



# Accessing Multifamily Housing for MFP Participants

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*To learn more about the initiative visit: <http://www.neweditions.net/housing/index.asp>*

Housing resources are an integral part of meeting the goals of the Money Follows the Person Rebalancing Demonstration Program (MFP). Studies have shown that MFP participants lack the necessary income to rent a modest studio or one-bedroom apartment in most parts of the nation. Given their limited incomes, locating affordable, accessible housing can be a barrier for people wishing to transition into community living.

This brief concentrates on specific federal resources that help create affordable housing units in rental developments within communities – commonly referred to as ‘multifamily housing.’ In addition to providing background on how various multifamily

housing programs work, this brief also describes how to locate affordable housing units funded through these programs.

## Common Features Among Multifamily Housing Programs

There are two main federal agencies that provide funding for multifamily rental housing: **the Department of Housing and Urban Development (HUD) and the Internal Revenue Service (IRS)**. Although each of these agencies’ programs is distinct, there are some common features among all multifamily housing programs.

### Project-Based Assistance

The type of assistance provided under multifamily housing programs is considered a project-based model – meaning the rental assistance or ‘subsidy’ is attached to a specific building or unit. In order to receive the assistance, a person must live in that building or unit. This assistance is not mobile.

- » **Ownership.** Multifamily housing is owned and operated by private owners, both for-profit and nonprofit.
- » **Subsidized Rents.** In exchange for federal funds, these developments charge tenants below market rents. In some cases, the tenant’s portion of the rent is based on the tenant’s income,

usually 30% of the tenant's monthly income. In other cases, the rent is a set, flat rent.

- » **Affordable Housing.** In exchange for this assistance, private owners agree to provide a certain percentage or all of the units as affordable for low- and/or moderate-income people.
- » **Targeting.** Some of these properties are also targeted for specific target populations including those with special needs, such as people with disabilities or elders.
- » **Housing Quality and Accessibility.** Properties generally must meet certain federal requirements related to housing quality and accessibility standards.

Despite these common features, each multifamily program – even each distinct building – operates differently, providing different rents and varying levels of affordability, targeting, and rent structures.

## Rent Structures in Multifamily Housing

There are primarily two different rent structures employed by multifamily properties, depending on the type of assistance provided: Income-based Rent and Flat Rent.

- » **Income-based rent structures are based on a specific percentage of a tenant's income.** Usually, the tenant pays 30-40% of their income towards rent (adjusted for certain allowances and deductions as well as whether utilities are included in the rent) and the difference is subsidized by the multifamily program. For

example, if the total rent of a unit is \$900 and 30% of the household's monthly income is \$300, the household will pay \$300 towards rent each month and the multifamily program will provide the development with a subsidy of \$600 per month towards rent.

- » **Flat Rent structures are not based on a tenant's income.** The rent is generally set based on the affordability restrictions in place. For example, if the total rent is set at \$400 based on the affordability restrictions in place, the household will pay \$400 regardless of their income.

## HUD Multifamily Housing Programs

There are millions of private HUD-assisted units in the nation. These buildings represent a major source of decent, affordable, rental housing. [HUD's Office of Housing](#) is responsible for the administration of various multifamily housing programs. HUD provides owners with one or more of three types of financial assistance; in exchange for this assistance, owners are required to offer affordable housing units. These three types of assistance are:

1. Direct loans or capital advances
2. Mortgage insurance and interest rate subsidies, and
3. Project rental subsidies.

Some of HUD's multifamily housing programs are described below.

### HUD Multifamily Programs Providing Direct Loans or Capital Advances

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

Since it was established in 1990, the Section 811 program has created more than 30,000 new supportive housing units for people with disabilities under age 62, primarily through the development of group homes and independent living projects. In 2010 Congress reformed and modernized the program. Although existing and under-development group homes and independent living complexes are still authorized within the reformed Section 811 program, the program is now authorized to take a new approach to creating integrated permanent supportive housing: the Project Rental Assistance (PRA) option. This option requires that properties receiving Section 811 assistance limit the total number of 811-funded units within a building to 25% or less.

In Fiscal Year 2012, which was the first year Congress provided appropriations for the reformed Section 811 program, Congress directed that all funding for new Section 811 units be provided solely through the new PRA option. The Section 811 PRA option facilitates the creation of cost effective and integrated supportive housing units in multifamily affordable housing properties without using Section 811 Capital Advance funding. The PRA option commits Section 811 project rental assistance funding to a small percentage (up to 25%) of units in new or existing affordable housing developments created through other programs, such as the federal Low Income Housing Tax Credit

program, the HOME program, or similar capital financing programs. Owners of PRA units must agree to a 30-year use restriction. The use restriction is a legal document that requires owners of PRA units to limit those units to eligible people with disabilities for 30 years. HUD awards Section 811 funds through a competitive Notice of Funding Availability (NOFA) process. For more information, go to [TAC's Resource Center on Supportive Housing](#).

#### Section 202 Supportive Housing for the Elderly

Like the Section 811 Program, the Section 202 Supportive Housing for the Elderly program provides capital and operating funds to nonprofit organizations, known as sponsors, which develop and operate senior housing. The Section 202 grant program has two main components: a capital advance that covers expenses related to housing construction, and operating assistance that supports the buildings' ongoing operating costs (e.g., building maintenance, etc.). Both the capital and operating funding streams are allocated to nonprofits on a competitive basis, through a HUD NOFA. Residents pay rent equal to 30% of their adjusted income, and the operating funds make up the difference between rental income and operating expenses.

Before 1990, the Section 202 program served people with disabilities and the elderly, and some older 202 properties still serve both groups of tenants. When the Section 811 program was created in 1990, the Section 202 program evolved into the Supportive Housing for Elderly Program, serving

## Accessing Multifamily Housing for MFP Participants

only seniors where one or more people in the household are 62 or older. A list of Section 202 developments in each state is available on [HUD's website](#).

### HUD Multifamily Programs Providing Mortgage Insurance and Interest Subsidies

#### Section 236

In the past, HUD also created programs to help reduce the cost of operating multifamily housing with the goal that these reduced or subsidized operating costs would result in lower rents for tenants. One such program was the Section 236 program, which provided federal mortgage insurance and interest rate subsidies to the developer for the production of low-cost rental housing. Through the Section 236 program, private owners could create affordable housing, not targeted to any specific subpopulation.

Although no new 236 properties are being funded, existing Section 236 properties continue to provide lower rents to tenants. HUD sets a basic rent for each development and the tenant must pay at the

basic rent or 30% of their monthly income, whichever is higher. Under the Section 236 program, housing properties may also receive additional rental assistance contracts to help defray costs and lower rents.

#### Section 221(d)(3) BMIR

The Section 221(d)(3) BMIR program insured and subsidized mortgage loans to facilitate the new construction or substantial rehabilitation of multifamily rental or cooperative housing for low- and moderate-income families. Properties subsidized under this program are sometimes referred to as Below Market Interest Rate (BMIR) properties. The reduced mortgage interest rate resulted in lower operating costs for these projects and therefore reduced rents. Rents are not based on a percentage of a tenant's income, but are a flat amount approved by HUD. However, in a number of these developments, there may be other rental assistance that will require that tenants pay no more than 30% of their income towards rent.

The table below summarizes the types or rent structures that each multifamily program uses. Keep in mind that some of these developments may have other rental assistance that will change the rent structure from a flat rent to an income-based rent. Owners and property managers should be able to provide information about the rent structure for each unit.

#### Type of Rent Structure

Flat Rent	Income-Based
» Section 221(d)(3) BMIR	» Section 811
» LIHTC	» Section 202
	» Section 236
	» Project-Based Section 8

### HUD Multifamily Programs Providing Rental Subsidies

#### Section 8 Project-Based Rental Assistance

The Housing and Community Development Act of 1974 created the project-based Section 8 rental assistance program (PBRA). Under the program, HUD enters into contracts with property owners to provide rental assistance for a fixed period of time for low-income families. Most owners are for-profit entities, but nonprofits own a significant share of Section 8 PBRA properties. Project-based Section 8 assistance may be provided only for tenants with incomes no greater than 80 percent of the area median income (AMI) and tenants generally pay rent equal to 30% of their adjusted income.

PBRA is by far the largest Multifamily rental assistance program: PBRA programs enable more than 1.2 million low-income households to afford modest apartments by contracting with private owners to rent some or all of the units in their housing developments to low-income families. Nearly two-thirds of PBRA-assisted households are headed by seniors or people with disabilities.

### Federal Low-Income Housing Tax Credit Program (LIHTC)

The Low Income Housing Tax Credit program (LIHTC) is currently the largest single source of funding for the production of new rental housing for low-income families and individuals. Operated by the Internal Revenue Service within the Department of Treasury, the LIHTC program has produced over

Most LIHTC properties also have other financing sources that were used to help develop the building (referred to as ‘capital’) or to help subsidize the rents. There are instances where six or more different financing sources have been involved in the development of a multifamily property. Each funding source has its own rules and regulations and when combined, it is often tricky to determine the basic rules such as who is eligible for the housing, what the rent for the unit is, and how much a tenant needs to pay towards rent. Owners and property managers should have this information available.

1.5 million affordable housing units, and provided housing for approximately 3.5 million people – including low-income people with disabilities and seniors.

Under the LIHTC program, developers raise money to develop and operate affordable rental housing by selling federal tax credits to investors.<sup>1</sup> First, federal housing tax credits are awarded to developers of qualified projects. Developers then sell these credits to investors to raise capital (or equity) for their projects. The LIHTC gives investors a dollar-for-dollar reduction in their federal tax liability in exchange for providing financing to develop

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<sup>1</sup> A "tax credit" is a tax benefit offered by the IRS or a state / local government for spending your money on certain things such as investing in low-income housing. The benefit comes in the form of a direct reduction in the amount of income taxes you might owe by the amount of the credit you receive. For example, if you owed \$5,000 in Federal income taxes and received a \$1,000 tax credit, you would now only owe \$4,000.

## Accessing Multifamily Housing for MFP Participants

affordable rental housing. The investor's funding reduces the amount of debt that the developer has to borrow. Less debt equals lower costs, which equals lower rents. In return for tax credits, participating developers agree to reserve a percentage of the housing units in the properties for low-income families.

There are two types of rent restrictions in LIHTC properties:

- » 40% of the apartments must be affordable to those with incomes at or below 60% of the area median income. For example, in a 100-unit building, 40 of the units must be affordable to households with income at or below 60% of AMI; or
- » 20% of the units must be affordable to those with incomes at or below 50% of area median income. For example, in a 100-unit building, 20 of the units must be affordable to households with income at or below 50% of AMI.

The housing units generally must remain affordable for at least 30 years. A list of properties financed with LIHTC by state is available on [HUD's website](#).

## Locating and Applying to Multifamily Housing

HUD and other entities maintain online databases that can help MFP participants and their case managers identify the kinds of multifamily housing described in this brief.

HUD maintains several online databases through which anyone can conduct a free housing search of

the HUD multifamily housing properties (see the box for links to these databases). HUD also maintains a database of [LIHTC funded developments](#). These databases provide information that can assist in a housing search such as the address, phone number for the property manager, unit sizes, and whether a property has any accessible units.

In addition to these databases, there are other free online databases that can assist an MFP participant or case manager to search for housing. Over 30 states contract with [Social Serve](#) (a nonprofit organization that develops customized housing locators) to create and manage a housing locator system for their state. Another database, the [National Housing Preservation Database](#) was created by the Public and Affordable Housing Research Corporation (PAHRC) and the National Low Income Housing Coalition (NLIHC) in an

### Housing Search Using HUD's Online Databases

HUD maintains two online databases of HUD multifamily properties:

- » [HUD's Subsidized Apartment Search](#) is a searchable database by State identifying all HUD subsidized properties
- » [HUD's Multifamily Inventory of Units for the Elderly and Persons with Disabilities](#) is a searchable database by State identifying units in HUD subsidized multifamily properties that serve the elderly and/or persons with disabilities.

## Accessing Multifamily Housing for MFP Participants

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effort to provide communities with the information they need to effectively preserve their stock of public and affordable housing. This database allows the user to search by individual programs including LIHTC, Section 202, and others.

Each multifamily housing property has its own application process. These procedures will differ from building to building, but all the procedures share the following characteristics:

- » The household's annual income must not exceed program income limits; each building's income limits will depend on the financing used for that particular property (as described above).
- » Applicants must disclose and document social security numbers for all family members at least 6 years of age and older.
- » All adults in the family must sign an Authorization for Release of Information prior to receiving assistance and annually thereafter.
- » The unit for which the family is applying must be the household's only residence.
- » An applicant must agree to pay the rent required by the program.
- » Under some of the programs, only U.S. citizens or eligible noncitizens are eligible for housing.
- » All information reported by the household is subject to verification.

A property may have additional occupancy restrictions imposed by other financing sources. For example, a LIHTC development may also have been funded with a source requiring a specific number of units be leased to homeless individuals; applicants for these set-aside units would have to provide documentation of homeless status.

In addition, in most HUD multifamily housing properties are required to follow the rules included in [HUD Handbook 4350.3 Occupancy Requirements of Subsidized Multifamily Housing Programs](#). This Handbook outlines the eligibility, waiting list, tenant selection, screening, rent calculation and lease requirements for many multifamily programs, as well as civil rights and nondiscrimination requirements that developments must follow.

## Relationships with Owners and Property Managers

MFP programs may want to develop relationships with property managers for desirable buildings. Some questions to consider when making contact with a property manager or owner include:

- » Are there currently any unit vacancies and if so are these for subsidized units?
- » What are the specific eligibility requirements for these units (income, target population, etc.)?
- » How is the rent determined?
- » Does the property maintain a waiting list and are there any selection preferences?
- » What is the application process and what kind of screening criteria is used?
- » What type of accessibility features are there in the building and/or units?
- » Do you manage any other properties that include subsidized units?
- » Can one application be provided for multiple properties?

Some MFP programs have found that these relationships with owners and property managers have proven to be beneficial in many ways. In addition to learning more about the specific application requirements of the building, through these relationships MFP programs could:

- » Successfully advocate for participants who have unstable tenancy histories.
- » Develop a preference within a building for elders or people with disabilities.
- » Assist in using accessible units. Some buildings have difficulty leasing accessible units to persons requiring the unit's design features and may welcome the assistance of the MFP program.

## Conclusion

Multifamily housing properties represent a large quantity of the affordable housing stock across the nation and many have units targeted specifically to those with special needs. Subsidized multifamily properties are a resource to assist MFP participants to access housing they need and can afford in an integrated community setting. Identifying multifamily properties and establishing relationships with the owners and property managers of these units will help MFP participants to access this valuable housing resource.

Being informed of the subsidized multifamily housing properties in the community as well as the eligibility criteria and application processes for each will increase housing options for MFP participants. MFP staff are encouraged to foster relationships with multifamily property managers and owners to ensure MFP participants needing housing have greater access to these units.

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For additional information and related resources, visit [www.tacinc.org](http://www.tacinc.org).