
**Written Testimony
Of
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**Chief Executive Officer
A COMMUNITY OF FRIENDS**

Regarding

“Reauthorization of the McKinney-Vento Homeless Assistance Act”

**Testifying before the
Subcommittee on Housing and Community Opportunity
Committee on Financial Services
U.S. House of Representatives**

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Introduction

Madam Chair, thank you for the opportunity to provide testimony to the Committee this morning on reauthorization of the McKinney-Vento Homeless Assistance Act. I am honored to be here today among all of you.

My name is Dora Leong Gallo and I am the Chief Executive Officer of A Community of Friends (ACOF), a nonprofit affordable housing development corporation that primarily serves homeless individuals and families living with mental illness. Established in 1988, just a year after the passage of the McKinney-Vento Act, our organization has been developing permanent supportive housing long before the term was coined. In the past 19 years, we have completed 33 apartment buildings throughout Los Angeles County, and two projects each in Orange County and San Diego County. Twenty-eight (28) of the buildings are currently in our portfolio, housing over 1,000 adults and several hundred children. On-site service coordination is provided by ACOF staff, as well as by other mental health agencies with whom we partner.

Importance of McKinney-Vento

Because our primary activity is housing development, A Community of Friends functions like a developer. We have project managers who find suitable sites; we conduct financial feasibility; we buy the properties (utilizing loans or lines of credit); we hire architects and contractors; and we oversee the development of the project. There are three features, however, that make us different:

- (1) the people we house;
- (2) our need to secure three types of funding (construction, operating subsidies, and supportive services) to make any project work – what we called the three-legged stool which I will come back to later; and
- (3) the fact that as a developer, I have a services department which has become the largest department within my organization.

To build our housing, ACOF utilizes three of the four key McKinney-Vento homeless assistance programs – the Supportive Housing Program (SHP) and all its components (services, operating, and capital); Shelter + Care; and SRO Moderate Rehab. Unlike any other State, federal and local source of funding, at least in Los Angeles County, the McKinney-Vento Act is the only source of funding that encompasses all three critical components of permanent supportive housing.

We, like other supportive housing developers, utilize McKinney-Vento funds to leverage other funds, primarily in construction. Securing just \$400,000 in SHP Capital funds allow us to compete in a special set aside for Low Income Housing Tax Credits in the State of California, allowing A Community of Friends to access millions of dollars in construction funding. The same opportunity for leveraging exists if we are awarded SHP Services dollars or Shelter + Care or SRO Moderate Rehab rental assistance.

This is why we are excited that there is interest in Congress and the leadership in this Committee to reauthorize McKinney-Vento for the first time in 12 years. We commend both Congresswoman Julia Carson for introducing H.R. 840, the “Homeless Emergency Assistance

and Rapid Transition to Housing Act (“HEARTH” Act) and all the co-sponsors, as well as Senator Jack Reed and Senator Wayne Allard for introducing S. 1518, the “Community Partnership to End Homelessness Act.”

I know I do not need to tell you about the scope of the homeless problem in our country. My colleagues from the City and County of Los Angeles have done a good job sharing with you the specific problem in Los Angeles County.

As a practitioner, I can tell you firsthand how important McKinney-Vento funding has been to our efforts to end homelessness for individuals and families with disabilities. We are thrilled to see reauthorizing legislation proposed and a commitment to enact legislation that encompasses the best provisions of H.R. 840 and S. 1518.

Why Permanent Supportive Housing

A Community of Friends supports the proposal in S.1518 to codify existing policy that requires the expenditure of 30% of McKinney funds for permanent housing for people with disabilities. You heard testimony last week and from witnesses today providing data and statistics on the efficacy of supportive housing in ending homelessness for thousands of people across the county. You have also been provided studies that show the cost effectiveness of supportive housing and its impact in reducing dependency on emergency room visits. For A Community of Friends, the reason supportive housing works is quite simple - dealing with mental illness, or encouraging someone to deal with their mental illness or drug or alcohol addiction, is difficult enough. Imagine trying to do so while they are worrying about where they will be sleeping that night and every night.

A Community of Friends has found that given an opportunity to live in decent, safe and affordable housing, with no time restrictions, tenants can begin focusing on other issues in their life. And by offering supportive services on-site, including case management, referrals, independent living skills/groups, mental health, primary care referral, and substance abuse recovery services, accessibility is assured and tenants maintain their housing. Stable affordable housing results in less risk of relapse. Over time, it also results in greater responsibility and independence both socially and economically.

The one concern we wish to convey, however, is a provision in S.1518 related to Program Requirements that appears to codify what we believe to be an ill-advised policy to limit permanent supportive housing projects to 16 units or less, unless it can be demonstrated that “local market conditions dictate the development of a large project.” No such provision is in H.R. 840. While we understand the policy objective of not concentrating and isolating people with disabilities, the definition of “large” varies from community to community. In urban areas where density is often much higher, setting a maximum of 16 units per project is too low and imposes an unfair burden to developers to prove that more than 16 units should be allowed.

ACOF has successfully developed, operated and maintained supportive housing ranging in size from 7 units to as many as 60 units, such as the successful 40 unit supportive housing project in South Los Angeles that is in Congresswoman Waters’ district. From a developer’s standpoint as

well as a service provider's standpoint, there are economies of scale in incorporating more than 16 supportive housing units in one building. Many local governments also have their own regulations regarding zoning. This is not to say that integrating special needs housing with non-special needs housing is not a good public policy objective. ACOF has two buildings in operation that serves both low-income families and homeless families with disabilities, and we are in predevelopment on another four projects that also will have mixed populations. However, even with a 50% split, the special needs component of our new projects total at minimum 20 units and up to 35 units. Lastly, it will take us a very long time to reach the federal goal of 150,000 units of supportive housing if we are only building 16 units at a time.

Definition of Homeless

The definition of homelessness and the focus on the chronically homeless has been a source of controversy for many providers working to end homelessness. The scope of the homeless problem is enormous, and the factors causing homelessness vary. ACOF understands the desire to broaden the definition of homelessness to include as many people as possible who are falling or have fallen through the cracks. However, we believe the inclusion of those individuals and families (in both H.R. 840 and S. 1518) who are sharing housing broadens the definition beyond the original intent of the McKinney-Vento Act, and will dilute the impact of homeless assistance funds on the problem of homelessness.

We support the expansion of the definition to include those in campgrounds and motels for purposes of determining eligibility for services under a consolidated Comprehensive or Community Homeless Assistance Program (CHAP). But we do not support the expansion of the definition to include those who are "doubled up" or "couch surfing" to access homeless assistance funds. We join with many other organizations in Los Angeles such as Shelter Partnership who are concerned that this particular expansion will stretch our resources, overwhelm the system and result in less impact in ending homelessness. The primary reason for ACOF's opposition is that those who are living in someone else's home demonstrate that they have some semblance of a support system to help them in times of need. Individuals and families in cars, shelters, motels, and campgrounds truly have no place to go. Those are the people who should be assisted under the McKinney-Vento homeless assistance programs.

We also do not support efforts in S. 1518 to expand the definition of homeless to include those who have changed residences either "three times in the past year or twice in the past three weeks." This attempt at clarification actually achieves the opposite of stability, causing people to move repeatedly to qualify for services. Already we are aware of service providers who deliberately place individuals or families who are leaving transitional housing into a shelter to render them homeless so that they can meet the HUD definition of homelessness, all because they were not previously homeless prior to entering transitional housing (e.g. coming from drug treatment or other publicly funded institution). Adding this definition will make the situation worse.

Homeless Prevention

We applaud efforts in both H.R. 840 and S. 1518 to create a new program in the area of homeless prevention. Our analysis of both bills, however, leads us to voice stronger support for the

Emergency Solutions Grants Program in S. 1518 primarily because it allocates more funds for homeless prevention activities.

Homeless prevention is critical to end the cycle of homelessness. This program will provide communities nationwide with a guaranteed source of funds to prevent people from becoming homeless in the first place. We believe that the Committee should consider developing different eligibility criteria for homeless prevention assistance. Already a new definition, "at-risk of homelessness" has been added to the Emergency Solutions Grants Program. We believe Homeless Prevention is the program under which those individuals and families who are doubled up or "couch surfing" could be served, instead of utilizing homeless assistance program funds.

There are many in this country who are one paycheck or one health diagnosis away from homelessness. A number of short-term expenditures can make a big difference in helping families maintain their housing or accessing housing. Some of the more important activities that should be eligible expenditures under the Emergency Solutions Grants Program include: rental payments, security deposits, mortgage payments, utility deposits, and payment for short term housing while waiting for permanent housing. This includes assistance to individuals who are being discharged from a publicly funded facility, program or system of care. These types of activities can rapidly re-house someone who encounters short-time financial difficulties.

Emphasis on Chronically Homeless

Increasingly, national and local policy lean towards bonuses and other incentives to encourage communities and developers to create housing for the chronically homeless, defined by HUD as *"an unaccompanied homeless individual with a disabling condition who has either a) been continuously homeless for one year or more; or b) has had at least four episodes of homelessness in the past three years."*

A Community of Friends supports including families in the chronic homeless definition, in recognition of the fact that there are indeed families that experience long-term homelessness as defined by HUD. However, we find the actual definition largely unsatisfying. A large majority of homeless individuals and families do not fit the "chronically homeless" definition. A 2006 report by the U.S. Conference of Mayors, based on a survey of 23 major cities, found that people on average remained homeless for eight months, or 240 days. What makes a person who has been homeless for 240 days less worthy of decent, safe and affordable housing with support services than someone who has been homeless for 365 days? The same is true for someone who experienced homelessness "only" three times in the past three years. Additionally, transitional housing is believed to break the cycle of homelessness. Therefore, someone leaving a transitional housing program for permanent housing is never considered "chronically homeless," even if that person was previously living on the street for years. Because of this rigid definition, only 15% of ACOF's tenants are considered by HUD to be chronically homeless, despite the fact that we have many tenants in our buildings who have experienced long term homelessness and who are severely mentally ill. The definition of chronic homelessness seems arbitrary and, from a practitioner's standpoint, meaningless.

Sustainability (services and operating support)

For an established and experienced developer, construction funding is in reality the easiest source of funds for us to obtain. Much more difficult are resources for operations and services. Lenders (whether private banks or government agencies) and investors (utilizing the Low Income Housing Tax Credit Program) will not allow developers to begin construction on a permanent supportive housing project until all three sources of funding are in place (construction, operating and services – e.g. the three-legged stool). This is part of the reason why development of this type of housing takes so long. All sources have different funding timelines and different application processes. If we secure only one piece of funding (e.g. one leg), the stool is not functional and permanent supportive housing cannot be built.

A Community of Friends cautions the Committee to think carefully about the long term sustainability of permanent supportive projects, both from a financial perspective (operating) and a human perspective (services). Virtually all homeless individuals and families who come to ACOF arrive with no financial resources. Goals of increasing economic self-sufficiency are admirable for individuals and families in permanent supportive housing, but our experience has shown that for individuals who have a long term, chronically disabling condition, it will take many years for them to be able to increase their income to a level that will enable them to move into the private market, either on their own or accessing mainstream resources, if at all. Therefore, housing must continue to be affordable to them, defined by us and by HUD as 30% of their income. As a result, operating support via rental subsidies or operating subsidies must be available for the long term so that the properties themselves can be maintained (e.g. building maintenance, landscaping, trash collection, etc).

A Community of Friends supports the proposal in both H.R. 840 and S. 1518 to renew rental subsidy programs for permanent housing through the Section 8 account. But we request that specific language be added to require that renewal contracts preserve the original intent of the homeless assistance program. We also caution that additional budget authority be provided for the Section 8 account so that the existing Section 8 program is not negatively impacted in any way.

Services funding should also be consistently available. Due to the specific needs of our tenants, particularly among those who have addictions, case management and intensive support continues to be needed for the long term. As a developer, we sometimes find that government agencies and the larger provider community do not realize that once a homeless person with disabilities is in housing, the job is not over. Our on-site service coordinators, with a staffing ratio of 1 to 25 or 1 to 30, do not have the capacity due to lack of resources to provide intensive services if and when a tenant needs more help. This is made worse by decisions in some localities to award only one-year grants of McKinney-Vento funds, particularly for the SHP Services program. We are encouraged by a provision in S. 1518 that allows the Secretary to impose minimum grant terms of up to five years for new projects providing permanent supportive housing. This provision will allow organizations to better plan their services program, and to secure funds to leverage services dollars.

Additional Comments

Finally, we would like to thank the Committee for considering “clean-up” provisions, such as:

- Mandating the timing of awards – We support the requirement in both H.R. 840 and S. 1518 that the Secretary announce awards within five months of the submission of applications. In the past few years, the announcements have been delayed by as much as nine months, causing financial problems for providers with contracts that expire between announcement and contract execution.
- Development timeline – We support the provision in S.1518 to provide up to 24 months to meet requirements of obligation for grant award for grants involving construction, and the possibility of an extension if truly necessary.
- Tax credit projects – We appreciate the clarification in S. 1518 that McKinney-Vento funds can be coordinated with Low Income Housing Tax Credits and are not to be treated as federally subsidized under Section 42(i)(2) of the Internal Revenue Code of 1986.
- Match requirement – We support the across-the-board application of a 25% match requirement for homeless assistance funds in H.R. 840 and S. 1518, with in-kind match allowed if documented by a Memorandum of Understanding
- Rent increases – We support the provision in S. 1518 that will allow the Secretary to make adjustments to fair market rents when renewing funding for rental assistance.

Additionally, we support the language in both H.R. 840 and S. 1518 to better coordinate homeless assistance for veterans. In particular we are supportive of a provision in S. 1518 that would create a new position within HUD to provide information and advice regarding housing for veterans and to serve as a liaison to the U.S. Department of Veteran Affairs. There is a critical need to better coordinate supportive housing for returning veterans with mental and emotional disabilities. A Community of Friends and our partner, New Directions, Inc., have been negotiating a long-term lease with the U.S. Department of Veteran Affairs to develop 143 units of permanent supportive housing for veterans for over four years. We see immense value in the establishment of this new position for our project and for other efforts across the country to house veterans.

Closing Comments

Thank you again for the invitation to submit this testimony. A Community of Friends applaud all of you for your leadership in putting best practices from lessons learned into reauthorization legislation for the McKinney-Vento program. Whatever final version you adopt, this legislation will have a tremendous impact on thousands of homeless individuals and families throughout the country. Thank you, Chairwoman Waters, for holding these hearings and for soliciting our input.