

Senate Transportation & Housing Committee and Senate Veterans Affairs Committee

Joint Oversight Hearing

Testimony Susan Lea Riggs, Acting Director, HCD

- Good Afternoon, Chairman Beale, Chairman Nielson and members of the committees. I thank you for the opportunity to address you today.
- HCD is proud to be in partnership with CalVet and CalHFA in implementing a program that allows us to support providing stable and affordable housing to CA's veterans.
- My testimony today will first focus on a broad set of principles that have guided the three implementing departments in the design of the program. I will then share highlights and lessons learned from Round I of funding of the program and, I will then close with some initial statistics on the applications received for Round II.
- In order to minimize the length and complexity of the presentation, we have provided a number of handouts that should be in front of you. Throughout our presentations, I will reference these handouts by the corresponding numbers of the top of each page.

Principles -

1. By design, the VHHP seeks to flexibly address a wide range of housing and service needs for our state's diverse veteran population. The program recognizes California's veteran population is neither a single monolithic group nor homogenous group. As such, the program allows project sponsors to design projects that address a variety of demographic and social needs within the larger veteran population. Some specific examples of the diversity of needs include:

- **Veterans age 55 and older**, make up a large cohort of the veteran population, increasingly these veterans will need housing and supportive services to help them stay in their homes and communities. Homeless veterans tend to be older than the non-veteran homeless making the need to assist aging veterans a growing imperative.
- **The needs of post 9/11 veterans** are unique as they face employment and economic challenges as they transition to civilian life. The median age of the post 9/11 veteran is 29 years and the group is much more diverse in terms of gender and ethnicity than veterans from prior conflicts. Many of those that

have recently transitioned to civilian life encountered extraordinary challenges in translating their military experience into stable employment opportunities at a time when the economy was weak and unemployment at historic highs. These difficulties have often compounded by the fact that housing affordability challenges are greatest in places with strong job opportunities.

- **A third demographic group that is rapidly growing is families with children and, in particular, female veterans with their children.** Female veterans are a growing share of the veteran population - they currently make up about 9% of the veteran population in California and that percentage is expected to rise. Female veterans have increased risks for homelessness when compared to non-veteran females. 50% of single veteran mothers are housing-cost burdened compared to 25% of all veterans. In addition, service related post-traumatic stress disorders and military sexual trauma are also risk factors for housing instability.

2. Principle #2 is that the communities that seek to address veteran housing needs are also diverse – in their local demographics, access to resources, cost of housing and cost of development. Recognizing that one size does not fit all, VHHP seeks to **provide communities flexibility in serving their local needs while ensuring that statewide legislative and policy objectives are being met.** Two ways in which this is accomplished:

- Through flexibility in project type - VHHP provides flexibility in how development and services are funded. VHHP prioritizes supportive housing as required by proposition 41, but allows the funding of other critical housing types, including family housing and transitional housing.
- Through the populations served - VHHP prioritizes supportive housing for the most vulnerable veteran populations, but there is flexibility to mix populations within projects (vet and non-vet) or to serve other special needs sub-populations as well as the general veteran population within a project. VHHP funding, however, is invested only in units that actually house veteran populations in compliance with statute.

3. **The supportive housing provided through VHHP serves and seeks to stabilize the most vulnerable veterans experiencing homelessness.**

- VHHP financial assistance is structured specifically to provide deeper financial assistance when this population is being served. Given the lack of operating income from the residents, however, additional operating and

services funding outside of the projects cash flow is also necessary for ongoing financial viability and supportive services.

- To ensure delivery of quality services and more successful outcomes for residents, VHHP projects require lead service providers who are experienced in providing veterans-centric and housing-first –oriented services.
- In addition, VHHP requires intensive onsite case managers to provide services tailored to each veteran’s needs with an emphasis on service provision that is flexible, voluntary, and easily accessible.

4. **Principle #4 - VHHP investments should be made in a way that maximizes the ability to leverage and integrate with other community investments to address veteran homelessness and housing instability.** For example, we incentivize commitments from the HUD-VASH program, the Housing Choice Voucher, or other creative ways to provide for operational stability, such as local subsidies. To ensure the most pressing community needs are being served and that projects are integrated into overall community strategies, we reward projects that collaborate with the local Continuum of Care, VA offices and local efforts.
5. **VHHP investments should reflect where veterans with the highest needs live.** Through the program guidelines, we have established geographic targets based upon where we see concentrations of homeless veterans and extremely low income renters with severe cost burdens. We will continually reevaluate the geographic targets as new data becomes available to ensure that our investments accurately reflect the most dire needs.
6. We are committed to ongoing and deep stakeholder engagement and feedback, evaluation of program and individual outcomes and in making continuous improvements to achieve the greatest impact on veterans’ lives.

Let me now turn to the Outcomes and Lessons Learned from Round 1

- **Handout #4 February 2015 Funding Round I Outcomes provides information on lessons learned in Round, including an overview of three funded projects).**
 - I am going to highlight a few of the key lessons today.
1. **While the program establishes a high set of standards for the type of housing and services required, applicants are successfully meeting the requirements.**

- 13 of the 17 funded projects funded in round 1 incorporate supportive housing and 66 percent of the housing units funded by VHHP are supportive housing. (371 out of the 566 VHHP units are supportive)
- Projects were structured to allow for a diversity of populations to be served – including veteran families and seniors.
 - i. 9 projects will contain two bedroom units, representing 24% of the VHHP-funded units having two or more bedrooms.
 - ii. Three projects serving senior veterans were funded.
- Given feedback from round 1, we also know there is interest in serving female veterans, especially those with histories of military sexual trauma or domestic violence. The design of the project would likely require special safety and security considerations, as well as specialized services. We also know that fair housing laws can present challenges to offering single gender housing, but with CalVet’s leadership on this topic, we are together exploring ways VHHP can best serve this population.

2. **Both Communities and applicants are pulling together to ensure the highest quality of housing and services related to VHHP funded projects.**

- (Please refer to **Handout #3 Typical services model in supportive housing**)
- We know from years of experience in administering the MHP-SH program, as well as our experience in the 1st VHHP round that there is no one service model or single way to fund services. But, in general, services in supportive housing are comprised of a mix of federal, state and local agency investments.
- In the case of round 1, of the 13 supportive housing projects - 8 have external rental subsidies, including four from HUD-VASH, which also includes funding for case management.
- Onsite individualized case management is typically paid for through cashflow, grant sources, or VASH. Some projects are also using Continuum of Care or Supportive Services for Veteran Families (SSVF) for case management services.
- Another creative way that project sponsors are providing additional financial support for the supportive housing units is by mixing incomes in the projects. This structure allows for additional cash flow that can in turn be used to fund services.

3. To meet the diverse needs of residents, case management must connect to the widest array of mainstream community based services possible, such as healthcare, mental health, employment, education, substance abuse services, and income supports. Sometimes these services are co-located and visible within the development, but in any case they must be accessible and client driven.
 - The funding streams for these community based services are diverse and include county mental health services, including those provided through specialty mental health services funded by Medical and through MHSA. Some of these community-based services are targeted specifically to veterans such as employment or benefits advocacy and some are available to the general population.
 - For residents who qualify for VA services, connections are also made to VA services that include physical health, mental health and substance abuse services, employment. This rich federal resource is an additional asset to qualifying VHHP residents.
 - And, a new resource under the Affordable Care Act and California's Medicaid expansion, single tenants now qualify for healthcare services funded by Medi-Cal. We anticipate increased flexibility in delivering eligible services in housing under California's proposed 1115 Medicaid waiver (just approved by the federal government) and the Health Homes option currently under development by the Department of Health Care Services.

It is worth noting here that the VHHP service requirements are generally set at a higher standard than other supportive housing programs. **The general requirements are highlighted on page 2 of handout #3.** Some key requirements include:

- Higher standards for lead service provider experience - To ensure delivery of quality services, VHHP projects require lead service providers with experienced in providing veterans-centric and housing-first –oriented services.
- Minimum service requirements have also been established.
- In addition, we expect the use of evidenced-based services practices by the service providers, such as trauma informed care or motivational interviewing.
- Lower Case management ratios and higher level of required credentials - VHHP requires intensive onsite case managers with appropriate staff/tenant ratios using qualified lead service provider staff.

- In addition, services must be tailored to each veteran's needs. We expect that the case management will bring strong connections to both VA and community based services, including primary care and county behavioral health services, whether provided onsite or accessible within the community.
4. We saw that some areas of the State did not have projects applying for VHHP funding, which created some **geographic gaps** based on our geographic targets. Based upon applications received in round 2, we anticipate that we will be closer to meeting the program's targets.
 5. **Last, we wanted to acknowledge that a significant number of projects were not funded in the first round.**
 - We attribute this in part to tight timeframes in meeting new and more complex requirements and rating. There were a lot of projects that came in that were not quite ready, that will likely do better next round. Several actually scored below the minimum when they self scored their application.
 - The target population for this population is difficult to serve, as it takes significant subsidies to complete these projects. They require operating and rental subsidies, they generally take longer to prepare, which further speaks to the point that they may be more prepared in future rounds.

Round I feedback and changes for Round II

- A. Following the first round, the state agencies held three public meetings to solicit feedback, in Los Angeles, Oakland, and Sacramento, with video conferencing links to Chula Vista, Fresno and Yountville. Feedback on the basic program design was mostly positive, although there was a fair amount of criticism of the application process – both the complexity of the forms and the way in which supportive services were scored. In addition, the state agencies conducted four in-person application workshops for the second round, in Oakland, Riverside, San Diego, and Los Angeles, as well as one application web-based workshop.
- B. As a result of the feedback that we received, we made minor amendments to the round 1 guidelines, focusing primarily on clarifying and streamlining the application process. ***This list is included in Handout #6***

- The application scoring system was simplified, and made more transparent. In connection with this change, the scoring advantage for supportive housing was increased.
- We clarified that that “case management” is an eligible operating expense, along with “resident services coordination.”
- The scoring for rental subsidies now gives credit to projects that can deliver very low rents without external rental or operating subsidies.
- We clarified the requirements for supportive services case management staffing, and the credentials of these staff.
- A section on non-mandatory best practices in design and property management was added that focuses on resident safety.
- Require projects to receive certain minimum point scores in the readiness and services plan scoring categories, to ensure a minimal level of readiness and services quality.

Round II apps

Please refer to **Handout #5** called “Round 2 NOFA Preliminary Application Information.”

In mid-December 2015, HCD received 34 applications for the 2nd Funding round. The total requested funding was just over \$180 million for the \$75 million available.

Although we are at early stages of review, we have provided a preliminary data sheet for your reference. In general this round of applications is more consistent with the program’s geographic targeting with increased participation from San Diego and the Bay Area.

We also see an increased use of VASH and project-based HCVs and continue to see majority of VHHP units as supportive housing units that deeply target disabled veterans experiencing chronic homelessness or other kinds of homelessness. We also see mixed housing and housing projects proposed for Veteran families and senior veterans.

These preliminary figures seem to indicate strong demand for program, participation from a wide geography, and a willingness to more deeply target the most vulnerable Veterans and provide supportive services.

We will be providing preliminary scoring feedback to applicants in February with final awards to be made in Spring of 2016.

Before I turn it over to Tia, I wanted to take the opportunity to say thank you to all those that have been instrumental in creating VHHP. First and foremost are the members of the legislature for you vision and commitment to ensuring the success of the program. In addition, both CAVSA and CSH deserve a debt of gratitude for their leadership in sponsoring AB639. In addition, our federal, state and local partners are key to the successful implementation of the program. Finally, the program’s stakeholders, the

veteran service providers, affordable housing developers and other key stakeholders continue to be a key resource as we continue to improve upon the program's design.