

ANNE ARUNDEL COUNTY, MD: MEETING SPECIAL NEEDS WITH HOME FUNDS

In Anne Arundel County, Maryland, HOME funds are used to finance the acquisition and rehabilitation of housing for persons with special needs. Housing is expensive in this affluent jurisdiction, located on the waterfront of the Chesapeake Bay between Baltimore and Washington, D.C. Housing for persons with special needs, whose incomes are limited, is generally out of reach. A nonprofit subrecipient, Arundel Community Development Services, Inc., administers the County's housing and community development programs. It provides HOME funding to two community housing development organizations (CHDOs) for housing acquisition and rehabilitation. In addition to housing, these CHDOs provide the necessary services to their clients in order to meet a range of needs and allow them to live as independently as possible.

Background

Anne Arundel County is a prosperous community with an abundance of residential clusters and waterfront properties. This distant suburb of Washington, D.C., has experienced skyrocketing increases in the cost of the land, which has created an expensive housing market. The average sales price of a single-family home in 2002 was \$245,212 (a 16 percent increase from 2001). With a median income of \$48,450 in the county, housing costs are far greater than most residents' can afford. In general, the county has sufficient housing stock, but the housing simply is not affordable to many of its residents.

The County recognizes an increased need for programs that provide both affordable housing and supportive services to the developmentally disabled. There are an estimated 68,000 residents in the county with disabilities. Persons with disabilities are reported among the lowest income households in the country. In Maryland, these households carry a severe rent burden and spend a disproportional amount of their monthly income on rent. Without affordable alternatives, these persons must remain in nursing homes, institutions, shelters, or with their aging relatives. This group needs more affordable housing options.

Arundel Community Development Services, Inc. (ACDS) is a private, nonprofit organization that was created in 1993 to address housing and community development needs in Anne Arundel County. ACDS is a subrecipient of the County, and is under contract to plan, administer, and implement the County's federally funded programs, including the HOME Program, Community Development Block Grant (CDBG), homeless and special needs housing programs, all of which benefit low- and moderate-income residents.

As part of its program, ACDS uses its HOME CHDO set-aside to support CHDOs that are providing housing to meet the needs of its low-income special needs residents. In the past few years, ACDS has set aside approximately \$180,000 to \$185,000 per year for its two main CHDOs—Bello Machre, Inc. and Arundel Lodge. These two CHDOs develop and maintain rental properties and offer supportive services for developmentally disabled and mentally ill persons. With the assistance of HOME funds, over 40 people have been housed.

Program Design

Both Bello Machre, Inc. and Arundel Lodge are private, nonprofit organizations that were established in the 1970s in order to meet the housing needs of persons with special needs—persons with developmental disabilities and chronic mental illnesses, respectively. Certified as CHDOs, these organizations acquire group homes using low-interest loans from ACDS. They also use HOME funds for the rehabilitation for many of their sites, in order to bring the properties up to code, add additions to properties, and/or to make units accessible to disabled persons.

Both nonprofit organizations have a strong history and good track record working in both the housing field, and with special needs populations. The primary mission of Bello Machre, Inc. is to develop alternatives to state institutions for long-term residential care of individuals with developmental disabilities. Bello Machre provides a variety of supportive housing and day programs for its clientele who are mainly developmentally disabled. Arundel Lodge provides housing and services to adults who are diagnosed with chronic mental illness. Its programs and residences enable adults with mental illness to live as independently as possible in a carefully monitored situation in a community setting. Arundel Lodge's group homes provide support services including guidance in the use of medication, assistance with money management, vocational counseling, education in life skills, and transportation. The organization also offers a day program for residents as well as other participants from outside their residential programs. Note, HOME funds are provided only for eligible housing costs. The CHDOs have been very successful at securing supportive services funding from a variety of other sources.

THE HOME PROGRAM

With their excellent track records in providing social services to low-income disabled residents, and their increasing ability in creating housing programs for their clients, these two nonprofit organizations were ideal candidates for the County to invest its CHDO set-aside funds. No other nonprofits in the county had sufficient interest and capacity to undertake the required HOME activities.

ACDS finances a variety of project types with the two CHDOs. The projects may entail extensive rehabilitation or, in some cases, may only need minor repairs. Regardless of the project structure, the properties must remain affordable for 30 years. The affordability requirements are secured by a deed restriction.

ACDS also acts as a technical consultant to the CHDO and provides as much or as little guidance as the CHDO and individual project requires. For instance, ACDS can act as the construction manager, create the work write-up and cost estimates, put the project out to bid, and monitor the contractor's progress.

Financing

The special needs housing projects are 100 percent financed, often using a combination of funding sources. In general, ACDS loans funds to the CHDOs, with loan amounts determined based on its underwriting analysis. ACDS tailors each loan to the needs of the project based on its determination of the debt service a project can carry. Typically, loans are for 30 years, at 1 percent interest. The loan-to-value ratio is always at least 100 percent, and due to high development costs in the area, it can go as high as 115 percent of value for projects that require rehabilitation, with approval from the ACDS Board of Directors.

These projects generate program income, which is reallocated every year. The CHDOs receive operating funding from the state. In addition, the CHDOs typically charge up to 30 percent of client income as rent, but this amount is nominal.

Production

To date, Bello Machre operates 54 homes and provides both long-term residential care, as well as a variety of other supportive services at group homes dispersed throughout the county. It currently supports 133 adults in the residential programs and 40 adults with supportive services only. ACDS has assisted Bello Machre, or its subsidiary Human Service Renovations, Inc. since 1994. During this time, it has purchased and rehabilitated nine group homes, all of which house and serve developmentally disabled clients.

ACDS has assisted Arundel Lodge since 1997 and it has purchased and rehabilitated three homes, all which serve the mentally ill. It operates a residential program, which has 101 transitional housing beds. With a larger budget, Arundel Lodge can offer more extensive services, which include psychiatric rehabilitation, day programs, vocational services, and special programs for mentally ill persons who are also chemically addicted, elderly, or deaf.

Keys to Success

A number of factors coalesce to bring success to the special needs housing program in Anne Arundel County. First, the County has been able to select strong nonprofit organizations with good track records in housing development and special needs housing. By consolidating the administration of various funding sources under the auspices of one major subrecipient, ACDS, the County is able to provide sufficient funding to support each project, without burdening the CHDOs with arduous fundraising activities. Further, the flexible program design requires a talented staff that is competent and comfortable underwriting loans, evaluating projects, and structuring financing in order to tailor loan products to meet each project's individual needs.

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