

# Opening Doors

A HOUSING PUBLICATION FOR THE DISABILITY COMMUNITY

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## FROM THE EDITORS

This issue of *Opening Doors* is devoted to the topic of housing development — the “bricks and mortar” approach which produces new units of affordable housing for people with low incomes, especially for people with disabilities. The actual production of new housing in the community for people with disabilities is just one of many strategies used to expand housing opportunities — but it may be the most difficult to accomplish.

Other housing strategies, such as the use of Section 8 rental vouchers and home-ownership initiatives, have been prominently featured in prior issues of *Opening Doors*. Vouchers will always be a very important resource for people with disabilities because they enable them to choose housing in the private non-subsidized housing market. However, some landlords are reluctant to accept tenants with vouchers and many people with disabilities who need accessible units are unable to find housing within the voucher guidelines.

Housing development strategies — whether they involve new construction of housing or the acquisition and rehabilitation of existing buildings — should be a key element of efforts to expand affordable

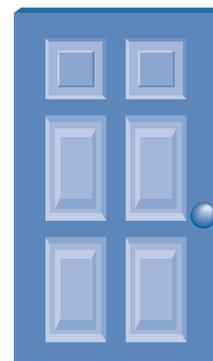
housing for people with disabilities. Moreover, the development of new housing units is essential if communities want to replace the subsidized rental units — including many units with accessible features — that are no longer available to people with disabilities. As a result of recent federal housing policy which permits owners of federally subsidized developments to create “elderly only” housing, as many as 200,000 units may have been lost to people with disabilities, and more units are being lost each month. Recently, the family of a 24-year-old man who uses a wheelchair contacted approximately 30 federally subsidized housing complexes in Southern Florida only to learn that they all had adopted “elderly only” admission policies.

Despite the fact that the number of federally subsidized housing units for people with disabilities is rapidly declining, federal officials have been reluctant to expand housing production programs targeted to people with disabilities. There is little support to expand HUD programs that build or rehabilitate housing — particularly for extremely low-income households such as people with disabilities receiving

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Technical Assistance  
Collaborative, Inc.  
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Citizens with Disabilities  
(CCD) Housing Task  
Force*



## Challenging Choices: Housing Development 101

*By Kathryn McHugh, Emily Miller, and Ann O'Hara*

### INTRODUCTION

Across the country people with disabilities face continued challenges as they attempt to find affordable housing. Nationwide, the income of a person with a disability receiving Social Security Income (SSI) benefits is only 24.4 percent of the average one-person income. At this income level a person with a disability must spend approximately 69 percent of his or her income to rent a modest one-bedroom apartment. This means millions of people with disabilities can not afford to rent a decent and safe apartment in their community.

The housing crisis currently confronting people with disabilities is exacerbated by a limited supply of quality affordable housing units, particularly housing that is barrier free or close to community amenities. In an effort to address the housing needs of people with disabilities, some disability groups are considering entering the world of affordable housing development. They are motivated by the many people with disabilities who are renting substandard apartments in unsafe environments, staying in shelters, living in overcrowded conditions, or with an aging parent.

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# Opening Doors

To housing opportunities for people with disabilities

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**The Technical Assistance Collaborative, Inc.** is a non-profit organization that provides state-of-the-art technical assistance and training to housing and human service organizations so that they may achieve positive outcomes in their work on behalf of people who are disadvantaged and/or disabled. For more information, please contact Emily Miller, Marie Herb, or Ann O'Hara, Technical Assistance Collaborative Inc., One Center Plaza, Suite 310, Boston, Massachusetts 02108. Phone: 617-742-5657 or Fax: 617-742-0509 or e-mail: info@tacinc.org.



**The Consortium for Citizens with Disabilities (CCD)** is a national coalition of consumer, advocacy, provider, and professional organizations who advocate on behalf of people of all ages with disabilities and their families. CCD has created the CCD Housing Task Force to focus specifically on housing issues that affect people with disabilities.



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## Editorial

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Supplemental Security Income (SSI) benefits. During the past five years, the Section 811 program budget, which is the major source of grant funding to develop housing for people with disabilities, has been cut by almost 50 percent.

Producing government funded housing for people with SSI level incomes is also expensive because an on-going commitment of HUD funding — usually in the form of an operating subsidy — is needed. The operating subsidy ensures that the housing stays affordable for the long term, even if the cost of operating the housing increases. Unlike most other HUD programs, the Section 811 program comes with an operating subsidy, a key reason why the program's application process is so competitive.

Unfortunately, even if funding is available, many groups within the disability community lack the specialized knowledge and skill to undertake housing development. Given this lack of capacity — and the competition for funding — disability groups are often reluctant to get into the housing development business. Others who have made the effort to develop housing say they will never do it again — it was just too difficult.

What are the implications for people with disabilities in this dilemma — especially with the need for new units growing every day? Hopefully this issue of *Opening Doors* can provide some answers to that question. It is clear that the disability community needs to have a better understanding of the housing development process. With this understanding, strategies can be developed to ensure that housing production activities benefiting people with disabilities can be expanded — either by hiring staff who have the expertise, or by collaborating with experienced housing developers. Developers are often willing to set aside some units for people with disabilities in new projects, provided funding is available.

However, it is clear both HUD and the Congress need to be challenged to significantly increase funding for housing production programs that benefit people with disabilities, including the Section 811 program. This challenge must come directly from you, and other disability advocates across the country. There are many innovative models of housing developed with Section 811 funding that are based on the principles of choice, independence, and integration. Non-profit disability groups have struggled to develop the capacity to replicate these programs, but the funding just isn't there. It's up to you, the readers of *Opening Doors*, to advocate for increased funding for these programs.

The Editors

## Challenging Choices

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Developing affordable housing for people with disabilities is not an easy task. Constructing or buying a building, renovating it, and managing it — collectively referred to as housing "development" — is extremely complicated, expensive, and time-consuming. Deciding to develop housing requires careful consideration. Of course, there are many positive aspects to becoming involved in the housing development process. For example, helping to develop affordable and accessible housing sends a strong message about the inclusion and integration of people with disabilities in all aspects of community life.

For many groups, including family and consumer advocates, becoming a partner in an affordable housing project may be the first step towards becoming more active in community housing issues. Before entering the world of housing development, there needs to be a clear picture of what type of housing will meet the needs and preferences of people with disabilities in your community. Housing for people with disabilities should be low density and integrated into the community. This could mean a small complex solely for people with disabilities or a set-aside of units for people with disabilities within a larger complex. Often this means partnering with another affordable housing developer. Any group considering developing affordable housing should make sure to investigate all the possible options.

Whether planning to partner with a local affordable housing provider, or deciding to develop housing on your own, you will need to learn more about the affordable housing development process. The information contained in this issue of *Opening Doors* is designed to help people with disabilities, advocates, and service providers understand the basics of affordable housing development — or "Housing Development 101."

### WHY DEVELOP?

With good reason, many groups within the disability community consider getting into the housing development business. By developing affordable housing, a group can act on its own housing vision and goals. This control could include making all crucial decisions such as where the project will be located, who will be the potential tenants, the size of the units to be offered to people with disabilities, etc. A group choosing to develop housing can also have control over the design of the housing and ensure that the needs and preferences of people with

disabilities are addressed. The design could incorporate special features to accommodate the needs of people with disabilities such as wheelchair ramps or flashing doorbells.

A group that develops housing plays multiple roles including owner and landlord. By playing both these roles, the group has the opportunity to be more involved in the direct management of the property. As a member of the disability community, the group is a landlord who understands the issues people with disabilities confront and may be more likely to provide reasonable accommodations to tenants to ensure their long-term tenancy.

Keep in mind, however, that it may be difficult for some groups to assume the roles of both landlord and housing advocate for people with disabilities, particularly if that group is a provider of services. For example, as a landlord, a group may need to evict a tenant for non-payment of rent. For this reason many disability community members believe housing development is best left to more impartial housing professionals.

Housing development increases both a group's visibility in the community and awareness of the need for affordable housing, including housing for people with disabilities. In some communities, getting actively involved in housing development will be the only realistic way to expand affordable housing. However, groups considering getting into the housing development "game" should take their time, learn all that housing development involves, and make sure to weigh all the benefits and risks before moving forward.

### DECIDING TO DEVELOP

There are many different ways for people with disabilities, their families, advocates, and service providers to get involved in affordable housing development. Various models range from:

- doing it alone;
- asking an experienced housing developer to do it for you;
- forming a joint partnership with a developer; and
- advocating in the community and on the state and federal level for increased affordable housing development resources targeted to people with disabilities.

In order to judge the best strategy for your community, your group needs to have a clear picture of all that housing development involves. This means learning about the components of the development process

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## Challenging Choices

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including acquisition, construction, and property management, and then assessing if the skills and resources necessary are available to get started. Specifically, in order to help determine what development strategy to pursue, consider the answers to the following questions:

- 1 Does the group have the capacity to develop?
- 2 Does the group understand the risks involved in developing affordable housing, and are they ready to assume those risks?

### Assess Capacity

There are several issues to consider in assessing the group's capacity to enter the housing development arena, such as access to knowledgeable people with development experience and the ability to oversee all the steps necessary, including:

- acquiring a building or site;
- obtaining financing;
- developing an operating budget;
- constructing the building; and
- managing the property.

The first step in assessing the group's capacity to embark on a development project is determining whether it has access to knowledgeable people. Specifically, does any staff member or representative from the Board of Directors have experience in developing affordable housing? If not, the group may want to hire experienced staff who can oversee the development of the project, or rethink the project by limiting the role of the group to its area of expertise (the provision of supportive services or managing the property, for example). It is important to assess the group's strengths and capitalize on them. If development is not the group's strength, consider a partnership with an experienced housing developer or retaining a consultant to oversee the development process and represent the group's interests. The group still needs to understand housing development and be an active participant because as the owner they are ultimately responsible for the whole development process.

To help assess a group's capacity to develop housing, ask the following questions:

- Has the group ever done this before?
- Is the project compatible with the group's mission?

- Will the group be able to assemble a strong development team (i.e., the people needed to build the project)? Are there people in the community who have these skills and might be interested in helping with this project?
- Is there sufficient need for the type of housing to be developed?
- Is there community support for the project?
- Is money available to develop?
- Can the group take on the financial risk of developing the housing?

Answering these questions is an important first step since, if a decision is made to go forward, all the potential partners (i.e., funders, the city, and the development consultant) will also be asking these questions to determine the groups capacity to develop and manage housing.

### Understand the Risks

Before proceeding, a group also needs to learn more about the risks involved with developing affordable housing. Be aware of the added liability and increased costs that could be incurred as a result of housing development efforts. If the group has a Board of Directors, they should understand their oversight role; they may want to add members with real estate, legal, or financial expertise before embarking on a development project.

When considering whether to develop affordable housing, be aware that the development process is very time consuming, both in terms of staff time and the actual time it takes to complete a project. Even if a consultant is hired to oversee the entire development process (buying a building, renovation, and selecting a property manager), it is likely that a designated staff person will be needed to work with the consultant. Depending on the funding source(s) and the group's experience, a development project can take anywhere from 2 to 5 years to complete. Keep in mind that even the best projects can experience delays. For example, the proposed site may have hazardous waste that can't be cleaned up without adding enormous cost to the budget.

Of course development costs money — and money is hard to get, particularly in the early stages of the project. Obtaining financial commitments can be extremely complicated and difficult. For example, most funders like to be the "last dollar in" and not the "first." In other words, funders are more interested in providing money for a project after commitments from other funding sources have been secured. Unfortunately, funding is most

needed in the beginning of the process to cover many early expenses, such as buying the property and paying members of the development team (i.e. architect, lawyer, and consultant). Although a group can apply for money from funders — such as the federal government, the state housing agency, or banks and other financial institutions — these funds may not be available until construction begins.

Be aware that housing developers are liable for covering these early expenses — such as paying the development team — even if the project doesn't go forward. For example, what if, after incurring these early costs (known as pre-development expenses), the development team decides that it doesn't make sense to proceed with the project because the property costs too much? If this happens, the group — as the developer — will still be responsible for these early costs. There may be funds available in the community from local or state housing or community development departments to pay for these expenses, but be prepared to fund at least some of these costs from the group's resources.

## STAGES OF HOUSING DEVELOPMENT

While there is a lot of risk related to developing housing, the overall benefit — increased decent, safe, affordable, and accessible housing designed with consumer preferences and needs in mind — may be important enough to compel a group to enter into the world of affordable housing development. To move forward, it is important to have a clear understanding of the four basic steps of housing development:

- 1 **Project Concept:** Defining the vision.
- 2 **Pre-Development:** Getting everything done in order to start construction. This includes: buying the property; hiring an architect; designing an architectural plan which incorporates the Fair Housing Act Accessibility Guidelines and other special features; determining how much it will cost to build; interviewing and selecting a contractor; and securing the money needed to build and operate the building.
- 3 **Construction:** Overseeing the construction of the building.
- 4 **Management:** Operating the building, selecting tenants, and paying the bills.

## STEP ONE: Project Concept

### Define the vision

The first step in the development process is to define the group's vision or concept. This is a critical component to the long-term success of the project, both financially and in terms of the quality of life for the tenants. To define the vision, meet with all the stakeholders and people who will help develop the housing project, and discuss what the group wants to create and why. This meeting should include all potential partners — meaning consumers and potential tenants, family members, advocates, service providers, architects, development consultants, potential funders, and any other involved community members.

Together, answer the following questions as part of defining the vision for the housing project: In what area would you like to locate the housing? Do you want to build something new or renovate a building? Do you need to choose an area close to transportation, grocery stores, or supportive services? What is the preferred size of your project? Will you develop housing for families or single adults? Is this a project only for people with disabilities or will it include a mix of people, some with disabilities and some without? Will the tenants require any special design features? Will the tenants play an active role in design and ongoing management of the housing?

Answering these questions early will ensure the long-term success of the project. These early decisions will also affect the overall design and the money the group will be eligible to apply for. For example, some funding programs target specific populations — such as homeless people with disabilities — and the funding identified and pursued will have to correspond with the design and vision of the project.

### Assess the Community Environment

At this time, the group should also begin to assess the community's openness to an affordable housing project serving people with disabilities. This will determine the level of support for the project. It is beneficial to talk with potential partners and key stakeholders early in the process, including local officials, lenders, community organizers, and people with disabilities, their advocates, families, and service providers. These discussions will help determine whether there will be community support or opposition to the project. Unfortunately, affordable housing projects, particularly those providing housing

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# Developing Affordable Housing for Formerly Homeless People Using a Variety of Funding Sources

Main Street Housing had been serving homeless people for 10 years at their adult shelter when in 1990 they decided to apply for a HUD McKinney Section 8 Single Room Occupancy (SRO) grant. They were funded, and successfully developed a 15 unit SRO for single homeless men. In 1996, they decided to develop 10 one-bedroom units to provide permanent housing for single men and women leaving their adult shelter. The

development would include two units set aside for people with disabilities. They partnered with Valley Services, a non-profit service provider that helped design the building and deliver any supportive services that the tenants might need in the future.

This time the development process was not as smooth. Due to a recent upswing in the economy, the opening of a new hospital, and their close proximity to a ski resort, land costs had increased significantly in the area and Main Street Housing had a hard time finding a vacant building they could afford. When they did find a building some local residents were opposed to the project and tried to stop it at community meetings.

Additional project delays also occurred due to the need for multiple funding sources, all with different requirements. Main Street Housing did not receive enough grant money to fund all of the costs associated with the acquisition and rehabilitation of the property. However, they were able to obtain a small loan from their local bank to cover some of the remaining development

costs. The bank loan would need to be paid back annually for 30 years.

Because of the bank loan, the project's projected operating costs were now higher than the rents that formerly homeless people could afford to pay. Main Street Housing did not want to charge higher rents, so they solved this problem with two strategies. First, they applied for a state capital grant targeted to developing affordable housing for people with disabilities. That grant covered the full cost for the two units that they were planning to set-aside for people with disabilities. The grant — which did not have to be repaid if the project remained affordable for 20 years — also completed the acquisition/rehabilitation funding "package."

The second strategy involved a successful effort to obtain rent subsidies for all 10 units from the state's housing department. Both Main Street Housing and Valley Services were members of a Housing and Homeless Coalition that had successfully lobbied for the creation of these subsidies through a new state bond-funded program intended to expand permanent housing for homeless people. Main Street Housing's application for these funds was very competitive because all of the other financing to develop the project was already in place. Without these rent subsidies, Main Street Housing could not have paid back their bank loan and met their other project operating expenses unless they were willing to charge much higher rents — a strategy they were unwilling to pursue.

Construction began in March of 1998, after all of the development and rent subsidy funding was in place. The construction was completed and the building was ready for occupancy in June of 1999. Main Street Housing hired a part time property manager to manage both their existing SRO and the new building and is currently monitoring this cost closely to determine if it would be more cost effective to hire a property management firm. In accordance with the original design, Valley Services has access to a small office space that can be used to provide support services to those tenants who desire them.

<b>DEVELOPMENT BUDGET (10 UNITS)</b>	
<b>SOURCES</b>	
State Capital Grant	\$212,600
HOME	\$300,000
CDBG	\$252,400
Federal Home Loan Bank Affordable Housing Program	\$250,000
Washington Square Bank	+\$247,000
<b>TOTAL SOURCES</b>	<b>\$1,262,000</b>
<b>USES</b>	
Acquisition	\$300,000
Construction	\$740,000
Soft Costs	+\$222,000
<b>TOTAL COST</b>	<b>\$1,262,000</b>
Per Unit Cost (\$1,262,000/10 units)	\$126,200
<b>OPERATING BUDGET</b>	
<b>REVENUE</b>	
State Rental Assistance Program (\$500 monthly per tenant)	\$60,000
Rental Income from Tenants (\$150 per month x 10 units x 12 months)	+\$18,000
<b>TOTAL INCOME</b>	<b>\$78,000</b>
<b>EXPENSES</b>	
Operating Expenses	\$54,208
Mortgage payment	+\$21,749
<b>TOTAL EXPENSES</b>	<b>\$75,957</b>
Net cash flow	\$2,043

# Using HUD's Section 811 Program to Develop Affordable Housing

In 1993 the Community Support Team of the Franklin Community Health Center (FCHC) — a non-profit organization serving people with developmental disabilities in an urban community — met with families and consumers to identify consumer needs as part of their strategic planning process. The group identified quality affordable housing as a critical need and the FCHC decided to apply for a Section 811 grant from the US Department of Housing and Urban Development (HUD). The Section 811 Supportive Housing for Persons with Disabilities Program provides money to construct buildings and subsidize the rents. Since the Section 811 program is highly competitive, FCHC hired a consultant to write their application and coordinate all aspects of building the project. Consumers requested that the design include one-bedroom apartments and community space for social gatherings.

FCHC found a vacant lot close to retail shops and a major bus route. They signed an agreement with the owner who would hold the property for \$2000 until they received their funding from HUD. In 1994 they submitted their Section 811 application to HUD. FCHC was surprised at how much paperwork was required for the initial application. After they received preliminary approval from HUD in 1995, they were required to submit yet another application showing greater architectural detail and firmer construction costs. In the meantime, the owner of the vacant lot got an offer from someone who was able to purchase the property immediately. FCHC lost this site and had to find another one quickly since HUD would not award money to a group that hadn't secured a site. This was a difficult process as there was not a lot of vacant and affordable land in the community. They were able to find a site that was approved by HUD but it cost much more than the original vacant lot. HUD was able to give FCHC some additional money since the property was located in a high cost area, but FCHC still did not have enough money to build their project. After submitting an application, they were able to get a grant from the State Department of Housing and Community Development to fund the difference between the maximum Section 811 award and what was required to build the project.

In 1997 FCHC received a letter from HUD with the final approval for their Section 811 award at the higher amount. They began construction in April of 1997 and the building was completed in December of 1997. Residents began to move in during February of 1998, five years after FCHC decided to apply for a Section 811 award.

## DEVELOPMENT BUDGET (6 UNITS)

SOURCES	
HUD Section 811	\$527,000
State Grant Program	+\$105,000
<b>TOTAL SOURCES</b>	<b>\$632,000</b>
USES	
Acquisition	\$70,000
Construction	\$460,000
Soft Costs	+\$102,000
<b>TOTAL COST</b>	<b>\$632,000</b>
Per Unit Cost (\$632,000/6 units)	\$105,333

## OPERATING BUDGET

REVENUE	
HUD Project Rental Assistance	\$27,704
Rental Income from Tenants (\$150 per month x 6 units x 12 months)	+\$10,800
<b>TOTAL INCOME</b>	<b>\$38,504</b>
EXPENSES	
Salaries and other operating expenses	+\$38,504
<b>TOTAL EXPENSES</b>	<b>\$38,504</b>
Mortgage payment	0
Net cash flow	0

*TAC has created a Consolidated Plan Resource Guide to help the disability community understand HUD's mandated housing plan process and learn how to best advocate for safe, affordable, and decent housing. HUD is requiring every state and locality to create a ConPlan in the year 2000, so now is the time to learn all the facts.*

Visit  
[www.c-c-d.org/conplan-guide.html](http://www.c-c-d.org/conplan-guide.html)

Advocates for people with disabilities continue to seek innovative ways to expand housing in local communities. Many successful initiatives have involved collaborations or partnerships with non-profit or for-profit housing developers who have an interest and a desire to help. TAC and CCD would like you to share your story with us and we will devote a future issue of Opening Doors to describing these local housing development strategies to our readers. Please e-mail us or send us a brief description (500 words or less) of your success stories, including a contact name and address, to TAC at the address on page 2.

## Challenging Choices

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for people with disabilities, often face community opposition. This shouldn't deter groups interested in developing housing for people with disabilities. However, when beginning the development process, it is important to be aware of any community opposition, plan for it, and assess its potential impact.

### STEP TWO: Pre-Development

The pre-development phase is crucial to the success of the project. It is during this phase that a group: selects the people to be involved in the development of the project; evaluates the financial and conceptual feasibility of the project; determines cost estimates; develops preliminary budgets; and starts securing funding in order to move forward.

### Selecting the Development Team

After defining the concept, the group needs to determine whether or not the project is feasible, both financially and practically. For example, will the owner sell you the property? To judge the feasibility of the project, assemble and consult with an experienced development team. The development team is simply all the people needed to complete the project. A successful development team should include a lawyer, architect, and contractor, as well as any involved consultants or other partners, such as property managers or service providers.

In selecting the development team, ask for references and speak with other groups that have worked with them. Visit projects designed by the architect and built by the contractor. The selection of a qualified and experienced development team not only affects the successful and timely completion of the project but also is critical to receiving financial commitments from funders.

### Feasibility

Once the development team is put together, meet with them and decide if the project makes sense. This process is called the feasibility analysis. It may be the riskiest period of the development process since money must be spent on a variety of things. Expenses could include architectural drawings, appraisals, and assistance from a consultant and lawyer — before the team determines if the project is feasible.

Additional issues that should be considered when

deciding whether to proceed with a development project include:

- What are the cost estimates for the project?
- Can the group get the money to build the project?
- Is it possible to get all the public approvals such as building permits and zoning approvals?
- Does the site have any environmental problems?
- How will the group advertise and select tenants for the building?
- How will the building be operated? Will there be a property manager?

### Budgeting

As part of the feasibility analysis, the group needs to assess whether it can find the money to do the project. The first step in determining the financial feasibility of the project is to develop a preliminary development budget and an operating budget. These budgets will help to identify how much the project will cost and if the money to build and operate it can be assembled. Remember, these budgets will be based on estimates and will need to be revised later in the development process to reflect actual costs.

The development budget identifies two things: the sources of money (banks, federal funds, etc.) and the use of that money. The development team and any funders will need to know how much money is needed to build the project, where it will come from, and how it will be spent. The development budget should document all potential funding sources and the amount provided by each.

The development budget should also include a detailed listing of the costs associated with: buying the property (acquisition); building the structure (construction); any unforeseen costs associated with the construction; and any other costs associated with the project (generally referred to as “soft costs.”) These include the architect or lawyers fees, building permits, and insurance.

The operating budget identifies two things: the income from the building and the expenses for it. The income includes the expected rent from the tenants as well as any operations grants. In order for the property to be affordable to people with disabilities, the rents will be low, so there might not be enough in tenant income to pay for the operating expenses of the building. However, in order for the project to be financially feasible, the group needs to make sure that there is enough money to pay for the operating costs. If tenants' rent will not be sufficient, alternative funds, such as an operating subsidy or rent subsidies, must be identified.

If the group plans to provide housing for people with disabilities receiving SSI benefits, it is likely the project will not generate enough in rental income to support the operating costs. People with disabilities receiving SSI benefits should pay no more than 30 percent of their SSI monthly payment — or approximately \$150 a month — toward rent. For most projects, this is not enough income to cover the operating expenses. In order to make the project financially feasible while keeping the housing units affordable, the group may decide to include some tenants with higher incomes in the building or develop a mixed income project with some units targeted to people with disabilities with low incomes.

The expenses are all the costs of operating the project. Operating costs include maintenance of the building, taxes, payroll, any on site property management staff, savings for big repairs that may become necessary, and mortgage payments. It is important to remember that operating costs do not include the cost of providing any supportive services that may be offered to the tenants.

## Getting the Money

During the feasibility analysis, the group needs to learn what funds are available for developing and operating affordable housing, including all federal and state housing resources. The TAC Federal Housing Resource Guide (available on-line at [http://www.c-c-d.org/housing\\_guide.html](http://www.c-c-d.org/housing_guide.html)) provides valuable information about these various funding sources. Talk with state or local housing officials, or the local HUD Field Office regarding potential funding opportunities. They may provide referrals to other agencies in the community that have funding for housing development.

Many organizations serving people with disabilities have used HUD's Section 811 Supportive Housing for Persons with Disabilities Program to help finance an

affordable housing project. The Section 811 program provides funds that can be used to acquire, rehabilitate, or construct new housing, as well as money to subsidize the tenants' rents. Section 811 may provide up to 100 percent of the development costs that do not have to be repaid as long as the project remains available to very low-income people with disabilities for 40 years. Section 811 funds are made available to non-profit organizations annually through a national competition.

Although the Section 811 program is a valuable resource for developing affordable housing for people with disabilities, the application process is complicated and extremely competitive. The example on page 7 describes how a non-profit organization utilized Section 811 funds to develop six units of affordable housing for people with developmental disabilities.

Grants are also a good source of affordable housing development financing. A grant is money that does not need to be paid back. The more grants a group receives the less money it has to borrow from the bank, thereby reducing the amount of debt to be paid back. Good sources of grant funds are the federal government, state and local governments, foundations, and benevolent donors from the local community.

Another option for financing a development project is to borrow money from a bank — usually in the form of a loan with interest extended out over a long period of time. If the group borrows money, it will be responsible for repaying the money in the form of mortgage payments that would be reflected as an overall expense in the operating budget. Make sure to learn about any requirements the bank might have for lending before borrowing any money. For example, many banks require their money only be used for certain activities, like property acquisition.

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## Typical Operating Expenses

- Administration (bookkeeping, accounting, advertising)
- Maintenance (property management fee)
- Utilities
- Real Estate Taxes
- Property Insurance
- Water/Sewer
- Trash & Snow Removal
- Operating Reserves (unforeseen repairs, vacancy loss)
- Replacement Reserves (big building system repairs like the roof and heating system)

## Challenging Choices

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Although there are a number of funding options, it is often difficult to secure all the money needed to build a project since the amount actually available from each source is limited and extremely competitive. To make matters worse, funding applications are usually due at different times throughout the year and, as a result, money is awarded at different times — making it difficult to create a realistic timeline for developing the project.

In addition, most lenders will condition their funding commitment on the group's ability to obtain **all** of the necessary financing, making it even harder to secure the money needed to develop the project. The budget may need to be adjusted if the group can not get all the money needed. Some ways to reduce the cost of a project include: building fewer units; removing any unnecessary design features; reducing common spaces; or limiting the landscaping plan. Keep in mind that there are usually trade-offs in the budget and it is important not to cut corners on things that are critical to the project or the vision. However, if the group can not get more money or decrease the overall cost of the project, it may be unable to move forward.

### STEP THREE: Construction

Once all the financing commitments are secured and the necessary documents are signed, it is time to start construction. The construction phase is very complicated and needs to be overseen by a qualified professional. This oversight includes approving construction changes, ensuring the construction meets the Fair Housing Act Accessibility Guidelines, paying the bills, monitoring how the money is spent, and reporting on progress to the funders. The architect or another member of the development team can do this, but the group — as the owner — must remain involved in the process because if anything goes wrong, it's their responsibility.

The construction process requires ongoing oversight, attendance at weekly job meetings, and constant negotiations between the group, the architect, and the contractor. The architect will attempt to ensure that the contractor is building the project exactly as the design specifies, and make certain that the vision, identified during the concept stage, is realized. The group may want to learn more about the overall construction process before actually starting since it will be responsible for reviewing all bills and determining the quality of work. When construction

is completed, the group will need to walk through the building to look for any problems and identify anything it wants the contractor to fix.

Remember, some of the money obtained to develop the project may be restricted to certain activities, like buying the building. Because of these restrictions, funders will require specific reports on how their money is being spent. Given this, it is important to find out in advance what the reporting requirements are for each funding source and keep very detailed records on project spending.

### STEP FOUR: Managing the Building

Once the project is complete, it is time for tenants to move in. This is known as the management phase. By now, a decision should have been made about whether the group, as the owner, is going to manage the building or hire an experienced property management firm. If the group decides to manage its own building, it should be aware of all the responsibilities including: monitoring the quality of the building; selecting tenants; and reporting to funders. Groups without experience in property management often end up paying more in building repairs because problems are not recognized before they become major and costly headaches.

Beyond monitoring the building for needed minor repairs, managing the property means ensuring all the building's major systems (e.g., heating, drainage) work correctly. Some rental income is usually set aside in a reserve account so major repairs do not jeopardize the overall finances of the project. Remember that the operating budget put together during the pre-development phase was based on a lot of assumptions. Any of these costs can change and result in higher costs than expected.

Being a property manager also requires dealing with tenant issues such as selecting tenants to live in the building, signing leases, and processing any terminations or evictions. There are many important tenant-related issues that should be considered by the property manager, particularly the level of tenant involvement in the on-going management of the building. For example, as the property manager, the group may decide to encourage the development of a Resident Advisory Board that provides input on property management issues.

The management stage also requires continual reporting to funders. Some of the funds secured to build the property may have been awarded with specific requirements. For example, to receive federal funding, the group might have to agree to provide housing for people with

extremely low incomes for the next 15 years. In this situation, as the property manager, the group is responsible for collecting and reporting tenant income information to funders.

## COLLABORATION

All the requirements and risks involved in developing affordable housing may lead groups to consider another strategy besides doing development alone. Ultimately, the decision about whether to become a developer or seek a partner may be related to other housing development activity going on in the community. For example, if there is no one accepting responsibility for developing affordable housing for people with disabilities, then a group within the disability community may decide to broaden its mission, develop or hire the expertise, and become an affordable housing developer.

If the group decides not to become a developer it may still be able to stay involved in the development process by partnering with an experienced housing developer, and participating as a member of the development team. Think strategically when choosing the right partner and be sure to fully assess a potential partner's capacity to develop affordable housing. For example, a good partner should have enough staff resources and knowledge to complete the project, be in good standing within the community, have strong relationships with all key stakeholders, and be attractive to funders. Most importantly, to offset any lack of experience, a partner should have a good track record in housing development.

When developing partnerships, be clear with the partners about the vision and goals for the project. An ideal partner will share this vision and be willing to assume the risks and costs associated with the project. Keep in mind that many partners may not have an altruistic mindset and may be

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## WASHINGTON BULLETIN BOARD

After months of difficult negotiations, Congress and the president have agreed on a budget for the U.S. Department of Housing and Urban Development (HUD) that includes funds targeted to people with disabilities. These funds are part of HUD's FY 2000 budget, and should begin flowing to Public Housing Authorities (PHAs) and non-profits in a few months. HUD's FY 2000 budget makes a number of modest, but important, increases in programs targeting people with disabilities. In addition to these positive increases in the budget, HUD also recently announced the 1999 rental assistance awards for people with disabilities.

**Recent Funding Announcements.** On October 6, HUD awarded funds to PHAs and non-profit disability organizations as part of the Section 8 Mainstream program for people with disabilities. HUD announced that \$133 million in rental assistance vouchers were being awarded to provide housing for nearly 18,000 low-income individuals and families — 10,800 of them for people with disabilities. The full list of awardees can be viewed through HUD's web site at: <http://www.hud.gov/pressrel/hhva/menu.html>

### HUD FY 2000 BUDGET HIGHLIGHTS

**Section 811.** HUD's FY 2000 budget includes \$201 million for the Section 811 program, a \$7 million increase over 1999. As usual, 75 percent of HUD Section 811 funds are allocated to capital grants and project-based rental assistance contracts for non-profit organizations that acquire, construct, or rehabilitate housing designed to serve people with disabilities. The other 25 percent (or \$50 million) of Section 811 funding is used for new tenant-based rental assistance vouchers. Last year for the first time this funding was made available to non-profit disability organizations as well as PHAs through the Section 8 Mainstream program. It is possible non-profits will be eligible again this year for these funds.

**Section 8.** For each of the past five years, Congress has directed HUD to administer a separate allocation of Section 8 vouchers reserved solely for non-elderly people with disabilities. As in FY 1999, the FY 2000 HUD budget includes an additional \$40 million for this purpose to compensate for the huge loss of affordable units for non-elderly people with disabilities as a result of many public and assisted buildings being designated as "elderly only." Unlike the Section 8 Mainstream rental assistance, only PHAs can apply directly to HUD for these funds. In addition to these "elderly only" vouchers, Congress also funded 60,000 new incremental vouchers that housing authorities will be applying for in the coming months. All low-income individuals and families are eligible for these incremental vouchers.

**Homeless Continuum of Care.** The FY 2000 HUD budget adds \$45 million for the Homeless Continuum of Care program (up to \$1.02 billion, from its 1999 level of \$975 million). The new budget also continues the 30 percent set-aside for permanent housing and 25 percent match for communities choosing to fund services. Unfortunately, the FY 2000 budget does not include a specific directive from Congress to HUD as to how to renew expiring Shelter Plus Care rent subsidies. Many communities are facing a crisis as they now try to renew these programs with limited resources. TAC and the CCD Housing Task Force will continue to monitor this situation to advocate for a comprehensive solution that avoids increased homelessness among people with disabilities.

**HOME & CDBG.** For FY 2000, HOME is funded at \$1.6 billion, while CDBG is funded at \$4.8 billion. Tapping into these mainstream housing resources is critically important for housing advocates who want to ensure a fair share for people with disabilities. Decisions about how these block grant funds are allocated at the local level is governed by the Consolidated Plan (ConPlan) process. Information on how to participate in the ConPlan process is available in *Opening Doors* issue 8.

## Challenging Choices

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unwilling to pursue the development project unless it is profitable to them. There may also be compromises needed to make the partnership successful. For example, rather than developing a small building solely for people with low incomes, together the partners may decide to develop a larger building with a certain percentage of affordable housing units.

### ADVOCACY

Even if disability groups decide not to develop housing on their own, there are other important ways to help increase access to affordable housing for people with disabilities. Educate local and state officials about the housing crisis people with disabilities currently face. In 2000, these officials will be busy preparing strategic housing plans, determining how federal housing dollars will be used in the community, and whether these funds will be used to expand affordable housing opportunities for people with disabilities. Previous issues of *Opening Doors* describe ways to involve the disability community in these important community decisions.

The disability community can also influence affordable housing development activities by engaging in a dialogue

with traditional developers in the community (both non-profit and for-profit). These developers might be willing to include units for people with disabilities in their future projects. All of these advocacy efforts are critical to getting federal, state, and local stakeholders to devote more resources towards the supply of housing available and affordable to people with disabilities.

### CONCLUSION

The information contained in this issue of *Opening Doors* provides the framework to begin to determine whether or not developing affordable housing is for you. This is an important decision requiring an in-depth analysis of a group's capacity and a thorough assessment of the formidable risks — especially the financial ones — involved in development. Having the desire to develop housing is not enough. Development is a significant and risky undertaking that may not be for everyone. You may find your strength is in other areas, such as advocating with local and state housing officials to provide more affordable housing opportunities for people with disabilities. Put these skills to good use by educating these officials, and working with traditional developers in your area. Often the biggest obstacle to developing more affordable housing is convincing the key stakeholders that it is needed.

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# Opening Doors

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