

Permanent Supportive Housing (PSH)
Development Incentive Grants Evaluation

CHARLES AND HELEN
SCHWAB *foundation*

HOMELESSNESS

YOUTH DEVELOPMENT

LEARNING DISABILITIES

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background

The Charles and Helen Schwab Foundation created the PSH Development Incentive Grants initiative with the goal of producing a positive impact on the pipeline of permanent supportive housing units being developed for families in the Bay Area. The grant making program was designed to provide resources to organizations with experience and/or an interest in developing supportive housing for families with two key objectives in mind:

- ★ to facilitate the creation of new units, and
- ★ to “incentivize” developers to build more supportive housing in the future.

Understanding that the development of supportive housing is difficult and complex, the Schwab Foundation chose a flexible approach that allowed grantees to be creative in applying funds toward uses that would show results in new units coming on line and in impacting their agency’s capacity and willingness to develop more supportive housing in the future.

During the formulation of this grant program, the many external forces which inhibit the development of supportive housing were discussed, including: inadequate capital; inadequate operating and services funding to develop new projects; a lack of interest on the part of larger affordable housing developers in housing people who have been homeless over the long term; and an insufficient number of skilled and experienced supportive housing developers and providers.

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THE THREE STATED GOALS OF THE GRANT MAKING PROGRAM WERE TO:

1. Increase the number of family supportive housing units produced in the Bay Area;
2. Enhance the ability of agencies to commit themselves to continue to develop family supportive housing over a 3-5 year horizon; and
3. Identify gaps in developer capacity that inhibit the development of supportive housing for families.

This report evaluates the success of the program in meeting its goals, assesses how the use of the grant funds contributed to successes and where it fell short, and provides recommendations to the foundation as it considers whether to proceed with additional grant making in this area. The report is based on a review of the grantees’ written final reports and telephone interviews with each of the grantees, as well as the two consultants.

summary of grantees' success in meeting their objectives

There were seven grantees whose profiles differ greatly. Two are experienced developers: one has a long history of developing supportive housing, while the other is new to the field. Three grantees are service providers that also provide housing to clients, either through development, acquisition or master leasing. The remaining two are community-based organizations with minimal development capacity themselves.

Grant size ranged from \$25,000 to \$105,000, and the funds were deployed in a variety of ways. While the majority of grantees used the funding to pay for staff assigned to supportive housing projects, two grantees used the funding to cover the cost of consultants, and one grantee used the funds for construction costs for a project in the pipeline.

The following observations are drawn from the grantee's reported progress in meeting the objectives they set out for themselves in their grant agreements with the foundation.

FUNDING FOR CONSULTANTS RESULTED IN MET OBJECTIVES

The two grantees who were awarded funding for consultants met their objectives. In both cases, the objectives were short-term and based on a clearly delineated scope of work for the consultants. This factor alone makes it easy to understand why these grantees were successful compared to the grantees that had objectives based on activities that take longer and are contingent on a variety of external factors that are often beyond their control.

GENERAL OPERATING SUPPORT FOR ORGANIZATIONS WITH LIMITED EXPERIENCE IN SUPPORTIVE HOUSING DEVELOPMENT DID NOT YIELD POSITIVE RESULTS

The two organizations that fall into this category differ with regard to their core focal areas. One is a grassroots community-based organization that has experience in development, but has not been involved in supportive housing. The other is an agency that has years of experience in the provision of shelter and emergency services, but their housing development expertise is limited. In both cases, each organization's efforts to move into a new focal area was not successfully catapulted by the grant.

GENERAL OPERATING SUPPORT FOR ORGANIZATIONS WITH SIGNIFICANT EXPERIENCE IN SUPPORTIVE HOUSING DID YIELD RESULTS

The three grantees who are "in progress" in meeting their objectives are all experienced supportive housing developers/providers involved in specific development projects that are moving along, but have not yet reached their conclusion. All indications are that they will successfully complete their projects.

summary of the foundation's success in meeting its goals

The following is a brief analysis of how the grantee outcomes addressed the three goals for this grant making program.

1. INCREASE THE NUMBER OF FAMILY SUPPORTIVE HOUSING UNITS PRODUCED IN THE BAY AREA.

The majority of the grantees (5 out of 7) either completed, or are positioned to complete, development projects that will add new family supportive housing units in four Bay Area counties.

The projects of two grantees may result in new supportive housing units in the future, but there is no indication that they are currently on a track where a future completion date can be estimated.

OUTCOME: Schwab Foundation funding contributed to the creation of 161 new units of family supportive housing that are in the process of being developed. The funding to the five agencies producing this housing was \$310,200 or less than \$2,000 per unit.

2. ENHANCE THE ABILITY OF AGENCIES TO COMMIT THEMSELVES TO CONTINUING TO DEVELOP FAMILY SUPPORTIVE HOUSING OVER A 3-5 YEAR HORIZON.

All but two of the grantees have permanent supportive housing within their core line of work. Based on the interviews, all the organizations appear enthusiastic about continuing their involvement in supportive housing or incorporating it into their ongoing scope of work.

OUTCOME: While difficult to distinguish the “stated intention” from the reality, it is perhaps most compelling to merely note the following positive outcomes:

- ★ Several organizations that might have fallen off the supportive housing development track, are remaining on.
- ★ A new emerging group is poised to take on a second project.
- ★ A group new to supportive housing is enthusiastically embracing this as a new element of their work.

3. IDENTIFY GAPS IN DEVELOPER CAPACITY THAT INHIBIT THE DEVELOPMENT OF SUPPORTIVE HOUSING FOR FAMILIES.

This area was not explored thoroughly in the written grantee reports. In the interview process there were no issues that surfaced that hadn't been discussed during

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the formulation of the grant program. The following section highlights the gaps in developer capacity identified through the interview process, in order of importance:

- ★ **STAFFING:** The need for adequate staff to pursue the development of supportive housing, which is more complex and tends to take longer to develop than affordable housing, is an underpinning of most of the grantees' state of affairs. However, how it plays out differs from agency to agency.
- ★ **STAFF RETENTION:** It is noteworthy that of the seven grantees, four recently lost their development/project management staff. While staff turnover and retirements are the norm, this is an issue that warrants further investigation and analysis.
- ★ **EXPERTISE:** Even grantees with skilled staff and infrastructure can benefit from supportive housing "expertise" whether through the addition of a professional project manager or the utilization of a consultant for individual projects.

While the grants were only a small piece of a large and complex puzzle, their positive boost does serve as a valuable counter balance to all the challenges that face these developers.

assessment of grant making program

Both the grantees and the foundation were largely successful in meeting their goals and objectives. However, an important consideration for the foundation is the relationship between these results and the grants themselves. In other words, was there a direct relationship between the grant funds and the success? Further, did the success have some depth that can form a basis for future development, agency growth and sustainability? Other issues pertain to the flexibility of the grants, the use of the grant funds, and whether the grantees selected were appropriate.

ADDING VALUE

Starting with a broad brush stroke, the grants did add value in the larger context of developing supportive housing. While the grants were only a small piece of a large and complex puzzle, their positive boost does serve as a valuable counter balance to all the challenges that face these developers.

As an example, one grantee used the funds to fill a capital gap in a project that was waiting to start construction. The grant essentially "defrayed" the amount of funding that needed to be raised via a capital campaign so that their project could start construction. This grant expedited that process, enabling the project to move into construction sooner, thereby saving the organization holding costs and dissipating at least a portion of their frustration with the difficulties that befell this particular project.

Would the project have happened without the foundation's grant? It likely would have. Therefore, the challenge for the foundation is to measure the value of playing a role, but only a supporting role, in moving the grantee forward and mitigating the frustration that has moved some groups to abandon supportive housing development work.

On the other side of the equation, there were a few grantees for which there was a more direct correlation between the grant and their success in meeting goals and objectives. A project consultant's work with one grantee appears to have had a substantial impact on ramping up their learning curve, connecting them to critical resources, and strengthening their capacity and commitment to supportive housing development. While there were other factors at play, this modest \$25,000 grant seems to have generated a lot of "bang for the buck."

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GRANT FLEXIBILITY

The flexibility that the foundation allowed in how the funds were used was viewed as critically important by the grantees and, in assessing the outcomes, appears to have paid off. Considering the relatively small universe of players, the ability to be creative in how the funds were used to achieve the end goal is a very pragmatic and sensible approach.

APPROPRIATENESS OF GRANTEEES

When reviewing where success occurred and, conversely, where there was the least success, it is clear that this grant making program best served those organizations with the most experience in the development of affordable and/or permanent supportive housing.

recommendations/conclusions

SELECT GRANTEEES MOST LIKELY TO BENEFIT FROM INCENTIVE GRANTS.

There are successes in developing family supportive housing and in engaging developers in this work that can be attributed to these grants. But because the correlation between the grants and the successes is not always a clear straight line, the foundation will need to determine whether these end results are commensurate with the resources invested in this program. While a case can be made to continue the Development Incentive Grant Program in its current form, it is advised that closer attention be paid to selecting grantees to ensure there is a strong likelihood that the grant size and use of funds will result in the desired outcome.

CREATE A GRANT MAKING PROGRAM CONSISTING ONLY OF CONSULTANT FUNDING.

Based on the success of the two grants made for consultant work, the foundation may want to consider only retaining that component of grant making.

COORDINATE CONSULTANT FUNDING WITH THE STATE'S MULTI-FAMILY HOUSING PROGRAM.

The state's MHP Supportive Housing Program has a technical assistance component that is designed to assist less experienced applicants. However, it is designed only to help with questions specific to the applications, not the projects themselves. Since organizations attempting to develop new supportive housing projects will likely be seeking this resource, it becomes a natural point of intersection to provide funding of consultants to work on projects that are in or entering the pipeline.

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INCENTIVIZE PARTNERSHIPS.

Partnerships between developers and service partners comprise a majority of supportive housing activity. When partnerships are well crafted and function smoothly, there is value in continuing those relationships for future projects. It would be worthwhile exploring a grant making program that funds two groups to work together, and assists them in building the relationship, agreements and documentation that can be used in more than one supportive housing project.

FUND LISC TO DO THEIR TRAINING ANNUALLY.

LISC's (Local Initiatives Support Corporation) project management training has been very valuable in training new project managers, but is not offered on a regular basis. It would be very beneficial if a foundation could underwrite these trainings on an annual basis, perhaps even setting up a session that is specifically focused on the development of supportive housing.

The Schwab Foundation's clarity of purpose and willingness to be flexible in its approach to grant making were key elements to the successes experienced in this program. If the foundation continues to remain focused on the goal of creating new supportive housing units for families in the Bay Area and building/renewing organizational commitments to the development of family supportive housing, the provision of flexible grants to developers that have the capacity to do this work, or a realistic plan for acquiring that capacity, will yield results.