

## Financing Sources for Affordable Housing

This section contains information and resources on financing affordable housing.

The following information is intended to provide an introduction to some sources of financing for affordable housing. Housing Opportunities for Persons with AIDS (HOPWA) is a U.S. Department of Housing and Urban Development funding source dedicated for people living with HIV/AIDS. Because housing is expensive to develop and operate, especially when enriched with support services, and because people living with HIV/AIDS may have very little income available to pay for rent and services, HOPWA funds alone are not sufficient to develop and operate housing. Other sources of funding are required. People living with HIV/AIDS who have low incomes are eligible for mainstream programs for low-income people. Depending on the individual, they may also be eligible for programs for people with disabilities, for people who are homeless, and others. The following is not an exhaustive list, but highlights some of the larger programs and those most directly related to housing people living with HIV/AIDS. More information and resources on financing affordable housing are available through the AIDS Housing of Washington web site, ([www.aidshousing.org](http://www.aidshousing.org)).

### **U.S. Department of Housing and Urban Development (HUD) Consolidated Plan Programs**

HUD requires a single, consolidated submission process, including all of the planning, application, and performance assessment documentation for the following formula programs:

- Community Development Block Grants (CDBG)
- Emergency Shelter Grants (ESG)
- HOME Investment Partnership Programs (HOME)
- Housing Opportunities for Persons with AIDS (HOPWA)

The planning process is intended to help local jurisdictions develop a vision for housing and community development and to coordinate their activities. Local governments develop the plan in consultation with public and private agencies that provide supportive housing and social and health services, community members, and neighboring localities. The Consolidated Plan must indicate the activities that will be carried out in the coming year to address emergency shelter and transitional housing needs, homelessness prevention, the transition to permanent housing and independent living, and services for people who are not homeless but have supportive housing needs.

Information about each of the programs follows.

#### **Community Development Block Grant (CDBG)**

CDBG program funds may be used in a variety of ways to support community development, including the acquisition, construction, and rehabilitation of public facilities and housing. However,

communities are not required to include housing when determining how they would like to use CDBG funds.

All CDBG-funded activities must address one of the three national objectives of the program:

1. Benefit people with low- and moderate-incomes.
2. Eliminate or prevent slums or blight.
3. Meet other urgent community development needs, where existing conditions pose a serious and immediate threat to the health and welfare of the community, and no other financial resources are available.

### **Emergency Shelter Grants (ESG)**

The ESG Program funds are designated to improve the quality of existing emergency shelters and transitional housing for homeless people, to help create additional emergency shelters, to pay for certain operating and social service expenses in connection with homeless shelters, and for homeless prevention activities.

### **The HOME Investment Partnerships Program (HOME)**

Communities have the flexibility to use HOME funds for the housing activities that best meet local needs and priorities. Uses can include property acquisition, rehabilitation, site improvements, demolition, new construction, and tenant-based rental assistance. Assistance can take the form of loans, advances, equity investments, interest subsidies, and others. A portion (at least 15 percent) of HOME funds must be set aside for community housing development organizations (CHDOs), which are nonprofit organizations meeting certain HUD-established criteria.

### **Housing Opportunities for Persons with AIDS (HOPWA)**

HOPWA is another program that comes under the Consolidated Plan process. HOPWA provides grant funds to state and local governments to design long-term, comprehensive strategies for meeting the housing needs of low-income people living with HIV/AIDS and their families. Participating jurisdictions have the flexibility to create a range of housing programs, including housing information services, resource identification, project- or tenant-based rental assistance, short-term rent, mortgage, and utility payments to prevent homelessness, housing and development operations, and support services. Ninety percent of HOPWA funds are awarded through formula grants, and the remaining 10 percent are awarded through a competitive grant program.

#### ***HOPWA Formula Grants***

HUD awards 75 percent of HOPWA Formula Grant funds to eligible states and qualifying cities. Eligibility is based on the number of cases of AIDS reported by the Centers for Disease Control and Prevention as of March 31 of the year prior to the appropriation. Eligible metropolitan statistical areas (EMSAs) and states receive direct allocations of HOPWA funding when 1,500 cumulative cases of AIDS are diagnosed in a region. The remaining 25 percent of funds is allocated among metropolitan areas that have had a higher than average per capita incidence of AIDS.

HOPWA grantees may carry out eligible programs themselves, deliver them through any of their administrative entities, select or competitively solicit project sponsors, and/or contract with service providers.

### ***HOPWA Competitive Grants***

Competitive grants are awarded in the following categories:

- **Special Projects of National Significance (SPNS).** These projects are intended to be models for addressing the needs of low-income people living with HIV/AIDS and their families because of their innovation or ability to be replicated.
- **Long-Term Comprehensive Strategies for Providing Housing and Related Services.** Applications in this category can be submitted by state or local governments that are not eligible for HOPWA formula allocations during that fiscal year.

### **Homeless Assistance Continuum of Care**

In order to encourage the integration and coordination of community homeless assistance, HUD combined three major homeless assistance programs—Supportive Housing Program, Shelter Plus Care, and Section 8 Moderate Rehabilitation Program Single Room Occupancy Program (SRO)—under the Continuum of Care planning and allocation process.

The Continuum of Care system includes four components: outreach to and needs assessment of individuals or families who are homeless, emergency shelters with supportive services, transitional housing with support services, and permanent independent or support housing to meet long-term needs. The establishment of a Continuum of Care system involves a community-wide or region-wide process involving nonprofit organizations (including those representing persons with AIDS and other disabilities), government agencies, other homeless providers, housing developers and service providers, private foundations, neighborhood groups, and homeless or formerly homeless individuals. It is very important for applicants to understand that funding for the Supportive Housing Program, Shelter Plus Care, and Section 8 SRO projects must be applied for within the context of the Continuum of Care process.

### **Supportive Housing Program (SHP)**

SHP program funds are used to provide supportive housing, either as transitional housing for homeless people or permanent housing for homeless people who have disabilities, including people living with HIV/AIDS. In addition, SHP funds can also be used for safe havens, which provide specialized permanent housing for severely mentally ill homeless persons who have been unwilling to participate in support services, support services for people not living in supportive housing, and other innovative supportive housing models. SHP funds can be used for a range of activities from land acquisition to administrative expenses.

## Shelter Plus Care

The Shelter Plus Care program provides rental assistance for permanent housing, linked with support services funded by other sources, to homeless and disabled people and their families. Activities under Shelter Plus Care include tenant-based rental assistance, project-based rental assistance, sponsor-based rental assistance, and Section 8 moderate rehabilitation assistance for single room occupancy dwellings.<sup>1</sup>

## Section 8 Moderate Rehabilitation Single Room Occupancy Dwellings (SRO)

Under the SRO program, HUD contracts with public housing authorities (PHAs) to enable the moderate rehabilitation<sup>2</sup> of residential properties that, when completed, will contain multiple single room dwelling units. The PHAs make rental assistance payments to the landlords on behalf of the homeless individuals who rent the rehabilitated dwellings, covering the difference between a portion of the tenant's income (normally 30 percent) and the HUD-established Fair Market Rent (FMR) of the unit. The program does not provide financing for the rehabilitation work, but a portion of this cost is reflected in the rent.

## Other HUD Programs

HUD has many other programs, but three are particularly relevant when developing housing for people living with AIDS: Supportive Housing for Persons with Disabilities (Section 811), Section 8 Rental Assistance, and Section 8 Housing Opportunities for Persons with Disabilities (Mainstream Program).

### Supportive Housing for Persons with Disabilities (Section 811)

Nonprofit organizations can use Section 811 funds to construct, acquire, and/or rehabilitate supportive housing for very low-income persons with disabilities, including those with disabilities resulting from HIV-infection. The support services should address the residents' individual needs, provide optimal independent living, and provide access to the community and employment opportunities.

Section 811 funding is provided in two parts: a one-time capital advance, essentially a grant, to fund development, and ongoing project-based rental assistance, that pays the difference between the tenant payment and the operating cost.

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<sup>1</sup> This differs from the Section 8 SRO program described next. Specifically, Shelter Plus Care SRO targets people who are homeless *and* have a disability, and Shelter Plus Care projects must include support services, while Section 8 SRO residents must be able to live independently.

<sup>2</sup> HUD considers moderate rehabilitation to be a minimum of \$3,000 of rehabilitation work per unit.

## **Section 8 Rental Assistance Programs**

Section 8 Rental Assistance takes the form of certificates and vouchers which are administered by public housing authorities. Rental certificates and vouchers allow income-eligible households to find and obtain rental housing independently. Tenants typically pay 30 percent of their income, while the certificate or voucher pays the difference, up to the HUD-established Fair Market Rent (FMR) for the area. The primary difference between certificates and vouchers is that with a voucher, a tenant can pay more than 30 percent of their income if the cost of the unit exceeds the FMR.

Public housing authorities can also designate up to 15 percent of their vouchers to be project-based in new construction or rehabilitated housing. Project-based vouchers stay with a particular unit, so that income-eligible tenants can come and go, but the unit stays affordable. Tenants cannot take the vouchers away from the unit for use elsewhere.

## **Section 8 Housing Opportunities for People with Disabilities (Mainstream Program)**

In FY 1997, HUD moved a portion of the funds originally earmarked for the Supportive Housing for Persons with Disabilities (Section 811) to create this separate tenant-based program. This provides certificates and vouchers to persons with disabilities to allow for more housing choice.

## **Low Income Housing Tax Credits**

Created in 1986, the Low Income Housing Tax Credit allows qualified owners of or investors in eligible low-income rental housing to reduce their federal income taxes on a dollar-for-dollar basis for a ten-year period, subject to compliance. Low-income housing developers use these credits to attract investors, who commit to funding a project in return for the tax credit.

Dollars of tax credit available are allocated to states based on population, currently equal to \$1.25 per capita, and states administer their own competitive process for the credits. The Low Income Housing Tax Credit has become the primary federal resource for developing low-income housing. Tax credits funded approximately 750,000 units through 1999, and contribute to the development of approximately 62,500 additional units per year.<sup>3</sup>

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<sup>3</sup> Collignon, Kate. Expiring Affordability of Low-Income Housing Tax Credit Properties: The Next Era in Preservation. October 1999. Neighborhood Reinvestment Corporation and the Joint Center for Housing Studies of Harvard University.