

# **The Disability Housing Market: Opportunity for Community Development Finance as the Americans with Disabilities Act Turns 20**

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A home is more than just an address, more than just a place to hang your hat. For many of us, the first time we feel independent is when we sign our first lease, buy our first set of dishes, and pay our first bills. For many, the most strenuous part of finding a place to live is meeting the right real estate agent, or finding a home with enough bathrooms or one with a decent-size kitchen and adequate sunlight.

For low-income people with disabilities, their concerns go beyond counter space and hardwood floors to finding housing that is safe, affordable, and accessible. For far too long, many people with disabilities have been deprived of the opportunity to rent or own their own home. Many have been excluded from obtaining housing vouchers, and some simply have no access to the limited housing options that are currently available. For many, it has been a dream without much likelihood of coming true.

Over the last 40 years, many articles, progress reports, and statistics have addressed this critical issue. Yet there is no coherent public policy to address the housing needs of people with disabilities. Congress has struggled since the passage of the Vocational Rehabilitation Act in 1973 to develop a working plan that empowers people with disabilities who want to live independently to do so. Several other laws and regulations have been enacted since then in the hope of protecting people with disabilities and helping them find safe, affordable, accessible housing.

Although there is no coherent approach to providing housing, the demand for it is strong. There are more than 41 million noninstitutionalized Americans living with some form of disability. More than 23 million are between the ages of 18 and 65 (Cornell University, 2007). It is the inadequate supply that has ultimately hindered those with disabilities from attaining housing.

## **How Is the “Disability Market” Measured?**

Statistical information concerning disabilities is collected through several different venues. The American Community Survey (ACS), Cornell University’s *Disability Status Report*, and the University of Colorado’s Coleman Institute for Cognitive Disabilities are a few of the sources.

The ACS, working with the U.S. Census Bureau and the Department of Commerce, hopes to sample close to three million homes a year. Currently the ACS strives to “provide data users with timely information each year on demographic, housing, social, and economic statistics that can be compared across states, communities, and population groups” (Bjelland, Erickson, and Lee, 2008). The ACS is

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administered annually and is intended to eventually replace the decennial Census. The ACS defines disabilities in a general way as a “long-lasting physical, mental, or emotional condition.” Working from information and data collected from the ACS, the Cornell *Disability Status Report* classifies individual disabilities into six separate categories: sensory, physical, mental, go-outside-home, self-care, and employment.

Whereas the ACS provides statistics for various disabilities, the Coleman Institute for Cognitive Disabilities focuses on “mental retardation and developmental disabilities, acquired brain injury, Alzheimer’s disease, and severe and persistent mental illness” (Braddock). The Coleman Institute’s mission is “to catalyze and integrate advances in science, engineering, and technology to promote the quality of life and independent living . . . of over 20 million American citizens—seven percent of the U.S. population”—living with cognitive disabilities. Since 1991, the Coleman Institute has gathered information and undertaken data analysis related to cognitive disabilities. Although the distribution of statistics is not the Institute’s main function, it willingly shares the useful information it has acquired.

### **How Big is the Market?**

By analyzing data from the ACS, the Coleman Institute, and Cornell University’s *Disability Status Report* as well as other sources, we can see that disabled housing is an expanding market that represents underserved individuals and families. The data show that this market is growing exponentially. Consider the following:

#### **Wounded Veterans of Iraq and Afghanistan**

According to a published report from the John F. Kennedy School of Public Policy at Harvard, of the 1.4 million men and women deployed to Iraq and Afghanistan, nearly one-half will need medical attention from the Veterans Administration (VA) when they return. In addition, as a result of medical advances, the ratio of wounded soldiers to fatalities in these theaters is four to eight times higher than in any previous conflict (Blimes, 2007).

#### **Autism**

According to the website Autism Speaks: “A new study published October 5, 2009, in the American Academy of Pediatrics’ journal *Pediatrics* found a parent-reported autism prevalence rate of one in every 91 American children, including one in 58 boys. The study used data gathered as part of the 2007 National Survey of Children’s Health (NSCH), a national survey directed and funded by the Health Resources and Services Administration (HRSA) and Centers for Disease Control and Prevention (CDC).”

#### **Baby Boomers**

In the next 10 years, the major wave of baby boomers will be entering their seventies (Friedman, 2009).

It is estimated that the current senior population of 34 million will double over the next 20 years. What do these statistics have to do with disabilities? In 2007, 25 percent of Americans between the ages of 65 and 74 reported one or more disabilities, and 50 percent of Americans age 75 and older reported one or more disabilities (Bjelland, Erickson, and Lee, 2008).

A substantial percentage of individuals living with disabilities are considered “hidden” and are excluded from these statistics and analyses. Some, if not most, of these men and women are living with aging parents, even though they may be qualified to reside on their own or within supported living programs.

The 2005 U.S. Department of Housing and Urban Development (HUD) report on worst-case housing used 2004 Social Security Administration data to estimate that there were more than one million low-income adults with disabilities living in households with worst-case housing needs, defined as households with incomes falling below 50 percent of median area income who are paying more than half of their income for housing or are living in severely substandard housing. The report showed that more than 60 percent of unassisted very low-income households in which there is an adult member with a disability have worst-case housing needs, one of the highest proportions among low-income groups.

### **People with Disabilities are a Low-Income Target Market**

Many people with disabilities live in poverty. For many who receive public support, even that is not enough to raise their incomes above the poverty rate. Cornell University reports that there are 22 million people between the ages of 16 and 64 in the United States with one or more disabilities (Cornell 2007). The Bureau of Labor Statistics reported that in December 2009, 18.6 percent of working-age individuals with disabilities were employed, compared to 63.3 percent of persons with no disability. The U.S. Census Bureau reports that those who do work typically earn about \$7,000 less per year than workers with no disability. The annual income of households with a wage earner who has a disability is \$26,500 less than households without a person with a disability (Cornell 2007). Moreover, researchers found that 24.7 percent of working-age Americans with disabilities lived in poverty compared to 9.0 percent of those without disabilities (Bjelland, Erickson, and Lee, 2008). These dramatic discrepancies are long-standing and continue to separate Americans with disabilities from their peers without disabilities.

Individuals who do not or cannot work experience even greater economic challenges. More than half of the population in the United States between 18 and 65 and who have disabilities rely on Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI) as their only source of income. Of these 11.9 million people:

- 6.5 million people receive SSDI only. The average SSDI payment in 2008 was \$12,048/year or 116 percent of the Federal Poverty Guidelines for one person.
- Four million people receive SSI only. The average SSI payment in 2008 was \$5,724/year or 55 percent of the Federal Poverty Guidelines for one person.

- 1.5 million people receive both SSDI and SSI because their SSDI payment falls below the state's SSI payment threshold. The average SSI payment in these cases is \$2,082/year, bringing the annual income of these individuals "up to" 135 percent of the Federal Poverty Guidelines.

*Note: These figures relate to the Federal Poverty Guidelines (FPG) and not the Area Median Household Income statistic, which is much higher than the FPG.*

In addition to receiving public transfer payments that are far below Median Household Incomes in every state, individuals with disabilities must restrict their assets to qualify for these benefits. They cannot accumulate any more than \$2,000 in assets other than their house, car, and a life insurance policy (capped at \$1,500). Thus government programs can actually keep people with disabilities in poverty. This policy is based on the old notion that individuals with disabilities are unable to work and therefore must rely on others (such as family members) for support.

There is a "chicken or egg" conundrum when it comes to poverty and people with disabilities: Those living in poverty are more likely to have a disability and those with disabilities are more likely to live in poverty. Regardless of which came first, individuals with disabilities must have access to economic tools to escape poverty, achieve homeownership, and accumulate assets to improve their standard of living.

### **Can the System Work More Efficiently?**

The challenge is to identify an approach that will efficiently deliver financial and other resources. Existing affordable housing programs at the federal, state, and local levels do not necessarily work in concert with disabilities programs, and they should. Existing housing programs can be tweaked to combine more easily with existing "disability" housing rental subsidies to increase the supply of available housing for people with disabilities. A simple and current example is the federal government's Neighborhood Stabilization Program (NSP). According to the HUD website, NSP funds are aimed at "the purchase and redevelopment of foreclosed and abandoned homes and residential properties." The problem is that HUD never thought to incorporate people with disabilities into the program. At present, more than a year after the NSP funds were delivered, we have found that some local government housing agencies are still sitting on unused NSP funds. These same agencies are also holding on to the Nursing Home Transition and Diversion (NHTD) Medicaid Waiver rent subsidy, which allows individuals with disabilities to live in the community through a rental voucher system. Rather than let the NSP dollars go to waste, we have suggested that the local housing authorities convert the foreclosed and abandoned homes into rental units for individuals with disabilities, who can use the Medicaid Waiver to pay the rent.

In 1990, Congress passed two important laws for low-income renters with disabilities: The Americans with Disabilities Act (ADA), and the Cranston-Gonzalez National Affordable Housing Act. According to the ADA: "Physical or mental disabilities in no way diminish a person's right to fully

participate in all aspects of society,” and further, “the continuing existence of unfair and unnecessary discrimination and prejudice denies people with disabilities the opportunity to compete on an equal basis and to pursue those opportunities for which our free society is justifiably famous, and costs the United States billions of dollars in unnecessary expenses resulting from dependency and nonproductivity” (The U.S. Equal Employment Opportunity Commission, 2009 ). Section 811 of the Cranston-Gonzalez National Affordable Housing Act (the Supportive Housing for Persons with Disabilities program) provides “funding exclusively to nonprofit developers building and operating housing for low-income households with disabilities” (National Alliance on Mental Illness, 2004).

Both laws were expected to make a tremendous difference in the lives of the disabled and their families. The ADA has made strides to help the disabled community by legally prohibiting discrimination in relation to work and housing opportunities, but Section 811 has seemingly fallen short of Congress’ original vision. The lack of new funding, the cost of renewing vouchers, and the elimination of project-based capital has crippled the Section 811 budget.

In 1999, the U.S. Supreme Court handed down the *Olmstead v. Lois Curtis and Elaine Wilson* decision, citing the unlawful confinement of disabled persons as a clear violation of the ADA. Today, ten years after the *Olmstead* decision, “more than 500,000 people who have mental illness other than dementia live in nursing homes,” the majority of whom could and should live independently if they were given the appropriate support (National Council on Disability, 2003).

### **The Disability Opportunity Fund—Filling the Gap**

The Disability Opportunity Fund (DOF), a community development financial institution (CDFI), was created in 2007 to help improve the delivery of affordable housing. A market study commissioned by The DOF in 2007 found that there is not enough government funding to meet the needs of organizations (for-profit and nonprofit developers, social services agencies, and hospitals) interested in developing affordable housing for people with disabilities. The market study also found that those who successfully developed affordable housing for the disabled relied on multiple capital sources, usually including local, state, and federal government programs, the Federal Home Loan Bank, CDFIs, banks, and occasionally, their own earned income. As we had expected, the market study revealed that a lack of capital is the biggest restraint on the development of safe, accessible, affordable housing for the disabled.

CDFIs focus on the development of programs and strategies to meet the needs of low-income communities. Their mission is to make loans to entities that are unable to get loans from traditional banking institutions. They provide a range of products, including comprehensive credit, investment, banking, and development services. Some CDFIs are chartered banks, others are credit unions, and many operate as self-regulating, nonprofit institutions that gather private capital from a range of community-minded investors.

The DOF focuses exclusively on disability projects. To date, it has acted as a loan fund in creating housing solutions for eleven people with disabilities. We have both originated loans and bought a participation in a loan originated by a fellow CDFI. In the participation, we provided \$100,000 of

\$685,000 mini-perm financing for a newly constructed home in Darien, Connecticut, for six young adults who have developmental disabilities. The home provides the six residents with permanent housing in an environment that allows them to participate in their shared interests of sporting, social, volunteer, religious, and work activities. A professional full-time staff assists the residents in making choices, enjoying everyday life, achieving goals, living with dignity, and taking care of their own needs.

In addition to this loan, The DOF originated structured financing of two single-family houses in Tennessee for five low-income residents who have developmental disabilities. The first portion of the loan allows three individuals to remain in their shared home through more efficient financing, while the second portion allows two of the residents to obtain better financing and remain in their home as well. Providing affordable capital and creating reasonable and fiscally responsible loan repayment strategies ensures that these individuals can continue to live independently in the community.

### **Debt, Equity, and Technical Assistance**

In the last two years alone, The DOF has been asked to develop financing for more than 40 projects in 17 different states. The composite-required financing is well over \$100 million and consists of both debt and equity. Most, if not all, of the future residents qualify as low-income.

#### **Debt**

The DOF regularly receives requests for bridge (or gap) financing. For example, a nonprofit on Long Island, New York, has applied for a \$350,000 loan with a 6 percent interest rate and a 5-year term. These funds would help retrofit existing units and allow two people with disabilities to live independently. The nonprofit has already secured the necessary government funding to support the residents and pay the debt service.

In Chicago, there is a need for a line of credit that could be used by for-profit developers to retrofit unused space in existing market-rate rental apartment buildings. The space will be converted into accessible, affordable housing units for people with disabilities. The city is prepared to provide rental subsidies for the units.

There is also a growing market for housing solutions for our returning soldiers from Iraq and Afghanistan. Those men and women who are wounded return to the United States and receive their treatment at a military hospital. Two major housing benefits are administered by the VA: A 25 percent guarantee on a VA mortgage and a fund for retrofitting homes to make them accessible.

One problem with the two VA programs, however, is that it takes a long time to establish eligibility. The length of time is particularly problematic, since the first few months of dealing with a new disability are extremely challenging. The DOF hopes to fix this problem by providing short-term financing to veterans. Consider this scenario: An injured Navy SEAL in San Diego has finished his medical treatment and is ready to buy a home. However, he is still awaiting word from the VA, which has not yet approved his eligibility for benefits. If he finds a house in the meantime, The DOF will provide him with the

necessary financing for closing. Then, once the serviceman becomes “VA eligible,” The DOF will be repaid by a conventional financial institution, which will issue a standard VA loan to the newly designated “veteran.” The DOF has identified approximately 2,000 to 3,000 servicemen and -women who could use this type of program.<sup>2</sup>

## Equity

In light of the soft real estate market around the country, many developers have contacted The DOF seeking equity investments in either unfinished or unsold condominium units or homes. In return, the developers would set aside units of housing to be designated for people with disabilities. We have developed certain models that could yield an 8 to 12 percent annual return on these types of investments.

## Technical Assistance

In addition to providing capital, The DOF continues to offer technical assistance in raising awareness of the resources available to develop affordable, accessible housing. During the market study, comments by key stakeholders suggested that many service organizations and housing developers are relatively self-taught when it comes to developing housing for the disabled. These service providers and developers simply recognized a demand in the communities they served or implemented required set-asides, and thus took the initiative on their own. They have relied on any number of information resources, including their own trial and error, inadequate government guidelines, end-user feedback, and other developers.

To promote better communication and coordination among the players, The DOF has organized and moderated several roundtable discussions hosted by the Federal Reserve Banks of San Francisco and Chicago, the New York Stock Exchange, and Delaware’s State Council for People with Disabilities. In addition, The DOF was invited by Virginia’s Department of Behavioral Health and Developmental Services to introduce the work of CDFIs as a possible leveraging solution to an \$18 million state budget set-aside to move 150 residents from state-run institutions into the community. Finally, The DOF has spent the last year working with the New York State Office of Mental Retardation and Developmental Disabilities to introduce it to the power of CDFI financing and discuss how to better coordinate programming among various agencies. Currently, more than 15 state agencies serve people with disabilities but their efforts are not well coordinated and many of the benefits and services they offer are not well known by potential clients.

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<sup>2</sup> Author conversation with Noel Koch, Deputy Undersecretary of Defense, U.S. Department of Defense, office of Secretary of Defense Wounded Warrior Care and Transition Policy, December 2009.

## The Future Is Looking Bright(er)

Public policies that have evolved in the hope of providing housing for the disabled have already been initiated by HUD, which remains in charge of Section 8 and 811 housing. HUD is currently working closely with the Department of Health and Human Services to connect people with disabilities living in institutions to HUD housing vouchers that would allow them to live in the community. President Barack Obama has designated 2010 the “Year of Community Living.” Through the National Affordable Housing Trust Fund Act of 2007, the president has asked for \$1 billion to produce, preserve, and rehabilitate 1.5 million affordable homes over the next ten years. Housing for low-income families, including housing for the disabled, will account for 67.5 percent of those homes.

Moreover, the proposed Frank Melville Supportive Housing Investment Act aims to amend Section 811 by speeding up processing requirements. Along with a change of pace, this act also aims to make Section 811 housing more affordable and available, specifically for people with disabilities. Although these public policy reforms seem to be moving in the right direction, nongovernmental solutions must also be considered. The lack of private capital and the nominal size of government budgets remain the most severe constraints on supplying and meeting the housing needs of people with disabilities. Given the current real estate market, it is a perfect time to reduce, if not eliminate, the waitlists throughout the country. Simple economic principles apply: (1) It costs less to house people with disabilities in the community than to institutionalize them; (2) there are defined waitlists of eligible tenants, so we know where the demand is; and (3) there is ample supply of housing inventory.

The 20th anniversary of the ADA is being celebrated by highlighting the great strides that have been made since its passage—as is appropriate. However, the occasion is also marked by awareness of how much remains to be accomplished. Financial institutions and CDFIs should embrace the disability market and provide it with leadership and solutions.

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