

Affordable Housing

Introduction

Housing that is affordable for very low-income households often has some form of public financial assistance. For example, the developer may have received public funds to lower the cost of developing the housing or tenants may receive assistance in the form of rental subsidies to reduce their rental payments.

Individuals with disabilities may have an income that is lower than the Average Median Income. The Area Median Income (AMI) is the midpoint of a region's income distribution – half of families in a region earn more than the median and half earn less than the median. Those with income lower than the AMI for their area may seek housing that is made affordable by use of public funds. This document provides an overview of the types of financial assistance used to make housing affordable and provides you with a framework to understand affordable housing options in your community.

What is Affordable Housing?

Housing is affordable if the occupants spend no more than 30% of their income on their housing costs.

For example: If Joey's monthly income is \$1,000, an affordable home for him would cost no more than \$300.

Why is it Important to Know About Affordable Housing Programs?

Having a working knowledge of the various types of housing programs will provide you with a framework to understand who is eligible for which programs and which programs may best meet the needs of the people you are helping. This knowledge will help you explain the programs and, in turn, will help the people you are assisting to access the housing programs they are eligible for and interested in.

How Do Public Funds Used for Housing Development Impact Affordability?

Programs that provide funds for housing development - through tax credits, grants, or reduced interest loans - enable the developer to build the housing with less or no debt. The lower the loan the developer must repay, the lower their monthly operating costs will be. The developer's savings are passed on to tenants by renting homes for less than the Fair Market Rate (FMR).

What is Rental Assistance?

Rental assistance programs are designed to lower the cost of rent to 30% of the tenant's income. There are two types of rental assistance: *Project Based Rental Assistance* and *Tenant Based Rental Assistance*.

- *Project Based Rental Assistance (PBRA)* is attached to a housing unit. Each income-eligible household that leases that unit will have their rent subsidized. This means they will pay no more than 30% of their income for their rent. When a tenant moves out, the next income-eligible tenant will also receive subsidized rent in that unit. The former tenant cannot use the subsidy in a new apartment because the subsidy is only able to be used for the designated rental unit.
- *Tenant Based Rental Assistance (TBRA)* is associated with an individual household. Once the household (a household is a person and all of the people they are living with) qualifies for assistance, they may rent a housing unit of their choice (so long as the housing unit meets program-specific quality standards, rent limitations, geographic restrictions, and the household remains qualified for the program). The tenant then pays 30% of their income for rent. If the tenant chooses to move, they can generally use the rental assistance in another eligible rental housing unit.

What Are the Most Frequently Used Housing Programs?

The following are the most frequently used housing programs:

- Public Funds for Development: Low Income Housing Tax Credit Program (LIHTC)
- Public Funds for Development and Project Based Rental Assistance:
 - HUD Section 202 - Supportive Housing for the Elderly
 - HUD Section 811 - Supportive Housing for People with Disabilities
- US Department of Agriculture (USDA) - Rural Development Programs
- Public Funds for Project Based Rental Assistance (PBRA):
 - Public Housing
- Public Funds for Tenant Based Rental Assistance (TBRA):
 - Housing Choice Vouchers (HCV)/Section 8
 - Mainstream Vouchers

Below are details on each of these frequently used housing programs.

What is the Low-Income Housing Tax Credit (LIHTC) Program?

The LIHTC program is the primary source of funding for development of new affordable housing. It is administered by the Pennsylvania Housing Finance Agency (PHFA). The PHFA holds an annual application process for new developments. Private non-profit and for-profit developers submit applications to PHFA for development funds - either to build new housing or rehabilitate old housing that will provide affordable housing units.

How Does the LIHTC Program Impact Affordability?

When PHFA awards the development funds, the developer, in turn, sells tax credits to investors, who then receive a 10-year credit on their income taxes based on the amount of their investment in the LIHTC property. The LIHTC funds offset the cost to the developer, the developer can pass on these savings to tenants as below market rents.

Who Can Afford Units Financed Under the LIHTC Program?

Under the LIHTC program, the developer has been required to rent a majority (the specific number of units available differ from project to project) of the units they are building or renovating to households whose income is 50% to 60% of Area Median Income.

In recent years, developers must also rent at least 10% of their units to households whose incomes are under 20% of Annual Median Income (AMI); and at least half of these units must be wheelchair accessible. For example, a 50-unit LIHTC development must rent at least 5 units to households with income below 20% of AMI and at least 3 of those units must be accessible for people who use wheelchairs. With this added requirement, at least a portion of the units in newer developments are more affordable to those with the lowest incomes and, in particular; these units must be accessible.

How Can I Find Apartments Built Using the LIHTC Program?

PHFA maintains the following website: www.PAHousingSearch.com. The website has a list of LIHTC housing, organized by city and by county. This list includes information on rent levels and accessibility of units. Households interested in LIHTC units should apply directly to the management company listed on this website.

What Housing and Urban Development (HUD) Funded Programs Include Both Development Funds and Project Based Rental Assistance (PBRA)?

There are currently two programs funded by HUD that provide both funding for housing development and PBRA. Under both programs household rent is 30% of a renter's income. These HUD programs are:

- **HUD Section 202** - Supportive Housing for the Elderly: This is rental housing for households whose income is under 50% of the AMI and includes at least one-person age 62 years or older at the time of initial occupancy. Basic services are often provided by community-based organizations or the property manager, but such services not required by Section 202.
- **HUD Section 811** - Supportive Housing for People with Disabilities: This is rental housing for households whose income is under 50% of the AMI and includes at least one-person age 18 years or older who has a disability. A disability under

this program includes a physical disability, developmental disability, or chronic mental illness. Appropriate services must be made available.

How Can I Apply for a Unit Funded by HUD Section 202 or Section 811 Programs?

Each housing development maintains its own waiting list and a separate application process. You can find listings and contact information for HUD Section 202 and 811 developments at this website: <https://www.hud.gov/states/shared/working/northeast/mf>

What is Public Housing?

The Public Housing Program was established to provide safe and affordable rental housing for low-income families, the aging, and people with disabilities. PBRA is an example of public housing. Public housing is generally owned and operated by the local Public Housing Agency (PHA), sometimes referred to as Public Housing Authorities. Typically, the housing is in a development, either low-rise or high rise. Low-rise housing is an apartment building that is one to four floors high. High-rise housing is housing with nine or more floors (anything between 4 and 9 floors is considered mid-rise housing). High-rise public housing is usually targeted to tenants age 62 or older. Some communities have “scattered site” public housing, which rental units within residential areas where the other units are not publicly subsidized. The tenants in public housing pay 30% of their income for their rent.

How Can I Apply for Public Housing?

A link to search for PHAs in Pennsylvania is available on the HUD website at the following link: <https://www.hud.gov/states/pennsylvania/renting> . Since PHA’s vary in their procedures for applying, it is important to contact the appropriate PHA to learn and understand their process. PHA’s make accommodations in their application process for individuals with disabilities who may find it difficult to apply in person. The PHA can also provide information on the location of their housing developments and the availability of units. Some PHAs have websites that list all their properties and information on their application process.

What is the Housing Choice Voucher (HCV)/Section 8 Program?

Housing Choice Vouchers, previously known as Section 8 Vouchers, are the most frequently used form of TBRA. Under this program, the participating household receives a voucher from its PHA to rent a housing unit in a community. The unit must meet 3 requirements:

1. HUD’s Housing Quality Standards
2. Fall within allowable Fair Market Rents, and
3. Be within the PHA’s allowable geographic area.

Once a household has been approved for a Housing Choice Voucher, they are responsible for finding a unit that meets their needs as well as the program requirements. The PHAs often makes available a list of landlords that participate in the HCV program to help with the search.

When the unit is approved by the PHA, the tenant signs a lease with the landlord and is responsible for paying a portion of the rent with the balance paid by the PHA. The tenant's portion of the rent is based on a formula that includes their income and certain expenses. They are then required to pay 30% of their "formula-adjusted" income towards their housing expenses.

How Can I Apply for a Housing Choice Voucher/Section 8?

Most PHAs have a department that administers the Housing Choice Voucher Program. Again, the best starting point is to contact the PHA in your community and determine their application process. Since this is such a popular program, in many communities there is a long waiting list for Housing Choice Vouchers and in some the waiting list is closed. Therefore, it is important to be on the PHA's contact list to be notified when the waiting list reopens.

Are There Other HUD Funded Programs?

In January 2011, the Frank Melville Supportive Housing Investment Act of 2010 was signed into law resulting in significant changes to the Section 811 Program. It requires that units funded under the program be integrated into affordable housing developments with units not built and subsidized for people with disabilities. In May 2012, HUD issued a Notice of Funding Availability for the Section 811 Project Rental Assistance Demonstration to fund 2,800 new units nationally. Under this initiative, state housing finance agencies such as PHFA can apply to HUD for project based rental assistance to provide permanent supportive housing for people with disabilities who have income below 50% of the AMI.

As recently as 2018 and 2019, Public Housing Authorities (PHAs) have been able to apply directly to HUD for tenant-based, nonelderly-disabled vouchers. Availability of Rental 811 units vary between PHAs.

How Can I Apply for USDA Funded Housing?

The USDA provides low-interest loans to developers under the Section 515 Program to develop multi-family housing for low- and moderate-income households in rural areas. The Section 521 program provides Project Based Rental Assistance in some Section 515 projects, enabling very low-income tenants to pay 30% of their income for housing costs.

Like LIHTC and HUD funded projects, applications for USDA funded housing are submitted directly to the property manager of a development.

What Happens When There Are No Housing Units Available?

Because there is a limited supply of affordable housing, PHAs often have waiting lists. Each program has specific waiting list management policies. The rules that govern tenant selection and waiting lists for the various publicly assisted housing programs are explained in appendix *“Tenant Selection and Waiting List Policies”*.

Finally Home is a demonstration project of Values into Action funded by the Pennsylvania Developmental Disabilities Council (PADDC) to assist individuals with disabilities from rural communities in meeting their goals to access and maintain control of their own homes. Diana T. Myers and Associates, Inc. (DMA) and Values Into Action created the **Finally Home Housing Toolkit** as a user-friendly resource providing housing information and tools for advocates, Housing Service Providers, Supports Coordinators, Supports Brokers, family members and other interested parties to support people with disabilities in securing the housing of their choice.

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