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H.R. 5772, THE FRANK MELVILLE SUPPORTIVE HOUSING INVESTMENT ACT OF 2008

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY

OF THE

COMMITTEE ON FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

JUNE 20, 2008

Printed for the use of the Committee on Financial Services

Serial No. 110–123

U.S. GOVERNMENT PRINTING OFFICE

44–188 PDF WASHINGTON : 2008

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
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H.R. 5772, THE FRANK MELVILLE SUPPORTIVE HOUSING INVESTMENT ACT OF 2008

Friday, June 20, 2008

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HOUSING AND
COMMUNITY OPPORTUNITY,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2128, Rayburn House Office Building, Hon. Maxine Waters [chairwoman of the subcommittee] presiding.

Members present: Representatives Waters, Cleaver, Green, Clay, Murphy; Capito and Biggert.

Chairwoman WATERS. This hearing of the Subcommittee on Housing and Community Opportunity will come to order.

Good morning, ladies and gentlemen. I would like to thank Ranking Member Capito, who just came in, and the members of the Subcommittee on Housing and Community Opportunity who will join me for today's hearing on H.R. 5772, the Frank Melville Supportive Housing Investment Act of 2008.

I am looking forward to hearing from the witnesses today because the Section 811 program is such a cornerstone of our Federal response to the needs of our Nation's vulnerable disabled households. I also want to thank Mr. Murphy for his work in crafting H.R. 5772, which is designed to ensure that the Section 811 program maintains its vitality.

Established as part of the Cranston-Gonzalez Affordable Housing Act of 1990, the Section 811 program is nearly identical to the older Section 202 program, which previously provided supportive rental housing for persons with disabilities. The Section 811 program is the only Department of Housing and Urban Development permanent supportive housing program exclusively serving persons with disabilities.

The Section 811 program has three components: capital advances; project rental assistance; and tenant-based rental assistance. HUD provides no-interest capital advances to nonprofit sponsors to develop rental housing coupled with flexible, accessible, supportive services for persons with disabilities. A project sponsor does not have to repay the capital advance if the project serves very-low-income persons with disabilities for at least 40 years.

In connection with a capital advance, HUD provides project-based assistance through the Project-Based Rental Assistant Con-

tract, or PRAC, which covers the difference between the HUD-approved operating cost and the amount residents pay in rent.

The program also provides for tenant-based or mainstream vouchers which are available to families who are income-eligible and enable a person with disabilities to lease private rental housing. Although the tenant-based voucher program was authorized under the Housing and Community Development Act of 1992, it was not funded until Fiscal Year 1997, when it became a 25 percent set-aside within the annual Section 811 appropriation.

The Section 811 program—grants, project rental assistance, and mainstream vouchers collectively—was funded at $237 million in funding year 2008, and the President requested $160 million for Fiscal Year 2009, a cut we are fighting during this appropriations process.

I am pleased to support H.R. 5772 because the bill makes key improvements to this program.

First, it addresses a long-standing problem in the mainstream tenant-based assistance program, namely, that for many years HUD had no way to track these vouchers. Many believe that, upon turnover, these vouchers were not redistributed to disabled persons. The bill would transfer these vouchers to the Section 8 Housing Choice Voucher program, with the requirement that HUD develop guidance to ensure that existing and future appropriated vouchers continue to serve eligible persons with disabilities.

Second, as H.R. 2930, the Supportive Housing for the Elderly Act—which this subcommittee considered and the House passed last year—did for the 202 program, H.R. 5772 brings Section 811 into the modern world of mixed housing finance. To date, program sponsors have been unable to take full advantage of such finance options due to internal program delays at HUD as well as what are often contradictory program requirements.

Unfortunately, right now, HUD's administration of the Section 811 program imposes on potential sponsors all the inflexibility and bureaucracy that might conceivably be justified in a funding stream that pays the project's full freight in a program that no longer does. H.R. 5772 wisely delegates grant processing in mixed-finance Section 811 projects to State housing finance agencies, which have the experience necessary to combine different financing streams and can more effectively process these grants and allow project sponsors to more efficiently bring new projects on line.

Third, the bill ensures that the physical structure and services offered by a project don't deteriorate over time due to inflation or escalating cost. H.R. 5772 requires the Secretary, upon renewal of a project-based rental assistance contract, to adjust the annual contract amount to provide for reasonable cost increases, including adequate reserves, supportive services, and services coordinators as well as for certain emergency situations.

Finally, the bill authorizes an innovative project-based rental assistance demonstration program designed to leverage supportive services funding. HUD will award funds to State finance agencies to enter into contracts with project owners to provide project-based rental assistance for units for persons with disabilities.

Eligible projects are new or existing projects which have received capital funds from other private or public funding sources and have

entered into agreement with the State or local agency responsible for health and human services to assist in outreach and to make available appropriate services for tenants.

I think this has exciting potential, and I look forward to hearing what the witnesses think of it and other elements of the bill.

I would now like to call on Ranking Member Capito for her statement.

Mrs. CAPITO. Thank you, Madam Chairwoman, and I would like to thank the witnesses for this important hearing today.

I have seen firsthand the good works that this program provides in my own district, and I am sure it is the same for Members across the Nation. My good friends, Representative Chris Murphy and Representative Judy Biggert, should be commended for their leadership in introducing this legislation.

The Section 811 program allows persons with disabilities to live independently in the community by increasing the supply of affordable rental housing with the availability of supportive services. I have visited several facilities.

As with the only Federal housing program solely dedicated to assisting very-low-income people with serious and long-term disabilities, Section 811 is considered to be of critical importance. In fact, Congress has maintained in previous years the same level funding of $237 million for Section 811.

The Section 811 program does face some programmatic issues, and this legislation will restructure Section 811 in a way that provides for a continued creation of permanent supportive housing and provides rental assistance that would make housing affordable for those very-low-income folks with disabilities.

Included in the bill are: Terminating Section 811's mainstream tenant-based rental assistance program and transferring the rental vouchers to the Section 8 housing choice voucher program and tracking the vouchers to ensure that they are issued to low-income people with disabilities; two, modernizing the capital advance program; three, establishing a project rental assistance demonstration program; four, revising the definitions of group home, persons with disabilities, and supportive housing for persons with disabilities; and five, repealing the authority of the Secretary to waive size limitations on group home and independent living facilities.

I would like to thank our witnesses for taking time from their busy schedules to join us and I look forward to hearing their input on this legislation.

I yield back the balance of my time. Thank you.

Chairwoman WATERS. Thank you very much.

I now recognize Mr. Green for 3 minutes.

Mr. GREEN. Thank you, Madam Chairwoman, and I thank the ranking member. I also thank Mrs. Biggert for her efforts.

Madam Chairwoman, I am eager to hear from witnesses because I am concerned about the Section 811 recipients who are to receive these vouchers possibly being put in a position where they are not getting the amount of service and help that they merit. Because when the vouchers were reissued, some nondisabled persons may have received some of the services intended for disabled persons. That is of concern, and I am trusting that this legislation will cure these ills that the program is suffering from.

I am also concerned about the gap financing that some of the persons who are interested in providing the services are having to experience, and the project-based rental assistance-only demonstration is something that I would like to hear the witnesses give us opinions about.

So I thank you, and I yield back the balance of my time.

Chairwoman WATERS. Thank you very much.

Representative Biggert for 3 minutes.

Mrs. BIGGERT. Thank you, Madam Chairwoman, for holding this hearing on a bill that Congressman Murphy and I introduced in April to modernize the Section 811 program.

Let me just start by thanking my colleague, Congressman Murphy, for his work on this legislation; and I would urge my colleagues to cosponsor the bill.

I would also like to thank each of our witnesses for joining us today. Your appearance here is a testament to your dedication to reform the Section 811 program but, more importantly, to enhance the quality of life for some of the neediest members of our communities. Thank you for what you do.

Particularly, I would like to single out my constituent and witness today, Tony Paulauski from Tinley Park, Illinois; and I would also like to thank all of the wonderful people in Illinois who work at Trinity Services, Cornerstone Services, the State of Illinois, especially those volunteers, parents, and other members of the community who have reached out to me and expressed their support for this legislation.

For the past 4 years, this Administration proposed cuts to the Section 811 program. I sent letters to the leadership of the Appropriations Committee asking them to fully fund it. Why? Because Section 811 is the only Federal program that provides funding for housing and vouchers for people with disabilities seeking to live as independent members of the community.

Each year, Congress has decided to fully fund the Section 811 program, but this year is the first time we have gone beyond that appropriation funding effort and introduced a bill to modernize the program, which hasn't been updated in over 1½ decades. And I won't delve into the details of this very technical legislation. I will leave that to the witnesses.

However, I would like to mention that this bill is critical to the goal of increasing the number of affordable units for people with disabilities. How? It maximizes Federal dollars by better aligning the Section 811 program with other Federal, State, and local funding sources, allowing nonprofit sponsors to more easily leverage additional funding. So the bill streamlines the program, and, for example, it tasks HUD with simplifying its slightly lengthy guidelines, which are over 400 pages long. And, in addition, it delegates grant authority to States and local housing authorities, which many proponents of this bill suggest will make the program more efficient.

These and many other reforms in the legislation certainly will make the program more user-friendly and attractive to those nonprofit sponsors that develop permanent housing for people with disabilities.

Finally, I am pleased that the bill allows for a new demonstration project that some estimate will allow for the development of as many as 3,000 new units of housing for non-elderly persons with disabilities. That is really the tip of the iceberg, but it is a start.

So, with that, I look forward to hearing from today's witnesses, and I yield back.

Chairwoman WATERS. Thank you very much.

Mr. Clay for 3 minutes.

Mr. CLAY. Madam Chairwoman, I have no opening statement, but I would like to yield to Mr. Murphy.

Chairwoman WATERS. Certainly. Our author is here. Mr. Murphy.

Mr. MURPHY. Thank you very much, Mr. Clay, and thank you to the chairwoman for her great work on bringing this piece of legislation forward and especially to my good friend, Mrs. Biggert, for her really career-long advocacy on behalf of supportive housing. It is an honor to co-sponsor this bill today.

As our witnesses will testify here today, the Section 811 program is still the only Federal housing construction program that helps very-low-income people with serious and long-term disabilities live independently in the community.

Unfortunately, as we will also hear today, the program hasn't lived up to its full potential. By some accounts, the current Section 811 program is producing less than 1,000 units of supportive housing each year, and it is plagued by many bureaucratic hurdles which have impeded eligible individuals from attaining the services that they deserve.

Today, we will hear from Diane Randall from Connecticut's Partnership for Strong Communities about the specific need in Connecticut, underscored by a recent article that appeared in a paper in my district entitled, very simply, "Death at Towers Highlights Need for Supportive Housing."

Only a few weeks ago, a mentally ill individual living in non-supportive senior housing in Meriden, Connecticut, was killed after an incident with police. This deeply disturbing incident underscored the number of mentally ill individuals, non-elderly, living today in a State like Connecticut, representative across the country in housing, which simply does not have the support to keep them well, and to get them the services that they deserve, often with very disastrous consequences.

The need is great, and our challenge is certainly significant, but we can't allow this program to continue to drift. It can be better, and I think our legislation today, the Frank Melville Supportive Housing Investment Act, will make significant progress towards addressing these challenges. Our reforms here will remove existing barriers in the Section 811 program, allowing Federal funding to be used to leverage additional State, local, and private financing to build even more units of supportive housing across this country, in addition to making some very important changes within the existing voucher program, to free that money up for capital costs and, as was mentioned before, putting in place a very important demonstration program that will allow dollars to flow into State-backed programs as well.

Lastly, Madam Chairwoman, I would just like to say a word about the name attached to this bill today; Frank and Allen Melville happened to live in my district in northwestern Connecticut, but their reach is national. In fact, at least two of the groups represented here today are funded through the Melville Charitable Trust, which has made its focus nationally reducing homelessness and building more supportive and affordable housing.

Unfortunately, Frank Melville passed away recently. He has continued to be survived by his wife, Allen, and it is a testament to their work to build an advocacy community, represented in part here today, surrounding the issue of supportive housing, to have his name associated with it. I thank the chairwoman for allowing that to happen.

I yield back the balance of my time.

Chairwoman WATERS. You are certainly welcome.

We have no other members with opening statements. I would like now to introduce our first panel, and I am going to call on Representative Biggert to introduce a very special witness who is here today.

Congresswoman?

Mrs. BIGGERT. Thank you, Madam Chairwoman.

I am honored to introduce a constituent, Tony Paulauski from Tinley Park, Illinois. Since 1991, he has served as the executive director of The Arc of Illinois, which is a nonprofit organization that advocates on behalf of persons with developmental disabilities.

The Arc was founded in 1950 by parents whose children had developmental disabilities. It's a one-of-a-kind organization. The Arc seeks to ensure stability and supportive services for individuals with disabilities.

During his tenure, Mr. Paulauski has led efforts to better educate members of our community about the importance of providing support services to people with disabilities, and, in addition, he has led efforts on a number of State legislative initiatives regarding the waiting list, Emily's Intervention, transition, staff wages and benefits, and the elimination of the death penalty for the mentally ill.

Prior to serving as the executive director, he served for 19 years as executive director of a local Arc of Illinois chapter and was a high school special education teacher. He is a native of Chicago and graduated from Northern Illinois University in DeKalb; and, as I mentioned, he resides in Tinley Park, in my district. So I am honored to represent him in Congress.

Welcome, Mr. Paulauski.

Chairwoman WATERS. Thank you very much.

And now I get the opportunity to introduce Mr. Ronald S. Cohen, Ph.D., of United Cerebral Palsy, which is doing great work in my home City of Los Angeles. Ronald Cohen has been the chief executive officer of United Cerebral Palsy of Los Angeles, Ventura, and Santa Barbara Counties since 1987.

Prior to the CEO position, Cohen served as clinical director for UCP. In 1980, he established the first community-based group homes for non-ambulatory children and adults with behavioral disorders in the State of California. Some of the first individuals in 1980 leaving the developmental centers are being treated in those UCP homes.

Under Cohen's leadership, UCP has developed 32 homes and rent-subsidized apartments consisting of 278 units. A number of the tenants came from the State Developmental Centers.

Mr. Cohen is widely regarded as an expert on developing housing for special needs populations. He has testified before the United States Congress before, as well as before the California State Legislature on alternatives to institutionalization.

Thank you very much for being here today, Dr. Cohen.

Also, we have serving on the panel today: Diane Randall, executive director, Partnership for Strong Communities; Ann O'Hara, associate director, The Technical Assistance Collaborative; and Mark Shelburne, counsel & policy coordinator, North Carolina Housing Finance Agency.

Welcome, panelists. Thank you for appearing before the subcommittee today, and without objection, your written statements will be made a part of the record.

You will now be recognized for a 5-minute summary of your written testimony, and we will start with Ms. Diane Randall.

STATEMENT OF DIANE RANDALL, EXECUTIVE DIRECTOR, PARTNERSHIP FOR STRONG COMMUNITIES

Ms. RANDALL. Thank you very much, Chairwoman Waters, and thanks to all of the committee for your good work on behalf of affordable housing in our country.

My name is Diane Randall and I am the executive director of the Partnership for Strong Communities, which is a Hartford, Connecticut, based housing policy and advocacy organization. I am very pleased to be here today.

The changes to the Section 811 program that are proposed in H.R. 5772 offer valuable improvements that will have life-changing benefits for thousands of vulnerable citizens in this country. It will create new opportunities for permanent supportive housing in mixed-income communities which will provide a better life for all of those people.

In Connecticut, we have a robust and dedicated cadre of State agency leadership, housing developers, and social service providers who have a demonstrated track record in building and managing permanent supportive housing that combines affordable, extremely-low-income persons with available social services that foster independence through employment and other social services.

We have a Statewide advocacy campaign that our office runs called Reaching Home, and that campaign has a goal of creating 10,000 units of permanent supportive housing in a 10-year period. It is an ambitious goal and, because of that huge demand, we count on every available resource from the State, Federal, and programs like this. The improvements that you are making in Section 811 will do a great deal to help us achieve that goal.

I am particularly intrigued by the demonstration component of the project-related rental assistance contract. It is an effective tool to couple with existing capital resources for development, such as low-income housing tax credits and HOME funds, in order to provide the operating subsidies that will make housing affordable for people who live on very restricted incomes.

I serve as the chair of the mortgage committee of our State Housing Finance Agency, and I can tell you that the competition for the 9 percent low-income housing tax credit is very fierce. We are overprescribed probably three to one on what is available, and most of the housing being created under those 9 percent credits is serving people at the 60 percent of area median income. It is very difficult to serve people at 30 percent or below; and, in fact, anyone who is living on Social Security income alone in our State is below 30 percent of median income.

We have successfully used tax credits through some other programs, using some State-based rental assistance to combine with low-income housing tax credits, to create permanent supportive housing. So this new resource that is proposed in this bill will be of great assistance to us to keep producing even more housing.

The other component that I think is particularly compelling is that this proposed legislation puts the Section 811 program in line with best practices in community and housing development by promoting housing in mixed-income communities. It will include putting people with disabilities and people without disabilities in housing together, which is a good thing.

Another important feature is transferring the mainstream tenant-based rental assistance vouchers and all of the future incremental vouchers for people with disabilities to the Section 8 Housing Choice Voucher program.

I want to just comment on the amendments that clarify supportive housing as permanent and clarify the term "person with disabilities" to be consistent with HUD's definition. We have found in our experience that in talking to tenants who have been homeless, people who have disabilities, that being able to move into housing that is considered permanent has a remarkable effect on their stability and their ability to move through recovery, particularly for people with psychiatric disabilities. In fact, people have a home, rather than a transitional type of resting spot, until they achieve some sort of additional goal.

In Connecticut, one of the things that we have seen is that the benefits for creating this kind of permanent supportive housing are not only for the individual but they also have a positive benefit on the public health system. People who have access to permanent supportive housing, we have found a significant reduction in inpatient Medicaid costs for those individuals who have access to housing as opposed to some other sort of homeless situation. Obviously, it is less expensive to create this kind of housing than it is to have people in institutional settings such as jails or prisons or nursing homes.

Finally, I want to thank Representatives Murphy and Biggert for naming this effort to increase the supply of permanent supportive housing after Frank Melville. It has been my privilege to work closely with the Melville Charitable Trust for over a decade. Mr. Melville; his wife, Allen Melville; and their entire family have dedicated millions of dollars of their own wealth in philanthropic giving to ending the root causes of homelessness and supporting the type of systemic change that allows people with psychiatric disabilities and other chronic health conditions to achieve stability and recovery. The Frank Melville Supportive Housing Investment Act of

2008 includes provisions that are not only significant to making this program more workable but also to increasing housing and community opportunities for thousands of Americans.

[The prepared statement of Ms. Randall can be found on page 43 of the appendix.]

Chairwoman WATERS. Thank you very much.

Dr. Cohen.

STATEMENT OF RONALD S. COHEN, PH.D., CHIEF EXECUTIVE OFFICER, UNITED CEREBRAL PALSY OF LOS ANGELES, VENTURA, AND SANTA BARBARA COUNTIES

Mr. COHEN. Thank you, Madam Chairwoman, for the opportunity to testify on the Section 811 Housing for Persons with Disabilities Program and why H.R. 5772 is needed. I am Ron Cohen, the CEO of United Cerebral Palsy (UCP) of Los Angeles, Ventura, and Santa Barbara Counties.

UCP has developed 22 HUD projects over the years, and 12 of those have been the Section 811 capital advance grants to build apartments and homes for persons with significant developmental disabilities. Our buildings vary in size from 6 to 24 units, and they are integrated in neighborhoods throughout four Southern California counties.

For every project we do, we must raise additional funds to fill the gap between the HUD grant and the true cost of construction, especially for our units, which are fully accessible. If one of our tenants can't hold a key in their hand to open their front door, every door is infrared wired. So we put a switch on their wheelchair that will coordinate whatever part of their body they can voluntarily move, whether it be a finger, a toe, a head, a knee, and they hit that switch and the doors open and close automatically. We have wide doorways. We have roll-in showers. We have tilted mirrors and elevators. These units literally change lives.

Steven S. is 42 years old, and he lived in a State hospital since the age of 3; he now lives in a UCP HUD apartment in Santa Monica. Thirty-nine years behind institutional walls, and today he is making decisions about what he eats for dinner, when he eats dinner, and what local neighborhood Starbucks he will go to in his power wheelchair.

We know that housing development takes time, but this Section 811 process is over the top. In fact, they built the Staples Center in Los Angeles, where the Lakers play, faster than I can build a 13-unit HUD apartment complex. That is why we need reforms. Our projects, our small Section 811 projects, have taken 5 to 8 years to build, and much of that process that bogs us down is just moving paperwork.

One of our projects was funded in September 1995, and was not eligible for occupancy until October of 2003, a full 8 years after receiving the HUD award. The delays cost money. The costs of building materials go up, and the charity is the one that is left holding the bag.

For our Burbank project, we submitted what is called a firm commitment application. We submitted that 9 months after we received the HUD award, and that means we are ready for construction. All entitlements have been completed. We have all the per-

mits. We are ready to go. We are ready to bring in the bulldozers, and we submitted that paperwork to HUD, and 27 months later, they completed the paperwork.

Another Section 811 project took 29 months. That is almost 2½ years. We were ready to build, and we had to wait 2½ years.

What that did to the Burbank project, was it increased the cost 25 percent on a $4 million project, a million extra dollars. We are left again as the deep pockets. For every dollar United Cerebral Palsy has to spend on bricks and mortar because of the delay, that dollar, that million dollars, comes out of program services, comes out of feeding and bathing and taking care of people.

We need to speed up the process. H.R. 5772 will help. It changes some program guidance and will help with the red tape that we have to go through today.

There is a critical need for affordable housing all over this country, and especially in Los Angeles. But affordable housing is becoming unaffordable for the nonprofit developer who uses the Section 811 project. We need change. I urge you to pass H.R. 5772, and I thank you for your commitment.

[The prepared statement of Dr. Cohen can be found on page 26 of the appendix.]

Chairwoman WATERS. Thank you very much.

Ms. Ann O'Hara, from The Technical Assistance Collaborative.

Ms. O'HARA. Good morning.

Chairwoman WATERS. Good morning.

STATEMENT OF ANN O'HARA, ASSOCIATE DIRECTOR, THE TECHNICAL ASSISTANCE COLLABORATIVE, ON BEHALF OF THE CONSORTIUM FOR CITIZENS WITH DISABILITIES HOUSING TASK FORCE

Ms. O'HARA. Thank you, Madam Chairwoman, Representative Biggert, and all the members of the committee.

My name is Ann O'Hara, and I am associate director of The Technical Assistance Collaborative, a nonprofit organization in Boston. I would like to thank you for the opportunity to testify today on behalf of the Consortium for Citizens with Disabilities Housing Task Force. I am here to strongly endorse the Frank Melville Supportive Housing Investment Act which will enact new policies and reforms to the Section 811 program.

The CCD Housing Task Force, which includes national groups like the National Alliance on Mental Illness, the Arc of the United States, United Cerebral Palsy, the National Disability Rights Network, and many other groups, believes this legislation is essential to revitalize and improve Section 811, a program which in recent years has had many problems and now produces only 1,000 or fewer new units each year. In fact, in 2006, the program only produced 700 new units.

The program, as you have already heard, is inefficient, plagued with red tape, and most importantly, doesn't reflect the desire of many people with disabilities to live in integrated housing of their choice. It also doesn't reflect best practices in current Medicaid and other State-funded community support programs.

The legislation is important also because the need for supportive housing has never been greater. TAC and CCD studies show that

the average one bedroom fair market rent in 2006 was more than the entire income of a person with a disability who relies on SSI.

Today, over 4 million adults with disabilities in this country rely on SSI and can't afford housing unless they have deeply subsidized assistance from the Federal Government. Because there is no supportive housing available, these people remain unnecessarily in nursing homes, State institutions, and many live at home with aging parents who are now in their 70's and 80's and have no idea where their adult child will live after they can no longer provide housing for them.

State governments are struggling to meet the mandates of the Supreme Court *Olmstead* decision, which affirmed that States must have an effective plan to assist people with disabilities who remain unnecessarily in these restrictive settings.

The Section 811 program is the primary solution to this serious housing crisis. This bill will end—or if not end at least reduce—the bureaucratic red tape that has damaged this program's reputation and will help create many more integrated housing opportunities that people with disabilities prefer. It will implement an exciting demonstration program that will leverage substantial investment of Federal low-income housing tax credits and home funding. It will reduce the time it takes to get Section 811 units online and, most importantly, could create 3 to 4 times the number of units the program is creating now.

It also resolves long-standing concerns with the Section 811-funded mainstream voucher programs. These 14,000 vouchers are administered as Section 8 vouchers primarily by public housing authorities and have never been used to create supportive housing. The lack of a tracking system means that we don't even know if all these vouchers are being used, but evidence suggests that at least some of them have been given to nondisabled households. And even though these vouchers are funded and renewed out of Section 811, many PHAs stopped leasing vouchers funded out of Section 811 during the Section 8 fiscal crisis because they thought the vouchers were funded out of Section 8. This bill resolves all those problems by permanently transferring these 14,000 vouchers to the Section 811 Housing Choice Voucher program.

We are confident that H.R. 5772 will revitalize this dying program and stimulate efforts to create needed supportive housing throughout the country.

We are incredibly indebted to the State of North Carolina, whom you will hear from in a minute, and also the State of Louisiana, that have both already adopted policies that reflect the PRAC demonstration program. In Louisiana, with hurricane recovery funding, they are well on their way to producing 3,000 units of supportive housing. So the PRAC demonstration program is based on actual experience in several States. It also is important to note that already six to eight other States have come forward to say that they would be pleased to implement this model.

Finally, I would like to thank you for honoring Frank Melville with this bill. We look forward to working with you to make this bill a reality, and I thank you for all of your work on affordable housing in this country.

[The prepared statement of Ms. O'Hara can be found on page 31 of the appendix.]

Chairwoman WATERS. Thank you very much.

Mr. Mark Shelburne, North Carolina Housing Finance Agency. Good morning.

STATEMENT OF MARK H. SHELBURNE, COUNSEL & POLICY COORDINATOR, NORTH CAROLINA HOUSING FINANCE AGENCY

Mr. SHELBURNE. Good morning, Madam Chairwoman, and members of the subcommittee. Thank you very much for this opportunity to speak in support of H.R. 5772.

My name is Mark Shelburne. I am counsel & policy coordinator with the North Carolina Housing Finance Agency, and I come today bringing good news.

The demonstration program in H.R. 5772 is modeled after North Carolina's successful approach of leveraging the Federal low-income housing tax credit to create permanent, accessible, affordable, independent community supportive housing. So why I am here today is to describe basically how that works.

First, let me provide a little bit of background. The Supreme Court's *Olmstead* decision provides a mandate for States to serve people with disabilities in the most integrated settings possible. A crucial barrier to meeting that duty is the lack of affordable housing.

In North Carolina, supplemental security income provides only $637 a month of income. That is not enough to live in any affordable housing program, including tax credits.

Only with supplemental resources like the demonstration program in H.R. 5772 is it possible for these mainline affordable housing resources to reach people with disabilities, and in North Carolina we have proven that it is possible to do so by requiring housing credit property owners to set aside 10 percent of the units in their properties for people with disabilities, to have those properties form a connection with the local human services community by creating a project-based rental assistance program and by working in partnership, very close partnership, with our State Department of Health and Human Services.

There is a crucial component of this work that is replicated in H.R. 5772 in linking the housing with the services. All housing credit property owners have to demonstrate a partnership with a local lead service agency, and that lead agency has two responsibilities. One is to refer prospective tenants to the property and the other is to act as a referral agent and/or to coordinate services to be sure that these referred tenants have individualized and voluntary support that they may need.

The owners' responsibility is pretty simple. They have to keep these units open for these referrals for short periods of time. And that's it. They don't provide disability related services. They have the same landlord/tenant relationship with these individuals that they do with the other 90 percent of the units.

So what have been our outcomes? First is a proven track record of success. We have also had tremendous leveraging. The best measure of success is the number of people housed. In 7 years, we

have created 1,200 units of permanent supportive housing; and of those, well over half are built. The rest are under construction, which means 640 households in North Carolina with permanent and serious long-term disabilities have affordable housing.

Success is also measured by recognition by others. We have received two national awards, and the set-aside has been replicated in the policies of three States. The efficiency comes from building units that were really going to be built anyway and accessing those. We use existing underwriting and allocation policies for the tax credit to create those 1,200 units; and along the way those units have leveraged approximately $80 million of Federal equity, Federal housing credit equity from investors.

The operating subsidy program that we operate does require some additional funding. However, it is substantially less expensive than the alternatives of continued homelessness and facility-based residential services. And the average cost to the State, which works out to about $215 per unit per month, is about two-thirds of the cost of our State-administered project-based Section 8 portfolio. So the cost there is really a tremendous efficiency.

The other efficiency operates at the property level. These tax credit owners and management companies do what they do best: They operate and manage property. The services community does what they do best: They provide support to individuals and families in their properties.

So the bottom line is that if Congress enacts H.R. 5772, our experience in North Carolina shows that it will work.

Thank you very much, and I look forward to any questions.

[The prepared statement of Mr. Shelburne can be found on page 45 of the appendix.]

Chairwoman WATERS. Thank you very much.

Mr. Tony Paulauski.

STATEMENT OF TONY PAULAUSKI, EXECUTIVE DIRECTOR, THE ARC OF ILLINOIS

Mr. PAULAUSKI. Madam Chairwoman, Representative Biggert, and members of the committee, thank you for this opportunity.

In Illinois, there are 220,000 infants, children, and adults with developmental disabilities. Let me tell you a little bit about why you need to do this important H.R. 5772.

We have a number of chapters that are involved with Section 8 and a few that are involved with Section 811. The ones that are involved with Section 811 love the flexibility and the opportunity that this program provides for the people who reside in these housing situations.

You know that there is a national crisis here for people who are poor and people who have disabilities. We don't have to go into that. But, in Illinois, we rank 51st out of 51 in the development of small community living arrangements for 6 people or less. We need more—as the other panelists said, more supports like Section 811. In Illinois, we have 20,000 people on a waiting list, 7,000 of whom are looking for housing situations. Four hundred caregivers are over the age of 70 and in their 80's.

In order to access housing in Illinois, you have to be in a crisis situation, so families have to expose their most vulnerable moments and prove that they are desperate to get these services.

Take, for example, what we call the situation with Melanie and her daughter Sara. How terminal is terminal? Melanie was a single mother in her 50's, the primary caregiver of her adult daughter. Melanie and Sara lived in Orland Park. Melanie was working with one of our local chapters and was in the final stages of cancer. She needed to know that her daughter was going to be taken care of. The State was considering placement of Sara in some community living situation, but they needed a document that this was truly a crisis situation. Finally, the State did act, and Sara is in a home, and shortly after Sara moved to that home, Melanie passed away. That is the face of these important issues that you folks deal with.

People with developmental disabilities are also very poor. They experience a 90 percent unemployment rate. They rely on public benefits and community services such as Section 811.

The majority—there are 30,000 individuals in Illinois who are primary caregivers over the age of 60. So the importance of this program can't be understated. People who care for these children and their adult children at home are true American heroes. Families are the major providers of services in not only Illinois but the United States. Often, one parent resides in the home just to take care of the child or the adult person. They give up employment, they sacrifice retirement, and they also experience high rates of divorce because of the pressure that is put on them to support their children at home.

There are many success stories. Community services and supportive housing such as Section 811 have dramatically impacted lifestyles of people with disabilities, as has been pointed out here. We ask you, as Members of the Congress, to not only pass this important legislation, but to also become co-sponsors and show support for your families.

We love the aspects of the Project Rental Assistance Contract and the demonstration program, and the only criticism we have is that we need to see more than the 1,000 units that are now available, only 33 of which are going to Illinois.

We also like the capital PRAC funds which are combined with the Federal tax credits and create the integrated rental projects that we need and all support here. The flexibility, the innovation of Section 811 is one that we urge you to support by passing this out of committee.

Thank you so much.

[The prepared statement of Mr. Paulauski can be found on page 37 of the appendix.]

Chairwoman WATERS. Thank you very much.

I would like to thank each of you for your testimony, and I would like to thank you for taking time from your lives and your schedules to come to Washington, D.C., to provide us with information that will be helpful in passing this most important legislation.

I would like to turn to some questions at this point, but let me just say that we did invite HUD to be here today. They could not send a witness, but I am going to grant unanimous consent to permit HUD to submit written testimony on H.R. 5772, and we are

asking that they have it in to us within 2 weeks. So, without objection, it is so ordered.

I have a few questions before I turn to the members. Let me ask Dr. Cohen about funding. Both the current Section 811 program and this legislation require nonprofit sponsors to finance supportive services outside of Section 811 capital advance and project-based rent subsidies. Where do you get additional resources to do this?

Mr. COHEN. For the support services?

Chairwoman WATERS. Yes.

Mr. COHEN. Well, in the State of California, we have the Landerman Act, which creates the regional centers; and I think California is the only entitlement State in the country. So our folks are entitled to support services, and there are many vendors that provide those services, we being one of them, also. And the regional center system with State money purchases those services, whether it be 5 hours a day that a person might need or 24 hours a day like Mr. Steven S. that I mentioned in Santa Monica has 24-hour supports.

Chairwoman WATERS. You are absolutely right. I served in the State legislature, and I should have remembered the Landerman Act and our tremendous services that we provide to the developmentally disabled. As a matter of fact, we have and I still work with a number of individuals who have small homes where they have six, seven, or eight people who live there, and they have the regional centers that provide support for all of them, and it seems to work very well.

This legislation would require shifting of underwriting from HUD to the State Housing Finance Agency if a Section 811 sponsor seeks mixed financing. Would this work in California?

Mr. COHEN. If it can move the process faster, yes. And I believe, what I hear, it will move it faster.

Chairwoman WATERS. Have you had any conversations with our State Housing Agency about this, and are they willing to work directly with the nonprofit disability agencies?

Mr. COHEN. Our State Housing Agency has been very supportive of supporting the development of homes and apartments for people with developmental disabilities. In fact, we have gotten a number of grants from them. We have one right now on a 24-unit project going up in Glendale, which is an Section 811 project, yes.

Chairwoman WATERS. That is very good.

I now recognize Mrs. Capito for questions.

Mrs. CAPITO. Thank you, Madam Chairwoman.

I want to thank the panelists, and I have learned a lot.

Mr. Cohen, you mentioned in your testimony that the length of time to get these projects and to see them to at least beginning of completion was excruciating. I can imagine when you are looking at different funding sources over the course of 2½ years, things really change.

But I think Mr. Shelburne has talked about the demonstration project in North Carolina. Do you think that using the model in North Carolina in a national way would help to eliminate some of these delays that you have seen and the length of the regulatory process at HUD?

Mr. COHEN. I am not familiar with the model in North Carolina. But to move a stack of paper from one—once we give it to them, that takes 2½ years. That's the big delay for us, is just moving the stack of paper. And I don't know what happens once it goes in the front door. But we sit by our phone for 2½ years waiting for it to come out the back door.

Mrs. CAPITO. Mr. Shelburne, in North Carolina, what kind of experiences have you had that give us confidence that these kinds of reforms are going to work?

Mr. SHELBURNE. Well, when you use the Federal low-income housing tax credit program, Congress back in 1986 had the wisdom to say you have 2 years to build it and—

Mrs. CAPITO. Before it goes away.

Mr. SHELBURNE. Exactly. And that is an inherent—and what you have are owners will look at—for example, if they have a 12- or 18-month construction schedule, they will get to a point where they will realize they are not going to be able to meet it, and so they tell the agency they are not going to be able to meet it, and they give the resources back to the agency and move forward. But that's a rare occurrence. Almost all projects do go forward upon getting an award.

Mrs. CAPITO. Thank you.

I have one other question, and anybody can answer this.

In reading some of the bill's intentions and some of the problems I think that have been initiated, what I am asking is how large of a problem is it that some of the vouchers that are intended for those who have disabilities or low-income disabilities move then into the hands of somebody else without being tracked? How big a problem is that, and are the solutions in this bill something that you think will help address that problem?

Ms. O'HARA. Unfortunately, we don't know the extent of the problem. But our concern is that it is a significant problem.

Mrs. CAPITO. How does that work? Does that work like the family, the person with a disability maybe moves on to a different living setting and somebody else in the family can—

Ms. O'HARA. No. The problem is that these 14,000 vouchers are imbedded in the 2 million Section 8 voucher program. And unless you have a system at the PHA that tracks those vouchers as distinct from Section 8 funded vouchers, and unless you have tenant selection of policies that make sure that when a voucher does turn over that they reach down into the waiting list to find the qualified next person who is disabled, unless you have those systems in place, these vouchers are just going to whomever is at the top of the list.

It was a mistake to make this a PHA-focused program. The PHAs do not do supportive housing generally; and when you have a small drop of water in a big ocean of Section 8, you can't be surprised if that gets lost in the big picture.

Mrs. CAPITO. That's concerning. I think, obviously, this program was created to meet and help a certain segment of our population that we all want to reach out and provide not only supportive services and housing and all those things and to me my hope with this legislation is that we could tighten that loophole, because there is obviously a great deal of need. We have talked about the people on

the waiting list. But for me to think that folks who have disabilities, who have so many challenges are not able to access the program that is there for them is a little discouraging, to say the least.

So I thank you all very much for your testimony.

Chairwoman WATERS. Thank you very much.

Mr. Green?

Mr. Cleaver, go right ahead.

Mr. CLEAVER. Thank you, Madam Chairwoman.

I only have one question. Frankly, my concerns were centered more around HUD, and I am disappointed that they could not show up today. I will express my concern; and it is, when we are talking about mixed funding, I have some alarm bells go off because in my city—I am a former mayor—we ended up in a battle with HUD over the fact that the Section 811 program and the Section 202 program are so similar that we actually had 202 projects where they were moving disabled individuals in with senior citizens.

So when you are talking about mixing the funding, I already think we have a problem; and I am sure that Kansas City, Missouri, is not the only place where that has taken place. I want some assurance from HUD—I guess I am talking to the walls—that this is not going to take place.

And I am sure that none of you can answer the question. I have expressed it, and I feel better.

Ms. O'Hara?

Ms. O'HARA. Yes. In this context, when we speak about mixed funding, we are talking about different sources of capital that would go to create non-elderly units of supportive housing in non-elderly buildings.

Mr. CLEAVER. I understand. And I am saying that HUD has to assure us that you are not going to mix the two populations. Because they are doing it and creating just unbelievable problems.

You have elderly people, in some instances, trying to deal with disabled individuals in the same building. It is a major problem. I will take it up with HUD.

Thank you.

Chairwoman WATERS. Mrs. Biggert.

Mrs. BIGGERT. Thank you, Madam Chairwoman.

Mr. Paulauski, the Administration's budget proposal contains a suggested $77 million-dollar reduction in the Section 811 funding. I talked about that a little bit earlier, that for the last couple of years it has been a reduction. In this case, the Administration's proposal calls for establishing a leveraged financing demonstration program in order to remove barriers, such as duplicative requirements and timelines that don't match, and to encourage the use of multiple funding sources.

Could the bill's demonstration program potentially result in leveraging sufficient to make up for the reduced funding?

Mr. PAULAUSKI. I think the simple answer to that is "no." I want to point out, thank you for restoring those funds. And I understand there is an additional $13 billion that is about to be added to that line as well. I don't know if any of the other panelists would have a better response to that.

Mrs. BIGGERT. Would anybody else like to address that issue?

Ms. O'Hara.

Ms. O'HARA. I believe that, under the various components of this bill, there will be substantial leveraging of funding. I think Mr. Shelburne spoke about the extraordinary level of funding other than the Section 811 funding that would be used.

But I must say that with the incredible need that we have in this country for supportive housing for the lowest-income people, the fact that I know in Illinois there are many people in nursing homes who don't need to be there, we need to have every penny that we possibly can have in the Section 811 program, and then we can go out and leverage all of the other funds to be able to really increase the number of supportive housing units that we are developing around the country.

Mrs. BIGGERT. If we really only are serving or have a thousand and a little bit more units right now, how long would it take to, or how many would be added, let's say, in the next year?

Ms. O'HARA. Well, if this bill is enacted, you could create at least 4,000 units with the same amount of money that we are now creating 1,000 units.

But I think what is equally important and what we have learned from Louisiana and from North Carolina is that this model can also be replicated with State funds, so that I think if we can provide the leadership to show that you don't need Section 811 funds to create the housing, but Section 811 can be a small piece of a much larger financing package, then we could create many, many more units over time, and we would see many more States step up to the plate to address this issue.

Mrs. BIGGERT. Do you have any sense of the number of State housing agencies that would be interested?

Ms. O'HARA. I can give you right off the top of my head about 7 States that we know are interested: Illinois; Michigan; Arizona; New Mexico; Pennsylvania; Vermont; and Massachusetts. Those are places where I just happened to work, and where we have already had conversations with housing finance folks about this approach.

There is tremendous excitement because these States have been asked by their Medicaid agencies, by their mental health agencies, by their developmental disability agencies, for many years these housing finance agencies have been asked to help deal with the problem of people with disabilities who are in institutions and nursing homes, and the housing finance agencies haven't had the tools to respond. This bill provides them with the tools.

Mrs. BIGGERT. Is it anticipated that the processing for all projects that include funding from other sources would be delegated to a State or local housing agencies?

Ms. O'HARA. I think that is the proposal, yes. I think that with the Section 202 processing, which is also going to be with the housing finance agencies, that we will have a critical mass of program activity that would be attractive to the housing finance agencies to undertake.

And I agree with Mr. Shelburne that once that happens, we will have efficient processing of projects that meet the deadlines associated with the tax credit program

Mrs. BIGGERT. Thank you.

Thank you to all the witnesses.

Chairwoman WATERS. Thank you very much.

Mr. Green.

Mr. GREEN. Thank you, Madam Chairwoman.

Madam Chairwoman, every now and then and again, you just have to testify. You just have to kind of let it all out. So please forgive me and indulge me, if you would, for just a moment because I have this feeling that is overwhelming me.

I absolutely believe that Mrs. Biggert and Mr. Murphy, that they are doing God's work. And I just have to say it. Often the well-heeled, the well-to-do, they will always fare well. It is the least, the last, and the lost that we really have to work hard to help because they don't have the lobbyists, and they don't have the support system that others will have. I just want to thank the two of them for doing what they are doing today because, in my heart, I believe that at some place on the infinite continuum that we know as time, we will all have to account for our time right here. And I think that you are going to get some extra CRA credit for what you are doing today. So I thank both of you for what you are doing.

I would like to address my first question to Mr.—I believe it is Shelburne. Is that correct, sir?

Did you indicate that we are doing this with buildings that are already being constructed? Let me just go through this, so that I can make what appears to be clear, transpicuously clear. You are saying that we have a builder who is already constructing apartments, and you will approach this builder and say, "We would like to give you a credit, a tax credit, if you will set aside a certain number of units for persons who are disabled."

Is that the way it is working?

Mr. SHELBURNE. Almost. What happens is the developer finds a site, for example, and it can accommodate say 64 units, and they will then apply to us for the low-income housing tax credit to subsidize the construction of those 64 units. And as a requirement of receiving those credits, they have to set aside 7 of those 64 for people who are referred by the human services community.

Mr. GREEN. Here is one thing that I suspect you know, but I am just picking up. You solve the problem of location when you do this. Location has become a real problem in terms of helping people with disabilities. For whatever reasons, we have people who don't want certain projects in their neighborhood. But by placing this within that project, a project that is going to be built anyway, you now have the location problem resolved because you have it confined within what is a market-based venture, generally speaking.

Has that been your experience?

Mr. SHELBURNE. Absolutely. There is still some localized opposition to affordable housing in general, but there is never any opposition to these 10 percent set-aside units because that is never part of the story that is related, because really this is just a tax credit property that is providing workforce housing.

So in the event there is localized opposition, you have a developer that has the capacity to respond to that.

Mr. GREEN. Now, for the record, I would like to do this, just so that we will have it in the record. Is it true that you, that each of you, that you support this piece of legislation? If this is the case, would you kindly extend a hand? I don't mean to have you do

something so simplistic, but I want to be sure we have everybody on record.

For the record, everyone on this panel supports this piece of legislation. I want that to be made known, that we have an entire panel. This is a unique occurrence; an entire panel supports this piece of legislation, which is important, by the way. It is important.

And, finally, let me just ask this. I know that you have given us great information. The insight that you accorded us is a blessing. It really is. But is there something more that you would have us do, any one of you, to make this piece of legislation even better? I think that my colleagues have done an outstanding job, but is there something else that anyone would want to call to our attention that we might do to tweak it. Anyone?

Yes, ma'am.

Ms. O'HARA. I would love the report language to make sure that HUD throws out all 400 pages of the Section 811 guidance that now exists.

Mr. GREEN. Report language.

Ms. O'HARA. Yes. I think that would be very helpful to make sure that HUD really does change what their current policies are on the processing of these grants.

Mr. GREEN. Anyone else?

Yes, sir.

Mr. PAULAUSKI. I can't leave it unsaid, more money for the program.

Mr. GREEN. I think that is a good point.

I will close with this comment, if I may. Those of you who are concerned about 200 pages going in, 2 years to come out, I sincerely believe that something will happen in and around November of this year that will change that. I just believe it.

Thank you very much.

I yield back.

Chairwoman WATERS. Well, Mr. Murphy, in this infinite continuum of time, you will be our last questioner.

Mr. MURPHY. I appreciate the points, Mr. Green. I am going to need them.

Let me first, Madam Chairwoman, if I could, just place into the record a statement from Mike Fitzpatrick, the executive director of the National Alliance of Mental Illness, in support of the bill.

Chairwoman WATERS. Without objection, it is so ordered.

Mr. MURPHY. Thank you very much.

Let me first pose a question to Ms. Randall. In Connecticut, the Partnership for Strong Communities and through the Reaching Home Campaign has put on the table an incredibly aggressive goal of, within 10 years, building 10,000 units of supportive housing, and you spoke about it a bit in your testimony. I just want to step back from the trees a little bit to the forest and ask you, from your perspective, a couple of years into this campaign, to what you are seeing as the primary barriers here. There are a multitude of them, and this legislation tries to solve at least a few of them that may exist through the Section 811 program, which has limited reach as it is today.

I think it would just be interesting for the committee to understand one State's and one advocacy community's experience in trying to build out a real network of supportive housing units.

Ms. RANDALL. Thank you for the question, Representative Murphy.

Let me first start by saying what is working because I think that some of the questions that have come previously, we also have some experience in Connecticut that is, while we don't have a set-aside like North Carolina, we have used some State funding coupled with low-income housing tax credits to create permanent supportive housing that has been in existence for about 10 years. And we have seen remarkable benefit.

One of the things Connecticut has done is created an interagency working group that includes key State human services agencies along with our housing finance agency, along with the line executive agency that delivers housing services. That cooperative relationship has allowed the coupling of services with capital financing and with operating subsidies to create permanent supportive housing.

So a program like this refined Section 811 would fit in seamlessly. And you should count Connecticut among the housing finance agencies that will be also very interested in taking advantage of the changes in this program if it passes.

I think the biggest challenge right now clearly is around financial investment in permanent supportive housing. I think it is a growing movement. In the next decade, we will see, I hope, thousands of units created across this country to address not only the needs of people with disabilities or very low income, including people who are homeless. I think it will be a remarkable change. But it will take a new and significant level of investment to both create the housing stock, which particularly the demonstration program of this does, but also to leverage resources against one another, because I think that we can't rely on only Section 811 to create housing for people with disabilities.

It is critical that we use mainstream programs like the Section 8 program, the National Housing Trust Fund that is currently in the legislation that you are considering through the GSE reforms, keep income-targeting to people below 30 percent of median income. That capital resource could be combined with other sorts of, whether it is Medicaid funding or some other social service funding, to create permanent supportive housing.

So there are exciting opportunities on the horizon. But until that financing and resources come, that won't happen.

I think the other important work that is happening is the kind of technical assistance work that TAC does, that the Corporation for Supportive Housing does, that actually helps train local providers, the developers, to work with service providers, because there is a little bit of effort in there.

As Mr. Shelburne said, housing developers are good at creating houses. They don't manage or they don't provide social services. But they do need a working relationship, and that is an important factor.

Mr. MURPHY. That actually leads me perfectly into what was going to be my second question to Mr. Shelburne on that point.

You have addressed the financing situation with an incredible innovative approach. I am actually interested in your testimony that the developers and the financial community seem to have not opposed the 10 percent set-aside as you put it into place. I would love you to sort of talk a little bit about their level of cooperation, but also that point from Ms. Randall, because you are relying on developers who may have no experience with supportive housing as opposed to the normal developer who would, in many cases, be a nonprofit who has some social-serving experience.

I am interested in how you found those set-aside 10-percent projects to be from a quality perspective when you have developers or owners of the buildings who may not be doing this type of supportive housing or social service work in other parts of their portfolio.

Mr. SHELBURNE. It has really worked out very well.

The key for getting the development and financial community to buy into it, the two keys were, for them, again, to understand that their relationship with these units would be the same as it is for every other unit. They use standard leases. So the tenants have the same rights and responsibilities as other tenants in the property. So they knew they didn't have to have a different set of systems.

The other key was of course having the operating subsidy to make the units both affordable to the tenants and produce enough cash flow for the property to operate.

The outcomes, in our experience, have been really good. What we have seen, and particularly my counterparts at the State Department of Health and Human Services have seen, are people, when they get into housing, people with disabilities, get into stable housing, they do a lot better in many cases than their clinicians ever thought they could, just because they now have a place that is under their control, that they have the same standard lease that anyone in their family has, that they really start doing much better.

If I could add just one quick point in response to that. I would be amazed if there are less than 30 States that apply for this program, if it is created; it could even be 40 or all 50 States. Because at every single conference I go to for State housing finance agencies, this comes up, every time, in multiple sessions. We all want to do this. But what we don't have is the operating subsidy to make it work. Because we can build the units, but they can't be affordable and also generate enough revenue for the owner without some type of operating subsidy. That is what we need.

Mr. MURPHY. Well, Mr. Shelburne, I thank you for North Carolina's leadership here, and I thank the panel for being here, but also being such an integral part of developing this legislation. We think we can make it a little better as it heads to the Floor, but not much, because you have put so much work into it already.

I thank the Chair for the time.

Chairwoman WATERS. Thank you very much.

I would like to thank Mr. Murphy and Mrs. Biggert for authoring this legislation, and even though I, perhaps, will not express it in quite the same manner as Mr. Green, I, too, am very appreciative of this legislation, and it will go along way toward dealing with

helping, I think, some of our disabled to live longer and have a higher quality of life.

As a matter of fact, when Mr. Shelburne mentioned that a disabled person could be able, outside of an institution, in this independent type living, to be able to decide what they want to eat and when they want to eat, it struck me as something I had not really thought about. That was a very, very pointed, revealing statement.

I want to thank you all for what you have shared with us today.

Also, I would like to make a correction. Earlier in my presentation, I mentioned an amount of money, $160 million in the President's budget. That now is $250 million; that has come out of our appropriations subcommittee. So I don't want you to leave with that misinformation. It is $250 million that has been voted out of our subcommittee.

Having said that, the Chair notes that some members may have additional questions for this panel which they may wish to submit in writing. Without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and to place their responses in the record.

I know that many of the members have already indicated, Mr. Murphy and Mrs. Biggert, that they would like to be cosponsors on this legislation. So we will make sure that happens.

This panel is now dismissed. We don't have a second panel today. Let me just thank you again.

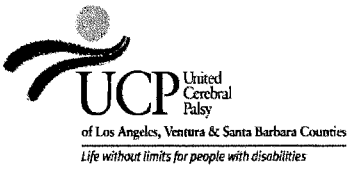
Before we adjourn, without objection, ANCOR's written statement will be made a part of the record for this hearing.

I thank you all very much. This hearing is adjourned.

[Whereupon, at 12:10 p.m., the hearing was adjourned.]

A P P E N D I X

June 20, 2008



Testimony of Ronald S. Cohen, Ph.D
Chief Executive Officer
United Cerebral Palsy of Los Angeles, Ventura, and Santa Barbara Counties

U.S. House of Representatives
Committee on Financial Services
Subcommittee on Housing and Community Opportunity

"H.R. 57772 – The Frank Melville Supportive Housing Investment Act of 2008"

June 20, 2008

6430 Independence Avenue, Woodland Hills, CA 91367-2607 • Tel: (818) 782-2211 • Fax: (818) 909-9106 • www.ucpla.org

Thank you Madame Chairwoman for the opportunity to testify on the Section 811 Supportive Housing for Persons with Disabilities program and why H.R. 5772 is needed. I am Ron Cohen, Chief Executive Officer of United Cerebral Palsy of Los Angeles, Ventura and Santa Barbara counties.

Our organization operates 40 programs in five counties in southern California – providing housing, early intervention for young children, assistive technology, individual and family support services, and social and recreation programs for all people with disabilities, especially those with developmental disabilities.

Since 1995, we have received 10 Section 811 capital advance grants to build apartment buildings and homes for persons with significant developmental disabilities. Our buildings vary in size from 6 to 24 units. They are integrated in neighborhoods throughout Los Angeles, Ventura, Santa Barbara and Orange counties.

As is common with many 811 developers, for every building, we must raise private funding to fill in the gap between the HUD grant and the cost of construction – especially to make our units truly accessible to our tenants. For example, 50% of our tenants use wheelchairs. All of the doors in our buildings are equipped with infra-red door openers that enable an individual to hit a switch with any part of their body they can control. All of the units are fully accessible – roll-in showers, tilted mirrors, etc. to maximize the tenants' independence.

These units have literally changed lives. For example:

Steve Sanchez is 42 years old. From age 3 until he moved to our Santa Monica apartments 4 years ago, Steve lived in a state hospital in Pomona, California. Now Steve can make decisions in his life that you and I take for granted – like what to eat for dinner and which neighborhood Starbucks to visit in his power wheelchair.

Jessica Gould now lives in our Burbank apartments. Previously she also spent much of her life in a hospital. She cried on the building's opening day because she couldn't believe she would be able to live on her own.

I wish I could tell you that developing a HUD Section 811 is easy. Nothing could be further from the truth. Housing development takes time – but the Section 811 might set a record in that regard. And that's why the program urgently needs to be reformed.

Numerous and lengthy HUD processing delays occur on virtually all 811 projects. Many small projects with only 6 or 8 units take 5 - 7 years to complete because of the long time it takes for HUD to process the paperwork during various stages of project development. One of our projects funded in September 1995 was not available for occupancy until October of 2003 – a full 8 years after receiving our HUD award letter.

These delays eat up valuable time and also lead to huge increases in project costs. For example, our Section 811 project in Burbank took more than four years to complete. During that delay, the cost of building materials increased 25% or $1 million of the total $4 million cost of the apartment building. We had to raise the $1 million privately to fill that gap; HUD does not

provide additional funds. We had already spent $700,000 on the project and felt obligated to go forward.

Unfortunately, HUD bureaucratic delays are common and are the rule not the exception in Section 811 – and there are many steps that require HUD approval before a project can proceed to construction. After HUD notifies us that we have received an 811 grant, we engage in all the activities that will bring us to the point of breaking ground and beginning construction. These include architectural plans, approval by design review boards, engineering, landscaping review, public comments, city council meetings, neighbor issues, and discussions with public works, water and power and obtaining all permits.

On our Burbank project, we submitted all of our necessary forms (including signatures from all local departments and officials) - known as the "Firm Commitment Application" – within 9 months of receiving our HUD 811 award letter. HUD must then processes this paperwork and conduct a capital advance initial closing where all the documents are signed by all parties before construction can begin. This step in the process for the Burbank project took 27 months and another of our 811 projects took 29 months – 2 years and 5 months! And that is only one step in the entire HUD 811 development process.

I'm sure these stories are not unique to United Cerebral Palsy of Los Angeles. I have talked to many other colleagues in the UCP network and they will no longer apply for HUD 811 grants because of these delays and the program's burdensome regulations.

H.R. 5772 can solve many of the problems that cause delays in Section 811 development. This legislation would permit agencies like the California Housing Finance Agency – rather than HUD – to perform Section 811 project underwriting and processing. This change would be a major improvement in the administration of the program. Other aspects of H.R. 5772 would also help eliminate project delays. Among other things, the legislation calls on HUD to issue new program guidance – which is long overdue and could eliminate much of the bureaucratic "red tape" that now exists in 811 guidelines and policies.

There is a huge need for new supportive housing units in the Los Angeles area – and we simply cannot afford to wait years and years and years for a small number of units to be developed!

Please pass H.R. 5772 quickly to improve the development of supportive housing for people with significant disabilities.

Thank you.

CONSORTIUM FOR CITIZENS
WITH DISABILITIES

Testimony of

Ann O'Hara

Consortium for Citizens with Disabilities Housing Task Force

regarding the

Frank Melville Supportive Housing Investment Act of 2008 (HR 5772)

before the

Committee on Financial Services

Subcommittee on Housing and Community Opportunity

June 20, 2008

1660 L Street, NW, Suite 701 • Washington, DC 20036 • PH 202/783-2229 • FAX 783-8250 • Info@c-c-d.org • www.c-c-d.org

My name is Ann O'Hara and I am pleased to provide testimony on HR 5772 – the Frank Melville Supportive Housing Investment Act of 2008 – which will enact important new policies and reforms to U.S. Department of Housing and Urban Development (HUD) Section 811 Supportive Housing for Persons with Disabilities program.

The Consortium for Citizens with Disabilities (CCD) is a coalition of national disability organizations working together to advocate for national public policy that ensures the self determination, independence, empowerment, integration and inclusion of children and adults with disabilities in all aspects of society. The CCD has established a Housing Task Force to focus on the housing needs of people with disabilities, including those with very low incomes – the group with the highest incidence of worst case housing needs in the United States. Among the organizations in the CCD Housing Task Force are United Spinal Association, the National Alliance on Mental Illness, United Cerebral Palsy, The Arc of the United States, Lutheran Services in America, the American Network of Community Options and Resources (ANCOR), the National Disability Rights Network, and the American Association of People with Disabilities.

The CCD Housing Task Force strongly supports HR 5772 – an important effort to modernize and reform the Section 811 program. This legislation is essential to revitalize and improve a Section 811 program that has many problems and now produces only 1,000 or fewer units each year. The current Section 811 program is inefficient, plagued with bureaucratic "red tape", and -- most importantly – no longer reflects the housing needs and choices of many people with disabilities.

This legislation – which will begin a new era in the Section 811 program – is an extremely important piece of legislation for the disability community because it will signal a renewed federal commitment to address the enormous and unrelenting housing crisis faced by millions of extremely low income people with disabilities. People with serious and long term disabilities – including the vast majority of the four million non-elderly adults living on federal Supplemental Security Income of $632 per month[i] – have the greatest unmet need for housing assistance of any group in the United States.

Unfortunately, recent HUD *Worst Case Needs* reports to Congress – which assesses the needs of very low income renters – had flaws in the methodology used to assess the needs of people with disabilities. The CCD responded by doing its own study (authored by a highly respected retired HUD researcher who developed HUD's Worst Case needs reports until 2003) that found between 1.3 and 1.4 million very low income disabled households without children were paying more than 50 percent of their income towards housing costs. [1]

[1] The CCD study used data from two sources in its study. The first source, the Annual Housing Survey (AHS) is the data source which HUD has used for many years to estimate Worst Case needs. The CCD study also took advantage of more accurate and detailed data now available from the American Community Survey. HUD has not yet taken advantage of the American Community Survey data to produce Worst Case estimates. As a result, HUD did not accept the CCD study's estimates. However, HUD did agree that their initial estimates regarding people with disabilities were flawed. HUD recently released a new – and much higher estimate – on their website.

In addition to current renters who could benefit from supportive housing, there are millions of other people with disabilities not counted in HUD's worst case needs reports who need supportive housing created through the Section 811 program including:

- Adults with developmental disabilities who remain at home with aging parents and who will need community based supportive housing in the future;
- People who remain unnecessarily in expensive nursing homes or government institutions simply because there is not enough decent affordable housing linked with community supports that meet their needs;
- People with all types of disabilities who have no choice except to live in Board and Care-type facilities where they may share a room with others, hand over 90 percent of their monthly SSI check to the facility, and lack the basic rights and privileges that people living in their own apartments take for granted. Many of these facilities are substandard and simply warehouse people who have no where else to go. They do not provide good housing, or good care, or the opportunity for people with disabilities to live a normal life in the community.
- People with mobility impairments and/or other complex medical needs who need fully accessible housing with special architectural features and/or equipment in order to live in the community.

In 1999, the U.S. Supreme Court handed down its landmark *Olmstead* decision affirming the civil right of a person with even the most serious and long-term disability to live in the most integrated setting possible in the community. Across the United States today, people with disabilities and their families and advocates, as well as state human services agencies, and community-based service providers are struggling – unsuccessfully – to create the supportive housing necessary to fulfill the promise of community integration articulated in the Americans with Disabilities Act.

The sole purpose of the Section 811 program is to create this kind of housing – deeply affordable and accessible permanent rental housing linked with community-based services and supports that people with disabilities want. It is – in fact – the only federal program authorized to achieve this critically important federal housing policy objective. That is why this legislation is so important.

Current federal, state and local efforts to achieve the promise of community integration – including U.S. Department of Health and Human Services (HHS*) Money Follows the Person* grants and *Real Choice System Change* grants provided to more than 35 states – are stalled because of the critical shortage of affordable and accessible housing resources, particularly the long-term housing operating subsidy provided by the Section 811 program. Important Medicaid reforms to expand self-directed services and promote rehabilitation and recovery for people with disabilities are not working because people with SSI-level incomes cannot afford modest rental housing in any community in the United States[ii].

HR 5772 will "fast-track" and create a sustainable "pipeline" of thousands of new permanent supportive housing units <u>every year</u> through the following policies:

Authorizing a new and innovative Section 811 Project Rental Assistance Contract (PRAC) Demonstration program – This policy is designed to include integrated supportive

housing units in federal Low Income Housing Tax Credit (LIHTC) and HOME funded properties that also provide housing for people without disabilities. The PRAC Demonstration program will provide the essential rental subsidy needed to reduce rents in these types of rental housing developments. This policy will help ensure that a significant percentage of the hundreds of thousands units that are routinely created every year through the LIHTC and HOME programs are dedicated to providing supportive housing for people most in need of housing assistance.

Reforming the existing Section 811 Capital Advance/PRAC program – These reforms will help leverage other capital funding for Section 811 production and reduce barriers to "mixed-finance" Section 811 projects. These reforms will also increase the number of units created each year through the current 811 production program and help non-profit Section 811 sponsors to create integrated housing that includes units for people with disabilities as well as units for other households that need affordable housing;

Shifting fiscal responsibility for the Section 811-funded Mainstream Housing Choice Voucher program to the Section 8 budget – The Mainstream Voucher program converts precious Section 811 appropriation funding into Section 8 Housing Choice Voucher funding which HUD provides primarily to Public Housing Agencies (PHAs). These 811 funds pay for approximately 14,000 Section 8 Housing Choice Vouchers that may – or may not – be assisting people with disabilities. This ill-conceived approach initiated by HUD in 1997 has been a failed policy since its inception. Although funded and renewed from 811 appropriations, these Mainstream Housing Choice Vouchers have never created new permanent supportive housing units, are not targeted to people with the most serious and long-term disabilities, and – because of poor HUD oversight and monitoring – may be assisting non-disabled households. These vouchers now cost over $85 million every year – more than one-third of the entire Section 811 appropriation.

While the Mainstream Voucher program certainly helping thousands of very low income people with disabilities obtain decent and affordable housing, we must emphasize that this program did not accomplish anything that the Section 8 Housing Choice Voucher cannot do. It is clear that there is only one good solution to fix this troubled program. HR 5772 will enact policies that will: (1) continue to permanently set-aside these rental subsidies for people with disabilities as Congress intended; and (2) authorize that these vouchers be permanently funded through the Housing Choice Voucher program.

Streamlining Section 811 processing requirements and removing out-dated regulatory barriers – Others invited to testify today will provide you with more than enough information on the "red tape", multi-year delays in project development, and the excessive bureaucracy that characterizes the current Section 811 program. The Section 811 statute has remained virtually the same for the past 16 years – and the bureaucracy that surrounds the program reflects the way HUD did business many years ago. HUD has another supportive housing program – the McKinney-Vento Supportive Housing Program (SHP)– that is very similar to Section 811 in that it also provides capital for supportive housing development and an operating subsidy to ensure affordability. Unlike Section 811, however, the SHP program has a simple application, a more streamlined development process, and about 90% less bureaucracy. It is extremely important that when HR 5772 is enacted, Congress send a powerful message to HUD that the 450+ pages of Section 811 guidance, rules, and

regulations be completely replaced by a reasonable set of regulations and policies that protect the federal government's investment as well as the people with disabilities who will live in the housing. Certainly that can be done in 50 pages or less.

The CCD is confident that this new legislation will work. At least 8-10 State Housing Agencies have already expressed interest in the PRAC Demonstration program model and the legislation was only filed 2 months ago. Non-profits that have worked with the Section 811 program for years have also expressed their support for the improvements that HR 5772 includes. In fact, most current Section 811 program sponsors have declined to apply for new funding for Section 811 in recent years – not because the housing is not needed but because the program is so difficult to work with. In the last Section 811 competition, HUD only received approximately 140 Section 811 applications – a fraction of the typical demand 5 years ago. Because of the limited funding available, fewer than 100 of these projects received a Section 811 grant award.

Conclusion

Time is running out on the Section 811 program while the need to create new permanent supportive housing units has never been greater. In FY 2007, only 1000 new Section 811 units were awarded and without new legislation, that number of new units will soon fall below 500 per year. Enacting HR 5772 is also critical because the basic Section 811 model – which for 30+ years has produced small group homes and single population independently living facilities – no longer responds to the housing needs and choices of most people with disabilities who prefer to live in housing that is truly integrated within local communities.

By enacting this legislation, Congress can ensure that a reinvigorated Section 811 program is ready to create thousands of new permanent supportive housing units every year without needing to double or triple appropriation levels. The removal of many bureaucratic barriers which cause protracted delays in 811 construction will also produce new units more efficiently. Shifting renewal costs associated with the seriously flawed 811-funded Mainstream Housing Choice Voucher program – which has drained funding away from essential permanent supportive housing production since 1997 – is long-overdue.

Finally, enacting HR 5772 is important because it honors a very humble man – Frank Melville – who was the first Chair of the Melville Charitable Trust and whose commitment to people with disabilities and people who are homeless led to the creation of more than 100,000 units of affordable housing for people with disabilities. It is only fitting that the next 100,000 units produced should be financed by legislation that bears his name.

TAC and the CCD Housing Task Force look forward to working with Congress and with Section 811 stakeholders across the nation to ensure that this essential and critically needed legislation is enacted as soon as possible.

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[i] The national average SSI payment for people living independently published in the TAC/CCD Priced Out in 2006 study of rents and SSI.

[ii] The Priced Out in 2006 study found that national average rents for modestly priced studio and one-bedroom apartments exceed the entire monthly income of people with disabilities who rely solely on SSI payments

18207-A Dixie Highway
Homewood, Illinois 60430
708/206-1930
FAX 708/206-1171

Testimony of Tony Paulauski

Executive Director

The Arc of Illinois

U.S. House of Representatives

Committee on Financial Services

Subcommittee on Housing and Community Opportunity

"H.R. 5772 – The Frank Melville Supportive Housing Investment Act of 2008"

June 20, 2008

"Advocates for Change"

Madam Chairwoman, Representative Biggert, and other members of the Subcommittee, thank you for holding this important hearing and giving me the opportunity to testify.

My name is Tony Paulauski. I am the Executive Director or The Arc of Illinois.

I urge you to support and pass H.R. 5772.

The Arc of Illinois is a major public policy organization advocating for the rights and community supports/services for over 220,000 infants, children and adults who have developmental disabilities in Illinois. We are the organization families look to in Illinois.

I would like to point out for the record that we do have two local chapters in The Arc of Illinois that I know of that have Section 811 grants.

People with disabilities face a dramatic housing crisis in this country that is escalating by the day. Many still live in large congregate facilities which are very costly and deny individuals the independence and ability to reach their full potential. This is very true in Illinois.

In fact, Illinois ranks last, 51 out of 51, in the development of small community living settings of six people or less. Housing for people with developmental disabilities is a major crisis in Illinois.

In order to access out of home community living in Illinois, the individual with a developmental disability or the family must be in a crisis situation.

Let me tell you a true story about a situation we refer to as "How Terminal is Terminal?" There was a single mother, Melanie, in her early 50's, the primary caregiver of her adult daughter, Sara. Melanie and Sara lived in Orland Park. Melanie was working with one of our local chapters because she was in the final stages of cancer and needed to know her daughter would be taken care of after her death. The state was considering the placement of Sara in a community living setting but needed to document that this was truly a crisis situation. The state needed to ask when the mother was going to die and wanted documentation from the Mayo Clinic. At the last minute, Sara did find a spot in a group home and her mother passed a few months later. This is the situation in Illinois.

We need to pass H.R. 5772 and develop more community living options for people with developmental disabilities across our nation like Section 811.

People with developmental disabilities are very poor and experience a 90% unemployment rate. In Illinois, according to 2006 data, people with developmental disabilities rely on a monthly SSI benefit of $603 – which puts them, on a state average, at 15.5% of area median income.

As of 2008 the majority of people with developmental disabilities in the United States reside at home with aging caregivers (Braddock: *The State of the States in Developmental Disabilities: 2008*, pp. 60-62). Over 715,000 people with developmental disabilities across the country live with aging parents – one of whom is over age 60. In

Illinois, the estimates exceed 30,000. These aging caregivers, all of whom have made enormous sacrifices for their children throughout their lives are at the point where they should be receiving care, not providing it. In addition, it's important to underscore that these parents, by keeping their offspring at home, have helped federal, state and local governments avoid the major costs of institutional services.

On the other hand, there are some success stories, thanks to Section 811. Wayne is a 47 year old adult with developmental disabilities who, up until last year resided, with his parents in Bolingbrook. Wayne's father is 75 years old and mom is 67. Both parents have numerous serious health issues. Because of the parent's health issues, Wayne was able to move into Section 811 housing last year and receive 24 hour support services from Cornerstone Services. While Wayne's parents continue to have serious medical needs, they can now maintain their relationship with their son. Wayne's life is much fuller because he now attends day services and recreational activities. Wayne's life has improved and now his parents can rest easier knowing Wayne has services in place.

Most are not as fortunate as Wayne. As you have heard, Section 811 is a very small program (currently funded at $237 million) and in no way meets the needs of people with developmental disabilities, or those with severe mental illness or physical disabilities.

The program, in its current form, simply does not produce a sufficient number of new units to meet the need. In HUD's 2007 competitive funding round, only 1,008 new

Section 811 units were awarded across the entire country. Illinois only received funding for 33 new units – a miniscule amount compared to the overall need.

H.R. 5772's new PRAC ("Project Rental Assistance Contract") demonstration program will triple the number of units the 811 program produces every year. It will do so by providing an operating subsidy (PRAC) to fill the gap between what the tenant can afford (paying 30% of their SSI monthly benefit – usually $200) and what it costs to operate the unit. The construction costs of the unit will be paid for by leveraging other federal, state, or local funds – such as the low income housing tax credit – rather than Section 811 Capital Advance funding. The PRAC Demonstrations will make these units affordable to people with disabilities on SSI and also stretch scarce Section 811 funding.

H.R. 5772 has other important provisions which will help increase production. The traditional Section 811 Capital Advance/PRAC program – which has produced so few units in the past decade – is very difficult to combine with federal tax credits. H.R. 5772 creates a new approach for non-profits to use Capital Advance/PRAC funds combined with federal tax credits to create integrated rental projects that provide supportive housing for people with disabilities as well as other affordable housing units. By streamlining HUD processes and removing many bureaucratic barriers, the development process for 811 grants will also move much more quickly and save program funding.

From the supportive services perspective, improvements in the Section 811 program are long overdue. During the past twenty years, there have been many advances in the approaches and models which provide community-based supports to people with developmental disabilities. Service policies now emphasize person-centered planning, choice and community integration, not supervision and segregation and a "one-size fits all" housing model. But that model – the single purpose Section 811 project – is still the main policy within Section 811. Non-profit disability organizations working with Medicaid 1915 waiver policies have been advocating for years to make the Section 811 program more flexible, so that people with disabilities can choose to have housing "just like everyone else" in the community. Now is the time to make that choice a reality!

I urge you to support and pass H.R. 5772.

Thank you.

Tony Paulauski
Executive Director
The Arc of Illinois
18207 Dixie Highway
Suite A
Homewood, IL 60430
708-206-1930
708-828-0188 (cell)
Tony@TheArcofIL.org

House Financial Services
Housing and Community Opportunity Subcommittee
Testimony of Diane Randall, Partnership for Strong Communities
June 20, 2008

My name is Diane Randall, and I am the executive director of the Partnership for Strong Communities, a Hartford, Connecticut based housing policy organization. Thank you for the opportunity to testify before you today regarding H.R. 5772, the Frank Melville Supportive Housing Investment Act of 2008.

The changes to the Section 811 program proposed in H.R. 5772 offer valuable improvements that will have life-changing impact on thousands of vulnerable citizens in the United States by creating new opportunities for permanent supportive housing in mixed income communities.

In Connecticut, we have a robust and dedicated cadre of state agency leadership, housing developers and social service providers who have a demonstrated track record in building and managing permanent supportive housing that combines affordable housing for people with disabilities with extremely low incomes with available social services that foster independence through employment and other social services. Our statewide advocacy campaign, Reaching Home, has goal of creating 10,000 units of permanent supportive housing in ten years, and we count on every resource available from federal and state governmental sources to private philanthropic contributions to make this happen. The proposed changes to Section 811 in this Act will help us achieve our goal.

The Project Related Rental Assistance Contract (PRAC) proposed as a demonstration component of H.R. 5772 is particularly compelling as an effective tool to couple with existing capital resources for development such as federal Low Income Housing Tax Credits and the HOME program in order to provide operating subsidies that will make the housing affordable for people who live on very restricted incomes.

In my capacity as chair of the CT Housing Finance Authority's Mortgage Committee, I am aware of the severe competition for Low Income Housing Tax Credits to produce affordable rental housing. Most of the developments that receive tax credits target people at 60% of Area Median Income (AMI). Without project-based rental assistance, it is virtually impossible to develop housing for individuals living at 30% or below of AMI using the tax credit program. Everyone in our state who relies on social security for their income is below 30% of AMI. We have successfully used tax credits to produce supportive housing for people with disabilities at 30% or below of median income by securing a set aside of rental assistance from our state Department of Social Services.

H.R. 5772 moves the Section 811 program in line with best practices in community and housing development by promoting housing that includes both populations of people with

227 Lawrence Street ○ Hartford, CT 06106 ○ Tel: 860.244.0066 ○ Fax: 860.247.4320

disabilities and without disabilities in multi-family housing, which we believe fosters independence.

Another important feature of H.R. 5772 would transfer the Mainstream tenant based rental assistance vouchers and all future incremental vouchers for people with disabilities to the Section 8 Housing Choice Voucher program. The requirement to reissue vouchers for non-elderly people with disabilities on turnover to qualified non-elderly disabled families is made permanent, applying to all vouchers issued by HUD since 1992.

Another key feature is the change to allow PRAC to renew for five years to pay for supportive services and service coordinators as well as project costs. It also realizes the need for emergency increases for conditions outside of owner's control.

We also support the amendments clarifying supportive housing as permanent and "person with disabilities" to be consistent with HUD's definition. Although it is clear that some people living in supportive housing move out as they become less reliant on services, the availability of the housing to be a "permanent home" rather than a place of transition has a remarkable impact on the stability and health of tenants.

Finally, I want to thank Representatives Murphy and Biggert for naming this effort to increase the supply of permanent supportive housing after Frank Melville. It has been my privilege to work closely with the Melville Charitable Trust for over a decade. Mr. Melville, his wife, Alan Melville, and their entire family have dedicated millions of dollars in philanthropic giving to ending the root causes of homelessness and supporting the systemic changes that allow people with psychiatric disabilities and other chronic health conditions achieve stability and recovery.

The Frank Melville Supportive Housing Investment Act of 2008 includes provisions that are not only significant to making this program more workable but also to increasing housing and community opportunities for thousands of Americans.

Written Testimony of
Mark H. Shelburne, Counsel & Policy Coordinator
North Carolina Housing Finance Agency
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.

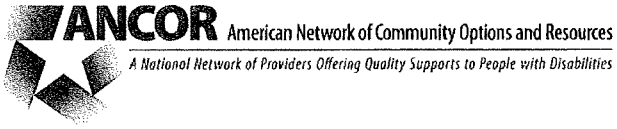
The Key Program does require funds. However, the budgeted cost of this assistance is a substantial savings over the alternatives of continued homelessness or facility-based residential services that are all too often the only recourse for people with disabilities. The average per-unit monthly expense 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.



WRITTEN TESTIMONY

SUBMITTED ON BEHALF OF THE

AMERICAN NETWORK OF COMMUNITY OPTIONS AND RESOURCES (ANCOR)

For: The U.S. House Financial Service Committee Hearing on H.R. 5772, the Frank Melville Supportive Housing Investment Act of 2008

June 20, 2008

The American Network of Community Options and Resources (ANCOR) is the national organization of more than 880 private providers of supports and services to more than 400,000 individuals of all ages with disabilities throughout the nation. ANCOR appreciates this opportunity to provide written testimony to the Financial Services Committee. ANCOR has worked with Congress for more than 20 years to ensure access to decent, safe, affordable housing and to add provisions to increase rent subsidies, so individuals can find housing in the public market place. Many non-profit ANCOR providers use this program as a way to provide housing for people with disabilities, who have intense needs, to live in the community.

The Section 811 program is the only federal program solely dedicated to the production of housing to meet the need of individuals with significant disabilities who rely on Supplemental Security Income (SSI) as their sole income and who need access to services and supports. While the Section 811 program continues to offer funding opportunities, even though these opportunities are too limited to meet the need, the program should be brought into alignment with the other major government programs that fund affordable rental housing.

Today, four million non-elderly adults with disabilities who receive SSI pay on average nationally 100% of their monthly income to rent a studio apartment and 113% of their income to rent a one-bedroom apartment priced at the HUD Fair Market Rents, according to *Priced Out in 2006: The Housing Crisis for People with Disabilities* (published with the support of the Melville Charitable Trust) states. This crisis can no longer go unabated and is best addressed through a long-term and permanent rental subsidy, such as the Section 811 Project Rental Assistance Contract.

The Section 811 program assists extremely low-income individuals with serious and long-term disabilities to live as independently in the community as possible by providing integrated affordable rental housing, linked with voluntary services and supports. The Section 811 program adds to the supply of housing that is available to people with disabilities. The program also provides project rental assistance, which covers the difference between the HUD-approved operating costs of the project and the tenants' contribution toward rent.

National policies such as the U.S. Supreme Court's Olmstead decision and more recently

1101 King Street, Suite 380, Alexandria, VA 22314-2944 P: 703.535.7850 F: 703.535.7860 E: ancor@ancor.org www.ancor.org

policies by U.S. Department of Health and Human Services (HHS) Real Choice Systems Change Grants, and Money Follows the Person Grants, dictate that people with disabilities can and should live in the community. The largest barrier to achieving life in the community is the lack of decent, safe, and affordable housing. This national policy must be met with housing policy that meets this need.

Over a person's lifetime, their needs may change and therefore their housing needs change over time. Housing needs must be addressed on an individual basis to reflect their changing needs. Where they live should not be a barrier to addressing their needs.

Many states are now in the process of designing and implementing these community-based supportive services policies through a realignment of Medicaid and state financing strategies. North Carolina and Louisiana, have already adopted housing policies that demonstrate the feasibility and cost effectiveness of integrating set-asides of permanent supportive housing for people with disabilities within Low Income Housing Tax Credit-financed affordable housing developments.

Problems with Current Section 811 Program

Historically, the Section 811 program has been one of the most successful programs available through HUD to create new supportive housing units. However, Section 811 in its current form is outdated. It suffers from problems with its funding structure, excessive HUD bureaucracy, rapidly declining production levels, and confining red tape.

1) Voucher Renewals Take Funding Away from Section 8 Capital Advance: The renewal of Section 811-funded Mainstream Vouchers every year take up more of the money Congress appropriates to HUD for the Section 811 program. Each year, it costs HUD more money to fund this part of the Section 811 program, thereby reducing funding for the development of new, supportive housing units. By shifting this part of Section 811 to the Section 8 Housing Choice Voucher program, the Section 811 Capital Advance/PRAC part of the program can continue to fund new affordable and accessible housing attached to services.

2) Options for Integrated Units Limited and Impractical: The current Section 811 program has for some time permitted housing developers to use the program to purchase condominiums and cooperatives. However, housing providers have found this opportunity for integrated housing not to be practical because of the amount of time it takes to implement this approach.

3) Barriers to Leverage Other Low Income Housing Funds: Section 811 funding is not easily leveraged with other affordable housing financing, such as the HUD's HOME program, the Low Income Housing Tax Credit, and state and local housing trust funds. This limitation caused the Office of Management and Budget (OMB) to give a low cost-effectiveness rating to Section 811 because the program's design does not sufficiently leverage other affordable housing funding.

4) Excessive Complexities: The complexity of the Section 811 application process means that first-time applicants are rarely successful unless they hire a specialized Section 811 consultant that can charge $15,000 - $25,000. This cost can be paid for with Section 811 funds if HUD selects the project, but not all consultants will work on a contingency basis.

WRITTEN STATEMENT OF

JOHN GARVIN

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HEARING ON

Section 811 Supportive Housing for Persons with Disabilities

U.S. HOUSE OF REPRESENTATIVES

JUNE 20, 2008

Chairwoman Waters, Ranking Member Capito, and distinguished Members of the Subcommittee, thank you for the opportunity to discuss supportive housing for people with disabilities.

My name is John Garvin. I am the Senior Advisor to the Assistant Secretary for Housing – Federal Housing Commissioner Brian Montgomery; I also serve as Deputy Assistant Secretary for Multifamily Housing. Prior to HUD, I served in various multifamily housing and disability policy positions. Most recently, while I was Executive Director of the Texas Affiliation of Affordable Housing Providers (TAAHP), I was also a Board Member for United Cerebral Palsy of Texas. UCP Texas focuses on providing integrated, accessible and affordable housing opportunities for people with disabilities. UCP develops affordable housing for people with disabilities using the Section 811 program.

As a senior official of the office that oversees the Section 811 Program and as a former disability advocate, I would like to begin with a brief overview of the Program, talk about the related policy issues and give you the Department's views on H.R. 5772.

The Section 811 Program created as part of the Cranston-Gonzalez National Affordable Housing Act of 1990, amended in 1992 and 2000, is HUD's contribution to addressing the growing housing needs of Americans with disabilities. Since its inception, the Department has funded nearly 30,000 housing units nation-wide.

The Program provides funding for nonprofit organizations to develop rental housing with supportive services available for very low-income adults with disabilities. Section 811 funding also provides rental subsidies to ensure the housing is affordable. Basically, this program offers people with disabilities who have very low incomes a chance to experience more independent and productive lives.

Section 811 is the only program of its kind. In an April 2008 posting to the National Alliance on Mental Illness (NAMI) website, NAMI recognized that "The HUD Section 811 Program is the only federal housing program solely dedicated to assisting the lowest income people with serious and long-term disabilities to live independently in the community by providing integrated affordable rental housing with voluntary services and supports."

The need for this program is unquestionable, so we appreciate your interest in the Section 811 Program and your efforts to keep the program viable.

Based on our February 2008 Supplement to the May 2007 Report to Congress on Affordable Housing Needs, it is estimated that there are over 1 million very low-income renter households that have members with disabilities with worst case needs, either living with a severe rent burden or in substandard housing.

Without the Section 811 Program, people of all ages and with a range of disabilities from cognitive to physical could experience increased reliance on public programs resulting

from institutionalization, and increased chances of suffering from inadequate housing and lack of community.

The proposed legislation would transfer mainstream vouchers to Section 8 Housing Choice Vouchers and require on turnover the number be made available to another disabled household. Currently, Public Housing Authorities (PHAs) are required to issue these vouchers initially to the target population only and to the extent practicable at turnover. These vouchers are tracked through the Public Housing Information Center (PIC).

Mainstream program vouchers enable families which include a person with disabilities to lease affordable private housing of their choice within a community. We agree that these vouchers should remain available for people with disabilities. However, we believe that further discussion is necessary relative to the financial input of this transfer. We look forward to discussing this with you.

The 811 Program provides funds for Capital Advance and Project Rental Assistance Contracts (PRAC), which are necessary for construction of the 811 developments and for keeping them affordable for 40 years. In many cases, additional funds are provided by the states for supportive services. In the application phase, we require Sponsors to demonstrate financial commitment for providing services with a Supportive Services Plan that is approved by the state.

The Department has expressed in the past that mixed finance projects are acceptable and effective for developing Section 811 housing. We are already pursuing administrative and regulatory changes that would streamline this type of underwriting. Leveraging tools such as Low Income Housing Tax Credits and other funding sources are already used in financing Section 811 projects. As you know, in the past two budget requests, the Department has proposed a mixed finance demonstration program. We believe these proposals are consistent with the proposed legislation.

The Department finds the PRAC Only Competitive Demonstration Program acceptable. The program in the proposed legislation is consistent with what we have proposed in previous budget years as a demonstration. We are willing to work with you to create the best possible demonstration program.

The Section 811 program is flexible in allowing owners to cover unanticipated project costs. In such cases, owners are allowed to use funds in their Reserve for Replacement account to cover reasonable unexpected expenses.

The Department has been fully supportive of the Olmstead decision philosophy of integrating people with disabilities into the community. To illustrate this support, we have reduced the maximum size of Group Homes and Independent Living Facilities for this reason. Early in the program, group homes could include up to 15 units in order to have consistency with Medicaid policy for including Intermediate Care Facilities for the Mentally Retarded. This is no longer our policy and currently Group Homes have a

minimum of 2 and maximum of only 6 units. In addition, we allow Sponsors who wish to purchase one or more single units in a condominium to do so as part of a scattered site development in existing or proposed developments for Independent Living Facilities.

It is not clear that delegating processing is effective for the Section 811 Program. The Department is opposed to any change that could remove authority from the Secretary. We are prepared to work with you to find a more effective processing method.

Overall, the intent of the proposed legislation is admirable and we look forward to working with you to achieve the desired goal.

We continue to work on a more effective 811 Program that addresses the permanent housing needs of very low income persons with disabilities and to make supportive services available that address health needs of these individuals.

We value our partnerships with Congress, ADAPT and other advocacy groups such as The Technical Assistance Collaborative (TAC), The Arc of the United States and Retarded Citizens (ARC) and, Consortium for Citizens with Disabilities (CCD), we look forward to continuing our efforts to work with all our partners to keep the Section 811 Program viable and to increase affordable housing options for individuals with disabilities.

Again, thank you for the opportunity to submit testimony.

STATEMENT OF MIKE FITZPATRCK
EXECUTIVE DIRECTOR, NATIONAL ALLIANCE ON MENTAL ILLNESS
IN SUPPORT OF HR 5772, THE FRANK MELVILLE SUPPORTIVE HOUSING INVESTMENT ACT OF 2008
BEFORE THE HOUSING AND COMMUNITY OPPORTUNITY SUBCOMMITTEE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
JUNE 20, 2008

Chairwoman Waters, Representative Capito and members of the Subcommittee, the National Alliance on Mental Illness (NAMI) is proud to support HR 5772 and we are grateful for you convening this important hearing.

Access to decent, safe and affordable housing is perhaps the most daunting challenge facing people with mental illness and their families. As with other non-elderly disabled populations, people living with serious mental illness have the highest level unmet need for housing assistance of any group eligible for federally subsidized housing assistance. The most recent *Priced Out* study from the Technical Assistance Collaborative (TAC) and the Consortium for Citizens With Disabilities (CCD) Housing Task Force documents this alarming affordable housing crisis. The study compares HUD Fair Market rents for modest housing to the monthly Supplemental Security Income (SSI) received by people with the most serious and long-term disabilities in 2006. Among the key findings are the following:

- In 2006, SSI recipients needed to pay more than their entire monthly income to rent a modest one bedroom or efficiency/studio unit;
- In 2006, modest one bedroom units cost 113% percent of SSI monthly income and studio units cost 101% of SSI;
- The 3+ million people with disabilities between age 18-62 who received SSI payments averaging $632 per month (the national average monthly SSI payment in 2006 was $632 – a calculation which includes state SSI supplements provided to all people with disabilities living independently) or $7,584 per year – had incomes equal to only 18.19 percent of the national median income for a one-person household.

Moreover, a recent TAC-CCD analysis estimates that 1.2-1.3 million very low income non-elderly disabled households without children had "worst case" housing needs in

2005. This range is twice as high as the HUD estimate of 542,000 non-elderly disabled households published in the agency's Worst Case housing needs report to Congress.

The CCD Housing Task Force study – *The Hidden Housing Crisis: Worst Case Housing Needs Among Non-Elderly Adults With Disabilities* – analyzed data on the housing of persons with disabilities from the 2005 American Community Survey to estimate worst case needs among non-elderly adult renters with disabilities. Worst Case needs, a concept designed to count the number of renters with acute needs for rental housing assistance, are defined as unassisted renters with income below half of their area's median family income who either pay more than half of their income for housing or live in severely substandard housing.

In addition to improving estimates of worst case needs among non-elderly households with disabilities without children, the TAC-CCD study also found that between 900,000 and 1 million families with children with worst case needs in 2005 had non-elderly adults with disabilities in the household. Thus, overall, the study estimates that almost half of the nation's 4.7 million non-elderly households with worst case needs include adults with disabilities. The remaining 1.3 million worst case households have elderly heads or spouses.

NAMI Supports HR 5772

The Frank Melville Supportive Housing Investment Act makes a number of significant changes and improvements to the Section 811 Supportive Housing program. NAMI is especially pleased that this legislation is being named in honor of the late Frank Melville, a longtime member of NAMI Connecticut, and the first board President of the Melville Charitable Trust – a leading force in promoting supportive housing for people with severe disabilities. We at NAMI are extremely grateful to the entire Melville family for their leadership in pushing advocacy and policy innovation on behalf of the most vulnerable of our citizens – especially people with serious mental illness caught in the grip of chronic homelessness and living in substandard housing.

As you know, Section 811 is a critical federal program that assists the lowest income people with serious and long-term disabilities to live independently in the community by providing integrated affordable rental housing linked with voluntary services and supports.

This landmark and essential legislation will help address the enormous and unrelenting housing crisis faced by millions of extremely low-income people with disabilities and will spur the creation of thousands of new 811 units every year by:

- Authorizing a new Section 811 Demonstration Program that fulfills the promise of true community integration as envisioned in the Americans with Disabilities Act;

- ❖ Enacting long overdue reforms and improvements to the existing Section 811 production program essential for the program's long-term viability.

People with serious and long term disabilities – including the vast majority of the four million non-elderly adults living on federal Supplemental Security Income of $632 per month[i] – have the greatest unmet need for housing assistance of any group in the United States. The sole purpose of the Section 811 program is to create deeply affordable permanent rental housing linked with community-based services that people with disabilities want and need. In fact, it is the only federal program authorized to achieve this critically important federal housing policy objective.

Current federal, state and local efforts to achieve the promise of community integration, reduce unnecessary and expensive institutionalization, and assist aging parents who have adult children with disabilities still living at home are going nowhere because of the critical shortage of affordable and accessible housing resources, particularly the lack of a long-term housing operating subsidy provided by the Section 811 program. Important Medicaid reforms to expand self-directed services and promote rehabilitation and recovery for people with disabilities are completely stalled because people with SSI-level incomes cannot afford modest rental housing in any community in the United States[ii].

HR 5772 will "fast-track" and sustain the creation of thousands of new permanent supportive housing units every year by:

- Authorizing a new and innovative Section 811 Project Rental Assistance Contract (PRAC) Demonstration program to create thousands of new Section 811 units each year without substantially increasing Section 811 appropriations levels by leveraging new set-asides of supportive housing units in federal Low Income Housing Tax Credit (LIHTC) properties and HOME-funded projects. The PRAC Demonstration program will provide the essential rental subsidy to reduce rents to affordable levels for people receiving SSI in a small but significant percentage of the hundreds of thousands of units that are routinely created every year through the LIHTC and HOME programs administered by states and local jurisdictions.

- Reforming the existing Section 811 production program to better leverage other capital funding and reduce barriers to "mixed-finance" Section 811 projects. These reforms will also increase the number of units created each year through the current 811 production program.

- Streamlining Section 811 processing requirements and removing outdated regulatory barriers.

- Shifting fiscal responsibility for the Section 811-funded Mainstream Housing Choice Voucher program to the Section 8 budget where it belongs. Although funded and renewed from 811 appropriations, these Mainstream Housing Choice Vouchers have never created new permanent supportive housing units and are not targeted to people with the most serious and long-term disabilities.

Time is running out on the Section 811 program while the need to create new permanent supportive housing units has never been greater. In FY 2007, only 1,000 new Section 811 units were awarded and without new legislation, that number will soon fall below 500 new units per year. Section 811 legislation is also needed because the basic Section 811 model – which for 30+ years has produced small group homes and single population independent living facilities – no longer responds to the housing needs and choices of most people with disabilities who prefer to live in housing that is truly integrated within local communities.

By enacting the Frank Melville Supportive Housing Investment Act of 2008, Congress can ensure that a reinvigorated Section 811 program is ready to create thousands of new permanent supportive housing units every year without needing to double or triple appropriation levels. The removal of many bureaucratic barriers which cause protracted delays in 811 construction will also produce new units more efficiently. Shifting renewal costs associated with the seriously flawed 811-funded Mainstream Housing Choice Voucher program – which has drained funding away from essential permanent supportive housing production since 1997 – is also long overdue.

Congress must move forward and support this important legislation. Thank you for convening today's hearing. NAMI looks forward to working with you to ensure passage of HR 5772 this year.

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[i] The national average SSI payment for people living independently published in the TAC/CCD Priced Out in 2006 study of rents and SSI.

[ii] The Priced Out in 2006 study found that national average rents for modestly priced studio and one-bedroom apartments exceed the entire monthly income of people with disabilities who rely solely on SSI payments