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Behavioral Health Needs Study Housing Recommendations
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Jolene Kline, Executive Director

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Chairman Hogan and members of the Human Services Committee:

As you have no doubt found in your study of behavioral health needs, it takes a collaborative approach to untangle the deeply intertwined challenges facing North Dakotans with serious mental illnesses (SMI) and/or substance abuse issues. Housing plays a significant role in successfully addressing these challenges, which is why a number of housing-related recommendations have been made to your committee. I appreciate this opportunity to discuss behavioral health issues from a housing perspective.

North Dakota Housing Finance Agency has been working with a number of other state agencies and partners to understand and address these challenges. I wish to express my gratitude to them in helping prepare this report today, especially the Department of Human Services, Department of Corrections and Rehabilitation, North Dakota Coalition for Homeless People, and the Division of Community Services.

To dramatically over simplify it, housing challenges for people with behavioral health issues boil down to two main problems:

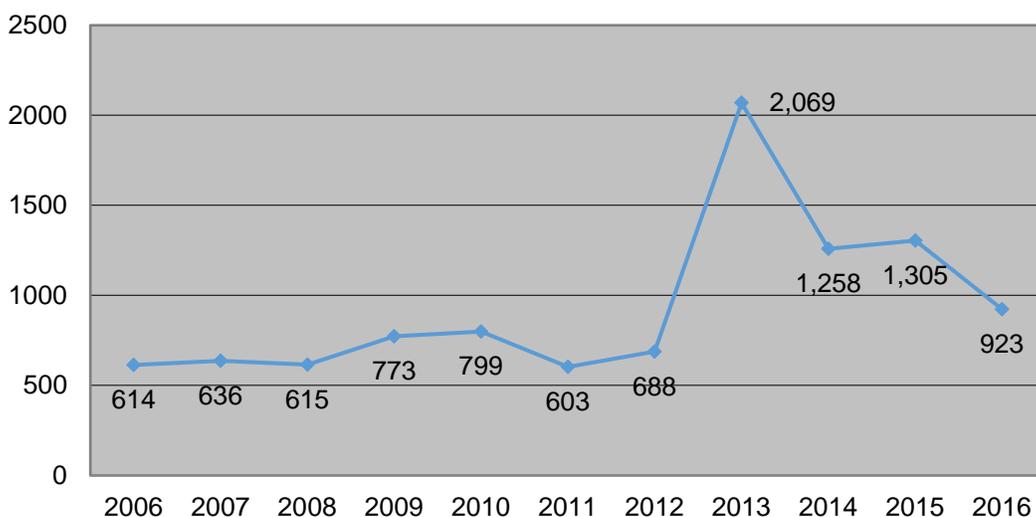
- Lack of access to housing; and,
- Lack of supportive services to sustain housing.

While it may not be the outright display of mental illness or substance abuse that winds up costing an individual access to housing, it is often instead manifested effects. A cycle of negative behavioral patterns can lead to criminal, credit and/or rental history issues which in turn can disqualify a prospective tenant from being able to lease a housing unit. Selection criteria used by landlords examine criminal and financial background to ensure the safety of the property and to confirm the tenant's ability to pay rent. They are meant to protect the property owner's investment and the other tenants. Fair housing laws and housing program regulations are meant to prevent discrimination, promote the rights of tenants and ensure easier access for the disadvantaged to housing resources. Complicating factors like physical and intellectual disability, lack of education and job skills, high housing costs, and extremely low income often add to the difficulty in finding and keeping safe, decent and affordable housing. Taken all together, this sets up a delicate balance that makes people with behavioral health needs some of the hardest to house and can lock some out.

When access to housing is denied, the result sometimes inevitably is homelessness. According to the North Dakota Coalition for Homeless People’s 2016 Point-In-Time (PIT) count, there were 923 people in North Dakota who were homeless the night of January 28, 2016, including 113 homeless individuals with severe mental illness and 94 with chronic substance abuse issues. SMI and substance abuse are self-reported conditions in the PIT so it is highly likely that there is an undercount within the homeless population.

Looking at homelessness over the past decade, the number of homeless individuals is down from its peak in 2013, but is still significantly higher than it was 10 years ago.

Statewide Homeless Count



While the PIT data is the basis for funding from the federal government for homeless assistance programs, the mere fact that the annual count is made in January means there is likely an additional undercount of people who are homeless overall. It also does not capture that homeless population who may be “doubled up” with family or friends or living in temporary situations like hotels, motels and RVs. The North Dakota Department of Public Instruction conducts a count of homeless students as required by the McKinney-Vento Homeless Assistance Act which includes the literally homeless as well as those temporarily housed. For the 2015-16 school year, 2,276 homeless students were reported. The difference between the PIT and the homeless student count illustrates the historically hidden nature of the issue of homelessness in our state.

To help communities end long-term homelessness, the North Dakota Interagency Council on Homelessness was appointed by Governor John Hoeven in 2008 which developed a statewide 10-year plan. The strategies identified to accomplish the goal represent a holistic approach to addressing homelessness:

- Develop permanent supportive housing (PSH);
- Improve the ability to pay rent;
- Expand supportive services to wrap around housing;
- Strengthen prevention and outreach programs; and,
- Collect and disseminate data relating to long-term homelessness.

While significant population and economic shifts since 2008 changed the game for the system of homeless service providers, progress has been made on the strategies outlined. For example, when the plan was developed there were 417 PSH beds reported to HUD in the Housing Inventory Count and in 2015 there were 746.

In addition, there are thousands of new housing units which have been constructed in the state using state and federal resources. The Housing Incentive Fund has been used to create 118 units targeted specifically to homeless households. These units include access to supportive services in addition to affordable rents. Additionally, 240 housing units have been income- and rent-restricted to Extremely Low-Income households (30 percent of area median income) and 116 are restricted to Very Low-Income households (50 percent of AMI). These income brackets represent the households most vulnerable to homelessness.

Other housing development programs, like the federal Low Income Housing Tax Credit, HOME Investment Partnerships Program and Community Development Block Grants, have been instrumental in developing housing to mitigate the incidences of homelessness. Whenever possible, permanent supportive housing for special needs populations including those with behavioral health issues is encouraged through programmatic scoring advantages.

HIF, as with other federal housing programs, is a housing development funding source and there is no funding available for the provision of supportive services. Projects receiving points in the allocation process for inclusion of supportive services are monitored to ensure they are, in fact, offering the services represented. The projects, however, are responsible for either finding an outside funding source for the services or funding them through project cash flow.

Coordination between supportive services and affordable housing is necessary to meet the needs of people with behavioral health issues. Services very frequently are key to successful long-term tenancy for this population. Services can range depending on the target population and may include case management, mental health services, alcohol and substance abuse counselling, independent living skills training, job and vocational skills training, health and medical care, and peer-to-peer guidance. Supportive services may also include things like transportation, housekeeping, and planned social and community engagement activities.

To ensure the best chance at success, services should be provided in a regular, stable setting like permanent supportive housing. PSH is defined as long-term housing with services designed to enable residents to be independent and avoid placement in an institutional setting.

Transitional housing is ideally designed to provide the housing and supportive services to help move people to independent living situations within 24 months. Because of the lack of accessibility to permanent housing for some, meeting that time goal can be very challenging. There is a bottleneck in the system because people with behavioral health needs, especially ex-offenders, struggle to make the conversion from transitional shelter beds to permanent housing. That lack of transitional shelter, in turn, prevents some from exiting institutionalization or results in homelessness.

As of June 2016, the Department of Corrections and Rehabilitation reports an average 272 ex-offenders housed in community-based transitional housing or halfway houses at an average daily cost to DOCR of \$64.88 per person or more than \$1,900 per person per month. In addition, DOCR averaged 11 people at Teen Challenge (a faith-based program) and 12 at Redemption Road (a faith-based housing provider for those in need of a second chance).

DOCR works with those exiting the system to develop a transition plan. Approximately 15 percent of the inmate population discharged from prison does so without any parole or probation supervision to follow. Some of those individuals resist any planning efforts on their behalf, according to DOCR Director Leann Bertsch. If there is no housing available because of the type of crime they committed (e.g. sex offenders), those discharged may reside temporarily in the DOCR trailer on the grounds of the State Penitentiary at a cost of \$7 per day. Others may seek housing with Redemption Road or are discharged into homelessness and seek emergency shelter through a local homeless service provider.

Likewise, Dr. Rosalie Etherington, director of the State Hospital, sees a lack of affordable and appropriate permanent housing as an obstacle for those transitioning from institutional care. Those leaving the state hospital for temporary housing are at higher risk for re-hospitalization based on the research that supports permanent housing as one piece of many for maintaining psychiatric stability.

Housing First is a concept where an individual is placed directly into permanent housing which acts as a stable platform for the delivery of supportive services. Once the chaos of homelessness is removed, stabilization can occur more quickly and be more enduring. Robust, yet voluntary, supportive services are hallmarks of the Housing First approach. Other models are based on a continuum from emergency shelter to transitional living and then to permanent housing based on clinical success.

Emergency and transitional shelter are the right steps for some people with behavioral health needs, especially those with substance abuse issues. Sober living facilities, halfway houses and other group homes provide intensive supports, case management and skills training that are necessary to move people to independent living situations. While emergency and transitional shelter are critical for the success of some individuals, they are not long-term solutions – only permanent housing is.

Behavioral health issues can affect households in all income ranges. We are most concerned with those with the lowest incomes because of the threat of homelessness that is posed. Behavioral health issues and poverty feed a cycle of chronic homelessness that is nearly impossible to escape without intervention and can be very costly to a community. The costs go far beyond shelter.

As an example, significant cost savings have been realized with the construction of Cooper House in Fargo. An Impact Report completed by Eide Bailly conducted in 2011, following the first full year of operation of the PSH project, showed a total savings for the community of \$204,140 by providing housing and services versus the costs incurred when the tenants were

homeless. And this does not totally capture the costs on the system – notably significant costs related to the judicial system and the state hospital for court-ordered rehab. The chronically homeless individuals housed at Cooper House are often “frequent fliers” with law enforcement, emergency shelters, medical emergency rooms and detox facilities and their tenancy in the “Housing First hybrid” project shows marked reduction in use of those resources.

Cooper House was developed using a number of funding sources including Low Income Housing Tax Credits, HOME, the Federal Home Loan Bank Affordable Housing Program and a payment in lieu of taxes from the City of Fargo, among others. Total development cost was \$3.7 million. The goal with this PSH project that serves people with the lowest incomes was to fund it with as little permanent debt as possible. Because of tenants’ lack of ability to pay rent, there isn’t sufficient cash flow to service debt as in a traditional housing project. Eighty percent of the rental revenue at Cooper House comes from project-based vouchers from HUD. The limited rents charged to tenants and voucher revenue goes to maintenance and operational costs which does not include the cost of services. Supportive services are funded through a grant from the Southeast Human Service Center to Dacotah Foundation. The 2015-17 biennium amount was \$514,855 with \$95,642 being federal or other pass through funds.

To help break down the silos between housing and service providers, NDHFA and the Department of Human Services created a statewide Supportive Housing Collaborative. The dialog that has been facilitated and the resource materials created have been helpful for each side in understanding the challenges of the other. Those efforts have been rolled down to the regional level, thanks to the guidance of the Money Follows the Person (MFP) Housing Grant staff. At a local level, housing and service providers are working together to better their communities.

One of the biggest accomplishments is the ongoing development of LaGrave on First, a Housing First PSH project in Grand Forks. The Grand Forks Housing Authority and Beyond Shelter Inc. are working on behalf of the Region IV Supportive Housing Collaborative to develop 42 housing units with supportive services to serve people facing chronic homelessness. Like Cooper House, one of the greatest challenges is lining up the development resources to make the project happen. Total development cost is projected to be \$9.5 million – which does not include the ongoing cost of services. The developers are continuing to determine available funding resources for the project. Tenants will pay 30 percent of their income toward housing, but the project will also utilize project-based vouchers to subsidize the rents. That, as with Cooper House, helps provide revenue for building maintenance, but not for services.

Rental assistance like the federal Housing Choice Voucher program can make the difference between housing and homelessness for people with behavioral health issues. The challenge is the dramatic oversubscription of the voucher program administered by 34 local public housing authorities in North Dakota. They receive a monthly budget authority from HUD and the number of households that can be supported depends on the amount spent. In 2016, HUD calculates 8,343 households per month can be supported by the budget authority, however first quarter usage data shows that only 6,514 are actually supported by the dollars provided. Because actual housing costs in North Dakota are greater than HUD’s funding formula, more subsidy per

household is required which means fewer households can be served with the voucher funding authority. Also, many housing authorities report long waiting lists, with some even closing their list to new applicants periodically.

The Department of Human Services was awarded a \$8.9 million Money Follows the Person Rebalancing Demonstration Grant by the Centers for Medicare and Medicaid Services in May 2007 to support community-based services and community inclusion of individuals with disabilities. Through MFP funding, there are two short-term rental assistance programs. MFP Rental Assistance is for older adults and individuals with physical or intellectual disabilities moving from nursing homes or intermediate care facilities. There have been 70 persons assisted ranging from \$250 to \$650 per month for a period of six months to three years for a total cost of \$141,827. The second is the North Dakota State Hospital Transition Assistance Fund, which helps cover costs as individuals exiting that institution or the Life Skills and Transition Center wait to obtain a housing voucher or need assistance in establishing a community residence. Through June 30, 2016, there have been 175 persons assisted at a maximum of \$2,500 per person for a total of \$263,191 spent. Funding for both of these programs ends September 30, 2020. MFP has assisted 206 older adults and individuals with a physical disability and 130 individuals with an intellectual disability transition to community housing. That grant for transitions will end December 31, 2017, and moving cost funding will end December 31, 2018.

The Department of Human Services, which administers the MFP grant, estimates it would cost about \$180,000 per year to replace the one-time moving cost assistance; approximately \$105,000 per year to replace the MFP Rental Assistance program (assisting 25 persons at \$400 per month); and \$112,500 per year to replace the State Hospital Transition Funds (45 people per year at \$2,500 per person). This is estimated only for currently eligible populations and does not take into account any expansion to assist individuals with behavioral health needs.

As I mentioned previously, criminal, credit and rental history can be significant roadblocks to accessing housing for people with behavioral health needs. To lessen the perceived jeopardy, the Fargo-Moorhead Coalition for Homeless Persons developed a local landlord risk mitigation fund in 2014. Landlords who agree to rent to people in the program can recover funds lost due to unpaid rent or excessive damage to units. The program is a formal partnership between housing providers, service providers, and persons with barriers to housing. The tenants are partnered with a supportive services worker who do monthly home visits and act as a communication bridge between the landlord and tenant. Landlords participating in the program can recover costs of up to \$3,000 for up to two years after initial tenancy. The pilot program, which was funded with private and other grant funding, has been successful with 27 leases covering 60 individuals (both in Fargo and Moorhead, MN) and only four claims paid to date totaling \$6,821.

Upon analyzing the current efforts of housing and service providers in the state, certain gaps were identified. Possible solutions to fill those gaps could include:

- Reauthorize and fund the North Dakota Housing Incentive Fund;

- Continue funding for the North Dakota Homeless Grant;
- Fund a statewide Landlord Risk Mitigation Fund; and,
- Enhance funding for supportive services paired with permanent housing.

The Housing Incentive Fund has been an effective means of encouraging development of affordable housing in the state. Since it was first created in 2011, about \$89.6 million has been allocated to projects which spurred over \$424 million in housing construction and created nearly 2,500 new housing units. Of those, 1,141 are targeted to low-income households.

The 2016 Statewide Housing Needs Assessment projects that while households of all income levels will grow over the next 15 years, the fastest growth will occur among extremely low- and very low-income households. Those two income categories are projected to increase by 24,591 households, which is 35.6 percent of total statewide household growth. Senior households are also expected to grow significantly at 52.4 percent or by 54,971 households. Housing that is affordable for these groups will be crucial into the future.

When the Housing Incentive Fund was first created during the 62nd Legislative Assembly, it was funded with \$15 million in state income tax credits. It was reauthorized during the 63rd Legislative Assembly and funded with \$20 million in tax credits and a \$15.4 million general fund appropriation. In the 64th Legislative Assembly, the Housing Incentive Fund was funded with \$30 million in tax credits and received \$5 million from the profits of the Bank of North Dakota. An additional \$5 million was transferred from BND because they hit a certain profit benchmark for 2015.

The North Dakota Homeless Grant was created in 2013 and funded with a \$2 million appropriation to the Department of Commerce. It was continued in 2015 with a \$1.5 million appropriation. In the Division of Community Services' 2015 North Dakota Homeless Grant progress report, there were 6,491 youth and adults served through street outreach, emergency shelter, prevention and rapid re-housing. Of those, 986 had a severe mental illness and 1,529 had chronic substance abuse issues. Another 1,953 were chronically homeless and 1,420 had some other disabling condition.

A statewide landlord indemnification fund was identified as an action step in the North Dakota Interagency Council on Homelessness 10-year plan, but has not been funded to date. The Division of Community Services, NDHFA, and North Dakota Coalition for Homeless People submitted a request for \$500,000 of Medicaid Rebalancing funds to start a statewide fund, but it was not funded. It is estimated that a fund of that size could serve 500 people per year for 30 months (assuming a 25 percent claim rate and \$1,500 average pay out).

As I have discussed at length in this document, supportive services are vital to addressing the issues complicating housing success for people with behavioral health needs. It is important that the response to housing in the state not be done in isolation, but must be paired with community-based services to be successful. Adequate ongoing funding for the provision of services is one of the greatest obstacles for developers of permanent supportive housing.

The North Dakota Housing Finance Agency plans to continue working with our partner organizations and state agencies to examine and address the housing challenges of all North Dakota residents, including the complex issues for people with behavioral health needs. We appreciate the collaborative work that has been done so far and look forward to continued use of affordable supportive housing to meet our common goals.