

**Written Testimony of Shaun Donovan
Secretary of U.S. Department of Housing and Urban Development
"FY2011 Budget Request for HUD"**

**Hearing before the House Appropriations Subcommittee on Transportation, Housing and
Urban Development, and Related Agencies
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Modernizes the 202 and 811 Supportive Housing Programs for the Elderly and Disabled

As the Department begins the process of restructuring its rental assistance programs, it must also ensure that its programs providing capital grants and rental assistance that are sized to the actual costs to operate a project ('budget-based' or 'operating cost-based') are well designed for the world of housing finance in the 21st century. Beyond public and assisted housing-the focus of the TRA initiative-the most prominent examples of such funding streams are the Section 202 and 811 programs, which couple housing and services for the nation's poor elderly and disabled, respectively.

Although they have provided critical housing for thousands of residents, these programs are in need of modernization. Project sponsors no longer receive enough funding per grant for the 202 and 811 programs to be a "one-stop shop" to capitalize and sustain a project, yet they are subject to a level of bureaucratic oversight that suggests they are. This regulatory structure also makes it difficult for project sponsors to work with other financing streams, such as low income housing tax credits, even as the average grant size requires accessing other capital sources. As a result, project development is slowed and, coupled with outdated geographic allocation formulae, limited resources are spread too thin to reach scale at either the project or national programmatic levels. In 2009, the 202 program produced only 3,049 units with an average project size of 44 units and the 811 program produced only 661 units with an average project size of 10 units.

Already 10 times as many units are produced under the Low Income Housing Tax Credit program. And under the status quo, the total annual production of units will continue to decrease as the cost of supporting existing 811/202 properties consumes more and more of the overall funding allocation. This threatens to make the programs increasingly marginal for the nation's elderly and disabled.

Accordingly, HUD requests a suspension of funding for Section 202 and 811 Capital Advance Grants in fiscal year 2011 in order to redesign the programs to better target their resources to meet the current housing and supportive service needs of frail elderly and disabled very low-income households. The redesigned programs will maximize HUD's financial contribution through enhanced leveraging requirements and will also encourage or require partnerships with HHS and other services funding streams to create housing that, while not medically licensed, still effectively meets the needs of very low-income elderly and disabled populations unable to live fully independently. The program reforms for both 202 and 811 will include the following: 1) new requirements to establish demand to ensure meaningful impact of dollars awarded; 2) raised threshold for sponsor eligibility to ensure the award of funds only to organizations with unique competency to achieve the program goals; 3) streamlined processing to

speed development timeframes; 4) broader benefits of program dollars achieved by facilitating supportive services provided by Medicaid/Medicare Waiver programs such as the Program of All-inclusive Care for the Elderly (PACE) model services to 202 project residents, 5) encouraging better leveraging of other sources of funding, such as low income housing tax credits and 6) integrating 811 programs within larger mixed finance, mixed use projects.

Excerpt from the Secretary's Presentation on only the Section 202 and 811 Programs