Section 202
Supportive Housing for the Elderly

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Administering agency: HUD's Office of Housing Assistance and Grant Administration within the Office of Multifamily Housing Programs

Year program started: 1959

Number of persons/households served: 400,000 households

Population targeted: People over the age of 62 with very low income (below 50% of area median income)

FY15 funding: $420 million, including $70 million to renew existing service coordinator grants

Also see: *Services for Residents of Low Income Housing*

The Section 202 Supportive Housing for the Elderly program provides funding to nonprofit organizations that have developed and operate housing for seniors with very low incomes. Unfortunately, in FY12 Congress eliminated the Section 202 Capital Advance Program to fund the development of new units. As the U.S. population ages, the preservation of existing Section 202 units will be critically important.

There are three current issues related to the Section 202 program: a rental assistance-only demonstration authorized in the FY14 omnibus bill; a lack of funding for the construction of new affordable and supportive senior housing when there is a growing demand for units, and the preservation of senior housing.

HISTORY AND PURPOSE

The Section 202 program was established under the Housing Act of 1959. Enacted to allow seniors to live with dignity by providing assistance with housing and supportive services, the program has gone through various programmatic iterations during its lifetime. Prior to 1974, Section 202 funds were 3% loans that may or may not have had either Section 8 or rent supplement assistance for all or some of the units. Between 1974 and 1990, Section 202 funds were provided as loans and subsidized by project-based Section 8 contracts. Until the creation of the Section 811 program in 1990, the Section 202 program funded housing for both seniors and people with disabilities. In 1991 the Section 202 program was converted to a capital advance grant with a project rental assistance contract for operational expenses, known as Section 202 PRAC.

According to HUD, senior households with very low incomes are the most likely to pay more than they can afford for their housing. The 2011 HUD study of worst-case housing needs found that the number of senior renter households with worst-case housing needs was 1.47 million, out of the estimated 8.48 million households with worst-case housing needs.

PROGRAM SUMMARY

The Section 202 Supportive Housing for the Elderly program provides funds to nonprofit organizations, known as sponsors, to develop and operate senior housing. Many Section 202 project sponsors are faith-based or fraternal organizations.

Section 202 tenants generally must be at least 62 years old and have income less than 50% of the area median income qualifying them as very low income. Some facilities have a percentage of units designed to be accessible to non-elderly persons with mobility impairments or may serve other targeted disabilities. The average age of a Section 202 resident is 79, and nearly 39% of residents are over the age of 80. The average annual income of a resident is little more than $10,000. There are more than 400,000 Section 202 units serving very low income seniors.

The Section 202 PRAC has two main components: a capital advance that covers expenses related to housing construction, and operating assistance that supports a building's ongoing operating costs. Both the capital and operating funding streams are allocated to nonprofits on a competitive basis, through a HUD Notice of Funding Availability (NOFA), although the Capital Advance program has not been funded since FY11.

Capital funding. The first component of the Section 202 program provides capital advance funds to nonprofits for the construction, rehabilitation, or acquisition of supportive housing for seniors. These funds can now be augmented by Low Income Housing Tax Credit debt and equity to either build additional units or supplement the capital advance as gap financing in so-called mixed-finance transactions. Congress must restore the Capital Advance program to address the growing need.

Operating funding. The second program component provides rental assistance in the form of PRACs to subsidize the operating expenses of these developments. Residents pay rent equal to 30% of their adjusted income, and the PRAC makes up the difference between rental income and operating expenses.

In addition to the core components of the Section 202 program, HUD administers three complimentary programs that have been established by Congress to help meet the needs of seniors aging in place:

1. Service Coordinators Grant Program to fund staff in Section 202 buildings to help residents to age in place. About a third of Section 202 properties have a service coordinator funded as part of the Section 202 appropriation. Service coordinators assess residents' needs, identify and link residents to services, and monitor the delivery of services. The older Section 202 properties are eligible for grant funding, while the Section 202/PRAC properties may include the cost of service coordinators in their operating budgets if funds are available.
2. Section 202 Demonstration Program to test the effectiveness of housing and services models. Although funding for this demonstration has not been released, HUD has been working closely with stakeholders on a model for the NOFA.
3. Senior Preservation Rental Assistance Contract, which was created to provide rental assistance for the pre-1974 Section 202 properties, has its renewals funded out of the project-based assistance account.

FUNDING

In FY15, Congress appropriated $420 million for Section 202, providing no new funding for new construction or new demonstration dollars. Congress provided approximately $350 million for PRAC renewals. In addition, the FY15 appropriation included $70 million for service coordinators. The administration's FY16 budget request to Congress seeks $455 million, including $77 million for service coordinators grants, and $10 million for additional housing and services demonstration funds.

FORECAST FOR 2015

There are three main issues confronting the Section 202 program: the restoration of a capital advance program to develop new units; the future of the program given the results of the housing and services demonstration; and the preservation of existing Section 202 units, including the Section 202 PRAC projects.

New Section 202 units. American seniors face a severe housing crisis. The National Alliance to End Homelessness predicts that the elderly homeless population will increase 33 percent by 2020 and more than double by 2050. Three and a half million elders live below the poverty level. A recent study by the HUD found that worst-case needs affected 1.47 million elderly households who were paying more than half of their income for rent. There are still 10 seniors on the waiting list for every Section 202 unit that becomes available, according to AARP. And the population of people aged 65 and over will double by 2030. In the face of this documented and growing demand for affordable housing for elders, federal spending on affordable housing development is essential. We must develop sustainable and replicable models of affordable housing with short-term and long-term supports and services within and/or in partnership with outside providers to meet the growing needs of seniors. These communities can serve as a platform for the successful delivery of home- and community-based services and help to delay elders' entry into nursing homes or other expensive care settings.

Future of the Section 202 program. The administration has proposed "reforming" the Section 202 program in order to better understand the benefits of the housing and services model. The proposed demonstration must establish measurable criteria to shape the future of the program and maximize efficiencies for this program and for the services that compliment aging in place.

In addition, restored funding is needed for the Assisted Living Conversion Program to convert existing 202 housing into either licensed assisted living or service-enriched housing where possible to increase opportunities for frail seniors to remain in housing, and for the emergency capital repair program.

Section 202 preservation. Those currently residing in assisted senior housing are aging in place. Just as the residents age, the buildings themselves are aging and lack the amenities to provide supportive services. Further, the problems of low income seniors facing multi-year housing assistance waiting lists are only exacerbated by the shrinking supply of suitable, affordable housing as some owners sell their properties to new owners who will convert existing units to market-rate housing at the end of the original mortgage term.

Finally, the oldest Section 202 mortgages are nearing the end of their mortgage terms and few properties have project-based rental assistance contracts. Some mortgages have been refinanced and some properties have already been sold out of the inventory. HUD has only released one round of Senior Preservation Rental Assistance awards to some of these properties, but additional funding is needed to make preservation of Section 202 properties easier to accomplish, including providing authority for new project based assistance for the oldest cohort of Section 202 properties that have no rental assistance. Additional tools are needed to help preserve all Section 202 properties and to provide the supportive services that are so necessary for an aging population. Tools that should be enacted or implemented include exit tax relief to remove the disincentives for existing for-profit owners to sell properties to nonprofits and others who would preserve the housing as affordable housing, and new capital and rental assistance programs to encourage the preservation of housing with maturing mortgages as affordable housing in the future.

WHAT TO SAY TO LEGISLATORS

Advocates concerned with senior housing issues should encourage their Members of Congress to take the following actions:

- Support funding for Section 202 capital advance program to increase the number of affordable, supportive units available to low-income seniors across the country.
  - Provide sufficient renewal funding for all expiring PRACs and Section 8 contracts, and support an advance appropriation for PRAC amounts to preserve affordable senior housing and minimize funding disruption.
- Support the Section 202 program as a platform for the delivery of supportive services and increase funding for service coordinators to make sure all building have staff to assist seniors aging in place.
  - Release demonstration funding to assess the housing and services model.
  - Develop a strategy, legislation, and funding to rehab the early Section 202 PRAC properties that need physical upgrades and modernization. ■

FOR MORE INFORMATION

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