CWD

Center for Workers with Disabilities

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HOUSING ISSUE BRIEF SERIES

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Affordable Housing Financing and Subsidies: Resources for Programs Serving Workers with Disabilities

The American Public Human Services Association Center for Workers with Disabilities (CWD) partnered with NCB Capital Impact to develop a series of technical assistance issue briefs targeted to the needs of Medicaid Infrastructure Grant (MIG) projects. These briefs will provide information and strategies on affordable housing financing and programs that could be accessed by workers with disabilities. Additionally, these briefs will provide MIG projects with guidance on how to gather information about their state housing and community development agencies and related programs. For more information on this and other resources, contact Nanette Relave at NRelave@aphsa.org.

Introduction

This introductory brief provides an overview of various federal and state housing financing programs that can be used to support workers with disabilities at low income levels. Additionally, the information presented is typical of housing programs among the states. Though the resources and allowable uses of MIG grants do not allow states to provide direct housing services to workers with disabilities with these grant funds, MIGs can support individuals with disabilities by creating linkages between programs offering affordable housing and those offering employment services. One of the primary objectives of this series will be to provide MIG projects with strategies for securing information from state housing agencies and provide examples of successful housing strategies that have expanded integrated community living for workers with disabilities.

Key learning objectives are to understand:

- Why affordable, accessible and stable housing is an important facet of employment supports infrastructure;
- Implications of the current housing market on low and very low income populations; and
- Basic federal and state housing financing arrangements and programs.

Impact of Current Housing Market

In order to begin a discussion on housing development for workers with disabilities, it is important to look at the current state of housing in the U.S. There are a number of challenges facing the state and local housing finance agencies and housing developers due to the fallout of the subprime market. While this may seem like a distant issue to creating linkages to affordable housing for workers with disabilities, the state of the current housing market, along with other challenges, is certain to impact the ability of state housing finance agencies and affordable housing developers to construct additional housing units targeted to low income individuals.

Housing Environment	Implications
Aging out of Housing Subsidies	Private owners converting to condo; loss of critical mass of affordable rental units
State Housing Finance Agencies (HFA) are balancing a wide variety of housing needs	Maximizing spread of limited housing funds, localities must create gap financing; family housing competes with special need/elderly housing
Homeownership declining due to subprime lending market fallout	Affordable rental units will be taken by families; loss of supply, higher cost
Increased real estate and housing costs	Pricing out of population, lack of rental housing; subsidies not serving very low income populations

Other factors that will impact the ability to locate and develop affordable units include the aging out of existing housing subsidies, increased cost of real estate and construction costs and the competing housing priorities facing state housing finance agencies. During the late 1980's and 1990's the affordable housing market flourished and many units were created with a variety of subsidies. These subsidies required the units to remain affordable for 15–20 years, depending on the financing source. As the subsidy compliance periods come to an end and housing values have increased, private owners are opting out of renewing the affordability restrictions in order to create market rate units or convert to condominium. These conversions will result in a loss of a critical mass of affordable housing. State Housing Finance agencies are balancing a wide array of housing priorities from families to populations with special needs. Most states seek to create a larger impact by providing a small subsidy to a wider, moderate income audience rather than provide a deeper subsidy for a smaller group of individuals at lower incomes.

Importance of Creating Affordable, Accessible Housing

Research indicates that stable housing can foster more consistent delivery of services needed for individuals with disabilities to stay healthy and independent, improve compliance with treatment regimes by improving care quality and free up resources to increase savings and wealth accumulation.[1] Preliminary evidence suggests than an inability to pay basic bills—including rent or mortgage and utilities—coupled with a lack of available affordable and stable housing can cause prolonged stress, exacting a negative mental health toll.[2] Stable affordable housing provides an opportunity for individuals with disabilities to be active in the community and have the means to increase savings and asset accumulation.

Additionally, a number of studies have found direct and indirect benefits associated with homeownership. Homeowners have an improved sense of self-esteem, which may indirectly impact health including better mental health and lower blood pressure.[3] Consumer controlled housing for individuals with disabilities is a truly integrated model of housing, which also can increase the individual's vested and active membership in the community.

[1] Lubell, J. (2008) Presentation delivered to the American Public Human Services Association entitled, "Why Housing Matters". Center for Housing Policy

[2] Lubel, J., Crain, R., & Cohen, R. (2007) *Framing the Issues: The Positive Impacts of Affordable Housing on Health*. Center for Housing Policy

[3] Ibid

In order to understand how to build collaborations with the affordable housing sectors, MIG projects will need to have a high level understanding of the types of affordable housing programs available and a working knowledge of how the programs can be applied for this population.

There are a number of affordable housing programs available to workers with disabilities. Some of these programs are targeted to provide housing subsidies for individuals with disabilities but many are targeted to low income populations in general. Affordable housing finance programs are typically administered by the state housing finance agency and some programs are administered by local housing authorities. For more information on affordable housing programs, please see the appendix.

Understanding Your State's Housing Landscape

Affordable housing programs are unique to each state and locality so it is important to conduct a bit of upfront research on the types of housing finance programs and existing priorities unique to your state. There may be two separate departments or agencies that address housing development and rental assistance and MIG projects will want to scan both of these agencies to gain a better understanding of the programs operated by these entities.

While there is no single tool that provides an overview of each state's housing finance programs, the Community Living Exchange Collaborative as part of the Centers for Medicare and Medicaid Services' (CMS) Real Choice Systems Change program developed the *Technical Assistance Guide for Housing Resources and Strategies*. This guide provides a global overview of the housing programs that states could utilize to develop housing for workers with disabilities. This guide can be accessed through the following link: *http://www.hcbs.org/files/51/2539/Final_Regional_Forum_guide.pdf*.

There are, however, a few tools of the trade that may be helpful to navigate the individual state websites to locate state specific information. These tools include:

- **Annual Reports**—These are usually stored under the "about us" or publications link. The Annual Report provides a good overview of all of the housing finance programs managed by the agency and often how the funds were allocated by project basis.
- **Financing Programs**—Typically agencies will provide links for programs for housing development separate from those programs to be accessed by the consumer/resident. These are usually separate links off of the home page of the website. Programs that pay for new construction, rehabilitation and even home modifications are usually found under the development link. Likewise, programs offering rental or down payment assistance can be found under the consumer/resident link.

- **Housing Locator**—Many states have instituted a housing locator, also known as a housing registry, to assist residents to locate available affordable rental units. Often housing agencies require developers to list available units on a registry as part the compliance for the use of the housing financing subsidies in development of the housing units. The housing registry link will provide information on the type of unit, accessibility features, contact information for the agency accepting resident applications and a number of other specific details about the unit.

State housing finance agencies and state departments of housing and/or community development are typically where a bulk of housing programs are "housed" so to speak. The National Council of State Housing Finance Agencies is the best place to start in order to locate the HFA in your state. The NCSHA website (*http://www.ncsha.org/section.cfm/4/39/187*) has a list of contact information for nearly every HFA. Additionally, you will want to search the list of state agencies on your state's website to identify if there is a separate department for housing and/or community development that, in addition to the HFA, is charged with assisting individuals with housing issues.

In addition to connecting with state agencies, MIGs will want to also connect with local housing developers, community based development organizations or public housing authorities to identify available housing units. Most, but not all, states have a state association of affordable housing and community development corporations. The following website: *http://www.ncced.org/associations/associations.html*, will allow you to search your state and identify local affordable housing developers through your state's associations.

To find your local public housing authority, visit the U.S. Department of Housing and Urban Development's website (*http://www.hud.gov/offices/pih/pha/contacts/*) which provides the contact information for nearly every public housing authority operating in each locality nationwide.

COMING SOON!

Building or Enhancing Relationships with State Housing Agencies

Now that we have discussed the tools and resources available to create stable and affordable housing for workers with disabilities, it is important to identify strategies that can be employed to create collaborations and coordinate programming with state and local housing finance agencies. This next brief will include information on the value of cross agency collaboration, strategies to develop partnerships, examples of successful state agency partnerships and how-to steps to establish collaborations.

Appendix: Overview of Affordable Housing Finance Programs

The generally accepted definition of affordability is for a household to pay no more than 30 percent of its annual income on housing. According to the *Out of Reach* report published annually by the National Low Income Housing Coalition, the national average fair market rent for 2007 was $848. The annual income needed to afford rent for a one bedroom apartment on average is $18,920.[4] Based upon survey responses from the MIG states conducted by NCB Capital Impact, annual incomes for clients average $10,000 to $15,000. Based upon this information, workers with disabilities may be paying more than 30 percent of their annual income on housing costs.

What makes this review of incomes so critical to the discussion about housing is the fact that Medicaid-financed supports for community living are a means-tested approach to determining eligibility, taking into consideration a worker's income and assets. However, eligibility for housing programs is based solely on the individual's annual income which is then compared to the area median income for the community where the housing is located. For example, based upon U.S. Census data for 2003, the national median income was $43,318.[5] Utilizing the average annual income identified by MIG projects for workers with disabilities, this population is 23 percent to 35 percent of the average median income ($10,000/$43,318 = 23 percent). This distinction is critical to understanding how affordable housing finance programs are targeted to specific populations based upon annual income levels.

There are a number of affordable housing programs available to workers with disabilities. Some of these programs are targeted to provide housing subsidies for individuals with disabilities but many are targeted to low income populations in general. Affordable housing finance programs are typically administered by the state housing finance agency.

Affordable housing finance programs can work in two ways. First, programs for the construction of affordable housing units in either multi or single family developments can provide funding in the form of lower interest rate loans or equity. It is important to know that rents paid by residents

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[4] Pelletiere, D., Wardrip, K. & Crowley, S. *Out of Reach* 2007, National Low Income Housing Coalition.

[5] U.S. Census 2003 data.

go towards the repayment of any loans that were used to construct the units. Lowering the cost of monthly loan payments through development subsidies results in a lower amount of rent charged to a resident for the unit. Secondly, due to the fact that the cost of housing has increased in many major markets, the development subsidies do not go quite deep enough to get to a rent level that is affordable for some workers with disabilities. Therefore, rental subsidies are utilized to bridge the affordability gap. In order to provide the deepest level of subsidy for individuals at very low incomes (30 percent of area median income or below), both front and back end subsidies must work in tandem. Below is an overview of key housing programs.

Low Income Housing Tax Credit (LIHTC)

The Low Income Housing Tax Credit (LIHTC) program is a significant source of financing for construction or rehabilitation of affordable rental housing. The tax credit program is governed and monitored by the Internal Revenue Service (IRS) and administered by the U.S. Department of the Treasury. Annually, the IRS allocates tax credits to states. The amount each state receives in tax credit allocation is based upon the population of the state and is adjusted annually. The state Housing Finance Agency is typically the agency charged with the authority to award tax credits to affordable housing projects. States award these credits to eligible projects on a competitive basis annually. Affordable housing projects that apply for tax credits can be either multi-family buildings or single family housing projects being developed by either non-profit or for-profit developers.

In the LIHTC program, housing developers receive funds generated by selling tax credits to investors. These sales provide an injection of funds that do not require repayment of a loan and reduce the amount the project must recapture through rental payments. The LIHTC program gives investors a dollar-for-dollar reduction of their federal tax liability in exchange for providing financing to develop affordable rental housing. Investors' equity contribution subsidizes low-income housing development allowing some units to be rented at below-market rates. In return, investors receive tax credits paid in annual allotments, generally over 10 years.[6]

Qualified Allocation Plans. States can promote policy objectives and prioritize housing development through the Qualified Allocation Plan (QAP) to ensure that specific housing needs are addressed. Through QAPs, states

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[6] About the LIHTC, Novogradac & Company, *http://www.novoco.com/low_income_housing/resources/program_summary.php*

could direct resources for the development of units directed to low income workers with disabilities. The most common methods of prioritizing resources through QAPs include the use of thresholds (required set aside for a set percentage of units in project), credit set asides and scoring incentives. States often require a set percentage of units to be accessible in every project. By prioritizing these units, the state is able to create an incentive for specific units to be developed. All projects that receive LIHTC must have to maintain a certain number of units as affordable for at least 20 years and the amount of units are defined as part of the application process. Projects can either elect to hold a minimum of 20 percent of the residential units for tenants whose gross income is 50 percent or less of the area median income; the nationwide average is approximately $21,659 based on 2003 data. Alternatively, projects can elect to have a minimum of 40 percent of units set aside for tenants whose gross income is 60 percent or less than the area median income. Based upon the national average median income as of 2003, 60 percent of the area median income translates to $25,990/year income. These are the minimum threshold set aside amounts and developers can elect to provide a greater percentage of unit set asides, which could result in a targeting of units for individuals with incomes well below 50 percent of the area median income.

HOME Investment Partnership Program

HOME funds support a wide range of activities that build, buy and/or rehabilitate affordable housing for either rent or homeownership. The U.S. Department of Housing and Urban Development (HUD) allocates HOME funds through a formula grant to states and local jurisdictions based upon their approved consolidated plan. HOME funds can also be used to provide direct rental assistance to low-income individuals.

HOME funds are made available as either a grant or loan to a non-profit housing developer for the creation of affordable housing units by the local jurisdiction. The eligibility of households for HOME assistance varies with the nature of the funded activity. For rental housing and rental assistance, at least 90 percent of benefiting families must have incomes that are no more than 60 percent of the area median income; based upon the national average from 2003, this would translate to $25,990. Multi-family rental unit projects can be mixed income providing an integrated setting of both market rate rentals with below market rate, affordable, units in the same building. Rental properties with five or more units must ensure that at minimum 20 percent of the units are occupied by individuals with incomes that do not exceed 50 percent of the area median income, approximately $21,659 based on 2003 data. HUD posts an annual adjusted median income for all metropolitan areas on its website every year. The incomes of households receiving HUD assistance must not exceed 80 percent of the area median. HOME income limits are published each year by HUD.[7]

HOME funds can also be combined with LIHTC to add additional levels of subsidies to bring down the cost of financing for the development of affordable units. This layering of subsidies is typical in most projects targeting very low income populations.

HUD Section 811

The HUD Section 811 program has been a useful tool for many states and localities to provide housing in the community for persons with disabilities. The program provides funding to nonprofit organizations to develop rental housing that includes supportive services for very low-income adults with disabilities. Local non profit organizations can apply to receive a capital advance, essentially a loan, to finance the construction or rehabilitation of a multifamily building. The advance does not have to be repaid as long as the housing remains available for very low-income persons with disabilities for at least 40 years. Along with the funds for the development of the building, the program also provides project rental assistance. Section 811 rental assistance covers the difference between the HUD-approved operating costs of the project and the tenants' contribution toward rent. The project sponsors can also apply for HUD funding to cover the personnel costs to hire an on-site service coordinator. The coordinator is responsible for assuring the residents are linked to the specific supportive services they need to continue living independently in that development.

For many years the Section 811 program segregated very low income residents in developments because the program did not promote income integrated projects. In September 2005, HUD published a mixed income rule. The new rule also allows non-profit developers to combine the Section 811 capital funds with the LIHTC program. Additionally, the 2005 changes permit projects to rent to mixed income populations by producing affordable housing units for households with incomes at 50-60 percent of median income and market rate units.

Housing Trust Funds

States and localities design housing trust fund programs to meet their unique affordable housing needs. Housing trust funds can be designated for a variety of uses including either rental or homeownership and typically require the units to be set aside for a specific population based upon the

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[7] HOME Investment Partnership Program, Office of Community Planning and Development, U.S. Department of Housing and Urban Development, *http://www.hud.gov/offices/cpd/affordablehousing/programs/home/*

priority of the local community—for example individuals with disabilities at or below the Supplemental Security Income (SSI) level of income. Most housing trust funds restrict the use of funds to projects that serve households who earn no more than 80 percent of the area median income. Individuals' income limits are typically set at 50 percent or 30 percent of the area median. Trust funds may serve a mix of income levels, but often set aside a portion of the funds to serve the needs of lower income individuals.[8] Most housing trust funds prioritize projects that serve the lowest income households and/or individuals. Housing trust funds can also be used to provide additional subsidies either for construction or permanent financing to the developer or for tenant based rental assistance to very low income populations, including individuals with disabilities.

Tenant Based Rental Assistance Subsidies

Several housing subsidy programs can reduce rent payments for persons with disabilities. These rental subsidies can be used in conjunction with the housing programs listed above in order to "drill down" to very low income populations.

Housing Choice Vouchers (also known as Section 8)

The federal Housing Choice Voucher program is a major program intended to aid very low-income families, the elderly, and the persons with disabilities with housing in the private market. Administered by the local public housing authority (PHA), the vouchers are portable (e.g., may be moved among PHAs). Individuals using the voucher must identify a property owner that is willing to accept the voucher and who meets government standards. In most markets, the fair market rent is greater than the amount the individual is able to pay, based upon 30 percent of their income. The property owner is therefore paid directly by the government the difference between what the resident is able to pay and the amount of the Fair Market Rent. In general, the Fair Market Rent for an area is the amount that would be needed to pay the gross rent (shelter rent plus utilities) of privately owned, decent, and safe rental housing of a modest (non-luxury) nature with suitable amenities. The program has an income limit of 50 percent of the median income for the county or metropolitan area. The income limit is associated with the jurisdiction in which the individual chooses to live. By law, the local housing authority must provide 75 percent of its vouchers to applicants whose incomes do not exceed 30 percent of the area median income.

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[8] Housing Trust Funds, Center for Community Change, *http://www.policylink.org/EDTK/HTF/How.html#5*

Some local PHAs have prioritized local voucher waiting lists to allow individuals with disabilities and seniors to be given the opportunity to receive the vouchers before other populations.

Tenant Based Rental Assistance (TBRA)

As described above, the HOME program can be used for both the development of affordable housing units but can also be used for tenant based rental assistance. Much like the Housing Choice Vouchers, the HOME funded TBRA programs directly assist low-income families by making up the difference between Fair Market Rent and what the individual tenant can afford to pay. The local participating jurisdiction that manages the HOME program must choose to use a portion of its allocated HOME funds for rental assistance, based upon local priorities. Eligible tenants under a TBRA program receive direct rental subsidies that enable them to live in rental units of their own choosing, provided that the units meet basic program requirements.

State Examples

Many states have already identified innovative strategies to utilize the affordable housing finance tools listed above to assist individuals with disabilities to remain within the community.

The state of **Louisiana** has developed a program to increase the development of permanent supportive housing units. In addition to the minimum thresholds described above, the state is also requiring a set aside of an additional 5 percent of the total units in each Low Income Housing Tax Credit project for individuals targeted for permanent supportive housing. This population is defined as hurricane displaced individuals living in the homeless shelter system or temporary housing; individuals with a substantial, long-term disability such as serious mental illness, addictive disorder, developmental disability, physical, sensory, or cognitive disability, or disability caused by chronic illness; frail elderly individuals; homeless individuals in need of permanent supportive housing or most-at-risk of homelessness; or individuals aging out of the foster care system and in need of permanent supportive housing. Louisiana also requires all developments that have opened for business during calendar years 2006 through 2010 to register in a web-based, searchable housing registry to make it easier for individuals seeking permanent supportive housing to identify available housing units.

The **Illinois** Housing Trust Fund mission is to encourage the development of affordable, quality housing for low- and very-low income individuals. The state provides the funding for this program through the state's real estate transfer fee. What this means is that every time a real estate transaction takes place anywhere in the state, a fee is charged to cover the administrative cost to transfer the legal title. In an effort to create a sustainable funding stream for the Trust Fund, the state allocates half of the state's real estate transfer fee to the fund, generating approximately $20 to $22 million each year. The trust fund can be used for the acquisition and rehabilitation of existing housing, new construction of single family and multi-family units, adaptive re-use of older buildings, and special needs housing for individuals with mental illness, developmental disabilities, physical disabilities, the elderly and single parent families. Priority for funding is given to projects that address housing for the targeted special needs populations. Projects are encouraged to combine mixed income units which could include market rate, low income and very low income residents to ensure a community integrated setting. In 2006, the Illinois Housing Trust Fund created 569 units of special needs housing.[9]

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[9] *2006 Annual Report*. Illinois Housing Development Authority.

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