



STATE OF WASHINGTON
DEPARTMENT OF COMMERCE

1011 Plum Street SE • PO Box 42525 • Olympia, Washington 98504-2525 • 360-725-4000
www.commerce.wa.gov

June 6, 2023

Ms. Sarah Bannister, Secretary of the Senate
312 Legislative Bldg.
PO Box 40482
Olympia, WA 98504-0482

Mr. Bernard Dean, Chief Clerk of the House of Representatives
338B Legislative Bldg.
PO Box 40600
Olympia, WA 98504-0600

Re: Washington state investments in affordable housing projects, including permanent supportive housing (Sec. 128(114) of the 2021-23 biennial operating budget)

The Corporation for Supportive Housing's (CSH) report titled "Washington State Investments in Housing Operations and Tenancy Support Services – Cost Projects and Program Enhancements" is attached. The report is in response to Section 128, subsection 114 of the 2021-23 biennial operating budget ([Chapter 297, Laws of 2022](#)):

\$170,000 of the general fund—state appropriation for fiscal year 2022 and \$130,000 of the general fund—state appropriation for fiscal year 2023 are provided solely for the department to perform an analysis of the property operations and maintenance costs and tenant supportive services costs for affordable housing projects that receive funding from the Washington housing trust fund. The projects to be analyzed must include, but are not limited to, permanent supportive housing and youth housing taking into consideration housing projects that have been in service for a sufficient time that actual costs can be determined. The analysis shall include a categorized overview of the expenses and fund sources related to the maintenance, operations, and supportive services necessary for the affordable housing projects to be successful in housing the intended population, as well as identify other available funding sources for these costs. The analysis must also explore the timing and alignment challenges for pairing operational and supportive services funding with the initial capital investments, and make recommendations relating to any benchmarks that can be established regarding future costs that would impact the operating budget, and about the state's role in planning, support, and oversight to ensure long-term sustainability of these projects. The department may hire a consultant to conduct this study. The department shall report its findings and recommendations to the office of financial management and the appropriate committees of the legislature by December 1, 2022.

The goals of the study are:

- Conduct a categorized overview of expenses and fund sources related to the maintenance, operations, and supportive services necessary for the affordable housing projects to be successful in housing the intended population, as well as identify other available funding sources for these costs.
- Explore the timing and alignment challenges for pairing operational and supportive services funding with the initial capital investments and make recommendations relating to any benchmarks that can be established regarding future costs that would impact the operating budget and the state's role in planning, support and oversight to ensure the long-term sustainability of these projects.

In its review, CSH offered key findings and recommendations in areas that focused on a lack of sufficient revenue to support the operations and services of the new supportive and youth housing pipeline that is being or will be funded with state capital funds. Recommendations to address this gap include increased collaboration with local funders, maximizing Medicaid reimbursable services such as [Foundational Community Supports](#), and a dedicated source of ongoing revenue for housing operations. In addition, CSH recommended reducing administrative burdens and measuring housing stability rates, tenant satisfaction, and racially equitable outcomes. Lastly, CSH recommended consistency amongst all of Commerce's supportive housing investments by utilizing the same eligibility criteria.

CSH used data from the Web-Based Annual Reporting System (WBARS)¹ and from dozens of organizations' applications for, and expenditures from, the Permanent Supportive Housing Operations Maintenance Services (PSH-OMS), and analyzed the operations and maintenance costs for affordable housing projects financed by the Housing Trust Fund. Appendix B is a summary of its data analysis. CSH identified several challenges with the data reported to Commerce, specifically the significant variation between the expenses reported in the PSH-OMS application/budget and the WBARS reporting system.

Based on its analysis, CSH recommends setting two statewide application benchmarks beginning in 2023:

- Up to \$17,000² per unit/per year for operating and maintenance costs of supportive and youth housing.
- Up to \$10,000² per tenant/per year for supportive services costs. Because of the lack of consistency in the data reported to Commerce, CSH recommends building upon the FCS Medicaid annual estimated fee-for-service rate, assuming the Health Care Authority will conduct an annual rate study projecting a rate of \$10,000 per tenant/per year.

We appreciate CSH's findings and recommendations, as they will help improve the processes and state programs and lead to more equitable delivery of state resources and, in turn, more

¹ WBARS is an online reporting system co-administered by the Housing Finance Commission and Department of Commerce. Capital funding recipients report annual data about the people/households benefiting from the funded projects, as well as their property operations, maintenance, and supportive services expenses.

² In addition, the report recommends allowing for an estimated 3% inflation factor for operating costs in applications.

equitable availability of PSH-OMS. Commerce has identified some assumptions and recommendations where our perspectives differ or additional research and/or clarity is required. For example, several recommendations are focused on reducing the administrative burden on the housing operators, which we generally support with some caveats.

- **Issue 15-year commitments:** Commerce is committed to continuity and sustainability for operations, maintenance and supportive services for projects already awarded OMS-PSH. Our contracts will need to be renewed each biennium and awards will need to be conditional on funding availability, as funding streams for PSH-OMS fluctuate based on recording fee revenues and biennial legislative appropriations.
- **Annual invoice expense reconciliation, instead of monthly:** Commerce will explore strategies to reduce administrative burdens while maintaining responsibility for ensuring accountability for public resources. Commerce staff currently track invoice inconsistencies and irregularities from contractors and identify training and technical assistance strategies to reduce the administrative burden on our contractors.
- **Cost analysis and recommended benchmarks:** Commerce agrees with CSH's recommendations that clarification of the definitions of the cost categories and ensuring consistency among all contractors is needed. Commerce is coordinating with local funders and contractors to ensure cost category definitions are consistent and planning for a more streamlined and standardized budget and data collection. Commerce is interested in implementing the CSH recommended benchmarks for operations, maintenance and services on a pilot basis for the 2023-25 biennium, and will ensure more robust collection of data and expenditure information to record these costs accurately. The first step in this process is issuing consistent definitions for budget line items and cost categories. More analysis and evaluation will occur at the end of the biennium to determine the impacts of these benchmarks before committing to a permanent implementation.

Some of the strengths of the CSH report are identifying and encouraging strategies that leverage and increase partnership with local funders and Medicaid reimbursement for tenancy support services. For example, CSH recommended utilizing [Foundational Community Supports](#) (Medicaid reimbursable supportive housing services) to the greatest extent to stretch PSH-OMS. The report also identified Chapter 214, Laws of 2021 ([ESSHB-1277](#)) funds as a new revenue stream that will support project-based vouchers in PSH units. Commerce supports both of these recommendations and is closely coordinating with other state agencies, local funders and community organizations to implement these efforts.

Commerce recently restructured its divisional organization and created a PSH-dedicated unit within its newly formed Housing Division. The [Office of Apple Health & Homes and Permanent Supportive Housing](#) is charged with sustaining, expanding and improving the quality of PSH across the state. Within this new unit, several initiatives are underway to bring PSH-focused strategies to fruition. For example, a newly formed [PSH Advisory Committee](#) will provide feedback from the community and people with lived experience on the expansion and quality of PSH and the [Apple Health & Homes Initiative](#), which aligns housing stock with supportive services through Foundational Community Supports. The Office is also collaborating closely

with the Health Care Authority, the Department of Social and Health Services, and local funders to promote consistency and collaboration across the state.

We thank CSH for its ongoing collaboration and comprehensive report. We view this analysis as a key starting point in ensuring the state's expansion and sustainability of PSH. Research continues to emerge on the effectiveness of PSH in addressing homelessness for individuals with complex health and behavioral health needs when it is part of a robust continuum. PSH is growing rapidly, and partnerships with national experts such as CSH are gratifying and ensure that support, technical assistance, research and expertise are available to housing providers.

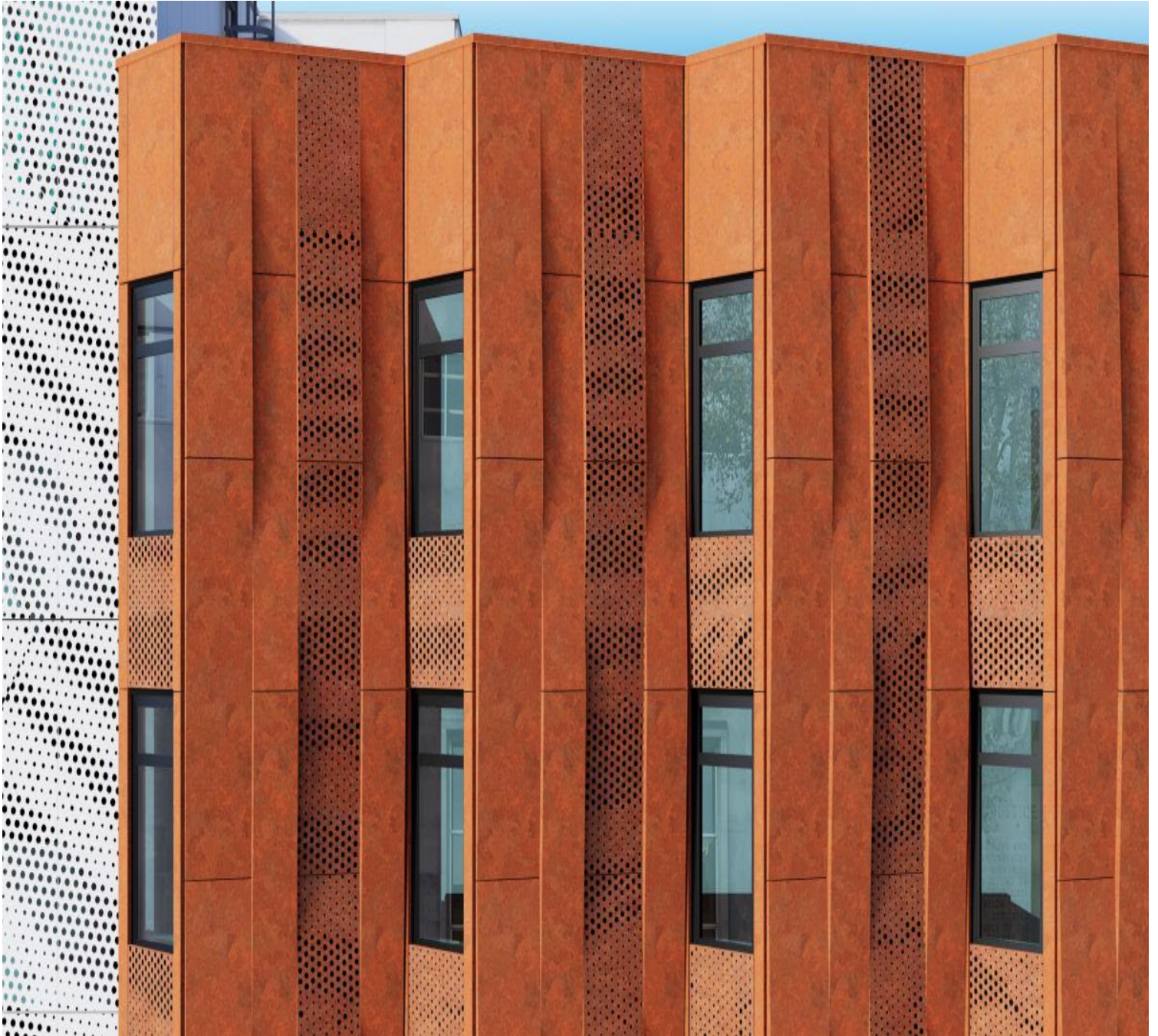
For current PSH-OMS projects it is clear, as a result of this report, that a more robust and consistent data collection system to capture budget/expenditure definitions, tenant demographic information and outcomes, and qualitative and quantitative research is needed to sustain and improve the quality of PSH in our state as additional investments are made to meet the needs of complex individuals. As significant investments into this model have occurred throughout the last several years and as Commerce moves forward with our dedicated efforts to expand and improve the quality of PSH throughout our state, we must also continue to refine the PSH model for consistency and widespread understanding of what PSH is and what PSH is not. PSH is a specific model rooted in research with a set of principles. Commerce will work with local funders and housing providers to ensure consistency in the model is adhered to as PSH continues to improve and expand. This consistency will also contribute to knowing the true costs of providing PSH for future cost modeling exercises and state-level budgeting.

Respectfully submitted,

A handwritten signature in black ink that reads "Melodie Pazolt". The signature is written in a cursive, flowing style.

Melodie Pazolt
Managing Director
Office of Apple Health & Homes and Permanent Supportive Housing
Housing Division
Department of Commerce

Washington State Investments in Housing Operations and Tenancy Support Services



Costs Projections and Program Enhancements

for investing in affordable housing operations and tenancy support services

Introduction

This report was commissioned by the Washington Department of Commerce “Commerce” to fulfil the requirements of State of Washington Budget Proviso, 2021-23 Biennium Operating Budget, ESSB Section 129 (114). The report is organized in three parts and contains three detailed appendices.

Part I: Purpose and Goals	Appendix A: Stakeholder Engagement
Part II: Findings & Recommendations	Appendix B: Data and Analysis
Part III: Proposed Program Guidelines	Appendix C: Funding Sources and Projections

Part I: Purpose and Goals of the Budget Proviso and Scope of Work

1. *Stated purpose of Washington’s investments in affordable, supportive, and youth housing:*

- a. Ensure Washington residents who are experiencing chronic homelessness have quality housing and services.
- b. Reduce institutional burdens (healthcare and criminal justice).
- c. Improve individual outcomes.
- d. Contribute to a systemic financing approach that provides:
 - i. continuity and assurance for housing providers,
 - ii. flexibility for shifting and targeting funds, and
 - iii. continual practices for quality improvement.
- e. Contribute to a more thriving state.

2. *Purpose of the study:* The stated purpose of the study is to inform meaningful structural reform in the administration of the state’s permanent supportive housing (PSH)- OMS program to meet the goals above. Deliverables in the consultant’s scope of work included:

- a. Identify and investigate the financial operating deficits experienced by permanent supportive housing providers that may lead to deferred maintenance, understaffed facilities, and other issues contributing to inadequate housing for residents.
- b. Help the state of Washington evaluate the operating and service costs for the provision of supportive housing, and model the projected growth of these costs given the existing pipeline and anticipated revenue sources.
- c. Propose benchmarks and best practices for the operation of these programs.
- d. Collect and analyze data from the housing trust fund (HTF) and other public funders to estimate the production of supportive housing in the next five years.
- e. Evaluate the applicability of various revenue sources that enable supportive housing projects to thrive.

Part II: Findings and Recommendations

CSH conducted this study in collaboration with Commerce, a Commerce-identified workgroup (*see Appendix A for members*), our subcontractor ECONorthwest, and other interested stakeholders. CSH's findings and recommendations draw on the input of these entities, data supplied by Commerce, and best practices identified in CSH's work across the country. Commerce noted that while the focus of the Budget Proviso is on supportive housing, youth housing and other affordable housing should be part of the analysis. Following are CSH's key findings and recommendations.

Key findings and recommendations:

1. There is insufficient revenue to support the operations and services of the pipeline of new supportive and youth housing funded with state capital funds. Addressing this deficit will require collaboration with partner public funders, maximizing the state's Foundational Community Supports (FCS) program, and a dedicated source of ongoing revenue for housing operations.

2. Commerce should reduce administrative burdens associated with monthly invoice reconciliation and redirect staff time to measuring outcomes of the state's investments in housing and tenancy support services. Measuring housing stability rates and tenant satisfaction, disaggregated by race, will also help to ensure racially equitable outcomes.

3. To meet its goals of reducing chronic homelessness and costly, unnecessary institutionalization, the state should use the same eligibility criteria and tenancy support services definition for all its investments in supportive housing.

Additional findings and recommendations are organized in the following three categories.

- A. Cost Analysis and Recommended Benchmarks
- B. Revenue Sources and Cost Projections
- C. Program Administration and Outcomes

A. Cost Analysis and Recommended Benchmarks

Topic	Findings	Recommendations
<p>1. Address challenges related to cost categories.</p>	<p>The costs of front-desk staffing, 24/7 staffing and housing milieu services provided on behalf of all tenants in an apartment building are not defined as operating costs or services costs in the Commerce application or provider budgets, resulting in unclear application guidelines, uses of funds and expense forecasting.</p>	<p>Operating costs on applications should include all industry standards for operating housing, including front desk staffing, 24/7 staffing and housing milieu services provided on behalf of all tenants in a housing development. (While providers might employ individuals with services backgrounds in these roles, these costs are clearly distinguished as those that are part of managing an apartment building.)</p> <p>Tenancy-sustaining services should be distinguished in project budgets as those that address the housing stability and well-being of individual tenants.</p>
<p>2. Housing operating cost analysis and funding benchmarks</p>	<p>Operating subsidies are the “O&M”- operating and maintenance subsidies- in OMS. They pay the difference between tenant rents and the cost of operating a housing development.</p> <p>Commerce seeks to set cost benchmarks for operating costs.</p> <p>Commerce reimburses operating costs based on actual expenses. Benchmarks provide parameters for OMS applications and are a tool for projecting future program expenses.</p> <p>Sources to inform recommended benchmarks included extensive project application and reporting data from Commerce based on geography, Commerce-designated populations, two service models, size of buildings, fair market rents, and public housing agency (PHA) payment standards. <i>(See Appendix B for details.)</i></p>	<p>Set a state-wide application benchmark for operating costs of \$17,000 per unit per year for supportive and youth housing and \$10,000 per unit per year for all other affordable housing beginning in 2023. Providers with costs anticipated above these benchmarks should be required to request an exception prior to applying.</p> <p>Allow for an estimated 3% inflation factor for operating costs in applications.</p> <p>Use these benchmarks to model the cost of operations for the state’s capital pipeline ongoing.</p> <p>CSH does not recommend setting cost benchmarks based on geography because Commerce and all other public funders of operating subsidies reimburse only for the actual gap between tenant rents and the cost of operating a housing development and because costs vary within geographies. Establishing geographic cost benchmarks will create unnecessary administrative burden that will not change funding amounts.</p>

<p>3. Tenancy support services cost analysis and funding benchmark</p>	<p>Tenancy support services are the “S” in OMS. They help tenants get housed, stay housed, and thrive in their communities.</p> <p>Commerce seeks to establish a cost benchmark for tenancy support services in PSH and Youth housing.</p> <p>The Washington State Health Care Authority (HCA) also pays for tenancy support services.</p> <p>HCA’s program (FCS) pays \$6,720 per person per year with a provision for additional funding for individuals in need of more services. <i>(See Appendix B for details.)</i> In response to provider concerns that this rate is insufficient to pay professional wages to recruit and retain staff and deliver effective services, HCA will soon be conducting a Medicaid reimbursement rate study.</p> <p>Application and reporting data supplied by Commerce were insufficient to extrapolate total services costs within the OMS portfolio. <i>(See Appendix B for details.)</i></p> <p>The CSH services budgeting tool calculated annual expenses of \$10,000 per household per year for tenancy support services in Washington. <i>(See Appendix B for details.)</i> Workgroup members indicated this amount is generally in line with actual costs.</p>	<p>The state should have one rate for tenancy support services regardless of the department reimbursing these costs.</p> <p>This rate should be informed by the costs of employing staff at professional-level salaries to administer services at supportive housing fidelity levels of one staff person to every 15 households served. They should also cover supervision and other program expenses.</p> <p>Set a benchmark for supportive and youth housing tenancy support services costs of \$10,000 per tenant per year beginning in 2023.</p> <p>Allow for an estimated 3% inflation factor for services costs in applications.</p> <p>When the HCA’s FCS rate study is completed, Commerce should adopt the same rate of reimbursement for OMS tenancy support services. HCA and Commerce should work together to establish a regular schedule of reviewing rates to account for changes in costs.</p>
---	--	--

B. Revenue Sources and Cost Projections

Topic	Findings	Recommendations
<p>1. Work with all other public funders of operating subsidies and tenancy support services to weave together available public funding at the system level.</p>	<p>Commerce staff are concerned that its status as a “gap funder” makes it impossible to know if local jurisdictions are maximizing their investments in operating and services before Commerce covers the gap.</p> <p>CSH researched all other existing sources and amounts of annual operating and services funding and identified the following: U.S. Department of Housing and Urban Development (locally allocated) Continuum of Care: approximately \$500,000-\$1M state-wide, King County: \$2.5M, City of Seattle: \$3.5-4.5M, and Snohomish County: up to \$300,000. <i>(See Appendix B for details.)</i></p> <p>Tenancy support services providers often link their clients to ancillary services such as nursing care, personal care, and substance use disorder and mental health services, which may or may not be provided in the apartment building where the person lives. These services are not paid by OMS.</p> <p>Commerce is interested in helping tenancy support services providers braid their efforts with those of ancillary service providers for seamless service delivery and integrated supports.</p>	<p>All public funders are the gap funders of the difference between tenant rents and the cost of operating affordable housing. They must work together to strategically fill this gap and ensure providers have the revenue they need to successfully operate housing.</p> <p>In 2023, Commerce should initiate an integrated funding process with all other public funders of operating subsidies and tenancy support services in the state to weave their sources together at the system level at the following milestones:</p> <ul style="list-style-type: none"> • Milestone 1: At the time capital applications are received and awards are made: Commerce is in the practice of communicating with partner funders at this milestone. • Milestone 2: At the time of first application for OMS and when providers place their units in service: CSH has introduced Commerce to the King County combined funders of operating and services. Commerce will observe King County’s process in 2022, and both jurisdictions have indicated an interest in collaborating in 2023. • Milestone 3: At the time OMS contracts are being renewed each year/biennium. • Milestone 4: At the time of review of the annual Web-Based Annual Reporting System (WBARS) submittals and Annual CPA Audits. <p>Commerce could explore ways to support partnerships between tenancy support and ancillary service providers and encourage funders of ancillary services to increase their funding of those services.</p> <p>OMS should not pay for ancillary services, and the funding providers receive for ancillary services should not be part of the</p>

		<p>Commerce OMS application or WBARS reporting requirements.</p> <p>Resources for ancillary services should not be stretched to pay for tenancy support services because they have defined purposes that tenants need in addition to tenancy support services.</p>
<p>2. Existing Revenue Sources and Projected Costs of the Capital Pipeline</p>	<p>Public funders generally estimate that a housing development will begin needing operating subsidies and services funding two years after its capital award because of the time it takes to buy, build, and/or rehabilitate housing.</p> <p>Commerce reports that the state and other public funders have awarded capital financing for the creation of 1,757 units of PSH that will be in need of OMS when they open over the next two years.</p> <p>Commerce estimates the remaining capital funds this biennium will produce an additional 1100 units of PSH.</p> <p>In 2022, Commerce reported that it allocated the last of its currently-available OMS funds to new projects.</p> <p>The only potential new source to be allocated to these units is the project-based rental assistance associated with ESSHB 1277, which Commerce is working now to implement. This source is estimated at \$53M annually, and 60% of revenue is directed to PSH and other housing efforts. (Predicting revenue from this and other document recording fees is difficult due to fluctuations in the real estate</p>	<p>The following projections estimate the annual cost of operating subsidies and services funding for the 2,857 units in the current capital pipeline and the projected OMS portion of these costs. <i>(Please see Appendix C for model assumptions and details.)</i></p> <p>2023 New units opening: 879 Total operating & services need: \$21M Estimated OMS portion: \$13M (61%)</p> <p>2024 New units opening: 878 Cumulative new units in operation: 1757 Total operating & services need: \$43M Estimated OMS portion: \$26M (60%)</p> <p>2025 New units opening: 550 Cumulative new units in operation: 2,307 Total operating & services need: \$59M Estimated OMS portion: \$35M (60%)</p> <p>2026 New units opening: 550 Cumulative new units in operation: 2,857 Total operating & services need: \$75M Estimated OMS portion: \$45M (60%)</p> <p>Because the ESSHB 1277 funds are the only known source of potential operating and services support for the capital pipeline, Commerce should work with counties to dedicate these funds to the PSH pipeline of units opening over the next four years.</p>

	<p>market.) Counties have the right of first refusal to manage these funds.</p> <p>Commerce also suggested that existing PSH programs in the state should be explored for their potential to support the capital pipeline.</p>	<p>*A dedicated source of ongoing revenue for housing operations and services is needed for the current capital pipeline and should be right-sized to align with future appropriations of capital funds.</p> <p>Please see Appendix C for an overview of two state supportive housing programs identified by Commerce as having the potential to align with the capital pipeline.</p>
<p>3. Increase FCS utilization to stretch OMS and partner funder dollars further for housing operations.</p>	<p>Commerce and HCA report that FCS, the state’s largest program for investing in tenancy support services, is currently underutilized. This program is primarily paid for by the federal government.</p> <p>ESSB 5693, page 128, Line 14 describes provider grants as an eligible use of funds under the AHAH Act.</p>	<p>For every \$20M in new funding appropriated for OMS, the state and its partner public funders could house and serve 1,397 households.</p> <p>If this same appropriation were paired with FCS covering 75% of services costs, the state and its partner public funders could house and serve 2,034 households, a 46% increase.</p> <p>Achieving this increase in FCS utilization would require significant investments in provider capacity-building in 2023 and 2024 and would not be likely be realized until 2025.</p> <p>The funds associated with ESSB 5693 page 128, line 14 should be invested in a robust provider capacity-building initiative to increase FCS utilization.</p>

C. Program Administration and Outcomes

Topic	Findings	Recommendations
<p>1. Consistently apply pertinent statutes and programs to all PSH investments.</p>	<p>Washington State has adopted statutes and corresponding funding streams to promote best practices in PSH.</p> <p>If fully funded and consistently applied, these policies position the state to make a significant impact in reducing chronic homelessness and unnecessary institutionalization.</p>	<p>All state agencies administering supportive housing capital, operating, and services funding should draw from the following statutes and programs and work together to administer supportive housing with one clear set of eligibility criteria, a common tenancy supports service model, eligible uses, outcomes, and measurements.</p> <ul style="list-style-type: none"> • Permanent Supportive Housing definition: RCW 36.70a.030(19) • Apple Health and Homes (AHAH) Act: RCW 74.09 parts 885, 886, and 888, RCW 43.333.184, RCW 43.330.181, and related budget appropriations. • Foundational Community Supports (FCS): WAC 182-559 • Revenue for rental assistance and housing stability services: ESSHB 1277 • Supportive Housing Advisory Committee: SHB 1727
<p>2. Establish OMS Program Guidelines.</p>	<p>Some guidelines for the OMS program are imbedded in contracts, but there is not yet a set of comprehensive written Program Guidelines.</p> <p>Commerce has clear Program Guidelines for its Independent Youth and Young Adult Housing Programs and the Community Behavioral Health Rental Assistance program.</p>	<p>CSH has developed a set of recommended draft Program Guidelines for key portions of the OMS program based on findings and recommendations in this report, which can be found in Part III.</p> <p>CSH recommends that Commerce work with the new State Supportive Housing Advisory Committee to adopt final Program Guidelines prior to its 2023 funding rounds.</p>
<p>3. Bring the investments in supportive housing from multiple state agencies and programs into alignment to ensure desired outcomes.</p>	<p>With the creation of AHAH, Commerce now has two different approaches to investing OMS funds in supportive housing.</p> <p>AHAH directs investment toward supportive housing projects that use state-specified eligibility</p>	<p>*In order to ensure state investments in supportive housing achieve the goals of budget proviso and the AHAH Act, the state should consistently apply its well-defined tenant eligibility criteria and tenancy support services model to all of its investments in supportive housing and measure the outcomes of these investments consistently. (Medicaid eligibility should continue to apply only to the FCS program.)</p>

	<p>criteria and a clearly-defined tenancy support services model.¹ Current OMS investments have undefined and overlapping eligibility criteria and service models for supportive housing. This makes it impossible for the state to know whether it is investing in quality supportive housing that will meet its goals of reducing chronic homelessness and unnecessary institutionalization.</p> <p>AHAH directs at least ten percent of its funding to organizations that serve and are substantially governed by (“by and for”) individuals disproportionately impacted by homelessness and behavioral health conditions, including Black, indigenous, and other people of color, lesbian, gay, bisexual, queer, transgender, and other gender diverse individuals.</p>	<p>Commerce should apply the state’s commitment in AHAH to “by and for” providers to all OMS investments.</p> <p>These changes should apply to all future allocations of Commerce capital funds, operating, rental assistance, and tenancy support services for supportive housing.</p> <p>Changes to bring Commerce’s existing portfolio of self-identified PSH into alignment should be implemented upon contract renewal and unit turnover. Some providers will require time and technical assistance to make these changes, and each should work with Commerce to establish a work plan and timeline for doing so.</p>
<p>4. Include and invest in organizations led by and serving primarily Black, indigenous, and other people of color (BIPOC).</p>	<p>BIPOC-led organizations and those providing culturally-specific services are largely missing from decision making tables regarding OMS policy and program work.</p>	<p>Commerce should:</p> <p>Continue to seek and apply technical assistance (TA) and support in its review of and changes to policies to be inclusive and supportive of BIPOC-led and culturally specific agencies.</p> <p>Learn from BIPOC and culturally-specific agencies to inform the work of establishing OMS Program Guidelines and provide TA to them about Commerce programs they may have historically not been able to access.</p> <p>Contract directly with “by and for” organizations to build wealth and capacity in these organizations.</p> <p>Create incentives for larger, more experienced BIPOC led/culturally specific organizations to mentor smaller ones.</p>

¹ AHAH has two fewer eligibility criteria than FCS and does not require Medicaid eligibility.

		Learn from BIPOC led/culturally specific organizations about how to elevate their work to address disparities in housing and provide tenancy support services for communities of color. Share learnings with mainstream (often white-led) organizations.
5. Streamline the process of expense reconciliation to shift staff time to tracking outcomes.	The current approach to monthly invoice reconciliation creates substantial administrative burden for Commerce staff and providers, which impedes the state’s ability to measure the outcomes of its investments.	The proposed Program Guidelines in Part III of this report shift invoice reconciliation to an annual process and include audits every two years. Commerce should explore allowing project expenses for providers to hire a certified public accountant (CPA) to conduct a single site audit to ensure proper reconciliation.
6. Begin to track basic tenant outcomes of investments.	The state does not track the outcomes of its OMS investments.	* Commerce should begin tracking housing stability rates and tenant satisfaction disaggregated by race as noted in AHAH as soon as possible and make course-corrections as-needed to ensure more equitable and successful tenant outcomes.
7. Align Commerce operating and rental assistance commitments with accountability periods of capital investments.	Contracts for OMS are limited to two-year terms due to the biennial nature of appropriations. Providers are held to affordability covenants of 40-75 years with their capital funders, including Commerce.	Allow Commerce to make 15-year funding commitments for OMS and all other operating subsidies and project based rental assistance, subject to appropriations.

PART III- Proposed Permanent Supportive Housing – Operating, Maintenance, and Supportive Services (PSH – OMS) Program Guidelines

It is standard for Commerce programs to have dedicated guidelines to ensure that programs run as efficiently as possible. Detailed guidelines provide transparency in the program for both Commerce and grantees. CSH recommends creating written program guidelines for the OMS program similar to those that exist for more established programs such as the Community Behavioral Health Rental Assistance Program (CBRA) and the OHY for Housing Programs (Independent Youth Housing Program and Young Adult Housing Program).

In this section, CSH offers draft proposed Program Guidelines focusing on Program Eligibility, Program Operations, Eligible Activities and Costs, Grantee Monitoring, and Recommended Appendices based on the findings and recommendations in this report. CSH recommends that Commerce work with the Supportive Housing Workgroup established under SHB 1724 to finalize the OMS Program Guidelines.

Program Guidelines

1. Definitions

1.1. Housing operations –

All costs associated with the day-to-day operation of housing. These include, but are not limited to: administrative costs, utilities, maintenance, security, taxes, and insurance expenses as well as personnel costs, which can be designated as on-site and/or off-site property management and maintenance services. Front desk, 24/7 staffing, and milieu services that are provided on behalf of all tenants in a building are housing operating costs. While providers might employ individuals with services backgrounds in these roles, these costs are clearly distinguished as those in support of managing an apartment building.

1.2. Tenancy Support Services –

Also known as “Community Support Services” in the Apple Health and Homes (AHAH) program – Definitions, RCW 74.09.885, and consistent with services defined in the Foundational Community Supports program – WAC 182-559-100, means: active search and promotion of access to, and choice of safe and affordable housing that is appropriate to the client’s age, culture, and needs and ongoing supports to assure ongoing successful tenancy. These services include:

- A. Conducting a functional needs assessment to identify the participant's preferences related to housing (type, location, living alone or with someone else, identifying a roommate, accommodations needed, or other important preferences), and to identify the participant's needs for support to maintain community integration. This includes what type of setting works best for the client, assistance in budgeting for housing and living expenses, assistance in connecting the client with social services to assist with filling out applications and submitting appropriate documentation to obtain sources of income necessary for community living and establishing credit, and in understanding rights and requirements of tenancy.
- B. Assisting clients to connect with social services to help with finding and applying for housing necessary to support the client in meeting their medical care needs.
- C. Developing an individualized community integration plan based upon the assessment as part of the overall person-centered plan.
- D. Identifying and establishing short and long-term measurable goal(s), and establishing how goals will be achieved and how concerns will be addressed.
- E. Participating in person-centered plan meetings at redetermination and revision plan meetings, as needed.
- F. Supports and interventions according to the person-centered plan.
- G. Service planning support and participating in person-centered plan meetings at redetermination and revision plan meetings as needed.
- H. Coordinating and linking the client to ancillary services including:
 - a) Primary care and health homes
 - b) Substance use disorder treatment providers
 - c) Mental health providers
 - d) Medical, vision, nutritional and dental providers

- e) Vocational, education, employment and volunteer supports
- f) Hospitals and emergency rooms
- g) Probation and parole
- h) Crisis services
- i) End of life planning
- j) Other support groups and natural supports.
- I. Entitlement assistance including assisting clients in obtaining documentation, navigating and monitoring application processes and coordinating with the entitlement agency.
- J. Assistance in accessing supports to preserve the most independent living, including skills coaching, financing counseling, anger management, individual and family counseling, support groups, and natural supports.
- K. Providing supports to assist the client in communicating with the landlord and/or property manager regarding the participant's disability (if authorized and appropriate), detailing accommodations needed, and addressing components of emergency procedures involving the landlord and/or property manager.
- L. Coordinating with the client to review, update and modify their housing support and crisis plan on a regular basis to reflect current needs and address existing or recurring housing retention barriers.
- M. Connecting the client to training and resources that will assist the client in being a good tenant and lease compliance, including ongoing support with activities related to household management.

Community support services must be provided in an integrated setting of the client's choice; and in a manner that ensures the client's individual rights of privacy, dignity, respect, and freedom from coercion and restraint.

1.1. Ancillary services –

Tenancy support service providers often link their clients to ancillary services such as nursing care, personal care, substance use disorder, and mental health services, which may or may not be provided in the apartment building where the person lives. OMS does not pay for ancillary services. Resources for ancillary services are not requested on Commerce applications or reports, nor are they considered sources of tenancy support services funding.

1.3. Permanent Supportive housing (PSH) –

RCW 36.70A.030 (19)"Permanent supportive housing" is subsidized, leased housing with no limit on length of stay that prioritizes people who need comprehensive support services to retain tenancy and utilizes admissions practices designed to use lower barriers to entry than would be typical for other subsidized or unsubsidized rental housing, especially related to rental history, criminal history, and personal behaviors. Permanent supportive housing is paired with on-site or off-site voluntary services designed to support a person living with a complex and disabling behavioral health or physical health condition who was experiencing homelessness or was at imminent risk of homelessness prior to moving into housing to retain their housing and be a successful tenant in a housing arrangement, improve the resident's health status, and connect the resident of the housing with community-based health care,

treatment, or employment services. Permanent supportive housing is subject to all of the rights and responsibilities defined in chapter [59.18 RCW](#)².

2. Program Eligibility

2.1. Grantee Eligibility –

Grantee must own or master lease multifamily rental housing projects and have received capital funding from the Washington State Housing Trust Fund, or from another public capital funding source. Supportive services may be provided by the grantee, or a third party non-profit service provider, provided the grantee and third-party services provider can demonstrate they are operating under an executed memorandum of understanding.

2.2. Tenant Eligibility

2.2.1. Eligibility for Housing –

To be eligible to live in OMS-funded housing, tenants must have incomes at or below 30% of the area median income.

2.2.2. Eligibility for Services -

To be eligible for OMS-funded tenancy support services, a person must meet at least one of the following six eligibility criteria:

1. Be a homeless person (as defined in RCW 43.185.010) with a long-continuing or indefinite physical condition requiring improvement, stabilization, or prevention of deterioration of functioning, including the ability to live independently without support and have at least one of the following five risk factors:
 - a. Be a homeless person at the time of the eligibility determination for the program and have been homeless for 12 months prior to the eligibility determination; or
 - b. Have been a homeless person on at least four separate occasions in the three years prior to the eligibility determination for the program, as long as the combined occasions equal at least twelve months; or
 - c. Have a history of frequent or lengthy institutional contact, including contact at institutional care facilities such as jails, substance use disorder or mental health treatment facilities, hospitals, or skilled nursing facilities; or
 - d. Have a history of frequent stays at adult residential care facilities or residential treatment facilities.
2. Be assessed as likely eligible for, but not yet enrolled in, a medical assistance program to the severity of behavioral health symptom acuity level which creates barriers to accessing and receiving conventional services.
3. Be assessed by a licensed behavioral health agency to have a behavioral health need which is defined as meeting one or both of the following criteria:
 - a. Having mental health needs, including a need for improvement, stabilization, or prevention of deterioration of functioning resulting from the presence of a mental illness.

² Washington State Legislature, "Definitions," <https://app.leg.wa.gov/rcw/default.aspx?cite=36.70a.030>

- b. Having substance use disorder needs indicating the need for outpatient substance use disorder treatment which may be determined by an assessment using the American society of addiction medicine criteria or a similar assessment tool approved by the authority.
4. Be assessed by the department of social and health services as needing either assistance with at least three activities of daily living or hands-on assistance with at least one activity of daily living and have the preliminary determination confirmed by the department of social and health services through an in-person assessment conducted by the department of social and health services.
5. Have frequent turnover of in-home caregivers as defined by WAC 388-106-0040, where within the last twelve months the client utilized three or more different in-home caregiver providers and the current placement is not appropriate for the client.
6. Have a predictive risk score of 1.5 or above. See WAC 182-557-0225.

3. Program Operations

3.1. Program Commitment –

If awarded OMS funding, grantees will receive award letters noting 15-year commitments subject to actual and sufficient revenues and/or appropriations.

3.2. Process –

At the time of application, Commerce requires a project to submit a 15-year operating pro-forma and a 15-year service pro-forma that uses the same template as the WBARS report format. For projects already in operations, documentation of the two previous years' budget actuals that were used to determine the trend are required. Commerce, in collaboration with local funders of operating and services, will use this information to determine the projected 15-year gap of operating and services funding after tenant rents. Every applicant is required to submit both an operating and services budget even if they are only request funding for one portion. This is to ensure there is ample funding for both operations and services even if Commerce will not be providing funding.

In addition to proformas, applicants will be required to submit:

- Certification that the grantee will use OMS eligibility criteria to determine who will be eligible to occupy the housing they are creating and receive the services they are providing.
- Certification that the grantee will provide services consistent with the OMS definition of tenancy support services.
- Number of tenants anticipated to receive FCS-funded tenancy support services, plans and targets for increasing this number if less than 90% of tenants served, or explanation of barriers to doing so.
- A completed service plan with all elements outlined in the template.
- Tenant move-in dates for existing projects (This information is captured in WBARS and might not be necessary to capture in the application or yearly reporting.)

Commerce will review all application material in concert with other public funders to determine the gap in revenue. If a project's operating expenses exceed \$17,000 or service expenses exceed \$10,000 the project will be required to seek pre-approval to submit an explanation of extraordinary expenses. Projects may seek pre-approval by submitting a draft budget, using Commerce's application, and providing narrative explaining extraordinary expenses. Each line item of the application should be addressed in the narrative. If a project is showing significant variations from year to year, Commerce will request additional information.

Each year grantees will submit their operating and service budget for upcoming fiscal year. If the budget indicates a gap, Commerce will determine the yearly award based on the gap for operations and services in concert with other public funders. If the project does not show a gap for the year, the project will not receive funds but will still be required to document that they are operating supportive housing, and the project will still be considered under contract with OMS for the remainder of their 15-year award period.

At the beginning of each program year Commerce will compare the annual budget submitted and the original 15-year proforma. If significant inconsistencies exist between what was projected and the actual request, Commerce will notify the grantee. This will allow Commerce to evaluate their original award amount and refine its portfolio spending projections.

3.3. Disbursements –

Project will receive half of their approved gap award on or before day one of their fiscal year. Grantees are required to submit an invoice to Commerce requesting funds. All submitted invoices must include monthly voucher detail and any other report that Commerce may develop. Invoice vouchers may not be paid until the report(s) is received and verified. Commerce may require a grantee to submit additional detailed source documentation for any charges. The grantee must maintain copies of all reimbursement requests and backup documentation. Records that disclose all costs charged to the Commerce grant must be maintained³.

After six months, the project will receive the second half of their budgeted gap.

3.4. Fungibility –

If a project is awarded an operating and service award they are permitted to "flex" up to 10% of their total OMS award between their operating and services budgets, upon request. This is to allow for maximum flexibility for the project and help with unexpected expenses. It is still essential that projects keep expenses and revenues on the specified budget for reporting purpose. For example, if a project has significant turnover due to a successful "Moving On" program, it might incur more operating and maintenance costs than budgeted. A successful Moving On program could also indicate that tenants are stable and service costs might be lower than expected. Having the flexibility to move 10% of the total award from the service budget to

³ Washington State Department of Commerce, "OHY Guidelines for Housing Programs (Independent Youth Housing Program and Young Adult Housing Program)", <https://www.commerce.wa.gov/wp-content/uploads/2021/09/hau-ohy-housing-programs-guidelines-07.01.2021.pdf> **CSH recommends that OMS – PSH staff review and implement approaches used by established Commerce programs to develop the necessary internal controls that significantly reduce the burden of reviewing and processing invoices, back-up documentation, and vouchers.**

the operating budget allows the grantee to manage their project financials without unnecessary administrative burden to the provider or Commerce.

3.5. Data Requirements –

All programs receiving OMS funding are required to report into WBARS.

3.6. Best Practices (CSH recommends that evidence-based and best practices are standardized across Commerce’s programs to the extent possible and suggests referencing the OHY Guidelines for Sections 2.5.2 -2.5.5. and including details for the following housing and service approaches.)

- 3.6.1. Housing First**
- 3.6.2. Participant Centered Services**
- 3.6.3. Trauma Informed**
- 3.6.4. Harm Reduction**
- 3.6.5. Culturally Responsive**

4. Eligible Activities and Costs

4.1. Operating Expense Benchmark –

Based on the findings from CSH’s report commissioned by Commerce to fulfil the requirements of State of Washington Budget Proviso, 2021-23 Biennium Operating Budget, ESSB Section 129 (114), per unit operating expenses are benchmarked at \$17,000/year beginning in 2023 with a 3% annual inflation factor. If a projects per unit operating expenses exceeds this amount, the applicant or grantee must seek pre-approval from Commerce to apply. Information on the pre-approval process is found in 3.2 of these Guidelines.

4.2. Allowable Operating Costs –

Allowable operating costs should align with line items for operations in WBARS. Front desk staff, 24/7 staffing, and milieu services should be included in the operating budget and not the service budget as they are essential to the running of the building and not attributable to individual tenants.

Service expenses should not be included in the “other” category. Applicants should include their “other” costs in specific “other” line items such as; miscellaneous administrative expenses and miscellaneous operating and maintenance expenses. Applicants should be required to submit notes on any other line item.

As Commerce considers the recommendations made by TDA Consulting regarding cash-flow contingent loan payments, CSH fully supports implementing uniform definitions of operating expenses and cash flow to ensure consistent application by owners and auditors.

Additionally, CSH supports system updates to WBARS to align the uniform definitions to reporting. As uniform definitions are created, CSH strongly recommends that 24-hour, front desk, and milieu services staffing remains an operating expense.

4.3. Tenancy Support Service Cost Benchmark -

Based on the findings from CSH’s report commissioned by Commerce to fulfil the requirements of State of Washington Budget Proviso, 2021-23 Biennium Operating Budget, ESSB Section 129 (114), per unit service expenses are temporarily benchmarked at \$10,000/year, pending the outcome of a rate study for FCS services being conducted by HCA. If a projects per unit service expenses exceeds this amount the applicant or grantee may seek pre-approval from Commerce to apply. Information on the pre-approval process is found in 3.2 of these Guidelines. Once the HCA rate study is completed, Commerce will set rates for reimbursement of tenancy support services at the annual equivalent of FCS rates, taking into account likely FCS exception payments.

4.4. Allowable Tenancy Support Service Costs –

Allowable tenancy support services include any services that support tenants in moving into housing and maintaining their tenancy as defined in 1.2 and program expenses delineated in Appendix D. Expenses associated with ancillary services are not eligible for OMS funding. Their revenue and expenses should not be included in the budget for tenancy support services.

Providers of supportive services may be staff of the property owner or manager, or a third-party non-profit service provider operating under a memorandum of understanding with a property owner or manager.

5. Grantee Monitoring

5.1. Financial Monitoring –

At the end of each year, grantees are required to report their actual costs into WBARS or another predetermined format if timing does not allow for WBARS use. Commerce staff will verify that the PSH-OMS subsidy disbursed did not exceed the actual gap by more than 10% of the award amount. If it is determined that a project received more than 10% of the actual gap, the second disbursement of the following year will be reduced by that amount. For example, if a project estimated gap is \$100,000 but the actual gap was determined to be \$85,000. The project’s second disbursement of the next year will be reduced by \$5,000.

Project Gap Award:	\$100,000
Project Gap Actual:	\$85,000
10% of the Award Amount:	\$10,000
Amount Allowed for the project to retain:	\$100,000 - \$10,000 = \$90,000
Amount the second disbursement will be reduced by:	\$90,000 - \$85,000 = \$5,000

Every two years, projects will be required to complete a Single Site Audit of their project by a Certified Public Account, to ensure proper reconciliation of this program. The cost of the audit is an eligible cost of this program. Project will be required to submit the audit to Commerce for review.

5.2. Outcome Monitoring –

Within 30 days of fiscal year end, grantee is required to submit:

- De-identified tenant move-in and move-out dates and duration.
- Move-out reasons.
- Annual tenant satisfaction survey results
- Policies and procedures that demonstrate use of the state’s OMS eligibility criteria for projects referred to as supportive housing.
- Other outcomes recommended by the state supportive housing workgroup, including BIPOC providers and people with lived expertise.

As required under the AHAH Act, Commerce (in coordination with HCA) should establish metrics and collect racially disaggregated data related to the program's supportive housing outcomes to inform quality improvement initiatives and to help ensure that supportive housing addresses disparities in outcomes that may exist for communities of color.

6. Recommended Appendices – *(CSH recommends creating the following documents or templates to provide standardization in required documents)*

6.1. Service Plan Template

6.2. Documentation of Eligibility

6.3. Tenant Income Documentation

6.4. Yearly Operating and Service Budget Template *(aligned with WBARS)*

Timing Considerations:

Details about the timing of this program are omitted from these proposed Guidelines because of the multiple considerations around weaving funding with local sources. Items that will need to be further researched and addressed include:

- Projects’ current fiscal year for auditing purposes
- State fiscal year
- Integration of funding with local funders
- WBARS reporting requirements

ABOUT CSH

CSH is the national champion for supportive housing, demonstrating its potential to improve the lives of highly impacted individuals and families by helping communities create over 335,000 homes. CSH funding, expertise, and advocacy have provided \$1 billion in direct loans and grants for supportive housing across the country. Building on over 30 years of success developing multi and cross-sector partnerships, CSH engages broader systems to fully invest in solutions that drive equity, help people thrive, and harness data to generate concrete and sustainable results. By aligning affordable housing with services and other sectors, CSH helps communities move away from crisis, optimize their public resources, and ensure a better future for everyone. Visit us at csh.org.

Appendix A: Stakeholder Engagement and Racial Equity Impact Assessment

a. Commerce Identified Study Workgroup Members

Commerce identified the following group of stakeholders for CSH to consult with during the project.

Name	Organization	Topic
Cacey Hanauer	Tacoma Housing Authority	Youth Housing
Anna Strahan	King County	Funder
Flo Beaumon	Catholic Charities Housing Services Western WA	PSH
Andy Silver	Vancouver Housing Authority	PSH
Rhonda Hauff	Yakima Neighborhood Health Services	PSH
Steven Miller	Volunteers of America	PSH
Lauren Fay	Downtown Emergency Services Center	PSH
Joe Thompson	Mercy Housing	Senior & Affordable Housing
Yi Zhao	Plymouth Housing	PSH

b. Stakeholder Engagement Process

CSH's engagement started when Commerce assigned a workgroup to work with us on the project. We were given the names and organizations of members and asked to meet with them periodically during the course of the study. CSH and Commerce met with the workgroup four times during the course of the study. CSH also met with the members of the work group individually throughout the study and engaged many other stakeholders to inform our research.

October and November 2021

- CSH met with each work group member individually to discuss the project and process and learn more about the members' expectations.

December 2021

- The first workgroup meeting covered:
 - Background and Overview of Process, including the data provided by Commerce and our approach to analysis.
 - Introduction to CSH's racial equity impact assessment (REIA), which included questions for external partners to consider and discuss.
 - General workgroup discussion to gather qualitative information for analysis, input and feedback on approach.
- CSH presented to the Policy Advisory Team a similar presentation to the first workgroup but shorter.

February 2022

- The second workgroup meeting included:
 - Update on the cost analysis to date
 - Reflections on Demographic Data & Racial Equity (data previously sent out)
- At the request of Commerce, CSH met with Coastal Community Action Program and learned about their success in utilizing FCS to serve more than 600 people, the largest number of people served in any community in the state.
- CSH attended the State Supportive Housing Provider Network.
These meetings provided CSH opportunities to present our work with this project to a broader audience of supportive housing providers. In addition to the group stating that they were glad that this effort was happening, feedback we received is that they primarily wanted to stay informed on our process so we attended periodically until the group closed for the summer.

March 2022

- CSH met with work group members individually. Topics discussed included:
 - Broadening feedback, through surveys primarily, and including a few conversations, particularly organizations that focus on serving BIPOC. What questions would they include in a survey? Who would they advise to include?
 - Discussions on previous meetings.
 - Discussion on the race equity approach. How could this project improve equitable, supportive housing outcomes for BIPOC? REIA introduction attached as well as graphs and notes on data analysis.
 - ECONW (the data analysts that are working with us), reached out to understand/review some of proformas, operating, and service budgets to add to their data.

Collecting qualitative approaches to come up with recommendations on the analysis based on consistency.

April 27, 2022

- The third workgroup meeting included:
 - Review of themes from individual work group meetings
 - Proposed survey questions for providers who are not on the work group
 - Review of CSH's Racial Disparities and Disproportionality Index (www.csh.org/data)
 - ECONorthwest's updated analysis, including a tool they created
 - A discussion on additional data points

May- August 2022

- CSH continued to have individual discussions with workgroup members. Questions to work group members for discussions included:
 - Do you operate supportive housing projects that you don't apply to OMS for funding?
 - Do you have revenue sources for operating or services that you don't/can't put into the OMS application? And why? For example, FCS funding.
 - Are there expenses in your OMS funded projects that you can't include in the applications?
 - Do you have projects funded by the HTF O&M program? Do you have SH projects funded by the HTF O&M program?

- Do you report in WBARS?
- Are there any line items that should be added or expanded on in the excel application?
- Can you describe what costs and personnel costs are included in the Property Management line items?
- How do you distinguish between on-site and off-site PM services?
- Is there confusion around what are allowable operating and service-related costs?
- What would help make the application process more straightforward? (more explanation in the application, a training on the application)
- How do you determine/budget for caseload size?
- What revenue sources are in your operating budgets?
- What revenue sources are in your service budgets?
- Do you utilized FCS funds?

September 2022

- The fourth workgroup meeting included a full verbal summary of the report broken into two segments. Because the report was in draft form, Commerce asked CSH not to present the findings and recommendations in writing.
 - Program Enhancement Recommendations
 - Operating and Service Benchmark Recommendations

October 2022

- CSH presented to the Policy Advisory Team
This presentation was an abbreviated verbal presentation of key report findings and recommendations.

c. Race Equity Impact Assessment

The RFP for this cost study did not include elements related to racial equity. CSH's proposal to Commerce, we proposed to conduct a Racial Equity Impact Analysis (REIA) to ensure that racial equity would be addressed as part of the study. The REIA is a tool CSH developed to use internally to identify current and potential racial inequities when we work with government partners, providers and communities. Commerce liked this idea and included it in CSH's scope of work. CSH then created an external version of the REIA for Commerce staff to consider in their work, and developed a list of questions for the work group, which we sent to the workgroup and Commerce two months in advance of our first discussion on the topic. The questions included:

- Is there potential for harm and/or unintended consequences against historically disadvantaged identities (BIPOC, LGBTQ+, disabled, etc.) from this work? If so, what is it?
- Who would benefit in the short-term and long-term? How?
- How will this project raise awareness about racial inequity?
- What provision(s) could be changed or added to reduce/eliminate racial disparities and advance racial equity?
- What are race equity success indicators and progress benchmarks?
- What should the cost study consider in terms of resources to address disparities?

CSH received little to no response to these questions when they were sent out in advance and during the workgroup meeting when they were first presented. CSH continued to have an agenda on racial equity at all work group meetings. Feedback continued to be minimal from the group.

Due to the limited feedback or ability to delve into the REIA and a notable lack of diversity among workgroup members, CSH initiated outreach to the following individuals and organizations to inform the study.

- Josephine Tamayo Murray – Washington Communities of Concern Commission (Statewide)
- Derrick Belgarde and Virgil Wade – Chief Seattle Club (King County)
- Sean Hopps – Institute for Washington’s Future (Statewide)
- Drayton Jackson and Diana Sullivan – Homeless Poverty Management (Kitsap County)

These organizations were incredibly helpful in sharing their experiences, expertise, and desires for changes to housing and services funding and technical assistance. CSH conducted discussions with each of these groups, formulated our findings into draft recommendations, and received feedback on our final report drafts related to BIPOC and “by and for” organizations. Feedback from these stakeholders was incredibly helpful in forming the findings and recommendations that can be found in Part II B:3, Part II C:3, and Part II C:4 of the final report. These recommendations were discussed with the workgroup and the PAT and were met with few to no comments.

Appendix B: Data and Analysis

A. Summary of Data Provided, Baseline Analysis, and Analysis of Commerce-identified Indicators for Web-Based Annual Reporting Systems (WBARS) data

a. Summary of data provided and baseline analysis

WBARS is a reporting system used by most Washington public funders of multifamily housing to assist in asset management. Data in WBARS reflect actual costs after they are incurred. Commerce does not require recipients of PSH-OMS funding to report in WBARS, but the large majority do so.

Commerce provided CSH and ECONorthwest with the 2019, 2020, and 2021 WBARS data that had a “SiteTypeName” “Alternate” or “Farmworker” removed for the analysis. ECONorthwest separated the data into the three cohorts that are the subject of the study: PSH, Youth/Young Adult, and “Other Affordable.”

Permanent Supportive Housing (PSH) Subset

A PSH subset was determined by individually matching projects from the Commerce-created “PSH Data Inventory” to the WBARS data.

Youth/Young Adult Subset

The Youth/Young Adult housing cohort consisted of projects that self-selected a category of Youth/Young Adult Housing. It was verified that no projects in the PSH cohort were included in the Youth cohort.

Other Affordable Housing Subset

The Other Affordable housing cohort consisted of projects that had a “SiteTypeForSorting” of Multifamily General or Multifamily Elderly. It was verified that no projects in the PSH cohort were included in the Other Affordable cohort.

Data removed from the analysis

Per-unit expenses were analyzed for the operating and services data for projects that had costs greater than \$0. Projects that included the following descriptions under the “ProjectDescription” field were removed from the sample because they did not meet the common criteria of multifamily, independent, permanent, affordable housing.

2021	2020	2019
4 group homes serving young adults	4 group homes serving young adults	4 group homes serving young adults
76 seasonal farmworker beds	76 seasonal farmworker beds	76 seasonal farmworker beds
As of 3.16.20 1 studio unit and 14 shelter beds	1 studio unit and 14 shelter beds	Assisted Living
Assisted Living	Assisted Living	Four bedroom group living with attached separate 1 bedroom apt
Four bedroom group living with attached separate 1 bedroom apt	Four bedroom group living with attached separate 1 bedroom apt	Group home for homeless immigrant & refugee family

Group home for homeless immigrant & refugee family	Group home for homeless immigrant & refugee family	New construction youth center
New construction youth center	Seasonal/Migrant Farmworker	Seasonal/Migrant Farmworker
Seasonal/Migrant Farmworker	Seasonal/Migrant Farmworker one site; permanent farmworker one site	Seasonal/Migrant Farmworker one site; permanent farmworker one site
Seasonal/Migrant Farmworker one site; permanent farmworker one site	Shelter and Transitional Housing for Homeless Youth	Shelter and Transitional Housing for Homeless Youth
Shelter and Transitional Housing for Homeless Youth	Single family home	Single family home
Single family home	Homeless youth shelter serving youth ages 12-17 who have no income.	Homeless youth shelter serving youth ages 12-17 who have no income.
Homeless youth shelter serving youth ages 12-17 who have no income.	Juvenile group rehabilitation center for youth transitioning from incarceration.	Juvenile group rehabilitation center for youth transitioning from incarceration.

Final sample size used in analysis

The sorting of the data described above resulted in the following number of projects per housing type subset per year.

Permanent Supportive Housing

- 2019: 78
- 2020: 77
- 2021: 77

Youth

- 2019: 23
- 2020: 24
- 2021: 20

Other Affordable

- 2019: 532
- 2020: 525
- 2021: 500

CSH and ECONorthwest analyzed WBARS data supplied by Commerce to determine the minimum, 1st quartile, median, mean, 3rd quartile, and maximum per-unit operating and per-unit services costs of all three housing types (PSH, Youth, and other Affordable) over three years. CSH has provided Commerce with an Excel workbook that contains the 18 tables in this analysis. In light of the length of these materials and the focus of this study on PSH, CSH has provided a summary of this analysis for PSH below.

Analysis of PSH-OMS Operating Costs Overall (WBARS)

The total operating expenses for PSH were analyzed on a per unit basis. Between 2019 and 2021 there was a 27.33% increase in total median operating expenses per unit. CSH and ECONorthwest analyzed all three years, but due to this finding and that fact that these costs escalated at a higher rate than proformas generally trend, CSH based application operating cost and modeling benchmark recommendations on 2021 WBARS data only. The following chart provides a summary of reported per-unit costs by year.

		Min.	1st Qu.	Median	Mean	3rd Qu.	Max.	Missing Vals	Total Projects
2019	Total Expenses Operating	\$ -	\$ 21,481	\$ 211,120	\$ 418,544	\$ 750,922	\$ 2,458,799	0	78
	Total Expenses Operating Per Unit	\$ -	\$ 6,506	\$ 8,602	\$ 9,024	\$ 11,294	\$ 33,334	0	78
	Total Expenses Operating (No Zeros)	\$ 7,417	\$ 32,290	\$ 242,786	\$ 429,558	\$ 784,392	\$ 2,458,799	2	78
	Total Expenses Operating Per Unit (No Zeros)	\$ 495	\$ 6,640	\$ 8,745	\$ 9,261	\$ 11,364	\$ 33,334	2	77
2020	Total Expenses Operating	\$ 6,925	\$ 46,545	\$ 291,904	\$ 516,105	\$ 873,660	\$ 2,690,632	0	77
	Total Expenses Operating Per Unit	\$ 2,308	\$ 6,970	\$ 9,639	\$ 10,760	\$ 15,199	\$ 23,727	0	77
	Total Expenses Operating (No Zeros)	\$ 6,925	\$ 46,545	\$ 291,904	\$ 516,105	\$ 873,660	\$ 2,690,632	0	77
	Total Expenses Operating Per Unit (No Zeros)	\$ 2,308	\$ 6,970	\$ 9,639	\$ 10,760	\$ 15,199	\$ 23,727	0	77
2021	Total Expenses Operating	\$ 7,530	\$ 53,033	\$ 326,505	\$ 601,999	\$ 910,862	\$ 3,277,321	0	77
	Total Expenses Operating Per Unit	\$ 2,450	\$ 7,858	\$ 11,135	\$ 12,804	\$ 17,668	\$ 30,042	0	77
	Total Expenses Operating (No Zeros)	\$ 7,530	\$ 53,033	\$ 326,505	\$ 601,999	\$ 910,862	\$ 3,277,321	0	77
	Total Expenses Operating Per Unit (No Zeros)	\$ 2,450	\$ 7,858	\$ 11,135	\$ 12,804	\$ 17,668	\$ 30,042	0	77

Analysis of PSH-OMS Tenancy Support Services Costs Overall (WBARS)

The total service expenses for PSH were analyzed on a per person basis. Unlike the WBARS operating data, the service expense data did not align. There were many reasons for this. The total number of projects reporting service expenses in WBARS ranged from 38 projects in 2019 to 43 projects in 2021. The entire cohort would have allowed CSH and ECONorthwest to only analyze 48 - 55% of the projects' service expenses in WBARS. Due to the relatively low number of project data for service expenses and a workgroup/stakeholder reported lack of clarity about how to report services costs, CSH and ECONorthwest found the data to be inconclusive in determining services cost benchmarks. The following chart provides a summary of reported per-unit services costs by year.

		Min.	1st Qu.	Median	Mean	3rd Qu.	Max.	Missing	Total Projects
2019	Total Expenses Service	\$ -	\$ -	\$ -	\$ 90,997	\$ 160,730	\$ 630,163	0	78
	Total Expenses Service Per Unit	\$ -	\$ -	\$ -	\$ 2,156	\$ 2,942	\$ 31,508	0	78
	Total Expenses Service (No Zeros)	\$ 5,800	\$ 52,673	\$ 168,869	\$ 186,783	\$ 274,434	\$ 630,163	40	78
	Total Expenses Service Per Unit (No Zeros)	\$ 476	\$ 2,012	\$ 3,068	\$ 4,425	\$ 4,654	\$ 31,508	40	77
2020	Total Expenses Service	\$ -	\$ -	\$ 31,350	\$ 110,097	\$ 178,815	\$ 534,362	0	77
	Total Expenses Service Per Unit	\$ -	\$ -	\$ 1,306	\$ 2,512	\$ 3,592	\$ 21,849	0	77
	Total Expenses Service (No Zeros)	\$ 3,449	\$ 60,126	\$ 153,199	\$ 192,670	\$ 326,694	\$ 534,362	33	77
	Total Expenses Service Per Unit (No Zeros)	\$ 45	\$ 2,118	\$ 3,320	\$ 4,397	\$ 5,075	\$ 21,849	33	77
2021	Total Expenses Service	\$ -	\$ -	\$ 39,253	\$ 139,873	\$ 247,154	\$ 674,727	0	77
	Total Expenses Service Per Unit	\$ -	\$ -	\$ 1,667	\$ 3,069	\$ 4,788	\$ 17,734	0	77
	Total Expenses Service (No Zeros)	\$ 1,607	\$ 74,136	\$ 190,787	\$ 250,470	\$ 396,221	\$ 674,727	34	77
	Total Expenses Service Per Unit (No Zeros)	\$ 85	\$ 2,604	\$ 4,083	\$ 5,496	\$ 6,587	\$ 17,734	34	77

b. Analysis of Operating and Services Costs by Commerce-designated Populations (WBARS)

Application data were inconclusive regarding population due to duplication within designated categories, lack of definitions, and undefined service models relating to evidence-based or best practices. WBARS contains no further clarification of these issues so WBARS data were not further analyzed. (See section B, b. for more information about analysis of applications by population.)

c. Analysis of Operating and Services Costs by Service Models

WBARS data provided included two categories of service models (PSH and Youth) and were analyzed as noted above.

d. Analysis of Operating and Services Costs by Geography

Using the majority of criteria outlined in the Housing Trust Fund (HTF) Handbook Version 3-4-2021, CSH and ECONorthwest analyzed the total operating and services expenses by geographic designations of rural, urban, and King County Washington. Commerce does not define these geographies and instead asks applicants to self-designate. Because of this, analysis of reported costs by geography required creating a methodology for these designations.

The following criteria were used to determine rural projects.

1. Counties with a population of less than 90,000, except for those cities within these counties with a population of greater than 25,000. For example, Franklin County except the City of Pasco, and
2. Counties with a population greater than 90,000 but less than 390,000 when more than an aggregated 25% of that county's population resides in one substantially contiguous metropolitan area. In this case, the county, except the metropolitan area meeting this criterion, would be considered Rural. For example: Yakima County except the City of Yakima.

The third criteria stated in the HTF Handbook and listed below was determined to be too subjective and was not used.

3. Counties with a population greater than 390,000, but where the project is located in a sufficiently remote location to be reasonably considered as not associated with an urban center. For example: Eatonville, Pierce County. Applicants for projects thought to be in "Rural" areas under this definition should contact HTF staff for an official determination prior to submitting an application for funding.

The following criteria was used to determine urban projects:

1. An urban area or community is defined as any municipality with a population greater than 25,000 and which does not fall into the definitions of rural. Projects located within a municipality with a population less than 25,000, but which is adjacent to a city deemed "Urban" may be deemed functionally related to that city and therefore also deemed Urban. For example, Brier, population 6,361, which is functionally related to the City of Lynwood. Also review the Rural definition above.

Projects located in King County were categorized as King County.

The following charts specify the number of reported projects by geography as designated above.
2021

	PSH	AFFORDABLE	YOUTH
RURAL	3	70	0
URBAN	12	175	1
KING	54	148	15
N/A	7	103	0

CSH has provided Commerce with an Excel workbook that contains the 32 tables in this analysis, including data breakdowns of costs by operating and services as reported. In light of the length of these materials and the focus of this study on PSH, CSH has provided a summary of this analysis for PSH below.

Total Operating and Services Costs by Geography

	Median	3rd Qu.
Urban: Total Expenses Per Unit	\$13,349.31	\$22,325.31
Rural: Total Expenses Per Unit	\$12,949.04	\$26,667.08
King: Total Expenses Per Unit	\$16,594.28	\$25,204.20

e. Analysis of Operating and Services Costs by Age of Housing Developments

CSH and ECONorthwest concluded that analysis based the age of housing developments was inconclusive due to the uncertain nature of when projects had capital improvements. This information might be available in capitalized needs assessments or funding records that demonstrate rehabilitation funding, which CSH would be happy to look at in more detail with Commerce.

f. Analysis of Operating and Services Costs by Size of Housing Developments

CSH and ECONorthwest analyzed the total operating and service expenses by size of housing developments. The projects were disaggregated by number of units in four categories: 1-25 units, 26-50 units, 51-125 units, and more than 126 units.

The following charts specify the number of reported projects by size of development as designated above.

2021

	PSH	AFFORDABLE	YOUTH
1-25 UNITS	35	193	15
26-50 UNITS	17	195	1
51-125 UNITS	22	94	0
126+ UNITS	2	14	0

CSH has provided Commerce with an Excel workbook that contains the tables in this analysis. In light of the length of these materials and the focus of this study on PSH, CSH has provided a summary of this analysis for PSH below.

Total Operating and Services by Size of Housing Development

	Median	3rd Qu.
0-25 Units: Total Expenses Per Unit	\$12,748.89	\$22,761.80
26-50: Total Expenses Per Unit	\$14,137.62	\$22,064.72
50-125: Total Expenses Per Unit	\$22,684.58	\$26,278.46
126 +: Total Expenses Per Unit	\$15,720.20	\$18,253.44

B. Summary of Data Provided, Baseline Analysis, and Analysis of Commerce-identified Indicators for Consolidated Applications data

a. Summary of data provided and baseline analysis conducted

All application data provided by Commerce were for PSH-OMS in single-site and integrated housing developments. Population categories in the application data did not specify whether or not PSH-OMS projects were designated as “Youth Housing.” While three projects identified as specifically providing housing and services for youth, all other projects that might serve youth would have been included in broader categories such as “multiple special needs.”

CSH and ECONorthwest analyzed the per-unit operating and services expenses for projects in the 2020-2021 data sets that had costs greater than \$0.

We then created percentages of the sub-population categories that each applicant is required to designate.

- Multiple Special Needs
- Behavioral Illnesses
- Chronic Mental Illness
- Developmental Disabilities
- Physical Disabilities
- Substance Abuse Issues
- Traumatic Brain Injuries
- Veterans
- Young Adults (18-24)
- General (Other) Populations

We also associated each project with a city to understand the spatial distributions of costs in operating expenses and services.

CSH is providing Commerce with a workbook summarizing 2021 operating and services costs reported in applications by line item but does not recommend setting line-item benchmarks.

b. Analysis of operating and services costs overall

Costs overall for the 2021 applications data are summarized alongside the WEBARS 2021 data in Section F of this appendix.

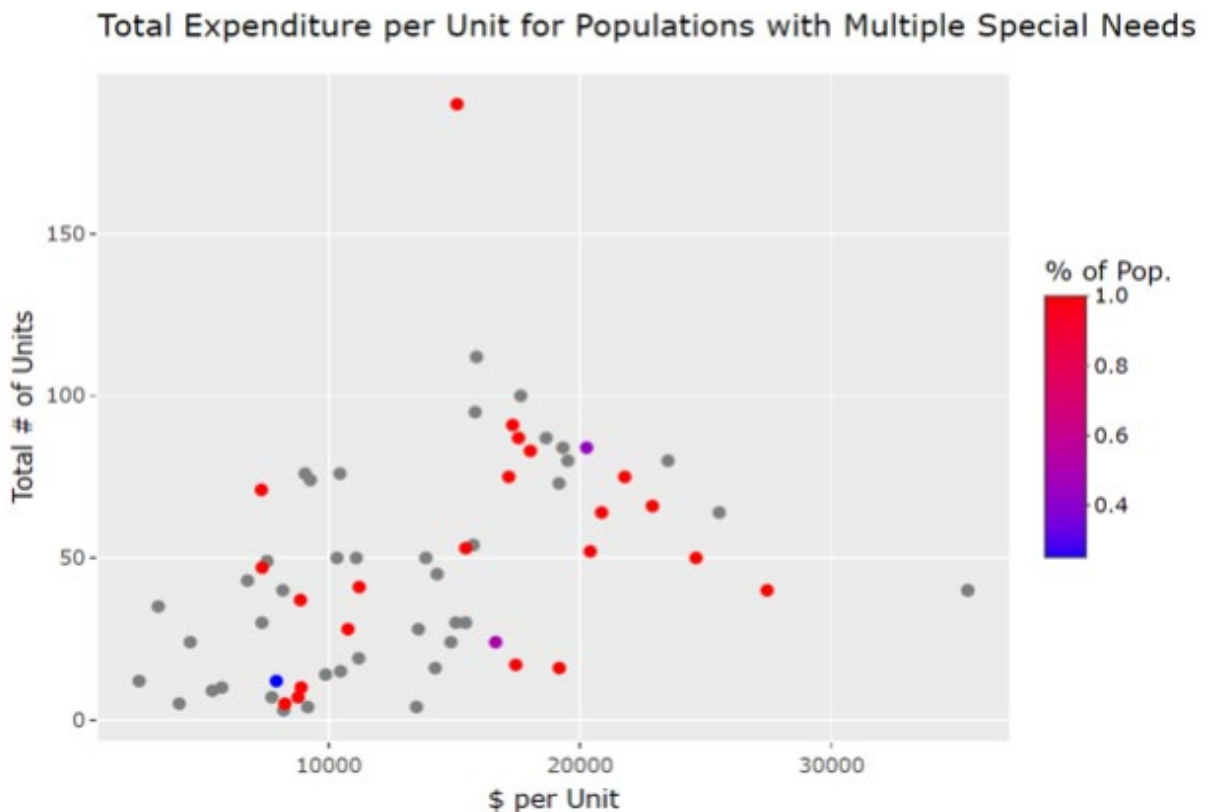
Similar to WBARs services data, the OMS-PSH application data had a relatively small number of projects reporting for services (56). Additionally, the standard deviation found in the total expenses per unit in the application data was \$61,131 with the mean total service expense of \$29,580. This indicates a significant variation between the total service expenses of each project, making the data unreliable. Providers interviewed expressed confusion about what to include in the application as a services cost and on which tab to include it. For these reasons, CSH recommendations for tenancy support services cost benchmarks are not based on these data. The report includes recommendations for creating clear guidelines in the applications.

c. Analysis of operating and services costs based on population designated in applications

The application-defined populations are not correlated with service needs or evidence-based services models. Among the Commerce-designated populations in applications, most applicants designated one of two groups: Multiple Special Needs and General (Other) Populations. This delineation in the data does not provide an indication of service needs or costs. Consequently, we cannot identify correlations in the data with application-specified population groups and the cost of tenancy support services. This can be seen in the following scatter plot of "projects with multiple special needs." The colored dots indicate the projects that selected this population designation by cost.

Operating Expenses by Population Type

Population with Multiple Special Needs



Additionally, through interviews with stakeholders, it was found that the population type that the applicants selected did not capture all populations housed in the project. Many stakeholders stated that they selected "populations with multiple special needs" because the tenants they serve have co-occurring disorders. The lack of clarity regarding population groups to be served at the application stage makes it unclear and unlikely that projects designated as PSH are using state-specified PSH eligibility criteria or services models. This lack of alignment suggests current OMS investments might not be directed toward the goals stated in the budget proviso to reduce chronic homelessness and unnecessary institutionalization in the healthcare and justice sectors.

d. Analysis of operating and services costs based on service models

Application data included two categories of service models (PSH and Youth) and were analyzed as noted above and summarized in Section F.

e. Analysis of operating and services costs based on geography

Data were provided by city but not by geographic category. Twenty unique cities were designated and eight projects did not have a city specified. An analysis by city indicated that operating expenses are highest in the City of Seattle. However, Seattle ranked 11th in reported average service costs per unit, demonstrating variability within geographies and/or another potential indication of a lack of reliability of services data.

f. Analysis of operating and services costs based on age of housing development

CSH and ECONorthwest concluded that analysis based on the age of housing developments was inconclusive due to the uncertain nature of when projects had capital improvements. This information might be available in capitalized needs assessments or funding records that demonstrate rehabilitation funding, which CSH would be happy to look at in more detail with Commerce.

g. Analysis of operating and services costs based on size of housing development

The strongest relationship with high per-unit operating expenses is with the total number of units in a project. Among all the projects that requested funding for operating expenses, the higher the total units were in a project, the higher the per-unit operating expenses were.

Per-unit reported service costs in applications were found to be lower for higher unit projects. Inverse to the operating findings, reported per-unit service expenses tended to be lower the more units a project has. Outliers with greater than \$20,000 in per-unit service costs were projects with fewer than 50 units. These findings are inconclusive, however, due to the issues with data on service costs noted above.

C. Summary of Attempts to Cross-reference Application and WBARS Data

Commerce was interested in seeing the alignment and differences between application and WBARS reporting. ECONorthwest tried a few methods of linking the Application data to the WBARS data.

- We first tried to join them by the actual name of the site. This provided only ~25% matching on each application per year.
- We then requested that Commerce provide us with the Site Keys associated with each project. This ended up being the most effective way, however we did not use the actual application data that we consolidated, and instead used the `PSH Data Inventory` that Commerce had sent us to

find each one of the PSH projects within the WBARS data. This ended up netting us only about 80% of the PSH projects in the PSH Data Inventory.

- Further attempts would have required manual matches for ~200 projects over three years, which would not have resulted in enough information for the value of cross-referencing data already analyzed for both data sets.

The lack of a clear path to comparing Application and WBARS data is what led to CSH's recommendation to require reporting in WBARS. While WBARS data are not available as frequently as application reporting, if reporting were mandatory and completed by all providers, Commerce could run reports directly WBARS to analyze actual costs annually without having to copy and paste data entered into application forms and then cross-reference actuals reported from past years in applications with actuals reported in WBARS.

D. Other data considered in determining recommended operating cost benchmarks

a. Fair Market Rents

CSH calculated a state-wide, weighted-average annual fair market rent of those established by the U.S. Department of Housing and Urban Development for a 1-bedroom apartment. This cost is \$14,040 per unit per year.

b. Public Housing Agency Payment Standards

The highest housing costs in the state are in the city of Seattle. The Seattle Housing Authority's housing choice voucher payment standards are established to provide benchmarks for total costs of affordable and supportive housing in the City of Seattle.

- For 1-bedroom market rate rental apartment (which is presumed to carry debt service and be utilized in up to 40% of the market) is \$21,792.
- For affordable housing (which is presumed not to carry debt service) the payment standard is \$15,624.

E. Other Data Considered in Determining Services Cost Benchmarks

a. Foundational Community Supports (FCS)

The state's largest program for investing in supportive housing services is the Foundational Community Supports Medicaid Benefit administered by the Healthcare Authority. Commerce will soon be operating the Apple Health & Homes program, which is designed to integrate the FCS program with capital, operating, and mirror tenancy-support services investments.

The FCS supportive housing services rate is based on a per diem rate of \$112/day.

Providers may seek reimbursement for up to 30 days of service in a 6-month authorization period. Services may be reauthorized for an additional six months if a participant continues to need services. HCA is seeking a change to this policy with the federal Centers for Medicare and Medicaid Services to allow for 12-month authorization periods. See the chart below for a brief summary.

\$ 112	Daily rate
30	Days
\$ 3,360	Rate for six-month authorization period
\$ 6,720	Minimum annual reimbursement amount

Providers may also seek additional authorizations for additional service days within a six month period for participants who have additional service needs, thereby increasing payments for these services.

b. Supportive Housing Services Budgeting Tool

The [Supportive Housing Services Budgeting Tool - CSH](#) helps providers and funders to determine accurate costs of supportive housing services in a way that accounts for caseload size, populations served, staff salaries, and more. Following is one illustration of a portion of the tool inputs that inform per-person services costs using a tenancy support services model (the same model used by the state in FCS). While every provider manages their teams differently, running multiple scenarios allows for a clear projection of costs in a specific state. Following is an example of portions of the tool for illustrative purposes.

Population Supported through Tenancy Support Services Model

<i>Target Population</i>	<i># of tenants in single site</i>	<i>Recommended caseload size</i>
Families with children whose head of household meets program eligibility criteria	30	15
Individuals with dual diagnoses of substance use disorder and mental illness	40	10
Older adults in need of supports with activities of daily living	30	15
Total clients	100	

Services Staffing	<i>FTE</i>	<i>Annual Salary (per FTE)</i>
Program Director	1.0	\$65,000
Administrative Support	1	\$36,000
Housing and Services Coordinator	1.0	\$50,000
Supervisor	1.0	\$22,500
Tenancy Supports Services Specialist	8	\$40,000
Peer Support Specialist	2	\$40,000

F. Operating Cost Summary and Benchmarks

Data supplied by Commerce in the data sets described above from WBARS and applications were substantial and complete enough to draw conclusions about the operating costs of supportive, youth, and other affordable housing as follows. The 3rd quartile operating expense per unit data reported in WBARS for 2021 and in the PSH-OMS actuals in the application data were not significantly different; \$17,688/unit and \$17,930/unit respectively.

	Source	# in Data Set	# Analyzed	1st quartile	3rd quartile	Median	Mean	High*
Reported Actuals- PSH								
Housing Operations								
Total project expenses	WBARS	77	77	\$7,858	\$17,668	\$11,135	\$12,804	\$30,042
Total project expenses	Apps	82	65	\$8,653	\$17,575	\$13,719	\$13,425	\$27,446
Commerce portion-	Apps	82	59	\$1,643	\$5,392	\$3,264	\$3,629	\$10,661
				19%	31%	24%	27%	39%
Reported Actuals- Youth								
Total project expenses	WBARS	16		\$6,694	\$24,164	\$14,067	\$15,053	\$30,039
Reported Actuals- Other Affordable								
Total project expenses	WBARS	496		\$6,144	\$8,890	\$7,389	\$7,933	\$39,212

All data reflected are from 2021 actuals. 2019 and 2020 are available but show lower costs that do not inform future projections

The fourth quartile of costs come from projects with notably high costs, such as extraordinary vacancy rates.



CSH used this analysis to inform its recommended state-wide application and modeling benchmarks of \$17,000 per unit per year in operating costs for supportive and youth housing and \$10,000 per unit per year in operating costs for all other affordable housing. Actual costs for operating subsidies are reimbursed, and services expenses should be aligned with the results of the HCA rate study, which is looking at geographic differentials. Additional detail about findings and recommendations for delineating operating and services costs are described in the report.

G. Tenancy Supports Services Costs and Benchmark

Data supplied in the data sets provided by Commerce from applications and WBARS reporting did not provide sufficient data from which to assess average per-person services costs. Using the additional tools described above, CSH concluded that average per-person services costs in Washington State should be benchmarked at \$10,000 per year in order to account for proper caseload sizes and compensation for staffing supportive housing that meets fidelity standards for tenant outcomes.

H. Annual Adjustment Factors

All providers CSH met with during the course of the study stressed the importance of an annual adjustment factor to account for increasing costs due to inflation and other cost drivers such as insurance premiums. While there is no clear way to have a standard, right-sized factor, three percent per year has traditionally been a generally- accepted industry standard for budgeting housing and services costs. While this percentage might provide an initial guideline for budgeting, it is recommended that Commerce review the factors affecting costs for providers every two years and make adjustments to the benchmark according to current data.

Appendix C: Funding Sources and Cost Projections

The nature of public funding for new housing requires capital financing to be in place well in advance of operating and services funding due to the time it takes to acquire, rehabilitate, and/or build new housing. Public funders generally estimate that a housing owner will require operating subsidies and services funding two years after their capital award. It has been challenging for Commerce to estimate the total need for these ongoing subsidies and its portion of these costs due to its lack of per-unit cost benchmarks, unclear information about other funding sources, and variability in revenue sources. This appendix begins to shed light on these factors and offers initial cost and revenue projections.

A. Projected Tenant Rents

Tenant rent is the primary source of revenue in rental housing. In the case of PSH, tenants often have fixed or very limited incomes, and their rents are not enough to cover the costs of operating housing. However, their contribution is an important part of the financing picture. The modeling in this report assumes all tenants have social security income.

Monthly Social Security Income:	\$ 841
30% of Income = affordable rent	\$ 252
Annual tenant rent	\$ 3,028

B. Projected Operating Subsidy and Services Funding Needs

Using the cost benchmarks recommended in this report of \$17,000 per unit per year, total operating subsidy needs after tenant rents are \$13,972 and total services costs are \$10,000 per tenant.

Per unit operating cost benchmark	\$ 17,000
Annual tenant rent	\$ 3,028
Operating subsidy needed	\$ 13,972
Services funding needed	\$ 10,000
Total operating and services funding needed	\$ 23,972

C. Available (non-state) Public Funding for Operating Subsidies and Tenancy Support Services.

CSH identified the following potential partner funders of operating subsidies and tenancy support services state-wide. Dollar amounts are rough estimates for 2023 and 2024. Funders were unable to predict revenue beyond this timeframe due to the uncertainty of document recording fee revenue and potential appropriations.

Partner Funder*	Estimated operating and services funding available for housing that will come online in 2023 and 2024	
City of Seattle Office of Housing	2023: \$3.5M 2024: \$4.5M	Rough estimate of funds available for new projects from multiple sources. Pays for operating and services. Current expense benchmark: \$25,000 per unit/per year for operating and services. No per-unit funder cap.
King County Department of Community & Human Services	\$5M over two years	Rough estimate available for new projects from multiple fund sources. Significant variables in revenue sources will be at play in 2023. Pays for operating only. No expense benchmark. No per-unit funder cap.
Federal Department of Housing and Urban Development (HUD) Continuum of Care (CoC)	\$2.1M over two years	Rough estimate state-wide, primarily for operating based on past amounts (2022: \$1.1M, 2021: \$500,000, 2020: \$400,000). Allocations could be anywhere in the state and are not made by geography.
Snohomish County	\$300,000 over two years	Pays for operating only.
Public Housing Agencies (PHAs)		Local PHAs sometimes attach their housing subsidies to new housing developments.

*CSH spoke directly with Commerce, the Commerce Policy Advisory Team, the OMS Cost Study workgroup, and multiple local jurisdictions to ensure this list is as exhaustive as possible. (Sources reflected show only amounts more than \$100,000 that are dedicated to PSH aside from Snohomish County funds, which are competitively allocated for purposes other than PSH but might be used for PSH.) A participant of the Commerce Policy Advisory Team meeting CSH attended thought Bellingham might be contributing to OMS but the city reports zero funding available for new projects in the next two years.

D. PSH Pipeline

Commerce has awarded capital funds for the creation of 1,757 new units of PSH that are slated to open in 2023 and 2024. For the cost modeling in this report, CSH estimated half of the units opening in each of the next two years.

Commerce anticipates allocating the following capital funds to create an estimated additional 1100 units of supportive housing this biennium:

Allocation type	Amount	Estimated Units
AHAH	\$ 60,000,000	500
Rapid Capital	\$ 85,000,000	400
Traditional Capital	\$ 50,000,000	200
Total	\$ 195,000,000	1100

The total estimated PSH pipeline based on known capital funds, committed and anticipated, includes 2,857 units. The following model is based on these new units only and does not account for revenue or subsidy needs attributed to existing housing developments. It also does not include projections for units to be created with future appropriations of capital funds.

E. Model Assumptions

Multiple assumptions inform this model. CSH would be happy to work with Commerce to run additional scenarios based on alternate assumptions.

- HUD CoC funds are attributed equally among geographic types in the model, which is unlikely, but there is no clear predictor before the competitive process is conducted. The model assumes \$2.1M coming to Washington State every year and \$700,000 going to each of the three geographic types.
- The model assumes Commerce and its partner funders have funded or will be funding exactly the same projects and units in King County, which is not likely the case, but there is no clear predictor of the exact overlap before the competitive process is conducted.
- Partner funders have projected revenue only for 2023 and 2024, but the model assumes revenue from these sources at the same level in 2025 and 2026 and a constant 60% contribution from Commerce across its portfolio. This is a theoretical assumption, and it should be noted that increases or decreases in the amounts contributed by other public funders will directly impact Commerce’s ability to ensure full funding of its portfolio.
- Estimates of units by geographic types for 2025 and 2026 assume the same percentages as 2023 and 2024.

F. Total Projected Costs and Commerce Portion

Based on the subsidy amounts and partner funder contributions above, the following model demonstrates the subsidies needed to cover the operating costs and tenancy support services in the PSH pipeline of new units by geography.

2023 Projections					
Geography	Units funded with capital funds	Annual operating & services subsidy cost @\$23,972/unit	Potential Available Funds from Partner Funders Annually	Commerce Portion	Commerce Percentage
King	527	\$ 12,621,469	\$ 6,700,000	\$ 5,921,469	47%
Urban	242	\$ 5,801,321	\$ 850,000	\$ 4,951,321	85%
Rural	110	\$ 2,636,964	\$ 700,000	\$ 1,936,964	73%
Total	879	21,059,753	8,250,000	12,809,753	61%

2024 Projections					
Geography	Units funded with capital funds	Annual operating & services subsidy cost @\$24,692/unit	Potential Available Funds from Partner Funders Annually	Commerce Portion	Commerce Percentage
King	1,053	\$ 26,000,225	\$ 14,400,000	\$ 11,600,225	45%
Urban	484	\$ 11,950,721	\$ 1,700,000	\$ 10,250,721	86%
Rural	220	\$ 5,432,146	\$ 1,400,000	\$ 4,032,146	74%
Total	1,757	\$ 43,383,092	\$ 17,500,000	\$ 25,883,092	60%

2025 Projections			
Geography	Units funded with capital funds	Annual operating & services subsidy @\$25,432/unit	Commerce Percentage
			60%
King	1,383	\$ 35,163,344	
Urban	636	\$ 16,162,449	
Rural	289	\$ 7,346,568	
Total	2,307	\$ 58,672,360	\$35,206,416

2026 Projections			
Geography	Units funded with capital funds	Annual operating & services subsidy @\$26,195/unit	Commerce Percentage
			60%
King	1,712	\$ 44,852,850	
Urban	787	\$ 20,616,125	
Rural	358	\$ 9,370,966	
Total	2,857	\$ 74,839,940	\$44,903,964

G. Commerce Revenue Projections

In 2022, Commerce reported that it had allocated the last of its currently-available OMS funds for new capital projects coming online.

The only potential existing source to be allocated to the units above is the project-based rental assistance associated with ESSHB 1277, for which counties will have the first right of refusal to allocate. Commerce reports that this source is currently estimated at \$53M annually. The language from RCW 36.22.176 states: with no less than 60 percent of funds to be used for project-based vouchers for nonprofit housing providers or public housing authorities, housing services, rapid rehousing, emergency housing, acquisition, or operations, maintenance, and service costs for permanent supportive housing as defined in RCW 36.70A.030. The multiple eligible uses of these funds and multiple administrators across the state suggest that some amount less than \$32M might be available to support the capital pipeline.

Predicting revenue from this and other document recording fees is very difficult due to fluctuations in the real estate market. There are predicted significant shortfalls in document recording fees due to the following factors:

- 30% drop in WA home sales July 2022 vs. July 2021
- 60% drop vs. previous year in national mortgage refinancing through June 2022

Commerce reports that ongoing management of forecasting this revenue is challenging and that a combination of reserves and award management has so far avoided fund depletion, but these tactics can only go so far now that all funds have been awarded and the capital pipeline continues.

H. Potential Impact of FCS

As noted in Appendix B, the FCS program is the state’s largest program for investing in tenancy support services. This program is primarily paid for by the federal government. It is not yet fully utilized and is the only immediately-available source that can stretch OMS dollars further. The following model demonstrates the additional number of people experiencing chronic homelessness that could be housed with a \$20M appropriation of OMS if FCS covered 75% of services costs. This type of increase would require significant investments in provider capacity-building in 2023 and 2024 and would not be likely until 2025.

Total Funding Scenario based on \$20M appropriation		
OMS	\$ 20,000,000	60%
Other public funders	\$ 13,500,000	40%
Total	\$ 33,500,000	

Households served without FCS	
Per unit baseline operating subsidy	\$ 13,972
Per-unit services funding	\$ 10,000
Total per-unit subsidy	23,972
Households served (\$33.5M/\$23,972)	1,397

Households served with FCS paying 75% of services costs	
Per unit baseline operating subsidy	\$ 13,972
Per-unit services funding	\$ 2,500
Total per-unit subsidy	16,472
Households served (\$33.5M/\$23,972)	2,034
<i>Percentage increase</i>	46%

I. Other State Sources of Operating and Services Funds.

Commerce identified two additional sources of existing state funding for PSH rental assistance and services.

Community Behavioral Health Rental Assistance (CBRA) program- Administered by Commerce

- This program pays for rental assistance and services for individuals with behavioral health conditions, a subset of households who may be in need of supportive and/or youth housing.
- The housing portion of these funds is designed for use in a scattered-site leasing model, but if these funds are underutilized for this purpose, it may be worth exploring whether the program guidelines could be amended to allow for the funding of housing operating subsidies that are attached to structures.
- This program makes awards to service providers. If Commerce were to attach the rental assistance funds from this program to housing developments, it should change the recipient type to housing providers so they can show funders and equity investors that their operating subsidies are secure.
- The services funding available through CBRA can provide ancillary services for tenants in Commerce-funded housing and, as noted in the program guidelines, “partnered with programs offering supportive housing services such as Foundational Community Supports.”
- This source also pays administrative costs, which could be helpful to HTF-funded projects

Governor’s Opportunity for Supportive Housing (GOSH)- Administered by the State Aging and Long Term Services Administration (ALTSA)

- This program pays for rental assistance and services for individuals being discharged or diverted from Eastern and Western State Hospitals who are eligible for ALTSA services and in need of supportive housing.
- Similar to CBRA, the housing portion of these funds is designed for use in a scattered-site leasing model.
- This program makes awards to service providers. If the state were to attach the rental assistance funds from this program to housing developments, it should change the recipient type to housing providers so they can show funders and equity investors that their operating subsidies are secure.

Funding attributed to the current portfolio

While it is theoretically possible some existing projects won’t be renewed and the revenue from those projects could be used for new projects, because this would be a serious proposition in terms of the unwinding of leased housing, any changes to the recipients of those funds or transfers of ownership would likely be done over time with supports and technical assistance in an effort to keep the housing operating successfully for its tenants. For these reasons, the recapture of funding is not part of the model.