



Section 811 Project Rental Assistance Demonstration Program HUD Guidance to States in the PRA Demonstration NOFA

Prepared by Technical Assistance Collaborative
June 7, 2012

Introduction

On May 15, 2012, the U.S. Department of Housing and Urban Development (HUD) published a groundbreaking [Notice of Funding Availability \(NOFA\)](#) for the new Section 811 Supportive Housing for Persons with Disabilities Project Rental Assistance Demonstration program (PRA Demo). The PRA Demo is authorized by the Frank Melville Supportive Housing Investment Act of 2010, which reformed and revitalized this important HUD supportive housing program. According to the NOFA, “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 receiving comparable long-term services and supports in the community.”

On May 21, 2012, the Technical Assistance Collaborative (TAC) published a [Summary of the PRA Demo NOFA](#). That Summary provides basic facts about the NOFA, including the application due date, basic program information, as well as the Rating Factors and HUD scoring information. TAC strongly recommends that those interested in obtaining basic information about the PRA Demo NOFA read the Summary document.

The purpose of this document is to provide additional information from the NOFA that could assist states to prepare a Section 811 application. Although HUD provides policy and program guidance throughout the NOFA, most of the NOFA information highlighted in this paper can be found in the Rating Factor section. Direct “quotes” from the NOFA itself are so indicated. If quotation marks are not used, the information provided has been summarized by TAC from the NOFA text.

The NOFA makes it clear that HUD’s strategy for implementation of the PRA Demo program gives state applicants substantial flexibility to develop a locally responsive application. Therefore, TAC strongly advises and recommends that all prospective state PRA Demo applicants thoroughly and carefully review each section of the NOFA before beginning to prepare their NOFA response. Prospective applicants should also review any additional PRA Demo information that HUD provides prior to the application due date, including information available on [HUD’s website](#), the archived HUD webinar held on May 30, 2012, and the FAQs. TAC has also posted relevant [PRA Demo materials](#) on a dedicated website. It is important to note that TAC’s materials, including this paper, should not be considered a substitute for the NOFA or any other PRA Demo information provided directly by HUD.

Basic Design of the PRA Demo Program

HUD's PRA Demo program will provide states with project rental assistance funding to create integrated permanent supportive housing units for people with disabilities within the high quality affordable rental housing developments that state housing agencies routinely finance and oversee as a normal business activity. This groundbreaking, efficient, and highly cost effective approach to creating integrated permanent supportive housing has already been successfully pioneered by several states using non-811 resources. Consistent with the vision of the Frank Melville Supportive Housing Investment Act, through the PRA Demo NOFA, HUD is seeking to support and expand these efforts by incentivizing states to develop similar cross-system collaborations.

To ensure community integration, no more than 25 percent of the units in any development with PRA Demo funds may have occupancy restrictions for people with disabilities. States are free to set a lower percentage (i.e., as low as one unit per property). For example, a state housing agency could offer extra points to federal Low Income Housing Tax Credit (LIHTC) developers to set-aside five percent of the units in a property for supportive housing. The PRA Demo funding provides the "deep subsidy" needed to ensure that the tenant will pay no more than 30 percent of their income for housing costs.

PRA Demo funds will only be provided to state housing agencies¹ that enter into an Interagency Partnership Agreement with their State Health and Human Services/Medicaid agencies. This Agreement ensures that people assisted through the PRA Demo program have access to appropriate voluntary community-based services and supports for successful community living; service participation must be voluntary. The Interagency Agreement must specify: (1) the target population(s) to be served; (2) methods of outreach and referral to PRA Demo units; and (3) the state's commitment to make appropriate services available to residents of PRA Demo units.

HUD clarifies in the NOFA that "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 and 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."

HUD Guidance to States as Provided in the Section 811 PRA NOFA

HUD's guidance makes it clear that HUD seeks to fund well designed programs that have clear and specific implementation plans, including assigned roles and responsibilities. These policies and plans are critical to ensure that people with disabilities transitioning to community living are referred in a timely manner to housing opportunities being made available through affordable housing providers. To be competitive, states must be able to answer specific questions such as:

- How will PRA Demo units be identified by the State Housing Agency?
- How much PRA Demo funding is needed to cover the cost of the PRA Demo units requested?
- How will PRA Demo units be tracked to ensure occupancy by the target population?

¹ Or other appropriate housing agency. See NOFA for more information.

- How will people be identified as eligible for the PRA Demo program and then referred to PRA Demo units when they are available for occupancy?
- Which agencies (state and community-based) will be responsible for ensuring that appropriate long term community-based services and supports are made available to PRA Demo tenants?

These are just a few of the questions that applicants must answer in their response to HUD's NOFA. As noted above, most of the guidance provided by HUD to states in the NOFA is included within the section covering the five HUD Rating Factors. HUD has assigned a maximum of 100 points to these Rating Factors.

HUD Rating Factors

Please note that the information provided below only summarizes certain key points made by HUD in the Rating Factor section of the NOFA, and does not include all of the information provided in the NOFA regarding the five Rating Factors. Applicants are encouraged to carefully review all the information HUD provides within the Rating Factor section of the NOFA.

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

a. Management Team and Key Staff (10 points)

Within this sub-factor, the Applicant is asked to demonstrate recent (within 5 years) and relevant experience directly related to the financing/asset management of affordable housing, particularly permanent supportive housing. "HUD is particularly interested in the quality of the work experience and expertise of the management staff and key staff responsible for each activity in the application." "Eligible applicants that demonstrate more recent and relevant experience in funding supportive housing development will receive higher rating points."

b. Capacity and Readiness (up to 20 points)

- (1) **General Experience (up to 6 points).** The Applicant is asked to describe the state's capacity (housing, human services and Medicaid agencies) to successfully implement the proposed activities, such as reviewing applications for funding, underwriting and awarding PRA Demo funds, monitoring owners compliance etc.
- (2) **Experience Managing Rental Assistance Programs (up to 7 points).** The Applicant is asked to describe their direct experience, which can include managing a portfolio of affordable multifamily housing units, managing a Section 8 program, managing a project-based voucher program, managing public housing, or similar tenant or project-based program.
- (3) **Experience with Program Compliance and Monitoring (up to 7 points).** According to HUD, the Applicant's experience meeting complex federal requirements can include compliance with Davis Bacon Labor Standards, Lead-based Paint or other relevant experience. "To receive maximum points, Eligible Applicants must demonstrate substantial experience overseeing a

permanent housing program that targets vulnerable persons with disabilities who will benefit from affordable housing with community-based long term services and supports.”

- c. Past Noncompliance (up to -10 points).** HUD may deduct points from an Applicant for non-compliance with another previously funded HUD program.

Rating Factor 2: Need/Extent of the Program (up to 5 points). In this factor, “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 people 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.” Examples in the NOFA include persons transitioning from institutional care into integrated housing or assisting persons at-risk of institutionalization to remain in the community in accordance with the Supreme Court’s *Olmstead v. L.C.* decision. The NOFA specifies that “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.”

Rating Factor 3. Soundness of Approach/Implementation Plan (up to 45 points). Here again HUD emphasizes that it is seeking to fund well-defined, high quality and sound, 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.”

- a. The Implementation Plan – Program Description (up to 20 points of the total 45 points).** The Implementation Plan is based on and should specifically reference and expand upon the Interagency Partnership Agreement. HUD notes that the Implementation Plan must include:

- (1) A long term commitment from the state to make available services for the target population as stated in the Implementation Plan and evidenced by “other public documents detailing state health care priorities.” HUD states in the NOFA that “HUD understands that these services are typically funded annually through federal and state 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) HUD seeks programs that will assure a pipeline of units and wants applicants to specify what development and/or financing programs will be dedicated to create and/or develop PRA demo units, such as State Housing Trust Funds, four percent and nine percent Low Income Housing Tax Credits (LIHTCs), tax exempt financing, etc. More points will be provided to Applicants that provide evidence of a pipeline of eligible projects or properties. HUD also wants Applicants to “Identify where incentives will be provided or requirements imposed in order to integrate PRA Demo funding into the mainstream housing delivery program(s) identified.”
- (3) Applicants are asked to specify the range of properties (new construction, substantially rehabilitated, existing) and how the Applicant will ensure that each will be high quality and well managed.

- (4) Applicants are not required to identify specific projects in their application but in this sub-factor are asked to provide the project selection criteria that will be used along with sufficient justification for how projects will be selected, including any special qualifications or program requirements. In this sub-factor, HUD specifies that “Programs that solely fund projects where the Eligible Applicant has existing oversight or funding will receive higher points.”
- (5) In this sub-factor, Applicants must provide the projected PRA and type of PRA Demo units to be provided on a per year basis, as well as how the Demo funds requested were calculated, including assumptions used. According to HUD, “In no circumstance may the initial Rental Assistance Contract (RAC) level exceed the applicable Section 8 Small Area Fair Market Rent or Fair Market Rent level as determined by HUD unless substantiated by a Market Study.”

b. Management and Oversight (up to 10 points of 45 points). This sub-factor provides detail about management and operations and to earn maximum points, Applicants must include:

- (1) **Staffing and Organization Plan.** The Applicant must describe the roles and responsibilities of all relevant agencies and organizations participating in the program, including “a **specific** description of how many Full Time Equivalents (FTEs) staff from which agencies will be tasked with operationalizing this plan.”
- (2) **Program Management.** The Applicant is asked to describe how the program will be managed between agencies including “specifics regarding operational details relative to the commitment of services” and a description of “how the housing staff will interact with services providers.” This sub-factor also covers specifics on “infrastructure and tracking systems for all supportive housing units – including ...new units ...as well as “turnover” units.
- (3) **Financial Management.** As part of this sub-factor, the Applicant must include a detailed description of the financial management system proposed for the PRA Demo rental subsidy program. More points will be given to states that already have a financial management system in place.
- (4) **Program Infrastructure and Processing Costs.** The Applicant must include “a budget with appropriate justification for the use of grant funded administrative costs to cover these costs.”
- (5) **Performance Measurement.** The Applicant must include a description of how performance measures for each program component will be tracked, including those in Factor 5.

c. Integration of Services (up to 10 points of 45 points). The NOFA stipulates that 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 [is] voluntary.” This sub-factor also calls for a description of:

- (1) **Systems in Place.** The Applicant must describe the agency or agencies and staff that will be “managing the outreach, referrals and waiting lists to successfully identify and refer tenants in a timely and efficient manner, particularly if the state program includes several targeted populations.” This includes identifying “how staff will be assigned to efficiently work with owners/management agents of PRA Demo units....[and] how waiting lists will work for these units – centrally managed, locally, or at the property level.”

(2) **Management and Coordination of Services.** The Applicants is asked to “describe the day to day management and coordination of services to residents in properties throughout the state....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). In this sub-factor, the NOFA specifies that “HUD seeks to fund projects that will be able to commence immediately after grant award. HUD will evaluate applications...based on a clear identification of all milestones that need to be accomplished to develop this program...” “Timely and thoughtful projections that will produce occupied units within 24 months of approval will earn maximum points.”

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

a. Cost Effective Use of PRA Demo funds (up to 6 points). In this sub-factor, the NOFA states that “HUD is seeking approaches to reduce the per unit PRA Demo amount in order to increase the number of PRA Demo 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 funding, but not sources used to finance capital development costs.” “Maximum points will be provided to states that are able to structure programs based on 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.” “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).

In this sub-factor HUD specifies that “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 for extremely low-income non-elderly people with disabilities will be assigned additional points based on the following scale:

- (1) 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) Applicants that provide vouchers or rental units equal to 30% of the PRA Demo units requested will be assigned an additional 2 points. This commitment cannot include Housing Choice Vouchers already reserved for non-elderly people with disabilities as part of a PHAs Non-Elderly Disabled (NED) voucher baseline.”

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

- a. Innovation and Replicability (up to 5 points).** Applicants are asked to “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.” “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).** In this sub-factor, the NOFA indicates that HUD is seeking grantees that undertake activities that build enduring capacity of partners and mechanisms for knowledge sharing, which are included in HUD’s Strategic Plan. “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, placed-based approaches. The Eligible Applicant must describe the outreach methods that will be used to achieve this outcome”.
- c. Expand Cross-Cutting Policy Knowledge (Policy Priority – up to 3 points).** In this sub-factor, the NOFA states that “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.” To receive these points, Grantees must go beyond the NOFA requirements and detail other outcomes to be improved, for example, reduction in housing and services costs per beneficiary. Other examples are listed in Factor 5c.

HUD’s Cooperative Agreement Structure

HUD will provide the PRA Demo grant award through a Cooperative Agreement with the Grantee. This Cooperative Agreement structure is consistent with the Demonstration program approach HUD has taken through this NOFA because it allows HUD to have substantial involvement during the period of performance, including the development of the program as well as oversight of progress made on the proposed activities.