

Written Testimony of  
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regarding the  
Frank Melville Supportive Housing Investment Act of 2008 (HR 5772)  
before the  
Subcommittee on Housing and Community Opportunity  
June 20, 2008

**Introduction**

The North Carolina Housing Finance Agency (NCHFA) is pleased to submit this statement in support of HR 5772 to the Subcommittee on Housing and Community Opportunity.

NCHFA is a self-supporting public agency with a mission to create affordable housing opportunities for North Carolinians whose needs are not met by the market. Since its creation in 1973, NCHFA has financed nearly 184,000 affordable homes and apartments. NCHFA provides financing through the sale of tax-exempt bonds and through the management of the federal HOME Investment Partnerships Program, the low-income housing tax credit (Housing Credit), state appropriated funds, and other related programs.

The proposed “Project Rental Assistance Contract-Only Competitive Demonstration Program” (PRAC Demonstration) in HR 5772 is modeled after NCHFA’s successful approach of leveraging Housing Credits to create a new supply of affordable, accessible and integrated community supportive housing.

In seven years this ongoing effort has funded 1,200 units of supportive housing among 190 funded properties in 100 different communities across the state.

**Background**

The Supreme Court’s *Olmstead* decision in 1999 placed an affirmative duty on states to serve people with disabilities in the most integrated settings possible. Other federal policies, such as Section 504 of the Rehabilitation Act and the project-based voucher rules in 24 CFR § 983.251(d), incorporate these same principles. According to *Priced Out in 2006: People with Disabilities Left Behind and Left Out of National Housing Policy*, 113,974 North Carolinians with serious and long-term disabilities between the ages of 18-64 receive Supplemental Security Income (SSI).

Lack of access to affordable housing is a crucial barrier to serving these 113,974 people in a manner that comports with federal mandates. In North Carolina, SSI provides income of only \$637 per month. Even if a household could devote half of that amount to rent, it would still be less than the allowable rent for efficiency units under the Housing Credit or HOME programs, let alone for one- or two-bedroom units.

Only with supplemental resources like the PRAC Demonstration in HR 5772 can mainline affordable housing programs reach people with disabilities to create true supportive housing. North Carolina has proven that doing so is possible by:

- requiring every Housing Credit property to set aside 10% of its units for persons with disabilities, thereby expanding the supply of supportive housing;
- forming local connections between these properties and human service agencies in order to provide access to individualized, voluntary services and supports;
- creating a project-based subsidy (the Key Program) to make the apartments truly affordable; and
- working in partnership across state government to jointly develop and implement the above.

## **History of Partnership**

Since 2002, NCHFA has partnered with the NC Department of Health and Human Services (DHHS) to facilitate the integration of persons with significant and long-term disabilities and homeless populations in Housing Credit properties through incentives in the Qualified Allocation Plan (QAP). The 2002 and 2003 QAPs offered substantial bonus points to developers who agreed to target 10% of the units to these populations. To support this commitment, developers partnered with a local human service agency.

The 2004 QAP made the 10% set-aside a requirement. Developers and financial institutions did not object to the change. In 2004, NCHFA and DHHS also established a project-based operating subsidy for these units. This expansion of the partnership is called the Key Program.

The Section 811 PRAC Demonstration program replicates the successful North Carolina approach of using operating subsidy funds for a small percentage of units in Housing Credit properties to ensure deep affordability for people with disabilities who have extremely low incomes.

For some individuals, access also means overcoming physical obstacles. The North Carolina QAP requires twice as many accessible units than are required under fair housing standards. These apartments also include curbless showers and allow for parallel toilet transfers. DHHS assisted in drafting the technical specifications.

## **Making the North Carolina Approach Work**

An important aspect of our program, which is also included in HR 5772, is the connection between the housing component and the services component of this supportive housing initiative. All owners of Housing Credit properties must demonstrate a partnership with a local human service agency (Lead Agency). DHHS staff helps prepare the documentation of these partnerships, which must include:

- A description of how the property will meet the needs of the supportive housing tenants, including access to supportive services, transportation, and relevant amenities.
- A description of the Lead Agency's experience and capacity to provide access to supportive services and to maintain relationships with the management agent and other service providers.
- A commitment by the Lead Agency to coordinate referral of supportive housing applicants (i.e., those with a disability) to the property and to provide, coordinate and/or act as a referral agent to ensure that community-based supports will be available to tenants who could benefit from them.
- Management certification that participation in supportive services will not be a condition of tenancy.
- Agreement by the owner and property management that the set-aside units will be held open for Lead Agency referrals for a short time during lease-up, and thereafter if the property has filled fewer than the required number of set-aside units.

Once complete, DHHS reviews the documentation and NCHFA monitors for compliance after the property is placed in service. If HR 5772 becomes law, it will be important for HUD to create a similar structure through the regulatory process.

## **Responsibilities of the parties**

### Local lead service agencies

A Lead Agency's primary responsibility is to refer prospective tenants. While the Lead Agency may serve a particular population, it has agreed to represent the area's human service providers. The result is a collective referral process open to persons with a full range of disabilities and access to an array of community-based supports that households may need. Referred tenants must be eligible for the property (e.g., credit history) and the Housing Credit program (e.g., student status). On-site management makes these determinations, negotiating reasonable accommodations in screening criteria when appropriate.

### Owners and property management

In addition to the expectations above, management is responsible for contacting the Lead Agency prior to starting lease-up, screening each referral using the same criteria as for other applicants, and notifying the Lead Agency of vacancies (if at less than the 10% required). Property management does not provide disability-related services, but instead has the same landlord-tenant relationship as with all other residents.

### Referred tenants

Tenant responsibilities are the same as those for any other resident. Maintaining the housing depends on the tenant's ability to comply with the lease terms, not with treatment or service plans.

## **Outcomes**

### Measurable benefits and a proven track record of success

The best measure of success is the number of people housed. Well over half of the 1,200 apartments in funded Housing Credit properties are open and 92% of these units are now occupied by persons with disabilities, including families and/or the formerly homeless. Thus far, 640 households with serious and long-term disabilities have an affordable place to live because of this supportive housing partnership. The referred households have been successful: fewer than 1% of Key Program tenancies have been terminated by eviction.

The North Carolina program's success has been recognized in several ways.

- In 2004, the Center for Medicare and Medicaid Services awarded DHHS a highly competitive Real Choice Systems Change grant to support local implementation.
- In 2006, the North Carolina General Assembly increased the annual Housing Trust Fund appropriation by 136%, with the stated purpose of creating more independent and supportive apartments for persons with disabilities. This legislative support continued in 2007.
- The National Council of State Housing Agencies bestowed its 2006 Annual Award for Program Excellence in the "Housing for Persons with Special Needs" category.
- The National Alliance for Mental Illness recognized the DHHS and NCHFA partnership with the 2008 Phillip and Sarah Francoeur Award.
- The set-aside has been replicated in the 2008 QAPs for Illinois, Louisiana, and Michigan.

### Benefits outweigh costs; efficient/effective use of resources

The basic function of the partnership – having human service agencies make referrals to properties and offer supports to tenants eligible to receive their services – involves limited additional state expenditures. The sole investment consists of staff time spent educating and organizing the local human service community to take full advantage of this opportunity.

Because the units would be built regardless of serving this need, the capital investment for construction is not a cost of the program. The partnership used existing allocation and underwriting systems to create these 1,200 apartments, leveraging approximately \$80 million of Housing Credit equity.

The Key Program does require funds. However, the budgeted cost of this assistance is a substantial savings over the alternatives of continued homelessness or facility-based residential services that are all too often the only recourse for people with disabilities. The average per-unit monthly expense to the state of \$215 under the Key Program is only two-thirds of the equivalent in NCHFA's project-based Section 8 portfolio, and substantially less than the cost of tenant-based vouchers.

Another crucial efficiency is at the project level: neither party has to step far outside of its normal role. Developers and property managers focus on building and managing rental housing, leaving human service agencies to do what they do best, providing support to individuals and families in their communities.

#### Effectively employs partnerships

This initiative is a success because of both the state agency partnership and local collaboration. At the state level, NCHFA and DHHS work together closely in the design and operation of the 10% set-aside requirement and Key Program. At the property level, the partnership results in better linkages between management and the local human service system. All participants use their strengths, knowledge, experience and abilities to provide affordable housing for those most in need. Together all involved have done what was impossible separately.

#### **Conclusion**

With the new Section 811 PRAC Demonstration program, North Carolina would have the resources it needs to continue creating a substantial supply of new supportive housing units in future years. We project that hundreds of additional supportive housing units could be produced in our state during the next decade using this valuable new subsidy.

The North Carolina Housing Finance Agency is pleased and honored to have its successful partnership with the Department of Health and Human Services be the model for HR 5772's PRAC Demonstration program. Replicating these results around the country would be an important step toward addressing the enormous housing crisis faced by millions of extremely low-income people with disabilities.