Public housing was established to provide decent and safe rental housing for eligible low-income families, the elderly, and people with disabilities.¹ These low-income families (earning 80 percent or less of the area median income) have long been among the most impoverished families in our communities, facing various systemic challenges—including poor-quality local education systems, limited employment opportunities, and involvement in the criminal justice and other systems—and having supportive service needs. Many of these families earn below the federal poverty level for a four-person family, or $24,600 a year.² Their landlords, public housing authorities (PHAs), and property management partners recognize that providing supportive services to help families transition toward greater self-sufficiency is a central factor to achieving their mission. Nevertheless, these stakeholders struggle with how best to develop, implement, and finance robust and sustainable supportive services programs because they often lack funding and internal expertise.

This challenge has become more acute as PHAs operate with dwindling federal funding and limited state and local resources, with a few exceptions. This challenge is not likely to reverse soon. Federal resources for these activities are under threat from budget proposals and cuts from the administration and Congress that include sharp funding decreases or elimination of programs.

Public housing authorities with a Moving to Work designation or Choice Neighborhoods Initiative implementation grant funding are better positioned to develop and implement comprehensive supportive services programs, but even when funding is available, the needs of families who live in
assisted housing often outpace available resources, and PHAs committed to providing high-quality supportive services constantly struggle to identify resources and partners. To compound this, financing supportive services has become more complicated for housing authorities converting their portfolios under the Rental Assistance Demonstration program because federal funding, such as the Resident Opportunities and Self-Sufficiency, is no longer available postconversion.

These realities—the lack of sufficient resources and the inability to access certain programs because of statutory changes—makes seeking stable, alternative funding through fundraising, contracts with developers, and partnerships even more critical. Despite these challenges, the case for investing in supportive services in assisted housing communities remains strong, and PHAs have found value in developing and sustaining these partnerships because the ultimate outcome—a more self-sufficient client—is a win for all involved. Industry expert findings, including findings from the Urban Institute, have made the case for the value of on-site, two-generation services in public housing (Gillespie and Popkin 2015).

This brief describes strategies and opportunities for PHAs and other owners and operators of assisted housing to finance supportive services. This brief is not exhaustive, but it compiles lessons and observations based on the author’s work in the industry. Given the significant challenges some families face, even while housed, no single strategy will work in isolation. A multilayered approach is needed to develop more sustainable platforms on which to deliver supportive services.

Strategies and Lessons

Integrate Relocation and Supportive Services

Many housing authorities isolate supportive services and relocation functions in separate departments and often with separate staff. Given the critical intersection of responsible relocation and supportive services to ensure family success, as well as opportunities to return to redeveloped communities, seamlessly integrating these two functions into a single unit allows PHAs greater efficiency and flexibility to serve families (Popkin et al. 2010). And it ensures that families have a single team that works with them before, during, and after relocation. This integration is important for many reasons but is essential for financing. For projects financed with Low-Income Housing Tax Credits, relocation expenses (on average, $3,000 per household) are tax credit–eligible expenses, while supportive services (except for developments for the elderly) are typically not. By integrating these functions, PHAs can better leverage their relocation budgets. Importantly, relocation funding can be pooled with other funding to deploy staffing and programs flexibly where they are needed most.
Invest in Direct Fundraising

Depending on the PHA’s capacity and the local or regional context, direct fundraising can be an important tool. Increasingly, PHAs are employing fund developers and fundraisers to identify and capture federal, state, local, and private funding. This effort could be supported via part-time staff, a contract position paid in part with proceeds from funds raised, or collaborations with other local partners to raise funds jointly.

Other ways PHAs are expanding direct fundraising capabilities include the following:

- **Establishing nonprofit affiliates that can be a conduit to raise funding for supportive services.** This vehicle might provide flexibility for donors who may be hesitant to directly fund public housing authorities or governmental agencies.

- **Collaborating with local partners, such as other local government agencies or local nonprofit service agencies or philanthropies, to jointly raise funds.** The PHA may be either the lead or supporting partner, but the emphasis is on a mutually beneficial grant application that helps support families.

- **Establishing endowments for supportive services, dedicated education or scholarship funds, or similar restricted vehicles for direct contributions.** While the US Department of Housing and Urban Development (HUD) allows Choice Neighborhoods grantees to deposit federal grant funds into an endowment trust, pending HUD approval, there is no federal restriction on PHAs establishing trusts using unrestricted funds.

- **Accessing federal grant programs, such as Resident Opportunities and Self-Sufficiency, Family Self-Sufficiency, the Choice Neighborhoods Initiative, and other HUD sources for supportive services.** Choice Neighborhoods, for example, allows up to 15 percent of the grant (maximum grant of $30 million) to be dedicated to supportive services. But Choice Neighborhoods is highly competitive and may be eliminated under current budget scenarios.

- **Exploring non-HUD sources more aggressively.** A dedicated fund developer can help analyze the federal forecast and plot a strategy to raise non-HUD funds. For example, the US Departments of Justice, Education, and Health and Human Services have grants that may be appropriate for PHA clients. Public housing authorities may need to collaborate with a local provider to access these grants.

Create Internal Policies to Maximize and Leverage Development Transactions

As housing authorities explore physical development (new construction or rehabilitation) as a self-developer or in partnership with a private developer, there are opportunities to lock in construction-period or operations-period financing for services. But PHAs must establish internal policies that prioritize supportive services funding before negotiating with a developer or construction.
Public housing authorities should explore the following sources, which are typically negotiated on a deal-by-deal basis and agreed to before financial closing. Established PHA policies set the baseline for negotiations with any developer at the outset.

- **Earned developer fees.** Public housing authorities can contribute a portion of their developer fees to supportive services programming and delivery. HUD Safe Harbor guidelines cap developer fees at 9 percent (up to 12 percent with justification), and state finance agencies often allow up to 15 percent in developer fees. Developer fees are calculated on the total eligible development costs, so supportive services teams must understand how these transactions are structured so they can make educated and informed requests.

- **Construction cost savings.** Most construction projects do not come in under budget, but should that occur, PHAs can negotiate with a developer to dedicate a portion of construction cost savings to supportive services. This strategy may be subject to approval by the investor.

- **Operations budgets.** Including funds for a resident service coordinator or other supportive service staffing positions in the operating budget will create a dedicated stream of funding for services after construction and during the operations period. This strategy is subject to negotiation with the property manager, and the budget must support it.

- **Net cash flow and net operating income.** During the operating period, each project may generate positive cash flow, after satisfying project-specific budget needs. Public housing authorities could allocate a portion of earned cash flow for supportive services. Obviously, the project will need to operate efficiently to generate these opportunities, but cash flow can be accumulated over time. Public housing authorities should establish these policies in advance.

- **Procurement.** Public housing authorities can request that developers outline their strategy for helping finance supportive services as part of their proposal responses, and PHAs can incorporate these plans into rating factors on which proposals are scored and selected.

- **Ground lease payments or land proceeds.** Depending on how a PHA disposes of its land, it could negotiate fees and payments, a portion of which the PHA could use to finance supportive services.

**Expand Collaborative Partnerships and Leverage Local Services**

Assisted housing providers are typically not experts in service delivery and often need to expand internal capacity or forge meaningful partnerships with local service providers and government agencies. These partnerships may focus on many service areas, reflecting clients’ self-sufficiency needs. Partnerships do not eliminate the challenge of sustainable funding, but they manage risk and focus more attention on addressing public housing residents’ supportive services needs. This approach can be effective, assuming the following:
Partnerships are deep (enjoy support at all levels within both agencies) and not dependent on a single charismatic person such that the partnership crumbles if that person departs.

Partners are not entirely dependent on public housing funding such that when PHA funds are exhausted, the programs end. Ideally, these partnerships leverage well-funded local programs that create a win for both agencies.

Partnerships are responsive to client needs. For example, a workforce training program that targets a population that is predominantly unable to work does not meet client needs and may lead to client dissatisfaction. Community colleges and Workforce Investment Boards are often important partners for PHAs, given the range of training and certificate programs available and income-eligible training funds that the investment board may control.

Both agencies have shared values, and their mission and goals are aligned. This alignment makes it easy to jointly apply for funding and collaborate rather than compete for limited resources.

Partnerships are not always funding based. For example, a housing provider may provide no- or low-cost space on-site in exchange for delivery of specific services. This “space-for-service” swap can bring in new partnerships and solve access and transportation issues that clients may face. To the extent that services can be colocated with other providers, clients can enjoy a single “hub” or access point.

Successful PHAs have found that the value in combining the strengths of two organizations outweigh the difficulties of developing and sustaining these partnerships.

Maximize Existing Tools

Public housing authorities may have tools that are not being used effectively, such as the following:

- **Section 3.** Public housing authorities must enforce Section 3 provisions in all Section 3–eligible procurements. In some cases, housing authorities establish training funds that allow contractors who cannot meet Section 3 requirements (30 percent of hires and 10 percent of construction contracts) to contribute payments (“penalty”) into a designated training fund. These funds can be available to invest in employment training opportunities for residents.

- **Moving to Work designation.** Among the tools available to Moving to Work agencies is the ability to use block-grant funding to test local solutions that might have national relevance. Subject to HUD approval, public housing authorities are allowed to invest in supportive services at any level they choose, while balancing other priorities.

- **Alignment with city and state agencies.** Although PHAs typically have enabling legislation that establishes them as separate legal entities, some housing authorities operate as part of city government or are loosely aligned. Public housing authorities can help push these relationships to better align city and PHA priorities in a way that better serves residents. For example, a
workforce development strategy pushed by the city without PHA participation is a missed opportunity. Similarly, a city’s investment in an affordable housing trust fund without a corresponding investment in supportive services is a missed opportunity. Public housing authorities can push cities and counties to prioritize Community Development Block Grants and other funding to target and serve public housing residents and to make this a part of the city’s selection criteria. Public housing authorities will need to get better at advocating for supportive services and thinking about nontraditional ways to use existing tools.

Conclusion

Investment in supportive services can yield many positive returns. Yet housing authorities do not have enough funding and resources to do so sustainably or at a large scale. High-quality supportive services programs are expensive, and the ability to sustain these programs is limited absent significant resources. In addition, there is no single model. Creatively and successfully initiating and sustaining programs, whether through partnerships or not, requires organizations that are stable and secure in their abilities. Despite the current political climate with significant HUD cuts looming, PHAs are funding resources through creative and collaborative processes with philanthropy, developers, and other partner agencies.

Notes


2. 2017 guideline from the US Department of Health and Human Services.

3. Resident Opportunities and Self-Sufficiency provides funding to hire and maintain service coordinators who assess the needs of residents of public or Indian housing and coordinates available resources in the community to meet those needs.


5. Public housing units that are converted under the Rental Assistance Demonstration program are no longer eligible for some federal funds, such as Resident Opportunities and Self-Sufficiency, though PHAs must continue to honor commitments in place before the Rental Assistance Demonstration program conversion.


7. Section 3 is a provision of the Housing and Urban Development Act of 1968. Section 3 ensures that employment and other economic opportunities generated by certain HUD financial assistance is directed to low- and very low-income people receiving housing assistance. Section 3 requires businesses to provide evidence that at least 30 percent of their full-time employees include current Section 3 residents or were Section 3 residents within three years of the date of first hire.

8. Moving to Work is a demonstration program for PHAs that provides the opportunity to innovative and design strategies that use federal housing resources more efficiently, help residents become employed or self-
sufficient, and increase housing options for low-income families. Moving to Work gives PHAs exemptions from many public housing and voucher rules and more flexibility with how they use their federal resources.

References


About the Author

Rhae Parkes has more than 15 years of affordable housing and community development experience. She specializes in strategic consulting for organizations seeking to seamlessly integrate affordable housing development and human services in a more supportive environment for hard-to-house populations. Her areas of expertise include HOPE VI and mixed-finance development and the planning for and integration of support services in comprehensive community development efforts. Parkes works on various community change initiatives from planning and program design to evaluating program outcomes and effectiveness. She provides training and technical assistance to a range of clients, including public housing authorities, foundations, nonprofit organizations, developers, and city government.

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