MODERNIZING AFFORDABLE HOUSING FOR SENIORS AND PEOPLE WITH DISABILITIES

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOUSING, TRANSPORTATION, AND COMMUNITY DEVELOPMENT

OF THE
COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS

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FIRST SESSION

ON

EXAMINING THE MODERNIZATION OF AFFORDABLE HOUSING FOR SENIORS AND PEOPLE WITH DISABILITIES

OCTOBER 29, 2009

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MODERNIZING AFFORDABLE HOUSING FOR SENIORS AND PEOPLE WITH DISABILITIES

THURSDAY, OCTOBER 29, 2009

U.S. Senate,
Subcommittee on Housing, Transportation, and Community Development,
Committee on Banking, Housing, and Urban Affairs,
Washington, DC.

The Subcommittee met at 10:30 a.m., in room 538, Dirksen Senate Office Building, Robert Menendez (Chairman of the Subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN ROBERT MENENDEZ

Chairman Menendez. Good morning. The Subcommittee will come to order.

Today, we are here to further explore the many housing issues facing the elderly and people with disabilities in the current financial crisis. The effects of this crisis on the lives of those who need our assistance the most is a concern to all of us. Senator Kohl, for one, has introduced the Supportive Housing for the Elderly Act, that would expand HUD’s Section 202 Program to allow seniors to remain safely in their homes, and I have introduced, and have the pleasure of having Senator Johanns as a cosponsor with me, the Frank Melville Supportive Housing Investment Act to revise requirements for supportive housing to help people with disabilities live independently. These bills are a start, but we are here today to hear how the recent financial crisis has affected the availability and demand for affordable housing, what those on the front line believe the trends and the need will be in the future, and what more we can do to help.

We are all aware that local communities faced with the credit crisis, the mortgage crisis, housing and jobs crisis are dealing with a precipitous reduction in their tax base, and consequently are contemplating cuts in services across the board. Obviously, those cuts have an adverse impact on the elderly and disabled, who already are struggling to maintain a decent standard of living. I would hope that our panelists today will provide some insights on the availability of public housing, prospects for availability in the foreseeable future, whether there is a gaping hole in the already badly frayed safety net when it comes to housing in parts of the country that have been hard hit during this economic downturn.

We would like to get an idea about how we can preserve existing housing and any reforms that might be necessary to increase the rate at which we can build additional 811 units for those with dis-
abilities. There are many families of seniors and those with disabilities who are waiting for the answers. I have heard from many of them in my home State of New Jersey as I have traveled the State and we believe that there is a real need to respond to the needs of families, particularly as their children come into adult years and need a place to sustain themselves and call home.

This hearing is about them. Let us keep that in mind as we proceed. It goes to the heart of the notion of community, each of us working together for the betterment of all of us.

With that, I am happy to recognize the distinguished Chairman of the full Committee who is very passionate about this issue and I know wants to, in addition to his opening statement, welcome his colleague from Connecticut. Senator Dodd.

STATEMENT OF CHAIRMAN CHRISTOPHER J. DODD

Chairman DODD. Thank you very much, Mr. Chairman. I know I am stepping a bit out of order here. I was going back and forth. My apologies to Mike Johanns.

First, let me thank you, Mr. Chairman, for doing this. As all of our colleagues know, Bob Menendez lost his mom a few days ago, and so we once again want to express our condolences to you and your family, as well.

I also want to thank Chris Murphy for coming. He gives me credit occasionally when he does something really well. He acknowledges that he was an intern in my office.

[Laughter.]
Chairman DODD. When things go bad, I am not sure——
[Laughter.]
Chairman DODD. But he is doing a fabulous job as a member of the House of Representatives and brings a lot of wealth, obviously doing a tremendous amount of work on this issue, among other things. And so it is truly an honor to have Congressman Murphy come before the Committee on the subject matter. He brings a great deal of knowledge and expertise to it.

I just have a few opening comments, if I may, Mr. Chairman, and then will defer. I certainly thank you, as I said a moment ago, for holding this hearing on affordable housing programs for the elderly and persons with disabilities. They face, obviously, these groups face tremendous challenges when it comes to housing, as we all know.

And again, repeating data I am sure all of us in this room are aware of, the senior population is growing tremendously. Between the year 2000 and 2030, the number of persons over 65—and as I look around this dais, I think all of us hope these numbers hold here—will grow from 35 million to 71.5 million.

The Bipartisan Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century estimated that in 2002, an additional 730,000 units of affordable housing will be needed by the year 2020. In addition to needing new units, we face the challenge of preserving existing affordable housing, particularly housing with access to supportive services and public transportation that, of course, seniors need to remain and live independent lives.
A recent study found that the Federal subsidies of nearly two-thirds of the affordable senior apartments were more than a half-mile from public transit in 20 metropolitan areas it surveyed and are set to expire within 5 years. I would invite my colleagues, and I think several of you are cosponsors of this, the bill I have introduced called the Livable Communities Act, which we have introduced this August. It will help communities better assess their housing and transportation needs.

People with disabilities also face great affordable housing needs. It is estimated that more than 1.3 million households with disabilities are currently facing the worst case housing needs, paying more than 50 percent of their income toward rent. That is a stunning number.

Last week, Diane Randall—and I know Congressman Murphy knows Diane well, she is a remarkable individual, she heads up Connecticut's Partnership for Strong Communities—shared some statistics on the housing needs of persons with disabilities in our State in testimony before this very Committee. She stated that in Connecticut, renting a modest one-bedroom apartment would cost more than 116 percent of the income of a person with disabilities receiving Supplemental Security Income, SSI. More than 116 percent—that is an incredible number, an untenable, obviously, situation.

Given these needs, it is critical for our Federal assistance programs to be up to the challenges, and so I thank you, Mr. Chairman, for your focusing on this. We kind of talk about these issues. We have big hearings on housing, and we cover a lot of ground, obviously. But to focus specifically on this need, I think is tremendously worthwhile, and I would be remiss if I didn’t mention, as well, the tremendous work done by Herb Kohl in this area and his focus on seniors and the elderly, and so this is a major concern. We are happy to have you on the Committee, as well. Working with us is a great complement on these issues.

Again, I want to thank Chris Murphy. We are going to name this, if we can—the work we are working on—the Frank Melville Supportive Housing Investment Act, which he is here to discuss, and I am totally supportive of that effort. It is a wonderful tribute. He was a transformational figure in affordable housing policy in our State and across the country. He was the original Chair, Mr. Chairman, of the Melville Charitable Trust and a guiding force behind its mission to fund efforts to identify and eliminate the root cause of homelessness in the United States. I thank Chris Murphy for leading the charge on that in the House and we will pick up the mantle over here, as well, and hopefully get this done.

I thank you, Mr. Chairman.

Chairman Menendez. Thank you, Senator Dodd.

Senator Johanns.

STATEMENT OF SENATOR MIKE JOHANNS

Senator JOHANNs. Senator Menendez, let me just start out and tell you how much I appreciate your leadership on this. I also want to express that my thoughts and prayers are with you during this difficult time.
I want to speak for just a minute or two on S. 1481. I am very, very proud to be a cosponsor, and I think the lead Republican on that effort. This very important legislation will bolster our efforts to move toward community integration for people with disabilities. I have long believed that we as a society must shake the stereotypes that stigmatize this very courageous population.

In my home State of Nebraska, I as Governor led a major reform effort. We successfully helped many deserving people who deal with mental illness move from antiquated State institutions to community-based care. Today, many of them are living in apartments. They go to work every day. They are proud to be productive members of society instead of being residents of a State institution.

But there are things that are missing, and we recognize that. So what more can we do? We can invest in integrated housing options.

In Nebraska, we have a Nebraska Housing-Related Assistance Program. It uses State funds to provide rental assistance for very low-income persons with serious mental illness. The assistance provides rental payments, utility payments, makes security deposits, and other help. As of 2009, I am very proud to report on behalf of my State that the program is now serving about 1,000 individuals. It marks another big step toward enabling this very deserving population to gain independence and be a part of their communities.

Nebraska’s experience demonstrates how a flexible rental assistance program can be an invaluable tool in promoting affordable housing. S. 1481 creates a project-based rental assistance demonstration program that I think builds on the success of a number of States, one of which is Nebraska. Our experience back home demonstrates the value of public–private partnerships in meeting the important needs that are there for people with disabilities.

For the past decade, interestingly enough, there has been Federal authority for nonprofit sponsors to use grants and project-based assistance to partner with for-profit developers to integrate rental assistance into larger developments. Unfortunately, the results have been underwhelming, as we know. Fewer than five projects have been completed since 2000. It just hasn’t worked very well.

This bill, S. 1481, would authorize changes to the 811 Capital Advance Program and a new demonstration program. It literally builds on the successes of what has happened in the State laboratories—Nebraska, Louisiana, North Carolina. I think it will help jump-start this integration effort.

Failure to reform Section 811 would be a genuine failure by Washington to help its citizens who are most in need. Currently, the program is building fewer than 1,000 units per year, nowhere close to the scale of the unmet need in all of our States and States across the country.

So what I would like to say, just to wrap up, is that I just think this is the right step at the right time, a step in the right direction. Congressman, I thank you for your leadership on the House side. It is my hope that here on the Senate side, we can pick up the mantle here and move this forward and celebrate the day that this becomes law.

Thank you very much.
Chairman MENENDEZ. Thank you, Senator. Thank you for joining me as the lead Republican on the legislation. It is worthy of a bipartisan effort, and with the Chairman's assistance, we are going to make this happen.

With that, our distinguished colleague has worked a lot on the issues on seniors and housing, and for those of us who are looking at the horizon saying it is good work that you do, Herb, so that we can be ready when we get there. Thanks so much. Senator Kohl.

STATEMENT OF SENATOR HERB KOHL

Senator KOHL. Thank you very much, Senator Menendez. You are also in my thoughts and prayers, as well as all of your colleagues in the Senate.

We appreciate your being here at this hearing this morning. HUD's Senior Disabled Housing Programs, also known as the Section 202 and 811 programs, are often coupled together, not only because they are the only two developmental grant programs of their kind, but more importantly because they address traditionally underserved populations, providing accessible, safe, and affordable housing for both the disabled and the elderly so they can live independently as well as in dignity.

There are currently over 300,000 seniors living in 6,000 Section 202 units across the country. Unfortunately, this program is not able to address the growing demand. For every available unit, there are 10 seniors waiting. Even worse, some developments are at risk for being replaced by high-priced condos and apartments. As a result, many of the seniors participating in the Section 202 program could become homeless or overwhelm other Federal aid programs.

Earlier this year, Senator Schumer and I introduced S. 118, a bill to modernize and improve Section 202 housing for seniors across our country. The Section 202 program provides capital grants to enable the development of supportive housing exclusively for the very low-income elderly population. Additionally, the program provides rental subsidies and grants to fund supportive services for seniors. Over one-third of the Section 202 population is considered disabled enough to be at risk for being put in a nursing home. By reducing the need for costly nursing home stays, access to supportive services saves both seniors and the Government money.

Modernizing the elderly housing program will promote the construction of new senior housing facilities as well as preserve and improve existing developments. Many of the older properties are in need of rehabilitation and increased access to supportive services. This legislation will help expedite the conversion of houses to assisted living facilities and reduce other impediments for older properties to obtain the renovations they desperately need.

We look forward to the testimony of the witnesses here today, and I ask unanimous consent to insert a letter of support for our bill from the Elderly Housing Coalition into the record.

Chairman MENENDEZ. Without objection.

Senator KOHL. Thank you so much.

Chairman MENENDEZ. Thank you, Senator Kohl.

Our first witness, we are very pleased to welcome our colleague from the House, Congressman Christopher Murphy. You may have
gotten the best introduction you could get already from the Chairman. If you survived your time in his office as an intern, you can do anything.

[Laughter.]

Chairman DODD. He was a star.

[Laughter.]

Chairman MENENDEZ. Congressman Murphy is currently serving his second term representing Connecticut’s Fifth District. He serves on the Energy and Commerce Committee, the Committee on Oversight and Government Reform. Prior to his service in the U.S. House of Representatives, he served for 8 years in the Connecticut General Assembly. He is the House sponsor of legislation that we have spoken about here that we are sponsoring in the Senate to modernize the Section 811 program for housing for people with disabilities.

We welcome you, Congressman, and look forward to your testimony.

STATEMENT OF CHRISTOPHER MURPHY, REPRESENTATIVE FROM THE STATE OF CONNECTICUT

Mr. MURPHY. Thank you very much, Chairman Menendez, Chairman Dodd, Senator Kohl, Senator Johanns. It is especially exciting to be here to testify in front of you, Mr. Chairman, and in front of Senator Dodd.

Of course, I only learned good habits in your office. There is no question about that. But I also know that my advocacy for this issue and my advocacy for the people that are assisted by these programs is a direct result of the fact that I learned to care about public service through not only my work for Senator Dodd, but through the inspiration that he gave many of us to join this field and to join this calling, and so for that, I am thankful.

Chairman Menendez, as the main House proponent of the legislation that reauthorizes Section 811, it is a pleasure to be here. At the outset, let me thank you for your efforts here in the Senate. I think that the legislation that we have introduced both in the House and the Senate to revitalize this very important program, which provides housing for people with both physical and mental disabilities, is going to provide thousands of more housing units, permanent supportive housing across the Nation, and will ensure that the very low-income disabled population will have safe and affordable places to live.

As the experts on the next panel are going to tell you and as Senator Johanns has also pointed out, HUD’s 811 program isn’t currently doing enough to meet this enormous demand of nonelderly disabled. There are approximately 1.3 million nonelderly disabled households with what HUD defines as worst-case needs, meaning that they are very low income, they pay more than 50 percent of their income in rent, and they live in substandard housing.

While the need is obviously great, only a trickle of affordable units come online each year throughout the country, and as we heard in testimony before the House Financial Services Committee, even a small supportive housing project can take sometimes almost 8 years to complete. By all accounts, this program has become overly bureaucratic and has not adapted to complement the good and
innovative work that hundreds of organizations across the country that are trying desperately to provide quality permanent supportive housing to combat the unrelenting housing crisis faced by millions of low-income individuals with disabilities.

In Connecticut, we offer a pretty good example of how improvements to the program can complement the work that is already being done by State Governments and housing advocacy organizations, and Senator Dodd referenced this in his opening remarks. In Connecticut, these partnerships have led to a commitment to create about 10,000 new units of permanent supportive housing over the next 10 years. By using the Low-Income Housing Tax Credit with a State-provided set-aside for rental assistance, we have been able to secure permanent supportive housing for disabled, severely low-income Connecticut residents, and the same financing mechanism has been used with the same type of successful results in North Carolina, Louisiana, and several other States, with tremendous results.

This approach, which is really a new public–private partnership leveraging existing tax credits for expanded use, is included on a national scale in both the Chairman's legislation, S. 1481, the Frank Melville Supportive Housing Act, and the House legislation, H.R. 1675, which passed the House in July.

This approach, Mr. Chairman, of public–private partnerships will derive more units of permanent supportive housing using the same funding that we have today—more bang for our buck. Currently, the average capital cost of an 811 project is about $100,000 per unit plus a monthly rental payment equal to about $6,000 a year. Under our legislation, the capital investment is wiped out because the units are being built through existing credits and programs, and because they are already affordable units, the rental subsidy will actually be less than the $6,000 a year average.

As you know, Mr. Chairman, Members of the Committee, we fund this change by using funds currently set aside for the 811 mainstream vouchers. HUD has done a less than adequate job in ensuring that these vouchers run now through the 811 program are used to support people with disabilities. They don’t monitor or track them today. And while there is a great need for mainstream vouchers generally, these funds would be better used to ensure that 811-eligible individuals have access to permanent supportive housing.

Beyond this change, Mr. Chairman, the legislation also allows States and State housing agencies to do much of the bureaucratic paperwork involved in these applications, which will greatly expedite the applications process. There are but a few, I believe, of these refinements. These are just a few of the refinements that are outlined in these two bills that will make the 811 program more efficient, less bureaucratic, using Federal dollars in a way that produces truly permanent supportive housing units across this country.

To add just a few words to those already offered by Senator Dodd about Frank Melville, whose name is attached to this legislation, Frank Melville and his wife, who is still with us, Allen, live in the Northwest corner of Connecticut. The Melville Charitable Trust has founded housing advocacy and homelessness projects and pro-
grams across both the Northeast and this country, and the bill that we are introducing today, I don’t think could be possible without the fact that the Melvilles have decided to use their family’s resources in order to combat the issue of homelessness.

Mr. Chairman, thank you so much for your generous attention to this issue and I look forward to working with this Committee to pass this bill in complement with the House measure.

Chairman MENENDEZ. Thank you very much, Congressman Murphy. Thank you for your leadership in the House. I don’t know if any Members have any questions.

Chairman DODD. I was just going to raise one, if I could, and Congressman Murphy highlighted this, as well. There was a project in Windham, Connecticut, Mr. Chairman—the community actually where I was born, Windham, Connecticut—where they have been very successful in linking up people with disabilities and jobs. And again, this is always a hard question. But the key to that was the transportation issue. There were other factors, but the transportation was so critical to linking it together.

I just wonder from your perspective, Chris, on the importance of affordable housing and integrated in the community and particularly with stressing the access to public transportation. I don’t know if you have any additional thoughts on that at all. I don’t know if you are familiar with that Windham project. It was a pilot project.

Mr. MURPHY. It is a critical component of supportive housing, in particular. What makes supportive housing work, as you know, Chairman Dodd, is that it is not just the house, but it is the support services that come along with it to make sure that that individual not only has the medical wrap-around services that they need, but also have the job skills and the connection to jobs to keep them a sustainable and productive member of the community.

And so as I understand it, some of the most successful supportive housing programs that have been built have these wrap-around services that include transportation links, which obviously speaks to the importance of building new supportive housing units along existing transportation lines, but also speaks to the need to make sure that you have these wrap-around services that can include links to job sites.

And right now, the problem is that States are spending so much money just building the supportive housing sites that they have very little money left over to try to provide those supportive services, transportation being a key component of it. The idea behind this legislation is that by better leveraging some of the capital costs, we can provide States with some greater flexibility to build in some of those supports, including transportation.

Chairman DODD. It is just a great concept, and I commend both you, Chairman, and Senator Johanns on this, as well, on that public-private partnership idea. But the things we are looking at, today, basically, support disability is income replacement, in which case if you get income replacement, there are real restrictions under Medicaid for people to actually then work. You have real ceilings on how much you can do. And to the extent that we can break through that and come up with alternative ideas where people with disabilities or elderly who want to continue—as most do
want to continue working, even with the disability they have, to be productive—and obviously it is a great source of relief, obviously, financially, that people have alternatives. And so these support services, it is not just a feel good thing, there is really a real cost savings involved in this, as well.

So I think it is a terrific idea and I commend you, Mr. Chairman and Senator Johanns and others for championing this. As Chairman of the Committee, I will make sure we find the time to get this up on our calendar here. I can’t predict what will happen on the floor, but to move this along, I think it complements so much the other things we are trying to do. Despite the battles and disputes over health care and other issues, these are the pieces that make all of that work at some point.

Chairman MENENDEZ. Senator Dodd, I appreciate your question, and in our next panel, one of the things we are going to explore, it is not just the question of the lack of actual affordable housing units, but it is also getting the right supportive services as a mix in there. I know that Chairman Dodd has a unique opportunity here, not only as the Chairman of the full Committee, but as a senior member of the Health, Education, and Labor Committee, to help us meld this together. And so we have got a great ally in the Chairman.

If there are no other questions, thank you, Congressman Murphy, again. We look forward to working with you to make this passage a reality.

Mr. MURPHY. Thank you very much.

Chairman MENENDEZ. Thank you.

Let me, as Congressman Murphy leaves, let me call up the witnesses to the second panel. Our first witness on the second panel, and if you will all start moving up, Ann O’Hara is a cofounder and Associate Director of the Technical Assistance Collaborative, Inc., a Boston-based nonprofit organization. She has had over 25 years’ experience in the development and administration of affordable housing programs at the national, State, and local level.

Our next witness is Michelle Norris. She is a Senior Vice President for Development and Acquisition of National Church Residences and will be speaking on behalf of the American Association of Homes and Services for the Aging. Ms. Norris is also the Immediate Past President of the National Affordable Housing Management Association.

Our third witness is Toby Halliday. He is the Vice President of Public Policy for the National Housing Trust. He has worked with nonprofit groups in both urban and rural communities, providing technical and financing assistance on affordable housing and other community development projects.

Our fourth witness is Michael Jones, a constituent from the great State of New Jersey, from Brick, New Jersey, and he is the father of an adult son with a mental disability, and we appreciate you, Mr. Jones, coming to share some of the challenges that you and your family have had as representative of many others.

And our fifth witness is Sheila Crowley, who is the President and CEO of the National Low Income Housing Coalition, which is dedicated to ending the affordable housing crisis in America.
We welcome you all and look forward to your testimony. We would ask you to summarize your testimony for about 5 minutes or so. Your full statement is going to be included in the record and then we will have some time for some exchanges.

Ms. O’Hara, would you like to start?

STATEMENT OF ANN O’HARA, HOUSING ADVISOR, CONSORTIUM FOR CITIZENS WITH DISABILITIES HOUSING TASK FORCE

Ms. O’HARA. Thank you so much, Senator Menendez, Senator Johanns, Senator Kohl. I am so happy to be here today. I am not only testifying on behalf of the Technical Assistance Collaborative, but here to testify for the Consortium for Citizens with Disabilities Housing Task Force. We would like to thank you and the Committee for your leadership on housing, including passing the HEARTH Act and the National Housing Trust Fund.

In addition to S. 1481, we want to recommend quick action on S. 118 and S. 1731, Senator Reed’s proposal for an immediate infusion of $1 billion for the Housing Trust Fund.

I am here today to strongly support S. 1481, the Frank Melville Supportive Housing Investment Act, which will modernize and re-invigorate HUD’s Section 811 program. The CCD Housing Task Force, which includes many national disability organizations, believes that this legislation is essential to improve and revitalize 811, an important HUD program which you have already heard produces less than 1,000 units of new housing per year. The program is inefficient, it is outdated, it is plagued with red tape, and it doesn’t reflect the desire of most people with disabilities to live independently in integrated housing.

The legislation is important because the need for supportive housing has never been greater. Hundreds of thousands of non-elderly people with disabilities today remain unnecessarily in high-cost nursing homes and State institutions, or are stuck in sub-standard board-and-care homes that are segregated, or remain at home with aging parents who themselves are in their 70s and 80s. Meanwhile, State Government is struggling to meet the mandate of the Supreme Court’s Olmstead decision and reduce the reliance on these expensive facility-based models.

The data on this is overwhelming. There are over 400,000 non-elderly people with disabilities today living in nursing homes, including 16,000 people under the age of 30. Most of these people could live in permanent supportive housing.

New Jersey must create 1,065 new units of permanent supportive housing during the next 5 years for people with mental illness and has another 2,300 people with developmental disabilities who are living in State facilities, waiting to move to the community, and 22,000 adults who are living at home with aging parents.

A recent Olmstead case in New York covers 4,300 people just in New York City with mental illness who are living in adult care homes that the judge deemed to be more restrictive and institutional than psychiatric hospitals. These examples are the tip of the iceberg of the problem, and 811 is a really important solution to this crisis.
As you have heard, the bill will eliminate the bureaucracy that plagues this program, help nonprofits create more integrated housing opportunities that people with disabilities strongly prefer. The demonstration program could create 2,500 to 3,000 more units a year than we are getting now without increasing the appropriation for 811. It leverages Low-Income Housing Tax Credits and HOME funds, reduces 811 outlays for capital, and reduces the time that it takes to get new units created.

We are really indebted to the States of Nebraska, North Carolina, and Louisiana for pioneering these cost-effective models included in the demonstration, which create small set-asides of 811 units in larger affordable housing properties that we produce every year without a lot of delay that we see in 811. Just in those three States, they have developed over 3,500 new integrated supportive housing units in the last couple of years.

This legislation also resolves a longstanding problem with the 811 mainstream voucher program. There are 14,000 tenant-based vouchers in that program. They are paid for with 811 money, but they are administered by housing authorities as Section 8 vouchers. They are not being tracked adequately. They are rarely used for supportive housing. This bill resolves all those problems by moving those vouchers permanently to the Section 8 program.

Finally, supportive housing is not just the right solution for people, and I know we all believe that here today, but it is also the most cost effective solution. For example, a recent study in Columbus, Ohio, shows a 40 percent savings in public mental health services for people living in Section 811 housing. Another study in the Journal of Health and Social Policy found that the average expenditure of a person receiving Medicaid services in the community was $44,000 less than institutional care.

Thank you so much for this hearing today and we look forward to working with all of you to make this legislation a reality and to honor the memory of Frank Melville.

Chairman Menendez. Thank you very much.

MS. Norris.

STATEMENT OF MICHELLE NORRIS, SENIOR VICE PRESIDENT FOR DEVELOPMENT AND ACQUISITION OF NATIONAL CHURCH RESIDENCES, ON BEHALF OF AMERICAN ASSOCIATION OF HOMES AND SERVICES FOR THE AGING

MS. Norris. Good morning, Chairman Menendez, Chairman Kohl, Senator. I appreciate this opportunity.

My name is Michelle Norris, and I am with National Church Residences, but I am speaking on behalf of AAHSA, the American Association for Housing and Services for the Aging, a national association representing nonprofit providers that have a continuum of aging service. That includes adult daycare, home health, community services, senior housing, assisted living facilities, continuing care retirement communities and nursing homes. AAHSA also has State associations in each of your States.

NCR has been involved with AAHSA for 30 years, and our CEO is currently Chairman of AAHSA.

NCR has the privilege of being a very significant affordable housing provider for seniors. We have done a spectrum of programs
from the 202 loan program to the 202 PRAC, to tax credits, to preserving 202s with the tax credits.

We also have a very large health care division in our Ohio area that allows us a unique perspective on costs and benefits that allow for all levels of care in housing and health care.

As an example of some of our experience, we do have quite a few projects in New Jersey. We have 4 202 loan programs. We have six PRACs. We have an acquisition 202, and we actually fee manage a project in Brick.

In Wisconsin, we have actually purchased a few projects we have from both nonprofits and for profits.

I apologize, we have nothing in Nebraska, but we love the State anyway.

Chairman MENENDEZ. I see you did your homework, though.

Ms. NORRIS. I commend you all for your efforts on this bill. This bill is full of technical fixes and policy initiatives that will bring the 202 program into the 21st Century. It provides much needed flexibility and innovation to help the 202 program become more relevant to the aging in place issues we are facing.

My written testimony describes a lot of these provisions in detail and why they are so important. So I will not take time right now to go into those. However, I want to talk a little bit about the overview of why it is important.

I suspect you have heard the term, the tsunami of aging that is on its way. In Columbus, Ohio, there was a report recently, and the headline said: The aging population is going to cripple our budget. Half of our State budget will go to Medicaid by 2020.

The article continues to say that Ohio is getting older and more expensive, and I suspect the same is true for your States.

Never before in our 50-year history of this program has the 202 program been so relevant as it is today. NCR sees all levels of housing from independent to assisted living, to higher care. So we are in the unique position to say that housing like the 202 program, coupled with home-based services, is cheaper for the Government and provides higher satisfaction to the residents.

I believe this is a point that has been overlooked in the health care debate right now. As an example, in Ohio, affordable housing costs the Government $25 a day. You can add a dollar a day for a service coordinator. You can $25 for meals. That still is $50, $55 a day.

If you go to assisted living, it costs $100 a day. If you go to dementia care, it is $200 a day. If you go to a Medicaid bed, it is more than that, and Medicare is $450 a day.

So it does not take long to figure out that housing is the solution. It is the first building block to creating cheaper, more effective and more compassionate aging in place programs. That is why this legislation is important. It will make it easier and more efficient to build and to preserve that very first building block. It can reduce costs in Medicaid and in Medicare.

As a really great example, here in Ohio, we were the first Ohio property to create the Affordable Assisted Living Conversion Program, and the bill discusses that program and tries to make it even better. In that program, we were able to take a HUD 202 building
and convert it with a grant so that it was eligible for an assisted living facility.

Then we worked with our State agency to allow a Medicaid waiver so that we now have a rental subsidy for the residents and a service subsidy to provide higher level of care. It is an amazing opportunity, and this bill will make that not just one example but multiple people doing it.

The need for affordable supportive senior housing development and preservation is undeniable and critical. We are excited that Congress believes these topics warrant future discussion, and I urge you to move this bill forward, to increase the efficiency of the program that will help the residents today and those for the future.

Thank you.

Chairman Menendez. Thank you.

Mr. Halliday.

STATEMENT OF TOBY HALLIDAY, VICE PRESIDENT FOR PUBLIC POLICY, NATIONAL HOUSING TRUST

Mr. Halliday. Chairman Menendez, Senator Kohl, Senator Johanns, and Members of the Subcommittee, thank you for holding this hearing today and for the opportunity to testify in support of S. 118, the Section 202 Supportive Housing for the Elderly Act of 2009.

My name is Toby Halliday, and I am the Vice President for Federal Policy for the National Housing Trust. Over the past decade, the Trust has helped to save and improve more than 22,000 affordable rental apartments in over 40 States.

I also serve as the Chair of the National Preservation Working Group, which is a coalition of 36 nonprofit organizations supporting affordable rental housing. The members of the Preservation Working Group strongly support a balanced national housing policy that includes decent, affordable rental housing and support legislation to protect and revitalize affordable housing for seniors.

As Senator Dodd indicated in his opening statement, the needs of America’s lower income seniors are great, and they are expected to grow. The population of Americans aged 65 and older is expected to double between the year 2000 and 2030. Harvard’s Joint Center for Housing Studies recently found that among seniors who rent 2.5 million, about 53 percent, already pay more than 30 percent of their income for housing and 1.4 million pay more than 50 percent.

This year, the HUD Section 202 Supportive Housing for the Elderly Program will celebrate its 50th birthday. Since 1959, the 202 program has led to the creation of over 400,000 affordable rental apartments for low income seniors around the Country. This housing serves nearly every community in the Nation, including nearly 12,000 in New Jersey and 2,400 in Nebraska, as shown in Attachment A of my testimony.

But many 202 properties are 40 years old or older, in need of repair and improvements, and are stretched to meet the needs of their increasingly frail residents. Under the current Section 202 law, the redevelopment and preservation of existing properties can be time-consuming and cumbersome. S. 118, sponsored by Senator Kohl and Senator Schumer, would simplify, streamline, and modernize procedures to improve and preserve these properties, encour-
age broader participation by developers, lenders, and investors, and create needed construction jobs.

The Trust strongly endorses the provisions of S. 118 that would streamline procedures for recapitalization, require tenant notice and participation, and require that approved rehabilitation ensure the long-term viability of the property.

We also support the proposal to provide new resources to protect current and future residents from rent increases needed to pay for necessary recapitalization.

The bill should clarify that such assistance is to be made available for all currently unassisted units in the program when a property is refinanced and rehabilitated. Without such a provision, properties are at greater risk of conversion and many units would face unacceptable rent increase for current residents. In Wisconsin, for example, there are nearly 5,000 unassisted units in older 202 properties that are at risk of conversion or significant rent increases.

The Trust also supports a provision for existing nonprofit owners to retain reasonable proceeds from the sale or refinancing of these properties even when current owners may lack the desire, especially where current owners may lack the desire, or capacity to continue long-term stewardship. Although we share the concern that excessive proceeds to owners can raise the cost of this housing, we believe a reasonable incentive is needed to preserve these properties by encouraging the transfer to new ownership.

The National Housing Trust urges the earliest possible consideration of this bill, and thank you, Mr. Chairman, for your leadership in holding this hearing. Thank you.

Chairman MENENDEZ. Thank you very much.

Mr. Jones.

STATEMENT OF J. MICHAEL JONES, PARENT, BRICK, NEW JERSEY

Mr. JONES. Senator Menendez, I am too sorry about your loss.

I would like to talk to you as a father of someone with a psychiatric disability, and I appreciate the invitation to provide this testimony on behalf of two out of every five families in the United States who are affected by mental illness.

Today, I will share some of my son's experiences in obtaining and living in several different types of supportive housing.

Michael was first diagnosed when he was 16, with a mental illness. He was ill a lot longer than that, but one key thing I learned is that those who contract mental illnesses seem to be stuck where they are struck, as a saying we use.

The knowledge of when one began to be ill would be helpful for those trying to provide services or tailor services to their needs. Another thing I found is that many times those providing services or providing information or giving directions, which are not followed by the consumer, do not really seem to be able to empathize with the person that is receiving the services, and they label them as noncompliant or nonresponsive when it may simply be that they have a bad memory because of their illness.

Michael always wanted to be on his own but had no financial means or living skills to do that. So, as soon after graduation from
high school as he could, he left to live with a friend, but that ended up in crisis and him being back into the State hospital for the second time.

After this hospitalization, he was released to a group home for chemical abusers as well as being mentally ill. He did pretty well for a while, but eventually he started trying to leave that facility. And he finally did, but he left to live with his girlfriend who was pregnant.

My wife took the couple to apply for Section 8 housing in May of 2006, and our son was informed after a few months that he was eligible, but he never heard anything further.

The day treatment program he and his girlfriend attended referred them to their supportive housing office, and this office provided them with a listing of several apartment complexes who had no vacancies at the time.

They were still living with the girlfriend’s parent, mother, when the baby was born in November. However, there was a fire in their apartment the day before the baby was to come home, and so they were essentially homeless and went to live with relatives.

Because the couple, well, the family now was homeless, the supportive housing office was able to get them into an apartment in about 2 months. The new family was provided support to get the lease established, some deposit payments and transportation to obtain utilities. Their case manager also picked out furniture for the house and delivered it before they moved in.

They initially were visited by their case manager several times a week, but this soon slowed to only periodically.

As you might guess, my son had a very difficult time adjusting to the routine of daily life and family life, and he also had no ability to manage his finances. In less than a year, our son and girlfriend split up. He then briefly came back home to live with us.

But during this timeframe, the New Jersey Division of Mental Health Services program called Residential Intensive Support Teams, RIST, which had developed to primarily provide intensive supported housing for those leaving the State hospitals, was expanded in Ocean County to provide housing for those in the community at risk of being homeless and also needing more intensive services. Our son was referred and selected to participate. So he has been pretty lucky.

A major difference between this program and supported housing is that RIST initially holds the lease and acts as the representative payee for social security benefits, and it provides intensive life skill training. This is beneficial because some clients of the service may need to be hospitalized periodically or have real problems managing their finances, as my son does, and spending. This way, the clients do not lose their homes, and someone is there to help keep their benefits and affairs straight as possible while they are in the hospital.

This program does constantly strive to empower consumers to relocate to less restrictive living arrangements. However, in the case of my son, his income is SSI and SSDI. That is going to be a little difficult, I imagine.

He moved into his apartment to live on his own in early 2008, and he started a new day program. RIST provided evening life
skills groups for their clients at the apartment complex where he particularly lived, and Michael volunteered to help others to learn from his experience on how to use the public transportation system.

It did not take him long, however, to make new friends and start his first loud party. He ran up his electric, cable bills and telephone bills very quickly, and he had no one to take up the slack of paying for food and quickly found that food stamps were not enough. He started selling things he owned, or stole, to buy food and then drugs.

This past summer, when he was hospitalized again, he got to the point of deciding that living on his own was not really appropriate for him yet, and he needed to get into a long-term drug rehab program and back into the structure of group home.

The hospital case manager found there were no long-term rehab programs available. So he made the correct decision to go back to the State hospital for treatment and so that he could also get into a group home again. He is now back in that original MICA group home that he was in before.

In his initial attempts, he was not really ready for supported housing because he never really learned the skills and habits needed to live independently. His girlfriend, whose mental illness hit her much later in life, however, has continued to do very well in supported housing, as do many.

The lesson here is that providers of supported housing must understand that those with mental illnesses may require much more than periodic support. Providers may need to provide very intensive case management to guide and reinforce living skill development, at least for a year, perhaps longer.

That concludes my testimony. Thank you.

Chairman Menendez. Thank you very much, Mr. Jones. Thanks for sharing your story and insights. We appreciate it.

Ms. Crowley.

STATEMENT OF SHEILA CROWLEY, PRESIDENT AND CEO, NATIONAL LOW INCOME HOUSING COALITION

Ms. Crowley. Chairman Menendez, Senator Kohl, Senator Johanns, thank you very much for inviting me to testify today.

I am Sheila Crowley. I am the President of the National Low Income Housing Coalition, and we strongly support both the Section 202 and 811 programs and the concept of providing supportive housing for vulnerable people, and we very much support the 2 bills that are under consideration today.

Each year, the National Low Income Housing Coalition examines what rental housing costs and what low income people earn, and then we document the degree to which low income people really cannot compete in the private rental market. We do that in every jurisdiction in the Country.

So, for example, Out of Reach 2009 tells that in Hudson County, New Jersey, where 69 percent of the residents are renters, in order to be able to afford a modest 2-bedroom apartment, the household has to earn $42,760 a year.

There is no place in the Country where somebody whose annual income is the equivalent of the full-time minimum wage can afford
the rent on even a one-bedroom apartment, using the standard of spending no more than 30 percent of household income on their homes.

So, if low wage workers have a tough time affording the most basic home, elderly and disabled people, especially those who depend on SSI for their income, have it much worse. The fair market rent in Hudson County, New Jersey, for an efficiency, for example, is $889 a month. Yet, 30 percent of monthly SSI income in New Jersey is $212.

In Nebraska, the 30 percent of SSI income is $202 a month. The FMR, fair market rent, on an efficiency in Omaha is $534 a month. You can see there is just a significant gap.

At the end of 2008, there were 6.3 million adults receiving SSI in the United States, 4.3 million were blind or disabled adults between 18 and 64, 1.2 million were adults 65 years of age or older, and then there were another 830,000 who were blind and disabled and were 65 years of age or older.

SSI recipients are among the very poorest people in our Country, and, in the absence of housing assistance in any form or some form, they cannot afford to live in any community. So these are precisely the people who the 202 and 811 programs can best serve.

There are approximately 300,000 units of 202 housing now, with just a third having the rent assistance that makes them affordable to the lowest income people. We have approximately 30,000 units of Section 811 housing, another 14,000 Section 811 vouchers. Many SSI recipients receive other forms of Federal Housing Assistance through public housing, project-based Section 8 and vouchers, et cetera. But, nonetheless, demand far exceeds the supply.

A significant number of low income elderly people have serious housing cost burdens: There are 26.6 million households in the United States with 1 or more members who are 65 years of age or older; 16 percent of senior households are extremely low income, and 74 percent of these households pay more than 30 percent of their income for their housing; 51 percent or 2.1 million households, which is the key number here, of extremely low income senior households pay more than half of their income for their housing.

So when a poor elderly person has to spend more than half of her income, it means she scrimps on food, on medicine, on heat and other basic needs. These are the elderly people most at risk of becoming homeless, and living hand to mouth that way hastens the day when an elderly person can no longer live on her own and will require more expensive institutional care.

I want to echo the comments of Michelle Norris, that affordable housing policy is health care policy, and we have to think of those two together.

Enactment of S. 1481 and S. 118 are important steps for Congress to take up as soon as possible.

We also urge the Committee to look at policies for the preservation of the rest of the affordable housing stock.

We also would urge you to look at the Section 8 Voucher Reform Act that will modernize the voucher program. With the promises that come with several, we will see a much more efficient and effective use of the voucher program.
Finally, we ask the Committee to move quickly on funding for the National Housing Trust Fund. At least 75 percent of the National Housing Trust Fund units must be affordable to extremely low income people. We envision that many of those units will be available to seniors and people with disabilities.

I would like to just make a quick note on the National Housing Trust Fund in recognition of Frank Melville as well. The Melville Charitable Trust has supported the campaign to establish the National Housing Trust Fund for many, many years, and without their support enactment of that bill last year would not have been possible. It would be a great honor of Frank Melville if we were to get the program funded and moving this year.

Congress has done a lot already this year on low income housing policy, and we would see this as the first year of the 111th Congress to be quite historic if we could build on the existing accomplishments by getting these two bills passed, getting SEVRA passed and getting the trust fund under way.

Thank you very much.

Chairman MENENDEZ. Thank you.

Thank you all for your testimony. You have made the best use of it. Not only have you focused on the subject of the hearing, but you have included a few other advocacies as well. So we appreciate it.

Since there are only three of us, I think we will do some 7-minute rounds, make sure we can get all of our questions in, and then we will go from there. I will start off on the questions.

I want to ask the panel, our bill to reform 811 combines other sources of financing with Section 811 funds to build homes for people with disabilities. What do you think that will do in terms of changing or affecting the rate at which we can build such homes?

Ms. O’HARA. With the existing 811 appropriations, Senator, we could quadruple the number of units produced, just in the 811 program, in the first year that the program is operational. So we could go from 1,000 units or less—this year, we actually only funded 930—to as many as 4,000 in the first year. It is a substantial increase without an increase in any funding.

Chairman MENENDEZ. Just for the purposes of the record, why?

Ms. O’HARA. It is actually pretty simple, but I do not know why we did not think of it a long time ago.

Chairman MENENDEZ. I know the answer, but I want you to give it to me.

Ms. O’HARA. We produce hundreds of thousands of units of rental housing every year that is affordable to people at 50 or 60 percent of area median income, through the tax credit and home program. So what the demonstration program does in 811 is simply start from that point and say, what does it cost to take a unit that is already produced at 50 percent of median income and make it affordable to someone on SSI, the average income there being 18 percent of median?

What has happened, for example, in North Carolina is that they have found that that cost of reducing that rent in a new unit, integrated in an affordable housing development, is less than $300 a unit a month. Now that would not necessarily be the cost in New
York City, for example, where the cost would be somewhat higher. But I think the point is that the cost of the unit under the demonstration is much less than the cost of, for example, issuing a voucher.

Then we are not putting any capital into that unit at all, under 811, because the capital is already being paid for with tax credits, home funds. The new National Housing Trust Fund is a perfect vehicle for this program as well.

Chairman MENENDEZ. Thank you.

What benefits would the Project Rental Assistance Contract Demonstration Program created by the Section 811 Reform Bill have for people with disabilities? Anybody have a view on that?

Ms. Crowley? Ms. O’Hara?

Ms. CROWLEY. Well, I think that one of the intentions is to offer people with disabilities a wider range of choices of places to live and to have the opportunity to live in more integrated settings.

As Mr. Jones described, the needs of people with disabilities, they are certainly not monolithic. There is a great range of abilities. There is a great range of different kinds of services that people require.

If we limit ourselves to certain models and then try to get all disabled people to fit into our model, we will not succeed. So this offers alternative models that will be able to fit the wide range of people who are looking for housing.

Chairman MENENDEZ. Any other observations, Ms. O’Hara?

Ms. O’HARA. I think that we have in 29 States right now grants called Money Follows the Person, which are designed to help people move out of restrictive settings such as nursing homes. One of the major barriers to people doing that, aside from the affordability, is also that people need accessible housing. They need housing with special features.

Those units are produced every year in the tax credit program, but they rarely go to people who actually have mobility impairments or other special needs because the rents are too high. So, by taking the PRAC and applying it to those accessible units, we will see people who really need a unit with an accessible bathroom, an accessible kitchen, a visitable entrance. They will have much more access to those units that we are already producing but that we are not getting to the right people.

Chairman MENENDEZ. Let me ask you, with reference to the supportive services—and Mr. Jones’s testimony I think was very elucidating on some of the challenges—how can we better integrate the social services that are so badly needed into the existing program so that parents of adult children with some form of disability or children of elderly parents can breathe a little easier? What are we looking at?

Maybe there are models out there that are successful, if anyone wants to share any of those.

Ms. O’HARA. Well, I could start by talking again about the bill. One of the things that happens now with the 811 program is that it is a very locally driven process, where a nonprofit gets the funds to build the housing, and there is very little connection to State policy in terms of who is going to live in those units.
What the demonstration program does is connect the people who have the highest needs based on the States’ Medicaid and mental health policies and requires that in order to get that funding the State must commit to making sure that those services are available.

So I think by offering a model like that, we are basically creating a new mechanism, a better mechanism, to hold a State mental health system, a State developmental disability system, accountable for following those people on a permanent basis rather than just until they think that they are doing well in housing and then do not need the help anymore.

Chairman Menendez. Mr. Halliday, did you want to? I am sorry, I thought I saw a your hand.

Anyone else? Yes, Ms. Crowley.

Ms. Crowley. Well, I think that there is a lot of talk about services in housing programs, and there is a great range in the depth and the quality of those programs.

My own experience working at the community level is that the folks with the most serious problems need the most skilled service workers, the most skilled clinicians to assist them during that. Often, it is the case they end up with some of the least skilled people who are working with the very poorest folks. So part of what will make sure that those programs work as best as they can is the resources are there to be able to hire highly trained, experienced people to provide those services.

You cannot do it on the cheap. So the more we can figure out how to integrate funding that will support that, the better those services will be.

Chairman Menendez. Well, I hope the demonstration project, as you suggest, Ms. O’Hara, drives, incentivizes the State and also creates accountability from the State as well.

Well, thank you all.

With that, Senator Johanns.

Senator Johanns. Thank you, Mr. Chairman. Again, thank you very much for putting together this very important hearing.

In just listening to the witnesses, there are so many good things I hope that can come out of this hearing, and I thank you all for being here.

Let me, if I might, explore a little bit of a different angle that I would like just some information on. I think, Ms. Crowley, you might be the best person to start with, but if there is anyone else that has knowledge in this area, jump right in.

You talked about how our SSI recipients are some of the poorest people in our Nation, and I do not disagree with that a bit. What about the SSI program? Is there something about the SSI program, maybe is a better way of asking it, that literally causes people to be forever locked into that position?

For example, if a recipient of SSI were on the program, could a family member financially help them? Could they help with rent or whatever? Are there income limits?

I am not an expert here. Walk me through some of the challenges you face on SSI.

Ms. Crowley. Well, I will do my best. It has been many years since I actively worked with people on SSI, and some folks may
have a little bit more details, but in general, SSI is an income program. It is an income maintenance program for the people who have no other resources whatsoever. So the folks who are—the elderly people who are on SSI are people who never had covered employment under Social Security and so either they never worked or their work was so minimal that they don’t get the entire Social Security benefit or any Social Security benefit. So that is for the elderly portion.

For the people with disabilities who get SSI, they are people who have very severe disabilities. It is not easy to get SSI. My experience is that the SSI application process takes a long time. Almost everybody I ever worked with, you had to appeal it more than once in order to get that through. So there has to be a finding of very serious disability that inhibits your ability to earn income, i.e., that inhibits your ability to work.

Because it is a means tested program, there are very—any income that you get, that income—there is a little bit of a disregard, I think it is a $65 disregard, but then if you earn income, your benefits are reduced by the same amount. There is—and actually, I don’t know what the current rules are around what your parents can do to assist you, but it is not much. Maybe Michelle can answer that.

Senator JOHANNES. Michelle, do you——

Ms. NORRIS. Well, first of all, I just—one of the things I was kind of struck by is this discussion we keep having about the 811 and the 202 program. One of the realities is that as we talk about the aging population is the number of disabled aging that will also be coming into our future.

Ms. CROWLEY. That is right.

Ms. NORRIS. They will also double, as well. They are projected to double. So we are going to be looking at a lot of folks who are coming in through the SSI program going into elderly disabled. So this whole issue really is a blended thing that we should be looking at in collaboration.

Ability to get help from family members is allowed, but there are certain rules, and I am not sure we have really gone through and digested all the technical things on that. You probably know a lot more than we do on that, so I will defer to you on some of the technical craziness that I am sure is out there.

But in the end, there is also the reality that as these folks become the elder disabled, they may not have necessarily somebody local. A lot of times, we are finding the parents are behind, especially in Ohio, and their kids have gone off to more exciting places like California, Nebraska, perhaps.

Chairman MENENDEZ. I would put Nebraska right at the top of that list, but that is a bias on my part.

[Laughter.]

Ms. NORRIS. But it is possible to help, but what we find is it is not that those families necessarily have a lot of resources of their own to help in augmenting what they need.

Senator JOHANNES. Mr. Jones, do you have experience here?

Mr. JONES. Yes, sir. I do. Medicaid is predicated on getting SSI, at least in New Jersey, and it is a $2,000 limit on any amount of
money you can have at one time unless you are trying to purchase a car or something like that. Families can provide goods or services, but not money, because that adds to the means.

In New Jersey, we have a workability program set up so that as you work and you pay down your SSI, you are still able to keep your Medicaid by paying your insurance. Thirty dollars, I think, is the maximum that you will ever have to pay. I don’t think anybody has had to pay that yet. But you are allowed to work and make up to about $62,000 a year now and keep Medicaid for your insurance. That is the big thing. That is a good part of it.

Senator JOHANNS. The reason I asked this line of questioning, Mr. Chairman, I am kind of looking ahead here. I think this makes so much sense that ultimately, we can get this done, the purpose of the hearing today. But as I was working on mental health reform as the Governor, and as I worked with consumers and they would talk me through what they were going through with SSI or disability or whatever, I must admit, it just seemed hopelessly complex. I don’t know how anybody could get through the system. And you are right. They would tell me all the time, oh, you always get turned down the first go at it. You have got to be persistent to get SSI.

But I am wondering if there is a point at which where we dive deep and ask ourselves, is this system serving disabled citizens the way it should, and I am going to guess that we will find a dozen other ways of improving this system in some ways where we don’t add to the cost, where maybe there is a son or daughter who has the ability to help but literally is limited by the rules, or maybe there is a parent who wants to help, but again is limited by the rules.

Therefore, instead of this family living in, or this person living in such terrible poverty, really, because you almost have to with SSI, is there something that we can do to improve that situation? Now, that is not going to work for everybody, I appreciate that, but I think it is worth a look.

I mean, look at how much is going to happen here, and it is not because we are doubling or tripling the budget. We are just doing it better. I guess what I would like to think about, Mr. Chairman, is there a way to look at some of these arcane rules I think that are out there and is that a next step for us? Thank you.

Chairman MENENDEZ. Thank you very much. Good point.

Senator Kohl.

Senator KOHL. Thank you, Mr. Chairman.

Ms. Crowley, what are the main challenges facing the Section 202 program as you see its existence today?

Ms. CROWLEY. I think that the program has been around for some time and so many of the units are aging and need attention in terms of rehabilitation and those kinds of things so that they can be kept in good shape and be able to be used for the next generation. So a major challenge is the preservation of the existing units and this bill does a great deal to help with that.

The bill also will streamline the process so that it may be easier to develop new units so that we can get more done with the money that we have.
And the thing that is critical to look at is how to help people who are living in the housing remain in that housing and be able to live out their lives in a graceful and dignified manner and avoid the expense and the indignity of institutionalization. And so adding the ability to expand service coordination or incentivizing service coordination, having service workers who are there, I think is an important step, although I would repeat that it is absolutely critical that those be people with the level of skill needed to address the concerns of the clients that they have.

Senator KOHL. How do you see S. 118 addressing some of these problems?

Ms. CROWLEY. I am going to let my buddy next to me, Toby, answer that question, and only because I know that he can answer it better than I can because he is the developer, and that will be a better——

Senator KOHL. Good. Go ahead, Toby.

Mr. HALLIDAY. Thank you. Well, as Sheila mentioned, I think the biggest challenges here are not just the way the program works from day to day, but there are many aging buildings. There are many aging residents of these buildings. Some of them moved in the day the buildings opened, 20, 30, 40 years ago. And there are aging owners, as well. Many of these nonprofit organizations that own these buildings were very committed and good at what they did when they got into this operation 20, 30, 40 years ago, but the standards of property management have changed, best practices have changed. And, of course, the boards of these organizations have changed. The staff has changed. So not all of them are able to maintain the property in the condition that they themselves would like to.

So some of the things that we are most excited about in S. 118 are easing the ability to transfer some of these properties, easing the ability to refinance some of these properties and make badly needed improvements, not just to bring them up to date, keep them up to code, but to meet the changing needs of an elderly population that is itself aging in place and bring in new rental assistance.

As I mentioned, in Wisconsin alone, there are nearly 5,000 of these units that were built during a previous incarnation of the 202 program, where there was no rental assistance to the units when they were originally created: a large number in Wisconsin, but a huge number around the country of these units where either the current residents will face significant cost increases, and many of these residents obviously are not in a situation where they can absorb that. Or, the cost to make these is essential to make these improvements will cause the conversion of these properties to some other use, which would be equally terrible for not just current residents but future residents.

So those are some of the things that we see as particularly helpful in S. 118.

Senator KOHL. Thank you.

Ms. Norris, just to go on with this line of questions, what is the current need in Section 202 for supportive services and how would S. 118 help provide supportive services for seniors?
Ms. Norris. Well, gosh, I so much want to finish the rest of that question. I am so sorry you asked me this one. Can I put a plug in for the other one, though?

Senator Kohl. Sure.

Ms. Norris. The preservation, absolutely. There is—in the bill, I would say every issue that I say is one of these technical fixes, I have experience with our own organization buying or preserving or assuming somebody else’s building that has been problematic and these fixes would have helped every one of those. So I can actually tell you, because we have preserved over 5,000 units in the last 5 years, that it really does—it will make a difference. So I do really agree with that part of the preservation piece of this bill.

The supportive services side, HUD does have a great program, and I will refer to Jan Monks here, who is one of the leaders of a group called American Association for Service Coordinators, AASC, right, which is a service coordinator program that HUD has put in place and funded for years. It is a terrific program, a great first building block on housing to try to bring in services, coordinate services.

This bill will also take and go one step further, which is with this assisted living conversion program, they are going to try to allow—it will allow us to not have a licensed building. In other words, you would be able to bring in—and instead of having to go through all the capital costs to convert something to a licensed building and all the extra operating costs to have 24/7 nurse aid, et cetera, it basically enhances the service delivery so you can tag in with what the States are trying to do. The States are already driving a lot of innovative ideas because they are the ones that are really getting forced into this because they can't afford the service programs anymore on Medicaid and Medicare.

So this allows some of those flexibilities that will allow you to actually take the energy that the States are doing and make it work in these buildings that they can't get it to work in right now.

Senator Kohl. Thank you. Thank you very much, Mr. Chairman. Chairman Menendez. Thank you, Senator Kohl.

I just have one or two final questions, and you know, along the lines of what Senator Kohl was asking, it is obvious that it is, in a sense, cheaper to preserve housing that we have than to try to build new, although we want to build new ones. So the question is, is there something beyond what we do in both of these bills in the Section 811 and 202 that would enhance that? Is there anything we have missed here?

I mean, I have heard some of you talk about the National Trust Fund and others. I understand that. But specifically, is there anything that we have missed that would enhance the possibility of preserving further existing housing for either seniors or disabled along the way that we should be thinking about, being certainly open? Mr. Halliday.

Mr. Halliday. Well, let me just start by saying that there are a number of things that this Committee can do and some of the bills that some of the members of the panel have been advocating for have been mentioned earlier. But I would say that the existing project-based Section 8 program, the majority of people who live in those units are, of course, elderly and disabled. So strengthening
the entire affordable housing program for low-income residents will help seniors, will help disabled residents, and we have been working closely with Senator Schumer, Senator Dodd, other Members, to try to move a bill that would enhance the ability of nonprofits and other mission-oriented organizations to preserve the whole range of assisted—of rental assisted properties, and also working with Chairman Frank on the House side. So we would urge this Committee’s consideration of that legislation. So that would be one part of a more comprehensive solution.

Chairman MENENDEZ. Anybody else?

Ms. O’HARA. Senator, this is a problem that we are just beginning to learn about, so what I know is anecdotal. But back in the early 1990s, when we started building 811s, we built quite large facilities in some parts of the country. I had a call the other day from someone in California who has a facility that is 20 units, and the State of California is now implementing policies where they want to see more community integration and less concentration of people and so there is a real catch-22 there around whether this 20-unit facility is actually going to be viable if the State changes its policies and doesn’t want to see 20 people with the same disability placed in this facility.

So I think we do need to look—we need perhaps to study some of these older 811 properties that may actually be, I call them white elephants, because they are very facility-oriented. They are very facility-based. Given the move to community integration, we may have a problem on our hands 5 or 10 years from now in having some properties that are not consistent with community integration policies.

Chairman MENENDEZ. Let me ask you one other question. With reference to the approach we take in the 811 reform bill, where we—keeping the funding with housing for people with serious disabilities versus diverting it to vouchers that may not be for people with serious disabilities, is that something that you view as the right policy?

Ms. O’HARA. We strongly support using vouchers for people with disabilities. Some housing authorities around the country are doing an extraordinary job using their Housing Choice voucher programs to meet the needs of people with pretty serious disabilities, particularly people with mental illnesses, and we have to applaud that.

I think where we have a problem is that not all housing authorities see that as their mission. So the voucher program is definitely a solution. It is not necessarily a solution for supportive housing in every community the way 811 might be, but I think we need to keep—we are not going to solve this problem by just using 811 resources. We are going to have to tap into vouchers and we are going to have to look at how housing authorities are deploying their resources.

I just learned in a meeting yesterday that a housing authority in Maryland, that I won’t name, only 5 percent of their tenants who are on the voucher program are on SSI, just 5 percent, and we know that the need proportionately is much greater than that. So I think we need to do a better job of opening up the voucher program as well as improving the Section 811 program.
Chairman MENENDEZ. Finally, is there anyone with any suggestions how we can simplify HUD’s 450 pages of Section 811 guidance rules and regulations? There has got to be a better way.

Ms. CROWLEY. I can’t answer that, but I am very confident that the team at HUD that we have there now, if they can do it, they will, because it is a really exceptional group of people who are running the agency these days.

Chairman MENENDEZ. I don’t disagree with you. Sometimes, however, even institutional change, even with a new culture, takes time. Four-hundred-and-fifty pages is just beyond my comprehension of how we move and what we need in the days ahead.

Well, thank you all for your testimony. It has been very helpful in developing where we want to go from here.

The record will remain open for two additional days for any Members who have any questions that they may want to ask and did not have the opportunity to come to the hearing to do so. If you receive questions, we would ask you to answer them as expeditiously as possible.

On behalf of all of us, thank you very much for your testimony. With that, the hearing is adjourned.

[Whereupon, at 11:54 a.m., the hearing was adjourned.]

[Prepared statements, responses to written questions, and additional material supplied for the record follow:]
Chairman Menendez, Ranking Member Vitter, and Members of the Subcommittee,
it's my pleasure to be before you today to speak to an issue of tremendous impor-
tance to elderly and disabled Americans.

As the main House proponent of legislation to reauthorize HUD's Section 811 pro-
gram, it is a pleasure to be here to add my voice to why action to modernize the
program is so greatly needed. At the outset, let me thank Chairman Menendez for
his efforts here in the Senate. I believe the legislation that we have both introduced
to revitalize this important program will result in the production of hundreds of
thousands more units of permanent supportive housing across the Nation and will
ensure that America's very low-income disabled population will have safe and af-
fordable places to live.

As the experts on the next panel will tell you, HUD's 811 program is not currently
doing enough to meet the enormous demand. There are approximately 1.3 million
nonelderly disabled households with what HUD defines as "worst case needs"—
meaning they are very low income, pay more than 50 percent of their income in rent
and they live in substandard housing. While the need is obviously great, only a
trickle of affordable units come on line each year and as we heard in testimony be-
fore the House Financial Services Committee, even a small supportive housing
project can take up to 8 years to complete.

By all accounts, the program is overly bureaucratic and has not been adapted to
compliment the good, innovative work of hundreds of organizations across the coun-
try that are trying desperately to provide quality, permanent supportive housing to
combat the unrelenting housing crisis faced by millions of extremely low-income in-
dividuals with disabilities.

My home State of Connecticut offers a good example of how improvements to the
program will complement the work already being done by State Governments and
housing advocacy organizations. In Connecticut these partnerships have led to a
commitment to create 10,000 units of permanent supportive housing over the next
10 years. By using the Low Income Housing Tax Credit with a State provided set-
aside for rental assistance, we have been able to secure permanent supportive hous-
ing for disabled, severely low-income Connecticut residents. This same financing
mechanism has been used in States like North Carolina and Louisiana to tremen-
dous results.

This approach, a public–private partnership leveraging existing tax credits for ex-
panded use, is included, on a national scale, in both the Chairman’s legislation, S.
1481, the Frank Melville Supportive Housing Investment Act, and my legislation,
H.R. 1675 which passed the House in July.

This approach, Mr. Chairman, of public–private partnerships, will derive more
units of permanent supportive housing using the same funding we use today—more
bang for our buck. Currently, the average capital cost of an 811 project is about
$100,000 per unit plus a monthly rental payment equal to about $6,000 a year.
Under our legislation, the capital investment is wiped out because the units are
being built through existing credits and programs and because they are already af-
fordable units, the rent subsidy will be less than the $6,000 a year average.

As you know, Mr. Chairman, we fund this change by using the funds currently
set aside for 811 Mainstream Vouchers. HUD has done a less than adequate job in
ensuring these vouchers are used to support people with disabilities—they don’t
monitor or track them—and while there is a great need for Mainstream Vouchers
generally, these funds would be better used to ensure that 811 eligible individuals
have access to permanent supportive housing.

Beyond this change, Mr. Chairman, the legislation also allows States and State
housing agencies to do much of the bureaucratic paperwork involved in these appli-
cations, which will greatly expedite the applications process. These are but a few,
I believe, of the refinements outlined in the two bills that will make the 811 pro-
gram more efficient and less bureaucratic using Federal dollars in a way that pro-
deuces truly produces permanent supportive housing.

Mr. Chairman, I know you will hear from the next panel, what we heard across
the Capital last year and earlier this year. The Section 811 program is worth pre-
serving but must be reformed if we hope to meet its overwhelming demand.

Thank you Mr. Chairman for your generous allotment of time and I am happy
to any questions your or the other Members of the Committee may have.
PREPARED STATEMENT OF ANN O’HARA
HOUSING ADVISOR, CONSORTIUM FOR CITIZENS WITH DISABILITIES HOUSING TASK FORCE
OCTOBER 29, 2009

Introduction

My name is Ann O’Hara and I am the Associate Director of the Technical Assistance Collaborative (TAC), a national nonprofit organization whose mission is to advance evidenced based and promising policies and practices in affordable housing and community based supportive services for people with the most significant and long-term disabilities. On behalf of TAC and the Consortium for Citizens with Disabilities (CCD), I am pleased to provide testimony on S. 1481—the Frank Melville Supportive Housing Investment Act of 2009—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 (Section 811).

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 the National Alliance on Mental Illness, The Arc of the United States, United Cerebral Palsy, Lutheran Services in America, the American Network of Community Options and Resources (ANCOR), the National Disability Rights Network, The Bazelon Center for Mental Health Law, United Spinal Association, United Jewish Communities, and the American Association of People with Disabilities.

TAC and the CCD Housing Task Force would like to thank the Subcommittee for your leadership on critical affordable housing issues over the past year, including legislation that protects renters in foreclosure, the new Homeless Prevention Rapid Re-Housing Program included in ARRA, and the HEARTH Act. In addition to S. 1481, we urge the Congress to provide $1 billion in funding for the National Housing Trust Fund as proposed by Senator Reed in S 1731, and recommend passage of the Section 8 Reform Act (SEVRA). Both these programs are also vitally important to people with disabilities with very low incomes.

Section 811 Reforms Essential

The Section 811 program is the only HUD program solely dedicated to creating permanent, affordable, and accessible housing linked with voluntary community-based services and supports that people with most significant and long term disabilities want and need in order to live as independently as possible in the community. The CCD Housing Task Force strongly supports S. 1481—legislation that is essential to revitalize and improve the Section 811 program. This innovative legislation can expand the creation of new Section 811 units by 300–400 percent per year without any increase in Section 811 appropriations.

Unfortunately, despite the fact that Section 811 has historically been an important Federal resource to help people with disabilities achieve the goal of community integration, the program has many problems and now produces less than 1,000 new units each year. The program is inefficient, plagued with bureaucratic “red tape,” and rarely leverages financing from other Federal and State affordable housing programs. Most importantly, the housing produced by Section 811 during recent years often does not reflect the housing needs and housing preferences of many people with disabilities. This legislation—which will inaugurate a new era in the Section 811 program—is extremely important for the disability community because its enactment will signal a renewed Federal commitment to address the enormous and unrelenting housing crisis faced by millions of extremely low income people with disabilities. This crisis is documented in the TAC/CCD Housing Task Force biannual Priced Out study, which compares HUD Fair Market Rents for modest rental housing to the income of nonelderly adults with disabilities who rely on Federal Supplemental Security Income (SSI) for all their basic needs.
Disability Income and Housing Affordability

Priced Out in 2008 documents that the national average income of an individual receiving SSI was only $668 per month ($8,016 per year)—equal to only 18 percent of Median Income for a single person household. The average monthly one-bedroom HUD Fair Market rent in 2008 was $749—which is 112 percent of the entire monthly income of a single individual receiving SSI. HUD’s studio/efficient unit Fair Market rent in 2008 was $663—only $5 less than an individual’s SSI payment. In 2008, one bedroom Fair Market Rents ranged from a high of 198 percent of SSI in Hawaii to 70 percent of SSI in North Dakota—the most affordable State.

Over 4.2 million nonelderly adults relied on Federal SSI in 2008. Unfortunately, recent HUD Worst Case Needs reports to Congress—which assesses the needs of very low income renters—used a flawed methodology which undercounted the needs of people with disabilities. TAC/CCD responded by doing its own study authored by Katherine Nelson, a highly respected former HUD researcher who developed HUD’s Worst Case needs reports until 2003. Our study found that between 1.3 and 1.4 million very low income nonelderly disabled households without children were paying more than 50 percent of their income towards housing costs. These simple statistics begin to illustrate the housing crisis which confronts people with disabilities in every State in the Nation.

Critical Permanent Supportive Housing Needs

Unfortunately, this crisis is further illuminated through data on the number of people with disabilities living in restrictive settings including public institutions, nursing homes, and segregated Adult Care facilities as well as adults with disabilities who remain at home with aging parents. Because these individuals are not considered renters they are typically not counted in any Federal estimates of Worst Case housing needs. They do, however, provide the most compelling evidence of the critical need for a robust and reinvigorated Section 811 program:

• In 2007, there were 412,324 nonelderly disabled adults between the ages of 31-64 residing in Medicaid-funded institutions. An additional 16,000 were age 30 or under;

• As the outcome of recent Olmstead litigation, the State of New Jersey is required to 1,065 new units of permanent supportive housing in the community during the next 5 years for people with mental illness who are institutionalized or at-risk of institutionalization. New Jersey also has 2,300 individuals with developmental disabilities living in State facilities waiting to move into the community;

• The State of Illinois has an estimated 12,000 people with mental illness currently living in expensive nursing home beds primarily because there is no permanent supportive housing available in the community;

• The State of North Carolina has more than 5,000 adults with disabilities living in restrictive Adult Care Homes rather than in integrated supportive housing in the community;

• In August of 2009, a Federal judge in New York ruled that 4,300 adults with serious mental illness in New York City were living unnecessarily in expensive and segregated Adult Care Homes that were even more restrictive and institutional than psychiatric hospitals.
• The City and County of San Francisco are under a court order to create 500 new units of permanent supportive housing to replace the “beds” in the Government-owned Laguna Honda nursing home;

• The State of Alabama currently spends more than $900 million on high cost institutional long-term care (71 percent of its total long-term care expenditures), which could be significantly reduced if more permanent supportive housing units were created.

• In 2004, there were 711,000 people with intellectual or developmental disabilities living with aging parents/caregivers (one of whom is over 65). This data included 22,734 individuals in New Jersey and 10,110 people in Louisiana.

Ten years ago, the U.S. Supreme Court handed down its landmark Olmstead decision affirming the civil rights of persons with the most serious and long-term disabilities to live in the most integrated setting possible that meets their needs. 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 permanent supportive housing envisioned by the Olmstead decision. 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 the only Federal program authorized to achieve this critically important Federal housing policy objective. That is why there is such an urgent need to enact S. 1481.

Section 811 Is Cost Effective

Permanent supportive housing created through Section 811 is extremely cost effective. It has been well documented in numerous studies that people living in permanent supportive housing cost the Government less than institutional care or other inappropriate settings. For example:

• A recent study published in the Journal of Health and Social Policy found that the average total public expenditure for a person with a significant and long term disability receiving Medicaid Home and Community Based Services waiver services (who must meet the eligibility criteria for institutionalization) was about $44,000 less per year than for a person receiving institutional services;11

• A 2009 cost study of 96 people with serious and persistent mental illness living in various Section 811-properties in Columbus Ohio found that the cost of providing mental health services to individuals living in Section 811 housing was 40 percent less than the cost of services for those same individuals during the year just prior to moving in ($13,942 one year prior to Section 811 housing vs. $8,039 during the first year living in Section 811 housing). These costs—and cost savings—were virtually identical to savings achieved for 157 homeless individuals with mental illness in Columbus who received housing through the HUD McKinney-Vento Shelter Plus Care program;13

• A cost study of people with severe mobility impairments who moved from a nursing home to a new Section 811 project in Allentown, PA, in 2004 found that the cost of Medicaid services per individual was reduced from $70,000 to only $28,000 per year.14

• A recent supportive housing study in Illinois published by the Associated Press found that supportive housing provided through programs such as Section 811 saved Illinois taxpayers nearly $2,500 for each resident served. This study included 10 nonelderly adults with mental illness who lived in nursing homes as well as people with mental illness who were homeless.

Current Federal, State, and local efforts to achieve the promise of community integration envisioned in the Americans with Disabilities Act are stalled because of the critical shortage of affordable and accessible supportive housing. Important Medicaid reform to expand self-directed services, promote rehabilitation and recovery for people with disabilities, and control facility-based Medicaid long-term care costs

12 Mental health services, alcohol and drug services and the costs of in-patient hospitalization.
13 Susan Weaver, Executive Director, Community Housing Network, Columbus, Ohio.
14 Center for Outcome Analysis, 2004.

almost $60 billion for institutional care in 2007 cannot succeed unless programs such as Section 811 are revitalized and reformed to respond to this important Federal and State policy priority.

Summary of S. 1481

S. 1481 will “fast-track” and create a sustainable “pipeline” of thousands of new permanent supportive housing units every year through the following new Section 811 policies:

1. Authorizing a new and innovative Section 811 Project Rental Assistance Contract (PRAC) Demonstration Program

   This policy is designed to include integrated supportive housing units within rental housing complexes financed with Federal Low Income Housing Tax Credit (LIHTC), HOME, or other capital programs. Successful models of this approach have been implemented in the States of North Carolina (more than 2,000 units created) and Louisiana (more than 700 units committed). Through this integrated development model, the typical property has between 5–10 percent of the units set-aside as permanent supportive housing. These results can be replicated nationally through a new Section 811 PRAC Demonstration program which will provide the essential rental subsidy needed to reduce rents to SSI-affordability levels for a small percentage (up to 25 percent of the total) of units in new or rehabilitated affordable rental housing developments. Several other States have already expressed serious interest in this innovative and integrated model. This policy will help ensure that a significant percentage of the hundreds of thousands units routinely created every year through the LIHTC and HOME programs are dedicated to providing supportive housing for people most in need of housing assistance. S. 1481 provides that PRAC Demonstration funding be linked with Medicaid and other State supportive services policies/funding streams to ensure the availability of supportive services for Section 811 tenants.

2. 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 created through mission-driven nonprofit developers. These reforms will also increase the number of units created each year through the current 811 production program and will help nonprofit Section 811 sponsors to create integrated housing properties that include units for people with disabilities as well as units for other households that need affordable housing. For example, nonprofit organizations creating new affordable rental housing developments would be able to use Section 811 Capital and PRAC funding to create a set-aside of supportive housing units in a property financed with HOME or National Housing Trust Fund resources.

3. 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 almost never been used to create 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 nondisabled 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 helped 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 program cannot do. It is clear that there is only one good solution to fix this troubled program. S. 1481 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.

4. Streamlining Section 811 processing requirements and removing out-dated regulatory barriers.

The Section 811 statute has remained virtually unchanged for the past 16 years—and the bureaucracy that surrounds the program reflects the “staff intensive” way that HUD did business many years ago. The program has an excessive amount of bureaucratic “red tape” and processing requirements which have created multiyear delays in project development. Currently, Section 811 units cannot be combined with other affordable rental housing development, a barrier which has suppressed program innovation and fostered segregated rather than integrated housing opportunities. It is extremely important that when S. 1481 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 promote more efficient and effective housing development practices.

Conclusion

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. Nonprofits that have worked with the Section 811 program for years have also expressed their support for the improvements that S. 1481 includes. In fact, most existing Section 811 program sponsors have declined to apply for new Section 811 projects in recent years—not because the housing is not needed but because the program is so difficult to work with. In the last few Section 811 competitions HUD has received less than 150 Section 811 applications per year—a fraction of the demand 10 years ago.

Time is running out on the Section 811 program while the need to create new permanent supportive housing units has never been greater. In FY2008, only 930 new Section 811 units were awarded and without this legislation, that number of new units could soon fall below that level. Enacting S. 1481 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 S. 1481, Congress can ensure that a reinvigorated Section 811 program is ready to create as many as 3,000 or more new permanent supportive housing units every year—without any increase in current appropriations levels. The removal of many bureaucratic barriers which cause protracted delays in the Section 811 development process will also produce these 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.

Finally, enacting S. 1481 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.

PREPARED STATEMENT OF MICHELLE NORRIS
SENIOR VICE PRESIDENT FOR DEVELOPMENT AND ACQUISITION OF NATIONAL CHURCH RESIDENCES, ON BEHALF OF AMERICAN ASSOCIATION OF HOMES AND SERVICES FOR THE AGING

OCTOBER 29, 2009

Introduction

Good morning Chairman Menendez, Ranking Member Vitter, Senator Kohl, and Members of the Committee. My name is Michelle Norris and I am pleased to be here today, representing the American Association of Homes and Services for the Aging. The members of the American Association of Homes and Services for the Aging (www.aahsa.org) serve as many as 2 million people every day through mission-driven, not-for-profit organizations dedicated to providing the services people need, when they need them, in the place they call home. Our 5,700 members offer the continuum of aging services: adult day services, home health, community services, senior housing, assisted living residences, continuing care retirement communities,
and nursing homes. AAHSA’s commitment is to create the future of aging services through quality people can trust.

I am also the Senior Vice-President for Development and Acquisitions of National Church Residences (NCR). National Church Residences, a Columbus, Ohio-based nonprofit organization, was founded in 1961 and is one of the largest developers of affordable senior housing in the United States. NCR is also a founding member of Stewards of Affordable Housing for the Future (SAHF), an organization comprised of nine national nonprofit housing providers, seven of which are members of AAHSA as well, dedicated to the preservation of existing affordable housing communities. NCR owns and/or manages over 20,000 affordable senior and family housing units in 300 properties in 27 States and Puerto Rico. Our portfolio is diverse in the financing programs we use and the populations we serve, including supportive housing for the homeless, assisted living communities, and five health care facilities in Ohio. NCR continues to be an active developer doing both new construction and preservation of affordable housing. A significant majority of NCR’s portfolio Section 202s including many located in States represented by the Members of this Committee and the Senators who have cosponsored S. 118.

On behalf of AAHSA, NCR, my staff and the residents and families we serve, I would like to thank you for holding a hearing on this important issue. I especially would like to thank you for holding a hearing on this important issue. I especially would like to thank Senator Kohl and Senator Schumer for introducing S. 118 on the first day of this Congress. This legislation is sorely needed if affordable senior housing is to survive into the future.

Overview of Elderly Housing Crisis

It should come as no surprise that there is an affordable housing crisis in our country. This problem is particularly acute among the elderly living on low or moderate incomes. In 2006, AARP released an update of its Section 202 study and found that, on average, there were ten seniors waiting for each Section 202 unit that became available. Generally stated, the major contributing factors to the elderly housing crisis are the unnecessary loss of federally subsidized housing units, the lack of significant affordable housing production of new units, an elderly population boom, a national policy that has favored vouchers instead of production as the solution to the affordable housing crisis, escalating rental costs, and a lack of predictability for social services funding. In addition to these factors, our Nation’s seniors have not been immune to the recession and to the subprime and predatory lending rehabilitation scams.

Despite the estimates of the Congressionally mandated Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century that we will need an additional 730,000 units of assisted housing in 2020, the Section 202 program has been level funded, building fewer and fewer units each year. For the past several years AAHSA has urged Congress to provide enough funding for the Section 202 program to develop at least 10,000 units per year. In the FY09 NOFA, HUD has announced funding for only 3,130 new units. The NOFA includes as well the authority to delegate the processing of mixed finance transactions to State housing finance agencies for the first time. The delegation, pursuant to the authority provided in last year’s Housing and Economic Recovery Act, along with HUD’s welcome efforts to make it easier to combine HUD’s programs with the low income housing tax credit program, may make it possible to build additional senior housing units in combination with the 202 units.

For fiscal year 2010, Congress finally is poised to provide an increase in funding for the Section 202 program and for that we thank you. However, even with a more generous funding of the 202 new construction program, the Joint Center on Housing indicates that we have lost two units of affordable housing for each one that we’ve built. These units are being converted to market rate, or demolished to free the property for other uses. We are still losing ground.

You have asked me to address the positives and negatives of the Section 202 program and what the Congress can do to build on the strengths and correct the weaknesses. Simply put, the Section 202 program is the most successful Federal housing production program enacted by the Congress. It has stood the test time—now 50 years—and has offered opportunities for not for profits to carry out their missions to provide affordable supportive housing for the Nation’s most vulnerable seniors.

S. 118 provides an opportunity for the Congress to build on the program’s successes and strengths so that housing providers can develop financially sound developments and preserve existing properties that the Federal Government has spent billions of dollars constructing over a 40-year period. It is unlikely that we will address the affordable housing crisis through significant funding increases given the severe constraints that the Federal Government is under. What we can do is to address the opportunities and obligations that we see before us by increasing the effi-
ciency and effectiveness of the current 202 new construction program, plus aggressively preserving the existing housing stock. The AAHSA membership and the NCR leadership team are pleased with the provisions of S. 118 which streamline and improve the new development program, encourage the refinancing and preservation of the 202 program and place a renewed emphasis on providing supportive services in 202 housing so that seniors can age in place. Please allow me to use the rest of this testimony to highlight some of the very specific improvements that are created by S. 118 first in new construction, then in preservation and finally in various other means including increased service provision.

Title I—New Development

Realistic Development Cost Limits

A 2005 HUD report on construction costs indices for Section 202 and 811 housing included an overall finding that the factors and approach that HUD uses for establishing development cost limits “do not accurately reflect current actual development costs” for the surveyed projects or for the typical private funded construction. HUD itself had commissioned the report because they suspected the inadequacy, and unreasonableness, of their cost limits. As a result of the study, the limits have been raised—but they are still not sufficient to meet costs in most areas. In the case of NCR, I can tell you that the current development cost limits frequently do not work and are often irrelevant compared to the market place. Even with the increased limits, sponsors are still forced to seek additional funding, which significantly lengthens the total development timeframes. As a last resort, we have had to seek amendment funding from HUD which causes penalty points on subsequent grant requests in future NOFA rounds. It’s a catch 22 which ends up denying funding to experienced sponsors who have been unable to find gap financing. Several of the provisions of S. 118 address this capital funding process and amounts.

Adequate PRAC Allocations

In addition to shortfalls in the capital amounts, the initial operating budget for a new building is also based on a HUD formula to create the initial rental subsidy amount. These initial Project Rental Assistance (PRAC) allocations for new development are chronically under funded, leaving developers to limit the scope of the project’s services or staffing. Because the new Section 202 PRAC properties are not eligible for the rent increases in the first year, the operating deficit can be devastating to the properties. I commend HUD for recently revising their policy to now permit PRAC increases for projects before projects open. This has helped alleviate the operational funding problems in many new projects, but not all. One significant place where inadequate initial PRAC funding has had the most detrimental impact is on the ability of projects to fund a service coordinator. In order to be competitive, providers have not included a service coordinator in their application for fear that the PRAC amounts would be too high and noncompetitive. Projects are always trying to catch up through rent increases in the future but success is case by case and unpredictable at best. We are pleased that Section 101 of the bill requires HUD to approve PRAC increases sufficient to cover reasonable project cost increases including service coordinators and supportive services costs. It also provides for increases to cover emergencies such as energy, insurance or tax increases that are out of the control of the sponsor.

Service Coordination

In addition to providing sufficient PRAC to cover service coordination, S. 118 will establish nonmonetary incentives for employing a service coordinator. The 202 program is called the “Supportive Housing Program for the Elderly”, but the selection criteria have never included the extent to which the applicant ensures that there will be a service coordinator for the property. Section 102 of S. 118 will add service coordination as a selection criterion. NCR believes each property should have a service coordinator so that the seniors can learn about and link to community based supportive services which will assist seniors to remain independent for as long as possible and to age in place.

Proper Use of Owner Deposits

Under the current Section 202 statute, the owner is required to establish an escrow account for new projects to be held for unanticipated operating short falls during the first 3 years. HUD has implemented an unwritten policy to require nonprofit owners to use this deposit virtually in every instance to cover both operating and development short falls caused by the originally under funded capital advance and PRAC amounts. Organizations such as NCR rely on the return of some or all of those deposits to meet other housing mission needs, including overhead for staff and
preliminary work to develop new projects and increase our supportive services component in existing properties. However, the deposits are rarely returned because HUD considers them part of the project from the start. S. 118 tackles this problem head on in Section 104.

**Flexibility To Work With Local Boards**

Many of you may be familiar with Plymouth Congregational Church here in Washington, DC. This is an active, vibrant church at North Capitol and Riggs Road in Northeast. Retirement Housing Foundation (RHF), a national nonprofit based in California, worked closely with Reverend Hagler and his congregation to get this project built. I urge you to visit this property and talk to those involved about the importance of partnership and the role of development experts to help a community realize its dream of taking on a new mission to serve low-income seniors live in safe, decent housing with dignity. Because of the need for active community partnerships such as this to support the property and residents, AAHSA members are committed to continuing the involvement of local boards, on an advisory or governing level.

Unfortunately, experience has shown that often local board members tend to be very active at the beginning of a project and often include many of the individuals and local politicians that were instrumental in getting a project approved. The simple fact is that over time it is difficult to maintain an active local board involved in the major decisions. Many national nonprofits in AAHSA's membership have to retain a high degree of control over these small owner boards to make certain that they remain consistent with the terms laid out in the by-laws and execute the necessary business of the property. This is not to say that we no longer want to work with local communities—this is vital to our success and an integral part of our mission. S. 118 allows a degree of flexibility for larger organizations that have difficulty maintaining active board participation in some areas.

**Title II—Preservation**

Title II of S. 118 will further the preservation of senior housing, one of the most important Federal housing policies Congress can endorse and facilitate. Preservation of existing housing can be done at a fraction of costs of new construction and it helps retain the best HUD properties in prime locations with access to transportation and services. We are encouraged that the current Administration is focused and committed to a national policy of preservation. Secretary Donovan stated at a June hearing on preservation before the House Financial Services Committee that “HUD must be a leader and a partner in preserving critical housing resources. Too often it seems that HUD policies and practices get in the way of preservation efforts instead of supporting them. That is going to change.” S. 118 will equip HUD with many new tools and clear authority to preserve affordable senior housing.

It is a fact that many elderly housing facilities have “aged” and need modernization and/or retrofitting and refinancing in order to accommodate supportive services to aging residents, assure quality of life, and accessibility. These projects could be preserved for an additional 30 years with the infusion of private dollars far less than the cost of new construction. In addition, if these facilities are allowed to disappear, it is unlikely that many communities will support large scale affordable housing of the size that currently exists in the Section 202 portfolio. We estimate that new construction costs in our 202 portfolio are approximately $100,000 per unit, yet NCR's preservation projects only need $45,000 per unit in renovation. When we acquire a property and rehab that property, the total cost of preservation instead of allowing an owner to “opt out,” the total preservation cost can be approximately $70,000 compared to $100,000 per unit for new construction.

The provisions in Title II of S. 118 are essential to the successful preservation of existing housing. To many, these changes appear very detailed and technical. Yet I can assure you that each of these can be critical to the success (or failure) of real preservation efforts. The changes will go a long way towards navigating the various legal and regulatory requirements involved in today’s preservation transactions. However, many of the provisions simply require HUD to do what it already has the discretion to do, but haven’t in the past. That may change but providing legislative authority guarantees that the policies will survive any change in Administrations. In the end, even the best of tools won’t produce large scale preservation results. However, this bill will definitely equip and encourage HUD to take the active leadership that it must take in order to make preserve the Nation’s irreplaceable senior housing stock.

**Use of Unexpended Amounts To Provide Equity**

Christian Church Homes of Northern California, another AAHSA member, has attempted to purchase troubled 202 and 236 properties from other not-for-profit, single asset owners that were no longer interested in pursuing affordable housing.
HUD denied their requests to purchase the properties at a price above the outstanding indebtedness, thus denying the selling not-for-profit any equity, which they planned to use to further their mission. I can personally confirm that NCR has had very similar experiences in other areas of the country. Though there may need to be appropriate limitations on the amount of equity permitted and on how that equity may be expended, without the ability to pay some equity, these owners can simply wait out the terms of their mortgages and these properties may not be preserved. I am aware of many situations where paying a seller any price above the existing mortgage may make the preservation less feasible, but where the payment of some equity is feasible, it should be permitted. S. 118 addresses the issue of appropriate equity payments.

Unfortunately, over the last 5–10 years, there have been many situations where the preservation of properties was made difficult or impossible by HUD's out-of-date and contradictory regulations, processing delays and absence of clear policy at both the local offices and at headquarters. This legislation along with the new leadership we have seen at HUD will ease this confusion and lack of direction.

The Senior Preservation Rental Contract

Another complication in the efforts to preserve communities is unique to the oldest cohort of Section 202 properties. These projects, built between 1969 and 1974 are often the most in need of substantial rehabilitation in order to be preserved for another 30–40 years. Unfortunately any attempt to refinance these projects and do the necessary work means that the existing residents, who are paying rent amounts that often are far below market, will face rent increases that they cannot afford after any refinancing and rehabilitation. There is no rental assistance available to ease the burden and prevent displacement. Preservation entities are faced with a decision to either evict those least able to pay or to not do the necessary rehabilitation to the property. Neither of these options is an acceptable answer for our Nation!

The creation of a senior preservation rental contract would permit owners to actively preserve properties while protecting the homes of existing and future low-income seniors. To give you an idea of the magnitude of this exposure, there were 292 properties built during this period comprising 45,000 to 50,000 units. While some have full or partial Section 8 or Rent Supplement Assistance, most do not. Section 265 of S. 118 would establish a new project based rental assistance contract for unassisted residents upon refinancing. I would respectfully request that this provision be made retroactive to address the very few projects from this generation of 202s that have been refinanced to date. The impact of not having rental assistance is devastating as is described in one of our Ohio case studies, Kirby Manor, attached to this testimony.

Excess Use of Proceeds

Another example of complicated 202 preservation occurred in California. NCR had three Section 202 properties in California which we refinanced and rehabilitated. We'd requested permission to use the $2 million in excess proceeds to create a housing trust fund for new development. HUD denied this request and required NCR to put the funds into each project’s reserves for replacement, which were already funded. This essentially locked the funds into each individual project instead of allowing the funds to be distributed (within HUD approved parameters) “as needed” across a portfolio of affordable projects. Others can give more graphic examples of the flawed HUD policy that requires the passage of legislation to permit not-for-profit sponsors to use excess proceeds to further their housing and supportive services mission. S. 118 will correct HUD’s policy.

Waiver of Flexible Subsidy Loan Repayment

In April, 2006, NCR acquired a property in Asheville, NC, in order to preserve the property as affordable. The property had an existing flexible subsidy loan, which could not be paid off as part of the refinancing and financial restructuring. NCR requested consideration that would allow the loan to be assumed into the new ownership. It took HUD almost 8 months to inform us that they would only allow 75 percent of the “flex sub” loan to be assumed and they required 25 percent of the loan to be paid off. NCR applied for, and was awarded, State HOME funds—which was then used to pay off the required amount of the flexible subsidy loan. Essentially, NCR used local HOME funds to pay down the flex sub loan in lieu of using the HOME funds to do more rehab. There are countless other examples of HUD’s refusal to permit forgiveness of flexible subsidy loans that make preservation deals unworkable. S. 118 will correct this HUD policy that inhibits preservation.
Title III—Assisted Living Conversion Program

Affordable assisted living is an option almost completely unavailable for low and very low-income seniors. Assisted living costs range from $1,742 to $5,197 per month in the United States with the average assisted living resident paying $2,968 per month.1 To meet the needs of the very low income frail elderly, the Section 202 program includes an Assisted Living Conversion Program (ALCP) to fund the rehabilitation of existing properties to serve frail seniors that need assisted living services. NCR has been awarded three ALCP grants in Ohio over the last couple of years. We are delighted to have received these grants and have been working with the leadership at the Columbus HUD office and the Ohio Dept of Aging to create the first affordable assisted living models in the State. We are dedicated to implementing each of the projects; however, we also realize that as currently designed, they are more complicated and expensive than necessary. For instance, although HUD does not provide funding for direct services or licensure, by law the current ALCP program is only open to those buildings able to become licensed under their State's assisted living statute. This requirement can be extremely expensive to comply with and has left the program underutilized. It almost guarantees that the only States where ALCP grants will work are those with Medicaid waiver programs. As well it locks all the residents into services that are required as part of the assisted living license. To encourage less costly and more "flexible housing plus services" models, S. 118 amends the definition of eligible assisted living under the Assisted Living Conversion Program. The amended definition will permit nonlicensed properties as eligible grantees that provide supportive services of the resident's choice either directly or through a licensed or certified third party. I believe that this legislation will increase the availability of assisted living services to very low-income elderly so that they can age in place with dignity; and that S. 118 will allow more facilities to convert to a model that allows higher level of care with higher resident satisfaction at lower cost to the Government.

Conclusion

The need for affordable, supportive, senior housing development and preservation is undeniable and urgent. I am grateful to have an opportunity to appear before the Subcommittee in support of S. 118. AAHSA members and my colleagues at NCR have been actively involved in these issues throughout the country and have testified before this and other committees on the very problems that I discussed today. We are excited that Congress believes that these topics warrant a national policy discussion. Today you will have a chance to take a positive step in the furtherance of a goal and mission that we all support. I urge you to support S. 118 in order to increase the efficiency of the Section 202 program and to help the residents that the program serves today and those it will serve in the future.

For your consideration, I have attached two case studies which serve as the poster children for Title II of this legislation. I am pleased to report that many of the problems from these case studies are addressed in S. 118. In addition, I am including a listing of all the preservation projects that NCR has completed or is in the process of completing since 2002.

A Preservation Case Study: Kirby Manor in Cleveland, Ohio

Kirby Manor, is a pre-1974 Section 202 development with no rental subsidy. None of the existing seniors were eligible for enhanced vouchers. The rehab needs were substantial, but the residents could not afford to pay for the increased rent that additional debt would trigger. None could bear the burden of higher rents; none wanted to move; and as a mission-oriented purchaser, NCR did not want to displace the residents. NCR’s experience with the preservation of this project is illustrative of the typical issues that developers experience. Our goal at Kirby Manor was to preserve the property and keep residents in place. Our plan was to refinance the project using tax credits, reconfigure the existing efficiencies, converting them into one bedroom units and to construct additional units. Most of the 202 units were efficiencies of 287 square feet, a portion were studios of 345 square feet and the remaining were small one-bedrooms of 439 square feet. The project as it stood was unattractive and unmarketable as compared with the West Cleveland neighborhood where new, subsidized, more desirable housing had been built for a younger population. Although the sponsor and owner of the project had maintained the project in excellent condition, all of the building’s original plumbing, mechanical and HVAC systems were nearing the end of their life expectancy. Only a significant recapitalization would provide sufficient resources to preserve the property.

NCR submitted a waiver request to HUD to request the subordination of the existing Section 202 loan and received an allocation of 9 percent tax credits which provided approximately $8,400,000 in equity. In addition, Kirby received a commitment of $1,000,000 in HOME funds from the City of Cleveland; and, a commitment of $450,000 from the Ohio Housing Finance Agency as subordinated debt. The new first mortgage was a HUD 221(d)(4) insured loan of $4,467 million at 6.5 percent interest. Because enhanced vouchers were not available to these residents, NCR funded a $1,000,000 reserve from the equity generated in the refinancing to cover the increased rents for seniors as long as they remained. Once those residents pass away or leave there will be no deeply targeted subsidy to allow us to house the lowest income seniors. The rents will revert to tax credit levels and the poor seniors in that community will end up on a waiting list for Section 202/8 or Section 202 PRAC communities. If there were a senior preservation rental assistance program, NCR would be able to house other low-income seniors in those units.

The project redesign included the reduction of the number of units from 202 to 147 units and the conversion of units from efficiencies and one-bedroom units into renovated and newly constructed one- and two-bedroom units. After countless hours of negotiations, legal opinions and waivers, this project was completed. If the statutory changes included in S. 118 were enacted, then projects like Kirby Manor could be accomplished comparatively quickly and with little aggravation. Kirby Manor would be the norm instead of one in a hundred, and preservation of the Section 202 would be enhanced to prevent the loss of affordable housing just as the senior population is exploding.

A Preservation Case Study: Viewpoint Apartments, Sandusky, Ohio

Viewpoint Apartments is another early generation Section 202 property in Sandusky, Ohio, that NCR tackled. It had been developed and owned by the Kiwanis. The property had a number of efficiencies that were no longer marketable and thus experiencing a high vacancy rate. The project was only 50 percent subsidized and the rest of the units were unsubsidized and ineligible for enhanced vouchers. NCR applied for permission to reconfigure the existing units, changing them into one bedrooms and requested HUD’s permission to subordinate the original 202 loan. HUD initially determined that rather than allow the reconfiguration they’d disallow the change under a strict “one for one” replacement policy in spite of the proven limited demand for efficiencies in the Ohio market. HUD also denied our request to subordinate the existing 202 loan or to allow the assumption of the old loan into the new financing structure. The good news is that after months of painful HUD processing, NCR was able to eventually close on the refinancing and provide a $7,000,000 update and facility transformation to this valuable Sandusky community. However, NCR truly believes that it should not be this hard and that HUD should serve as a proactive partner trying to do whatever it takes to preserve these precious community assets. These are extraordinarily complex transactions, but we’re hopeful that with this legislation and the leadership at HUD, the next ones will not be as difficult.
# National Church Residences Preservation

## Preservation Efforts Since 2002

**Total Number of Units: 3205**

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### NCR Portfolio Preservation

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### Future Preservation

**Total Number of Units: 341**

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**Total Number of Preservation Units: 4777**

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American Association of Homes and Services for the Aging
2519 Connecticut Avenue, NW Washington, DC 20008-1520 | aaahsa.org | 202.783.2242
PREPARED STATEMENT OF TOBY HALLIDAY
VICE PRESIDENT FOR PUBLIC POLICY, NATIONAL HOUSING TRUST
OCTOBER 29, 2009

Subcommittee Chairman Menendez, Ranking Member Vitter, and Members of the Subcommittee, thank you for the opportunity to testify today in support of S. 118, the Section 202 Supportive Housing for the Elderly Act of 2009. My name is Toby Halliday, and I am Vice President for Federal Policy for the National Housing Trust. Over the past decade, the Trust has helped save and improve more than 22,000 affordable rental apartments in over 40 States. The vast majority of these apartments have HUD subsidized mortgages or project-based rental assistance contracts.

I also serve as the chair of the National Preservation Working Group, a coalition of 36 nonprofit organizations supporting affordable rental housing. The members of the Preservation Working Group strongly support a balanced housing policy that includes quality rental housing and support legislation to protect and revitalize affordable rental housing for seniors.

The needs of America’s lower-income seniors are great, and those needs will grow. The population of Americans age 65 and older is expected to double between 2000 and 2030. According to the Federal Interagency Forum on Aging-Related Statistics, more than 13 million older Americans—35 percent—have low incomes (less than 200 percent of poverty) (Older Americans 2008: Key Indicators of Well-Being, http://www.agingstats.gov).

Harvard’s Joint Center for Housing Studies recently found that among seniors who rent, 2.5 million (53 percent) pay more than 30 percent of their incomes for housing, and 1.4 million pay more than 50 percent. “These households [are] without sufficient resources to pay for rent and utilities as well as for food, medicine, and other necessities. Indeed, the basic SSI payment of $623 a month is only enough to cover a rent of $191 a month—far below the FMR [fair market rent] for an efficiency apartment, let alone one with a separate bedroom” (“America’s Rental Housing: The Key to a Balanced National Policy” (Joint Center for Housing Studies, Harvard University, 2008, p. 17)).

Due to the recession that now grips our economy and the mortgage crisis that precipitated it, legislation to preserve and revitalize affordable rental housing, including housing for seniors and the disabled, is needed today more than ever. Many 202 properties are 40 years old or older, in need of repair and improvements, and are stretched to meet the expanding needs of their aging residents. Because of their age, many of these properties also require significant alternations to meet current standards and the needs of an increasingly elderly population. At the same time, many cash-strapped States and local Governments are reducing assistance to needy families. All of this leads to a heightened risk of homelessness. Protecting taxpayers’ investments in existing 202 properties is critical to meeting this challenge.

This year the HUD Section 202 Supportive Housing for the Elderly Program celebrates its 50th birthday. Since 1959 the 202 program has led to the creation of approximately 300,000 affordable rental apartments for low-income seniors around the country. Many of these properties could benefit from refinancing opportunities to recapture and better serve the needs of aging seniors for many more years. This housing serves nearly every community in the Nation. The Trust has identified approximately 400,000 Section 202/811 Apartments, some without rental assistance, as shown in Attachment A of my testimony.

But under the current Section 202 law, the development and preservation of existing communities can be time consuming and administratively complex. S. 118, sponsored by Senator Kohl and cosponsored by Senators Brown, Casey, Durbin, Landrieu, Leahy, Levin, Nelson, Schumer, and Stabenow, would simplify, streamline, and modernize procedures to improve and preserve these properties, encourage broader participation by not-for-profit developers, private lenders, investors, and State and local funding agencies, and result in the creation of needed construction jobs.

Key provisions of S. 118 would:

• Modernize and streamline processing for new Section 202 awards;
• Streamline rules and procedures for recapitalization and funding for supportive services;
• Add a requirement that the rehabilitation ensure long term viability of the property;
• Authorize new resources to protect residents from rent increases needed to pay for necessary recapitalization;
• Require tenant notice and participation prior to the approval of a prepayment;
• Expand access to supportive services;
• Create a National Senior Housing Clearinghouse to help prospective residents find affordable senior housing and determine what services are available.

Some controversy exists over whether to loosen restrictions on the ability of existing nonprofit owners to retain proceeds from the sale or refinancing of their property. Current restrictions discourage the sale of some 202 properties by sponsors, especially some owners of individual properties, that lack the capacity for best long-term care of their properties and service to their residents. The Trust believes that a reasonable incentive is needed to foster the transfer of properties to owners with the desire and the ability to ensure the long-term viability of these properties and meet the needs of residents.

A recent report released by the AARP, Reconnecting America, and the National Housing Trust highlights the importance of existing affordable housing near rail and high-frequency bus transit and the need to preserve 202 housing near public transportation. Findings from the report include:

• Transit-connected affordable housing, including Section 202 housing, provides access to community resources for seniors, who occupy the majority of these apartments.
• Preserving affordable housing near transit is of critical importance for maintaining independence and preserving livable communities for older Americans.
• Transit-connected affordable is increasingly at risk of conversion to nonaffordable uses, presenting at threat to current and potential future occupants.
• Federal, State, and local Governments should emphasize the preservation of affordable housing near transit.

The AARP report states, in part:

Of the more than 250,000 federally subsidized apartments with rental assistance contracts within one half mile of "quality transit" (and approximately 200,000 within one quarter mile) in 20 metropolitan regions across the country, more than 70 percent are covered by Federal contracts that will expire over the next 5 years. This finding raises concern considering the vital role affordable housing and affordable transportation options play in achieving livable communities, particularly in respect to the needs of older Americans ("Preserving Affordability and Access in Livable Communities: Subsidized Housing Opportunities Near Transit and the 50+ Population", AARP Public Policy Institute, September 2009, p. 7, emphasis added).

Thank you for holding this hearing on this important legislation. The National Housing Trust urges the earliest possible consideration of this bill. Thank you.
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Chairman Menendez and Members of the Subcommittee—As the father of someone with psychiatric disabilities I appreciate your invitation to provide testimony to this Subcommittee on the behalf of the many families in the same situation. Also as a father I can tell you that about two out of every five families are affected by mental illnesses.

Mr. Chairman, I thank you and this Subcommittee for your work to sustain, improve, and increase the number of units available for low-income people with disabilities. As the only federally funded housing program aimed at providing low-income people with disabilities with affordable rental subsidies the Department of Housing and Urban Development's Section 811 program is very important to the recovery of many with mental illnesses. This program also provides people the opportunity to live independently within their own communities by providing affordable rental options. Today I will share some of my son’s experiences as a mental health services consumer in obtaining and living in several types of supported housing.

First I would like to provide you with a little history of my family’s journey into mental illness, treatment, and recovery. My 28 year old son, Michael, was diagnosed with Attention Deficit Hyperactive Disorder when he was four. When he started school the child study team determined that he also had learning disabilities. He was placed into special education, where he remained throughout elementary, middle, and high school. When he was a freshman in high school he was diagnosed with Depression, but he had other behavioral problems as well that periodically caused trouble in school. He was first hospitalized for treatment of mental illness when he deliberately cut himself on the cheek with a box cutter while in shop class. He was subsequently tentatively diagnosed with Schizoaffective Disorder, then Bipolar. Re-evaluated in his senior year, he was found to have Schizophrenia shortly before he was first hospitalized in the State hospital. As you can imagine, high school was not enjoyable for him. He graduated in 2000, although it was not with his classmates. He completed his senior year at a therapeutic academy for students with psychiatric disorders. His current diagnosis is again Schizoaffective Disorder with cooccurring substance abuse. His learning disabilities still limit what he is able to do if it involves concentration, reading comprehension, planning, or short term memory. For example, he cannot decipher even simple medical instructions.

Mr. Chairman, as a father, the first response to a mental illness; after the shock of discovery, diagnosis, and denial is to learn all that you can to try and fix your child’s problem. I started looking for that “silver bullet” that we all hope to find as a cure any major illness and found that there were none, but I did discover hope and support from other families and friends that had gone before us and that are going through this. As my family became increasingly involved in learning about what we could do, who we needed to know, and where we needed to go to help our son I discovered that there were many support systems besides the mental health systems that could be needed. In order to learn more about these and to help others I sought, and was selected, to be on the Ocean County Mental Health Board and the New Jersey State Planning Council as a family member. These two organizations have helped me learn about new programs and details of existing programs that could help my son and many other families.

When I found out that the National Alliance on Mental Illness (NAMI) was founded by families supporting other families, educating each other and advocating for improved treatment and services I decided that I had found my support. NAMI is the Nation’s largest nonprofit organization representing and advocating on behalf of persons living with chronic mental health challenges. Through over 1,100 chapters and affiliates in all 50 States and over 200,000 members, NAMI supports education, outreach, and advocacy on behalf of persons with schizophrenia, bipolar disorder, major depression, severe anxiety disorder, post-traumatic stress disorder (PTSD), and other chronic mental illnesses that affect children and adults.

However, we didn’t discover NAMI until 2002. I became very active in our local affiliate in 2003 and I am currently the President of NAMI–Ocean County. I was also elected to the NAMI New Jersey Board of Trustees and, because I’m a veteran, asked to be on the NAMI National Veterans Council where I support Veterans and their family with mental illnesses. I also became a teacher in the Family-to-Family Education Program where I learn from and facilitate support groups for families in crisis in their journeys to recovery.

While I will talk about my son’s experiences I have found that they are similar to many other families’ situations. One key thing I have learned is that those who
contract mental illnesses seem to be stuck developmentally at the level of maturity where they are when they get sick. The saying is, “They are stuck where they are stuck.” The knowledge of when one gets ill should be helpful to those trying to tailor services to their needs. My son’s mental maturity is such that he still reacts and thinks like a very young person much of the time. Another thing I have found is that many times those providing services, providing information, or giving directions, which are then not followed by the consumer, do not seem to be able to empathize and brand the consumer as noncompliant or nonresponsive when it is simply the inability to remember.

Michael always wanted to be on his own, but had no financial means or living skills to do so. After graduation from high school he tried living with friends but ended up in crisis and in the State hospital again. By then we had learned that if he had no place to go upon being released he would likely be placed into a group home. He needed structure, but he also needed to be away from his family in order to develop skills for independence. We told his treatment team the day he arrived in the hospital that he could not come home after release. During his hospitalization he first admitted to taking substances other than prescribed medicine and started rehabilitation at another facility. He was quickly sent back when he became psychotic due to the treatment methods. After his hospitalization he was released to a group home for mentally ill chemical abusers (MICA). He did well for a while, but eventually started to try to find a way to leave. He finally did after almost 3 years. But he left to live with his girlfriend and her mother. His girlfriend was pregnant.

My wife took the couple to apply for Section 8 housing in May of 2006. Our son was informed after a few months that he was eligible, but he never heard anything further.

The day-treatment program he and his girlfriend both attended referred them to their supported housing office. This office provided them with a listing of several apartment complexes where they could look. None had vacancies. They were still living with the girlfriend’s mother when the baby was born, however there was a fire in the apartment the day before the baby was to come home, thus they all went to live with relatives. Because they were now homeless, the housing office was able to get them into an apartment in about 2 months. The new family was provided support to get the lease established and transportation to obtain utilities and deposit payments. The case manager also picked out and had furniture delivered before they moved in. They initially were visited by their case manager several times a week, but this soon slowed to only sporadic visits.

In less than a year our son and his girlfriend split up. He then briefly came back home to live with us. Shortly thereafter visitation and child support arrangements were made and he started having supervised visits with his daughter in our home. However, the first time he went to pick her up he was handed a note stating that his former girlfriend was leaving the county with his daughter when the lease was up. After the second visit by his daughter he suddenly packed up some things and left to live with friends.

During this timeframe a New Jersey Division of Mental Health Services program called Residential Intensive Support Teams (RIST), originally established for providing intensive supported housing for those leaving the State hospitals, was expanded in Ocean County to provide housing for those at risk of becoming homeless and who also needed more intensive services. Our son was referred and selected to participate.

A major difference between this program and supported housing is that RIST initially holds the lease and acts as the Representative Payee for social security benefits. This is beneficial because clients may need to be hospitalized periodically and/ or have real problems managing finances and spending. This way the clients do not lose their homes and someone is there to help keep their benefits and affairs as straight as possible.

The stated goals of RIST are to support and encourage the development of life skills required to sustain successful living in the community and to provide housing in a community setting environment which allow opportunities to learn the skills necessary for more independent living. Within this setting they provide each consumer with the maximum possible autonomy, independence, and self-determination. This program does constantly strive to empower consumers to relocate to less restrictive living arrangements.
My son moved into the apartment to live on his own, a very nice second floor apartment that RIST had help him furnish, in early 2008; he started living skills training and a new day program. RIST provided evening “life skills” groups for the RIST supported clients in the apartment complex. Michael volunteered to help others to learn from his experience on how to use the bus system. He also had plans to become a peer support counselor, but never carried through.

However it didn’t take him long to make friends and to throw his first loud party. He ran up his electric, cable and telephone bills very quickly. His case manager tried to help by having his phone limited to the local exchange only and canceled his cable. At this point, he had no one to take up the slack in paying for food and quickly found that his food stamps didn’t buy enough each month. He would eat lunch at his day program and would sometimes cook easy-to-prepare meals, but would go for days with one meal a day at program. He started using money he obtained from selling things he either owned or stole to buy food and drugs.

He got to the point of deciding, with his case manager, that living on his own was really not appropriate for him yet and that he needed go into the hospital to get into a long-term drug rehab program then back into a group home. The hospital case manager found that there were no long-term rehab programs available. He then made the correct decision to go to the State hospital again for treatment and so that he could get into a group home.

At his initial attempts, Michael was not ready for supported housing. He had never developed the skills and habits needed to build on to start to live independently. His girlfriend, whose mental illness hit her much later in life, has continued to do very well in supported housing. While he was very fortunate to be afforded the opportunities and to have caring case workers he wasn’t ready. I am very proud to say that he came to the realization, and knowing enough to talk it over with his case managers, he decided that he should to return to the MICA group home so he could learn and pursue skills he needs to live independently. The lesson here is that the providers of supported housing must understand that those with mental illnesses may require much more than periodic support. They may need very intensive case management to guide and reinforce living skill development for as long as a year, perhaps longer.

Mr. Chairman, this concludes my formal testimony. I hope you are able to take our views into consideration as you conduct the important work of this Subcommittee. Again, I appreciate the opportunity to testify. I would be honored to answer any questions that you might have.
For example, Out of Reach 2009 tells us that in Hudson County, NJ, where 69 percent of the households are renters, to be able to afford to rent a modest two bedroom home, a household must earn $42,760 a year. In East Baton Rouge Parish, LA, with 38 percent of households renting, household income must be at least $31,520 a year to afford a two bedroom home at the fair market rent. Although it may seem that Louisiana is more affordable than New Jersey, the mean hourly wage of renters in Hudson County is $26.80, while the mean hourly wage for renters in East Baton Rouge is just $11.76. There is nowhere in the entire country where a full time worker earning the prevailing minimum wage can afford the rent on a one-bedroom rental home using the standard of spending no more than 30 percent of household income on housing.1

Low wage workers may have a tough time affording the most basic home, but elderly and disabled people who depend on SSI for income have it much worse. The fair market rent in Hudson County, NJ, for an efficiency unit is $989 a month. Thirty percent of monthly SSI income in New Jersey is $212. An SSI recipient in Louisiana can afford $202 a month for housing; yet the fair market rent for an efficiency in East Baton Rouge Parish is $627 a month.2 While some SSI recipients have additional income, it is an income program of last resort and benefit levels go down as income goes up.

According to the Social Security Administration, there were 6,366,000 adults receiving SSI as of the end of 2008: 4,333,000 were blind or disabled adults between ages 18 and 64, 1,203,000 were adults 65 of years or older, and 830,000 were blind or disabled and 65 years of age or older.3 SSI recipients are among the very poorest people in our country, and in the absence of housing assistance in some form, cannot afford to live in any community.

These are precisely the people who the 202 and 811 programs can best serve. There are approximately 300,000 units of Section 202 housing, but just one third have rent assistance attached to them,4 and thus are affordable for SSI recipients and other very poor elders. The approximately 30,000 units of Section 811 housing do have rent assistance attached and another 14,000 vouchers are part of the Section 811 program.

Many adult SSI recipients receive other forms of Federal housing assistance. In 2005, 277,000 units of public and Section 8 project-based housing were reserved for people 62 years of age and older.5 Nearly two-thirds of HUD’s 1.1 million public housing units house senior citizens or people with disabilities. Three quarters of the 1.3 million units of Section 8 project-based housing are headed by an elderly or disabled person. A third of the voucher program’s 2 million households are senior citizens or people with disabilities. Nonetheless, demand far exceeds supply.

When we examine data on housing cost burdens by age and income, we learn that a significant number of low income elderly people have serious housing problems. There are 26,600,000 households with one or more members 65 years of age or older, who make up 23 percent of all households in the U.S. Sixteen percent of elderly households are extremely low income, with incomes of 30 percent of area median or less. Almost three quarters (74 percent) of extremely low income senior households pay more than 30 percent of their income for their homes; 51 percent (2,100,000 households) spend more than half of their income.6 When a poor elderly person has to spend more than half of her income on her home, it means she goes without, scrimping on food, medicine, heat, and other basic needs. These are the elderly people who are most at risk of homelessness. Living hand to mouth hastens the day when an elderly person can no longer live on her own and require expensive institutional care. Providing housing assistance extends the time that an elderly person can live on her own, and is more cost effective than nursing homes.

The housing needs of elderly people today are readily apparent. The elderly population is only going to grow for the next two decades as the baby boomers reach 65. There will be more elderly people and they will make up a percentage of the population. With the demise of defined benefits pension programs and the loss of retirement savings in the current recession, elderly people in the future will likely have

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2Ibid.
6NLIHC tabulations of 2007 American Community Survey.
less income that elderly people today. We need to invest in housing choices for this population now.

**How S. 118, the “Section 202 Supportive Housing for the Elderly Act of 2009” Will Help**

S. 118 will help more Section 202 units come on line more quickly, by ensuring that total development cost limitations supported by HUD would now be “reasonable,” reducing some of the time-consuming elements of the development process. The provision that Section 202 sponsors could establish a preference for homeless seniors improves access to affordable housing for elderly people who are most in need.

The bill will also preserve existing Section 202 properties through refinancing of their Section 8 loans and investment of savings into rehabilitation, supportive services, reconfiguration of obsolete unit types, and other needs. Owners will have sufficient resources to repair, rehabilitate and modernize their units. Moreover, when a refinancing does occur, the property’s affordability period is extended for 20 years past the original mortgage maturity date, assuring that these units remain affordable and available to very low income seniors for another generation.

The bill prohibits the HUD Secretary from accepting any refinancing or prepayment plan by a Section 202 sponsor if tenants have not been notified of the owner’s request for approval of prepayment. Tenants should be given the opportunity to comment on the prepayment and any anticipated rehabilitation, and the owner should be required to take such comments into consideration. These provisions will be central to the successful preservation of existing homes, and will be further improved by including timelines for such participation.

The bill includes several improvements that will support Section 202 residents aging in place. Section 202 properties will be more likely to have service coordinators. For new Section 202 properties, HUD would encourage the inclusion of service coordinators in each property by adding the extent to which the Section 202 sponsor ensures there will be a service coordinator for the property as a new funding selection criterion. The bill will also allow Section 202 sponsors to build the cost of service coordinators into their Project Rental Assistance Contracts, stabilizing funding for these key staff members.

The presence of service coordinators increases the time that frail and vulnerable older people can remain in their homes and prevents premature transition into more costly settings, such as nursing homes. A recent HUD study of service coordinators reports: “The average length of occupancy was 6 months longer among residents of properties with HUD-funded service coordination compared with residents of similar development without service coordinators. By forestalling or preventing unnecessary institutionalization, service coordinator programs help to promote independent living, improve residents’ quality of life, and ultimately save taxpayers’ dollars.”

The bill amends HUD’s Assisted Living Conversion Program (ALCP) so that more residents would have access to assisted living services. Very low income people, like Section 202 residents, cannot afford the cost of assisted living facilities. HUD’s ALCP program provides grants to certain developments to convert some of their units to licensed assisted living units. Under the current program, each grantee’s ALCP specific designated units must be licensed by the State’s licensure board as meeting its assisted living standards, a cumbersome process. The bill allows ALCP grantees to provide assisted living services within a given property, thus greatly expand the numbers of residents that could participate in such services and the types of services provided within the property. Under the provisions of S. 118, residents can chose to participate in these services as they wish and as their needs change over time. This provision will give residents more choices of services like medication management, home-based health care, and personal care.

The bill also includes a National Senior Housing Clearinghouse. The Clearinghouse will be a national repository to collect, process, assemble, and disseminate information regarding the availability of multifamily developments for elderly tenants. HUD is also directed to establish a toll-free number to provide the public with information on the availability of affordable senior housing. The Clearinghouse would greatly assist potential residents and their families in their search for affordable housing.

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How S. 1481, the "Frank Melville Supportive Housing Investment Act of 2009" Will Help

S. 1481 will authorize the new Project Rental Assistance Competitive Demonstration, which will facilitate mixed income housing by providing project based rental assistance alone, without capital grants. Developers will combine rental assistance with other capital sources, including the new National Housing Trust Fund. This demonstration will increase the number of 811 units available to residents in mixed income, multifamily developments. Poor people with disabilities will have much greater choice in the kind of housing in which they can live.

The bill will modify the Capital Advance Program by requiring that units for people with disabilities are limited to 25 percent of total units in a property, increasing opportunities for residents to live in integrated settings. Tenant protections will also be increased as owners would be required to develop written tenant selection procedures and eligibility cannot be narrowed to a specific type of disability.

By transferring mainstream tenant based vouchers to the Section 8 program, HUD will be required to reissue all vouchers resulting in a higher number of vouchers available to eligible residents.

What Else Needs To Be Done

Enactment of S. 1481 and S. 118 are important steps for Congress to take as soon as possible. We also urge preservation of other HUD assisted housing, which are home to many people with disabilities and senior citizens. We urge the Committee to support and enact policies that will help preserve and improve both the severely distressed and nonseverely distressed public housing, as well as the project-based affordable housing stock.

We sincerely hope the Committee will soon take up Section 8 Voucher Reform legislation. Significant work has been undertaken by a wide range of stakeholders to also "modernize" the voucher program. With the reforms SEVRA promises, existing voucher resources will be used more effectively and efficiently to serve more people who languish on waiting lists for years.

Finally, we ask the Committee to move quickly on funding for the National Housing Trust Fund. Senator Jack Reed has proposed to direct $1 billion from the sale of warrants on TARP funds to the initial capitalization of the NHTF. We thank Senator Menendez and others who have cosponsored S. 1731.

With $1 billion, we estimate that 10,000 rental units will be produced or preserved. At least 75 percent of NHTF units must be affordable to extremely low income people and all must be affordable for very low income people (incomes at 50 percent of area median or less). We expect many NHTF units will become home to extremely low income elderly people and people with disabilities.

Congress has made important strides this year in low income housing policy. Enactment of the Hearth Act and the Protecting Tenants in Foreclosure Act will have far reaching benefits for many needy Americans. The funds provided in the American Recovery and Reinvestment Act to prevent homelessness, to jumpstart the Low Income Housing Tax Credit, and to make capital investments in public and assisted housing are being put to good use.

The first year of the 111th Congress will be historic for low income housing policy if these accomplishments are accompanied by S. 1481, S. 118, SEVRA, and funding for the National Housing Trust Fund.

Thank you for your consideration of my testimony.
RESPONSES TO WRITTEN QUESTIONS OF SENATOR VITTER FROM MICHELLE NORRIS

Q.1. Ms. Norris, S. 118, the Section 202 Supportive Housing for the Elderly Reform Legislation is designed to reform the HUD Section 202 program to enhance housing for the Nation’s elderly. Are there any additional hurdles to building housing for the elderly that could be included in the legislation but haven’t been for whatever reason?

A.1. As a frequent applicant for new section 202 capital advances during the NOFA process, I believe that the legislation covers all the existing legislative hurdles that are impediments to building housing for the elderly. Although there may be impediments in the development process, such as NIMBYism, land costs, conflicting deadlines for various sources of funding, they can not be solved by changes in the legislative authorization. Increased costs, such as those that may be required to meet high land costs or NIMBY related setbacks or changed egress, are addressed by requiring that each capital advance be provided reasonable development costs. I also would suggest that administrative changes at HUD in their NOFA process and in coordination with other financing sources would remove hurdles. Finally, even if all the hurdles are removed, the only way to enhance housing opportunities for the Nation’s low income elderly is to significantly increase the appropriation for the 202 program. Funding the development of 3,500–4,000 units a year across the country is simply insufficient to meet the growing demand.

Q.2. Are you aware of any cost estimates for this bill, S. 118? If so, what are they?

A.2. S. 118 has not been scored by CBO to my knowledge. However, H.R. 2930, a similar bill introduced and passed by the House in the last Congress was scored. Based on the House score there is direct spending of $94 million over a 5-year period. The majority of the costs, $88 million, was attributed to the Section 202 loan sale demonstration program called for in Section 205 of S. 118. During the 110th Congress, the House stripped the demonstration from the bill to eliminate the direct spending and passed the bill under suspension. The direct spending is the result of the loss of interest to the Federal Government when the loans are sold. However, my understanding is that HUD already has the authority to engage in such loan sales and therefore the provision may not be necessary if HUD were inclined to demonstrate the efficacy of loan sales and shifting of asset management to State agencies.

Q.3. What are the real world barriers to the new construction process for building housing for very low-income seniors? Are there any difficulties in gaining the necessary permits because of environmental reviews or other administrative decisions, or are the delays strictly related to underwriting practices?

A.3. Building housing for low income seniors sometimes suffers from the same kinds of community opposition to development of any affordable housing; however senior housing is typically more acceptable. When community opposition arises, it makes getting the necessary approvals for development difficult and time con-
suming. However, the Section 202 program is unique in that each sponsor typically has local participation and support from the start. Delays can also occur because the 202 program typically requires a number of funding sources to make the deals work and that takes time.

In the past we (NCR) have had difficulty getting a variety of programmatic waivers granted by HUD headquarters for both new development and preservation deals. In preservation transactions or refinancing, we have had to ask for waivers to subordinate the original loan, to convert efficiencies to one bedrooms and a host of similar issues; therefore apropos your question, I would suggest that the administrative decisions and processes at HUD represent greater barriers to getting housing built or rehabilitated than the local regulatory barriers such as environmental reviews or zoning or other requirements typically thought of as barriers. Too often the delays occur because of frequent bureaucratic “gotcha” moments if not every little item was addressed or because there is no sense of partnership between HUD and the sponsors. Once an application is submitted, there is no give and take, just regulator vs. regulated.
STATEDMENT FOR THE RECORD ON BEHALF OF: AMERICAN ASSOCIATION OF PEOPLE WITH DISABILITIES; CONCRETE CHANGE; DISABILITY RIGHTS EDUCATION AND DEFENSE FUND; EQUAL RIGHTS CENTER; NATIONAL SPINAL CORD INJURY ASSOCIATION; NATIONAL FAIR HOUSING ALLIANCE; NATIONAL MULTIPLE SCLEROSIS SOCIETY; PARALYZED VETERANS OF AMERICA; AND UNITED SPINAL ASSOCIATION

These organizations, representing millions of Americans with disabilities, and their families, friends, and allies, appreciate the focus of this hearing on the need for more affordable housing. Many low income Americans with disabilities will benefit from the changes proposed to the Section 811 program in S. 1481. However, we would direct the Committee’s attention to another related housing challenge that confronts thousands, if not millions, of people with disabilities every year. That challenge is finding housing that is not only affordable, but accessible.

Under current law, when Federal financial assistance is used to create new single family houses or town houses, only 5 percent are required to meet accessibility standards that allow individuals with physical disabilities to visit or live in these houses. The remaining 95 percent of Government-assisted new homes can be built with unnecessary architectural barriers. As a result, residents who acquire disabilities are forced to live in unsafe conditions, unable to use their bathrooms or exit their homes independently. They may face high renovation costs or long waiting lists for public funds to finance modifications. They may become socially isolated because architectural barriers prevent them from taking part in the gatherings that take place in the homes of their friends and extended family. Ultimately, they may be forced from their homes and into institutions because of this lack of basic accessibility in their housing.

In a study published last year by the American Planning Association, researchers determined that, using different measures of disability, there was a 25 to 60 percent chance that a house built in 2000 would at sometime during its useful life contain a resident with a severe, long-term mobility impairment.1 This Nation is not building homes to meet the needs of its people.

There is legislation that will address these dilemmas in a cost-effective and practical way. H.R. 1408, the Inclusive Home Design Act (IHDA), sponsored by Congresswoman Jan Schakowsky, would require a basic level of architectural access in all federally assisted newly constructed housing. While leaving in place the existing requirement for extensive access in 5 percent, IHDA provides for fewer but important accessible features in the remaining 95 percent. This would ensure that all housing built with taxpayer monies enables a person with a physical disability to enter a home and use the bathroom on the main level. We estimate the cost of compliance to be less than $100 per home for homes built on concrete slabs and less than $600 per home for homes with a basement or crawl space.

We urge the Senate to take up similar legislation, and to act quickly to address this important issue.

Millions of taxpayer dollars have already been spent on efforts to stabilize the housing market. Many millions more in spending is being considered to strengthen and enhance housing opportunities for people of modest means. We ask Congress to ensure that all Americans can have access to all federally assisted housing.

PREPARED STATEMENT OF CASSIE JAMES HOLDSWORTH ON BEHALF OF ADAPT HOUSING POLICY COMMITTEE—EDITED BY MADELEINE McMAHON

I am submitting this testimony on behalf of ADAPT and its Housing Policy Committee. ADAPT is a nationwide grassroots organization of people with disabilities fighting to end the institutional bias that currently traps hundreds of thousands of elderly and people with disabilities in unwanted nursing home placements. ADAPT has been at the frontlines, advocating for accessible, affordable, integrated housing for ourselves and people trying to get out of institutions.

We are people with disabilities. We are involved in transitioning people out of institutions. Many of us are advocates; others provide Medicaid waiver services as well as attendant services. In all of these efforts, it has been clear that the lack of...
accessible, affordable, integrated housing is a critical barrier that prevents our people from living the lives they want.

ADAPT has been advocating for decades for integration of 811 funding. Too much of 811’s limited funding continues to go to group homes and other congregate settings. People are forced into these types of settings, with little control over their lives, simply because this is the type of housing that our funding is building. Given their preference, most people with disabilities would rather live in an integrated apartment, which is accessible and affordable, with neighbors that may or may not have a disability. We applaud efforts to refocus 811 to more integrated housing and away from congregate facilities.

811 is in need of the reform S. 1481 suggests. People with disabilities do not want, and should not be forced, to live in segregated settings. The age of “crip ghettos” needs to end. 811 must be improved to allow people with any type of disability to live alongside their nondisabled peers.

One area of concern we do have with S. 1481 is that Tenant Selection (D) Limitation of Occupancy (on p. 4) could be manipulated by providers. In 2009 disabled people face the biggest housing crisis ever. Years ago we were kicked out of 202 housing. No other population would withstand the propaganda and back room deals that led to the demise of the only stock of housing we had. Although allowing some 811 funds to be used for vouchers helped, it was never enough to make up the loss of the 202 units which are now elderly only. ADAPT feels that giving the providers and landlords leeway to give a preference based on service need they themselves identify creates a slippery slope. We are viewed by some providers as a commodity and this kind of criteria, after all, is the vehicle that allows this to happen. When a consumer with a physical or cognitive disability (exercising self-determination or a desire to live as independently as possible for that individual) refuses a service the provider wants them to use and then their application for housing is turned down, that person could end up in a shelter or nursing home simply because they refused to play “cash cow for the day.”

We are the largest minority. We are people of every race, religion, gender, orientation, and age. If this systematic discrimination were brought to a swift end, people with disabilities would interact with nondisabled people in every setting. Let’s face it, understanding is the only thing that can stop the discrimination and hate crimes that affect our community. And you thought you were just doing a housing bill.

I applaud that you at least make the provider get permission to have such a preference. I suggest another preference that would be humane and less likely abused: that is that 10 percent of the units have a preference for people with disabilities who are in nursing homes or shelters regardless of a need for supportive services and that leaves at least 15 percent of the units for people who may or may not need the voluntary supports and services.

RE: page 3 (1.) Use Restrictions (A) Term—It is good that capital advance is provided under subsection (d)(1) shall create housing targeted to low income people with disabilities and operate for no less than 40 years. This low income group of disabled people have found it very difficult to access affordable, accessible, integrated housing, due to the lack of construction or the gap in subsidy. It was like looking for a needle in a haystack and this will help to address those issues.

(3) limitation on the use of funds. This goes a long way in helping eliminate this crisis and in time we may even have housing stock that meets the needs of People with Disabilities. I value the common sense approach of combining 811 with Existing Tax Credit buildings and allotted Federal funds and allowing Section 8 subsidy to fill the gap thus increasing the development outcomes to finally tackle this horrific shortage of available, affordable, accessible and integrated housing. This housing crisis may finally come to an end.

We are pleased that S. 1481 sets out to require a minimum percentage of 811 funding be spent in integrated settings. We are pleased that Multifamily Projects limits to 25 percent the total number of units in a project funded with 811 funds. ADAPT strongly encourages that the percentage of 811 funding to be used in a project be no less than 25 percent.

(4) Multifamily project—(A) Limitation (d)(1) Presently I do not see 25 percent of the aggregate as a problem especially since you can now develop up to 5,000 units in a year vs. less than 900 units in years past. S. 1481 creates real integration for us and gets rid of the “crip ghetto” formula that has led to our isolation in the community.

(B) Exception subsection (A)—ADAPT also supports S. 1481’s elimination of the Secretary of HUD’s ability to waive the maximum number of occupants of group homes and “independent living facilities.” We must add that this use of the term “independent living facilities” is an insult to an over 30-year-old movement by and for people with disabilities, a movement that promotes integration and rights for
people with disabilities, not institutional living—as it is used here. Although we never support the building of such segregated facilities as group homes and other segregated, congregate living facilities, while the practice continues, it must be held in check and moved toward progressively smaller segregated facilities, and eventually into 100 percent integrated units. ADAPT strongly urges that the number of occupants in group homes should not exceed 4 individuals.

**MFP—Money Follows the Person**

ADAPT is particularly concerned because of the need for timely action. Presently, the Centers for Medicare and Medicaid Services (CMS) is funding the Money Follows the Person (MFP) Demonstration program in over 30 States. MFP allows people to get the services they need to live in the community and move out of institutions. For MFP to be successful, all these thousands of individuals need housing. They don't want to move from a big institution to a smaller one; they want to move to their own home or apartment. These people do not want to live in group homes, board and care homes, or have services forced on them. They deserve to make their own decisions. They deserve to have real choices in their lives, as you do in yours. And, according to the Americans With Disabilities Act and the U.S. Supreme Court’s Olmstead decision, they have a right to live in the most integrated setting. Section 811 and the Frank Melville Supportive Housing Investment Act of 2009 need to meet the needs of the elderly and disabled community. The integrated 811 model would help make the MFP demonstration project a success.

We implore the Subcommittee to understand that the other witnesses called to testify DO NOT speak for people with disabilities. Though they may have good intentions, they are not people with disabilities and they do not fully comprehend our needs and desires. Think about it, would your landlord be able to fully represent you? Nothing About Us Without Us! Please remember ADAPT when you hold your next hearing. We have our own voice.

Many disabled people want to live in the neighborhoods of their family and friends. Part of the reason there is so much misunderstanding about disability and people with disabilities is that so many of us are forced into segregated environments from childhood. Nondisabled children and adults are denied the opportunity to know people with disabilities. Without this opportunity, we all suffer.

Every American has the right to live in the heart of their community. If we end institutionalization, but do not stop segregation, my people will still be cash cows for providers who continue to speak for us but fail to tell you what we really want. Please give us real choices that will help us out of this housing crisis. People young and old are dreaming of a chance to live in the community with accessible, affordable, integrated housing. They want a chance to develop relationships with people of every age and walk of life.

Hundreds of elderly people with disabilities wanted to be at your hearing, but with only 2 days notice, it was not possible. Even if we had a week’s notice our community needs time to get attendants to travel and figure out how to budget for travel. We do not have high paid lobbyists in Washington, DC. We have only our own voices, but these are loud voices!

ADAPT and the hundreds of thousands of people trapped in nursing facilities will not give up this fight. On Behalf of ADAPT, help us free our people and stop the segregation. You have the power to make a difference and help people access their dream to live in the community in accessible, affordable, integrated housing.

Page 5 (2) Tenant Protections (A) Lease: (B) Termination of Tenancy (i) and (ii)— Tenant Protections for the most part these protections seem like they were written with good intentions to avoid any discriminatory action on the part of the provider or landlord. ADAPT recommends a 30 day notice to be written by the tenant if they want to get out of the lease. Disabled people are just like everyone else. They may find this living situation does not suit them, they may want a support system in another area, or maybe they are going to purchase a house or get married; regardless, they should have the right to get out of a lease.

(A) In General
(B) Waivers—
  (i) (ii) 
  (I) 
  (II) 
  (III) (g) (1) (k) (h) (1)
ADAPT understands a cap per unit for the sake of business planning and that shall not effect our 504 rights as alluded to on page (5) under (B) waivers (I), (II), (III).

Repeal of Authority To Waiver Size Limitation—ADAPT thinks this is a great start. Providers will no longer use the Secretary’s waiver to fill beds, and continue the status quo. It begins to chip away at the systematic segregation. Still ADAPT envisions a day when we go even further.

Recommendation 1: that group homes are limited to (4) residents. We believe that it creates a more respectful environment, helps to prevent physical or mental abuse to residents, and would be easier to monitor 504 and ADA compliance along with any service requirements or CMS regulations, (when waiver services are on-site). Most of all, it allows self-determination and hopefully tenant rights to establish rules and discuss problems that could emerge whenever unrelated people live together.

Recommendation 2: Independent Living Facility is a term for Nursing Home or other facilities. People do not live in Independent Living. People do not live in Independent Facilities which are run and controlled by people with disabilities! What we are talking about here are ICF’s or Nursing Homes or State facilities, institutions that may have (24) residents living there are not IL’s.

Sec. 4. Project Rental Assistance Competitive Demonstration Program.

1 Authority—allowing project rental assistance for 60 months under demonstration project and the ability to renew goes along way in making these projects costs effective and filling the $300.00 or more gap in new and existing Tax Credit Buildings. Allowing the Section 8 subsidy to 811 and combining other funds is also very pro-active. This formula is exactly what we asked Secretary Alfonso Jackson to encourage several years ago. We also wanted to hold a conference to let developers know we could combine funding for housing, but this legislation has taken us even further than we imagined by bringing the cost to a point where we could develop 5,000 per year and eventually tackle the shortage of housing for people with disabilities.

2. (B) 25 percent of the aggregate again assists in creating real integration for people with a disability, although we requested 50 percent last year ADAPT had not envisioned the changes that will allow 5,000 additional units in a year: 2,500 (2009); 5,000 (2010); 5,000 (2011); and 5,000 (2012)!

(C) Prohibition of Capital Advances. If the 811 has subsidy assistance provided under the demonstration project they most likely will not need a capital advance. Smaller nonprofit developers may need capital advances to build the housing we don’t want to discourage such developers as they are often the real innovators. This Demonstration project along with combining funding is brilliant what ever took us so long in getting here! 2012 will bring a total of 17,500 units to people who have been waiting years and if we give a preference to people with disabilities, institutions at 10 percent imagine the impact for people forgotten and hidden behind walls. ADAPT’s only concern is that this program continue beyond 2012 and ensures that we as a community will never again have to face a housing shortage like the one we have now.

(D) Eligible Population—This legislation does the right thing by targeting people with disabilities who have the lowest incomes. These are the people with disabilities who have been forced into institutions simply because they could not access housing! It is only right that they be the population that benefits from the 811 combined funding and the demonstration program.

Page 8 (3) (A)—Again this goes further than 811 ever has to promote integration for people with long term disabilities and recognizes our right to housing and community based services. ADAPT was the first group to demand a partnership between CMS and HUD. Again and again we have requested that housing providers work with Community Based Agencies, especially ones run and controlled by People with Disabilities or agencies that transition people out of Institutions and provide services so we don’t go into institutions. Modernization of 811 creates resources that will lead us to real community housing options. However, we recommend that we house people regardless of diagnosis. All people with disabilities face discrimination in housing and perceive a shortage of housing. People with disabilities are expected to accept any housing that comes their way and be grateful. People with Disabilities are often unfairly evicted. So whether it is mental health, developmental disability, physical disability, or sensory disability, we are all impacted. Most people with disabilities need some supports but often they would rather get them from someone outside of their housing or be sure that the service is really voluntary and not forced on them. Some have families and others may live alone or with a friend but all are crying out for an easier road to affordable, accessible, integrated housing.
Cross Disability is the way to go. Allowing providers to give preferences by service needs could still be dangerous or discriminatory. If services are truly voluntary, that preference is not needed. Again, we suggest a preference be given to disabled people living in institutions or other restricted environments such as shelters regardless of service needs. Voluntary services could be very creative. I value Senator Dodd’s testimony and thought: “That guy gets it!” He suggested that transportation be a supportive service. Although we have the right to public transportation, as we face problems related to our health or aging with a disability, a service like that might help us remain active in the community or even stay employed. Of course, we should always build housing near public transportation, but some rural areas have no accessible transportation and maybe an accessible van could be that voluntary service, the same as homemaker service or assistance with meal preparation. As long as these services are voluntary and not intrusive. I would like to thank Beth Cooper for her patience and advocacy in helping us be able to submit our testimony. Efforts like this hearing and passing proactive legislation like Modernizing 811 are the very tools to free our people. As long as you develop policy with us that is about us, you will find no one will fight harder for these changes. For the sake of emphasis I want to say: “Nothing About Us Without Us.” When policy is developed for people but not with people it often does not work. Thank you for working with us.