Section 202: Supportive Housing for the Elderly

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Administering Agency: HUD's Office of Housing's Office of Housing Assistance and Grant Administration

Year Started: 1959

Number of Persons/Households Served: 400,000 households

Population Targeted: People over the age of 62 with very low incomes (below 50% of area median income). Some pre-1990 Section 202 properties are eligible for occupancy by non-elderly, very low-income persons with disabilities.

Funding: The FY22 spending bill provided $1.033 billion for Section 202. The FY21 bill provided $855 million, including:

- $52 million for new Section 202 homes.
- $125 million for Service Coordinators, including the first new appropriation for grant-funded Service Coordinators in several years.
- $5 million for intergenerational housing as authorized by the "Living Equitably—Grandparents Aiding Children and Youth (LEGACY) Act of 2003."
- $14 million for a two-year extension of HUD's Integrated Wellness in Supportive Housing demonstration.
- Full renewal funding for Section 202 communities' Project Rental Assistance Contracts.

See Also: For related information, refer to the *Services for Residents of Low-Income Housing* section of this guide.

The Section 202 Supportive Housing for the Elderly Program provides funding to nonprofit organizations that develop and operate housing for older adults with very low incomes. In its FY21 HUD appropriations bill, Congress included $52 million in the Section 202 account for the construction and operation of new Section 202 homes. Between FY12 and FY16, Congress did not provide any funding for new Section 202 homes. Funds provided by Congress for the Section 202 account are used primarily to renew underlying rental assistance contracts and existing contracts for on-site service coordinators. In the FY18 HUD funding bill, Congress provided authority for Section 202 communities with Project Rental Assistance Contracts ("202/PRACs") to participate in HUD's Rental Assistance Demonstration to facilitate the preservation of these homes. HUD issued guidelines for this "RAD for PRAC" authority in September 2019.

Key Issues:

- Addressing COVID. Section 202 housing providers continue to assess what a "new normal" of COVID-era affordable senior housing means for residents and funding needs. Resident services, including the critical need for Service Coordinators in every community, for building-wide internet (in common areas and in resident apartments), and for services and programs to address mental health challenges, are of paramount concern. Increased costs, for health and safety protections, rising insurance premiums, and to retain and recruit needed staff, continue and need appropriate federal response. Consistent COVID vaccine and testing access continue to thwart Section 202 communities' ability to meet their needs.
- Expanding the supply of affordable housing. Nationally, more than 2.24 million very low income older adult renter households have worst case housing needs, spending more than half of their incomes for rent, according to HUD's Worst Case Housing Needs: 2021 Report to Congress.

- Service Coordinators. Today, only 45% of HUD Section 202 and Section 8 Project-Based Rental Assistance senior housing communities have a service Coordinator. Every affordable senior housing community needs a Service Coordinator. Research has shown that Service Coordinators lower hospital use, increase higher value health care use (e.g. primary care), have success reaching high-risk populations, and result fewer nursing home transfers.
- Housing + Services. Identifying stable financing for the provision of health and wellness services within federally assisted senior housing is key to residents' ability to age in community.
- Preservation Funding. Annual funding must ensure full funding to meet annual renewal needs of Section 202 rental assistance provided by Project-Rental Assistance Contract (PRAC) and Section 8 Project-Based Rental Assistance (PBRA).
- Preservation Tools. HUD's Rental Assistance Demonstration program should be improved to ensure Section 202 communities with Project Rental Assistance Contracts can successfully convert their operating subsidies without losing resident services or financial soundness.
- Homelessness. Homelessness among older adults is increasing. Better data are needed, as is a coordinated federal effort to prevent and end homelessness among older adults.
- Internet. The majority of HUD Section 202 housing does not have internet throughout the community (in common areas and in apartments). Communities need access to resources for the installation and service fees for internet for older adults living in HUD-assisted senior housing.

HISTORY AND PURPOSE

The Section 202 program was established under the "Housing Act of 1959." Enacted to allow seniors to age in their community by providing assistance with housing and supportive services, the program has gone through various programmatic iterations during its lifetime. Before 1974, Section 202 funds were 3% loans that may or may not have had either Section 8 Project-Based Rental Assistance 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. There are more than 400,000 Section 202 units built since the "Housing Act of 1959."

The 202 program allows seniors to age in place and avoid unnecessary, unwanted, and costly institutionalization. With 38% of existing Section 202 tenants being frail or near-frail, requiring assistance with basic activities of daily living, and thus being at high risk of institutionalization, Section 202 residents have access to community-based services and support to keep living independently and age in place in their community.

According to HUD's *Worst Case Housing Needs: 2021 Report to Congress*, the number of worst case needs among older adults increased by more than 16% between 2017 and 2019. Between 2009 and 2019, worst case housing needs among older adults increased 82%. Meanwhile, across all household types, including older adult households, worst case needs increased between 2009 and 2019 by 9%.

A 2021 report from the Urban Institute, The Future of Headship and Homeownership, looks at the rise in older adult renter households with low incomes. Over the next 20 years, almost all future net household growth will be among older adult households. There will be a 16.1 million net increase in households formed between 2020 and 2040, and 13.8 million of these households will be headed by someone older than 65, reflecting the nation's aging population. Of the 13.8 million new older adult households, 40%

(5.5 million) will be renter households. Of these, the Urban Institute projects, 1.3 million will be new Black older adult renter households. This will double the number of the nation's Black older adult renter households, from 1.3 million in 2020 to 2.6 million in 2040.

The need for affordable housing is also demonstrated by the rise in homelessness among older adults. According to HUD's *2017 Annual Homeless Assessment Report (AHAR): Part 2*, the share of people experiencing homelessness who are older adults almost doubled, from 4.1% to 8%, between 2007 and 2017. The Joint Center for Housing Studies of Harvard University's Housing America's Older Adults 2019 reports that 5 million older adult households aged 65 and over are severely cost burdened, spending more than half of their incomes on housing.

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 incomes less than 50% of the area median income (AMI) 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. In 2021, the average annual household income of a Section 202 household was $14,272.

Today, 17% of Section 202 residents are 80+ and, 49% of Section 202 households are non-white, two characteristics that make Section 202 residents at greater risk from COVID-19. Further, HUD said several years ago that 38% of Section 202 residents are frail or near-frail, a figure that has likely only increased as people age in their homes longer.

In the Section 202 program, the capital advance covers expenses related to housing construction and Project Rental Assistance Contract provides the ongoing operating assistance to bridge the gap between what residents can afford to pay for rent (about 30% of their adjusted household incomes) and what it costs to operate high quality housing. Both the capital and operating funding streams are allocated to nonprofits on a competitive basis, through a HUD Notice of Funding Availability (NOFA).

As noted in the programs name, HUD's Section 202 program is also "supportive" housing in that it aims to help people age in community. Service Coordinators play a key role in this. The Centers for Disease Control included HUD's Section 202 Supportive Housing for the Elderly program in its Pharmacy Partnership for Long Term Care COVID-19 vaccination clinics roll-out in December 2020. Along with nursing homes and assisted living, the CDC understood that Section 202 residents must also be included in the Pharmacy Partnership for Long Term Care's first line of COVID-19 vaccination clinics. In doing so, they understood that most HUD Section 202 residents would be in assisted living if they could afford it and, because of the lack of affordable assisted living, some Section 202 residents would be in a nursing home but for the Section 202 program. In short, the Section 202 program meets national and state goals of allowing people to live in the least restrictive setting possible.

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 are often augmented by the HOME program and 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.

After several years of no new NOFA, HUD issued a $51 million NOFA for new Section 202 homes in 2019, which resulted in 18 awards to nonprofits in 2020 for the construction of 575 Section 202/PRAC homes. A NOFA was issued in January 2021 for an additional $151 million for new Section 202 homes; by January 2022, HUD had awarded $158 million in this round of funding for new Section 202 homes developed in 34 communities.

Given the current and growing need for affordable senior housing, Congress must greatly expand its commitment to senior housing.

Operating Funding

The second program component provides rental assistance in the form of PRACs or PBRA to subsidize the operating expenses of these developments. Residents pay rent equal to 30% of their adjusted income, and the PBRA or PRAC makes up the difference between this tenant rental income and operating expenses. Of the country's 6,957 Section 202 communities, 4,074 receive their operating subsidy from PBRA and 2,993 receive their operating subsidy from PRAC.

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

1. A Service Coordinators grant program to fund staff in Section 202 buildings to help residents to age in place. According to the Government Accountability Office, about half of Section 202 properties have a Service Coordinator funded as part of their Section 202 annual operating budgets ("budget-based Service Coordinators") or through HUD grants ("grant-funded Service Coordinators"). Service Coordinators assess residents' needs, identify and link residents to services, and monitor the delivery of services.
2. The Supportive Services Demonstration/ Integrated Wellness in Supportive Housing demonstration in HUD-assisted multifamily housing, a $15 million demonstration at 40 Section 202 communities to help their low-income senior tenants to age in their own homes and delay or avoid the need for nursing home care. In 2020, Congress extended this demonstration for two years until September 2022.

FUNDING

The FY22 spending bill provided $1.033 billion for Section 202. In FY21, Congress appropriated $855 million for Section 202, providing $52 million for new construction. This amount also funds the renewal of grant-funded Service Coordinators and provided $5 million for a revived intergenerational housing program. This intergenerational housing program, authorized in 2003, resulted in awards for two properties in 2008.

The House-passed "Build Back Better Act" included $500 million for about 7,000 new Section 202 homes.

FORECAST FOR 2022

The Biden Administration has made clear its intention to support expansion of affordable housing, including affordable senior housing. Any future reconciliation act must include significant resources to expand the supply of affordable senior housing.

With the 2021 launch of the HUD/HHS Housing and Services Resource Center, the Administration will work to break down silos to connect HUD-assisted residents with the services they need to age in community, and HUD and HHS will coordinate to improve access to affordable, accessible housing and the critical services that make community living possible.

HUD will continue its work to distribute COVID Supplemental Payments from the March 2020 "CAREs Act" to reimburse multifamily communities for COVID-related expenses.

Connecting historic broadband resources from the "Infrastructure Investment and Jobs Act of 2021" to affordable senior housing communities will also be a key issue for 2022 and will ensure residents take advantage of that act's new Affordable Connectivity Program.

New Section 202 Units

Advocates asked Congress for at least $600 million in new Section 202 capital advance and operating funds. This amount is in line with historic funding of this critical program prior to the program being zeroed out after FY11.

RAD for PRAC

After Congress's authorization in 2018 to expand HUD's Rental Assistance Demonstration for Section 202 communities with Project Rental Assistance Contracts (dubbed "RAD for PRAC"), HUD officially issued implementing guidance in September 2019 and the first RAD for PRAC deal closed in August 2020. There are 125,000 apartment homes within HUD's 202/PRAC portfolio. Section 202/PRAC owners continue to assess their capital needs and whether RAD for PRAC makes sense for them as a preservation tool. Unlike Section 8-funded communities, PRAC communities cannot take on debt. This left many aging 202/PRACs financially unprepared to preserve themselves for future households and paved the way for RAD for PRAC authorization. Getting the right rent levels upon conversion, ensuring service coordination is robust, and retaining nonprofit ownership over the long haul are critical components of RAD for PRAC.

WHAT TO SAY TO LEGISLATORS

Advocates concerned with senior housing issues should ask their Members of Congress for the following:

- At least $600M for approximately 6,200 new Section 202 Supportive Housing for the Elderly homes.
- Funding for new three-year Service Coordinator grants and to increase funding budget-based Service Coordinators.
- Full renewal funding for rental assistance contract renewals (Project-Based Rental Assistance and Project Rental Assistance Contracts) and Service Coordinator grant renewals.
- Improvements to support successful RAD for PRAC conversions.

FOR MORE INFORMATION

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