

**Cover Sheet**

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## CONSORTIUM FOR CITIZENS WITH DISABILITIES

**Recommendation to Modernize the Delivery of Federal Housing Assistance for Today's Generation  
HUD Section 811 PRA Program: Successful, Cost-Effective and Efficient  
October 30, 2015  
Submitted by the Consortium for Citizens with Disabilities Housing Task**

Thank you for the opportunity to submit comments on behalf of the Consortium for Citizens with Disabilities (CCD) Housing Task Force in response to the Committee's request for proposals and recommendations to modernize the delivery of federal housing assistance for today's generation. CCD is a working coalition of national consumer, advocacy, provider, and professional organizations working together with and on behalf of the 57 million children and adults with disabilities and their families living in the United States. CCD advocates for national public policy that ensures full equality, self-determination, independence, empowerment, integration and inclusion of children and adults with disabilities in all aspects of society.

### **Summary**

In December of 2010, with strong bipartisan support, Congress passed the Frank Melville Supportive Housing Investment Act (P.L. 111-374), transforming HUD's Section 811 Supportive Housing for Persons with Disabilities program into a highly cost effective operating subsidy model. This new Section 811 approach is designed to successfully leverage substantial private sector investment – including bond financing and tax credit equity – while also producing significant cost savings in the federal/state Medicaid program. As outlined below, the Section 811 Project Rental Assistance (PRA) program creates integrated affordable housing for extremely low-income people with disabilities through cost-effective, efficient reforms to an existing federal housing program. Section 811's low cost PRA operating subsidy is also successful example of a highly cost effective and efficient approach to providing housing assistance for the most vulnerable low income populations with disabilities that respects individual rights while promoting individual responsibility.

### **Background**

The Section 811 Supportive Housing for Persons with Disabilities (Section 811) program was authorized in 1990 by Title VIII of Cranston-Gonzales National Affordable Housing Act. Prior to 1990, the program was known as the Section 202-Handicapped program to differentiate it from the Section 202 Supportive Housing for the Elderly program.

Since their inception, the Section 202 and Section 811 programs created single purpose supportive housing properties that exclusively housed very low income<sup>1</sup> elders or people with disabilities. Both programs offered direct competitive HUD grants to nonprofit organizations. These nonprofits applied directly to HUD for competitive Section 811 Capital Advances and renewable Project Rental Assistance Contract (PRAC) funding. The Capital Advances provided by HUD were substantial, often covering most or all of the cost associated with developing the housing. Section 811 properties were primarily group homes or independent living apartments, reserved exclusively for people with disabilities through a 40-year use restriction.

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<sup>1</sup> Very Low income households are households with combined incomes of 50% of Area Median Income or below.

Due to limited appropriations and the relatively high per-unit costs, the entire Section 811 PRAC portfolio developed less than 30,000 units. At its high point in the 1990s, Section 811 created approximately 3,000 units annually. However, during the past decade, the number of new Section 811 units created annually declined substantially. In the combined FY 2010--FY 2011 NOFA, only 984 new units were funded. The Section 811 program's historically high per-unit capital costs, the protracted development process and slow spend-down rates resulted in very low PART<sup>2</sup> scores from the Office of Management and Budget.

This decline in Section 811 new unit production took place at a time of enormous increases in demand for supportive housing for persons with disabilities. This demand was focused on two disability sub-populations: (1) people living in high cost institutions or most at-risk of institutionalization; and (2) people who were chronically homeless. A multitude of studies have documented the high public cost associated with homelessness and/or the institutionalization of people with disabilities. These studies also demonstrate the cost savings which can be achieved by providing these two groups with decent, safe and affordable housing linked with appropriate voluntary services and supports to address individualized needs.

The successful reform of the Section 811 program took place within this context of rapidly increasing supportive housing demand from government and concomitant policies to reduce reliance on institutional settings and better control the cost of Medicaid-financed health and long-term care services. Because of these forces, strong bi-partisan efforts in both the U.S. House of Representatives and the U.S. Senate came together in the latter part of 2010 to modernize and improve Section 811 through the enactment of the Frank Melville Supportive Housing Investment Act (The Melville Act).

### **The Melville Act**

The Melville Act made many long-overdue reforms and improvements to the Section 811 program, most notably creating the Project Rental Assistance (PRA) program. The Section 811 PRA program facilitates the creation of cost effective and integrated supportive housing units for extremely low-income people with significant disabilities:

- **Affordable:** The Section 811 PRA program is targeted to non-elderly people with disabilities with extremely low incomes, at or below 30% of AMI. The PRA program provides housing affordability by ensuring that tenants pay no more than 30% of their adjusted income for rent.
- **Cost-effective:** The Section 811 program does not provide the capital for PRA units. The statute requires that the PRA Program leverage capital from other sources such as the federal Low Income Housing Tax Credit program, the HOME program, or similar federal, state or local capital financing programs.
- **Integrated:** No more than 25% of the units in a development receiving PRA funds may be targeted specifically for people with disabilities. This ensures that people with disabilities living in PRA units will have the opportunity to live in affordable rental properties along side people who do not have disabilities

Section 811 PRA funds are awarded by HUD to state housing agencies through a competitive NOFA process. To apply for Section 811 PRA funds, the state housing agency is required to enter into an agreement with the state health and human services agency and, if separate, the state's Medicaid agency. The agreement must identify the target population(s) to be assisted, the outreach and referral process for the Section 811 PRA units, and commitments of appropriate supportive services for Section

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<sup>2</sup> Program Assessment Rating Tool

811 PRA tenants. The partnership between the state housing and services agencies ensures those persons most in need of permanent supportive housing is offered the unit and that services to support a successful tenancy are also made available.

### **Efficiency – Role of the States**

HUD awards Section 811 PRA funds to state housing agencies through a competitive NOFA process that also maximizes the program’s efficiency. To apply for Section 811 PRA funds, the state housing agency must first enter into an agreement with the state health and human services agency and, if separate, the state’s Medicaid agency. The agreement must identify the target population(s) to be assisted, the outreach and referral process for the Section 811 PRA units, and commitments of appropriate supportive services for Section 811 PRA tenants. The partnership between the state housing and services agencies ensures those persons most in need of permanent supportive housing are assisted and that services to support a successful tenancy are also made available through state agencies. Congress provided funds for Section 811 PRA units in the Fiscal Year (FY) 12, FY13 and FY14 budgets. Based on these appropriations, HUD has issued two NOFAs. In response to these NOFAs, **43 of the 50 states (86%) applied for PRA funds in one or both of these rounds**. Appendix A attached lists the states applying and awarded PRA funding.

### **How Section 811 PRA Works**

The Section 811 PRA option holds states accountable for investing Section 811 funding in the most cost effective manner while also giving them the flexibility to select the units to be assisted from the array of affordable housing developments that state housing agencies routinely finance annually with both public and private sector resources. The state housing agency is incentivized to work in partnership with affordable housing developers to competitively select the units. Thus, the Section 811 program “piggybacks” onto other rigorous affordable housing development vehicles, which saves time as well as 100 percent of the cost of development. Once the unit is available for occupancy, the Section 811 PRA subsidy covers the difference between the rent charged for the unit under the affordable housing development program (i.e. LIHTC, state bond financed units, etc) and 30 percent of the tenant’s income. The Section 811 program design specifically encourages the state housing agency to identify units for Section 811 that have below market rents.

### **Cost Effectiveness**

As illustrated in the chart below, a comparison between the Capital Advance/PRAC and the PRA Programs suggests the PRA Program is **significantly more cost---effective**, creating an estimated 7,500 units for \$218 million in contracts to only 984 units for \$150 million. Further, the PRA program leveraged not only capital funds for the projects but also estimated 1,500 federal and state vouchers/public housing units.

	<b>FY 10/11 NOFA Capital Advance/PRAC</b>		<b>FY12 NOFA 811 PRA</b>	<b>FY13/14 NOFA 811 PRA</b>	<b>Total FY12---14 PRA NOFA</b>
<b>NOFA Issued</b>	Nov. 2011		May 2012	March 2014	Not applicable
<b>Number applicant states</b>	Not applicable Nonprofits only		35 plus DC	34 plus DC	Not applicable
<b>Number awards</b>	92 nonprofit agencies		13 state housing agencies	24 state housing agencies	28 different states plus DC
<b>Total Funds Awarded</b>	\$150 million		\$98 million	\$120 million	\$218 million
<b>Total 811 Units (est.)</b>	<b>984 units</b>		<b>3,000 units</b>	<b>4,500 units</b>	<b>7,500 units</b>

**Conclusion**

The Section 811 PRA program is an innovative, efficient and cost---effective approach to address housing affordability for extremely---low---income people with disabilities. PRA respects individual rights and promotes individual responsibility by providing citizens with disabilities the opportunity to sign a lease for their own, apartment integrated in the community.

### Appendix A: States Applying for and Receiving PRA Funds

All States	State Agency Applied in FY12	State Agency Applied in FY13
Alabama		Huntsville Housing Authority (Alabama)
Alaska	Alaska Housing Finance Corporation	Alaska Housing Finance Corporation <sup>3</sup>
Arizona		Arizona Department of Housing
Arkansas		
California	California Housing Finance Agency	California Housing Finance Agency
Colorado	Colorado Department of Local Affairs	Colorado Department of Local Affairs
Connecticut	Connecticut State Department of Housing	Connecticut State Department of Housing
Delaware	Delaware State Housing Authority	
Florida	Florida Housing Finance Corporation	
Georgia	Georgia Housing and Finance Authority	Georgia Housing and Finance Authority
Hawaii		Hawaii Housing Finance and Development Corporation
Idaho		
Illinois	Illinois Housing Development Authority	Illinois Housing Development Authority
Indiana	Indiana Housing and Community Development Authority	
Iowa		
Kansas		
Kentucky		Kentucky Housing Corporation
Louisiana	Louisiana Housing Corporation	
Maine	Maine State Housing Authority	Maine State Housing Authority
Maryland	Maryland Department of Housing and Community	Maryland Department of Housing and Community

<sup>3</sup> Yellow highlighted states received an award of PRA funds that year.

All States	State Agency Applied in FY12	State Agency Applied in FY13
Massachusetts	Massachusetts Department of Housing Community Development	Massachusetts Department of Housing Community Development
Michigan	Michigan State Housing Development Authority	Michigan State Housing Development
Minnesota	Minnesota Housing Finance Agency	Minnesota Housing Finance Agency
Mississippi	Mississippi Home Corporation	
Missouri	Missouri Housing Development Commission	Missouri Housing Development Commission
Montana	Montana Department of Commerce	
Nebraska		
Nevada	Nevada Department of Business and Industry	Nevada Department of Business and Industry
New Hampshire	New Hampshire Housing	New Hampshire Housing
New Jersey	New Jersey Housing Mortgage Finance Agency	New Jersey Housing Mortgage Finance Agency
New Mexico		New Mexico Mortgage Finance Authority
New York	Housing Trust Fund Corporation (Albany, NY)	Housing Trust Fund Corporation (Albany, NY)
North Carolina	North Carolina Housing Finance Agency	
North Dakota	North Dakota Housing Finance Agency	North Dakota Housing Finance Agency
Ohio	Ohio Housing Finance Agency	Ohio Housing Finance Agency
Oklahoma		
Oregon	Oregon Department of Housing and Community Services	Oregon Department of Housing and Community Services
Pennsylvania	Pennsylvania Housing Finance Agency	Pennsylvania Housing Finance Agency
Rhode Island	Rhode Island Housing and Mortgage Finance	Rhode Island Housing and Mortgage Finance
South Carolina		South Carolina State Housing Finance and Development Authority
South Dakota	South Dakota Housing Development Authority	South Dakota Housing Development Authority

All States	State Agency Applied in FY12	State Agency Applied in FY13
Tennessee		Tennessee Housing Development Agency
Texas	Texas Department of Housing and Community Affairs	Texas Department of Housing and Community Affairs
Utah	Utah Department of Workforce Services	
Vermont	Vermont Housing Finance Agency	Vermont Housing Finance Agency
Virginia		Virginia Department of Housing and Community Development
Washington	Washington State Department of Commerce	
West Virginia	West Virginia Housing Development Fund	West Virginia Housing Development Fund
Wisconsin	Wisconsin Housing and Economic Development Authority	Wisconsin Housing and Economic Development Authority
Wyoming		
District of Columbia, Washington	Washington DC., Department of Housing and Community Development	Washington DC., Department of Housing and Community Development