

Dane County Affordable Housing Development Fund - #116055
General Response from Porchlight, Inc.

4.1 INTRODUCTION

Porchlight, Inc. requests up to \$220,000 for the purchase of an apartment building located at 1221 Sunfield Street in Sun Prairie, Wisconsin for a family housing first program. The apartment building consists of 4 two-bedroom apartment units. The project team is solely Porchlight, Inc.

4.2 DEVELOPMENT TEAM AND SERVICE BACKGROUND

Porchlight, Inc. has extensive experience (approximately thirty years) in the development and operation of housing for homeless and low-income households in Dane County. The key staff involved will be Steven Schooler (Executive Director), Karla Jameson (Associate Director), Dana Pellebon (Director of Housing), Kim Sutter (Director of Services) and Brad Hinkfuss (Director of Operations). Since the middle 1980s, Porchlight has owned, operated and maintained apartment buildings providing housing and services for homeless and low-income households and families. Currently, Porchlight owns, operates and maintains twenty-three apartment buildings consisting of more than 300 units of affordable housing.

The previously listed staff has the following experience:

- Steven J. Schooler – 15 years as the Executive Director for Porchlight (Transitional Housing, Inc. prior to 2004) which during his tenure more than doubled in housing units provided with major affordable housing development projects located at 4002 Nakoosa Trail (48 units) and Pheasant Ridge Trail (16 units).
- Karla Jameson – MSSW from the University of Wisconsin-Madison and has 25 years experience with the agency as both a case manager and supervisor of all of the case management services provide to the residents of Porchlight housing.
- Kim Sutter -- MSW from the University of Wisconsin-Madison, and has 8 years supervisory experience with Porchlight managing the Safe Haven program, which provides housing and daytime resources to homeless adults experiences serving persons with serious mental illness.
- Dana Pellebon – Supervised Porchlight housing (tenant selection and screening and property management) for 4 years and has over 20 years experience in property management, including tax credit projects.
- Brad Hinkfuss – Supervised maintenance and overseen the development of Porchlight housing for 15 years (for Community Housing & Services, Inc. prior to 2004). Mr. Hinkfuss has been in charge of all of the Porchlight housing development since 2004

including new construction, substantial renovation of numerous additional units of affordable housing for homeless and low-income households.

Although this is not a tax credit proposal, Section 42 tax credit experience is not really relevant but Porchlight does have experience with Section 42 tax credits, as 306 North Brooks Street involved a major expansion in 1997 that involved Section 42 tax credits. Porchlight successfully completed the tax credit program in 2012 but still maintains the units as affordable pursuant to the 15 year additional affordability period. Porchlight also is currently partnering with the City of Madison Community Development Authority (CDA) in a tax credit development where it is the operator and service provider for an 8 unit located in the CDA Truax redevelopment on Anderson Street in Madison.

Porchlight through the years has participated in numerous joint ventures. Most recently, Porchlight partnered with the CDA in the above-mentioned supportive housing development at the large Truax development. In addition, Porchlight has partnered with United Way of Dane County in the development of its family Housing First program being one of the first to initiate the program in conjunction with the Madison Metropolitan School District in 2009 and then extending to Sunfield Street in Sun Prairie in 2011. As part of those partnerships, Porchlight operated, managed and provided the services for these properties and their residents, all low-income or very low income and either homeless or near homeless. Another major recent partnership has been with U.S. Veterans Administration through the substantial renovation of 24 unit building of single room occupancy units for homeless veterans pursuant to the successful application for a supportive housing, grant & per diem program. This project, put into operation at the end of 2008, has been highly successful in assisting homeless veterans with housing and extensive support services.

As previously described, Porchlight has developed and operated multifamily housing for low-income and very low-income households for decades. This has included substantial permanent supportive housing. The following is a list of major acquisitions and developments:

- 1999-2001: Development through purchase and renovation of 8 four-bedroom affordable permanent supportive units on Russett Road in Madison, 2 two-bedroom affordable permanent supportive units on Broadway in Sun Prairie, and 16 one-bedroom affordable permanent supportive units on Northport Drive in Madison;
- 2002: Development through purchase and renovation of 4 two-bedroom affordable permanent supportive units on McKenna Boulevard in Madison;
- 2006: Development through new construction of 16 efficiency affordable permanent supportive units on Pheasant Ridge Trail in the Town of Madison;
- 2009: Development through purchase and renovation of 4 two-bedroom units of affordable housing on Camden Road in conjunction with United Way's family Housing First program;

- 2010: Development through purchase and renovation of 8 single room occupancy units of permanent supportive housing and 8 single room units of transitional housing for homeless and low-income adults on Mifflin and Johnson Streets in Madison;
- 2012: Development through new construction of 34 efficiency housing units (18 transitional and 16 permanent) and 14 single room occupancy units of shelter housing at 4002 Nakoosa Trail in Madison; and
- 2013: Development through purchase and renovation of 6 one-bedroom units of affordable permanent supportive housing focused on veterans.

Porchlight has successfully operates all of these units in accordance with various City, WHEDA and HUD affordability requirements. The agency conducts all of the property management (including tenant selection), maintenance and case management services for these units, as well as the more than 160 units of various sizes not previously described. Porchlight has also for many years rented between 12 and 13 units of housing from other landlords or owners pursuant to HUD Housing First program and provided support services to the tenants of those units. Finally, Porchlight has successfully operated the subject property (1221 Sunfield Street) as an affordable Housing First program (4 2-bedroom units) for families since 2011.

4.3 PROJECT DESCRIPTION

This project entails the purchase of an existing 4-unit multifamily residential building located at 1221 Sunfield Street in Sun Prairie. All of the units are 2-bedroom in size and suitable for families. Porchlight has leased this property from Summit Credit Union (Summit) for the past five years, since January 1, 2011. Originally, Summit received this property through a loan default. It then approached the United Way and Porchlight seeking a productive partnership to utilize the property as affordable housing. Porchlight negotiated a favorable lease arrangement which has been renewed on an annual basis for the past five years. The United Way assisted by funding services to operate the facility as a family Housing First program. This year, Summit has indicated that it can no longer hold this property and will sell it at the end of the current term, 2016. Summit has offered to sell the property to Porchlight for \$220,000. They require a decision by September 2016. Porchlight has negotiated an offer to purchase for that amount contingent on an inspection and Porchlight Board approval by September 15, 2016. Considering a review of similar properties in this area of Sun Prairie, this is an exceptionally good price for the property.

By moving this project forward, Porchlight would acquire and maintain the property as a permanent affordable housing development for families. From a development perspective this will be far less expensive and much simpler than most new affordable housing developments. The only development cost will be the acquisition of the property, which as stated above is \$220,000. The Porchlight request of the Affordable Housing Development Fund (AHDF) is for that full amount. The minimum amount needed from the AHDF to proceed would be \$120,000.

If the decision of the AHDF process is to fund the project for less than the full amount, then the United Way has committed to partnering with Porchlight to raise the additional funds needed to bridge the gap to \$220,000. The bridge funding is a commitment on behalf of Porchlight and United Way; the smaller the gap to be bridged the more quickly the project will proceed. All AHDF funds would be used for the purchase of the property. There will be minimal additional costs for closing which will be no more than \$500. Porchlight will cover those costs. The development budget is reflected in the simple snapshot below:

1221 Sunfield Place Development Budget

Dane County AHDF	\$120,000 – \$220,000
Porchlight/United Way	<u>\$100,000 – \$ 0</u>
Total	\$220,000

The operating pro forma is presented in Attachment E. This demonstrates Porchlight’s commitment to offer this project as affordable housing. Porchlight currently provides and will continue to provide this housing to very low income families at or below 50% of the County Median Income. On the revenue side, the rental income is a result of \$800/month rents. Even assuming this rent as a third of monthly income, this rate is solidly beneath the 50% threshold and very nearly meets the 30% CMI level. Porchlight is committed to maintaining rent levels below the affordable HOME limits, currently \$936 per month for a 2-bedroom unit (2016). The \$800/month rent assumes a utility allowance of approximately \$130 per unit. With direct assistance subsidies (which are part of the budget pro forma) this housing will be affordable to some families at the 30% CMI level. Also, Porchlight will accept Dane County Section 8 Vouchers (rent levels will be set at or below Dane County Section 8 affordable rents). This provides another avenue to make this housing available and affordable to households at very low CMI levels.

The Dane County investment in this project leverages significant funding from the United Way, both in terms of case management and financial assistance to residents. Since this funding is likely to remain constant over time and not increase, Porchlight has also committed to seeking other funding sources and/or using contributions over time to make up for any shortfalls. This is shown in the Contributions line item, another point of funding leverage and commitment by Porchlight.

The expense side of the pro forma includes all costs associated with this project, from maintenance to supportive services. The lack of debt service and financing charges allows the project to operate with much lower costs than most affordable housing developments. Also notable is the inclusion of Direct Assistance funding. Porchlight and the United Way jointly fund this ongoing provision in recognition of its importance to a Housing First approach. This provision shows Porchlight’s capacity to flexibly assist resident families what whatever emergency expenses they encounter as they stabilize their lives. This could include past due rent, security deposits, medical expenses, educational expenses and many other things. The need for

this sort of assistance will decrease over time as families stabilize their lives in this permanent housing

Central to the entire project is Porchlight's commitment to offer this project as affordable housing and to accept DCHA Section 8 vouchers. This commitment to affordable rents ensures the long-term availability of these units to low income families. For the purposes of this application the project is structured with a 15-year term of affordability. However, Porchlight's mission and continued success ensure that the property will continue as affordable housing for much longer.

4.4 Housing First

As mentioned previously, Porchlight has been utilizing a Housing First approach with this property for the past five years. Although the families have not all been homeless pursuant to the HUD definition, all have either been near homeless, doubled-up in violation of occupancy limits, sleeping in vehicles, or homeless. Since the supportive services funding for the program at the property has come from the United Way, the precepts in the approach have also largely come from the United Way. This starts with a Porchlight case worker who does outreach with other organizations to identify low income and homeless families. All of the applicant families come from the Sun Prairie area. Social workers with the Sun Prairie School District refer many of the applicants. Additional referrals are provided by Joining Forces for Families (JFF), a community-based supportive service that helps families address their basic human needs. The program is flexible enough to address family housing emergencies quickly because applicants are frequently the result of short-notice referrals and not long waiting lists.

Perhaps most importantly, as part of the program shift associated with this grant application Porchlight proposes to switch this property from a transitional housing program to a permanent housing program. The current arrangement allows for tenants to stay usually for only one year with a goal of utilizing extensive support services to stabilize their situations. More in line with a conventional Housing First model Porchlight will reclassify this property as permanent supportive housing.

4.5 Targeted Population

As mentioned above, all of the applicant families for this project come from the Sun Prairie area. They will all have children in the Sun Prairie School District. The school social worker and JFF will provide referrals, in addition to case worker contacts. They will all be very low income families, many of which have additional barriers to acquiring market-rate housing.

Porchlight has a long history of providing very affordable housing to those most in need. The agency's screening criteria and application process reflect this mission. Families in Porchlight housing typically have poor tenant and credit histories, substance abuse problems, inconsistent employment and other challenges. Porchlight does not just target this demographic as a sector of the housing market; the agency is purposefully organized to provide the additional services that these low income families frequently need.

4.6 Supportive Services Plan

True to a Housing First approach, Porchlight has assigned a case worker to work specifically with the families who apply and live at 1221 Sunfield St. This starts with identifying the instability of the families' current living situation. The case worker coordinates a given family's application and move-in, and immediately starts weekly in-home visits and an assessment using the Arizona Self-Sufficiency Matrix. Based on this and other indicators, a wrap-around set of supportive services are made available to families. A sampling of service partner programs includes Head Start, Early Childhood Initiatives, Foodshare, JFF, and the Financial Education Center of Dane County. A budgeting education program is also available through Summit Credit Union. The case worker may also connect tenant families with higher education opportunities and help them seek funding for those programs.

4.7 Tenant Screening Policies

Porchlight screens applicants with an understanding that they will have very difficult histories and limited resources. All potential clients fill out an intake form with their contact information and gross income. Once an apartment's availability known, the client is called about the vacancy. If the client has sufficient income (gross monthly income must meet or exceed two times the monthly rent amount), an appointment is made for a first interview. At the first interview, the Director of Housing and the case manager meet with the potential client to fill out the application with them. The client must bring at least one professional reference and one housing reference. While this will not exclude them from housing, it is useful in obtaining background information. Once the application is filled out, the housing department obtains at least one housing reference, one professional reference, and third party verification of income. A criminal back ground check is run. Porchlight does not use credit checks for determining housing eligibility. The client must not owe more than \$5,000 to a previous landlord(s). The potential client cannot have more than 3 felonies against persons, property, or drugs over the last 5 years or more than 2 misdemeanors per year in consecutive years during the same 5 year time period. If they meet the above criminal and landlord criteria, the potential client is called for a second interview. At the second interview, the Director of Housing and the case manager for the vacant unit meet to go over the references, income, and other findings from the application. They

discuss AODA and Mental health history (the references obtained are also asked about this information). They discuss the program in detail and decide with the potential client if it is the right program for them. If there are AODA or mental health issues defined in the meeting, at the intake appointment or upon move in, the case manager will do individual assessments and work with the client to obtain resources to best support any identified needs

Typical screening policies dispense with credit checks. Episodes of past homelessness or evictions are used to craft supportive service plans, not as the basis for excluding residents. Although all applicants are required to have an income, the base requirement of at least \$1,872/month is below even the 30% CMI level.

4.8 Funding Leverage

As stated in the Project Description section, Porchlight requests up to \$220,000 to fund the purchase of the property at 1221 Sunfield St in Sun Prairie. Funding at that level would provide the quickest and most expedient way to move this project forward. However, Porchlight and the United Way of Dane County have agreed that they will jointly fund whatever the AHDF does not fund, up to \$100,000. Therefore, the minimum amount required from the AHDF to move this project forward is \$120,000. In this sense, the amount of funding leveraged through a grant award will depend in part on the amount granted.

An AHDF award would also leverage much more than the purchase price. The Operating Pro Forma (Attachment E) shows that the United Way will initially provide \$38,000 per year in operating costs between the Housing First and the Direct Assistance funds. Additionally, Porchlight has pledged an increasing amount of charitable contribution funding to this project over time, up to \$10,610 by the fifteenth year. Porchlight will also seek additional sources of funding for this program over the extended timeline to minimize overreliance on charitable contributions.

There are a total of four 2-bedroom family units included in this project proposal. The Dane County cost per affordable unit in this project could be as high as \$55,000/unit if the request is fully funded ($222,000/4$). The cost per unit could also be as low as \$30,000/unit and still proceed ($120,000/4$). In either case, a AHDF award to this project would leverage significant United Way and Porchlight funds.