The Department requests $177 million for the Housing for Persons with Disabilities (Section 811) program in fiscal year 2016, an increase of $42 million above the fiscal year 2015 Enacted level. The funding request for the Housing for Persons with Disabilities program includes funding for two primary activities: $150 million for Project Rental Assistance Contract (PRAC) renewals and amendments to fully fund 1,800 housing properties with more than 21,000 units; and $25 million for new Section 811 Project Rental Assistance (PRA) awards that will support about 700 new units. There is also an additional $2 million for other program expenses, including property inspections.

Section 811 PRA funding in fiscal year 2016 will build on the success of previous rounds of funding. These funds will support state housing agencies that have partnered with state health care agencies to develop an integrated health care and housing approach to serving persons with disabilities. The Department also requests continued authority to collect residual receipts as additional funding to support the Section 811 PRA program.

- The Section 811 Supportive Housing for Persons with Disabilities program allows low-income persons with disabilities to live independently by providing deeply affordable rental housing that is integrated into the local communities. The program

<table>
<thead>
<tr>
<th>HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)</th>
<th>Enacted/ Request</th>
<th>Carryover</th>
<th>Supplemental/ Rescission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
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<td>2014 Appropriation ..................................</td>
<td>$126,000</td>
<td>$244,176</td>
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<td>$370,176</td>
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<td>...</td>
<td>-50,492</td>
<td>-38,726</td>
<td>+25,000</td>
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</table>

a/ Includes $241.8 million in carryover and $2.3 million in recaptures.
b/ Includes $160.8 million in carryover and $14 million in spending authority from offsetting collections. It excludes $340 thousand that expired at the end of fiscal year 2014.
c/ Includes an estimated transfer to the Transformation Initiative (TI) account of $1 million of Budget Authority.
d/ Includes $16.5 million in spending authority from offsetting collections.
Housing for Persons with Disabilities (Section 811)

targets vulnerable persons with disabilities who need affordable housing to effectively access community-based supports and services.

- By helping individuals with disabilities live independently in their communities, this program avoids the costs of more expensive institutional settings and helps states comply with the Supreme Court’s Olmstead decision, which requires that people with disabilities receive services in the most integrated setting appropriate to their needs.

- Section 811 provides critically important affordable housing linked with community-based supportive services for the most vulnerable persons with disabilities. Such supportive housing is a more efficient and effective alternative to expensive and restrictive Medicaid-funded institutional care. Without Section 811 housing, many of those served by the program would live in an institution, in a homeless shelter, or on the streets.

HUD is currently designing an evaluation of the Section 811 Project Rental Assistance (PRA) demonstration program, including a comprehensive process evaluation of the fiscal year 2012 grantees, and a methodology to assess the cost effectiveness of the Section 811 PRA relative to assistance through capital advances and other forms of supportive housing for people with disabilities. The evaluation is discussed in greater detail in Section 4 (“How do we know this program works?”).

Description of Each Set-Aside

Supportive Housing for Persons with Disabilities Project Rental Assistance

The Department requests $25 million in fiscal year 2016 to support state programs that demonstrate an integrated health care and housing approach to serving persons with disabilities. The Department also seeks to renew its fiscal year 2015 authority to collect residual receipts to fund expansion activities. The Department will review collections, recaptures, and other unobligated balances to determine whether additional funds are available for new funding investments, and will request reprogramming as needed. These funds support the PRA program authorized by the Frank Melville Supportive Housing Investment Act of 2010, first implemented through a demonstration program in fiscal year 2012. The demonstration program revealed the presence of significant demand at the state level for exactly this kind of resource. Thirty-five states submitted competitive applications, with seven of the applicant states requesting the then maximum allowable award amount. The Department could only fund 13 states out of many competitive applications. An additional Notice of Funding Availability was published for fiscal years 2013 and 2014 in fiscal year 2014, with awards expected to be announced in early calendar year 2015. Thirty-four states and the District of Columbia applied for the fiscal year 2013/2014 funds.

Project Rental Assistance Contracts/Project Assistance Contracts Renewals/Amendments

The Department requests $150 million for Project Rental Assistance Contract (PRAC) and Project Assistance Contract (PAC) Renewals and Amendments in fiscal year 2016. Project Assistance Contracts (PACs) support projects developed for persons with disabilities
Housing for Persons with Disabilities (Section 811)

under the Section 202 Program before authorization of Section 811 as a separate program in 1990. This set-aside provides continued assistance to tenants of Section 811 projects in which the initial PRAC/PAC has expired or all reserved funding has been disbursed. HUD estimates that $10 million of the increased need in fiscal year 2016 is due to contracts being renewed or amended for the first time.

2. What is this program?

The Section 811 Supportive Housing for Persons with Disabilities program\(^1\) allows very low- or extremely low-income persons with disabilities to live independently by providing deeply affordable rental housing that is integrated into the local communities. The program targets vulnerable persons with disabilities who need affordable housing to effectively access community-based supports and services. Those living in Section 811 supportive housing need access to a variety of community-based services and support (such as case management, housekeeping assistance, assistance with activities of daily living and more) to live independently in the community. Without Section 811 supportive housing, many of those served by the program would live in an institution, with aging parents, in a homeless shelter, or on the streets. By helping individuals with disabilities live independently in their communities, this program avoids the costs of more expensive institutional settings and helps states comply with the Supreme Court’s *Olmstead* decision.

Section 811 serves very low-income individuals with serious and long-term disabilities, including physical or developmental disabilities as well as mental illness. More than two-thirds of residents of Section 811 have developmental disabilities and chronic mental illness and the majority of those residents came from nursing homes, hospitals and other specialized residences. Many residents of Section 811 are at-risk of homelessness or have experienced chronic homelessness. To be eligible for traditional Section 811 housing, individuals with disabilities must have incomes at or below 50 percent of area median income. Most residents fall far below that threshold. In fiscal year 2011, the average annual income of the approximately 30,000 households served by Section 811 was $10,500. Starting in fiscal year 2012 under the Project Rental Assistance program, Section 811 has been further targeted and is only made available to extremely low-income individuals with disabilities whose income is at or below 30 percent of the area median income.

**Recipients of Section 811 Funds**

*Project Rental Assistance Awarded to State Housing Agencies*

\(^1\) The Supportive Housing for Persons with Disabilities program is authorized by Section 811 of the Cranston-Gonzales National Affordable Housing Act of 1990 (PL 101-625) as amended by the Housing and Community Development Act of 1992 (PL 102-550), the American Homeownership and Opportunity Act of 2000 (PL 106-569), and most recently by the Frank Melville Supportive Housing Investment Act of 2010 (PL 111-374), which passed with unanimous bipartisan support and was signed into law on January 4, 2011. The Melville Act significantly reformed the Section 811 program by authorizing Section 811 Project Rental Assistance to be administered by State housing agencies in order to align the housing assisted by Section 811 with State health care priorities.
Housing for Persons with Disabilities (Section 811)

The Melville Act authorized a new funding model for Section 811 in which project rental assistance (PRA) is administered by state housing agencies, to better align activities with State healthcare priorities. To be eligible for Section 811 PRA funds, a state housing agency must have a formal partnership with its state health and human services agency that will provide appropriate services directly to residents. The PRA comes in the form of operating assistance grants from the grantee state housing agencies to new or existing multifamily housing complexes which have received capital funding from Low-Income Housing Tax Credits (LIHTC), federal HOME funds, or other governmental and private sources of funding. Awards made in fiscal year 2012 include an initial 5-year increment of operating assistance funding. To be eligible for PRA, units must be integrated into multifamily complexes of five or more units. This assistance will allow these properties to provide housing to people with disabilities, including individuals transitioning out of institutions or experiencing chronic homelessness, who are much lower income than those who would normally be able to access or afford housing subsidized only through the LIHTC and/or HOME programs.

Additionally, the program is structured to adequately address the service needs of the target population. The program is designed to encourage collaboration between state agencies that administer health and human services and housing programs. This has resulted in the creation of long-term strategies for the development of affordable housing with structured access to appropriate services and a substantial increase in the production of rental housing units for persons with disabilities by integrating these units within existing and new multifamily properties where the capital costs for construction are being provided at the state and local level (such as through tax credits).

Successful Section 811 PRA applications ensure that necessary services will be provided or coordinated once the project is funded. Services vary depending on the needs of individual tenants, who can be people with physical disabilities, developmental disabilities, serious mental illness or other disabilities or chronic conditions. Most Section 811 residents are Medicaid-eligible and are accessing community-based services that might otherwise require services in an institutional setting. Services may include case management, homemaker, home health aide, personal care, adult day health services, habilitation, and respite care. States have flexibility to target PRA-funded units to people with a broad range of disabilities, including people who are currently residing in institutions or experiencing homelessness or people at significant risk of institutionalization.

Capital Advances and Operating Assistance Contracts

Prior to fiscal year 2012, HUD provided operating subsidies and interest-free capital advances to nonprofit sponsors to help them finance the development of affordable rental housing for persons with disabilities. This financial assistance has been used to support the construction, rehabilitation, or acquisition (with or without rehabilitation) of housing for persons with disabilities. Capital advances were most recently awarded for new Section 811 projects in November 2011. The capital advance did not have to be repaid as long as the housing remained available for very low-income persons with disabilities for at least 40 years.

Under this program, HUD provided a project rental assistance contract (PRAC) with each capital advance to cover the difference between the HUD-approved operating cost for the project and the tenant’s contribution towards rent, which is limited to 30 percent
Housing for Persons with Disabilities (Section 811)

of a tenant’s income. The initial term of the PRAC was 3 years, and these contracts are renewed annually based on project’s compliance with Section 811 requirements. While capital advance funds are no longer being awarded, HUD continues to support existing Section 811 properties with rental assistance contracts.

3. Why is this program necessary and what will we get for the funds?

This program addresses the high unmet housing need of very-low income renters with disabilities who cannot find affordable housing and have severe housing problems. HUD’s latest Worst Case Housing Needs Report estimates that one in six renters with the worst case housing needs have disabilities. The number of households with worst case needs having at least one nonelderly person with disabilities increased from 990,000 in 2009 to 1.31 million households in 2011, an increase of 320,000 households. Persons with disabilities often require special accommodation and support services to live independently. Finding housing that accommodates these special needs is a challenge. Approximately half of households with disabilities that have worst case housing needs have ambulatory and cognitive disabilities and one-third have independent living limitations. Two-thirds of people with disabilities assisted by the traditional Section 811 have developmental disabilities or chronic mental illness and thus require extensive supportive services. 2

State Level Efforts to Promote Community Living and Olmstead Compliance

The Section 811 Project Rental Assistance program is designed to directly complement state-level strategies for targeting high-cost populations of persons with disabilities who are unnecessarily living in institutional settings. Efforts by States to rebalance their service delivery from institutions to home and community-based services to comply with the Supreme Court’s Olmstead decision have created an additional pressing need for housing for persons with disabilities.

Under the Americans with Disabilities Act and the Supreme Court’s Olmstead decision, states are legally obligated to favor community-based and integrated settings over institutional settings for persons with disabilities. 4 State Medicaid agencies are making efforts to comply with this mandate through Medicaid home and community-based “waiver” programs administered by Health and

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4 In Olmstead v. L.C., 527 U.S. 581 (1999), the Supreme Court held that Title II of the Americans with Disabilities Act prohibits the unjustified segregation of people with disabilities in nursing homes or other institutional settings. Federal regulations require that states or other public entities must reasonably modify their policies, procedures or practices to avoid such discrimination. 28 C.F.R. § 35.130(b)(7). For more information see “Statement of the Department of Justice on Enforcement of the Integration Mandate of Title II of the Americans with Disabilities Act and Olmstead”. Olmstead v. L.C.” at http://www.ada.gov/olmstead/q&l/olmstead.htm.

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Housing for Persons with Disabilities (Section 811)

Human Services (HHS) Centers for Medicare and Medicaid Services. States often find themselves limited in achieving this mandate even when they have effective Medicaid waiver programs in place because the target population cannot afford or find suitable housing to live in the community. Twenty out of 34 states reported insufficient supply of affordable and accessible housing options to meet the need of the program. A recent report by the US Senate’s Health, Education, Labor, and Pensions Committee also found that states are lagging behind the implementation of the Olmstead mandate and lack of affordable and integrated housing was identified as one of the reasons for it.

Across the country, States are going through the process of identifying high-priority populations for moving into the community, because of Olmstead mandates. In particular, seven states, working with the Department of Justice, have identified 28,500 individuals who must be moved from institutions to the community to comply with Olmstead. Extrapolating from these seven states and examining data from the Money Follows the Person program, HUD estimates a national demand of approximately 170,000 units that would benefit from Section 811 Project Rental Assistance.

Potential Cost Savings

There is a great need to reduce health care cost for people with disabilities and find more cost-effective ways to ensure that people with disabilities receive the support and services they need in the community. Affordable housing has been a key barrier to this goal: evaluations of HHS’ Money Follows the Person program have found lack of affordable housing in the community to be a primary barrier to transitioning people out of costly institutions.

While there is currently no direct research on the cost-effectiveness of the Section 811 program, one of the evaluations of the Money Follows the Person (MFP) program indicates that there are significant savings that can be gained from moving people with disabilities from institutional settings to the community. The MFP 2010 annual evaluation found that the average annual spending on home and community-based services (HCBS) per participant was more than one-third lower than the average annual Medicaid spending on institutional care for beneficiaries in nursing homes.

Nationally, there are an estimated 137,000 non-elderly persons who live in nursing homes and are eligible for MFP and could potentially be transitioned to a Section 811 unit. The Genworth 2014 Cost of Care Survey estimate the national average cost of nursing home at $77,380 a year for a semi private room. The cost of this type of facility has been growing at 4 percent a year in

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8 Mathematica Report, June 2012.
Housing for Persons with Disabilities (Section 811)

recent years. The 2010 National Survey of Residential Care Facilities found that 6 out of 10 residents under age 65 in Assisted Living Facilities are Medicaid beneficiaries. This represents approximately 45,000 people under age 65 living in these facilities who are Medicaid beneficiaries. In 2013, the mean national total monthly charge per resident for residential care was $3,500 ($42,000 a year).

4. How do we know this program works?

HUD is currently designing an evaluation of the Section 811 PRA demonstration program, as required under the Frank Melville Supportive Housing Investment Act of 2010. This evaluation will be implemented in phases and will include an in-depth process evaluation, case studies of promising supportive housing approaches for persons with disabilities, and preliminary outcome studies. A second phase of the evaluation will include a comprehensive outcome and cost-effectiveness study that will capture participant-level quality of life and health care outcomes and costs. In collaboration with HHS’ Centers for Medicare and Medicaid Services (CMS), HUD expects to utilize administrative and survey data to document participants’ characteristics and housing and health outcomes and costs.

Until HUD gets results from this evaluation, the MFP program provides useful information about the outcomes of people with disabilities transitioning from institutions to the community. The MFP 2011 annual evaluation found that among those MFP participants who reported being unhappy with their lives while living in an institution, about 73 percent reported being satisfied with life in the community. Participants also reported greater sense of choice and control and community integration. Studies of the traditional Section 811 program confirm this level of satisfaction with integrated living arrangements. Approximately 65 percent of Section 811 residents were very satisfied with their living arrangements and 29 percent were somewhat satisfied. The majority of residents (80 percent) stated that they were able to obtain the services they needed. Frequently cited reasons for moving into HUD-assisted housing include: "a desire to live more independently" (47 percent), "availability of onsite support services" (9 percent), and "handicapped accessible" (9 percent).

Past studies of the traditional Section 811 have shown that projects are in high demand, with rare vacancies and very low turnover. In an MFP report, States cited lack of affordable, accessible housing as the single greatest barrier to helping more people move out of institutions.

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9 Genworth. 2014 Genworth Cost of Care Survey. Medicaid billing for a nursing home facility could be lower, but national data on the cost of nursing homes for Medicaid beneficiaries was not available.
11 Mathematica Report, June 2012
Housing for Persons with Disabilities (Section 811)

Recent reforms in Section 811 have addressed most of the issues identified in past studies and program reviews, namely: (a) delays in project development due to administrative processes, the low capacity of sponsors, and insufficient capital advances; and (b) a need for integrating the occupancy of the buildings themselves (less concentration of persons with particular types of disabilities or diagnoses) in addition to locating buildings in integrated settings. With key changes enacted into law in fiscal year 2011 by the Melville Act, Section 811 units funded through the Project Rental Assistance program will be integrated into larger multifamily developments. The program is expected to build on the capacity created by the MFP Demonstration. Between 2007 and 2011, States coordinated housing and supportive services to transition more than 11,560 non-elderly people with disabilities to community living through MFP. 15

This Section 811 Project Rental Assistance is also expected to better leverage program funds by working better with other traditional sources of affordable housing finance, such as LIHTC. Additionally, by allocating Section 811 funds through state housing agencies that are already providing financing to multifamily projects and are coordinating supportive services to integrated community living, HUD hopes to ensure that projects are ready more quickly and align more closely with other the federal initiatives.

5. Proposals in the Budget

- **Housing for Persons with Disabilities (Section 811) Transfer Authority:** In certain States, existing Section 811 group homes are facing difficulties getting referrals for certain disability populations due to Olmstead settlements or enforcement actions. Lack of referrals puts these Section 811 properties at risk of failure or foreclosure, which would result in the loss of much needed affordable housing options for persons with disabilities. The requested Section 811 transfer authority would give the Department needed flexibility to transfer Section 811 subsidies to properties that comply with local Olmstead requirements. (Section 247 of General Provisions)

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16 For example, a state *Olmstead* settlement with the Department of Justice may require that a state service agency not refer persons with mental illness or developmental disabilities into group homes with more than four residents.

17 For example, under this authority a Section 811 project rental assistance contract supporting a 6-person group home could be transferred to two 3-person group homes.
### HOUSING

#### HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)

Summary of Resources by Program
(Dollars in Thousands)

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<td>Disabled (Capital Advance, Other Expenses and PRAC) ...</td>
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</table>

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Housing for Persons with Disabilities (Section 811)

HOUSING
HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)
Appropriations Language

The fiscal year 2016 President’s Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

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 and 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, [$135,000,000] $177,000,000, to remain available until September 30, [2018] 2019: 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, in this fiscal year, upon the request of the Secretary of Housing and Urban Development, 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 be available until September 30, [2018] 2019. 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 may be used for the current purposes authorized under this heading notwithstanding the purposes for which such funds originally were appropriated. (Department of Housing and Urban Development Appropriations Act, 2015.)