



FEDERAL HOUSING RESOURCE GUIDE



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INTRODUCTION

Housing is generally the largest single expense low-income households face. According to the federal government, housing is “affordable” to a low-income family as long as the cost of housing (rent or mortgage/tax payments plus basic utilities) does not exceed 30 percent of household income. Consistent with this standard, households earning \$11,000/year or \$917/month (minimum wage) cannot afford to pay more than \$275/month for rent and utilities.

People with disabilities who may be receiving Supplemental Security Income (SSI) or who work in low wage jobs find it very difficult to find housing that is affordable. This Federal Housing Resource Guide provides information on key federal programs and resources that can be used to assist low-income people with disabilities with their housing needs.

Annual Income	Affordable Monthly Housing Cost
\$ 6,000 (SSI)	\$ 150
\$ 11,000 (federal minimum wage)	\$ 275
\$ 15,000	\$ 375
\$ 20,000	\$ 500

Though most of these programs are federally funded by the U.S. Department of Housing and Urban Development (HUD), some (as indicated) are *administered* and available through state or city housing and community development offices.

CHANGING FEDERAL ENVIRONMENT

Currently, the federal government is experiencing significant changes in how housing programs are administered and at what level of funding these programs will continue. These changes will impact federal housing programs for years to come. Though at this time it is difficult to predict the outcome of this debate, the following changes are already underway:

- Potential cuts to many federal housing programs;
- A “devolution” of program responsibility from the federal to state and local governments;
- Greater focus on achieving mixed-income environments in most public and private affordable housing programs; and
- Less federal oversight and regulation.

Throughout this Federal Housing Resource Guide, changes that are known or are very likely to occur are indicated in the program summaries.

FEDERAL HOUSING PROGRAMS

Below are brief program summaries of commonly used federal housing programs and resources. HUD funds most of these programs, though there are some noted exceptions. The programs indicated below are administered and available through your state or city housing and community development offices. Often times when looking for resources the best place to start is the city and local level to find out how funds are being spent in your community.

I. Public Housing Agencies and the PHA Plan

Public Housing Authorities (PHAs) were created by the Housing Act of 1937 to develop, own, and manage federal public housing under contract with HUD. PHAs are overseen by a Board of Commissioners or Director who are either elected or appointed by the city or town. PHAs administer federal public housing units as well as Section 8 tenant-based vouchers. Historically, PHAs have been highly regulated by HUD. However, recent federal legislation has given greater flexibility to PHAs to decide how to use federal housing resources to meet housing needs in local communities.

Federal public housing is developed, owned, and operated by PHAs. HUD provides an operating subsidy to pay for the costs of operating and managing the housing not covered by tenant rents. Public housing tenants typically pay a limited percentage (usually 30 percent) of their income as rent to the PHA.

The 1998 Quality Housing and Work Responsibility Act, commonly called the Public Housing Reform, made major changes in federal public housing and Section 8 programs. Highlights of the important changes to HUD's housing programs include income targeting and "deconcentrating" public housing.

- The complex provisions of this part of the legislation allow higher income targeting for public housing units and lower income targeting for the Section 8 rental assistance program. For example, PHAs will be required to make not less than 75% of their Section 8 rental subsidies available to households whose incomes are less than 30% of the Area Median Income.
- Another change is the implementation of minimum rents. Under the new law, PHAs will be allowed to impose minimum rents of \$0 to \$50 a month for public and Section 8 assisted residents. Exemptions are permitted under certain circumstances.
- New Section 8 Homeownership provisions permit PHAs to use Section 8 tenant-based rental assistance to support homeownership for low-income households.

Beginning in 2000, PHAs were required to prepare and submit to HUD a five year Public Housing Agency Plan covering all aspects of a PHA's operations, including PHA income targeting and tenant selection preferences for federal public housing units and Section 8 rent subsidies. The PHA Plan must be developed in consultation with a Resident Advisory Board and be consistent with the housing needs and housing strategies described in the community's HUD mandated Consolidated Plan.

Through the PHA Plan, PHAs may establish tenant selection preferences for their public housing units. PHAs may also designate studio and one-bedroom public housing units as “elderly only” housing – and reduce the supply of public housing units available to people with disabilities. However, PHAs can only designate “elderly only” housing if the PHA has a separate HUD-approved PHA Allocation Plan requesting the designation.

Federal Public Housing Units

Since the 1970s HUD has funded very few new units of public housing. Many PHAs are now competing for HUD’s HOPE VI Public Housing Revitalization Program, which provides funding for the demolition and redevelopment of older and deteriorated public housing. In an effort to revitalize the image of public housing, public housing units developed under the HOPE VI program are frequently targeted to moderate income rather than low-income households.

In the next few years there is likely to be no new funding for public housing development, and cuts in operating and modernization funds. In addition, tenant selection policies are undergoing fundamental changes with the elimination of federal mandatory preferences (including those for people who are homeless or at risk of homelessness) and the raising of public housing income limits. The primary goal of these changes is to create more mixed income housing developments.

Although federal mandatory preferences are no longer applicable, PHAs may choose to establish local preferences for tenant selection, and may adopt a preference for people with disabilities. PHAs have a good deal of latitude in selecting local preference categories, though these categories should be based on local needs (as indicated in the Consolidated Plan, the PHA Plan or other public planning processes). In the future, as noted above, PHAs are likely to have broader discretion over the administration of public housing.

Section 8 Housing Choice Voucher Program

The Section 8 tenant-based certificate and voucher programs were created by Congress as an alternative to public housing and privately owned subsidized housing developments with two goals in mind. These were to allow low-income households more choice in housing; and to reduce the concentration of low-income households living in particular neighborhoods, especially in urban areas. The Section 8 program is administered mostly by PHAs and provides tenant-based rental subsidies that can be used in privately owned rental housing chosen by the program participant that meets Section 8 guidelines. The PHAs are responsible for tenant selection, managing the subsidy account, and inspecting apartments before they are rented. Under the Section 8 tenant-based program, PHAs provide a rental subsidy directly to landlords on behalf of eligible tenants who select housing that meets program guidelines. In general, tenants pay 30 percent of their income in rent and the PHA pays the difference between

this and the rent charged for the unit. Rents must be “reasonable” and equal to or below a Fair Market Rent established by HUD based on the median rent for the area. Since 1974, this program has become the major form of federal housing assistance available to very low-income households.

Under new public housing reform legislation, the Section 8 certificate and voucher programs were merged into the new Housing Choice Voucher Program. The Housing Choice Voucher program also provides a rent subsidy paid by the PHA on behalf of the program participant directly to the landlord. However, when new Section 8 participants receive a Housing Choice Voucher, they may pay no more than 40 percent of their income in rent. The amount of the Section 8 rent subsidy paid by the PHA is based on HUD Fair Market Rents for the area.

As mentioned above, until recently, PHAs were required to provide preference to very low-income families (income below 50 percent of median) who are homeless or at risk of homelessness. However, Congress recently eliminated these requirements. Under new federal laws, PHAs must target at least 75 percent of their Section 8 rent subsidies to households with incomes below 30 percent of the median income. PHAs may also establish other tenant selection preference categories that are consistent with local housing needs. For example, PHAs may adopt a local preference for people with disabilities, although there is no requirement that they must do so. There is usually a very long waiting list for Section 8 vouchers, and many PHAs open their Section 8 waiting lists for new applicants for very limited periods of time.

Over the past years, Congress has established separate “set-aside” programs within the Section 8 program. These special set-aside vouchers are administered in the exact manner as the conventional Section 8 vouchers, except that they are targeted to specific populations, such as persons with disabilities (both elderly and non-elderly); veterans; families reunifying with their children; persons using Medicaid service waivers; etc. The Section 8 Mainstream program (described below) is one example of a Section 8 set-aside for people with disabilities.

Section 8 Mainstream Program for People with Disabilities

To date, each year since 1997, Congress has appropriated several set-asides of Section 8 rent subsidies targeted exclusively for people with disabilities. During this five-year period, approximately 40,000 new Section 8 rent subsidies targeted to people with disabilities were made available by HUD to PHAs. These funds are available through PHAs that are awarded these subsidies under a Notice of Funding Availability (NOFA) issued by HUD. The NOFA is usually published in late winter or early spring.

Most of these rent subsidies were intended by Congress to replace the federal public and assisted housing units that are no longer available to people with disabilities because of the designation of “elderly only” housing. The Section 8 rent subsidies are usually referred to as the Section 8 Mainstream Program for People with Disabilities. Unfortunately, very few PHAs actually applied for this funding.

To address this lack of interest on the part of PHAs, in 1999, Congress directed HUD to modify the Section 8 Mainstream program and permit non-profit disability organizations as well as PHAs to apply and administer the program. Non-profit organizations are required to run the Section 8 program in the same manner as PHAs.

Privately-Owned Federally Subsidized Rental Housing—Elderly Only Policies

Beginning in the early 1960s, Congress created a number of programs that encouraged the development of privately owned affordable housing. This was a move away from public housing and toward public/private partnerships where the federal government would provide incentives to private developers to keep all or some of their units in multi-family developments affordable to low income people. Privately owned affordable housing remains the largest source of affordable housing, exceeding both public housing and tenant-based rental subsidies, nationally.

During the 1970s, HUD stimulated the development of privately owned affordable housing through such programs as the Section 221(d)3 and Section 236 programs which combined long-term mortgages with federal mortgage insurance. After Congress created the Section 8 program in the 1970s, many of these properties also received Section 8 project-based rental assistance tied to some or all of the units. Until 1992, the one-bedroom units in these developments were available equally to elderly households (age 62 and older) and people with disabilities under age 62. However, since the mid-1990s, owners have had the discretion to restrict or exclude people with disabilities from eligibility under “elderly only” designated housing policies.

In the 1970s and early 1980s, the Section 8 New Construction and Section 8 Substantial Rehabilitation program was also used to encourage new subsidized housing development. As an incentive to expand private subsidized housing production/rehabilitation activities, HUD made 15-year commitments of Section 8 rent subsidies to housing developers who were required to provide units to Section 8 eligible households, including people with disabilities. Developers used this Section 8 guarantee to obtain financing from other sources. Since 1992, these properties have also been permitted to adopt “elderly only” housing policies and limit the occupancy of units by people with disabilities under age 62.

The Washington D.C.-based Consortium for Citizens with Disabilities Housing Task Force and the Technical Assistance Collaborative, Inc. estimated in a 1996 report that by the year 2000, as many as 273,000 federally subsidized housing units may be converted to “elderly only” housing and therefore no longer be available to people with disabilities under the age of 62. This figure appears to be lower than the actual amount to date. Most privately owned federally subsidized Section 8 developments in the United States are “at-risk” of conversion to market rate housing due to expiring HUD contracts and mortgage “pre-payment” options being exercised by the owners of these developments.

II. Subsidized Housing Programs to Expand the Supply of Affordable Housing

The Consolidated Plan

The Consolidated Plan (ConPlan) is a HUD mandated application and strategic planning document prepared by all states and certain local government jurisdictions every year. In order to get the funds each eligible unit of government must submit a comprehensive strategic plan every 5 years with an annual update to that plan every year. The Consolidated Plan must be approved by HUD each year and it controls the use of four HUD programs administered by state and local housing officials. These four HUD programs are: the HOME Program; the Community Development Block Grant Program; the Emergency Shelter Grant Program; and the Housing Opportunities for People with AIDS Program. (Each is detailed below.) These funds are allocated to units of local government based on a formula for need.

The ConPlan is intended to be a comprehensive, long-range (5 year) planning document that describes housing needs and market conditions, housing strategies, and outlines an action plan for the investment of federal housing funds. The ConPlan is important to the disability community because it controls how federal housing funds will be used to expand affordable housing opportunities, and who will benefit from these affordable housing activities. The housing needs and housing strategies adopted in the Consolidated Plan are also intended to influence the development of other HUD mandated strategic plans – specifically the new Public Housing Agency Plan prepared by PHAs and the Continuum of Care Plan which guides the use of HUD McKinney/Vento Homeless Assistance Programs.

HOME Program

Congress created the HOME Investment Partnerships Program in 1990. The HOME program is a formula grant of federal housing funds to states and local jurisdictions. Local jurisdictions are larger cities and consortia of smaller communities (called “Participating Jurisdictions”). During 2001, Congress appropriated \$1.7 billion that was allocated by formula to approximately 500 communities and states. HOME funds can be used for the following uses:

- Rental housing production and rehabilitation loans and grants;
- First-time homebuyer assistance;
- Rehabilitation loans for homeowners; and
- Tenant-based rental assistance (2 year renewable contracts).

All housing developed with HOME funds must serve low and very low income individuals and families. For rental housing, at least 90 percent of HOME funds must benefit families whose incomes are at or below 60 percent of area median income; the remaining 10 percent must benefit families with incomes at or below 80 percent of area median income. (Your state or participating jurisdiction may have even lower income targeting for their HOME funds) 15 percent of a state or

local jurisdictions HOME funds must be set-aside for use by community based non-profit organizations (called “CHDOs”).

Community Development Block Grant (CDBG)

The CDBG program is a federal grant provided to CDBG “entitlement communities” (typically municipalities with populations over 50,000 and urban counties with populations over 200,000) and to all states. States may use CDBG funds only in non-entitlement communities, including rural areas. During 2001, Congress appropriated \$4.4 billion for the CDBG program. At least 70 percent of CDBG funds must be used to benefit low and moderate-income people by providing decent housing and a suitable living environment, and by expanding economic opportunities. CDBG can be spent on any of the following activities:

- Housing rehabilitation (loans and grants to homeowners, landlords, non-profits, developers);
- New housing construction (only if completed by non-profit groups);
- Purchasing land and buildings;
- Construction of public facilities such as shelters for the homeless;
- Construction of neighborhood service centers or community buildings;
- Code enforcement, demolition, and relocation funds for people displaced because of CDBG projects;
- Making buildings accessible to the elderly and handicapped; and
- Public services (capped at 15 percent of a jurisdictions CDBG funds) such as employment services and health and child care.

Jurisdictions must certify that their use of CDBG gives maximum feasible priority to activities that will benefit low and moderate-income people or aid in the prevention or elimination of slums or blight. Interpretation of these goals has often led to conflict between community groups and the state and city housing or community development offices responsible for administering the grant.

Emergency Shelter Grant (ESG)

Created with the authorization of the Stewart B. McKinney/Vento Homeless Assistance Act in 1987, the ESG program provides federal (HUD) grants to states and localities based on the formula used for the CDBG program. Program funds are awarded to grantees in proportion to their last year’s CDBG allocation (see above). If localities do not meet minimum grant standards, their funds are added to their state’s allocation. In 2001, Congress allocated approximately \$150 million in Emergency Shelter Grants. Eligible activities for use of ESG include:

- Renovation, major rehabilitation, or conversion of buildings for use as emergency shelter;
- Up to 30% on essential services for the homeless;

- Up to 30% on homeless prevention efforts; and
- Shelter operating costs, such as maintenance, insurance, utilities, rent, and furnishings (no more than 10% for operating staff costs).

Housing Opportunities for People with AIDS program (HOPWA)

HOPWA is a HUD program that funds housing and services for people with AIDS. It is available as a block grant to states and larger metropolitan areas based on the incidence of AIDS in these areas. Approximately \$230 million was appropriated for HOPWA in Fiscal Year 01. Eligible activities under the program include:

- Housing information and coordination services;
- Acquisition, rehabilitation and leasing of property;
- Project-based or tenant-based rental assistance;
- Homeless prevention activities;
- Supportive services;
- Housing operating costs;
- Technical assistance; and
- Administrative expenses.

Low Income Housing Tax Credit (LIHTC)

The federal government created the LIHTC program in 1986 in order to create incentives for investment in low-income housing development by giving federal tax credits to investors in affordable low-income housing. Private investors (such as banks, corporations) buy the tax credits from the affordable housing developer. The affordable housing developer then uses these proceeds called equity (usually in combination with other financing) to construct or rehabilitate affordable housing. Investors receive a federal tax credit over a 10-year term.

Because developers of affordable housing must often piece together various forms of financing, the LIHTC has become a critical piece of overall project financing. State Housing Finance Agencies develop plans, called Qualified Allocation Plans (QAP), describing how the credits will be allocated to projects (setting priorities and scoring for projects). Developers should review the plans to see what the state and local priorities are before submitting an application. Developers should be aware that the process is very competitive. Additionally, many states have now created state tax credit programs that operate much like the federal program and provides another source of funds for housing development.

The federal government sets basic long-term affordability requirements on projects. Under LIHTC, at least 20 percent of the units must be reserved for households earning less than 50 percent of the area median income or at least 40 percent of the units must

be reserved for households earning up to 60% of area median income. LIHTC projects are required to by federal rules to accept applications from households with Section 8 vouchers, provided the household meets other tenant screening criteria.

Federal Home Loan Bank

Federal law requires each of the 12 District Federal Home Loan Banks to establish an Affordable Housing Program (AHP) under which the District Bank provides low-cost funds to member saving institutions for below-market loans or grants for affordable housing activities. Member banks then provide grants and below market loans to organizations for the purchase, construction, and/or rehabilitation of rental housing. At least 20 percent of the units must be occupied and affordable to very low-income households. Member banks file applications with the FHLB on behalf of community organizations in April and October. The AHP is funded by 10 percent of the Federal Home Loan Bank's net income or \$100 million, whichever is greater.

In addition, the Federal Home Loan Bank offers a loan program called the Community Investment Program (CIP). This provides long term funding at fixed rates to develop rental housing (including acquisition, rehabilitation, and construction) or finance first-time home purchases for families and individuals with incomes up to 115 percent of the area's median income. Fixed rate loans are available at favorable rates for up to a term of 20 years, and are available continuously.

McKinney/Vento Homeless Assistance Continuum of Care

Since the mid 1990s, HUD's homeless programs have been made available through the Continuum of Care approach – that is a local or state network or system designed to coordinate efforts to address homelessness. The Continuum of Care approach is intended to help communities develop the capacity to envision, organize, and plan comprehensive and long-term solutions to addressing the problem of homelessness in their community. This comprehensive approach encourages communities to prioritize gaps in the housing and services available for homeless people and develop long-term strategies and action plans to address these gaps using HUD McKinney/Vento funds as well as other housing and service resources. There are three McKinney/Vento programs (SHP, S+C, and S8 Mod Rehab SRO) available through the McKinney/Vento Homeless Assistance national competition announced each year in HUD's Notice of Funding Availability (SuperNOFA).

The Supportive Housing Program (SHP)

The SHP program provides supportive housing and/or supportive services to homeless persons. The SHP awards grants through a national competition to government entities and non-profit organizations. SHP funding can be used to create transitional housing (temporary housing and services for up to 24 months); create permanent supportive housing for people with disabilities; or

provide supportive services not in conjunction with SHP-funded housing. Eligible activities for use of SHP funds include:

- Acquisition of structures for supportive housing or to provide supportive services;
- Rehabilitation of structures for supportive housing or to provide supportive services;
- New construction of buildings for supportive housing where there is a lack of appropriate units that could be rehabilitated or the new construction costs substantially less than rehabilitation;
- Leasing of structures for supportive housing or to provide supportive services;
- Operating costs of supportive housing; and
- Supportive services.

Shelter Plus Care

The Shelter Plus Care (S+C) program provides rental assistance funding for homeless persons with disabilities, primarily those with mental illness, chronic problems with alcohol and/or drugs, and AIDS or related diseases. Only government agencies and PHAs are eligible to apply through the SuperNOFA national competition. The funds provided for rental assistance must be matched dollar-for-dollar by in kind services to help participants maintain their housing. S+C funds four types of rental assistance:

- Tenant-based rental assistance (TRA) provides grant funding for a five-year contract term. Participants reside in housing of their choice though grant recipients may require participants to live in a specific area in order to facilitate coordination of supportive services.
- Sponsor-based rental assistance (SRA) provides grant funding for a term of five years through contracts between a grant recipient and a sponsor organization. Sponsors may be a non-profit organization or community mental health agency established as a public non-profit. Participants reside in housing owned or leased by the project sponsor.
- Project-based rental assistance (PRA) provides grants for a term of either five or ten years through contracts between grant recipients and owners of existing structures with units that will be leased to participants. Rental assistance grants are for 10 years only if the owner agrees to complete rehabilitation on the units to be leased within 12 months of the grant agreement.
- Single Room Occupancy Dwellings (SRO) provides grants for rental assistance for a contract term of ten years in connection with moderate rehabilitation of single room occupancy housing units.

Starting in 1999, in response to large demands for renewal funding by existing S+C programs, Congress established a separate set-aside account to fund all eligible renewal S+C programs for one year.

The Section 8 Moderate Rehabilitation Program for Single Room Occupancy (SRO) Dwellings for Homeless Individuals

The Section 8 SRO program provides public housing authorities and non-profit organizations rental assistance in the development of Single Room Occupancy Dwellings (SROs) for homeless individuals. SRO projects are awarded Section 8 project-based rent subsidies for up to ten years — a long-term commitment which helps the project sponsor obtain other financing necessary to develop the project. SRO projects must select tenants who qualify as homeless under HUD rules. Other Section 8 tenant selection rules also apply to the Section 8 SRO program. Funds are awarded through periodic national competitions. Private non-profits must contract with a PHA to administer the subsidy.

Section 811

The Section 811 Program (formerly the Section 202 program for the elderly and disabled) was authorized as a separate program for people with disabilities in the early 1990s. Section 811 provides capital grants and project rental assistance contracts to non-profit-sponsored housing developments for people with disabilities. 25 percent of the Section 811 funds are also used for tenant-based rental assistance (through the Section 8 Mainstream Program for Persons with Disabilities). Section 811 provides 100% of the development costs that do not have to be repaid if the project remains available to very low-income people with disabilities for 40 years. Funds can be used to acquire, rehabilitate, or construct new housing. Developers can use a variety of structure types, including multifamily housing complexes, condominiums, cooperatives, and group homes. Each HUD region receives an allocation of Section 811 funds annually, which are made available to nonprofit organizations through a national competition announced in a HUD Notice of Funding Availability. Because of limited funding (\$217 million in FY 01), the Section 811 program is extremely competitive.

Projects for Transition from Homelessness (PATH)

This federally funded program is administered by the federal Center for Mental Health Services through grants to state mental health agencies. These state agencies provide PATH funded services to homeless people with mental illness primarily through local or regional mental health service providers. PATH funds can be used for outreach, screening, diagnostic treatment, habilitation, rehabilitation, community mental health services, case management, supportive and supervisory services in residential settings, and other housing-related services.

Rural Housing Programs

The Rural Housing Programs are administered by the U.S. Department of Agriculture and make federal money available in an effort to increase both the amount and the quality of housing in rural areas of the country. Rural areas are places and towns with a population of 50,000 or less.

Section 502 Program

County offices administer Section 502 funds. This program finances the purchase, construction or rehabilitation of owner-occupied single-family homes. Eligible houses must be modest in cost, size, and design, and can include mobile homes. Eligible applicants must meet low or very-low income criteria. The 2001 budget from the USDA allocated \$1.3 billion to this program.

Section 504 Program

The Section 504 program provides loans or grants to rural elderly or disabled very low-income homeowners. Grants must be used for emergency repairs to water and sanitary sewer systems, wiring, structural supports, and roofs. Unlike grants, loans may be used for cosmetic repairs. There was \$30 million available for the low-income home repair grants in 2001, leaving \$40 million for loans.

Section 515 Program

Section 515 funds are federal funds available through the Rural Housing and Community Development Services and allocated to states on a formula basis and awarded competitively. The Section 515 program provides low interest loans to finance affordable multifamily housing or congregate housing for families, elders, and people with disabilities who have very low, low, or moderate incomes. It can only be used in RHCDS-eligible communities — generally communities with populations of up to 10,000 or in non-urban communities with populations up to 20,000. Section 515 received \$120 million was allocated from the USDA (for Section 515) in 2001.

REFERENCE CHARTS

Federal Program Activities At-A-Glance:

Program	Activity							
	NEW CONSTRUCTION	ACQUISITIONS	REHABILITATION	RENTAL ASSISTANCE	SUPPORT SERVICES	LEASING PROPERTY	OPERATING COSTS	HOMELESS TARGETED
CDBG	X	X	X		X		X	
HOME	X	X	X	X				
LIHTC	X	X	X				X	
FHLB	X	X	X					
Section 515	X	X	X					
Section 502	X	X	X					
ESG			X		X		X	X
SHP	X	X	X	X	X	X	X	X
SRO				X				X
S+C				X				X
HOPWA	X	X	X	X	X	X	X	
Section 811	X	X	X				X	

Federal Programs organized in a Housing Continuum:

