

Advance Housing, Inc.

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Satellite offices in Newton and Cranford.

Advance Housing, Inc.

- Background:

- Provides **services** to over 270 permanent supportive housing beds in 4 counties: Bergen, Sussex, Union, and Passaic.
- **Advance Housing Inc. owns** 21 properties that house 67 tenants.
- Through affiliate organizations such as companies set up in compliance with HUD 811 requirements there are 9 additional properties that house 23 tenants within 3 separate organizational structures.
- In total **Advance Housing and its affiliates own** 30 properties, housing 90 tenants, in 4 separate companies, in Bergen and Sussex Counties.

Advance Housing, Inc.

- Under construction we have 20 beds at 2 properties; one is a HUD 811 so it will be an additional organization.
- My first point was that we provide services to over 270 consumers; however, only 90 tenants are in properties that we own. That leaves 180 consumers in apartments with private landlords in 4 counties.
- All of our consumers receive services provided by Advance Housing, Inc.
- Our product is the provision of services and housing in a permanent supportive housing model. Services are flexible and voluntary, and housing is lease based.

Issue:

- In spite of the fact that supportive housing is an integrated product, the direction of the federal government which the State is following is to separate housing from clinical services in order to allow consumer choice.
- This change potentially restricts a consumer/tenant from receiving housing, from a landlord that also provides services.

Issue #1

- Advance Housing has 21 properties that house 67 tenants. 65 of those tenants currently receive services from Advance Housing. Two consumers are in affordable units and receive no services. So Advance Housing has 65 consumers that will not fit this new model of separating housing from services.

2 Options:

- Change the ownership of each property to a separate corporation.
- or
- Change the name of Advance Housing, Inc. to a new entity or create a subsidiary organization to provide clinical services.

Option 1: Change the ownership of each property to a separate corporation.

- This will require getting approval from all of our funders on each property separately.
- In some cases we will need municipal approval if we have received Bergen County HOME funds, or if the municipality contributed financially to the project to meet its COAH obligation.
- This will involve significant legal fees and time to coordinate all of the compliance issues for each individual funding source.
- This involves changing our internal accounting and housing software setup to reflect separate legal entities.

Option 1 continued: Change the ownership of each property to a separate corporation.

- This also requires changing our documents in our tenant files to reflect a new corporate name and structure.
- Will increase audit fees because in addition to the annual compilations required by NJHMFA, each legal entity will need an audited financial statement and separate 990 tax return.
- Request a name change from DCA for properties that they license.
- Process a name change for each individual subsidy for each of the 67 tenants.

Option 1 continued: Change the ownership of each property to a separate corporation.

- Currently Advance Housing manages and reconciles 41 bank accounts. If we set up separate companies for each property we would add 3 new bank accounts for 10 additional properties adding 30 new bank accounts for a total of 71 bank account reconciliations per month.
- Each new property would require a separate insurance policy.
- Each property would require a separate Board of Trustees with regular meetings and oversight.
- If properties are separated from the agency, each property will require a separate application for non-profit status.

Option 2: Change the name of Advance Housing, Inc. to a new entity or create a subsidiary organization to provide clinical services.

- Apply for a new provider number for Medicaid.
- Obtain approval for all grants received where the service provider for a specific housing project was identified as Advance Housing, Inc.
- Change our internal billing documents to reflect the new entity.

Option 2 continued: Change the name of Advance Housing, Inc. to a new entity or create a subsidiary organization to provide clinical services.

- This will cause the agency to lose its name recognition and branding from the last 17 years.
- Also, this will increase audit fees because the new legal entity will need an audited financial statement and separate 990 tax return.

Issue #2

Advance Housing's Supreme Court case is awaiting a decision.

- The basic premise of our argument is supportive housing is one service: the provision of services in housing owned by the same non-profit.
- The municipalities argued that we are no different than any other property owner therefore we should not be eligible for tax exemption.
- A separation of properties from the agency could potentially legally support their argument which could deny property tax exemption.

Issue #3

How to structure property management and housing development within the structure of the organization?

- Is this done as a subsidiary, a separate company, or within the existing structure?
- Separate organizations require separate tax filings, licenses, payroll, budgets, Boards, infrastructure, affiliation agreements; all of these issues need to be carefully thought out and planned for.
- How will the housing staff that are currently funded by the Division be funded in the future?

Other considerations: DMHAS rental subsidies

- DMHAS requires Advance Housing to gather paperwork, complete annual income verification, and calculate the subsidy amount for all 107 active DMHAS subsidies. For units that have other subsidies, this work is performed by the PHA.
- Advance Housing performs housing inspections prior to move in and on a quarterly basis once the consumer moves in. This totals 535 housing inspections each year that takes time to complete, and costs include staff time, vehicle expense, car insurance, and general liability insurance. For units that do NOT have these subsidies, this work and expense is performed by the PHA.
- The guidelines used by DMHAS are not consistent with local PHA's requiring staff to use different and often contradictory guidelines for managing the subsidies.

Other Considerations: DMHAS budget matrix

Contracted agencies will need to remove all of the housing expenses from the DMHAS budget matrix.

- This will have a resulting effect on our unit cost.
- This will take some time for the Division to respond to questions, budget modifications, and multiple contract renewals.

Other Considerations: Managed Bed Vacancies

- Various eligibility criteria based on funding source for services.
- Various eligibility criteria based on funding source for subsidy.
- Some beds are not funded at all by DMHAS for services or for subsidy. Some consumers receive “Services only”. Therefore, when the consumer no longer receives services a new consumer can not be accepted without a new rental subsidy. How will this be managed?
- How will this be managed? How will the managed care company coordinate with the shelters for homeless beds?