the estimate of units pre-dating the State Business Plan might reasonably apply to the whole state. For example, the estimate that 33% of the needed service funding for single adults/youth is in hand does not suggest that each project has reliable sources of service funding for 33% of its costs, but that, across the board, 33% of what is needed for this group of existing projects is available from existing sources.

After reviewing existing supportive housing inventories, 2,000 units seems a reasonable estimate. The same distribution between families and single adults/youth also seems reasonable.

Because supportive housing that has been operational for a number of years had greater access to HUD service funding in the past, and because these projects have had time to establish county contracts or GRH contracts, etc., it is estimated that more funding has been leveraged in supportive housing that predates the

state plan than is available today for new supportive housing. The estimate is that family supportive housing programs are able to leverage on average 50% of their funding from other sources and single adult/youth supportive housing programs are able to leverage 67%. (Note that youth programs have fewer sources than single adult programs; the 67% is an average.)

	<i>Supportive Housing Created Before the State Plan</i>		
	<b>Families</b>	<b>Single Adults/Youth</b>	<b>Total</b>
<b>Percentage</b>	33%	67%	100%
<b>Units/Opportunities</b>	660	1,340	2,000
<b>Annual Service Cost per Unit</b>	\$14,000	\$10,000	
<b>Total Annual Service Need</b>	\$9 million	\$13 million	\$22 million
<b>Percentage Service Cost Leveraged</b>	50%	67%	
<b>Annual Leverage</b>	\$5 million	\$9 million	\$14 million
<b>Net Annual Service Need</b>	\$4 million	\$4 million	<b>\$8 million</b>

6,000 existing and new supportive housing units have an estimated supportive services cost of \$67 million. *The gap that needs to be filled through increases to the state’s Long-Term Homeless Supportive Services Fund is \$42 million per year.* Given the \$5 million per year currently in the base, the annual gap that needs to be filled to end long-term homelessness statewide will be **\$37 million** once all units come on line.

### **Supportive Service Funding Models**

The work group had a lot of discussion about the difference between *housing models* and *funding models*. Site-based supportive housing and scattered-site supportive housing are two different *housing models*. The group was in agreement that both site-based and scattered-site supportive housing are important. This also aligns with the objectives of the state plan. It is easy to confuse discussion about different funding models with a comparison of different housing models.

The purpose of this group was to explore the strengths and weaknesses of the funding model currently being used in the Metro Long-Term Homeless Project, *funding following people*, as well as *project-based funding*, which many site-based supportive housing developers, owners and operators are more familiar with because it is how capital and site-based operating financing works. What follows is first a discussion of how project-based service funding works, followed by a discussion of how the current metro project works and how funding following people is built into the current design, followed by a recommendation on how the current metro long-term homeless project should be modified to better meet the needs of sites.

In the discussion, it was useful to establish where some of the terminology comes from, and its limitations in describing circumstances adequately. For instance, *funding following people* language provides a distinction from former service-funding models. It implies a highly mobile population, requiring an adequately mobile or flexible funding model. Since some people who meet the state's definition of long-term homelessness are moving into site-based supportive housing (much of which is contracted to serve the long-term homeless population), a model where funding follows people should bring service funding to sites. In the section on the Metro Long-term Homeless Project design, we discuss how this has not happened in any significant way in the initial implementation, and what recommendations the group has for ensuring that more service funding gets to sites when there is an expansion of the metro project.

## **Project-Based Funding**

Project-based funding means that funds are committed to a site-specific program. The simplest example of this would be a grant to an organization for the purpose of paying for services in a specific supportive housing project, as HUD's Supportive Housing Program does. If it is a grant that is likely to renew year to year, this is a very reliable, predictable and easy way for supportive housing providers to secure service funding. This is a simple funding model, intuitive for housing providers to understand and more consistent with what capital funders look for as inducements to make their capital investments.

Capital funds are always tied to a project. Most operating funds (rental subsidies) are, although some operating funds have elements that also "follow people." Two examples are tenant-based rental subsidies and Group Residential Housing.

Most supportive housing providers would like service funding to be project-based. It is predictable and reliable, and if there were actually enough funding to end long-term homelessness, it would also be sufficient. Typically, project-based funding is awarded through competitive processes, or requests for proposals. Some projects get funded, others don't.

## **The Current Metro Long-Term Homeless Project Design**

Why didn't the metro project use this simpler model, and give service grants to a few supportive housing sites?

At the March 20<sup>th</sup>, 2008 meeting that led to the creation of this work group, the metro counties shared the priorities they had in mind when they made decisions about the design of the Metro Long-term Homeless Project.

- First, the counties wanted to maximize participant choice in where they live, offering options that spanned both county lines and housing models.
- Second, the counties wanted services to be portable across county lines. Since they were targeting a highly mobile population, and since one of the innovations of the project was having all seven counties work together on one regional project, mobility was key.
- Finally, funding was to help people who were currently homeless instead of helping people who had already been housed. With limited resources, the metro counties wanted to help those who were currently the most vulnerable, and to be able to show the effectiveness of the money to help end long-term homelessness in order to argue for additional funds.

The metro project uses a *funding follows people* funding model. The human services world has been moving toward this funding model across a wide range of programs. For example, if you have Medical Assistance, you don't need to go to one of a few designated clinics or hospitals to get care. You can go anywhere that accepts MA. If you have food stamps, you don't go one place for food; you can choose your grocery store. If you have a community-based waiver for a disability, you can purchase a broad array of services to help you live in your own home, based on what you want and need.

This funding model holds its promise better in certain markets and with certain vendors. Just as not every health care provider accepts MA or is adept at working with the program and population, and not every grocer complies with food stamp regulations, not every housing provider will prove to be a good resource, placing both the opportunity and burden of choice on the consumer.

In the metro project, *funding follows people* means that supportive housing providers, whether they are mobile teams or site-based providers, are paid for every month of service they provide to a participant who is enrolled in the project. If a participant moves into a site and the site provides the supportive services, then the site would be eligible for the services payment. If a participant moves into scattered-site housing or needs support while they are between housing options, they can be supported by a mobile team and the mobile team is paid for services. As a person's housing changes, they still have access to supportive services.

The way the project was initially designed, mobile teams would offer participants an option of moving into scattered-site or site-based supportive housing. Initial estimates were that as many as 30% of the participants would choose site-based supportive housing. That did not happen.

Hearth Connection then changed the design so that for a limited time, site-based supportive housing communities could refer and enroll participants who moved into their communities during this window. While this did increase the number of participants in the metro project who were living in sites, it still had shortcomings.

### **Consequences of Flat or Reduced funding to Long-term Homeless Services**

Prior to describing our recommendations for enhancing the Metro Long-term Homeless Project, our workgroup thought it would be important to first illustrate the consequences that will likely result (for consumers, providers of supportive housing, and our shared goals of ending long-term homelessness) so long as long-term homeless services funding is left to its current level or reduced.

Recent funding constraints have stretched most supportive housing providers (site-based and scattered) to a tipping point where, in the absence of increased funding, changes will occur that will adversely affect the households presently being served. These recent funding constraints include:

- Federal cuts to mainstream programs,
- The prioritization of “housing emphasis” for HUD McKinney/Vento funding (some Ramsey County programs have recently lost their services funding which has been supplanted by “one-time” funding from the county),
- Potential reductions in awards from foundations due to the recent economic downturn.

### **Likely consequences to the Metro Long-term Homeless Project.**

**NOTE:** It is important to recognize that there may be differing views (in our workgroup and the community) in understanding what would constitute *flat* or *decreased* funding. When the Supportive Housing Managed Care Pilot Program contract sunset-ed in July 2007, 100 households that were being served and 3 mobile teams that were providing these services in the Pilot were at risk of losing all funding. The 2007 and 2008 legislature, allocated a total of \$2.5 million (in one-time funding) to continue to fund services to Pilot households. The mobile teams and households in the Pilot Program have since been absorbed within the Metro Long-term Homeless Project. Since the funding from 2007 and 2008 was not base-funding, the restoration of the \$1.5 million needed annually to sustain this program would, in fact, appear to the legislature and many community members as *increased* funding. From the perspective of the households in the Pilot, Hearth Connection, metro counties, and other community members the restoration of the \$1.5 million annual base-funding would instead be recognized as *flat* or *restorative* funding.

Understanding this tension, we would like to describe the likely consequences of flat or decreased funding to the Metro Long-term Homeless Project in three possible contexts:

- **Restorative Funding.** *This level of funding would restore the 1.8% cut to the base of the Long-term Homeless Services Fund (\$10 million state-wide, \$5 million for metro biennially) and would fully fund the Pilot Program households (\$3 million biennially) in base funding.*

With Restorative Funding, there would be no need to cut staff or reduce services to any households currently being served in the current metro project (which includes the Pilot participants).

- 4 mobile teams would continue to serve approximately 168 single adult households.
- 2 mobile teams would continue to serve approximately 99 family households.
- 1 mobile team would continue to serve approximately 25 youth households.

- **Current Funding.** *Funding would remain at the current level of base funding for long-term homeless services, which includes the 1.8% cut from the 2008 legislative session (\$4.9 million for metro).*

Current funding would, in fact, result in a 31% cut to the current Metro Long-term Homeless total budget since the Pilot has been absorbed into the Metro Project. With Current Funding, immediate cuts of approximately 13 staff positions would be required which would, in turn, force the Metro Counties to end services for approximately 88 households. These cuts would be the equivalent of:

- Losing 2 single adult mobile teams serving approximately 88 households, OR
- Losing 1 family and the only youth mobile team serving approximately 75 households.

- **50% Cut to Current Funding.** *For the Metro Long-term Homeless Project, this cut would reduce the initial budget of \$5 million and the Pilot budget of \$2.2 million down to \$2.47 million.*

50% Cut to Current Funding would result in a 66% cut to the current Metro Long-term Homeless Project budget. Approximately 26 staff positions would need to be eliminated which would, in turn, force the metro counties to end services for approximately 185 households. These cuts would be the equivalent of losing 3 single adult mobile teams and 1 family team serving in total approximately 185 households.

### **Likely consequences to Metro Site-based Supportive Housing Providers:**

It should be noted that flat or decreased long-term homeless services funding will affect supportive housing sites to different extents—as these sites have varying levels of secured funding and differing proportions of units designated to serve long-term homeless households. This being understood, it is widely recognized that most sites have been stretched to a tipping point due to the lack of services funding. We believe flat or reduced long-term homeless services funding will result in the following for most site-based programs currently serving long-term homeless households:

- **De-stabilized households.** In lieu of closing, most sites will likely continue to provide units for long-term homeless households, but will be unable to fund the staffing needed to provide services for these households. As a result the housing units will still be there, but the outcomes in many cases will not. Families and individuals will be left to a warehousing—versus supportive—housing model. HUD, state, and other outcomes will drop dramatically as our supportive housing system for sites will increasingly fail to stabilize the households they are trying to serve.
- **Sites will be forced to target the households with the fewest barriers.** Without the adequate resources to serve long-term homeless households, many sites will be forced to target households with fewer barriers. We will return to a practice of screening out those “too hard to serve”.
- **Freeze on development.** Development of long-term homeless units will diminish as developers will struggle to create viable funding packages.

- **Irreparable harm to the name of supportive housing.** With the inability to adequately support the long-term homeless households, there will likely be an increase in troubled properties and conflicts with concerned neighbors. The long-term damage of this problem could inflict will likely effect future development of affordable and supportive housing for decades to come.

## **WORKGROUP RECOMMENDATIONS.**

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The work group discussed the myriad reasons why these first two attempts at including site-based supportive housing in the metro project did not work in a meaningful way. The goal then was to figure out whether what didn't work was tied to the funding model of funding following people. Could the lack of funding following people to site-based programs be rectified by changing the way that the project was designed in terms of allocation of slots and the referral and enrollment process? Or could the gap be bridged if there was simply enough money for services for all people in supportive housing who were homeless long-term?

The workgroup identified primary areas of concern currently limiting the ability of all site-based providers to participate in the Metro Long-term Homeless Project in its current state. These concerns include:

- Existing sites cannot predict whether their residents will be able to be enrolled in the metro project, even when they are eligible.
- Even if a site has a resident that does get into the metro project, if they move out, they cannot count on the fact that the resident who moves in next will be enrolled.
- New projects going through the development process cannot count on the fact that there will be any service funding when they open their doors.

In the absence of sufficient funding for services, our workgroup believes it is better for site-based providers to know up front how limited funds will be spent. Although the Metro Long-term Homeless Project funding model is fair and open, it is too unpredictable to help sites plan and budget. Based on this background, our workgroup recommends the following amendments to the Metro Long-term Homeless Project in the case of some, but not enough new funding.

### **1. Prioritization of Site-Based Housing**

- **Workgroup recommends** that metro counties/state will ensure that strategic and equitable distribution among scattered/site-based housing occurs through allocations of a set percentage (to be determined once the level of funding is known) to households in scattered/sites. This is a significant change to the current model. The Metro Long-term Homeless Project funding presently contracts with mobile teams. Each mobile team is contracted to serve set number of households. When person exits, the may enroll new household to remain at funding level. For sites under current system, when household exits, so does the funding. This has created a lack of reliability and predictability to be able to adequately plan and staff. With this recommendation, sites get predictability they need while continuing to ensure the mobility of services following households.

### **2. Referral, Prioritization, and Enrollment**

- **Workgroup recommends** that (at least in the case of site-based placement) common criteria be used to determine household eligibility for participation in the Metro Project in lieu of the predominant case by case prioritization currently in practice. This “common criteria” could be limited to the

State's long-term homeless definition, or could include other criteria beyond that of the State (higher barriers, etc.). All households meeting/exceeding the common criteria will have equal opportunity to automatically be deemed eligible and will therefore be allowed to be enrolled in an available unit/slot in a site-based provider that is under contract with the Metro Long-term Homeless Project.

- **Workgroup recommends** that contracted site-based programs have an ability to fill allotted slots by conducting site-based referral—engage and identify households who meet/exceed the long-term homeless definition. Referrals would be approved by the RMC member/intake worker representing the county of origin. Upon approval sites enroll, house, and provide services for household. This recommendation does not assume that “site-based referral” would be the only form of referral for participating sites, but that it would be included among the accepted procedures.
- **Workgroup recommends** the Metro Long-term Homeless Project's administrator(s) promote permeability and continuity between the site-based opportunities and the mobile team opportunities through increased coordination of referrals and increased communication.

### 3. **Predictability and reliability**

- Within the allocation determined to serve households in site-based projects, our **Workgroup recommends** that all developments with units set aside to serve long-term homeless households be eligible for available slots/contract:

1. Units serving long-term homeless household in existence prior to the State Business Plan\*.
2. Units created since the State Business Plan.
3. Units soon to come online in new projects.

*\*There are basic standards of services proscribed to sites that have received funding under the State Business Plan. It would be expected that some similar standards would be applied to sites seeking to serve long-term homeless households with units that pre-date the State Business Plan.*

- **Workgroup recommends** that State and County Human Services coordinate with Minnesota Housing Finance Agency with capital, operating, and services funding for new developments serving long-term homeless households.
- **Workgroup recommends** the project distribution and selection process should seek to preserve (not in priority order):
  - Housing choice for participating long-term homeless youth, singles, and families. Examples include: sober housing, harm reduction housing, domestic violence focused housing, intensive services and client-directed services, etc.
  - Rapid deployment of the services funding.
  - Financial support for a wide variety of site-based supportive housing providers. This should include various program models, target populations, and geographies. Sites could have an opportunity to receive service funding for as few as one or two units or for all of their units for long-term homeless. (It is presumed that a lottery process might result in more projects funded but with fewer units/site than if an RFP process is implemented.)
  - Accountability to outcome achievement. Standardized outcomes should be agreed to for supportive housing projects based on the population being served. The selection should reward excellence in outcomes and reflect community needs.
  - Site integrity – each site maintains their mission and their own intake process.
  - Address regional priorities and have buy in from the governmental units.

Once fully-funded, **Workgroup Recommends** that the Metro Long-term Homeless Project model would work like this:

- Any supportive housing provider could be in the metro long-term homeless network if it were

qualified, and so chose.

- Any individual or family meeting the long-term homeless definition would be eligible for monthly service payments, as soon as the documentation of meeting that definition was in place. The on-site service provider would be paid for services every month for the duration of the resident's stay.
- The site would also receive advance payment to "staff up" as necessary if this is a new endeavor and/or "bridge" money if they are changing their program to focus on long-term homelessness.
- A new project under development would know that service funding would start flowing once a project was opening. Underwriters would know this too.
- There would be some expectation to leverage funding, but sites would know the level of funding projected.
- The funding would be both *predictable* and *reliable* over time assuming the provider continues to support people who meet the definition of long-term homelessness and to keep their units mostly occupied.

### **Conclusion.**

So long as there are not enough services funds to meet the need, the workgroup recognizes that there will always be some level of winners and losers—some providers and housing models will be unacceptably left out, under-funded; and thus will not be able to meet the needs of the folks they serve. While the recommendations listed above will not have the ability to rectify a gap between partial and full funding, we believe we have demonstrated that our workgroup's recommendations will enhance the Metro Long-term Homeless Project by:

- Increasing housing and service model choice for consumers.
- Providing predictability and reliability needed to increase site-based participation in the Metro Long-term Homeless Project.
- Strengthening our continuum of supportive housing throughout the metro region and the state.

We strongly encourage the state and metro counties to move forward with the recommendations of our workgroup. We greatly appreciate the invitation of the Regional Metro Committee and the State to provide our input for enhancing the Metro Long-term Homeless Project, and we thank you for your time in considering this document.