

Section 811 Project Rental Assistance

Bringing Permanent Supportive Housing to Scale

Status Report to Congress



U.S. Department of Housing and Urban Development
Office of Multifamily Housing Programs

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U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-0001

THE SECRETARY

I am pleased to provide this Section 811 Project Rental Assistance (PRA) status report to Congress as required by the Frank Melville Supportive Housing Investment Act of 2010. The Act (Pub. L. 111-374) reformed the Section 811 Supportive Housing for Persons with Disabilities program by making it more cost-effective and consistent with the community integration mandates in the Americans with Disabilities Act (ADA). Consistent with the Department of Housing and Urban Development's core mission, Section 811's new PRA option uses housing as a platform to improve the quality of life of and create inclusive communities for persons with disabilities, especially if homeless or living in high-cost institutional settings.

The outcomes from the Fiscal Year (FY) 2012 Section 811 PRA Notice of Funding Availability (NOFA) highlighted herein show a high level of need across the states for supportive housing for these populations. In February 2013, HUD competitively selected 13 of 35 interested states and the District of Columbia to receive a total of \$98 million in PRA funding to create 3,530 new supportive housing opportunities.

The FY 2012 PRA competition also demonstrated that this new Section 811 option is highly cost-effective. The FYs 2010 and 2011 Section 811 Capital Advance/Project Rental Assistance Contract (PRAC) combined NOFA included \$150 million and funded only 984 units. With 30 percent less funding, HUD expects that the FY 2012 NOFA will create more than three times the number of units. These projections are a strong indicator of the potential of the reformed Section 811 program to produce significant cost savings, including within the federal/state Medicaid program. To further this goal, HUD has entered into a new Section 811 PRA collaboration with the Department of Health and Human Services (HHS), and is working with HHS agencies to implement this new approach to supportive housing. Besides helping states offer permanent housing and critically needed supportive services to persons who might otherwise be institutionalized or living on streets, HUD and HHS are helping states reduce health care costs, improving quality of life for persons with disabilities, and reducing homelessness.

HUD looks forward to continuing to work with Congress on the implementation of this promising new federal supportive housing opportunity.

Sincerely,

A handwritten signature in blue ink, appearing to read "Shaun Donovan", written over a blue horizontal line.

Shaun Donovan

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I. Executive Summary

Consistent with the Department of Housing and Urban Development's core mission, the new Section 811 Project Rental Assistance Program (PRA Demo) uses housing as a platform to improve quality of life and create inclusive communities for persons with disabilities, especially those who are homeless or living in high-cost institutional settings or at risk of either condition.

The Section 811 PRA option was authorized by the Frank Melville Supportive Housing Investment Act of 2010 (the Melville Act). The Melville Act made reforms to the HUD Section 811 Supportive Housing for Persons with Disabilities program by making it more cost-effective and consistent with the community integration mandates in the Americans with Disabilities Act (ADA) and best-practice models of supportive services for nonelderly people with significant and long-term disabilities. In Fiscal Years (FYs) 2012 and 2013, despite the fact that the Section 811's Capital Advance/Project Rental Assistance Contract (PRAC) option was still authorized, appropriations language from Congress required any new Section 811 units to be created through the PRA option and did not provide any funding for new Section 811 Capital Advance/PRAC projects.

Results from a successful FY 2012 Section 811 PRA Notice of Funding Availability (NOFA) indicate that Section 811's new PRA option will meet the Melville Act's goal of providing new integrated affordable and accessible housing opportunities for targeted populations more efficiently and more cost effectively than is the case under the Section 811 Capital Advance/PRAC option.

On May 15, 2012, HUD issued the first Section 811 PRA NOFA. Thirty-five states and the District of Columbia responded with eligible applications, demonstrating very high demand for the PRA integrated supportive housing approach. On February 12, 2013, HUD announced the very first Section 811 PRA grant awards to 13 of those states, totaling \$98 million to create 3,530 new supportive housing units.

The FY 2012 PRA competition also demonstrated that the Section 811 PRA option is cost-effective in terms of initial cost to HUD. The FYs 2010 and 2011 Section 811 Capital Advance/PRAC combined NOFA included \$150 million and funded only 984 units. HUD expects that the FY 2012 PRA NOFA will create more than three times that number of units with 30 percent less HUD funding. Further, the average initial cost to HUD of creating a unit under the FY 2012 PRA NOFA is expected to be approximately \$30,000, 20 percent of the average cost of creating a unit under the FYs 2010 and 2011 Section 811 Capital Advance/PRAC program. These two programs provide funds over different project time periods. Section 811 Capital Advance/PRAC program provides funding to cover most of the costs associated with the development as well as annual PRAC funding. As only rental assistance funding, PRA has lower overall costs to HUD, but is likely to have some long-term annual costs that are higher

than PRAC. It's difficult at this early stage of PRA to compare the programs but longer-term analysis will evaluate the comprehensive costs of these programs. Section 811's PRA option is expected to be more efficient than the Capital Advance/PRAC option in the speed of delivering and occupying new units. Four of the 13 states committed to leasing up 100 percent of their PRA units within one year of receipt of their HUD Cooperative Agreement, and combined, those 13 states expect more than 80 percent of units to be ready for occupancy within 3 years. These are program efficiencies that typically were not achieved using the Capital Advance/PRAC option.

The FY 2012 PRA NOFA also leverages other permanent supportive housing resources, thereby promoting state/local supportive housing partnerships and state housing/service systems changes. Ten of the 13 states that were awarded PRA funds obtained state and local public housing agency (PHA) commitments of more than 1,500 Housing Choice Vouchers to be targeted upon turnover to people with disabilities.

The results from the FY 2012 NOFA also indicate that HUD has accomplished its goal of targeting PRA to the most vulnerable and high-cost persons with disabilities, including those living in institutional settings and who are chronically homeless. Overall, these preliminary results suggest the potential for the Section 811 PRA option to produce savings. HUD looks forward to working with Congress on the implementation of this new federal supportive housing opportunity.

II. Introduction

Individuals with disabilities have historically faced discrimination that has limited their opportunity to live independently in the community. These obstacles have included a health care delivery system that has strongly favored providing care to such persons in institutional settings, as well as a shortage of affordable, accessible and integrated housing opportunities. As a result, people with significant and long-term disabilities often live in institutional settings. In 1999, the Supreme Court issued the landmark decision in *Olmstead v. L.C.*, 527 U.S. 581 (1999), affirming that the unjustified segregation of individuals with disabilities is a form of discrimination prohibited by Title II of the Americans with Disabilities Act (ADA). Following the *Olmstead* decision, there have been increased efforts across the country to assist individuals with disabilities who are living in institutional settings to move to integrated, community-based settings.

To promote community living, states are “rebalancing” health care delivery systems by shifting from providing long-term services and supports to individuals with disabilities in institutions, nursing homes, adult care facilities, and other restrictive, segregated settings and moving toward a greater reliance on home-and community-based services. For many states, efforts to comply with *Olmstead* and move individuals from institutional settings into the community – as well as efforts to rebalance long-term services and supports systems – are stalled by a lack of affordable, accessible, and integrated housing. Consistent with the ADA, these opportunities permit people with disabilities to live and interact with individuals without disabilities, while receiving the health care and long-term services and supports they need.

In June 2009, President Obama marked the 10th anniversary of the *Olmstead* decision by launching “The Year of Community Living,” which directed HUD and the Department of Health and Human Services (HHS) to work together to identify ways to improve access to housing, community supports, and independent living arrangements for people with disabilities. The HUD-HHS partnership has stimulated new collaborative initiatives to increase affordable and accessible, housing options for such persons. Examples include the 1,000 Non-Elderly Disabled Vouchers¹ provided in collaboration with the Centers for Medicare and Medicaid Services’ (CMS) Money Follows the Person (MFP) program, an effort targeted to person with disabilities moving from institutions to the community.

The Frank Melville Supportive Housing Investment Act of 2010 (Pub. L. 111-374), passed by Congress in December 2010 and signed by President Obama on January 4, 2011, also responds directly to this need for integrated supportive housing. The Melville Act reformed Section 811

¹ NED Category 2 vouchers enable non-elderly persons with disabilities currently residing in nursing homes or other health care institutions to transition into the community. Awards for Category 2 vouchers were announced on January 6, 2011, and became effective February 1, 2011. A total of 948 vouchers were awarded to 28 PHAs in 15 states.

by ensuring that integrated housing for extremely low-income persons with significant and long-term disabilities could be developed more efficiently and cost effectively by leveraging state and local mainstream housing resources. The Section 811 PRA option created by the Melville Act also synchronizes the availability of voluntary community-based services and supports committed by the states for PRA tenants. By providing rental assistance to state housing agencies and requiring the collaboration of state health and human services/Medicaid agencies, the PRA option allows states to systematically target resources for high-priority populations, including people living in institutional settings or who are homeless. State health and human services/Medicaid agencies are also responsible for identifying target population(s), ensuring sufficient outreach to these populations, making timely referrals to PRA units, and making available appropriate, voluntary support services.

HUD is pleased to provide this PRA program status report to Congress as required by the Melville Act. The Melville Act required that HUD's report include three components:

- Describing the assistance provided under the program;
- Analyzing the effectiveness of such assistance, including in comparison to the assistance program for capital advances under the traditional Section 811 program; and
- Making recommendations regarding future models for assistance under Section 811.

This report focuses primarily on the first and second components, including some preliminary comparison of costs under the PRA and Capital Advance options derived from the applications submitted by the 13 states awarded Section 811 PRA funds. In future NOFAs, HUD plans to continue the innovative provisions included in the FY 2012 NOFA, which produced highly leveraged 811 financing models. More detailed information will be available once the FY 2012 PRA grantees have PRA units leased and findings are available from HUD's evaluation of the Section 811 PRA option.

III. Background

A. History of HUD Section 811 Program

The Section 811 program was authorized in 1990 by Title VIII of Cranston-Gonzales National Affordable Housing Act. Prior to 1990, the program was known as the Section 202 Handicapped program, to differentiate it from the Section 202 Supportive Housing for the Elderly program. Despite the fact that these programs served very different populations, until the Melville Act became law, the Section 202 and Section 811 programs were nearly identical in scope and statutory language.

Since its inception, the Section 811 program has created single purpose supportive housing properties that exclusively housed very low-income people with disabilities. It accomplished this by offering direct competitive HUD grants to nonprofit organizations. These organizations applied directly to HUD for competitive Section 811 Capital Advances and renewable Project Rental Assistance Contract (PRAC) funding. The PRAC ensured that Section 811 tenants paid no more than 30 percent of income for housing costs. The Capital Advances provided by HUD were substantial, often covering most or all of the cost associated with developing the housing. Section 811 properties were primarily group homes or “independent living” apartments, reserved exclusively for people with disabilities through a 40-year use restriction. A limited number of condominium units were also developed.

Section 811’s high capital costs, the protracted development process, and slow spend-down rates led to very low program ratings from the Office of Management and Budget. Despite the increasing need for supportive housing among people with disabilities, demand for Section 811 funding also declined significantly as state disability agencies increasingly sought to stimulate the creation of more integrated housing options. At its high point in the mid-1990s, Section 811 created approximately 3,000 units annually, but appropriations – and the number of new units created annually – declined so substantially that only 984 units were funded in the combined FYs 2010 and 2011 NOFA. Of the 984 units, 244 were in group homes and 698 were independent living apartments. Reforms were essential to improve and modernize the Section 811 program by making it more efficient, cost-effective, and more responsive to the housing preferences and choices of people with disabilities.

B. Frank Melville Supportive Housing Investment Act of 2010

The “Melville Act” or Section 811 of the Cranston-Gonzalez National Affordable Housing Act, as amended by the Frank Melville Supportive Housing Investment Act of 2010 (Pub. L. 111-374), was signed into law by President Obama on January 4, 2011. This innovative and bipartisan legislation passed overwhelmingly in both the House and the Senate.

A central tenet of the Melville Act is to expand the supply of permanent supportive housing that “promotes and facilitates community integration for people with significant and long term disabilities.”² The Melville Act made a number of modifications to the Section 811 program to achieve this goal of integration and to address the underlying inefficiencies of the program. Most prominent of these modifications is the creation of the new Section 811 PRA option. This new means of delivering Section 811 included these objectives:

- Expanding affordable, accessible, and integrated community living opportunities linked with voluntary services and supports for people with disabilities;
- Initiating and supporting state-level cross system housing collaborations between state housing and state health and human services/Medicaid agencies;
- Allowing states to target permanent supportive housing resources to highest priority populations; and
- Providing a new, cost-effective financing approach that leverages mainstream housing resources.

Provisions in the Melville Act ensure that the PRA option meets these important goals. These provisions include:

- Providing project rental assistance to state housing agencies (generally the State Housing Finance Agency);
- Having state housing agencies award PRA funds to multifamily developments (five or more units) selected by the state, which have been funded with capital from federal Low Income Housing Tax Credits, the HOME Investment Partnerships (HOME) program, or other federal or state funding sources. No Section 811 funds may be used for capital costs under the PRA option;
- Requiring owners of multifamily developments awarded PRA funds to commit to a 30-year use restriction for all PRA units;
- In order to ensure community integration, allowing no more than 25 percent of units in any building funded with PRA to have occupancy restrictions as supportive housing for persons with disabilities;
- At initial occupancy, requiring households assisted with PRA funds to include at least one person with a disability, between the ages of 18 and 61, and be extremely low-income (30 percent of Area Median Income or below);
- Requiring the state housing agency, in partnership with the agency responsible for health and human services that administers the State Plan for medical assistance

² Section 811 of the Cranston-Gonzalez National Affordable Housing Act, as amended by the Frank Melville Supportive Housing Investment Act of 2010

under the Social Security Act (i.e., Medicaid) and other participating human services agencies providing services, to:

- Identify the target populations to be served by the project;
- Set forth methods for outreach and referral; and
- Make available appropriate services for PRA tenants.

C. Appropriations Act of 2012, Public Law 112-55

Passage of the Melville Act was followed by an appropriation specifically for the PRA option. The Appropriations Act of 2012, Public Law 112-55, which was approved on November 18, 2011, provided \$165 million for the Section 811 program, including funds for all existing Section 811 PRAC renewals and amendments and for new PRA units. The appropriations language required any new Section 811 units to be created through the PRA option and did not allow any funding for new Section 811 Capital Advances. The appropriations language also required the Secretary to conduct a demonstration program.

D. Consolidated and Further Continuing Appropriations Act, 2013 (Public Law 113-6)

The Consolidated and Further Continuing Appropriations Act, 2013 (Public Law 113-6) which was approved on March 26, 2013, provided \$157 million for the Section 811 program, including funds for all existing Section 811 PRAC renewals and amendments and new PRA units. Like the FY 2012 appropriations law, the FY 2013 appropriations language requires any new Section 811 units to be created through the new PRA option and does not allow any funding for new Section 811 Capital Advances.

IV. Accomplishments

To achieve the outcomes envisioned in the Melville Act, to help the most vulnerable people with disabilities live successfully in integrated supportive housing units, HUD entered into a new programmatic collaboration with HHS including the Centers for Medicare and Medicaid Services (CMS), Office of the Assistant Secretary for Planning and Evaluation (ASPE), the Substance Abuse and Mental Health Services Administration (SAMHSA), and the Administration for Community Living (ACL). State applicants also entered into new state-level partnerships to synchronize the availability of Section 811 PRA-funded housing units with Medicaid-financed or comparable long-term care services and supports. The accomplishments achieved by these new partnerships are described below.

A. Fiscal Year 2012 NOFA Published

While the Melville Act created the opportunity for the PRA option, HUD conducted extensive work to develop the program structure. HUD identified states implementing PRA-like programs and researched these models extensively including site visits to two states along with meetings and conference calls with others. HUD worked closely with both an internal team from sectors across the agency as well as staff from the Department of Health and Human Services (HHS). HHS provided expertise from the Office of the Assistant Secretary for Planning and Evaluation (ASPE), Center for Medicare and Medicaid Services (CMS), and Administration for Community Living (ACL).

On May 15, 2012, HUD issued the first competitive PRA NOFA, which implemented Melville Act reforms to the Section 811 program (see NOFA in Appendix B). The NOFA was a comprehensive document clearly outlining the program goals and requirements while providing states with opportunities for creativity and innovation, as well as accommodating state-specific needs. In addition to the Melville Act requirements described above, the NOFA was specifically structured to:

- Support state housing and health and human service/Medicaid agency collaborations that have or will result in increased access to affordable permanent supportive housing units that are linked to access to appropriate and voluntary supports and services.
- Inform future supportive housing policy-making and encourage states to use Section 811 PRA funding to “incubate and test” replicable, systems-level supportive housing innovations that go beyond the basic requirements of the NOFA.

The NOFA included incentives for states to:

- Prioritize *Olmstead* target populations;

- Leverage additional housing resources from PHAs (e.g., Housing Choice Vouchers, federal public housing units) in order to assist more households;
- Provide more cost-effective models of housing; and
- Innovate and provide replicable ideas and models.

B. Successful Response to NOFA

As a result of successful marketing efforts, both independently and collaboratively with HHS, HUD received eligible applications from 35 states and the District of Columbia. Combined, these applications requested \$235,055,368 to fund 7,849 permanent supportive housing units. In contrast, the last Capital Advance/PRAC NOFAs attracted fewer than 200 applications annually; these would have totaled requests for 3,200³ at most. This strong response by the states to the PRA NOFA is an important indicator of the enormous and growing demand for integrated supportive housing opportunities.

In formulating their applications, each of these 35 state housing agencies and the District of Columbia collaborated with their state health and human services/Medicaid agencies to develop a partnership agreement that identifies the target population(s) to be assisted with PRA funds, specifies methods of outreach and referral, and makes commitments of appropriate long-term services and supports. Through such agreements, states that applied for Section 811 PRA funds but did not receive a FY 2012 PRA award have a framework in place to apply anew under the FY 2013 PRA NOFA and which can be utilized to develop other integrated permanent supportive housing using the Housing Choice Voucher program, the Shelter Plus Care program, or state-funded rental assistance programs.

C. State Programs Meet Melville Act Goals

On February 12, 2013, HUD announced the first Section 811 PRA awards. As illustrated in Figure 1, 13 states will receive a total of \$98 million to create 3,530 new permanent supportive housing units. In contrast, the FYs 2010 and 2011 combined NOFA for the Section 811 Capital Advance/PRAC program funded only 984 units under a \$150 million appropriation. As noted earlier in this report, HUD expects that the FY 2012 PRA NOFA will create more than three times the number of units with 30 percent less HUD funding. Further, the average cost to HUD of creating a unit under the FY 2012 PRA NOFA will be approximately \$30,000, 20 percent of the average cost to HUD of creating a unit under the FYs 2010 and 2011 Section 811 Capital Advance/PRAC program. In addition to the 13 states awarded PRA funds, HUD received many high-scoring applications from other states that could have been funded had additional funds been available.

³ Maximum number of independent living units is 16 per project.

FIGURE 1: FY 2012 SECTION 811 PRA AWARDEES

State Housing Agency	Award Amount	# PRA Units
California Housing Finance Agency	\$11,870,256	335
Delaware State Housing Authority	\$5,100,753	170
Georgia Housing and Finance Authority	\$4,160,771	150
Illinois Housing Development Authority	\$11,982,009	826
Louisiana Housing Corporation	\$8,254,097	200
Maryland Dept. of Housing and Community Development	\$10,917,383	150
Massachusetts Dept. of Housing and Community Development	\$5,276,452	100
Minnesota Housing Finance Agency	\$3,000,000	95
Montana Dept. of Commerce	\$2,000,000	82
North Carolina Housing Finance Agency	\$12,000,000	562
Pennsylvania Housing Finance Agency	\$5,707,800	200
Texas Dept. of Housing and Community Affairs	\$12,000,000	385
Washington State Dept. of Commerce	\$5,580,280	275
TOTAL	\$97,849,801	3,530

As illustrated in Figure 2, the PRA program also leverages other permanent supportive housing resources. Ten of the 13 states leveraged a combined 1,504 Housing Choice Vouchers from local and state PHAs, which will expand the number of units provided by the states' permanent supportive housing initiatives by as much as 50 percent.

HUD's scoring incentives in the NOFA encouraged state housing agencies to target units that would produce the lowest possible Section 811 PRA per unit costs, such as units financed with Low Income Housing Tax Credits (LIHTCs) with rents at 50 percent and 60 percent of area median income (AMI) and in some cases as low as 20 percent of AMI. Matching PRA with these units means that the PRA subsidy cost can be significantly less than the cost associated with a market rate unit in the Housing Choice Voucher program. Illinois, for example, which will select units already financed at 30 percent of AMI, has the lowest projected average rental assistance payment at \$2,901 per unit per year. As illustrated in Figure 2, six states are targeting units at 50 percent of AMI, three at Fair Market Rent (FMR), and one each at 30 percent and 40 percent of AMI. Two other states elected to combine several different rent levels, FMR with 50 percent AMI units and FMR with 60 percent units. The three states that elected to leave rent levels at the FMR leveraged other significant financial and in-kind resources for their programs.

FIGURE 2: LEVERAGE

State	Number PRA Units Awarded	Number Housing Choice Vouchers Leveraged	Rent Leveraged	Other Leveraged Resources
California	335	0	50% AMI	
Delaware	170	72	50% AMI	
Georgia	150	100	50% AMI	
Illinois	826	720	30% AMI	
Louisiana	200	125	FMR	\$1.25 million HOME funds for security and utility deposits
Maryland	150	97	FMR	\$1 million MFP Rebalancing; \$1.33 million in-kind administration
Massachusetts	100	50	50% & FMR	
Minnesota	95	60	50% AMI	
Montana	82	0	40% AMI	
North Carolina	562	0	FMR	In-kind Key Program infrastructure
Pennsylvania	200	151	50% AMI	
Texas	385	120	60% & FMR	
Washington	275	9	50% AMI	\$500,000 MFP funds for Bridge Subsidy Program
TOTAL	3,530	1,504		

In addition to potentially being highly cost-effective, the PRA option has set expectations to be significantly more efficient in bringing units on-line. State programs researched by HUD in developing the NOFA (see IV. A above), demonstrated that programs using the LIHTC pipeline could bring units on-line within 24 months. Four of the 13 states awarded PRA funds committed to leasing up 100 percent of their PRA units within one year of signing the Cooperative Agreement. Grantees expect 80 percent of units to be ready for occupancy within 3 years. By comparison, development timelines for the Capital Advance/PRAC option often exceeded 3 to 4 years. The states selected varying approaches to creating the PRA units. All of the states indicated they would utilize some existing units, but nine states indicated they would also utilize new multifamily properties seeking state housing agency financing to create a pipeline of units for PRA. At least half of the states either already have in place or are committed to putting in place incentives to secure units from their LIHTC program pipeline.

FIGURE 3: TARGET POPULATIONS

State	Target Populations - Prior Living Situations			
	Institutionalized	At risk of institutionalization	Leaving GH, ACH, Residential ⁴	Homeless or at risk
California	√	√		
Delaware	√	√		√
Georgia	√			√
Illinois	√	√		
Louisiana	√	√		√
Maryland	√	√	√	√
Massachusetts	√			
Minnesota	√			√
Montana	√	√	√	√
North Carolina	√	√	√	√
Pennsylvania	√	√	√	√
Texas	√	√		√
Washington	√	√	√	√

Outcomes from NOFA indicate that HUD has accomplished its goal of steering PRA to the most vulnerable and high-cost persons with disabilities living in institutional settings or who are homeless. As illustrated in Figure 3 above, 10 of the 13 grantees plan to target homeless individuals with disabilities and all of the states include persons living in institutional settings in their target populations. In addition, all of the grantees include persons with serious mental illness in their target populations. Four of the states have *Olmstead* settlement agreements and plan to use the PRA resources to assist with implementation of the settlement agreement.

In addition, the targeting of PRA to these populations has potential implications for health care related costs. There are numerous studies that have found lower per-individual, average cost reductions in home and community-based services when persons with disabilities move from an institutional setting to the community. Studies have also found that interventions that target housing to chronic homeless people or who are high-service users, are cost-effective and reduce the use of expensive health care services. HUD and/or HHS evaluation will explore these implications at a later date.

Appendix C provides additional information about each grantee’s PRA program.

⁴ GH = Group Homes; ACH = Adult Care Homes

D. HUD and HHS Collaboration

HUD's accomplishments in implementing Section 811's PRA option are due in part to its collaboration with HHS. This program requires housing and health care partnerships at the federal, state, and local level that are a critical component of the demonstration program. HHS provided input into the FY 2012 NOFA as drafted by HUD, and also participated in the review of the applications submitted by the states in response. HHS staff from the Office of the Assistant Secretary for Planning and Evaluation (ASPE), Center for Medicare and Medicaid Services (CMS), and Administration for Community Living (ACL) participated in the review. CMS also provided Real Choices Systems Change grant funding to six state Money Follows the Person (MFP) programs for the development of housing capacity, including the infrastructure necessary to implement the PRA option. HHS and HUD jointly convened webinars for state housing finance agencies and state Medicaid offices to educate staff about the PRA Demo program opportunity. HUD intends to continue to collaborate with HHS throughout program implementation, including by jointly providing technical assistance to states and working together to evaluate the success of this new program.

E. Program Guidelines Issued

In August 2013, HUD released a Section 811 PRA Occupancy Interim Notice. The purpose of the Notice is to provide grantees, owners, and others with occupancy guidance for units funded under the program. In November 2013, HUD released draft program documents for state grantees to review. The draft program documents are comprehensive, providing specific guidance where necessary to adhere to statute requirements, but also allowing states flexibility to design individual program policies and procedures. States have differing contexts and are using different models to refer participants, produce units, and provide services. In addition to program guidelines, documents developed by HUD for the administration of the PRA option include:

- **Cooperative Agreement:** HUD has elected to use this contract form because it affords HUD and the grantee states greater flexibility.
- **Use Agreement:** HUD developed a document to ensure that consistent with the statute, participating owners would provide the PRA units for 30 years subject to the availability of appropriations. If Congress does not provide the appropriations, HUD will not require the states to enforce the Use Agreement.
- **Rental Assistance Contract (RAC):** HUD developed the RAC as a contract between the states and participating owners. The RAC outlines both signatories' responsibilities and the number and types of units being committed to the PRA program.
- **Model Lease:** HUD developed a model lease form for use between the owners and the tenants, outlining the responsibilities of each party. The lease seeks ensure

tenant protections while allowing owners to separate from tenants who cannot comply with their responsibilities.

HUD has asked states to comment on these documents and is in the process of finalizing them.

F. Technical Assistance Deployed

HUD is committed to ensuring that states receive the technical assistance (TA) they need and want to successfully implement their PRA programs. To enhance its own capacity, HUD awarded two TA contracts to national firms that have experience with program start-up, as well as expertise and experience in implementing the integrated permanent supportive housing approach.

The TA teams have already been deployed. Once grantees were selected, the TA teams helped HUD conduct an in-depth needs assessment to allow states to identify specific TA needs. The needs assessment utilized on-line survey technology, as well as one-on-one state team telephone interviews to establish TA topics and priorities. TA activities are already underway based on this needs assessment. For example, HUD has provided webinars on TRACS (Tenant Rental Assistance Certification System) and environmental requirements, compliance areas that states identified as priorities in the needs assessment. TA includes individual and group TA, on- and off-site TA, webinars and conference calls, and an annual convening of the grantee states.

As described above, TA is also being provided in collaboration with HHS. For example, HUD and HHS have been holding bimonthly conference calls for MFP staff in all grantee states, to assist them with establishing effective methods of outreach and referral to integrated supportive housing opportunities.

V. Evaluation

The Office of Policy Development and Research (PD&R) expects to contract for an evaluation of the Section 811 PRA Demo program in two phases. The first phase will focus on the implementation of the new Section 811 program model. The intent is to provide reliable feedback on what is working well and what is not, how the new program experience compares to the program model it replaces, and the strengths and challenges of the new model. If funding becomes available, a second study phase will examine program outcomes and cost effectiveness more comprehensively and will draw conclusions from a larger number of grantees. It will also evaluate participant level outcomes and cost savings.

A. Process Evaluation

The process evaluation will assess the extent to which the Section 811 PRA Demonstration grantees have been successful at producing housing for persons with disabilities; reaching, referring, and housing the target population; and creating successful partnerships between state housing and health and human services agencies to provide services and supports. It will assess the program implementation's challenges and successes and identify the most successful approaches. The process evaluation will likely include a review of grantee's applications, review of quarterly and annual reports, review of HUD administrative data, key informant interviews, electronic document exchange, site visits to at least three sites, and regular communication with grantees.

B. Implementation Schedule

PD&R expects to start the first phase of the Section 811 PRA Demo program evaluation in the spring of 2014. The evaluation will culminate with a Report to Congress in January 2016.

PD&R expects to analyze the effectiveness of the program and reliably capture participant-level health care outcomes and cost savings in a second study phase if funds become available. The evaluation will be conducted in collaboration with CMS and ASPE and resources from the MFP evaluation are expected to be used to complement this second phase of the evaluation.

VI. Conclusion

The Section 811 PRA Demo program has the potential to cost-effectively and efficiently provide integrated permanent supportive housing units for extremely low-income persons with disabilities, including those persons living in institutional settings as well as those who are homeless or chronically homeless. The state housing agency and health and human services/Medicaid agency partnerships that create the policy framework for the PRA program can also promote and facilitate the development of additional permanent supportive housing using other state and federal project- and tenant- based rental assistance programs.

Appendices

Appendix A: The Frank Melville Supportive Housing Investment Act of 2010

Appendix B: HUD's Fiscal Year (FY) 2012 Notice of Funding Availability (NOFA) for the Section 811 Project Rental Assistance Demonstration Program

Appendix C: Program Descriptions for State Housing Agencies Awarded Section 811 Project Rental Assistance Demonstration (PRA Demo Program) Assistance

**Appendix A: The Frank Melville Supportive Housing Investment Act of 2010
(Pub. L. 111-374)**

42 U.S.C. § 8013. Supportive housing for persons with disabilities, as amended by the Frank Melville Supportive Housing Investment Act of 2010

(a) Purpose

The purpose of this section is to enable persons with disabilities to live with dignity and independence within their communities by expanding the supply of supportive housing that—

- (1) is designed to accommodate the special needs of such persons;
- (2) makes available supportive services that address the individual health, mental health, and other needs of such persons; and
- (3) promotes and facilitates community integration for people with significant and long-term disabilities.

(b) Authority to provide assistance

The Secretary is authorized to take the following actions:

(1) Tenant-based assistance

To provide tenant-based rental assistance to eligible persons with disabilities, in accordance with subsection (d)(4) of this section.

(2) Capital advances

To provide assistance to private, nonprofit organizations to expand the supply of supportive housing for persons with disabilities, which shall be provided as—

- (A) capital advances in accordance with subsection (d)(1) of this section, and
- (B) contracts for project rental assistance in accordance with subsection (d)(2) of this section;

assistance under this paragraph may be used to finance the acquisition, acquisition and moderate rehabilitation, construction, reconstruction, or moderate or substantial rehabilitation of housing, including the acquisition from the Resolution Trust Corporation, to be used as supportive housing for persons with disabilities and may include real property acquisition, site improvement, conversion, demolition, relocation, and other expenses that the Secretary determines are necessary to expand the supply of supportive housing for persons with disabilities.

(3) Project Rental Assistance

(A) In general

To offer additional methods of financing supportive housing for non-elderly adults with disabilities, the Secretary shall make funds available for project rental assistance pursuant to subparagraph (B) for eligible projects under subparagraph (C). The Secretary shall provide for State housing finance agencies and other appropriate entities to apply to the Secretary for such project rental assistance funds, which shall

be made available by such agencies and entities for dwelling units in eligible projects based upon criteria established by the Secretary. The Secretary may not require any State housing finance agency or other entity applying for such project rental assistance funds to identify in such application the eligible projects for which such funds will be used, and shall allow such agencies and applicants to subsequently identify such eligible projects pursuant to the making of commitments described in subparagraph (C)(ii).

(B) Contract Terms

(i) Contract terms

Project rental assistance under this paragraph shall be provided –

- (I) in accordance with subsection (d)(2); and
- (II) under a contract having an initial term of not less than 180 months that provides funding for a term of 60 months, which funding shall be renewed upon expiration, subject to the availability of sufficient amounts in appropriation Acts.

(ii) Limitation on units assisted

Of the total number of dwelling units in any multifamily housing project containing any unit for which project rental assistance under this paragraph is provided, the aggregate number that are provided such project rental assistance, that are used for supportive housing for persons with disabilities, or to which any occupancy preference for persons with disabilities applies, may not exceed 25 percent of such total.

(iii) Prohibition of capital advances

The Secretary may not provide a capital advance under subsection (d)(1) for any project for which assistance is provided under this paragraph.

(iv) Eligible population

Project rental assistance under this paragraph may be provided only for dwelling units for extremely low-income persons with disabilities and extremely low-income households that include at least one person with a disability.

(C) Eligible projects

An eligible project under this subparagraph is a new or existing multifamily housing project for which-

- (i) the development costs are paid with resources from other public or private sources; and
- (ii) a commitment has been made-
 - (I) by the applicable State agency responsible for allocation of low-income housing tax credits under section 42 of the Internal Revenue Code of 1986, for an allocation of such credits;
 - (II) by the applicable participating jurisdiction that receives assistance under the HOME Investment Partnership Act, for assistance from such jurisdiction; or

(III) by any Federal agency or any State or local government, for funding for the project from funds from any other sources.

(D) State agency involvement

Assistance under this paragraph may be provided only for projects for which the applicable State agency responsible for health and human services programs, and the applicable State agency designated to administer or supervise the administration of the State plan for medical assistance under title XIX of the Social Security Act, have entered into such agreements as the Secretary considers appropriate-

- (i) to identify the target populations to be served by the project;
- (ii) to set forth methods for outreach and referral; and
- (iii) to make available appropriate services for tenants of the project.

(E) Use requirements

In the case of any project for which project rental assistance is provided under this paragraph, the dwelling units assisted pursuant to subparagraph (B) shall be operated for not less than 30 years as supportive housing for persons with disabilities, in accordance with the application for the project approved by the Secretary, and such dwelling units shall, during such period, be made available for occupancy only by persons and households described in subparagraph (B)(iv).

(F) Report

Not later than 3 years after January 4, 2011, and again 2 years thereafter, the Secretary shall submit to Congress a report-

- (i) describing the assistance provided under this paragraph;
- (ii) analyzing the effectiveness of such assistance, including the effectiveness of such assistance compared to the assistance program for capital advances set forth under subsection (d)(1) as in effect pursuant to the amendments made by such Act); and
- (iii) making recommendations regarding future models for assistance under this section.

(c) General requirements

The Secretary shall take such actions as may be necessary to ensure that—

- (1) assistance made available under this section will be used to meet the housing and community-based services needs of persons with disabilities by providing a variety of housing options, ranging from group homes and independent living facilities to dwelling units in multifamily housing developments, condominium housing, and cooperative housing; and
- (2) supportive housing for persons with disabilities assisted under this section shall—
 - (A) make available voluntary supportive services that address the individual needs of persons with disabilities occupying such housing;
 - (B) provide such persons with opportunities for optimal independent living and participation in normal daily activities; and

(C) facilitate access by such persons to the community at large and to suitable employment opportunities within such community.

(d) Forms of assistance

(1) Capital advances

A capital advance provided pursuant to subsection (b)(1) shall bear no interest and its repayment shall not be required so long as the housing remains available for very-low-income persons with disabilities in accordance with this section. Such advance shall be in an amount calculated in accordance with the development cost limitation established in subsection (h) of this section.

(2) Project rental assistance

(A) Initial project rental assistance contract

Contracts for project rental assistance shall comply with subsection (e)(2) and shall obligate the Secretary to make monthly payments to cover any part of the costs attributed to units occupied (or, as approved by the Secretary, held for occupancy) by very low-income persons with disabilities that is not met from project income. The amount provided under the contract for each year covered by the contract for any project shall not exceed the sum of the initial annual project rentals for all units and any initial utility allowances for such units, as approved by the Secretary. Any contract amounts not used by a project in any year shall remain available to the project until the expiration of the contract. The Secretary may adjust the amount provided under the contract for each year covered by the contract if the sum of the project income and the amount of assistance payments available under this paragraph are inadequate to provide for reasonable project costs. In the case of an intermediate care facility which is the residence of persons assisted under title XIX of the Social Security Act [[42 U.S.C. 1396](#) et seq.], project income under this paragraph shall include the same amount as if such person were being assisted under title XVI of the Social Security Act [[42 U.S.C. 1381](#) et seq.].

(B) Renewal of and increases in contract amounts

(i) Expiration of contract term

Upon the expiration of each contract term, subject to the availability of amounts made available in appropriation Acts, the Secretary shall adjust the annual contract amount to provide for reasonable project costs, including adequate reserves and service coordinators as appropriate, except that any contract amounts not used by a project during a contract term shall not be available for such adjustments upon renewal.

(ii) Emergency situations

In the event of emergency situations that are outside the control of the owner, the Secretary shall increase the annual contract amount, subject to reasonable review and limitations as the Secretary shall provide.

(3) Rent contribution

A very low-income person shall pay as rent for a dwelling unit assisted under subsection (b)(2) of this section the higher of the following amounts, rounded to the nearest dollar:

- (A) 30 percent of the person's adjusted monthly income,
- (B) 10 percent of the person's monthly income, or
- (C) if the person is receiving payments for welfare assistance from a public agency and a part of such payments, adjusted in accordance with the person's actual housing costs, is specifically designated by such agency to meet the person's housing costs, the portion of such payments which is so designated; except that the gross income of a person occupying an intermediate care facility assisted under title XIX of the Social Security Act [[42 U.S.C. 1396](#) et seq.] shall be the same amount as if the person were being assisted under title XVI of the Social Security Act [[42 U.S.C. 1381](#) et seq.].

(4) Tenant-based rental assistance

(A) In general

Tenant-based rental assistance provided under subsection (b)(1) shall be provided under section 1437f(o) of this title.

(B) Conversion of existing assistance

There is authorized to be appropriated for tenant-based rental assistance under section 1437f(o) of this title for persons with disabilities an amount not less than the amount necessary to convert the number of authorized vouchers and funding under an annual contributions contract in effect on January 4, 2011. Such converted vouchers may be administered by the entity administering the vouchers prior to conversion. For purposes of administering such converted vouchers, such entities shall be considered a "public housing agency" authorized to engage in the operation of tenant-based assistance under section 1437f of this title.

(C) Requirements upon turnover

The Secretary shall develop and issue, to public housing agencies that receive voucher assistance made available under this subsection and to public housing agencies that received voucher assistance under section 1437f(o) of this title for non-elderly disabled families pursuant to appropriation Acts for fiscal years 1997 through 2002 or any other subsequent appropriations for incremental vouchers for non-elderly disabled families, guidance to ensure that, to the maximum extent possible, such vouchers continue to be provided upon turnover to qualified persons with disabilities or to qualified non-elderly disabled families, respectively.

(e) Program requirements

(1) Use restrictions

(A) Term

Any project for which a capital advance is provided under section (d)(1) shall be operated for not less than 40 years as supportive housing for persons with disabilities, in accordance with the application for the project covered by the Secretary and shall, during such period, be made available for occupancy only by very low-income persons with disabilities.

(B) Conversion

If the owner of a project requests the use of the project for the direct benefit of very low-income persons with disabilities and, pursuant to such request the Secretary determines that a project is no longer needed for use as supportive housing for persons with disabilities, the Secretary may approve the request and authorize the owner to convert the project to such use.

(2) Contract terms

The initial term of a contract entered into under subsection (d)(2) of this section shall be 240 months, except that, in the case of the sponsor of a project assisted with any low-income housing tax credit pursuant to section 42 of the Internal Revenue Code of 1986 or with any tax-exempt housing bonds, the contract shall have an initial term of not less than 360 months and shall provide funding for a term of 60 months. The Secretary shall, to the extent approved in appropriation Acts, upon expiration of a contract (or any renewed contract), renew such contract for a term of not less than 60 months. In order to facilitate the orderly extension of expiring contracts, the Secretary is authorized to make commitments to extend expiring contracts during the year prior to the date of expiration.

(3) Limitation on use of funds

No assistance received under this section (or any State or local government funds used to supplement such assistance) may be used to replace other State or local funds previously used, or designated for use, to assist persons with disabilities.

(4) Multifamily projects

(A) Limitation

Except as provided in subparagraph (B), of the total number of dwelling units in any multifamily housing project (including any condominium or cooperative housing project) containing any unit for which assistance is provided from a capital grant under subsection (d)(1) made after January 4, 2011, the aggregate number that are used for persons with disabilities, including supportive housing for persons with disabilities, or to which any occupancy preference for persons with disabilities applies, may not exceed 25 percent of such total.

(B) Exception

Subparagraph (A) shall not apply in the case of any project that is a group home or independent living facility.

(f) Applications

Funds made available under subsection (b)(2) of this section shall be allocated by the Secretary among approvable applications submitted by private nonprofit organizations. Applications for assistance under subsection (b)(2) of this section shall be submitted in such form and in accordance with such procedures as the Secretary shall establish. Such applications shall contain—

- (1) a description of the proposed housing;
- (2) a description of the assistance the applicant seeks under this section;
- (3) a supportive service plan that contains—
 - (A) a description of the needs of persons with disabilities that the housing is expected to serve;
 - (B) assurances that persons with disabilities occupying such housing will be offered supportive services based on their individual needs;
 - (C) evidence of the applicant's experience in-
 - (i) providing such supportive services; or
 - (ii) creating and managing structured partnerships with service providers for the delivery of appropriate community-based services;
 - (D) a description of the manner in which such services will be provided to tenants; and
 - (E) identification of the extent of other Federal, State or local funds available to assist in the provision of such services;
- (4) a certification from the appropriate State or local agency (as determined by the Secretary) that the provision of the services identified in paragraph (3) are well designed to serve the housing and community-based needs of persons with disabilities;
- (5) reasonable assurances that the applicant will own or have control of an acceptable site for the proposed housing not later than 6 months after notification of an award for assistance;
- (6) a certification from the public official responsible for submitting a housing strategy for the jurisdiction to be served in accordance with section [12705](#) of this title that the proposed housing is consistent with the approved housing strategy; and
- (7) such other information or certifications that the Secretary determines to be necessary or appropriate to achieve the purposes of this section.

(g) Selection criteria and processing

(1) Selection criteria

The Secretary shall establish selection criteria for assistance under subsection (b)(2) of this section, which shall include—

- (A) the ability of the applicant to develop and operate the proposed housing;
- (B) the need for housing for persons with disabilities in the area to be served;
- (C) the extent to which the proposed design of the housing will meet the special needs of persons with disabilities;

- (D) the extent to which the applicant has demonstrated that appropriate supportive services will be made available on a consistent, long-term basis;
- (E) the extent to which the location and design of the proposed project will facilitate the provision of community-based supportive services and address other basic needs of persons with disabilities, including access to appropriate and accessible transportation, access to community services, public facilities, and shopping;
- (F) the extent to which the per-unit cost of units to be assisted under this section will be supplemented with resources from other public and private sources;
- (G) the extent to which the applicant has control of the site of the proposed housing; and
- (H) such other factors as the Secretary determines to be appropriate to ensure that funds made available under subsection (b)(2) of this section are used effectively.

(2) Delegated processing

- (A) In issuing a capital advance under subsection (d)(1) for any multifamily project (but not including any project that is a group home or independent living facility) for which financing for the purposes described in the last sentence of subsection (b) is provided by a combination of the capital advance and sources other than this section, within 30 days of award of the capital advance, the Secretary shall delegate review and processing of such projects to a State or local housing agency that –
 - (i) is in geographic proximity of the property;
 - (ii) has demonstrated experience in and capacity for underwriting multifamily housing loans that provide housing and supportive services;
 - (iii) may or may not be providing low-income housing tax credits in combination with the capital advance under this section; and
 - (iv) agrees to issue a firm commitment within 12 months of delegation.
- (B) The secretary shall retain the authority to process capital advances in cases in which no State or local housing agency is sufficiently qualified to provide delegated processing pursuant to this paragraph or no such agency has entered into an agreement with the Secretary to serve as a delegated processing agency.
- (C) The Secretary shall –
 - (i) develop criteria and a timeline to periodically assess the performance of State and local housing agencies in carrying out the duties delegated to such agencies pursuant to subparagraph (A); and
 - (ii) retain the authority to review and process projects financed by a capital advance in the event that, after a review and assessment, a State or local housing agency is determined to have failed to satisfy the criteria established pursuant to clause (i).
- (D) An agency to which review and processing is delegated pursuant to subparagraph (A) may assess a reasonable fee which shall be included in the capital advance amounts and may recommend project rental assistance amounts in excess of those initially awarded by the Secretary. The Secretary shall develop a schedule for reasonable fees under this subparagraph to be paid to delegated processing agencies, which shall take into consideration any other fees to be paid to the agency for other funding provided to the project by the agency, including bonds, tax credits, and other gap funding.
- (E) Under such delegated system, the Secretary shall retain the authority to approve rents and development costs and to execute a capital advance within 60 days of receipt of the commitment from the State or local agency. The Secretary shall provide to such

agency and the project sponsor, in writing, the reasons for any reduction in capital advance amounts or project rental assistance and such reductions shall be subject to appeal.

(h) Development cost limitations

(1) Group Homes

The Secretary shall periodically establish development cost limitations by market area for group homes of supportive housing for persons with disabilities by publishing a notice of the cost limitations in the Federal Register. The cost limitations shall reflect—

- (A) the cost of acquisition, construction, reconstruction, or rehabilitation of supportive housing for persons with disabilities that
 - (i) meets applicable State and local housing and building codes; and
 - (ii) conforms with the design characteristics of the neighborhood in which it is to be located;
- (B) the cost of movables necessary to the basic operation of the housing, as determined by the Secretary;
- (C) the cost of special design features necessary to make the housing accessible to persons with disabilities;
- (D) the cost of special design features necessary to make individual dwelling units meet the special needs of persons with disabilities;
- (E) if the housing is newly constructed, the cost of meeting the energy efficiency standards promulgated by the Secretary in accordance with section [12709](#) of this title; and
- (F) the cost of land, including necessary site improvement.

In establishing development cost limitations for a given market area, the Secretary shall use data that reflect currently prevailing costs of acquisition, construction, reconstruction, or rehabilitation, and land acquisition in the area. Neither this section nor any other provision of law may be construed as prohibiting or preventing the location and operation, in a project assisted under this section, of commercial facilities for the benefit of residents of the project and the community in which the project is located, except that assistance made available under this section may not be used to subsidize any such commercial facility

(2) RTC properties

In the case of existing housing and related facilities from the Resolution Trust Corporation under section [1441a \(c\)](#) of title [12](#), the cost limitations shall include—

- (A) the cost of acquiring such housing,
- (B) the cost of rehabilitation, alteration, conversion, or improvement, including the moderate rehabilitation thereof, and
- (C) the cost of the land on which the housing and related facilities are located.

(3) Annual adjustments

The Secretary shall adjust the cost limitation established pursuant to paragraph (1) not less than once annually to reflect changes in the general level of acquisition, construction, reconstruction, or rehabilitation costs.

(4) Incentives for savings

(A) Special project account

The Secretary shall use the development cost limitations established under paragraph (1) to calculate the amount of financing to be made available to individual owners. Owners which incur actual development costs that are less than the amount of financing shall be entitled to retain 50 percent of the savings in a special project account. Such percentage shall be increased to 75 percent for owners which add energy efficiency features which

- (i) exceed the energy efficiency standards promulgated by the Secretary in accordance with section [12709](#) of this title;
- (ii) substantially reduce the life-cycle cost of the housing;
- (iii) reduce gross rent requirements; and
- (iv) enhance tenant comfort and convenience.

(B) Uses

The special project account established under subparagraph (A) may be used

- (i) to supplement services provided to residents of the housing or funds set-aside for replacement reserves, or
- (ii) for such other purposes as determined by the Secretary.

(5) Funds from other sources

An owner shall be permitted voluntarily to provide funds from sources other than this section for amenities and other features of appropriate design and construction suitable for supportive housing for persons with disabilities if the cost of such amenities is

- (A) not financed with the advance, and
- (B) is not taken into account in determining the amount of Federal assistance or of the rent contribution of tenants. Notwithstanding any other provision of law, assistance amounts provided under this section may be treated as amounts not derived from a Federal grant.

(6) Applicability of home program cost limitations

A) In general

The provisions of section 212(e) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12742(e)) and the cost limits established by the Secretary pursuant to such section with respect to the amount of funds under subtitle A of title II of such Act that may be invested on a per unit basis, shall apply to supportive housing assisted with a capital advance under subsection (d)(1) and the amount of funds under such subsection that may be invested on a per unit basis.

(B) Waivers

The Secretary may provide for waiver of the cost limits applicable pursuant to subparagraph (A) –

- (i) in the cases in which the cost limits established pursuant to section 212(e) of the Cranston-Gonzalez National Affordable Housing Act may be waived; and
- (ii) to provide for –
 - (I) the cost of special design features to make the housing accessible to persons with disabilities;
 - (II) the cost of special design features necessary to make individual dwelling units meet the special needs of persons with disabilities; and
 - (III) the cost of providing the housing in a location that is accessible to public transportation and community organizations that provide supportive services to persons with disabilities.

(i) Admission and occupancy

(1) Tenant selection

(A) Procedures

An owner shall adopt written tenant selection procedures that are satisfactory to the Secretary as (i) consistent with the purpose of improving housing opportunities for very low-income persons with disabilities; and (ii) reasonably related to program eligibility and an applicant’s ability to perform the obligations of the lease. Owners shall promptly notify in writing any rejected applicant of the grounds for any rejection.

(B) Requirement for occupancy

Occupancy in dwelling units provided assistance under this section shall be available only to persons with disabilities and households that include at least one person with a disability.

(C) Availability

Except only as provided in subparagraph (D), occupancy in dwelling units in housing provided with assistance under this section shall be available to all persons with disabilities eligible for such occupancy without regard to the particular disability involved.

(D) Limitation on occupancy

Notwithstanding any other provision of law, the owner of housing developed under this section may, with the approval of the Secretary, limit occupancy within the housing to persons with disabilities who can benefit from the supportive services offered in connection with the housing.

(2) Tenant protections

(A) Lease

The lease between a tenant and an owner of housing assisted under this section shall be for not less than one year, and shall contain such terms and conditions as the Secretary shall determine to be appropriate.

(B) Termination of tenancy

An owner may not terminate the tenancy or refuse to renew the lease of a tenant of a rental dwelling unit assisted under this section except-

- (i) for serious or repeated violation of the terms and conditions of the lease, for violation of applicable Federal, State, or local law, or for other good cause; and
- (ii) by providing the tenant, not less than 30 days before such termination or refusal to renew, with written notice specifying the grounds for such action.

(C) Voluntary participation in services

A supportive service plan for housing assisted under this section shall permit each resident to take responsibility for choosing and acquiring their own services, to receive any supportive services made available directly or indirectly by the owner of such housing, or to not receive any supportive services.

(j) Miscellaneous provisions

(1) Technical assistance

The Secretary shall make available appropriate technical assistance to assure that applicants having limited resources, particularly minority applicants, are able to participate more fully in the program carried out under this section.

(2) Civil rights compliance

Each owner shall certify, to the satisfaction of the Secretary, that assistance made available under this section will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 [[42 U.S.C. 2000d](#) et seq.], the Fair Housing Act [[42 U.S.C. 3601](#) et seq.] and other Federal, State, and local laws prohibiting discrimination and promoting equal opportunity; and

(3) Site control

An applicant may obtain ownership or control of a suitable site different from the site specified in the initial application. If an applicant fails to obtain ownership or control of the site within 1 year after notification of an award for assistance, the assistance shall be recaptured and reallocated.

(4) Notice of appeal

The Secretary shall notify an owner not less than 30 days prior to canceling any reservation of assistance provided under this section. During the 30-day period following the receipt of a notice under the preceding sentence, an owner may appeal the proposed

cancellation. Such appeal, including review by the Secretary, shall be completed not later than 45 days after the appeal is filed.

(5) Labor standards

(A) In general

The Secretary shall take such action as may be necessary to insure that all laborers and mechanics employed by contractors and subcontractors in the construction of housing with 12 or more units assisted under this section shall be paid wages at rates not less than those prevailing in the locality involved for the corresponding classes of laborers and mechanics employed on construction of a similar character, as determined by the Secretary of Labor in accordance with sections 3141–3144, [3146](#), and [3147](#) of title [40](#).

(B) Exemption

Subparagraph (A) shall not apply to any individual who—

(i) performs services for which the individual volunteered;

(ii)

(I) does not receive compensation for such services; or

(II) is paid expenses, reasonable benefits, or a nominal fee for such services; and

(iii) is not otherwise employed at any time in the construction work.

(6) Use of project reserves

Amounts for project reserves for a project assisted under this section may be used for costs, subject to reasonable limitations as the Secretary determines appropriate, for reducing the number of dwelling units in the project. Such use shall be subject to the approval of the Secretary to ensure that the use is designed to retrofit units that are currently obsolete or unmarketable.

(k) Definitions

As used in this section—

(1) The term “group home” means a single family residential structure designed or adapted for occupancy by not more than 8 persons with disabilities, which provides a separate bedroom for each tenant of the residence. The Secretary may waive the project size limitation contained in the previous sentence if the applicant demonstrates that local market conditions dictate the development of a larger project. Not later than the date of the exercise of any waiver permitted under the previous sentence, the Secretary shall notify the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives of the waiver or the intention to exercise the waiver, together with a detailed explanation of the reason for the waiver. Not more than 1 home may be located on any one site and no such home may be located on a site contiguous to another site containing such a home.

(2) The term “person with disabilities” means a household composed of one or more persons who is 18 years of age or older and less than 62 years of age, and who has a disability. A person shall be considered to have a disability if such person is determined, pursuant to

regulations issued by the Secretary to have a physical, mental, or emotional impairment which

(A) is expected to be of long-continued and indefinite duration,

(B) substantially impedes his or her ability to live independently, and

(C) is of such a nature that such ability could be improved by more suitable housing conditions. A person shall also be considered to have a disability if such person has a developmental disability as defined in section [15002](#) of this title. The Secretary shall prescribe such regulations as may be necessary to prevent abuses in determining, under the definitions contained in this paragraph, the eligibility of families and persons for admission to and occupancy of housing assisted under this section. Notwithstanding the preceding provisions of this paragraph, the term “person with disabilities” includes two or more persons with disabilities living together, one or more such persons living with another person who is determined (under regulations prescribed by the Secretary) to be important to their care or well-being, and the surviving member or members of any household described in the first sentence of this paragraph who were living, in a unit assisted under this section, with the deceased member of the household at the time of his or her death

(3) The term “supportive housing for persons with disabilities” means dwelling units that—

(A) are designed to meet the permanent housing needs of very low-income persons with disabilities; and

(B) are located in housing that make available supportive services that address the individual health, mental health or other needs of such persons.

(4) The term “independent living facility” means a project designed for occupancy by not more than 24 persons with disabilities (or such higher number of persons as permitted under criteria that the Secretary shall prescribe) in separate dwelling units where each dwelling unit includes a kitchen and a bath. Not later than the date that the Secretary prescribes a limit exceeding the 24 person limit in the previous sentence, the Secretary shall notify the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives of the limit or the intention to prescribe a limit in excess of 24 persons, together with a detailed explanation of the reason for the new limit.

(5) The term “owner” means a private nonprofit organization that receives assistance under this section to develop and operate supportive housing for persons with disabilities.

(6) The term “private nonprofit organization” means any institution or foundation—

(A) that has received, or has temporary clearance to receive, tax-exempt status under section [501 \(c\)\(3\)](#) of title [26](#);

(B) no part of the net earnings of which inures to the benefit of any member, founder, contributor, or individual;

(C) which has a governing board

(i) the membership of which is selected in a manner to assure that there is significant representation of the views of persons with disabilities, and

- (ii) which is responsible for the operation of the housing assisted under this section;
and
- (D) which is approved by the Secretary as to financial responsibility.

Such term includes a for-profit limited partnership the sole general partner of which is an organization meeting the requirements under subparagraphs (A), (B), (C), and (D) or a corporation controlled by an organization meeting the requirements under subparagraphs (A), (B), (C), and (D).

- (7) The term “State” includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the possessions of the United States.
- (8) The term “Secretary” means the Secretary of Housing and Urban Development.
- (9) The term “very low-income” has the same meaning as given the term “very low-income families” under section [1437a \(b\)\(2\)](#) of this title.

(l) Allocation of funds

(1) Minimum allocation for multifamily projects

The Secretary shall establish a minimum percentage of the amount made available for each fiscal year for capital advances under subsection (d)(1) that shall be used for multifamily projects subject to subsection (e)(4).

(2) Capital advances

Of any amounts made available for assistance under subsection (b) of this section, such sums as may be necessary shall be available for funding capital advances in accordance with subsection (d)(1) of this section. Such amounts, the repayments from such advances, and the proceeds from notes or obligations issued under this section prior to November 28, 1990, shall constitute a revolving fund to be used by the Secretary in carrying out this section.

(3) Project rental assistance

Of any amounts made available for assistance under subsection (b) of this section, such sums as may be necessary shall be available for funding project rental assistance in accordance with subsection (d)(2) of this section.

(m) Authorization of appropriations

There are authorized to be appropriated for providing assistance pursuant to this section \$300,000,000 for each of fiscal years 2011 through 2015.

(n) Effective date and applicability

(1) In general

The amendments made by this section shall take effect on October 1, 1991, with respect to projects approved on or after such date. The Secretary shall issue regulations for such purpose after notice and public comment.

(2) Earlier applicability

The Secretary shall, upon the request of an owner, apply the provisions of this section to any housing for which a loan reservation was made under section [1701g](#) of title [12](#) before November 28, 1990, but for which no loan has been executed and recorded. In the absence of such a request, any housing identified under the preceding sentence shall continue to be subject to the provisions of section [1701g](#) of title [12](#) as they were in effect when such assistance was made or reserved.

(3) Coordination

When responding to an owner's request under paragraph (1), the Secretary shall, notwithstanding any other provision of law, apply such portion of amounts obligated at the time of loan reservation, including amounts reserved with respect to such housing under section [1437f](#) of this title, as are required for the owner's housing under the provisions of this section and shall make any remaining portion available for other housing under this section.

**Appendix B: HUD's Fiscal Year 2012 Funding Availability (NOFA) for the
Section 811 Project Rental Assistance Demonstration Program**

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-5600-N-28]

**HUD's Fiscal Year (FY) 2012 Notice of Funding Availability (NOFA) for
Section 811 Project Rental Assistance Demonstration Program**

AGENCY: Office of the Assistant Secretary for Housing-Federal Housing Commissioner, HUD.

ACTION: Notice of Funding Availability (NOFA) for HUD's Fiscal Year (FY) 2012 Section 811 Supportive Housing for Persons with Disabilities (Section 811) Project Rental Assistance Demonstration (PRA Demo) Program.

SUMMARY: Today's publication provides information and instructions for the FY 2012 Section 811 PRA Demo program. This Notice is comprised of both the Notice of HUD's Fiscal Year (FY) 2012 Notice of Funding Availability (NOFA), Policy Requirements, and General Section (General Section) to HUD's FY2012 NOFAs for Discretionary Programs, posted on www.Grants.gov on September 19, 2011, and this program section to the NOFA. This NOFA announces the availability of Section 811 PRA Demo funding for state housing or other appropriate housing agencies to provide project-based rental assistance in the development of supportive housing for extremely low-income persons with disabilities. To be eligible for Section 811 PRA Demo funds, these housing agencies must have a formal partnership with the State health and human service agency and the state agency designated to administer or supervise the administration of the State plan for medical assistance under Title XIX of the Social Security Act (Medicaid) who will be providing appropriate services and supports directly to residents. In many states, this is the same agency, so the NOFA will refer to the "State Health and Human Services/Medicaid Agency". This Section 811 PRA Demo program is designed to develop and support sustainable partnerships with state housing agencies and State Health and Human Services/Medicaid agencies that will result in long-term strategies to provide permanent affordable rental housing for people with disabilities receiving assistance under Title XIX of the Social Security Act or other individuals with disabilities receiving comparable long-term services and supports in the community.

APPLICATION DEADLINE DATE: The application deadline date is 11:59:59 p.m. on **July 31, 2012**. Applications must be received by Grants.gov no later than 11:59:59 p.m. eastern time on the application deadline date.

FOR FURTHER INFORMATION CONTACT: Questions regarding specific program requirements should be directed to Lessie Powell Evans, Office of Housing Assistance and Grant Administration, Department of Housing and Urban Development, 451 Seventh Street SW, Room 6234, Washington, DC 20410 or to PRADemoapplications@hud.gov. Questions regarding the FY2012 General Section should be directed to the Grants Management Office at 202-708-0667 (this is not a toll-free number). Persons with hearing or speech impairments may access this number via TTY by calling the Federal Relay Service at 800-877-8339.

HUD expects to hold an information webcast via satellite or a webinar for potential applicants to learn more about the Program and preparation of an application. For more information about the date and time of this webcast, consult the HUD website at www.hud.gov.

OVERVIEW INFORMATION:

A. Federal Agency Name. Department of Housing and Urban Development, Office of Multifamily Housing Programs.

B. Funding Opportunity Title. Section 811 Supportive Housing for Persons with Disabilities - Project Rental Assistance Demonstration (PRA Demo) Program.

C. Announcement Type. Initial announcement.

D. Funding Opportunity Number. The Federal Register number for this NOFA is FR-5600-N-28. The information collection requirements contained in this document have been approved by the Office of Management and Budget under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2577-0157, 2577-0259, 2510-0011, 2501-0017, 2529-0043, 2577-0270, 2535-0114 and 2506-0171. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

E. Catalog of Federal Domestic Assistance (CFDA) Number(s). 14.326

F. Application Deadline Date. The deadline date is 11:59:59 p.m. eastern time **July 31, 2012**. Applications must be received by Grants.gov no later than 11:59:59 p.m. eastern time on the application deadline date. Applications must meet the timely receipt requirements of the General Section. See Section IV of the General Section regarding application submission procedures and timely filing requirements. Eligible Applicants need to be aware that following receipt, applications go through a validation process in which the application may be accepted or rejected. Please allow time for the process to ensure that you meet the timely receipt requirements. Please see the FY 2012 General Section for instructions for timely receipt, including actions to take if the application is rejected. Eligible Applicants should carefully read the section titled "INSTRUCTIONS ON HOW TO DOWNLOAD AN APPLICATION PACKAGE AND APPLICATION INSTRUCTIONS" in the General Section. This section contains information on using Adobe Reader, HUD's timely receipt and grace period policies, and other application information. The latest version of Adobe Reader used by Grants.gov is Adobe Reader 10.0.1 which is compatible with Microsoft Vista for PCs and MAC computers. Nuance Readers cannot be used.

G. Additional Overview and Contact Information.

1. Purpose of the Program. On January 4, 2011, the President signed the Frank Melville Supportive Housing Investment Act of 2010 which amended Section 811 of the Cranston-

Gonzalez National Affordable Housing Act (Pub L. 111-374). This legislation made significant changes to Section 811 with one of the changes being the establishment of new project rental assistance authority which provides funding to state housing and other appropriate agencies for project-based rental operating assistance for extremely low-income persons with disabilities. The primary purpose of this program is to identify, stimulate, and support innovative state-level strategies that will transform and increase housing for extremely low-income persons with disabilities while also making available appropriate support and services. HUD is seeking to support State Housing and Health and Human Service/Medicaid agencies collaborations that have or will result in increased access to affordable permanent supportive housing units – new and existing units – with access to appropriate services. Many States have already developed partnerships to address this need, and the Department hopes to support these efforts and incentivize additional states to develop similar collaborative efforts. This Section 811 PRA Demo NOFA will allow HUD to identify and support successful and promising state models. This program provides states with the flexibility to award and administer these funds to address the shortage of affordable and integrated housing for persons with disabilities. Housing agencies may either directly administer the rental assistance contracts to eligible properties or contract with other qualified parties to administer the long-term rental assistance contracts.

The Department expects that outcomes of the program will include:

- a. Creating effective, successful, and sustaining partnerships between state housing or other appropriate housing agencies and State Health and Human Service/Medicaid agencies to provide permanent housing with the availability of supportive services for extremely low-income persons with disabilities.
- b. Discovering innovative systemic approaches to providing housing for persons with disabilities with access to appropriate services that can be replicated.
- c. Identifying innovative and replicable ways of using and leveraging PRA Demo funds. State housing agencies will have the flexibility to structure the operating assistance creatively.
- d. Substantially increasing rental housing units for persons with disabilities by integrating Section 811 PRA Demo assisted units within existing, new, or rehabilitated multifamily properties with a mix of incomes and disability status.
- e. Creating more efficient and effective uses of housing and health care resources.

2. Available Funds. The available funding is made by the Department of Housing and Urban Development Appropriations Act 2012, Public Law 112-55, 125 Stat. 552, Approved: November 18, 2011.

3. Type of Funds. Project rental assistance that will cover the difference between the tenant payment and the approved rent (as described in Section III.B.2 Program Requirements). **These funds cannot be used for construction or any capital development costs.**

4. Award Information. HUD anticipates that a minimum of \$2 million and a maximum of \$12 million will be awarded to any Eligible Applicant.

5. Matching Funds. There is no matching requirement for applications under this program NOFA. However, leveraging is encouraged and addressed in Section V.B.4 Rating Factor 4, Leveraging.

6. Eligible Applicants. Any housing agency currently allocating Low Income Housing Tax Credits (LIHTC) under Section 42 of the Internal Revenue Service Code of 1986 or any state housing or state community development agency allocating and overseeing assistance under the HOME Investment Partnerships Act (HOME) or a similar federal or state program. An Eligible applicant may also be a state, regional, or local housing agency or agencies; or a partnership or collaboration of state housing agencies and /or state and local/regional housing agencies. See Sections III.A for additional information related to Eligible Applicant. To be eligible, the agency must have a formal partnership with the State Health and Human Services/Medicaid agencies (See Section III below for specific information).

Note: Only one Eligible Applicant per state is eligible to receive funding, and each State should determine which Eligible Applicant, in the event there may be more than one, is the most appropriate.

The State Health and Human Services/Medicaid agency can only be included in one application for Section 811 PRA Demo funds. **If the State Health and Human Services/Medicaid agency is included in multiple applications from one state, none will be considered.** Since this is a state program, HUD will be rating individual state applications. The State Health and Human Services/Medicaid agency will need to decide which Eligible Applicant, in the event there may be more than one, to partner with for this application submission.

Note: Private citizens, for-profit entities and nonprofit organizations are not eligible to apply.

FULL TEXT OF ANNOUNCEMENT

I. FUNDING OPPORTUNITY DESCRIPTION

A. Program Description. This Section 811 PRA Demo Program seeks to identify, stimulate, and support sustaining innovative state approaches that will transform the provision of housing for persons with disabilities while providing access to appropriate support and services. This NOFA will provide project-based rental assistance funding to State housing agencies. These funds are only available to be used as project-based rental assistance for housing units integrated in multifamily properties that are set-aside for extremely low-income persons with disabilities who are eligible for community-based long term care services and supports provided under a State Medicaid Program or other comparable long-term services program, plus administrative costs as defined in Section I.C.1 below. This Section 811 PRA Demo program will support successful and promising state partnership models that have been developed to increase the number of permanent housing units for persons with disabilities with access to appropriate services.

This NOFA allows states to creatively combine or bundle Section 811 PRA Demo funds with existing state administered affordable rental housing finance and development programs. Housing agencies may either directly administer this project rental assistance to supported properties or in instances where there is limited experience, housing agencies are encouraged to partner/contract with other qualified parties to administer the long-term operating assistance contracts. See “Experience Managing Rental Assistance Program” under Section V.B, Rating Factor 1.B.

A major threshold requirement of the program is that the state housing agency must have a focused partnership as described in Section III.C.2.b, with the State Health and Human Service/Medicaid Agencies that will be responsible for ensuring that residents have access to the services and supports necessary to live in the community as described in the Program Requirements below.

B. Authority. The authority for this program is Section 811 of the Cranston-Gonzalez National Affordable Housing Act, as amended by the Frank Melville Supportive Housing Investment Act of 2010 (Pub. L. 111-374). The funding is made available by the Department of Housing and Urban Development Appropriations Act 2012, Public Law 112-55, 125 Stat. 552, Approved: November 18, 2011.

C. Terms and Definitions.

1. Administrative Costs for Awardees. Administrative costs pursuant to this grant award may be provided at initial funding and subsequent annual funding renewals under this award. Administrative costs are allowable at a rate of no more than five (5) percent of the annual amount awarded based upon the range of tasks undertaken by the Eligible Applicant, see Section V.B, Ranking Factor 1.B, for additional information on administrative costs. These funds may be used for planning and other costs associated with developing and operating the Section 811 PRA Demo program, including infrastructure and technology needed to operate the program. The costs should include both direct and indirect costs. If an Eligible Applicant includes administrative costs in their budget as a direct cost, it cannot charge these costs as part of their indirect cost rate as well, and should instruct their auditor or the government auditor setting the rate of the availability and use of the administrative costs as described in this NOFA and how the Eligible Applicant is applying them in their PRA Demo program.

2. Co-Applicant. When two Eligible Applicants work together to submit a unified application to HUD, each will be considered a Co-Applicant under the same application. The Co-Applicant will also sign the Cooperative Agreement and be responsible for implementing the activities identified in the approved Implementation Plan, but will not directly receive access to funding through HUD’s Line of Credit Control System (LOCCS). Only the Lead Applicant shall have access to LOCCS.

3. Cooperative Agreement. The grant award shall be in the form of a Cooperative Agreement executed between HUD and the Eligible Applicant. HUD will have substantial involvement during the period of performance, including but not limited to: development of the program, oversight of the progress made on the proposed activities and results of those activities, monitoring of funds drawn and project deliverables, and timelines. The terms of the Cooperative

Agreement include the work to be performed under the grant and any special conditions or requirements, including the extent of HUD involvement.

4. Eligible Multifamily Property. An eligible multifamily property can be any new or existing property owned by a nonprofit or a private entity with at least 5 housing units. Financing commitments have been made by the Eligible Applicants or any housing agency currently allocating LIHTC under Section 42 of the Internal Revenue Service Code of 1986 (IRC) or any state housing or state community development agency allocating and overseeing assistance under the HOME Investment Partnerships Act (HOME) and/or any federal agency or any state or local government program. Development costs, if any, must be paid with other public or private resources. Section 811 and Section 202 Capital Advances may not be used. Properties with existing use restrictions for persons with disabilities are not eligible, unless such PRA Demo funds are being used to support other units in the building without such restrictions. Existing units receiving any form of long-term operating housing subsidy within a six-month period prior to receiving PRA Demo funds, such as assistance under Section 8, are ineligible to receive this assistance. In addition, units with use agreements requiring housing for persons 62 or older would not be eligible to receive PRA Demo funds.

5. Eligible Tenants. PRA Demo funds can only be provided to support units for extremely low-income disabled households. Within the disabled household, at least one person must be an individual with a disability, 18 years of age or older and less than 62 years of age at the time of admission into the property. The person with the disability must be eligible for community-based, long-term services as provided through Medicaid waivers, Medicaid state plan options, state funded services or other appropriate services related to the type of disability targeted under the Inter-Agency Partnership Agreement, as described in III.C.2.b.

6. Extremely Low-Income Family. A family whose annual income does not exceed 30 percent of the median income for the area, with adjustments for smaller and larger families, is eligible to benefit from this rental assistance program. Both “annual income” and “extremely low-income family” are defined in 24 CFR 5.603. Federally mandated income exclusions defined by 24 CFR 5.609 must be applied in determining income eligibility at the time of admission and in calculating the Eligible Tenant’s income during the interim/annual recertification stages.

7. Grantee. When an Eligible Applicant is successfully selected by HUD and executes the Cooperative Agreement with HUD, the same entity shall be referred to as the Grantee for the purposes of this NOFA.

8. Implementation Plan. The Implementation Plan is the applicant’s comprehensive strategy and plan that will be used to develop and manage the state’s PRA Demo Program as presented in the PRA Demo grant application. The specific requirements are outlined in Section V.B. Rating Factor 3.

9. Lead Applicant. Lead Applicant means where there is also a Co-Applicant, the primary housing agency responsible for implementing the HUD funded PRA Demo Program. The Lead Applicant must meet the definition of an Eligible Applicant. The Lead Applicant will sign the

HUD Agreement and is the sole entity that will have access to HUD's Electronic Line of Credit Control System (eLOCCS) in order to drawdown PRA funding.

10. Letter(s) of Intent. The applicant must demonstrate the ability to administer the type of multifamily financing and ensure Eligible Tenants in the Eligible Multifamily Property receive supportive services as described in this NOFA. To do so, Eligible Applicants either must demonstrate their own capacity to provide required capital funding and manage affordable housing programs and projects or must provide letters of intent from one or more third party entities (such as Performance Based Contract Administrators, Public Housing Authorities or private contractors that specialize in this work and have established high quality track records administering and processing payments to property owners). Eligible Applicants can contract with public or private entities to perform functions under this NOFA. Letters of Intent should be provided in those instances where the applicant is using other entities to perform requirements under this NOFA. To qualify, the letter of intent, whether from the one or more state agencies or third party entities must: 1) include the name of the entity agreeing to perform an activity specified in the application; 2) demonstrate the financial capacity to deliver the resources necessary to carry out the activity; and 3) evidence the intent to commit the resources to the program if the application is funded. Each letter of intent must include the entity or agency's name, the Eligible Applicant's name, and describe the total level of proposed funding expressed in dollar value as it relates to the program activity or commit to provide specific supportive services. The letter of intent must be written on the letterhead of the entity/agency, must be executed by an official of the organization legally authorized to make commitments on behalf of the organization, must be dated no earlier than 9 months from the date of publication of this NOFA, and must state how long the commitment remains valid should an award be granted. HUD understand the difficulties in obtaining new agreements in existing programs, however, existing agreements dated prior to 9 months of the date of the publication of this NOFA need to be affirmed by all signatories.

11. Persons with Disabilities. Person with disabilities shall have the meaning provided in Section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013(k)(2)). The term "person with disabilities" shall also include the following:

- a. A person who has a developmental disability, as defined in section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001(5)), i.e., if he or she has a severe chronic disability which:
 - (i) Is attributable to a mental or physical impairment or combination of mental and physical impairments;
 - (ii) Is manifested before the person attains age twenty-two;
 - (iii) Is likely to continue indefinitely;
 - (iv) Results in substantial functional limitation in three or more of the following areas of major life activity:
 - (a) Self-care;
 - (b) Receptive and expressive language;
 - (c) Learning;
 - (d) Mobility;

- (e) Self-direction;
- (f) Capacity for independent living;
- (g) Economic self-sufficiency; and
- (h) Reflects the person's need for a combination and sequence of special, interdisciplinary, or generic care, treatment, or other services which are of lifelong or extended duration and are individually planned and coordinated.

b. A person with a chronic mental illness, i.e., a severe and persistent mental or emotional impairment that seriously limits his or her ability to live independently, and which impairment could be improved by more suitable housing conditions.

c. A person infected with the human acquired immunodeficiency virus (HIV) and a person who suffers from alcoholism or drug addiction, provided they meet the definition of "person with disabilities" in Section 811 (42 U.S.C. 8013(k)(2)). A person whose sole impairment is a diagnosis of HIV positive or alcoholism or drug addiction (i.e., does not meet the qualifying criteria in section 811 (42 U.S.C. 8013(k)(2)) will not be eligible for occupancy in a Section 811 PRA Demo project.

12. Project Rental Assistance (PRA). Project rental assistance is defined as funding that is made available by HUD to Grantee for purposes of providing long-term rental assistance for supportive housing for non-elderly, extremely low-income persons with disabilities and for extremely low-income households that include at least one non-elderly person with a disability that will fund the difference between the tenants' payment for rent and the approved rent for the PRA Demo unit.

13. Rental Assistance Contract (RAC). Rental Assistance Contract is defined as the contract between the Grantee and the owner of the Eligible Multifamily Property.

14. Uniform Physical Condition Standards (UPCS). Uniform national standards established by HUD for housing that is decent, safe, sanitary, and in good repair. UPCS requires that items in five categories (site, building exterior, building systems, dwelling units, and common areas) must be inspected in any physical inspection of the property. UPCS is more specifically described in 24 CFR 5.703.

II. AWARD INFORMATION

A. HUD Award and HUD's Substantial Involvement. HUD will notify all applicants as to whether or not they have been conditionally selected for an award. If selected, HUD's notice concerning the amount of the award (based upon the approved application) will constitute HUD's conditional approval, subject to negotiation and the execution of a Cooperative Agreement. Since this is a demonstration program, HUD will have substantial and ongoing involvement in the review, development and the ongoing operation of state programs and the Cooperative Agreement allows this involvement. Withdrawals of funds from the eLOCCS system are subject to HUD approval.

B. Funding Availability. Approximately \$85 million is being made available in FY2012 funds for this award. Awards will range from a minimum of \$2 million to \$12 million per award.

1. Number of Awards. HUD expects to provide between 9 and 16 awards.

2. Type of Awards. HUD will provide Grantees with Section 811 PRA Demo grants to administer Rental Assistance Contracts with owners of Eligible Multifamily Properties.

3. Period of Performance. The Cooperative Agreement between HUD and Grantee shall be for a minimum of 20 years, with initial funding for the first five years, and with subsequent renewal subject to appropriations. All Rental Assistance Contracts shall be for a minimum of 20 years (continued funding in years beyond the first five years may also be subject to ongoing appropriations).

III. ELIGIBILITY INFORMATION

A. Eligible Applicants. Any housing agency currently allocating LIHTC under Section 42 of the Internal Revenue Service Code of 1986 (IRC) or any state housing or state community development agency allocating and overseeing assistance under the HOME Investment Partnerships Act (HOME) and/or a similar federal or state program. An Eligible Applicant may also be a state, regional, or local housing agency or agencies; or a partnership or collaboration of state housing agencies and/or state and local/regional housing agencies. To be eligible, the agency must have a formal partnership with the State Health and Human Services/Medicaid agencies (See Section III below for further information).

Note: Only one Eligible Applicant is eligible per state to receive funding and each state should determine which Eligible Applicant, in the event there may be more than one, is the most appropriate.

The State Health and Human Services/Medicaid Agency can only be included in one application for Section 811 PRA Demo funds. **If the State Health and Human Services/Medicaid agency is included in multiple applications from one state, none will be considered.** Since this is a state program, HUD will be rating individual state applications. The State Health and Human Services/Medicaid agency will need to decide which Eligible Applicant, in the event there may be more than one, to partner with for this application submission. In collaborations or partnerships of Co-Applicants, one must be identified as the “Lead Applicant” (see Section I. C Terms and Definitions below). The Lead Applicant and Co-Applicants must meet the definition and requirements of an Eligible Applicant and must meet all of the Program Requirements below.

1. Ineligible to Apply. Private citizens, for-profit entities and nonprofit organizations are not eligible to apply.

2. Troubled Status. If the an applicant or co-applicant has an outstanding Office of Inspector General (OIG) audit finding or has been designated with a “Troubled” status or other similar finding or designation, as a threshold requirement under Section III.C.3 of this NOFA, HUD will use documents and information available to it to determine whether the applicant is acceptable to HUD. The applicant may still be eligible to apply if:

- a. The finding or designation is for reasons that will not affect its capacity to carry out the Eligible Activity;
- b. The applicant is making substantial progress toward eliminating the deficiencies of the agency that resulted in the designation or finding;
- c. The applicant has not been found to be in noncompliance for fair housing or other civil rights requirements, or
- d. The applicant is otherwise determined to be capable of carrying out the Eligible Activity.

B. Cost Sharing or Matching.

There is no matching requirement for applications under this program NOFA. However, leveraging is encouraged and addressed in Section V.A.4 Rating Factor 4, Leveraging.

C. Other

1. Eligible Activities. Section 811 PRA Demo funds can only be used to fund project-based rental operating assistance and allowable administrative costs relating to the administration of Section 811 PRA Demo Program, but cannot be used to fund any development costs. Development costs on eligible Multifamily Projects can be paid with funds from other public and private sources, however, a commitment of funding for project costs must be made by the LIHTC allocation agency, a participating jurisdiction receiving assistance under the HOME program, or any federal, state or local government agency in accordance with program requirements or regulations, with the exception of **HUD Section 811 and Section 202 capital advance funds which cannot be used.** Section 811 PRA Demo funds allow Eligible Applicants to be flexible in how the project rental assistance is structured and administered within the confines of the program requirements under this NOFA. Eligible tenants can be selected in accordance with state approved tenant selection policies, criteria, and federal nondiscrimination laws. In order for supportive units to qualify for Section 811 PRA Demo funds, there must be a written agreement with the State Health and Human Services/Medicaid agency or agencies that will make available appropriate services for the tenants, more fully described in 2.c below.

2. Threshold Requirements for All Applications.

- a. **General HUD Threshold Nondiscrimination and Other Requirements.** Except for those specific Program Requirements in Section III of this NOFA, see Section III.C.2 through Section C.5 of the General Section for other applicable thresholds requirements. Eligible Applicants should review those provisions that could result in the failure to receive funding, including the Dun and Bradstreet Universal Numbering System (DUNS) Number Requirement, Resolution of Outstanding Civil Rights Matters, provisions relating to Delinquent Federal Debts, and the Name Check Review. HUD will not make awards to entities that are debarred, suspended or are on the HUD Limited Denial of Participation List. **Non-compliance with a threshold requirement will result in disqualification.**

- b. Program Specific Threshold Requirement.** In addition to the threshold requirements of the General Section, each application must meet the following program specific threshold requirement:

The Inter-Agency Partnership Agreement outlining the partnership between the Lead Applicant and State Health and Human Services/Medicaid agency (ies). The Eligible Applicant, or in cases where there are Co-applicants, the Lead Applicant must provide an Inter-Agency Partnership Agreement that provides evidence a formal structure for collaboration to participate in the state's Project Rental Assistance Demonstration Program to develop permanent supportive housing for extremely low-income persons with disabilities. This Partnership Agreement must include the Eligible Applicant and the state agency that is charged with administering State Health and Human Services programs and policies, and the State's Medicaid programs. In states where the State Health and Human Service Agency is not also the State Medicaid Agency, both agencies' participation must be evidenced. The agreement must include: 1) detailed description of the target population(s) to be served, 2) methods for outreach and referral, and 3) a commitment to make appropriate services available for residents in PRA Demo assisted units in multifamily properties. In the agreement, States must identify the available state administered services and other appropriate services and describe how such services will be made available to the tenants.

The agreement shall evidence the Eligible Applicant's commitment to ensure that tenancy in PRA Demo assisted units is reserved for the targeted population identified in the agreement that will benefit from the available services. Such services will allow for eligible residents to live independently in supportive housing units. To protect the interest of both residents and multifamily owners, participating agencies must demonstrate the States' ability to provide appropriate community-based long-term services and supports to the population proposed to be targeted under this application. However, tenant participation in supportive services is voluntary and cannot be required as a condition of tenancy.

In addition to HUD regulations regarding evictions, an owner may not terminate the tenancy or refuse to renew the lease of a tenant of a PRA Demo assisted unit except: 1) for serious or repeated violations of the terms and conditions of the lease, for violation of applicable Federal, State, or local, or for other good cause, and 2) by providing the tenant, not less than 30 days before such termination or refusal to renew, with written notice specifying the grounds for such action.

3. Program Requirements.

a. Limitation on Populations Served. Section 811 PRA Demo funds may only be provided for housing units set aside for extremely low-income non-elderly persons with disabilities who are age 18 or older, but less than 62 years of age at the time of admission and extremely low-income households that include at least one person with a disability. Furthermore, a person with a long term disability served under this program must be eligible for community-based long term care services and supports provided for under the state's plan for medical assistance under Title XIX

of the Social Security Act such as Medicaid 1915(c) waivers, the Medicaid 1915(i) option, the Medicaid Rehabilitation option, certain Medicaid 1115 demonstration waivers and similar successor programs, or other federal or state appropriated or other targeted community-based long-term services and supports program that the state certifies is comparable to Medicaid long-term care services.

b. Limitation on Units Assisted. Eligible Multifamily Properties may only receive Section 811 PRA Demo funds if the housing assisted does not currently have an existing use restriction or a contractual obligation to serve persons with disabilities. Units receiving any form of federal or state housing operating assistance (such as Section 8) are ineligible to receive Section 811 PRA Demo assistance, unless such PRA Demo funds are being used to support other units in the building without such restrictions. Existing units receiving any form of long-term operating housing subsidy within a six-month period prior to receiving PRA Demo funds, such as assistance under Section 8, are ineligible to receive this assistance. In addition, units with use agreements requiring housing for persons 62 or older would not be eligible to receive PRA demo funds. **No more than 25 percent of the total units in Eligible Multifamily Properties can: 1) be provided Section 811 PRA Demo funds; 2) be used for supportive housing for persons with disabilities; or 3) have any occupancy preference for persons with disabilities.** These units must be dispersed throughout the property and must not be segregated to one area of a building (such as on a particular floor or part of a floor in a building or in certain sections within a project). Owners may designate units types (*e.g.*, accessible, 1-bedroom, etc.) rather than designating specific units (*e.g.*, units 101, 201, etc.) to be set-aside for PRA Demo supportive housing units. This would allow flexibility in offering the next available unit to a person with a disability under this program as long as the unit type was designated as being set-aside for persons with disabilities and the number of units occupied by persons with disabilities under the set-aside had not been met.

NOTE: Eligible Applicants may not prohibit disabled persons from applying for residency in non-PRA Demo units.

c. Inter-Agency Partnership Agreement. Eligible Applicants must evidence a formalized structure for collaboration between the Eligible Applicant and the state agency charged with administering state health and human services programs and policy and the state Medicaid programs as more fully described below in III.3.b.(2). In states where these functions have been separated, both agencies' participation must be evidenced.

d. Rental Assistance Contract (RAC). As defined above in I.C, the Grantee administering the PRA Demo funds will enter into a RAC with each owner of an Eligible Multifamily Property, in a manner and form as determined by HUD. The initial term of such contracts between the Grantee and the Eligible Multifamily Property owners shall have a minimum term of 20 years; however, financial support from HUD following initial funding is subject to available appropriations. These contracts may be renewed if all parties agree to such renewal; however, funding under the terms of the contract will be subject to the availability of federal appropriations.

- (1) This contract will provide the rental assistance payments to the owner for Eligible Tenants, as defined above in I. C., residing in units that have been set-aside by the owner as supportive housing for persons with disabilities.
- (2) The RAC will identify the project, the number of contract units by bedroom size and accessibility, the contract terms and the conditions for receipt of the project rental assistance payments, including provisions ensuring that tenants are afforded the same tenant protections in 42 USC 8013(i)(2) as provided to tenants receiving assistance under HUD's Section 811 Program, *e.g.*, lease term, termination of tenancy, and participation in services.
- (3) The RAC will provide for the Grantee to certify annually to HUD that PRA Demo assisted units are occupied by Eligible Tenants. It will also provide for the Grantee to conduct regular physical inspections of those units to confirm that they meet the uniform national standards established by HUD for housing that is decent, safe, sanitary, and in good repair. The Grantee may inspect PRA Demo units using a frequency and sample size that conforms with other federal or state housing program requirements.
- (4) For the purpose of this grant, the Grantee must determine an appropriate RAC rent level which may or may not reflect the actual costs of operating the PRA Demo assisted units. The RAC will specify that the rental assistance payment made to the owner of a PRA Demo unit will be the difference between the RAC rent level for the unit and the Eligible Tenant rent payable by the Extremely Low-Income Family. In no circumstance may the initial RAC rent level exceed the applicable Section 8 Small Area Fair Market Rent or Fair Market Rent (FMR) level as determined by HUD, unless such rent level is substantiated by a market study that has been prepared in accordance with the requirements of a state housing agency or of Chapter 9 of HUD's Section 8 Renewal Guide (see http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/mfhsec8) as approved by HUD.
- (5) The Grantee may impose additional requirements in the RACs so long as those requirements do not contradict any HUD requirements, including those identified in the Cooperative Agreement, which will be provided to Eligible Applicant following the award of funds. HUD may impose additional requirements for the program. During the Cooperative Agreement negotiation state, HUD may impose additional requirements for the program.

e. Administration of the Rental Assistance Contracts (RACs). Grantees will be responsible for administering the PRA Demo Program, managing the RACs and maintaining all applicable HUD and other federal requirements. HUD reserves the right to assume the RACs at any time as a result of material non-compliance or non-performance by the Grantee, or if as a result of the Section 811 rulemaking process, HUD determines that direct administration of the RACs by HUD or its designee is the most viable option for the long-term implementation and oversight of the Project Rental Assistance program.

f. Use Restriction. Housing assisted with Section 811 PRA Demo must have a minimum 30 year use restriction for extremely low-income persons with disabilities. The terms and

conditions of the use agreement and its enforcement shall be specified in the Cooperative Agreement and the RAC.

g. Eligible Tenant's Contribution to Rent. The Eligible Tenant's rent contribution shall be no more than 30 percent of the family's adjusted monthly income, as determined annually through an income recertification conducted in a manner prescribed by HUD. Grantees will be required to ensure that tenant data is entered into HUD's Tenant Rental Assistance Certification System (TRACS) in the administration of the PRA Demo program. TRACS is a HUD computer system developed to help improve financial controls over assisted housing programs by automating manual procedures and incorporating automated controls. Enterprise Income Verification System must be used to verify income on all PRA Demo assisted units. EIV makes integrated income data available from one source to use to improve income verification.

h. Tenant Lease Term. The initial lease between an Eligible Tenant and an owner of an Eligible Multifamily Property for the PRA Demo assisted units shall not be less than one year.

i. Approved Rent and Rent Adjustments. Eligible Applicants must clearly outline how rents will initially be established. In no circumstance may the initial RAC rent level exceed the applicable Section 8 Small Area Fair Market Rent or Fair Market Rent (FMR) level as determined by HUD, unless such rent level is substantiated by a market study that has been prepared in accordance with the requirements of a state housing agency or of Chapter 9 of HUD's Section 8 Renewal Guide (see http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/mfhsec8) as approved by HUD. Rents can only be adjusted annually based upon 1) HUD's Operating Cost Adjustment Factor (OCAF), 2) such other operating cost index as has been adopted by the applicant for purposes of subsidizing affordable housing, or 3) as may be approved by HUD. For the most recent guidance on OCAF, please see <http://www.gpo.gov/fdsys/pkg/FR-2011-10-26/pdf/2011-27816.pdf>. The grantee will be rated based upon how approved rents will be established and adjusted in Section V.B, Rating Factor 3 below.

j. Barrier Free/Accessibility Requirement for Units, Buildings, and Facilities, Including Public and Common Use Areas. The Section 811 PRA Demo program must meet accessibility requirements of Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act. Eligible Multifamily Properties must also meet the design and construction requirements of the Fair Housing Act. However, Section 811 PRA Demo assisted units can consist of a mix of accessible units for those persons with physical disabilities and non-accessible units for those persons without physical disabilities.

k. Compliance with Fair Housing and Civil Rights Laws. Grantees and owners of Eligible Multifamily Properties must comply with the fair housing and civil rights requirements in Section III.C.5.a of the General Section. In addition, Grantees will be required to certify that they will comply with the requirements of the Fair Housing Act, Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and as applicable, Title II or III of the Americans with Disabilities Act.

l. Affirmatively Furthering Fair Housing. Under Section 808(e)(5) of the Fair Housing Act, HUD has a statutory duty to affirmatively further fair housing. HUD requires the same of its funding recipients. Grantees will be required to certify that they will affirmatively further fair housing, and owners of Eligible Multifamily Properties must comply with affirmative outreach requirements. Instead of the actions for affirmatively furthering fair housing described in the General Section of HUD's FY 2012 NOFAs, successful applicants must adopt affirmative marketing procedures for their PRA Demo program. Affirmative marketing procedures consist of actions to provide information and otherwise attract eligible persons to the program regardless of race, color, national origin, religion, sex, disability, or familial status, who are not likely to apply to the program without special outreach. Grantees must affirmatively further fair housing by selecting projects for participation that offer access to appropriate services, accessible transportation, and commercial facilities to ensure greater integration of persons with disabilities in the broader community. Grantees must require owners of Eligible Multifamily Properties to adopt actions and procedures to ensure that PRA Demo assisted units are dispersed and integrated within the property. Grantees must keep records describing actions taken to affirmatively market the program, annually assess the success of their affirmative marketing activities, and make any necessary changes to their affirmative marketing procedures as a result of the evaluation. Eligible applicants must describe their methods of outreach and referral and waiting list policies in Section V.B., Rating Factor 3.C. All methods of outreach and referral and management of the waiting list must be consistent with fair housing and civil rights laws and regulations, and affirmative marketing requirements.

Full Disclosure of Available Housing. Grantees must adopt a process for providing full disclosure to each applicant for a PRA Demo unit of all options available to the applicant in the selection of the property in which to reside, including basic information about available sites (*e.g.*, location, number and size of accessible units, access to transportation and commercial facilities) and an estimate of the period of time the applicant would likely have to wait to be admitted to units of different sizes and types (*e.g.*, regular or accessible) at each site.

m. Program Evaluation. As a condition of the receipt of financial assistance under this NOFA, all Grantees will be required to cooperate with HUD, Department of Health and Human Services (HHS), and Centers for Medicare & Medicaid Services (CMS), or any contractors affiliated with HUD, HHS and CMS in the evaluation of this demonstration program. The authorizing legislation requires HUD to submit a Report to Congress no later than January 4, 2014 and again two (2) years thereafter on the implementation and effectiveness of the PRA Demo Program. In addition to ensuring that HUD can respond to this reporting requirement, HUD is also interested in collecting evidence to demonstrate the extent to which the demonstration program meets the expected outcomes of the program, as listed earlier in the NOFA within Section G.1, Purpose of the Program. HUD may pursue the option to fund a rigorous independent evaluation of this demonstration program, or HUD may choose to utilize existing administrative data and data submitted by grantees on the quarterly and annual reports to assess the effectiveness of the demonstration program.

n. Executive Order 13166, "Improving Access to Services for Persons with Limited English Proficiency (LEP)". Executive Order 13166 seeks to improve access to federally assisted programs and activities for individuals who, as a result of national origin, are limited in their

English proficiency. Eligible Applicants obtaining federal financial assistance from HUD shall take reasonable steps to ensure meaningful access to their programs and activities to LEP individuals. As an aid to Eligible Applicants, HUD published *Final Guidance to Federal Financial Assistance Recipients Regarding Title VI Prohibition Against National Origin Discrimination Affecting Limited English Proficient Persons* in the Federal Register on January 22, 2007 (72 FR 2732). See Section III.C.5.c of the General Section for more information.

o. Effective Communication. Grantees must ensure that all communications are provided in a manner that is effective for persons with hearing, visual, and other communications-related disabilities consistent with Section 504 of the Rehabilitation Act of 1973 and, as applicable, the Americans with Disabilities Act.

p. Davis Bacon Labor Standards. All laborers and mechanics (other than volunteers under the conditions set out in 24 CFR part 70) employed by contractors and subcontractors in the construction (including rehabilitation) of housing with 12 or more units assisted under this NOFA shall be paid wages at rates not less than those prevailing in the locality, as determined by the Secretary of Labor in accordance with the Davis-Bacon Act (40 U.S.C. 3141 *et seq.*). Contracts involving employment of laborers and mechanics shall be subject to the provisions of the Contract Work Hours and Safety Standards Act (CWHSSA)(40 U.S.C 3701 *et seq.*). Owners of Eligible Multifamily Properties and owners' contractors and subcontractors must comply with all related rules, regulations, and requirements. Grantees shall be responsible for ensuring inclusion of appropriate contract provisions, monitoring to ensure compliance, and correction of violations in accordance with HUD guidance. Projects where construction is fully complete before an application is submitted to the Grantee to receive assistance under the PRA Demo are not subject to Davis-Bacon or CWHSSA requirements, except to the extent that the project is also assisted under another federal program that is subject to such requirements (*e.g.*, the HOME program). In accordance with U.S. Department of Labor regulations at 29 CFR 1.6(g), if a project is approved by Grantee to receive PRA Demo assistance after a contract for construction of the project has been awarded (or after the beginning of construction where there is no contract award) but before completion of construction, the state housing agency shall require that the wage determination effective on the date of award (or beginning of construction) be incorporated into the construction contract retroactively to the date of award or beginning of construction. Grantees may, however, request the HUD Office of Labor Relations to seek approval from the U.S. Department of Labor for the incorporation of a wage determination to be effective on the date of the state housing agency's approval of PRA Demo assistance for the project. Such approval may be granted only where there is no evidence of intent to apply for the federal assistance for the project prior to contract award or start of construction.

q. Energy and Water Conservation. Eligible Applicants are required to build to a higher standard by incorporating components of sustainable building in PRA Demo developments. At a minimum, energy efficiency strategies and water conservation appliances and fixtures must be incorporated in the design, construction, and operation of all new construction and substantial (gut) rehabilitation projects. For further assistance, Eligible Applicants can access the report, "Enhancing Energy Efficiency and Green Building Design in Section 202 and Section 811 Programs", at http://www.huduser.org/portal/publications/affhsg/enh_eng_eff_gbd.html. The

report was developed to assist Eligible Applicants in responding to this requirement as well as to inform you about other green building standards.

(1) Energy Efficiency. Owners of new construction and substantial rehabilitation low-rise (up to 3 stories) Eligible Multifamily Properties must meet the requirements of EPA's ENERGY STAR Qualified Homes. Mid-Rise & High Rise developments (4 or more stories) must meet the requirements of the ENERGY STAR Qualified Multifamily High Rise Buildings. Any state energy code requirements will take precedence over ENERGY STAR specifications when the state code approximates or exceeds that standard. More information concerning this requirement can be found at http://www.energystar.gov/index.cfm?c=bldrs_lenders_raters.pt_bldr or specific questions can be emailed to energystarhomes@energystar.gov. To learn more about ENERGY STAR qualified multifamily high rise buildings visit http://www.energystar.gov/index.cfm?c=bldrs_lenders_raters.nh_multifamily_highrise or specific questions can be emailed to leopkey.ted@epa.gov. All projects must purchase and install ENERGY STAR-labeled appliances.

(2) Water Conservation Fixtures. Installation of water-conserving fixtures is required in all new and substantially rehabilitated developments (i.e. resource efficient plumbing and appliances such as low flow showerheads and faucet and high efficiency toilets). The materials used should be the most current WaterSense or a greater water efficiency product. More information is available at www.epa.gov/owm/water-efficiency.

r. Housing Standard for PRA Demo Assisted Units. All PRA Demo units must meet local and state housing code, ordinances, and zoning requirements and minimum UPCS standards.

s. Environmental Requirements and Environmental Assurance. As HUD does not approve program funding for specific activities or projects of the selected housing agencies, it will not perform environmental reviews on such activities or projects. However, to ensure that the tenets of HUD environmental policy and the requirements of applicable statutes and authorities are met, Eligible Applicants selected for funding will be required to implement the following analyses and determinations for specific program activities and projects. The Eligible Applicant's signature on the application shall constitute an assurance that the applicant, if selected, will perform such implementation. Citations to authorities in the following paragraphs are for reference only; to the extent that property standards or restrictions on the use of properties stated in the following paragraphs are more stringent than provisions of the authorities cited, the requirements stated in the following paragraphs shall control:

(1) Site Contamination (24 CFR 50.3(i)). It is HUD policy that all properties to be used on HUD assisted housing be free of hazardous materials, contamination, toxic chemicals and gases, and radioactive substances, where a hazard could affect the health and safety of occupants or conflict with the intended utilization of the property. Therefore, all proposed activities or projects shall have a Phase I Environmental Site Assessment (ESA) performed in accordance with ASTM - E 1527-05. To help determine if there are any vapor related Recognized Environmental Conditions (RECs), the Phase I ESA shall incorporate ASTM E2600-10. If the Phase I ESA identifies RECs, a Phase II ESA shall be performed in accordance with

ASTM - E 1903-11. Any hazardous substances and/or petroleum products that are identified at levels that would require clean-up under State policy shall be so cleaned up in accordance with the State's clean-up policy. Risk-Based Corrective Actions are permitted if allowed for under a State's clean-up policy.

(2) Historic Preservation.

- (a) As the various States, Territories, Tribes and municipalities have established historic preservation programs to protect historic properties within their jurisdiction, all work on properties identified as historic by the State, Territory, Tribe, or Municipality, as applicable, must comply with all applicable State, territorial, tribal historic preservation law and requirements and (for projects affecting locally designated historic landmarks or districts) local historic preservation ordinance and permit conditions.
- (b) In addition, all work on properties listed on the National Register of Historic Places, or which the Housing Agency knows are eligible for such listing, must comply with "The Secretary of the Interior's Standards for Rehabilitation." Complete demolition of such properties would not meet the Standards and is prohibited.
- (c) On site discoveries: If archaeological resources and/or human remains are discovered on the activity or project sites during construction, the recipient must comply with applicable State (or territory) law and/or local ordinance (e.g., State unmarked burial law).

(3) Noise (24 CFR part 51, subpart B - Noise Abatement and Control). All activities and projects involving new construction shall be developed to ensure an interior noise level of 45 decibels (dB) or less. In this regard and using the day-night average sound level (L_{dn}), sites not exceeding 65 dB of environmental noise are deemed to be acceptable; sites above 65 dB require sound attenuation in the building shell to 45 dB; and sites above 75 dB shall not have noise sensitive outdoor uses (e.g. picnic areas, tot lots, balconies or patios) situated in areas exposed to such noise levels.

- (a) Airport Clear Zones (24 CFR part 51, subpart D - Sitting of HUD Assisted Projects in Runway Clear Zones at Civil Airports and Clear Zones and Accident Potential Zones at Military Airfields). No activities or projects shall be permitted within the "clear zones" or the "accident potential zones" of military airfields or the "runway protection zones" of civilian airports.
- (b) Coastal Barrier Resources Act (16 U.S.C. 3501 *et seq.*). No activities or projects shall be permitted in Coastal Barrier Resource System (CBRS) units. CBRS units are mapped and available from the Fish and Wildlife Service at <http://www.fws.gov/CBRA/>.
- (c) Coastal Zone Management Act (16 USC 1451 *et seq.*) Activities and projects shall be consistent with the appropriate state coastal zone management plan. Plans are available from the local coastal zone management agency.
- (d) Floodplains (Executive Order 11988; Flood Disaster Protection Act). No new construction activities or projects shall be located in the mapped 500 year floodplain, or if not available, the "Special Flood Hazard Area" (100 year floodplain), as identified on the current Federal Emergency Management Agency (FEMA) "Flood Insurance Rate Maps"

if available, or if not available, the “Flood Hazard Boundary Maps,” if available. Existing structures may be assisted in these areas, except for sites located in coastal high hazard areas (V Zones) or regulatory floodways, but must meet the following requirements:

- (i) The existing structures must be flood-proofed or must have the lowest habitable floor and utilities elevated above the 500-year floodplain when such elevations have been determined by FEMA, or if not available, the 100-year floodplain.
- (ii) The project must have an early warning system and evacuation plan that includes evacuation routing to areas outside of the applicable floodplain.
- (iii) Project structures in the 100-year floodplain must obtain flood insurance up to the maximum amount available under the National Flood Insurance Program or the value of the structures, whichever is less, for the life of the structures. No activities or projects located within the 100-year floodplain may be assisted in a community that is not participating in or has been suspended from the National Flood Insurance Program.
- (iv) Wetlands (Executive Order 11990). No new construction shall be performed in wetlands. No rehabilitation of existing properties shall be allowed that expands the footprint such that additional wetlands are destroyed. New construction includes draining, dredging, channelizing, filling, diking, impounding, and related grading activities. The term wetlands is intended to be consistent with the definition used by the U.S. Fish and Wildlife Service in Classification of Wetlands and Deep Water Habitats of the United States (Cowardin, et al., 1977). This definition includes those wetland areas separated from their natural supply of water as a result of activities such as the construction of structural flood protection methods or solid-fill road beds and activities such as mineral extraction and navigation improvements.
- (v) Siting of Projects Activities Near Hazardous Operations Handling Conventional Fuels or Chemicals of an Explosive or Flammable Nature (24 CFR part 51, Subpart C). Unshielded or unprotected new construction sites shall be allowed only if they meet the standards of blast overpressure (0.5psi-buildings and outdoor unprotected facilities) and thermal radiation (450 BTU/ft² -hr – people, 10,000 BTU/ft² - hr – buildings) from facilities that store, handle, or process substances of explosive or fire prone nature in stationary, above ground tanks/containers.
- (vi) Endangered Species Act of 1973. New construction shall not be permitted that would result in a taking of endangered plant or animal species as listed under the Endangered Species Act of 1973. Taking includes not only direct harm and killing but also modification of habitat. Maps for listed species and geographic habitat by state can be found at: http://ecos.fws.gov/tess_public/StateListing.do?state=all.
- (vii) Farmland Protection (7 USC 4201 et seq. and 7 CFR part 658). New construction shall not result in the conversion of unique, prime, or otherwise productive agricultural properties to urban uses.

- (viii) Sole Source Aquifers (Section 1424(e) of the Safe Drinking Water Act of 1974 (42 U.S.C. 201, 300 et. seq., and 21 U.S.C. 349)). Any new construction activities and projects located in Federally designated sole source aquifer areas (SSAs) shall require consultation and review with the U.S. Environmental Protection Agency (USEPA). Information regarding location and geographic coverage of the 73 federally designated SSAs can be found at:
<http://water.epa.gov/infrastructure/drinkingwater/sourcewater/protection/solesourceaquifer.cfm>
- t. **Lead-Based Paint.** The Lead Safe Housing Rule (specifically 24 CFR 35, subparts B, H and R; see http://portal.hud.gov/hudportal/HUD?src=/program_offices/healthy_homes/enforcement/lshr) applies to project based rental assistance of pre-1978 housing for persons with disabilities when a child of less than 6 years of age resides or is expected to reside in such housing. For Eligible Multifamily Properties in which such units will receive an annual average of more than \$5,000 of project-based rental assistance in any year, a lead risk assessment, followed by interim controls of any lead-based paint hazards identified must be conducted, and a reevaluation must be conducted every two years during the assistance period. For properties in which such assistance is less than or equal to \$5,000, a visual assessment for deteriorated paint must be conducted during the initial and periodic inspections, followed by paint stabilization of any deteriorated paint identified. The Environmental Protection Agency's Renovation, Repair and Painting (RRP) Rule also applies to such target housing when renovation, repair or painting work is conducted; among other requirements, the work, using lead-safe work practices, must be conducted or supervised by certified lead renovator working for a certified lead renovation firm when the amount of work exceeds the RRP Rule's minor repair and maintenance area threshold. See 40 CFR 745, and the RRP Rule's website, <http://www.epa.gov/lead/pubs/renovation.htm>).
- u. **Program Income.** Eligible Applicant must have sufficient knowledge and experience to identify and account for program income as defined in 24 CFR part 85. Each application must contain a specific section stating how the applicant will address program income accounting and reporting requirements. All program income including interest earned on any award supported activity (if it generates program income it has to be accounted for whether it is paid to a Grantee or is used for a program purpose without passing back to the Grantee) is subject to the terms and conditions of the original grant and such U.S. Treasury rules as may apply. More specifically each Grantee must document receipt of program income, both principal and interest, and how the funds were used. These documentation and reporting requirements (detailed later in this NOFA) will be included in the final Implementation Plan and contained in the Cooperative Agreement.
- v. **Procurement of Recovered Materials.** Requirements for the procurement of recovered materials apply to this program as described in the General Section in Section III.C.5.k.
- w. **Uniform Physical Construction Standards (UPSC).** Multifamily owners shall comply with the Physical Condition Standards and Inspection Requirements of 24 CFR part 5,

Subpart G, including any changes in the regulation and related Directives. In addition, the Owner shall comply with HUD's Physical Condition Standards of Multifamily Properties of 24 CFR part 200, Subpart P, including any changes in the regulation and related Directives.

- x. **HUD's Electronic Line of Credit Control System.** Eligible Applicants must be eligible to acquire rights and access under HUD's Electronic Line of Credit Control System (eLOCCS) or other database system approved by HUD. This is the sole mechanism for drawing funds.
- y. **Uniform Administrative Requirements.** All States, Territories, Urban Counties, and Metropolitan cities receiving funds under this NOFA shall be subject to the requirements of 24 CFR part 85. Non-profit subgrantees shall be subject to the requirements of 24 CFR part 84.

IV. APPLICATION AND SUBMISSION INFORMATION

A. Address to Request an Application Package. See the **General Section** for specific procedures concerning the electronic application submission and timely receipt requirements. Copies of the published NOFAs and application forms for HUD programs announced through NOFAs may be downloaded from the grants.gov website at <http://www.grants.gov>. Eligible Applicants need to download the application and the instructions for this NOFA on Grants.gov. Information to assist Eligible Applicants in preparing their application on the average tenant rent payment by state for the Section 811 PRACs is available on HUD's website (see **Appendix B**). For recent guidance on HUD's Operating Cost Adjustment Factor (OCAF) calculation, please see <http://www.gpo.gov/fdsys/pkg/FR-2011-10-26/pdf/2011-27816.pdf>.

B. Grants.gov Customer Support. If there is difficulty accessing the information, customer support is available from Grants.gov by calling its Support Desk at 800-518-GRANTS (toll-free), or by sending an email to support@grants.gov. Grants.gov now also provides a toll number for those that have difficulty accessing a toll-free number. The number is 606-545-5035 (toll charge). The Grants.gov help desk is open 7 days a week, 24 hours a day, except federal holidays.

C. Content and Form of Application Submission

1. Electronic Submission. Applications must be submitted electronically, as prescribed in the General Section using the Grants.gov website. To submit via Grants.gov, applicants must have a DUNS number which is registered in the Central Contractor Registration (CCR); have a USER ID and password for the grants.gov system; and be authorized by the eBusiness Point of Contact for the applicant identified in box 8a of the SF424, to be the authorized agency representative to submit the application. Failure to meet these registration steps or to not properly enter the registered DUNS number and User ID and password associated to the applicant DUNS number in the Grants.gov system, can result in the application being rejected by Grants.gov. Please carefully read the registration requirements. Registration can take 2-4 weeks to complete.

2. Page Limitation, Font Size, and Format for Naming of Files. Narrative statements cannot exceed the equivalent of 40 single-sided standard 8-1/2" x 11" pages, not including attachments.

Attachments cannot exceed the equivalent of 60 single-sided pages in total. Applications must be in 12 point font and attachments presented by facsimile must be legible. File names should clearly indicate which application item the file contains as described in the General Section, paying careful attention to ensuring there are no spaces and special characters in the file name and that the file name does not exceed the maximum length of 50 characters. HUD recommends a length of no more than 32 characters.

3. Application Submission Requirements.

- a.** Eligible Applicants must read and follow the application submission requirements carefully.
- b.** Applications must be filed following the instructions for this opportunity as they appear on the grants.gov website.
- c.** Applications must be formatted for 8.5" by 11" viewing and printing.
- d.** Attachments must follow the proper naming convention: 50 characters or less, no spaces, no special characters (example: -, &, *, %, /, #, \) including periods (.), blank spaces and accent marks. Special characters may NOT be used within the application form fields or file names. Underscores can be used in place of spaces.
- e.** All pages of each document must be numbered sequentially.
- f.** All documents must be presented in "native" format, not "pdf", unless required to preserve the integrity of a document as executed by a third party.
- g.** Zip files contained within zip files cannot be accommodated; documents in such files will not be reviewed. See the General Section for additional information.

4. Application Requirements. The application must contain the following:

- a. Part I. Abstract.** Applications must contain an Abstract consisting of up to 3-5 pages, a summary of the proposed program, which will not be scored and does not count toward the narrative page limit. The summary must include:
 - (1) Name of the Eligible Applicant
 - (2) Street Address
 - (3) City, State and Zip code
 - (4) Contact Name and Title
 - (5) Contact Telephone number and email address
 - (6) Name, title and contact information of the State Health and Human Service Agency and the name, title, and contact information for the State Medicaid Agency identified in the Partnership Agreement
 - (7) The amount of the administrative costs (which is up to five (5) percent of the grant) requested
 - (8) Total dollars of Section 811 PRA Demo funds requested by the applicant, including the amount of the administrative fee

- (9) Summary description of Section 811 PRA Demo program including applicant and the State Health and Human Service/Medicaid agencies partnership
- (10) Description of the State program(s) that will be used to award of PRA Demo funds.

b. Part II. Formalized Agreement. The formalized agreement between the Eligible Applicant and State Health and Human Services/Medicaid agencies is called the Inter-Agency Partnership Agreement as described in III.C.2.b.

c. Part III. Narrative Response to Factors for Award. The total narrative response cannot exceed the equivalent of 40 single-sided standard 8-1/2 x 11” pages total in 12 point font, not including attachments. Submitting pages in excess of the page limit will not disqualify an application. However, HUD will not consider or review the information on any excess pages, and if there is key information on those pages, the application may fail to meet a threshold requirement.

d. Part IV. General Applications Requirements and Certifications. A list of supporting documents and forms in the following order found in the instruction download.

- (1) **SF424 Application for Federal Assistance.** Eligible Applicants must include the nine digit ZIP code (ZIP code plus four digits) associated with the applicant address in box 8d of the SF424. Also, be sure to provide a program name in Line 11 of the SF424 and use the same project name in all references to the application as the information will pre-populate the other forms contained in the application download package.
- (2) **SF424 Supplement Survey on Equal Opportunity for Eligible Applicants** titled “Faith Based EEO Survey” (SF424SUPP) on Grants.gov (optional submission).
- (3) **SFLLL Disclosure of Lobbying Activities.** Note that federally recognized Indian tribes are not required to submit this form (see the General Section).
- (4) **HUD2880 Applicant Recipient Disclosure Update Report** titled “HUD Applicant Recipient Disclosure Report” on Grants.gov.
- (5) **HUD424CB Detailed Budget**, which is a budget for all funds (federal and non-federal). The HUD424CB is a standard form budget template, and includes budget lines that are not allowable items under the Program, *e.g.*, land and building acquisition costs. When completing the HUD424CB, please ensure that only budget items allowed under the Section 811 PRA Demo Program are populated.
- (6) **HUD2993 Acknowledgment of Application Receipt**, for applicants submitting paper applications only (see Section IV.C. below)
- (7) **HUD96011 Facsimile Transmittal** (“Facsimile Transmittal Form” on Grants.gov). The form must be submitted with your application and be used as the coversheet for a facsimile sent for your application. If you are not faxing any documents, you must still complete the facsimile transmittal form. In the section of the form titled “Name of Document

Transmitting,” enter the words “Nothing Faxed with this Application.” Complete the remaining highlighted fields and enter the number “1” in the section of the form titled “How many pages (including cover) are being faxed?” You must move the form to the right side of the Grants.gov application to open and complete the form. Forms on the right side of the application get uploaded as part of your application submission with the forms getting embedded ID numbers. The embedded ID numbers allow HUD to match your faxes to your application submission. Please refer to the **General Section for a detailed discussion**. **NOTE:** HUD will not accept entire applications submitted by fax. If you submit the application entirely by fax, it will be disqualified. Please carefully read General Section instructions on faxing documents.

e. Part V. Attachments (including Supporting Documents, Commitments Letters, and Letters of Intent.

5. Outline of Application Content. An outline of the application content can be found in Appendix A which can also be used as a checklist of the submission requirements for a complete application.

6. Timely Receipt Requirements. The application deadline is 11:59:59 p.m. eastern time on **July 31, 2012**. Applications must be received by Grants.gov no later than 11:59:59 p.m. eastern time on the application deadline date. Following receipt the application will go through a validation process. If the application fails the Grants.gov validation process, it will be rejected by the Grants.gov system. Please see the FY2012 General Section for instructions on timely receipt, including actions to take if the application is rejected. Eligible Applicants should carefully read the section titled “INSTRUCTIONS ON HOW TO DOWNLOAD AN APPLICATION PACKAGE AND APPLICATION INSTRUCTIONS” in the General Section. The section contains information on using Adobe Reader, HUD’s timely receipt requirements and grace period policy, and other pertinent information.

From time to time HUD may issue a technical correction to its NOFAs. To ensure that applicants receive notification of any technical corrections to this NOFA, applicants are advised to sign up for the email notification service when they download the application and instructions for this NOFA from Grants.gov, so that if HUD modifies this NOFA, they will be notified of any changes posted to Grants.gov.

7. Funding Restrictions. Administrative costs are limited to no more than five (5) percent of the annual Section 811 PRA Demo award.

8. Intergovernmental Review. Not applicable to this program.

9. Other Submission Requirements. None.

10. Waiver of Electronic Application Requirement. Eligible Applicants must follow the electronic application instructions included in the **General Section**, unless granted a waiver for cause to the required electronic application requirement. The request for a waiver must provide a justification for cause in accordance with HUD’s waiver policy of 24 CFR 5.1005. Eligible Applicants requesting a waiver must submit the request in writing no later than 15 days prior to

the application deadline date. The letter must be addressed to Carol J. Galante, Acting Assistant Secretary for Housing, Federal Housing Commissioner at the address below. The waiver can be submitted via email:

Department of Housing and Urban Development
 451 Seventh Street SW, Room 6230
 Washington, DC 20410
 ATTN: Aretha M. Williams, Housing Assistance and Grant Administration, Multifamily
 Housing Division
PRADemowaivers@hud.gov

Paper applications will not be accepted from applicants that have not been granted a waiver. If an applicant is granted a waiver, the approval notice will provide instructions for application submission and receipt requirements. All applications in paper format must have received a waiver to the electronic application requirement and must be received no later than 3:59:59 p.m. eastern time on the application deadline date to allow scanning of any packages in accordance with HUD Security procedures.

V. APPLICATION REVIEW INFORMATION

A. Rating Points. Points are assigned to each of five factors identified below. Eligible Applicants should review the factors carefully and respond specifically to each factor. Since project locations are not identified prior to award, bonus points under the EZ/EC/RC-II or the Preferred Sustainable Status Bonus Points are not included in this NOFA.

B. Rating Criteria. The maximum number of points to be awarded for the Section 811 PRA Demo program is 100.

1. Rating Factor 1: Applicant's and State Health and Human Service/Medicaid Agencies' Relevant Experience and Capacity (up to 30 total points). The applicant and the State Health and Human Services/Medicaid Agency must each demonstrate its ability, capacity, and readiness to undertake the proposed activities, use its award successfully, and maintain compliance with its grant terms. The Eligible Applicant must submit a detailed Capability Statement that describes the Eligible Applicant's, Co-applicant's, and/or contractor's experience.

a. Management Team and Key Staff (up to 10 points).

Identify and describe management team and key staff who are integral to implementation of the program) along with the roles and responsibilities of key staff responsible for this program. Applications should demonstrate recent (within five years) and relevant experience directly related to the funding of affordable rental housing developments and asset management of a portfolio of affordable multifamily housing units, particularly permanent supportive housing. HUD is particularly interested in the quality of the work experience and expertise of the management staff and the key staff responsible for each activity identified in the application.

If the Lead Applicant is partnering with another housing agency, a joint letter, agreement or MOU should be included. The applicant may also describe the experience of one or more

contractors with whom the applicant has contracted, or proposes to contract with to provide services. Experience information for that partnering entity relative to the role it will play in the effort should also be included. Eligible Applicants that demonstrate more recent and relevant experience in funding supportive housing development will receive higher rating points. The State Health and Human Services/Medicaid agencies will also need to include its management staff and key staff responsible for their program administration in this partnership. An outline of current programs relevant to this application including number of persons served, with particular focus on community-based programs for persons with disabilities and individuals, including those experiencing homelessness or who were formally homeless, should be included.

b. Capacity and Readiness (up to 20 points).

(1) General Experience (up to 6 points). Describe the Eligible Applicant's and Co-Applicants' capacity and the State Health and Human Service/Medicaid agencies' capacity to successfully implement proposed activities including necessary financial resources, technical expertise, reporting systems and other experience associated with proposed activities. The principal tasks that the Applicant and Co-Applicant, if applicable must address include, but are not limited to: reviewing applications for funding, underwriting and awarding PRA Demo funds, developing and executing RACs, managing the rental assistance program and assuring compliance with all of the PRA Demo program requirements including monitoring project owners for compliance in providing decent, safe and sanitary housing to assisted PRA Demo residents, ensuring payment to property owners are calculated accurately and paid in a timely matter. Describe experience awarding and administering multifamily housing programs. Provide a description of each of the affordable multifamily rental housing program(s) that your organization is responsible for managing including the number of projects awarded funding, type of subsidy, amount of subsidy, number of units in the project, number of units assisted. Specify the number of projects awarded funding and closed over the last five years.

(2) Experience Managing Rental Assistance Programs (up to 7 points). Because this program includes the administration of the rental assistance subsidy, the Eligible Applicant and Co-Applicant must include a detailed description of their experience administering federal rental assistance programs. Experience could include examples of managing a portfolio of affordable multifamily housing units, managing a Section 8 program, managing a project-based voucher program, managing public housing projects or a similar tenant or project-based subsidy program, or serving as a Traditional Contract Administrator (TCA) or as a Performance-Based Contract Administrator (PBCA) or a third party contractor with extensive experience. If TCA or PBCA experience is included, specify dates of experience and whether the experience is current. The Eligible Applicant must describe actual experience performing tasks relating to the administration of a project-based Section 8 or similar program. Eligible Applicants who lack such experience should contract with a Public Housing Agency or a Performance-based Contract Administrator, Traditional Contract Administrator or a private entity that has such experience. States may substitute PBCAs at a later date after award with HUD approval.

(3) Experience with Program Compliance and Monitoring (up to 7 points). States must demonstrate the capacity to maintain PRA Demo assisted units in high quality multifamily residential rental properties. There are significant program requirements, such as Davis Bacon Labor Standards, Lead-Based Paint, Environmental Requirements as well as other HUD program

regulations as well as others outlined in Section III.C.3. Describe experience in managing programs with a portfolio of projects with similar program requirements. Outline how the Eligible Applicant will monitor for program compliance in during construction, if applicable and operation. Eligible Applicants must outline the specific tasks that it will undertake and be responsible for managing. To receive maximum points, Eligible Applicants must demonstrate substantial experience overseeing a permanent housing program that targets vulnerable persons with disabilities who will best benefit from affordable housing with community-based long term services and supports. In the case of applicants and partnering agencies that have received awards from other federal programs, HUD reserves the right to contact officials from the appropriate federal agency or other agencies to determine whether the applicant is in compliance with current or prior award agreements, and to take such information into consideration in rating this factor.

c. Past Noncompliance (up to -10 points).

If Eligible Applicants have previously received funding through any HUD program, HUD will consider and may deduct points for an applicant (or its affiliates) that has a documented history of non-compliance with: 1) maintaining sufficient financial resources (up to -5 points); and/or 2) inadequate reporting systems or ongoing failure to report timely (up to -5 points) as measured by the terms of that program funding. HUD will also take into account additional criteria in evaluating an applicant's past performance as outlined in the General Section V.e and III.A above.

2. Rating Factor 2: Need/Extent of the Program (up to 5 points).

Describe and document how this funding will address a specific need for housing for extremely low-income persons with disabilities who are eligible for services from Medicaid or another similar program in the Eligible Applicant's state. In addition to statistical data to quantify the need related to the target population(s), HUD is particularly interested in how this funding will address a specific issue or issues or fill a gap in a state's existing continuum of services for persons with disabilities, such as a particular program issue that the state has been attempting to solve beyond its basic need for affordable housing for persons with disabilities. For example, this funding may assist a state seeking to transition persons from institutional care into integrated housing or working to ensure that persons at risk of institutionalization remain in community-based settings in accordance with the Supreme Court's *Olmstead v. L.C.* decision. Programs designed in response to *Olmstead*-related litigation or enforcement, *e.g.*, settlement agreement, court order, or consent decree, or designed to complement a State's voluntary affirmative *Olmstead* planning and implementation efforts, may earn maximum points. Points will be provided based on background information or other evidence provided to describe how the state has been directing resources or partnership efforts to address a particular goal relative to the need for this type of subsidy or how this specific gap financing will enable the state to accomplish a specific program initiative or *Olmstead*-related objective. Additional documentation can be provided in the attachments.

3. Rating Factor 3. Soundness of Approach/Implementation Plan (up to 45 total points).

This factor focuses on the Eligible Applicant's PRA Demo program design and operation, management and oversight, the integration of services provided by the State Health and Human Service/Medicaid Agency or agencies and the timely implementation of the state's program.

HUD is seeking high quality and effective programs. The applicant must demonstrate how its PRA Demo program will work to stimulate, support, and advance the availability of integrated housing for persons with disabilities in a timely manner. Eligible Applicants should briefly discuss these in the context of existing state analysis of Impediments as a component of the States Consolidated Plan, Transportation plans, and any other existing state or regional development plans and how determinations will be made in relation to those plans.

Working in partnership with the State Health and Human Services/Medicaid agency, the applicant should include the specific financing and development programs that will be included in the program, the number of units that will be provided, and the amount of the HUD Section 811 PRA Demo funds requested.

a. The Implementation Plan – Program Description (up to 20 points of the total 45 points).

The Implementation Plan shall be based upon and specifically reference the formal agreement between the Eligible Applicant and the State Health and Human Service Agency/Medicaid agency described in Section III.C.3.b.2(ii). It should incorporate and expand upon the specific elements of the agreement including a detailed description of the target populations and method of outreach and referral and the agreement must incorporate the commitment to the specific roles and responsibilities.

HUD seeks well-defined, high quality and sound programs and will consider the extent to which the Eligible Applicant thoroughly describes their program plan. The Eligible Applicant will earn fewer points for failure to address all of the criteria below. The specific details of the PRA Demo Implementation Plan for your state program must include the following:

- (1) HUD is seeking long term commitments from states to make available services for the targeted population as outlined in the Eligible Applicant's Partnership Agreement with the State Health and Human Services/Medicaid Agency as well as other public documents detailing state health care priorities. HUD understands these services are typically funded annually through state and federal entitlement programs; however, HUD is looking to see that the types of services proposed are currently provided and will remain a high priority for the State's health care delivery system for the foreseeable future. A robust description of this commitment will earn higher points.
- (2) Specify what development and/or financing program(s) will be dedicated to create and/or develop PRA Demo units (State Housing Trust funds, 4% and 9% LIHTC, tax-exempt financing, etc.). Include a detailed description of the dedicated program(s) identified including program requirements and procedures used for awarding funding. Include a list of multifamily rental housing properties approved and closed in the last two (2) years in these programs with the number of total units, affordable housing units, and permanent supportive housing units. HUD seeks programs that will assure a pipeline of units based upon past performance. Evidence can include number of applications submitted for funding over the last 2-3 years and the number of projects funded. More points will be provided to Eligible Applicants that provide evidence that the programs identified for PRA Demo funding will have a pipeline of eligible projects or properties. Identify where incentives will be provided or requirements imposed in order to integrate PRA Demo funding into the mainstream

housing delivery program(s) identified. Additional program information can be included in the attachments.

- (3) Grantee's State PRA Demo programs can include a range of properties including new construction, substantially rehabilitated, and existing properties. Specify what range/type of properties will be included and how the applicant will ensure that each will be high quality and well-managed properties.
- (4) Provide the project selection criteria that will be used for this program and how it will be implemented. Eligible Applicants are not required to identify specific projects for which PRA Demo funds will be allocated, but must provide sufficient justification for how projects will be selected including any special qualifications or program requirements. Programs that solely fund projects where the Eligible Applicant has existing oversight or funding will receive higher points. Describe how owners and developers will be informed of this availability of funding and how the Eligible Applicants state program will be structured to ensure participation.
- (5) Specify how PRA Demo funds requested were calculated including assumptions used in the calculation. The projected number and type of PRA Demo units must be provided on a per year basis. Eligible Applicants must identify what will be used for establishing initial rents as well as annual rent adjustments and any other assumptions used in projecting the amount of PRA Demo funds required. In no circumstance may the initial RAC rent level exceed the applicable Section 8 Small Area Fair Market Rent or Fair Market Rent (FMR) level as determined by HUD, unless such rent level is substantiated by a market study that has been prepared in accordance with the requirements of a state housing agency or of Chapter 9 of HUD's Section 8 Renewal Guide (see http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/mfhsec8) as approved by HUD – see Section III.C.3 Program Requirements. Rents can only be adjusted annually based upon 1) HUD's Operating Cost Adjustment Factor (OCAF), 2) such other operating cost index as has been adopted by the applicant for purposes of subsidizing affordable housing, or 3) as may be approved by HUD. A 20-year budget must be provided detailing the number of units, expected average subsidy amount, and how the rent level and/or operating subsidy is expected to vary over time. Since this award includes funding for the first five years, applicants should carefully prepare this budget. Eligible Applicants should use one of the following data sets to determine the expected average tenant payment: a) the average tenant payment in the Section 811 PRAC program, available as Appendix B, or b) the average state median income also available on HUD's website at http://www.huduser.org/portal/datasets/il/il12/IncomeLimitsBriefingMaterial_FY12_v2.pdf. Eligible Applicants must identify what funds will be available if costs exceed federal PRA Demo funding.

b. Management and Oversight (up to 10 points of 45 points).

To implement high quality programs, strong management and oversight are essential. The purpose of this rating factor is to provide detail about management and operations. In order to earn the maximum points, the program must include the following:

- (1) **Staffing and Organizational Plan.** Identify roles and responsibilities of all relevant agencies and other organizations participating in the program. Describe the agencies roles and responsibilities in the program. This plan should also include appropriate staffing requirements, including a specific description of how many Full Time Equivalents (FTEs) staff from which agencies will be tasked with operationalizing this plan. Include the appropriate letter agreements, MOUs, or other documents that outline the service or activity to be provided and the commitment to provide the service or activity in attachments.
- (2) **Program Management.** Description of how ongoing program management and management of services will be handled between agencies and the strategy for feedback and continuous improvement of the Program during its operation; provide specifics regarding operational details relative to the commitment of services. Describe how the housing staff will interact with the service providers. Include specifics on infrastructure and tracking systems for all supportive housing units – including the availability of new units coming on-line as well as “turnover” units to ensure that all owners will continue to meet their supportive housing commitments.
- (3) **Financial Management.** A detailed description of the financial management system for the PRA Demo rental subsidy program, and if other agencies that will be involved, a description of their roles and responsibilities as it relates to the financial management system to be used. More points will be provided to states that already have in place a financial management system for which they can document experience in using and/or can demonstrate that a partnering agency has experience. Include operational information on this existing operating subsidy program(s).
- (4) **Program Infrastructure and Processing Costs.** Describe program infrastructure and processing costs. Provide a budget with appropriate justification for the use of grant funded administrative costs to cover these costs. Also include the authority and/or sources for paying for these costs over and above the percentage requested from the PRA Demo funds.
- (5) **Performance Measurement.** Describe how performance measures for each program component will be tracked, including those specified for the Applicant’s response to Rating Factor 5, Achieving Results, Program Innovation, and Evaluation.

c. Integration of Services (up to 10 points of 45 points).

This must include a description of the supportive services, the entity or agency responsible for the overall integration effort, how the services will be provided and how tenants will access those services, whether new or existing programs, and demonstrate Eligible Applicant’s understanding that participation in these services are voluntary. Also include:

- (1) **Systems in Place.** Describe what staff and agency that will be managing the outreach, referrals, and waiting lists to successfully identify and refer prospective tenants to owners/management agents of these supportive housing units in a timely and efficient manner, particularly if the state program includes several targeted populations. Identify how staff will be assigned to efficiently work with owners/management agents of PRA Demo

units. Describe how waiting lists will work for these units – managed centrally, locally, or at the property level.

(2) Management and Coordination of Services. Describe the day to day management and coordination of services to residents in properties throughout the state. However, participation in services is voluntary and cannot be required as a condition of tenancy. HUD is interested in understanding how services will be coordinated throughout the state including how dispute resolution between residents and owners/management agents will be managed, tracked, and reported, particularly how a range of program/service needs will be addressed within one multifamily property.

d. Program Implementation Schedule (up to 5 points of 45 points). HUD seeks to fund projects that will be able to commence immediately after grant award and proceed in a timely manner. HUD will evaluate applications on this rating factor based on a clear identification of all of the milestones that need to be accomplished to develop this program based upon the Implementation Plan submitted, along with the projected time to award PRA Demo funding to projects, execute PRA Demo contracts and occupy units. Describe the methodology used to determine unit occupancy goals in the schedule. This schedule will be incorporated into the Agreement with HUD. The ultimate goal is to increase the number of rental housing units occupied by persons with disabilities. Timely and thoughtful projections that will produce occupied units within 24 months of approval will earn maximum points. Programs funds not utilized as outlined in the Implementation Plan and Schedule may be subject to recapture or deobligation as described in 24 CFR part 85.43.

4. Rating Factor 4: Leveraging (up to 10 total points) HUD is seeking cost-effective uses of PRA Demo funds.

a. Cost-Effective Use of PRA Demo Funds (up to 6 points).

HUD is seeking approaches to reduce the per unit PRA Demo amount in order to increase the number of PRA Demo assisted units. Leveraged funding sources may include private capital, philanthropic and foundation funds, as well as local, state, and/or other federal funding, and may also include other operating assistance program funding, but **not sources used to finance capital development costs**. Any leveraged funding identified to be used for operating assistance should be evidenced with letters of intent. Maximum points will be provided to states that are able to structure programs based upon an approach that results in a lower request of funding with the largest number of units for people with disabilities that ultimately reduces the actual per unit amount of the PRA Demo funds. Eligible Applicants must identify and describe its strategy for using other state administered or other housing programs as rental assistance to leverage the PRA Demo subsidy. As described in III.C.3, Program Requirements, Eligible Tenant's contribution to rent shall be no more than 30% of annual income, and rents cannot exceed HUD's Fair Market Rents (FMR) or Small Area Fair Market Rents. Eligible Applicants will earn points based on representations that initial rents on PRA Demo assisted units will be established for the program based upon a rent structure that reduces the actual per unit amount of subsidy. Specify if rents are restricted due to other program requirements such as LIHTC, HOME or other funding programs. Points will be earned based upon a representation that rents in the PRA Demo program will be restricted to the percentage of Area Median Income (AMI) as follows:

- Rents affordable to households at or below 50% of AMI – 3 points
- Rents affordable to households at or below 40% of AMI – 4 points
- Rents affordable to households at or below 30% of AMI – 5 points
- Rents affordable to households at or below 20% of AMI – 6 points

b. Commitments of Set-Asides (up to 4 points).

Eligible Applicants that provide a commitment from one or more public housing agencies (PHAs) or other entities to set aside a minimum number of housing vouchers or other rental units specifically for extremely low-income non-elderly people with disabilities will be assigned additional points based on the following scale:

- (1) Eligible Applicants that provide a commitment of vouchers or rental units equal to 50% of the PRA Demo units requested will be assigned an additional 4 points; and
- (2) Eligible Applicants that provide vouchers or rental units that equal 30% of the PRA Demo units requested will be assigned an additional 2 points. The commitment cannot include Housing Choice Vouchers already reserved for non-elderly people with disabilities as part of a PHA's Non-elderly Disabled (NED) voucher baseline.

For a list of PHAs with NED vouchers and their NED baselines, please visit HUD's NED Voucher webpage at http://portal.hud.gov/hudportal/HUD?src=/program_offices/public_indian_housing/programs/hc/v/ned

5. Rating Factor 5: Achieving Results, Program Innovation and Evaluation (up to 10 points)

a. Innovation and Replicability (up to 5 points).

Describe and document the extent to which the proposed approach, system change, or activities are innovative and may ultimately be replicable. For example, Eligible Applicants may describe creative approaches to using operating subsidy other than the traditional HUD Section 811 or Section 8 program structure or innovative elements discovered to increase the production of supportive housing. Unique approaches that have resulted in system change solutions should also be included, such as innovative tracking, targeting and referrals systems or approaches. Describe how the innovation was integrated into the program management and operation, as well as the performance measures used to determine effectiveness. For states that have programs underway, unanticipated outcomes, savings, successful approaches, or partnerships with developers to increase production should be included. A description of the evaluation mechanism used to provide the data should be included. Since one of the goals of this program is the production of new integrated supportive housing units, additional points will be provided for innovative programs focused on significantly increasing the number of supportive housing units using PRA Demo funds. Additional points will also be provided for programs that can be easily be replicated by others.

b. Capacity Building and Knowledge Sharing (Policy Priority - up to 2 Points).

HUD seeks to fund grantees that undertake activities that build enduring capacity of partners and mechanism for knowledge sharing. Eligible Applicants should indicate if, and describe how, they will address the HUD policy priorities - Capacity Building and Knowledge Sharing. HUD seeks to fund applicants that undertake activities that build enduring capacity of partners and mechanisms for knowledge sharing. HUD's Strategic Plan emphasizes the importance of strengthening the capacity of state and local partners to implement HUD programs, participate in decision-making and planning processes, and coordinate on cross-programmatic, place-based approaches. To receive policy priority points, Eligible applicants must agree to fully participate in a rigorous evaluation of the program, which may include random assignment of eligible households into two groups, households that receive assistance through the program and households that receive usual care. Eligible Applicants must also agree to share with the government's evaluators, Medicaid, or other state related health care program records specifically pertaining to the health care costs for the households enrolled in the study and the services and outcomes associated with the care they receive. Eligible Applicants will also describe how they will **share knowledge among partners** so that key personnel responsible for grant implementation coordinate cross-programmatic, place-based approaches. The Eligible Applicant must describe the outreach methods that will be used to achieve this outcome. Examples include establishing conducting occasional cross-regional briefings, and structured peer exchange. According to the proposed methods, the applicant should establish and specify the anticipated outputs (e.g., number of meetings, web postings, number of participating partners, total staff exposed to new learning and promising practice, number of briefings, issuance of monthly fact sheets) during the initial 5-year period of performance.

c. Expand Cross-Cutting Policy Knowledge (Policy Priority - up to 3 points).

HUD recognizes that healthy, vibrant communities succeed through a combination of housing, jobs, schools, safety, transportation, and other amenities. Successful programs often have impacts that extend beyond the immediate goals, and vary according to specific local conditions. Taking successful models to other communities requires quantitative evidence of which policies work and how they work, and public dissemination of this information. HUD's experience is that many local organizations and governments collect administrative data as part of their regular operations. Policymakers at all levels could benefit from this rich data that HUD's grantees collect, and in order to receive the points in this category HUD expects applicants to demonstrate their willingness to collaborate with policy researchers and program evaluators to quantify the accomplishments of this program and to increase the overall body of policy knowledge.

HUD seeks to fund Grantees that go beyond the specific outcomes of this program to provide information that informs future policymaking and support knowledge sharing and innovation by disseminating best practices, encouraging peer learning, publishing data analysis and research, and helping to incubate and test new ideas. All Grantees must demonstrate the direct impact of their programs as described in the specific NOFA to which they are applying. To receive points for this policy priority, grantees must go beyond these requirements and detail other outcomes to be improved. Examples might include: reduction in housing and service cost per beneficiary; changes in the amount and quality of services received by the target population; integration of the target population in supportive housing, such as the social interaction of the target population with existing multifamily residents; health outcomes, such as changes in well-being; the level of coordination of housing and health services, such as the coverage of case management or service

coordinators or structural, process, and outcome measures that can capture the level of integration of services.

To achieve full points, the Eligible Applicant must indicate what administrative data they and/or partner organizations will collect on primary and secondary outcomes for the target population, as described in their Implementation Plan. The Eligible Applicants must describe the extent of data on primary and secondary outcomes made available to policy researchers through documentation, such as a letter of cooperation, demonstrating a data-sharing agreement. An example of cross-cutting policy knowledge would be the savings realized when a person with disabilities moves from an institutional facility to a PRA Demo assisted multifamily property. Documenting this savings and sharing this knowledge would benefit HUD and policymakers at all levels.

C. Review and Selection Process

1. Threshold Eligibility and Completeness Review. Eligible Applicants requesting PRA Demo funds must meet all of the eligibility and application requirements outlined in Section III and IV above. All applications that meet these threshold requirements will be rated and ranked.

2. Substantive Review. If upon initial screening an application is deemed to meet the threshold requirements and the applicant and proposed program are determined to be eligible, HUD will conduct the substantive review of the application in accordance with the rating criteria described above. As part of the review process, HUD may contact the Eligible Applicant by telephone, email, or mail for the sole purpose of clarifying or confirming application information. After submitting its application and where the deadline has passed, the Eligible Applicant will not be permitted to revise or modify its application in any way nor attempt to negotiate the terms of an award. Detailed rules regarding corrections to deficient applications appear in Subsection 3 below. If contacted for clarifying or confirming information, the Eligible Applicant must respond within the time parameters as provided in Subsection 3 and in the General Section. Rating elements are not items that are curable deficiencies.

3. Corrections to Deficient Applications. After the application deadline, and in accordance with the electronic submission grace period, HUD may not, consistent with its regulations in 24 CFR part 4, subpart B, consider any unsolicited information provided by an Eligible Applicant. After HUD receives an application, HUD may contact an applicant to clarify an item in its application or to correct curable (correctable) technical deficiencies. HUD may not seek clarification of items or responses that improve the substantive quality of an Eligible Applicant's response to any rating factors or which correct deficiencies which are in whole or part of a rating factor. In order not to unreasonably exclude applications from being rated and ranked, HUD may contact Eligible Applicants to ensure proper completion of the application, and will do so on a uniform basis for all applicants.

Examples of curable (correctable) technical deficiencies include inconsistencies in the funding request, failure to submit the proper certifications that do not impact the score of an applicant, and failure to submit an application that contains a signature by an official able to make a legally binding commitment on behalf of the applicant. In the case of an Eligible Applicant that

received a waiver of the regulatory requirement to submit an electronic application, the technical deficiency may include failure to submit an application that contains an original signature. If HUD finds a curable deficiency in the application, HUD will notify the Eligible Applicant by electronic mail describing the clarification or technical deficiency. Clarifications or corrections of technical deficiencies in accordance with the information provided by HUD must be received by HUD within 14 calendar days of the date of receipt of the HUD notification and be sent by electronic mail to the address provided in the notice (if the deadline date falls on a Saturday, Sunday, or federal holiday, then the applicant's correction must be received by HUD on the next day that is not a Saturday, Sunday, or federal holiday). In the case of electronic submissions to Grants.gov, any clarifications or cure items must be submitted electronically using the facsimile telephone number and form HUD96011, Facsimile Transmittal, contained in the last application package submitted to HUD and also described in the General Section. The additional information provided by facsimile will be matched to the electronic application in HUD's files. When submitting technical deficiency cure items, please place the following information in the box labeled "Name of Document Submitting" on form HUD 96011: Technical Cure plus the name of the document. If the name of the document is long and you need space to fit the document name, simply label the Technical Cure as TC followed by the document name. When submitting a facsimile, applicants must follow the facsimile requirements found elsewhere in this notice. If the deficiency is not corrected within the above time frame, HUD will reject the application as incomplete, and it will not be considered for funding.

For paper applications, the wrong DUNS number on an application will be treated as a technical deficiency and the applicant will be permitted to provide a corrected SF424 to the location indicated in the waiver approval within the specified cure period and in accordance with the notification of the need to cure the application. Failure to correct the deficiency and meet the requirement to have a DUNS number and active registration in the CCR will render the application ineligible for funding. All Eligible Applicants are advised to check and maintain their DUNS numbers and CCR registrations with posting of this General Section so any updates or changes are completed well in advance of application deadline dates.

4. Funding Decisions. Awards will be made based on HUD's assessment of the Eligible Applicant's ability to manage a sustainable permanent affordable housing program for persons with disabilities that successfully integrates residents into the community and applicant's ability to use Section 811 PRA Demo funds in accordance with the rating and ranking points system set forth in this document. After all eligible applications have been reviewed and scored, HUD will make award determinations by selecting the highest rated applications.

5. Limitations on Award Amounts. HUD reserves the right to reduce or adjust the funding amount based upon:

- a. The reasonableness of the overall program relative to the number of units to be produced;
- b. The level of funds available for award under the program.

6. Debriefing. For a period of 120 days, beginning 30 days after the final awards for assistance are publicly announced, HUD will provide a debriefing to a requesting unsuccessful Eligible

Applicant related to that application. A debriefing request must be made in writing or by email by the applicant's authorized official whose signature appears on the SF424, or his or her successor in the office and submitted to Lessie Powell Evans, Office of Housing Assistance and Grant Administration, U.S. Department of Housing and Urban Development, 451 Seventh Street, SW, Room 6234, Washington, DC 20410 or to PRADemoapplications@hud.gov. Information provided during a debriefing will include, at a minimum, the final score received for each rating factor, final evaluation comments for each rating factor, and the final assessment indicating the basis upon which the award was provided or denied.

VI. AWARD ADMINISTRATION INFORMATION

A. Preliminary Selection/Notification.

- 1.** HUD will notify all Eligible Applicants as to the outcome of the preliminary selection process. If an Eligible Applicant is preliminarily selected, HUD's notice concerning the amount of the award (based on the approved application) will constitute HUD's preliminary selection, subject to negotiation and execution of the award documents by HUD.
- 2.** Successful State Section 811 PRA Demo Program Eligible Applicants will be notified of the preliminary selection and will receive instructions for proceeding to negotiations. When an Eligible Applicant is preliminarily selected for an award, HUD will require the Eligible Applicant's participation in negotiations to determine the specific terms of the Cooperative Agreement. HUD will follow the negotiation procedures described in the General Section. The selection is preliminary and does not become final until the negotiation between an Eligible Applicant and HUD are successfully concluded, the Implementation Plan is approved by HUD, and the Cooperative Agreement and other award documents are signed and executed. Costs may be denied or modified if HUD determines that they are not allowable, allocable, and/or reasonable.
- 3.** As a result of the negotiations, HUD may request the Eligible Applicant to submit revisions to the Implementation Plan. HUD will request these be delivered by fax using the facsimile cover page found in your original conditionally approved application and faxed to 800-HUD-1010 so that the changes can be incorporated into HUD's official electronic files. Faxed copies of materials will be attached to Eligible Applicants electronic application file so that HUD has a complete record of the submission including any changes as a result of negotiations. Therefore, when faxing materials, the Eligible Applicant must use the form HUD96011 that was in its electronic submission. Failure to use the form as the cover page to the faxed material will prevent HUD from being able to recognize the source of the material and associate it to the correct file.
- 4.** In cases where HUD cannot successfully conclude negotiations with a selected Eligible Applicant or a selected Eligible Applicant fails to provide HUD with requested information, an award will not be made to that Eligible Applicant. In this instance, HUD may preliminarily select and proceed to negotiation with another applicant in accordance with the selection process identified in Section V.C. of this NOFA. HUD reserves the right to reject an application if information comes to the attention of HUD that adversely affects an applicant's eligibility for an

award, adversely affects HUD's evaluation or scoring of an application, or indicates evidence of fraud or mismanagement on the part of an applicant.

B. Recapture or Deobligation of Funds. Funds not being utilized in the manner provided or otherwise contemplated under the final Implementation Plan are subject to recapture or deobligation by HUD, in HUD's sole discretion.

1. Causes for recapture or deobligation of funding may include, but are not limited to:
 - a. Failure to meet required deadlines for performance in the Cooperative Agreement which includes the schedule by Grantee and/or a sub-recipient;
 - b. Non-performance or improper performance under the terms of the award documents; and
 - c. Suspension, debarment, or other serious enforcement actions taken against the Grantee, a recipient or affiliates thereof;
2. If awarded funds are recaptured or deobligated for any reason, HUD reserves the right, in its sole discretion, to:
 - a. Award those funds to the next highest-ranking Eligible on the list of qualified applications received by HUD; and/or
 - b. Award those funds to other Grantees that have Demonstrated high-performance in their award activity based on timeliness and milestones met under the terms of its approved Implementation Plan and Grant Documents, and whose award activity offers a clear avenue for furthering the existing program.

C. Administrative and National Policy Requirements. In addition to the requirements listed below, please review all requirements in Section III of the General Section.

1. **Uniform Relocation Act.** Uniform Relocation Act provisions are applicable as described in the General Section III.
2. **Section 3.** Not applicable to this program.

D. Applicable Reporting Requirements.

1. Quarterly Reporting Requirements. All Grantees must report to HUD quarterly, within 30 days of the end of a calendar quarter (3/31, 6/30, 9/30, and 12/31), in formats approved by HUD. If there are fewer than 45 days remaining in the quarter in which the HUD documents are signed, then the first quarterly reports will be due 30 days after the second calendar quarter date subsequent to the award date. (Note: HUD plans to consolidate and coordinate the reporting information requested below into online integrated information system during the first year of the program operation.) Quarterly report requirements are as follows:

- a. **Expenditure Report.** Report on the dollar amount of funds expended to date, Section 811 PRA Demo contracts executed, number of units developed, total number of units in the program (new and existing units), and the amount of funds remaining. The report must provide information for total dollars expended, federal dollars expended, and non-federal funds expended. Awardees may be requested to submit sources of funds used on all newly constructed or renovated units with Section 811 PRA Demo.
- b. **Program income.** Report on Program Income as per applicable program income rules as stated in the terms and conditions of the award agreement.

2. Annual Reports

- a. **Annual Management Report.** HUD is interested in understanding and reporting on the effects of the activities conducted under the award on the macro level. Therefore, the **fourth quarterly report for each funding year** shall be an annual report and shall include regular quarterly reporting described above plus the following additional information. The Grantee will report on:

- (1) Report on the status of the milestones in the Implementation Plan, comparing the schedules for milestone completion and expenditures to actual activity.
- (2) The number of units and the number of properties receiving contracts;
- (3) Quarterly and annual production goals and results;
- (4) Additional tenant and project data not reported in TRACS.

- b. **Annual Property Reporting Requirements.** All Grantees must make the following reports available to HUD annually on onsite inspections in the format approved by HUD:

- (1) Copies of all Section 811 PRA Demo Eligible Tenant files including rent analysis, project rental assistance, disability status and income certifications;
- (2) Report of the physical condition of the property pursuant to periodic physical inspections pursuant to UPCS (see 24 CFR 5.703).

3. Logic Model Reporting. Logic Model or some other reporting system as selected by HUD will be required for all PRA Demo Grantees. This reporting system should incorporate most, if not all of the quarterly and annually reporting requirements. The Logic Model or other reporting requirement will be provided after selection.

4. Reports Required for Release of HUD Funds. Grantees are required to have HUD approval before making any withdrawal of funds from the eLOCCS system.

5. General Requirements. Generally federal funds maintain their federal character with regard to program eligible uses in perpetuity, and continue to remain subject to all annual reporting

requirements. Specifically, after the close of the award period, Grantees with funds remaining in financing programs will prospectively be required to report basic information on the Program on an annual basis until the funds are either: (1) rolled into another eligible activity; or (2) fully disbursed through default.

6. Racial and Ethnic Data. If the Grantee is collecting client-level data, HUD requires that funded recipients collect racial and ethnic beneficiary data. HUD has adopted the Office of Management and Budget's Standards for the Collection of Racial and Ethnic Data. In view of these requirements, the applicant should use HUD27061, Racial and Ethnic Data Reporting Form (instructions for its use), found on www.hudclips.org. or a comparable electronic data system for this purpose.

7. Transparency Act Reporting. Recipient Reporting is required under the Federal Funding Assistance Accountability and Transparency Act of 2006, as amended by section 6202 of Pub. L. 252, hereinafter referred to as the "Transparency Act".

a. Prime Awardee Reporting. Grantees of HUD financial assistance are required to report sub-awards made either as pass-through awards, sub-recipient awards, or vendor awards in the federal government-wide website www.fsrs.gov or its successor system. Starting with awards made October 1, 2010, prime financial assistance awardees receiving funds directly from HUD are required to report sub-awards and executive compensation information both for the prime award and sub-awards, including awards made as pass-through awards or awards to vendors, where both the initial award is \$25,000 or greater or the cumulative award will be \$25,000 or greater if funding incrementally as directed by HUD in accordance with OMB guidance. The reporting of award and sub-award information is in accordance with the requirements of the "Transparency Act" and OMB Guidance issued to the Federal agencies on September 14, 2010 (75 FR 55669) and in OMB Policy guidance. The prime awardee will have until the end of the month plus one additional month after a sub-award or pass-through award is obligated to fulfill the reporting requirement. The Transparency Act requires the creation of a public government-wide website in which the following sub-award data will be displayed:

- (1) Name of entity receiving award;
- (2) Amount of award;
- (3) Funding agency;
- (4) North American Industry Classification System (NAICS) code for contracts/CFDA program for financial assistance awards;
- (5) Program source;
- (6) Award title descriptive of the purpose of the funding action;
- (7) Location of the entity (including Congressional district);
- (8) Place of Performance (including Congressional district);
- (9) Unique identifier of the entity and its parent; and
- (10) Total compensation and names of top five executives.

For the purposes of reporting into the FFATA Subaward Reporting System (FSRS) reporting site, the unique identifier is the Dun and Bradstreet Universal Numbering System (DUNS)

number the entity has obtained from Dun and Bradstreet, and for Prime awardees the DUNS number registered in the Central Contractor Registration as required by HUD regulation 24 CFR 5.1004.

b. Prime Awardee Executive Compensation Reporting. Prime awardees must also report in the government-wide website the total compensation and names of the top five executives in the prime awardee organization if:

- (1) More than 80 percent of the annual gross revenues are from the Federal government, and those revenues are greater than \$25 million annually; and
- (2) Compensation information is not readily available through reporting to the Securities and Exchange Commission (SEC).

a. Subaward Executive Compensation Reporting. Prime awardees must also report in the government-wide website the total compensation and names of the top five executives in the sub-awardees, pass-through or vendor organization if:

- (1) More than 80 percent of the annual gross revenues are from the Federal government, and those revenues are greater than \$25 million annually; and
- (2) Compensation information is not readily available through reporting to the Securities and Exchange Commission (SEC).

d. Transparency Act Reporting Exemptions. The Transparency Act exempts any sub-awards less than \$25,000 made to individuals and any sub-awards less than \$25,000 made to an entity with annual expenditures less than \$300,000. Sub-awards with a cumulative total of \$25,000 or greater are subject to sub-award reporting beginning the date the sub-award total award amount reaches \$25,000. Any other exemptions to the requirements must be approved by the OMB.

8. Compliance with Section 872 of the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 (Pub. L. 110-417), hereafter referred to as “Section 872”. Section 872 requires the establishment of a governmentwide data system – the Federal Awardee Performance and Integrity Information System (FAPIIS) - to contain information related to the integrity and performance of entities awarded federal financial assistance and making use of the information by federal officials in making awards. OMB is in the process of issuing regulations regarding federal agency implementation of section 872 requirements. A technical correction to this General section may be issued when such regulations are promulgated.

HUD anticipates that the terms and conditions to its FY 2012 awards will contain requirements related to meeting FFATA and Section 872 requirements.

VII. OTHER INFORMATION

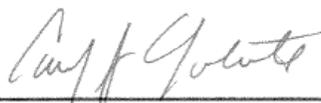
A. Further Information and Technical Assistance. Before the application deadline date, HUD staff may provide general guidance and technical assistance about this NOFA. However, staff is not permitted to assist in preparing the application. Also, following selection of applicants, but before awards are announced, staff may assist in clarifying or confirming information that is a prerequisite to the offer of an award. An applicant may contact Aretha Williams, Section 811 Section 811 PRA Demo Demonstration Program, Office of Housing Assistance and Grant Management, Department of Housing and Urban Development, 451 Seventh Street, SW, Room 6234, Washington, DC 20410, telephone 202-708-0001 (this is not a toll-free number). This number can be accessed via TTY by calling the toll-free Federal Relay Service Operator at 800-877-8339. For technical support for downloading an application or electronically submitting an application, please call Grants.gov help desk at 800-518-GRANTS (this is a toll-free number) or send an email to support@grants.gov.

B. Paperwork Reduction Act Statement. The Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) is applicable to the information collection requirements in this Notice, using OMB control numbers 2577-0157, 2577-0259, 2510-0011, 2501-0017, 2529-0043, 2577-0270, 2535-0114 and 2506-0171. In accordance with the Paperwork Reduction Act, HUD may not consider or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid OMB control number.

C. “Close Out” of Financing Programs Only. Grantees may end or reduce funding at any time as long as any remaining funds are returned to HUD.

D. Environmental. A Finding of No Significant Impact (FONSI) with respect to the environment has been made for this NOFA in accordance with HUD regulations at 24 CFR part 50, which implement section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)). The FONSI will be posted at HUD’s funds available page at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/grants/fundsavail under the Project Rental Assistance Demonstration (PRA Demonstration).

Dated: May 15, 2012



Carol J. Galante
Acting Assistant Secretary for Housing-
Federal Housing Commissioner

[FR-5600-N-28]

**Appendix C: Program Descriptions for State Housing Agencies Awarded
Section 811 Project Rental Assistance Demonstration
(PRA Demo Program) Assistance**

Appendix C: State PRA Program Descriptions

California Housing Finance Agency

Sacramento, California

\$11,870,256

Total Units – 335

The California Housing Finance Agency collaborated with the state's Department of Health Care Services, the state's Medicaid agency and the state's two other housing finance agencies (the California Department of Housing and Community Development and the California Tax Credit Allocation Committee) to develop the state's Section 811 PRA Demo Program. These funds will be used to provide long-term project-based rental assistance for 335 units reserved for extremely low-income people with disabilities. The target population for this program is Medicaid beneficiaries with disabilities transitioning from institutional settings and persons at serious risk of institutionalization in all 58 counties in the state. Project sponsors will apply for subsidy funding, and the state will review and select projects for funding.

Delaware State Housing Authority

Dover, Delaware

\$5,100,753

Total Units 170

The Delaware State Housing Authority (DSHA) and Delaware Department of Health and Social Services (DHSS) are partnering for the Section 811 PRA Demo program in Delaware to create 170 units for people with disabilities in integrated settings with supportive services. This new program will build on the existing DSHA/DHSS partnership developed in recent years as part of the state-funded State Rental Assistance Program (SRAP). SRAP has provided rental assistance to people exiting institutions, at risk of entering institutions, youth exiting foster care, and families for whom affordable housing is the major barrier to reunification. Delaware's Section 811 PRA Demo Program will leverage the successes of the SRAP and contribute significantly to the State's ongoing efforts to develop a continuum of community-based housing choices as part of a system of long-term care that prioritizes living and providing services in the community. This effort is particularly focused on disabled persons with serious and persistent mental illness, which reflects a statewide need identified in Delaware's 2011 Settlement Agreement with the U.S. Department of Justice. However, the program will more broadly serve nonelderly people with disabilities and extremely low income people either currently in long-term care settings or at high risk of institutionalization in long-term care facilities. In addition to persons with mental health disabilities, this may also include vulnerable people with physical disabilities and intellectual/developmental disabilities.

Georgia Housing and Finance Authority
Atlanta, Georgia
\$4,160,771
Total Units - 150

The Georgia Housing and Finance Authority, whose programs are administered by the Georgia Department of Community Affairs, joined with the Georgia Department of Community Health, the state's Medicaid Agency, in the development of Georgia's Section 811 PRA Demo Program to further the state's commitment to provide integrated housing opportunities with support services to extremely low income persons with disabilities. GHFA is the state entity allocating federal and state Low Income Housing Tax Credits and is the recipient of funds from the Department of Housing and Urban Development under the federal HOME Investment Partnerships Program and Continuum of Care programs. With the funding for these 150 units, the state will be able to provide additional housing opportunities for extremely low income persons with disabilities for whom a particularly need was identified as part of Georgia's Settlement Agreement with the Department of Justice. Persons targeted for housing under this assistance will have a severe and persistent mental illness or be eligible under the Medicaid Money Follows the Person Program and must have one or more of the following disabilities: Intellectual/Developmental Disabilities (IDD), traumatic brain injury (TBI), functionally impaired adults with physical disabilities (PD); or be a youth aged 18-21 leaving Psychiatric Residential Treatment Facilities with a primary diagnosis of mental illness. Existing Low Income Housing Tax Credit-funded multifamily housing properties will be targeted for this assistance.

Illinois Housing Development Authority
\$11,982,009
Total Units - 826

The Illinois Housing Development Authority (IHDA), which currently administers the state's Low Income Housing Tax Credit Program, along with other statewide agencies, will administer Illinois' Section 811 PRA Demo program. The program will be coordinated by an Interagency Panel chaired by the Statewide Housing Coordinator (Office of the Governor) with membership from the following agencies: the IHDA; the Department of Healthcare and Family Services; the Department of Human Services; and the Department on Aging. Illinois will utilize the Section 811 PRA Demo subsidy to dramatically advance its commitment to community reintegration of persons by funding 826 units. This PRA Demo funding will be used to provide project-based rental assistance to the disabled population prioritized by the state as a result of three *Olmstead*-related consent decrees in 2010-2011. As a result of these consent decrees, the State agreed to significantly increase the number of community-based housing options for persons with severe mental illness, physical disabilities and developmental disabilities complemented by supportive services in cases where the consumer elects to leave institutional care and is determined capable of transitioning to independent living with person-centered supports and services.

Louisiana Housing Corporation
Baton Rouge, Louisiana
\$8,254,097
Total Units - 200

The Louisiana Housing Corporation (LHC) was created to consolidate the funding sources and programs for affordable and accessible housing in the state. The LHC and the Louisiana Department of Health and Hospitals, which is the state's health and human service agency and Medicaid agency began partnering in 2007 as part of the Gulf Opportunity (GO) Zone Permanent Supportive Housing (PSH) Program. As the PSH program has matured, the two agencies formed an Executive Management Council to govern the program, including making decisions regarding target population, program eligibility, program expansion, contracts and budgets. The EMC will extend its governance responsibility to the state's Section 811 PRA Demo Program which will provide 200 units of integrated housing for persons with disabilities. The state's target population is persons who are inappropriately institutionalized or are at risk of institutionalization and homeless persons or persons at risk of homelessness. The PRA Demo units will be identified and funded as part of the state's Low Income Housing Tax Credit Program selection process. LHC is committing \$1.25 million over the five year grant period in HOME Tenant-Based Rental Assistance to provide security and utility deposit assistance to all households that require the additional assistance in obtaining housing.

Massachusetts Department of Housing and Community Development
Boston, Massachusetts
\$5,276,452
Total Units – 100

Massachusetts' Department of Housing and Community Development and its Executive Office of Health and Human Services (which oversees the state's Medicaid Agency and the Office of Disability Policies and Programs) have worked together collaboratively on a number of highly effective service-enriched housing programs and will now be working together on the Section 811 PRA Demo program. The target populations under the Section 811 PRA Demo are persons in institutions enrolling in the state's Medicaid-funded Money Follows the Person demonstration program (MFP), persons in institutions who are not eligible for MFP but are eligible for one of the state's home and community-based services (HCBS) waivers; and persons in institutions who are not eligible for either MFP or a waiver, but who are eligible for Medicaid State Plan services; and persons living in the community who are receiving services through a waiver. The proposed program is deliberately designed to be cross disability and will provide 100 units, serving a range of people with different disabilities and service needs. Projects will be located throughout the state, though 50 percent of the units are projected to be in the greater Boston area.

Maryland Department of Housing and Community Development
Crownsville, Maryland
\$10,917,383
Total Units – 150

The Maryland Department of Housing and Community Development (DHCD) in partnership with the Department of Health and Mental Hygiene and the Department of Disabilities will administer Maryland's Section 811 PRA Demo program, which will serve 150 individuals. Section 811 PRA Demo funds will be leveraged with federal and state resources such as Low-Income Housing Tax Credits, private activity bonds used for multifamily development, FHA Risk Share Lending, and HOME Investments Partnership Program, Maryland's Rental Housing Production Program, Maryland Housing Rehabilitation Program-Multi-Family, the Partnership Rental Housing Program and other resources. The targeted populations of persons under Maryland's PRA Demo are particularly vulnerable non-elderly adults with disabilities prioritized as one or more of the following: institutionalized Medicaid recipients; households at risk of institutionalization due to a current housing situation; Developmental Disabilities Administration Community Pathways Waiver participants moving from Group Homes/Alternative Living Units to independent living; Mental Hygiene Administration Residential Rehabilitation Program participants moving to independent living; and/or homeless persons who are Medicaid recipients.

Minnesota Housing Finance Agency
\$3,000,000
Total Units - 95

Minnesota Housing Finance Agency (MHFA) and the Minnesota Department of Human Services are partnering in the administration of Minnesota's Section 811 PRA Demo program. This partnership will create 95 units of integrated housing for some of the most vulnerable persons with disabilities currently living in the state. The program will target households that have extensive histories of housing instability as evidenced by a serious mental illness and long-term homelessness or those exiting institutional settings after a long-term stay of 90 days or more. MHFA will invite proposals from owners of existing mainstream affordable housing in Minnesota to implement the state's PRA Demo program. It will award 95 PRA Demo units across ten multifamily developments.

Montana Department of Commerce
\$2,000,000
Total Units 82

Montana's Section 811 PRA Demo program is a partnership between the Housing Assistance Bureau of the Housing Division, Montana Department of Commerce, and two bureaus of the Montana Health and Human Services Department: the Community Services Bureau that serves persons who have long-term disabilities and the elderly; and the Mental Health Services Bureau that serves persons with mental illness. This program will unite affordable and accessible apartment rentals with the full range of Medicaid waiver services to support independent living for extremely low-income individuals with disabilities who would otherwise be at very high risk

of institutionalization or homelessness. The target populations for Montana's PRA Demo program are individuals between the ages of 18 and 62 who qualify for Medicaid waiver programs because of physical disabilities or mental illness. Four counties have been identified to pilot the program, which will fund 82 existing units for this program. Potential units have already been identified by owner/property managers for the program.

North Carolina Housing Finance Agency

\$12,000,000

Total Units - 562

North Carolina's Section 811 PRA Demo program will be modeled after its successful existing Targeting and Key Programs, both of which provide housing assistance for persons with disabilities. The North Carolina Housing Finance Agency (NCHFA) and North Carolina Department of Health and Human Services (NCDHHS), the state's Medicaid agency, have partnered since the Targeting Program's inception in 2002. Under the Targeting Program, ten percent of the units in Low Income Housing Tax Credit (LIHTC) properties are required by the state to be set aside to serve people with disabilities. Disabled individuals are referred to these units via a state managed referral network. The Key Program provides a rent subsidy that bridges the gap between what the tenant can pay and the rent necessary to operate that unit. The state's PRA Demo program will build on the successes of the Targeting and Key Programs with NCHFA financing the development of these properties while individuals receive services and are referred to participating affordable housing developments by NCDHHS's managed referral network. North Carolina's PRA Demo program will fund 562 units of integrated housing for persons with disabilities. Additionally, the roles of lead agencies, service providers, owners and property managers, and tenants will be the same as under the Targeting and Key Programs. Priority for PRA Demo supported units will be provided to persons identified as transitioning out of a licensed facility (i.e. adult care homes, skilled nursing, group homes, etc.), homeless persons, and persons at-risk of placement in a licensed facility or at-risk of homelessness.

Pennsylvania Housing Finance Agency

Harrisburg, Pennsylvania

\$5,707,800

Total Units - 200

Pennsylvania's Section 811 PRA Program builds upon existing partnership initiatives between the Pennsylvania Housing Finance Agency (PHFA) and Pennsylvania's Department of Public Welfare, the state's Medicaid agency. For several years, these two state agencies have collaborated closely to increase the number of permanent supportive housing units in the state by identifying and assisting persons with disabilities and providing housing referral services and options to enable them to live independently in affordable housing developments. PHFA currently develops integrated permanent supportive housing units for extremely low-income persons with disabilities through a priority built into its allocation process for the Low Income Housing Tax Credit program. PHFA will implement this same criteria to create 200 units in the state's Section 811 PRA Demo program. This program will prioritize three target groups for housing in Section 811 PRA-assisted units: persons with disabilities who are institutionalized;

those at risk of institutionalization, and those currently living in congregate settings who desire to move into the community.

Texas Department of Housing and Community Affairs

Austin, Texas

\$12,000,000

Total Units - 385

Section 811 PRA Demo funding will enable the Texas Department of Housing and Community Affairs (TDHCA) to create 385 units of integrated housing for persons with disabilities in the state of Texas. TDHCA has partnered with the Health and Human Services Commission (HHSC), which oversees the State's Department of Aging and Disability Services (DADS), its Department of State Health Services, its Department of Assistive and Rehabilitative Services, and its Department of Family and Protective Services. DADS is taking the lead for all of the Health and Human Service agencies for this program. TDHCA and DADS have a long history of collaboration that sets the stage for a successful implementation of this program. There are three target populations under the Section 811 PRA Demo. The first target population includes individuals with disabilities living in institutions, the second target population consists of people with serious mental illness, and the third target population consists of youth with disabilities who are transitioning out of the custody of the state's abuse and neglect system. Due to the large size of the state and the primary locations of concentrations of these populations, TDHCA will focus the Section 811 PRA Demo on seven priority areas: Austin-Round Rock-San Marcos; Brownsville-Harlingen; Dallas-Fort Worth-Arlington; El Paso; Houston-Sugar Land-Baytown; McAllen-Edinburg-Mission; and San Antonio-New Braunfels. Texas's PRA Demo pool of multifamily units will come from the state's Investment Partnerships Program, Multifamily Bond Financing Program, and Neighborhood Stabilization Programs. TDHCA plans to target existing and pipeline units from these programs that have already shown their ability to provide housing for persons with disabilities.

Washington State Department of Commerce

Olympia, Washington

\$5,580,280

Total Units – 275

The Washington Department of Commerce (Commerce) joins with the Department of Social and Health Services (DSHS), the State's Medicaid agency, the Washington State Health Care Authority (HCA), and the Washington State Housing Finance Commission (WSHFC) in the development of the Washington Section 811 Project Rental Assistance Demonstration Program. Using this funding, Washington will create 275 units of integrated permanent supportive housing for persons with disabilities. Commerce currently manages five major housing programs providing permanent supportive housing for disabled persons. In addition to its commitment and responsibility to provide services to persons with disabilities, DSHS has five years of experience operating programs, such as its Roads to Community Living (Money Follows the Person demonstration project), which mirrors the 811 Demonstration program approach. The Washington State HCA and WSHFC will play supportive roles to the two principal agencies. The target populations under the Section 811 PRA Demo are particularly

vulnerable extremely low-income persons with disabilities that receive or are eligible to receive long term services and supports through DSHS, as well as eligible individuals currently enrolled in the Roads to Community Living Project, which includes persons with significant developmental, functional, or cognitive disabilities.