

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Housing

Housing for Persons with Disabilities (Section 811)

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2019 Appropriation	184,155	168,493 ^a	-	352,648	162,727	186,819
2020 Appropriation	202,000	190,462 ^b	-	392,462	280,000	206,000
2021 President's Budget	252,000	113,462 ^c	-	365,462	292,000	303,000
Change from 2020	50,000	(77,000)	-	(27,000)	12,000	97,000

a/ Amount includes \$161.6 million in carryover balances, \$4.1 million in collections, and \$2.7 million in recoveries.

b/ Amount includes \$1 million in estimated recoveries.

c/ Amount includes \$112 million in estimated carryover and \$1 million in estimated recoveries.

PROGRAM PURPOSE

The Housing for Persons with Disabilities Program provides project-based rental assistance that covers the difference between HUD-approved operating costs of the project and the tenants' contributions toward rent, as well as direct funding for construction through Capital Advances. The assistance supports very low- or extremely low-income persons with disabilities to live independently by providing them with affordable rental housing integrated into their local communities. The program targets vulnerable persons with disabilities who need affordable housing to effectively access community-based support and services, such as case management, housekeeping and daily-living assistance to successfully live independently in the community.

BUDGET OVERVIEW

The 2021 President's Budget requests \$252 million for the Section 811 program, which is \$50 million more than the 2020 enacted level. The Budget provides:

- \$170 million for contract renewals and amendments;
- \$80 million for new Capital Advances and Project Rental Assistance to expand the supply of housing for persons with disabilities by approximately 400 units to support living independently in the community; and
- \$2 million for expenses related to property inspections and Capital Advance Amendments.

The budget fully funds renewals and amendments of Project Rental Assistance Contracts (PRACs) and Project Assistance Contracts (PACs) through December 2021.

JUSTIFICATION

PRAC/PAC/PRA Renewals and Amendments - \$170 million

The budget provides continuing annual rental assistance to over 32,000 units at approximately 2,550 housing properties under contracts expiring through calendar year 2021. Increases in gross needs for 811 PRAC/PAC renewals and amendments are driven mainly by increased project operating costs and other inflationary factors, and new units that need support from renewals and amendments. Approximately 3,430 units under Section 811 PRACs will continue to receive payments from

balances remaining on initial contract awards and are not expected to require additional funding in 2021. Additionally, a portion of existing State PRA contracts will exhaust initial funding increments in 2021, and the budget provides adequate annual amendment funds for this purpose. The budget provides continuing annual rental assistance to over 32,000 units at approximately 2,550 housing properties under contracts expiring through calendar year 2021. Increases in gross needs for 811 PRAC/PAC renewals and amendments are driven mainly by increased project operating costs and other inflationary factors, and new units that need support from renewals and amendments. Approximately 3,430 units under Section 811 PRACs will continue to receive payments from balances remaining on initial contract awards and are not expected to require additional funding in 2021.

Capital Advance and State Project Rental Assistance - \$80 million

The budget funds new awards to expand the supply of affordable housing for low-income persons with disabilities to live independently in the community with connections to critical supportive services, as an alternative to costly institutional care. The awards will provide construction funding through Capital Advances with operating assistance to not-for-profit owners and new Project Rental Assistance (PRA) awards to State Housing Finance Agencies (HFAs) and other eligible entities. This funding level is expected to produce approximately 400 new units.

Capital Advance Amendments, Other Expenses and Initial PRAC - \$2 million

This request provides up to \$2 million for physical inspections and required related costs.

The Housing for Persons with Disabilities Program addresses the unmet housing needs of very low-income renters with disabilities who cannot find affordable accessible housing and may experience severe housing problems. HUD's *Worst Case Housing Needs: 2017 Report to Congress*¹ showed that 1.39 million renter households with worst case needs included one or more non-elderly people with disabilities, an increase of 28 percent since 2013. People with disabilities often require accessible housing and supportive services to live independently and avoid institutionalization. Finding affordable housing that accommodates these needs is very challenging.

Nationally, there are an estimated 188,000 non-elderly Medicaid beneficiaries with disabilities who live in nursing homes and could potentially be transitioned to a Section 811 unit.² The *Genworth 2019 Cost of Care Survey* estimates the national average cost of a semi-private room in a nursing home is \$90,156 per year.³ A shortage of affordable housing has been a key barrier to helping persons with disabilities transition to independent living according to evaluations of the Department of Health and Human Services (HHS) Money Follows the Person (MFP) program.⁴ In an evaluation report on MFP, most grantees reported at least one challenge in securing housing for MFP participants. The two most reported challenges in 2016 were an insufficient supply of affordable and accessible housing, and an insufficient supply of rental vouchers. Under the Americans with

¹ *Worst Case Housing Needs 2017 Report to Congress* (<https://www.huduser.gov/portal/publications/Worst-Case-Housing-Needs.html>)

² Irvin, C.V., Denny-Brown, N., Morris, E., Postman, C. (2016). *Pathways to Independence: Transitioning Adults Under Age 65 From Nursing Homes to Community Living*. Available at: <https://www.mathematica-mpr.com/our-publications-and-findings/publications/pathways-to-independence-transitioning-adults-under-age-65-from-nursing-homes-to-community-living>

³ Genworth (2019). *Genworth Cost of Care Survey 2019*. Available at: <https://www.genworth.com/aging-and-you/finances/cost-of-care.html>

⁴ Coghlin, R., Ward, J., Denny-Brown, N., Hagen, B., Maurer, K., Morris, E., Smoot, J., Steiner, A., Perez, B. (2017). *Money Follows the Person Demonstration: Overview of State Grantee Progress, January to December 2016*. Cambridge MA: Mathematica Policy Research.

Disabilities Act and the Supreme Court's *Olmstead* decision,⁵ states are legally obligated to favor community-based and integrated settings over institutional settings for persons with disabilities. State Medicaid Agencies are making efforts to comply with this mandate through Medicaid home and community-based "waiver" programs administered by the HHS Centers for Medicare and Medicaid Services. They find themselves limited in achieving this mandate, despite effective Medicaid waiver programs, because the target population cannot afford the cost of market rent in their community. Smart investments in Section 811 supportive housing align with, and complement, state efforts to provide home and community-based services for persons with disabilities in independent housing settings, minimizing the need to institutionalize this population.

Key Assumptions

- 2020 appropriations are expected to fully fund all 811 PRAC/PAC renewal contracts that expire during calendar year 2020, January through December;
- Gross contract renewal needs will be offset by approximately \$5 million in residual receipt collections;
- Approximately 670 existing PRAC units to renew, or require amendment funds, for the first time; and
- The 2021 request does not include any projected savings from implementing the Making Affordable Housing Work Act (MAHWA); it does include \$5 million in savings attributable to a freeze on inflationary rent increases.

Rent Reform

The 2021 President's Budget funding levels across HUD rental assistance programs would support the same number of households currently assisted while proposing reforms to ensure the long-term fiscal sustainability of HUD's rental assistance programs.

The current rent structure in HUD's rental assistance programs creates disincentives to employment; large administrative burdens for PHAs, private owners, and tenants; significant and increasing costs to the Federal Government; and a one-size-fits-all approach that cannot offer the flexibility to meet the needs of households in communities across the nation.

Thus, with the Making Affordable Housing Work Act (MAHWA), submitted to Congress in April 2018, HUD has proposed reforming rental assistance with the following goals:

1. Simplify program administration: Simplify rent calculations by determining rents using gross rather than adjusted income.
2. Reduce federal taxpayer costs while encouraging work and stable family formation: Limit income recertification for all households to once every three years, which encourages work by deferring increases in tenant rent payments as a result of increased wages. In addition, the law would establish higher expectations for work-able tenants by setting tenant rent contributions at 35 percent of gross income, while setting a lower rent of 30 percent of gross income for those unable to work, notably the elderly and persons with disabilities. Additionally, current elderly and persons with disabilities would be temporarily held harmless from rent increases reflected in

⁵ *Olmstead v. L.C. (1999)*.
(https://www.ada.gov/olmstead/olmstead_about.htm)

the proposed legislation. Moreover, HUD would also maintain the hardship exemption for tenants who, in certain circumstances, are unable to pay their rents.

3. Increase local control and choice: Empower PHAs and property owners to choose alternative rent structures, approved by the Secretary, that would best serve the needs of households in localities across the nation. These alternative rent structures must incur the same overall program costs and would provide a structure to encourage resident self-sufficiency.

In addition, the 2021 budget continues proposes uniform work requirements for households with non-elderly, non-disabled tenants able to work. HUD will continue exploring ways to leverage existing enforcement and compliance mechanisms without adding burdens on PHAs and private multifamily property owners. HUD also will continue to support work requirement demonstration evaluations to build an evidence base from the experiences of Moving to Work PHAs on effective ways to promote self-sufficiency.

Please see the “Overview of Rental Assistance Programs” justification for more information.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2019 Budget Authority	2018 Carryover Into 2019	2019 Total Resources	2019 Obligations	2020 Appropriation	2019 Carryover Into 2020	2020 Total Resources	2021 President's Budget
Capital Advance (Expansion), Capital Advance Amendments, Other Expenses and Initial PRAC	32,155	105,223	137,378	1,354	42,000	136,024	178,024	82,000
Disabled PRAC/PAC/PRA Renewal/Amendment	152,000	61,494	213,494	161,373	160,000	53,028	213,028	170,000
Project Rental Assistance Demonstration (PRAD)	-	1,410	1,410	-	-	1,410	1,410	-
PIH Amendment/Renewal of Mainstream Vouchers (Tenant-Based)	-	366	366	-	-	-	-	-
Total	184,155	168,493	352,648	162,727	202,000	190,462	392,462	252,000

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

General Provisions

The 2021 President’s Budget re-proposes the following general provision that was enacted in the 2020 appropriations bill:

- **Transfers of Assistance, Debt, and Use Restrictions:** This General Provision currently allows the Secretary to authorize the transfer of some or all Project-Based Assistance, debt held or insured by the Secretary, and statutorily required low-income and very low-income use restrictions, if any, associated with one or more obsolete multifamily housing project/s to a viable multifamily housing project. The budget proposes a minor change to better accommodate properties impacted by state/federal integration mandates for persons with disabilities (2021 President’s Budget, Sec. 206).

The 2021 President's Budget proposes the following new general provisions:

- **RAD for 811 PRAC:** The budget includes a General Provision to authorize preservation of Section 811 Capital Advance properties and rental assistance contracts through budget neutral RAD conversions. Much like Section 202 PRACs, Section 811 PRACs face preservation challenges. These properties also experience unique challenges as owners seek alignment with community integration mandates and supportive service program requirements, all of which will be recognized in the planned conversion process (2021 President's Budget Sec. 222).
- **Rent Adjustments:** This General Provision will enable the Department to suspend the requirement to provide annual rent adjustments for fiscal year 2021 to multifamily property owners (2021 President's Budget, Sec. 223).

APPROPRIATIONS LANGUAGE

The 2021 President's Budget includes proposed changes in the appropriation language listed below. New language is italicized, and language proposed for deletion is bracketed.

For capital advances, including amendments to capital advance contracts, for supportive housing for persons with disabilities, as authorized by section 811 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013), as amended, for project rental assistance for supportive housing for persons with disabilities under section 811(d)(2) of such Act, for project assistance contracts pursuant to section 202(h) of the Housing Act of 1959 (Public Law 86-372; 73 Stat. 667), including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 1-year term, for project rental assistance to State housing finance agencies and other appropriate entities as authorized under section 811(b)(3) of the Cranston-Gonzalez National Housing Act, and for supportive services associated with the housing for persons with disabilities as authorized by section 811(b)(1) of such Act, [~~\$202,000,000~~] *\$252,000,000*, to remain available until September 30, [2023] *2024: Provided*, That amounts made available under this heading shall be available for Real Estate Assessment Center inspections and inspection-related activities associated with section 811 projects: *Provided further*, That, upon the request of the Secretary, project funds that are held in residual receipts accounts for any project subject to a section 811 project rental assistance contract, and that upon termination of such contract are in excess of an amount to be determined by the Secretary, shall be remitted to the Department and deposited in this account, to remain available until September 30, [2023] *2024: Provided further*, That amounts deposited in this account pursuant to the previous proviso shall be available in addition to the amounts otherwise provided by this heading for the purposes authorized under this heading: *Provided further*, That unobligated balances, including recaptures and carryover, remaining from funds transferred to or appropriated under this heading shall be used for the current purposes authorized under this heading in addition to the purposes for which such funds originally were appropriated. (*Department of Housing and Urban Development Appropriations Act, 2020.*)