

Alternative Strategies for Providing AIDS Housing: Nondevelopment

Nondevelopment is a process of creating housing units without going through the development process. Strategies for nondevelopment include set-asides in other housing developments and lease buy-downs. Nondevelopment is an easy, faster, and less expensive process and requires no housing development expertise. Resulting housing units are dispersed and integrated with mainstream housing.

Nondevelopment: A Better Way to Create Housing for People with AIDS

For many years nonprofit housing development has been regarded as the best means to insure long-term affordable housing. As the need for AIDS housing has grown, many organizations have chosen housing development as a means to meet this need. Housing developments can offer affordability without the uncertainty of the Section 8 rental assistance program. However, the many drawbacks of housing development have led some to look for new ways to create affordable housing for people living with AIDS. Nondevelopment, or finding housing units without going through the whole housing development process, is an increasingly popular way of meeting AIDS housing needs.

Development Disadvantages

The disadvantages of developing housing for people living with AIDS can be enormous. Housing development can be a very time-consuming process. Developing housing for people with extremely low incomes requires significant public subsidy. Most public funders require housing developers to leverage their money with subsidies from other public funders. The requirements of different public funders can be complex, confusing, and even contradictory. To navigate this public funding system, organizations must either allocate substantial staff time to the project or hire expensive consultants (or both). For organizations whose mission is to serve people living with AIDS, this can involve diverting scarce resources away from their primary activities. Furthermore, most funding is allocated competitively, and there are no guarantees that the investment of time and resources will generate the desired housing.

The development process is only the beginning of the resources drain. Once housing is successfully developed, the tenants and property must be managed. Many organizations have discovered that addressing the operational issues is more challenging than was the development process. Learning housing management can be a difficult and draining process. Furthermore, there are few management companies willing to take on a contract for the fees most projects serving extremely low-income can afford.

Perhaps the most important drawback in developing housing is the effect it has on people living with AIDS. By choosing a long, drawn-out development process over faster options, organizations produce housing slowly, and homeless or ill-housed people living with AIDS must wait longer for decent housing. In an ever-changing environment for people living with AIDS, housing that takes two or three years to develop may no longer be appropriate to their needs when it eventually opens.

Finally, most AIDS housing development produces AIDS-specific housing facilities. However, consumer preference studies conducted across the country show that the vast majority of people living with AIDS prefer living in regular independent units that are not a part of larger AIDS housing complexes. It is very difficult to efficiently offer this kind of housing as an AIDS housing developer.

Choosing the Nondevelopment Option

One can avoid all of these pitfalls by choosing nondevelopment. Nondevelopment is the creative production of long-term affordable housing units for people living with AIDS without going through a long housing development process. Nondevelopment is when mainstream housing providers include units for people living with AIDS in their housing developments. It lets others with experience and expertise wrangle through the public funding process while securing some of the benefits of their labors for people living with AIDS. Through nondevelopment one can often create units in a fraction of the time and effort it takes with housing development.

How to Nondevelop

The key to a successful nondevelopment project is finding an interested housing partner. A housing partner could be any company that provides affordable housing in your community: for-profit developers, housing nonprofits, and housing authorities. Your challenge is to encourage a potential housing partner to set aside units for people living with AIDS and to rent them at levels affordable to extremely low-income people. Since these rents may be much lower than what even affordable housing providers offer, you may need to provide housing partners with more than just the opportunity to serve a needy population.

You can offer a number of possible benefits to a potential housing partner:

- Coordinated service delivery to people living with AIDS
- Increased competitiveness of public funding proposals
- Cash

When approaching potential housing partners, the most important things you can bring to the table are a thorough understanding of the supportive service needs of people living with AIDS and a well-developed plan for addressing these needs. The best way to learn about the service needs of people living with AIDS in your community is to talk with them and to talk with other providers of housing. If your community does not have existing AIDS housing providers, research projects in other similar communities. The next step is to discover the resources available in your community to address those needs identified. Prior to meeting with a housing partner you should have already developed formal linkages with all necessary service providers. You will need to persuade the housing partners that providing housing to people living with AIDS will put no additional burden on their housing projects and that systems are in place to deal with their day-to-day and emergency needs.

Some communities already have mainstream housing developers that provide housing for people with extremely low incomes. People living with AIDS may represent a portion of the target population of their housing projects. If the housing providers are already offering units affordable to

the people you want to house, a well-thought out service plan may be all you need to secure some units in their developments. They might very well welcome the partnership.

One of the best places to secure nondevelopment units is to work with housing developers who are proposing large, new publicly funded housing developments. A set-aside of a few units for extremely low-income people living with AIDS might have a minimal impact on the financial projections for a very large project, yet it could greatly increase the fundability of such a project. Many public funders offer competitive advantages to projects that include set-asides for people with special needs. For example, the Washington State Housing Finance Commission offers 10 points in its tax credit allocation plan to projects that include a 20 percent unit set-aside for people with special needs. In a very competitive year, this could mean the difference between a project receiving a tax credit allocation and not. The well-developed service plan is an important component in marketing yourself to these housing developers.

If you have tried the above methods and still have no housing set-asides for people living with AIDS, you have one more thing to offer: cash. As an AIDS housing provider, you have access to Housing Opportunities for Persons With AIDS (HOPWA) funds. HOPWA funds can be used in a variety of ways to court a housing partner. A direct infusion of HOPWA dollars into a new housing development may allow a housing developer to set-aside some units with very low rents affordable to extremely low-income people living with AIDS. The HOPWA money could be used to capitalize an operating reserve for those units or to reduce the amount of expensive debt the developer would otherwise have to incur.

If you want more control over the units, a lease buy-down may be the nondevelopment option. In this scenario, you pay the housing partner a substantial front-end lease payment (perhaps HOPWA-funded) in exchange for lower rents over time. For example, your lease payment may buy down rents from an affordability level of 50 percent of median income down to levels affordable to an SSI household. The front-end payment is invested by the housing partner and drawn down to cover the difference in rental income streams over time. The actual amount of the front-end payment is negotiated and can be quite high, depending on the original affordability level of the units, the desired affordability level, the length of the lease, the operating costs and debt service of the development, interest rates, and how willing your partner is to work with you. AIDS Housing of Washington has examples of 50-year lease buy-down agreements negotiated with local housing providers and approved by public lenders. One major advantage to this arrangement is that lease buy-downs can be negotiated for existing projects, thus avoiding the long development period.

If your community has experienced affordable housing providers, you should seriously consider a nondevelopment option before embarking on an expensive new AIDS housing development. Nondevelopment allows the housing development experts do the housing development and AIDS housing providers to reap the benefits. Nondevelopment can mean securing units for people living with AIDS faster, cheaper and more easily.