

# 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	Net Outlays
2023 Appropriation	360,000	316,066	(150)	675,916	204,253	224,192
2024 Annualized CR	360,000	475,663	-	835,663	295,000	376,000
2025 President's Budget	256,700	546,000	-	802,700	281,000	388,000
Change from 2024	(103,300)	70,337	-	(32,963)	(14,000)	12,000

a/ 2023 Carryover amount includes \$313 million in carryover, \$368 thousand of recaptures, and \$3 million in collections. 2023 Total Resources also includes a CARES Act rescission of \$150 thousand.

b/ 2024 Carryover amount includes an estimated \$471.5 million in carryover, an estimated \$4 million in offsetting collections, and \$66 thousand in estimated recoveries.

c/ 2025 Carryover amount includes an estimated \$540.6 million in carryover, an estimated \$4 million in offsetting collections, and \$1 million estimated recoveries.

#### PROGRAM PURPOSE

The Housing for Persons with Disabilities program (Section 811) provides project-based rental assistance to very low- and extremely low-income persons with disabilities to live independently in integrated housing settings with community-based support and services. The program targets 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. Section 811 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. Additionally, the Section 811 Project Rental Assistance (PRA) program provides funding to State Housing Finance Agencies (HFAs) for project-based rental operating assistance for extremely low-income persons with disabilities. The primary purpose of the Section 811 PRA 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 making available appropriate support and services. HFAs contract with individual owners to provide long-term rental assistance to eligible persons with disabilities.

#### BUDGET OVERVIEW

The 2025 President's Budget requests \$256.7 million for the Housing for Persons with Disabilities account, which is \$103.3 million less than the 2024 Annualized CR level. This includes:

- \$253 million for Project Rental Assistance Contract (PRAC), Project Assistance Contract (PAC), and State Project Rental Assistance (State PRA) renewals and amendments; and
- \$3.7 million for administrative and other related expenses.

In addition, to support HUD's focus on climate resilience, Section 811 property owners have the opportunity to make decarbonization and climate resiliency improvements through new competitively awarded grants or loans under the Green and Resilient Retrofit (GRRP) program, funded by the Inflation Reduction Act, or through conversion under the Rental Assistance Demonstration (RAD).

This program aligns with HUD 2022-2026 Strategic Objectives 2A: *Increase the Supply of Housing* and 4C: *Integrate Healthcare and Housing*.

## JUSTIFICATION

The Section 811 Housing for Persons with Disabilities program advances equity by increasing access to affordable housing for individuals with disabilities; promoting independent living through integration within larger affordable housing developments; providing access to supportive services such as case management, personal assistance, and increased connection to community resources; and addressing discrimination and segregation faced by individuals with disabilities.

Section 811 PRA promotes vital collaboration among stakeholders to promote connections between housing and services for persons with disabilities. Section 811 PRA requires the cooperation of State Housing Finance Agencies (HFAs) and State Medicaid Agencies to build institutional capacity in participating States so that they can provide integrated housing in communities with access to appropriate services. Persons with disabilities must have a choice in the housing, health care, and related support services they receive. As individual States facilitate the transition and integration of persons with disabilities from institutional and other segregated settings into the community, sponsors/owners of supportive rental housing for persons with disabilities provide innovative approaches to enable persons with disabilities to live as similarly as possible to individuals without disabilities. The PRA rental assistance ensures long-term affordability of this housing.

### **PRAC/PAC/PRA Renewals and Amendments - \$253 million**

The 2025 Budget provides \$253 million for PRAC, PAC, and PRA renewals and amendments to support affordable rental homes for very low-income persons with disabilities. The requested amount will fully fund the approximately 36,400 units under 3,470 contracts requiring renewal or amendment from January through December 2025. An additional 318 contracts covering 2,850 units will continue to receive monthly assistance in 2025 from initial PRAC awards and other balances obligated in prior years.

### **Capital Advance Amendments and Other Expenses - \$3.7 million**

The Budget provides up to \$3.7 million for the following contract services:

- Construction inspection for Capital Advance properties;
- Notes servicing for HUD-held notes;
- Commercial portfolio risk analytics and risk modeling; and
- Property Disposition:
  - Specialized inspection property analysis;
  - Marketing and advertisement placement;
  - Appraisals; and
  - Property management relocation services.

This amount does not include funds to cover Real Estate Assessment Center (REAC) inspections of properties. REAC inspections will be covered by the Operational Performance Evaluation and Risk Assessments (OPERA) account; see the OPERA Justification for more details.

Q3 2023 Section 811 Tenant Characteristics <sup>1</sup>																								
<p><b>How many households and people are served?</b></p> <p>36 thousand people</p> <p>33 thousand households<sup>2</sup></p>	<p><b>What are the racial and ethnic characteristics of the tenants?</b></p> <p>This program serves a diverse population. 42% of tenants are in a racial or ethnic minority group.</p> <table border="1"> <thead> <tr> <th>Asian/Pacific Islander</th> <th>Black, non-Hispanic</th> <th>Hispanic</th> <th>Native American</th> <th>White, non-Hispanic</th> </tr> </thead> <tbody> <tr> <td>2%</td> <td>29%</td> <td>9%</td> <td>1%</td> <td>58%</td> </tr> </tbody> </table>	Asian/Pacific Islander	Black, non-Hispanic	Hispanic	Native American	White, non-Hispanic	2%	29%	9%	1%	58%	<p><b>What are the characteristics of the heads of household?</b></p> <p>Female headed families with children 2%</p> <p>Elderly 28%</p> <p>Non-elderly disabled 71%</p>												
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<p><b>How big are the households?</b></p> <table border="1"> <thead> <tr> <th>Number of People in Household</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>One</td> <td>92%</td> </tr> <tr> <td>Two</td> <td>6%</td> </tr> <tr> <td>Three</td> <td>1%</td> </tr> <tr> <td>Four+</td> <td>1%</td> </tr> </tbody> </table>	Number of People in Household	Percentage	One	92%	Two	6%	Three	1%	Four+	1%	<p><b>How old are the heads of household?</b></p> <table border="1"> <thead> <tr> <th>Age Group</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>24 years or less</td> <td>2%</td> </tr> <tr> <td>25 to 50 years</td> <td>38%</td> </tr> <tr> <td>51 to 61 years</td> <td>32%</td> </tr> <tr> <td>62 years or more</td> <td>27%</td> </tr> <tr> <td>85 years or more</td> <td>0%</td> </tr> </tbody> </table>	Age Group	Percentage	24 years or less	2%	25 to 50 years	38%	51 to 61 years	32%	62 years or more	27%	85 years or more	0%	<p><b>What is the share of rent paid by the tenant and HUD?</b></p> <p>Average household contribution: \$317</p> <p>Average HUD Contribution: \$532</p>
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<p><b>What are the income levels of assisted households?</b></p> <p>Tenants make an average gross income of <b>\$13,444</b>.</p> <p><b>88%</b> of households earn \$20,000 or less per year</p>	<p><b>How do household incomes compare to the local area median income?</b></p> <table border="1"> <tbody> <tr> <td>Extremely low income (less than 30% AMI)</td> <td>85%</td> </tr> <tr> <td>Very low income (30% to 50% AMI)</td> <td>13%</td> </tr> <tr> <td>Low Income (50% to 80% AMI)</td> <td>1%</td> </tr> </tbody> </table>		Extremely low income (less than 30% AMI)	85%	Very low income (30% to 50% AMI)	13%	Low Income (50% to 80% AMI)	1%																
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<p><sup>1</sup> Some percentage totals not equal to 100 due to rounding. Missing values are excluded from reported percentages.</p> <p><sup>2</sup> The number of households served at any given time and for which there are data reported may not total the number of Section 811 housing units under contract. However, the data on the characteristics of the 33,000 reported households are representative of who is served through Section 811.</p> <p>Source: Households reported to HUD's TRACS systems (via Form-50059) as of 6/2023 with effective dates spanning the prior 18 months.</p>																								

## Key Assumptions

Increases in gross needs for the Section 811 PRAC/PAC/PRA renewals and amendments are driven mainly by increased project operating costs and other inflationary factors, and by funding needed to support units under contracts that are renewing or need amendment funding for the first time. As Section 811 properties age, they create upward pressure on this account because of the reliance on funding through the rental assistance contract to make repairs and replacements. For 2025, HUD estimates the Section 811 program subsidy inflation at approximately four percent. During 2025, about 35 contracts, with 900 existing PRAC units will renew or require amendment funds for the first time. Availability of contract renewal carryover funding to address 2025 needs is expected to be minimal, unlike in prior years (in 2024, there was \$18 million in carryover). The renewal amount reflects the full cost of renewing contracts without carryover funding.

The Budget assumes that the Section 811 program annual current services renewal and amendment needs will be fully funded in 2024 through regular appropriations.

## Stakeholders

HUD collaborates with a range of stakeholders, including property nonprofit owners/managers, State and Local Governments, tenant advocacy organizations, Housing Counseling Agencies, congressional committees, research institutions/think tanks, industry partners, and other Federal Agencies to ensure the successful implementation of the Section 811 program. HUD regularly meets with residents, advocates, State and local officials, owners, and property managers through association meetings, conferences, and individual meetings to disseminate and explain program status and updates and collect feedback to inform program implementation and policy. This collaborative

approach helps HUD address challenges, gather feedback, make informed policy decisions, and improve the overall effectiveness of the program.

### Operational Improvements

The Office of Multifamily Housing Programs continues to streamline administrative processes and reduce burdens for housing providers and tenants through implementation of the Housing Opportunity through Modernization Act (HOTMA), implementation of the National Standards for Physical Inspection of Real Estate (NSPIRE), and improving IT through modernization.

#### SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2023 Budget Authority	2022 Carry over Into 2023	2023 Total Resources	2023 Obligations	2024 Annualized CR	2023 Carry over Into 2024	2024 Total Resources	2025 President's Budget
Disabled PRAC/PAC/PRA Renewals and Amendments	209,000	65,998	274,998	190,550	209,000	84,448	293,448	253,000
(Expansion)	148,300	232,927	381,227	2,172	148,300	379,055	527,355	-
Disabled PRAC/PAC Renewal/Amendment (CARES)	-	8,145	7,995	7,985	-	10	10	-
Capital Advance Amendments and Other Expenses	2,700	8,996	11,696	3,546	2,700	8,150	10,850	3,700
<b>Total</b>	<b>360,000</b>	<b>316,066</b>	<b>676,066</b>	<b>204,253</b>	<b>360,000</b>	<b>471,663</b>	<b>831,663</b>	<b>256,700</b>

Note: 2023 Carryover amount includes a CARES Act rescission of \$150 thousand.

## LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

### Appropriations Language Changes

The 2025 President's Budget includes the following continuing proposal:

Creation of Operational Performance Evaluation and Risk Assessments (OPERA) Account: The 2025 Budget deletes language for the Real Estate Assessment Center (REAC) and transfers this activity to the centrally funded Operational Performance and Risk Assessments (OPERA) account. The OPERA account is proposed to streamline operations that perform inspections, evaluations, and assessments across HUD's housing programs. Please see the OPERA Justification for more details.

### Legislative Proposals

The 2025 Budget supports the following legislative proposals and will seek changes through the authorization process:

- Modification to Rent Increase Procedures for Section 811 Capital Advance Projects: Allow use of an operating cost adjustment factor (OCAF) to annually adjust operating rents for Section 811 projects as an alternative to budget-based rent increases. The provision would incorporate factor-based rent adjustment into annual rent-setting practices, similar to what is now permitted for Section 8 contracts. The factors for PRACs would vary slightly from current OCAFs in that they would more closely reflect the distribution of operating costs for

the PRAC portfolio. This change would allow for significant administrative streamlining, reduce delays in routine rent adjustments, and decrease the potential for variability in budget forecasts. Rents would be updated based on analysis of actual expenditures and proposed costs at least once every five years. This would streamline the rent adjustment process for Section 811 and reduce the administrative burden on property owners and HUD program staff. The use of an annual OCAF would eliminate the need for more than 2,900 budget reviews of properties in the 811 PRAC portfolio annually, saving an estimated 18,750 staff hours by allowing sponsors of these properties to use interim OCAF adjustments rather than preparing annual budget submissions, and an estimated 14,700 staff hours for HUD in reviewing and responding to these submissions. These scarce staffing resources could be better used running properties and supporting residents, and on the HUD side, could be dedicated to speedier routine rent adjustments and other portfolio management tasks, including property oversight.

- **Prioritization of Federal Inspection Certification:** In the absence of national standards, authorize HUD inspections to occur effectively without impediment from State or local licensing requirements regarding assessment of mold and moisture, pests, radon, and lead based paint and its hazards. This would cover the ability to collect or assess information on risks related to environmental or other hazards impacting the built environment or residential use of such structures.
- **Triennial Recertification to Promote Family Wealth Building:** HUD requests language that would provide the Department with the discretion to allow PHAs and owners of multifamily properties who receive project-based rental assistance through a housing assistance payments (HAP) contract to, instead of annual or biennial income examinations, implement triennial recertification of income, like what is currently available to PHAs for fixed income families. PHAs electing triennial recertification of income (and thus triennial recalculations of tenant rent contribution) would promote family wealth building, since increases in earned income would generally be taken into consideration only once every three years, rather than annually under the current law, the corresponding rent savings would help support the family's overall financial health. As an element of implementation, the PHA will leverage Federal financial education resources to enhance the financial skills of HUD-assisted residents. Coupling rent savings with financial education will promote family wealth building among HUD-assisted residents. Note that for 202/811, no statutory language is required, but will be addressed via regulatory change if the 1937 Act changes are enacted. The amounts included for 2024 reflect the annualized level provided by the continuing resolution.

## **General Provisions**

The 2025 President's Budget re-proposes the following general provisions:

- **Transfers of Assistance, Debt, and Use Restrictions:** This provision will allow 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 language has been updated to allow the Secretary to authorize a change in the number of units and/or unit configuration when only a use agreement is being transferred, provided there is no loss of assistance to currently assisted households. (Sec. 206)
- **Management and Disposition of Certain Multifamily Projects:** This section governs the use of project-based subsidy in connection with managing and disposing of multifamily properties. (Sec. 208)

- **Physical Conditions Requirements:** This general provision enhances HUD's ability to exercise oversight within the PBRA, Housing for the Elderly, and Housing for Persons with Disabilities programs, allowing HUD to mandate corrective action or change in management due to failure to meet physical condition standards. (Sec. 214)
- **Section 811 Extension:** The Section 811 Project Rental Assistance Demonstration began in fiscal year 2012 to demonstrate what could be achieved through a new State housing and integrated health care approach to serving persons with disabilities. The amounts at issue are already subject to the permanent 10-year disbursement period that applies to initial project rental assistance. This provision would further extend the disbursement period by an additional five years, for a total of 15 years, to prevent this important funding from cancelling on September 30, 2025. (Sec. 234)

## APPROPRIATIONS LANGUAGE

The 2025 President's Budget includes the appropriations language listed below.

*For 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), 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 subsection (h) of section 202 of the Housing Act of 1959, as added by section 205(a) of the Housing and Community Development Amendments of 1978 (Public Law 95-557: 92 Stat. 2090), including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 5-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 Affordable Housing Act, for supportive services associated with the housing for persons with disabilities as authorized by section 811(b)(1) of such Act, and for administrative and other expenses associated with assistance funded under this heading, \$256,700,000, to remain available until September 30, 2028: Provided, 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, 2028: Provided further, That amounts deposited in this account pursuant to the preceding 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.*

Note.--A full-year 2024 appropriation for this account was not enacted at the time the Budget was prepared; therefore, the Budget assumes this account is operating under the Continuing Appropriations Act, 2024 and Other Extensions Act (Division A of Public Law 118-15, as amended). The amounts included for 2024 reflect the annualized level provided by the continuing resolution.