The Cost Effectiveness of Supportive Housing
A Service Cost Analysis of Lennox Chase Residents

by
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Executive Summary

This report provides an assessment of the cost effectiveness of supportive housing provided by the Lennox Chase development in Wake County. Lennox Chase is a Low Income Housing Tax Credit housing complex for individuals with low incomes, many of whom were formerly homeless. The complex was developed by DHIC. The development provides 36 efficiency apartments, each with a kitchen, bath, bedroom, and living area. Each apartment is designed for single room occupancy. All residents pay rent which is based on the individual’s income. The complex opened in 2003.

This analysis identifies a number of potential benefits of supportive housing. One benefit is stability. More than half of the residents interviewed have been living in the complex for more than three years. Case management and crisis management services are provided by an on-site social worker.

Interviews were conducted with 31 Lennox Chase residents. Only 21 of those residents had been living in the complex for two years or longer. The cost analysis is based on the experiences of these 21 individuals.

The cost analysis indicates that overall costs have fallen from $377,141.66 in the two years before entry to $265,785.20, a decline of $111,356.46, or 29.53%. If the cost of social worker who is stationed at Lennox Chase is excluded, the service costs decline to $210,950.00, a decline of 44%.

The costs for inpatient substance abuse treatment have fallen from more than $127,720.57 in the two years prior to entry to zero after they moved into Lennox Chase. Outpatient mental health services for these individuals fell from close to $85,381.09 to $4,000. Costs for incarceration fell from $3,486 to zero.

Not all costs have fallen. The cost for medical treatment has risen from around $110,550 to close to $201,604. Two individuals account for 64% of the spending in the two year period after entry. Both have chronic medical conditions. One suffers from chronic obstructive pulmonary disorder (COPD), asthma, and high blood pressure while the other has heart problems and suffers from emphysema and diabetes.
THE COST EFFECTIVENESS OF PERMANENT SUPPORTIVE HOUSING

A SERVICE COST ANALYSIS OF LENNOX CHASE RESIDENTS

The purpose of this project is to assess the cost effectiveness of permanent supportive housing in North Carolina. Permanent supportive housing is one strategy to provide affordable housing and case management services to homeless individuals efficiently and effectively. Many, if not all, of the individuals who live in permanent supportive housing suffer from serious mental illness (SMI) and also have a disability or history of substance abuse.

As a homeless prevention strategy by the federal government, supportive housing was authorized as a demonstration project under the Stuart B. McKinney Homeless Assistance Act of 1987. It was designed to meet the needs of deinstitutionalized homeless persons, homeless individuals with a mental disability or other handicap, and homeless families and children. The legislative history suggests that a significant share of the funding goes to deinstitutionalized homeless persons and homeless persons with mental disabilities. In a permanent supportive housing environment, an affordable housing unit is made available to individuals who have needs for support services. Frequently these persons would not be able to afford housing or would be denied housing due to their background. In addition, case management services are provided to these individuals to assist them to live independently. These services provide an array of supports including treatment for medical conditions. Other services may include such things as referral for Medicaid, employment and training services, or referral and assistance in applying for Social Security disability or Supplemental Security Income.

This study is investigating whether providing affordable housing and support services reduces the total cost of providing services to homeless individuals. For example, by assisting an individual to manage health care needs, his or her total medical costs may be reduced. This reduction in health care cost is achieved as the result of the reliance on primary care providers instead of the individual seeking primary care through hospital emergency rooms. Through the use of primary care, an individual’s condition may be stabilized and result in a reduction of the likelihood the individual will need treatment in an acute care facility. The stabilizing effect of permanent housing, coupled with support services, may result in an individual taking prescribed medications, remaining on an appropriate diet, and preventing drug and alcohol abuse relapse.

In addition to acute health care expenses, supportive permanent housing can result in other cost savings to the community. These savings are achieved through such things as reduced involvement with police and other law enforcement, subsequent savings in court and jail costs, and reductions in fire department, emergency medical personnel, and ambulance expenses. Supportive permanent housing also may result in a reduction in the costs of providing mental health services delivered within the community.

This research is supported by the North Carolina Interagency Council for Coordinating Homeless Programs (ICCHP). The ICCHP was created by executive order in 1992. This analysis is being conducted by researchers at the University of North Carolina at Chapel Hill School of Social Work over multiple years.
The focus of the following report is threefold:
- to describe in detail the demographic and personal characteristics of the residents who participated in this study from Lennox Chase, a permanent supportive housing complex located in Wake County,
- to explain how the cost data were acquired and how costs were measured, and
- to present service costs incurred by these individuals two years before and two years after entry into permanent supportive housing.

This report is not an exhaustive analysis of all the costs incurred by the residents at Lennox Chase, but an initial view of the projected service cost patterns of individuals receiving supportive housing services. This report is the first of a series to explore the cost effectiveness of supportive housing as a homeless prevention strategy in North Carolina. Subsequent reports will examine the cost effectiveness of initiatives in Buncombe, Guilford, and Durham counties. These reports will track the costs of services provided to individuals participating in the initiatives in the two years before and after entry to supportive housing. These reports will attempt to develop a cost profile describing service costs and how those costs changed as the result of the initiative. A separate report will explore issues related to the development of supportive housing facilities in these communities.

**Lennox Chase**

Lennox Chase, built in 2003, is a Low Income Housing Tax Credit complex in Wake County. It was designed for individuals with low incomes, many of whom were formerly homeless. Lennox Chase was developed by DHIC and is owned by an affiliate. The development provides 36 single resident occupancy studio apartments. A 37th apartment is provided to the resident manager. The facility was designed to serve adults who were exiting shelters, transitional housing, or treatment centers.

The apartments are allocated based on an individual's income. Six are available for individuals whose income ranges between $8,976 and $14,950, about 30% of the area's median income. Another nine apartments are available for individuals at 35% of the median income for the area, ranging between $9,264 and $17,465. The remaining twenty-one apartments are allocated for individuals whose income ranges between $12,750 and $24,950, or 50% of the median income.

Each resident must pay an initial security deposit and monthly rent which includes utility costs. The amount of rent is based on the individual's income. Individuals whose income is 30% of the median pay $373 per month while individuals whose income is in the 35% median range pay $386 per month. Individuals with income at 50% of the median pay $425 per month. Lennox Chase residents do not have to have a disability, nor be clean and sober to move into the facility. Lennox Chase is considered a “second chance” housing facility, which means it does not refuse to rent to individuals who have a criminal background, serious mental health or substance abuse problems, poor or no credit history, inconsistent employment, or a poor rental history. Consistent with the “second chance” philosophy, Lennox Chase employs
a flexible and “case by case” screening process with individuals seeking residency there who don’t meet normal standards used by the property management company in other instances.

Lease compliance involves such things as consistently keeping the apartment and common areas of the facility clean and paying rent on time. Since alcohol is not an illegal drug it is allowed in the housing complex. However, Lennox Chase residents who have substance abuse problems are encouraged to pursue their recovery and not to bring alcohol into the housing complex. Lennox Chase residents are not subject to drug testing. As with standard leasing arrangements, drug possession, along with not paying rent on a consistent basis, or the inability to keep the apartment clean or follow other house rules are all grounds for possible eviction. DHIC does provide emergency funds for individuals who are experiencing personal crises and cannot pay rent. These funds are limited and are used only if it is determined that the cause of financial difficulties is short-term in nature.

In its three and one-half years of operation, Lennox Chase has retained approximately 63% of the original 36 tenants, with many of the residents who left moving onto other permanent supportive housing in Wake County, such as the Carousel housing complex. At least one former resident purchased a home. According to Lennox Chase residents and staff, one of the reasons so many residents retain their housing unit is because of the community aspect of Lennox Chase. The community structure of Lennox Chase appears to provide social support and accountability for residents. Another reason residents offer for the high rate of retention is the availability of the onsite social worker for case management services, crisis management, and supportive counseling.

Additional information on Lennox Chase is provided in Appendix A.

**STUDY PARTICIPANTS**

Thirty-three of the 36 residents at Lennox Chase completed a semi-structured interview which was designed to collect information on service costs before and after entry into permanent supportive housing. One respondent completed the interview but refused to sign the form authorizing providers to release information on the costs of services. Despite repeated attempts, two of the three Lennox Chase residents who did not participate in the study could not be interviewed due to their schedules. The third resident who did not participate refused, citing concerns about confidentiality. Of the 33 residents interviewed, information on one participant was excluded from the analysis due to that individual’s extraordinary health and medical needs before and after entry into permanent supportive housing. Because this individual’s circumstances were substantially different from other Lennox Chase residents, it was felt that including her information in the analysis would result in misleading findings. In addition, this participant died shortly after being interviewed.
Table 1: Demographic and Dispositional Characteristics of Lennox Chase Residents (Total number of participants=21)

<table>
<thead>
<tr>
<th>Race (%)</th>
<th>Gender</th>
<th>Age (mean)</th>
<th>Years at Lennox Chase</th>
<th>Working?</th>
<th>Disability Benefits?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black=14 (67%)</td>
<td>Male=12 (57%)</td>
<td>49</td>
<td>2 years or more</td>
<td>Yes=14 (67%)</td>
<td>Yes=7 (33%)</td>
</tr>
<tr>
<td>White=7</td>
<td>Female=9</td>
<td></td>
<td></td>
<td>No=7</td>
<td>No=14</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid=2 (11%)</td>
<td>No=16</td>
<td>Yes=8 (38%)</td>
<td>Yes=12 (57%)</td>
<td>Yes=8 (38%)</td>
<td>Yes=1 (5%)</td>
</tr>
<tr>
<td>Private=4 (19%)</td>
<td>Yes=5 (24%)</td>
<td>No=13</td>
<td>No=9</td>
<td>No=13</td>
<td>No=20</td>
</tr>
<tr>
<td>Medicare=4 (19%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unknown=3 (13%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Substance Abuse Problems?</th>
<th>Still Using Substances?</th>
<th>Dually Diagnosed?</th>
<th>Taking Psychotropic Medications?</th>
<th>Age when first homeless (mean)</th>
<th>In Foster care during childhood?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes=15 (71%)</td>
<td>Yes=1 (5%)</td>
<td>Yes=5 (24%)</td>
<td>Yes=7 (33%)</td>
<td>38</td>
<td>Yes=0</td>
</tr>
<tr>
<td>No=6</td>
<td>No=20</td>
<td>No=16</td>
<td>No=14</td>
<td></td>
<td>No=21</td>
</tr>
</tbody>
</table>

An additional resident who agreed to be interviewed is excluded because he did not want to sign a release of information form authorizing service providers to make available data on the costs of services he received before and after entering supportive housing. Ten Lennox Chase research participants were excluded from the cost analysis because they had not resided at Lennox Chase for two years. As a result, the total number of Lennox Chase participants included in the cost analysis is 21.

Consistent with other studies conducted on homeless individuals, the demographic and personal characteristics of the Lennox Chase residents as shown in Table 1 are highly varied. The average age of the research participant at the time of the interview was close to 49. The youngest participant was 21 and the oldest, 69. The majority of the respondents are male, black, and working at least part-time. Employment ranged from fast food service delivery positions to being a computer technician. About one third of the participants were receiving some type of disability payment. None received Veterans Administration benefits, although a few participants did serve in the military. About half of the participants reported having medical insurance: two participants reported receiving Medicaid, four reported receiving Medicare, four had private insurance, eight reported having no insurance, and three participants were uncertain if they were receiving any type of medical insurance.
Experiences Before Entering Lennox Chase

All respondents from Lennox Chase said they had been homeless at least once during their lives, usually just prior to entering the facility. Many reported multiple homeless spells, most often during mid-life. About half of the participants reported having at least one diagnosable mental illness. Most of these conditions require medication. These mental health diagnoses included major depression, anxiety disorders, bipolar disorder, attention deficit hyperactivity disorder (ADHD), dyslexia, schizophrenia, as well as personality disorders. A few participants reported having multiple mental health diagnoses. Many of the participants reported suffering from a serious medical condition, debilitating to some, and requiring many to take medications. A majority of the participants admitted to having problems with drugs or alcohol, and many stated they were active in recovery programs such as Alcoholics Anonymous (AA) and Narcotics Anonymous (NA). About one third of the participants reported having both a mental health diagnosis and a substance abuse problem.

Tracking Costs

Service cost data were collected on participants for the two years prior to their entry to Lennox Chase and two years after moving in. The cost analysis was conducted with subjects that had resided at Lennox Chase for approximately two years. Participants who had not yet resided at Lennox Chase for two years were excluded from the cost analysis. Therefore, service costs are compared for equal lengths of time. Service costs incurred by participants two years prior to entry into supportive housing are compared to service costs incurred by participants two years following entry into supportive housing.

Study participants were asked to sign a release form authorizing service providers to release information on costs to project staff. Information on services provided to all study participants was requested from Wake Med, Dorothea Dix hospital, the Wake County jail, and Wake County Human Services. Requests also were made to an array of service providers identified by respondents. Only services provided in the state were included in this analysis.

Not all service providers could be found and a small number of providers who were located did not respond to our request. These providers are small and their range of services limited, therefore, the exclusion of their costs from the analysis should not have a substantial impact on the cost analysis. Also, there are many barriers to obtaining cost data from service providers, especially private and confidential services such as mental health and substance abuse services. In addition, because providers were not reimbursed for the time and effort required to compile cost data, several were unwilling or unable to provide the requested information. Even so, the majority of providers, including those that account for most of the service expenditures, submitted cost information in response to our request. All cost information that was collected and used in the analysis reflects actual charges.

Incarceration cost data were collected from state prisons and county jails. All participants who signed a release form were screened through county jails and state prison databases for incarceration dates. Officials representing county jails and the state prison system were not able to provide cost information for each individual. Instead they provided an estimate of aver-
age cost per day to incarcerate any inmate. Based on these estimates, it costs about $60 per
day to house an inmate in a county jail and about $66 per day to house an inmate in a state
prison. These estimates include medical, transportation, monitoring, and food services. These
estimates do not include infrastructure costs related to operating the building the cells are in.
According to jail and prison officials these costs are not readily available.

Costs represent actual dollars and have not been adjusted for inflation. There are several
reasons for this. First, cost data from some providers were aggregated by time periods that
could not be adjusted. In some instances, these costs represented services that were provided
over more than one month. In other instances, the costs were aggregated across years. Sec-
ond, while the inflation rate is available at the national level, the national rate may not ac-
curately reflect what is happening at the state or regional level. Third, adjusting for inflation
would slightly increase the costs for earlier time periods (or decrease the costs for more recent
time periods if they were shown in 2002 dollars). By using actual costs (or cost estimates gen-
erated by service providers), this report does not attempt to modify the information.

Table 2 provides a breakdown of the types of services received by study participants in the
two years before they moved into Lennox Chase as well as for the two years after entry. As the
table indicates, four of the study participants had been in prison or jail in the two years before
entry. None of the study participants had been jailed since entering Lennox Chase. Seven had
received residential or inpatient substance abuse services in the two years before entry. None
of the participants received inpatient substance abuse services after entry.

**Table 2: Number and Distribution of Participants Utilizing Services Before
and After Entry into Permanent Supportive Housing**

<table>
<thead>
<tr>
<th>Service</th>
<th>2 Years Before</th>
<th>2 Years After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prison/Jail</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Psychiatric Hospital</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Other Psychiatric Services</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Residential/Inpatient Drug/Alcohol Treatment</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Shelter</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Medical Treatment</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Outpatient Mental Health Services</td>
<td>5</td>
<td>1</td>
</tr>
</tbody>
</table>

**Medical Costs**

Medical and hospital costs were aggregated by individual by year. Cost information provided
by acute care hospitals includes emergency room visits, inpatient and outpatient procedures
and surgeries, and services provided by hospital-affiliated clinics. Many of the participants did
not receive medical care or were unable to seek treatment for a variety of reasons until they
reached the stable environment provided by Lennox Chase. Information collected during the interviews suggest that participants began receiving medical treatment once they stabilized by receiving onsite case management and support from others living at Lennox Chase. This may be one reason why the medical costs for many residents are lower before entry into permanent supportive housing than after entry.

Costs collected from a variety of inpatient and residential substance abuse services were, in large part, based on cost per day estimates. For example, the Healing Place supplied figures that included the cost of room and board for each day an individual stayed at their facility. The Alcoholism Treatment Center operated by Wake County Human Services provided cost information on inpatient detoxification services, including medical treatment, shelter, case management and counseling. None of the study participants received residential or inpatient drug and alcohol treatment after entering permanent supportive housing through July 1, 2007.

Outpatient mental health service cost data were collected from Wake County Human Services. Most of the study participants who received mental health counseling or medication management were provided these services from doctors and counselors affiliated with Wake County HS. In addition, some participants received services from doctors associated with Wake Med. These cost data were included in the medical treatment category. Case management and shelter service costs provided by Wake County HS were combined and used to develop a per day estimate. Almost all case management services that study participants currently receive are provided by the Lennox Chase onsite social worker.

About one-third of the participants reported receiving services from an inpatient psychiatric hospital, most provided at Dorothea Dix Hospital. Almost all of these inpatient stays occurred more than two years before the individuals entered Lennox Chase. Dorothea Dix Hospital provided charges for each separate admission for each participant receiving inpatient treatment. Most of the costs were related to providing a hospital bed, psychiatric evaluation and treatment, meals, nursing care, and counseling and case management services.

Cost Analysis

A cost analysis was conducted with available cost data. As Figure 1 indicates, the total cost of services for the two years after entry into Lennox Chase is 29.53% lower in the two years after entering supportive housing than during the two years before entry. Total service cost for the twenty-one Lennox Chase residents included in the analysis was $377,141.66. During the two years after they entered Lennox Chase, the cost of services they received was $265,785.20, a decrease of $111,356.46.

Figure 2 provides a breakdown of costs for Lennox Chase Residents for the two year period before moving in. As the figure indicates, the largest category of costs is for those associated with inpatient or residential substance abuse treatment. As the figure indicates, these expenditures account for 34% of the cost of services in the two years before entry to Lennox Chase. The second largest cost category is for medical treatment. The $110,550 in expenditures in this area account for 29% of the pre-entry service costs. Also as the figure indicates, the 21 residents of Lennox Chase included in this study received $85,381.09 in outpatient mental health services.
The costs of services for study participants in the two years after moving into Lennox Chase are shown in Figure 3. As the figure illustrates, the largest category of costs is for medical treatment. According to the figure, these services account for 75% of the expenditures.

**Figure 1: Total Costs Two Years Before and Two Years After Moving to Lennox Chase**

![Bar chart showing costs before and after entry](chart1.png)

**Figure 2: Service Costs for Two Years Before Moving to Lennox Chase**

![Pie chart showing service costs](chart2.png)

- Incarceration: $85,381.09 (23%)
- Psychiatric Hospital: $127,720.57 (34%)
- Inpatient/Residential Substance Abuse Treatment: $42,500.00 (11%)
- Medical Treatment: $110,550.00 (29%)
- Shelter Costs: $7,504.00 (2%)
- Outpatient Mental Health Services: $3,486.00 (1%)
in the two years after entry. Medical treatment costs for the two year period total $201,604. Analyses of these costs indicate that just two individuals account for 64% of the spending for medical treatment. Both of the individuals are over 50. One receives Social Security Disability, the other Supplemental Security Income (SSI). Their ailments include Chronc Obstructive Pulmonary Disease (COPD), asthma, high blood pressure, emphysema, and heart disease. The combined cost for their medical treatment in the two years after moving into Lennox Chase is $129,010.

The second largest category of costs is for supportive housing services. These expenditures represent the cost of the social worker stationed at Lennox Chase. These costs represent 21% of the expenditures for services in the two years after entry to Lennox Chase. The costs are calculated by dividing the salary cost for the social worker by the number of apartments for residents at the facility to generate an annual cost per resident. These costs are multiplied by the number of residents in the study (21) and then doubled to generate the cost for two years. Wake County’s investment in the social worker’s position at Lennox Chase likely results in lower overall costs. The assertive case management provided by the social worker can result in services and interventions being offered to individuals in order to assist them in maintaining their stability. Delaying or not offering these services could result in an individual needing costly care from other providers such as inpatient or outpatient psychiatric care, hospitalization or emergency room treatment, or imprisonment for public order offenses.

**Figure 3: Service Costs for Two Years After Moving to Lennox Chase**

![Pie chart showing service costs](chart.png)

- **Medical Treatment**: $54,835.20 (21%)
- **Supportive Housing**: $5,346.00 (2%)
- **Other Psychiatric Services**: $4,000.00 (2%)
- **Outpatient Mental Health Services**: $201,604.00 (75%)
The other cost categories shown in Figure 3 are for outpatient Mental Health Services ($4,000) and for other psychiatric services ($5,346). The other psychiatric services represent the costs of services one resident received for a learning disability and for Attention Deficit Hyperactivity Disorder (ADHD).

The comparison of costs suggest that before entering permanent supportive housing, research participants utilized numerous services, but then once participants received permanent supportive housing, the primary service utilized was medical care. The change in the number of services provided is shown in Table 2. The drain on inpatient substance abuse and psychiatric treatment facilities, shelters, mental health services, and jails and prisons, that took place in the two years before entry to Lennox Chase declines markedly by the provision of permanent supportive housing. Moreover, permanent supportive housing costs are low, especially when compared to alternative housing outcomes, such as hospitals, treatment centers and jails or prisons.
Summary

This analysis identifies a number of potential benefits of supportive housing programs. These facilities provide stability. Almost all of the residents were homeless when they moved into Lennox Chase, yet more than half of the individuals who were interviewed had been living there for more than three years. Individuals who leave Lennox Chase frequently move into other supportive housing facilities.

A development such as Lennox Chase provides a supportive environment with a community atmosphere. An on-site social worker provides case management and crisis management services. The social worker also provides supportive counseling. Residents are not required to be clean and sober when they move in and they are not evicted for drinking alcohol. Residents are required to assume responsibility for their lease and can be evicted for possessing drugs, failing to pay rent, not keeping their apartment clean, or not following other lease provisions.

The on-site social worker may be one of the primary reasons that costs for psychiatric care drops after an individual moves into Lennox Chase. This case manager maintains routine contact with all residents and can intervene before acute services are needed. The case manager can empower the residents to maintain their living arrangement and can refer them to outside services for medical treatment or other services as needed. Wake County’s investment in the social worker’s salary likely results in cost savings to the service system. The social worker offers assertive case management and is able to intervene if necessary in order to assist residents in maintaining their stability.

By living at Lennox Chase, residents are able to stabilize their physical and mental health. Many participate in AA or NA. Through the close contact with other residents, each individual at Lennox Chase can develop his or her own support network. The case manager can monitor whether they are taking required medications. As a result of the stability, no resident has been incarcerated since moving in. Only one resident has been hospitalized for inpatient psychiatric services after moving into the facility.

The cost analysis shows that a development such as Lennox Chase can substantially reduce the cost of providing services to homeless individuals. The costs of providing services to residents in the two years before moving into Lennox Chase are approximately 29.53% higher than the costs of services they received after moving in. Costs for incarcerations dropped from more than $3,486 to zero since entering the housing complex. Costs for inpatient substance abuse treatment have fallen from more than $127,000 to zero after entry. Costs for outpatient mental health services dipped from nearly $85,381 to $4,000.

Not all costs have been reduced. The cost for medical treatment has increased from slightly more than $110,000 to around $201,000. The primary reason for this increase is that the residents are receiving medical treatments that they were unable to obtain before moving into Lennox Chase. These treatments may have resulted in the individuals being able to stabilize their physical and mental health. As a result, the costs of providing other services to these individuals have dropped.
Appendix A: Lennox Chase

Lennox Chase was developed by DHIC as a Low Income Housing Tax Credit complex. It was built in 2003 and is owned by a DHIC affiliate. It has 36 apartments designed for single resident occupancy. Each of these apartments is approximately 500 square feet and contains full kitchen and bathroom along with a sleeping and living area. The resident manager occupies a 37th apartment, a two-bedroom unit.

The development was designed to provide permanent housing for individuals who had been living in emergency shelters or transitional housing. There were a limited number of permanent housing options for these individuals. One existing permanent housing option for men available at that time—single room occupancy units available at the Young Men’s Christian Association (YMCA)—announced plans to close around the time plans for Lennox Chase were being developed. Housing funded through the U. S. Department of Housing and Urban Development (HUD) was limited.

Lennox Chase was developed with a major commitment from local government. Part of the support from local government was a financial commitment. Lennox Chase was developed without conventional or must-pay financing. According to DHIC, which serves as the landowner and property developer, Lennox Chase was funded through several sources. The City of Raleigh provided a $600,000 loan and Wake County provided an additional $582,148 loan. The loan from the City of Raleigh has to be repaid only if cash flow is available while the loan from Wake County does not have a repayment requirement. A grant was received from NeighborWorks America to help fund the project. An additional grant of $96,747 was made to DHIC through the Affordable Housing Program of the Federal Home Loan Bank of Atlanta. An additional $1,540,903 was obtained through Enterprise Social Investment Corporation's purchase of low-income housing tax credits. The budget for the project included a $343,000 reserve that is to be used to cover operating deficits, should they occur, in future years. This reserve acts like a sinking fund.

Residents pay rent based on their income. According to information supplied by DHIC, in 2007 about 38% of the revenue from rent is used to cover the costs of the on-site property manager and other administrative costs associated with property management. Around 20% of the rental revenue is used to cover utility costs. Another 17% is used to cover costs of the maintenance and janitorial staff. Taxes and insurance costs consume another 19% of the revenue. DHIC pays about $18,000 annually in property taxes to Raleigh and Wake County. About 7% of the revenue from rents is placed in a replacement reserve fund to cover future maintenance replacement costs, such as a new roof.
ENDNOTES
1 DHIC was founded in 1974 as Downtown Housing Improvement Corporation. DHIC provides affordable housing services for residents of the Triangle area.
2 All of the individuals included in the cost analysis of this study had been living in Lennox Chase for two years or longer. A large number of these individuals had been living there for three years or longer.
5 In order to take advantage of federal low-income housing tax credits, Lennox Chase is owned by a limited liability company that was created by DHIC. As such, the property is not entitled to a property tax exemption.
6 Photos courtesy of DHIC

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