# 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:** $1.033 billion in FY22, including:

- Full renewal funding for Section 202 communities' Project Rental Assistance Contracts.
- $199 million for new Section 202 homes.
- $125 million for Service Coordinators, including some funding for grant-funded Service Coordinators in several years (the amount to be determined after all Service Coordinator grants are renewed).
- $10 million for intergenerational housing as authorized by the "Living Equitably—Grandparents Aiding Children and Youth (LEGACY) Act" of 2003.
- $6 million to increase Project Rental Assistance Contract rents before conversion to the Section 8 platform via HUD's Rental Assistance Demonstration Program.

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 FY22 HUD appropriations bill, Congress included $199 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 new 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 and Congress provided the first funding ($6 million) to help ensure the success of these RAD for PRAC conversions in its FY22 HUD funding bill.

**Key Issues:**

- Expansion. Expanding the supply of Section 202 homes is critical to meet the severe nationwide shortage of affordable senior housing. After no funding for new Section 202 homes for several years, revived congressional funding for new Section 202 homes remains drastically below historic annual funding levels. The waiting lists for Section 202 communities are often two to five or more years long. 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, a 68% increase between 2009 and 2019, according to HUD's Worst Case Housing Needs: 2021 Report to Congress. Meanwhile, homelessness among older adults is rising faster than the nation is aging.
- Preservation. Preserving the existing supply of Section 202 homes must remain at the forefront of our efforts. Annual appropriations must ensure full funding to meet ever-rising renewal needs of Section 202 rental

assistance, which is provided by the Project-Rental Assistance Contract (PRAC) and Section 8 Project-Based Rental Assistance (PBRA) Programs. Smart preservation includes full funding realistic operating subsidies for owners to operate the high-quality housing connected to services and supports that all expect from the Section 202 program. Congress' recent improvements to HUD's Rental Assistance Demonstration Program to ensure Section 202 communities with Project Rental Assistance Contracts can successfully convert their operating subsidies without losing resident services or financial soundness should continue.

- Accessibility. Housing accessibility barriers are highest for older households, for renter households, for low-income households, and for households of color than for other households. While single-floor living and zero-step entry are common in HUD multifamily housing, retrofitting existing buildings with age-friendly features will ensure aging older adults can continue to live in the community. Between now and 2038, the number of households age 80+ will double.
- Service Coordinators. Only approximately 45% of HUD multifamily senior communities have a Service Coordinator. Every affordable senior housing community should have at least one Service Coordinator. Research has found 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
- Internet. Resources to install building-wide internet in Section 202 communities are needed. The broadband funds in the "Infrastructure Investment and Jobs Act" and resources within the "Inflation Reduction Act"'s Green and Resilient Retrofit Program could help bring internet installation, and service, to Section 202 communities but HUD must continue to intentionally pursue avenues to wire all of its affordable communities.
- Green and Resilient Retrofit Program. HUD's new Green and Resilient Retrofit Program, which will provide $1 billion for HUD multifamily housing, will greatly benefit Section 202 communities. Section 202 stakeholders hope to emphasize energy and water efficiencies throughout the senior housing portfolio to improve climate outcomes and better leverage HUD funding, and to increase equity in climate resilience while improving the federal approach to disaster preparedness and response.
- Homelessness. Homelessness among older adults is on the steep rise. Congress and HUD must improve the data on homelessness among older adults as well as the resources and efforts to prevent and end all homelessness, including addressing the unique needs of older adults experiencing homelessness. Continuums of Care, Area Agencies on Aging, and housing partners like Section 202 providers must work more closely with each other to identify and carry out solutions.
- 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, continue to be of great concern.

## 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 aiding 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. Around 75% of Section 202 residents are dually enrolled in Medicare and Medicaid. In one forthcoming study, 88% of residents have two or more chronic or potentially disabling conditions, 60% have five or more, and 21% have 10 or more. With Service Coordinators and other staff connecting residents to voluntary health and wellness supports, Section 202 residents have access to community-based services to live independently and age in 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 68%. 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.

Section 202 residents 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. Many pre-1990 Section 202 communities 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, 16% of Section 202 residents are 85+ 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 Opportunity (NOFO).

As noted in the program's name, HUD's Section 202 program is "supportive" housing in that it aims to help residents age in community (it is not a kind of "permanent supportive housing," which is its own very specific housing model). 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 and the White House and HUD set up a free online ordering portal for test kits to Section 202 communities in the winter of 2022 - 2023. During the very first COVID vaccine clinic roll-out, 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. More than 3,500 Section 202 communities had at least two vaccine clinics in very early 2021 as a result. 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 affordable housing for older adults with very low incomes. These funds are often augmented by the HOME Program, national Housing Trust Fund, FHLB Affordable Housing Program, and/or 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 NOFO, 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. The third award in recent years, issued in September 2022, will provide up to $174.6 million for new Section 202 homes to another round of awardees.

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

### Operating Funding

The second component of a Section 202 provides rental assistance in the form of PRACs to subsidize the operating expenses of these developments. The operating subsidy can also pay for supportive services and for a Service Coordinator. Residents pay rent equal to 30% of their adjusted income, and the operating subsidy (PRAC) makes up the difference between this tenant rental income and operating expenses. Prior to 1990, most Section 202s received their operating subsidy from the Section 8 Project-Based Rental Assistance (PBRA) program. Since 1990, Section 202 operating subsidy is in the form of PRACs. 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. An ongoing supportive services demonstration, the "Integrated Wellness in Supportive Housing" demonstration in HUD-assisted multifamily housing. In the IWISH demonstration, in place from 2018 – 2021 and then extended for 2022 - 2023, 40 Section 202 communities can hire a part-time wellness nurse, in addition to an enhanced service coordinator, to help residents age in their own homes and delay or avoid the need for nursing home care.

## FUNDING

In FY22, Congress appropriated $1.033 billion million for the Section 202 program, providing $199 million for new construction. This amount also funds the renewal of grant-funded Service Coordinators and provided $10 million for intergenerational housing program. This intergenerational housing program, authorized in 2003, resulted in awards for two properties in 2008. The Section 202 NOFO issued by HUD in September 2022 includes $15 million for intergenerational housing.

## FORECAST FOR 2023

Absent significant expansion of affordable housing, housing cost burdens and homelessness among older adults will continue to increase. In addition to affordable homes, many older adults need accessible homes, without which many older adults are "stuck in place" rather than "aging in place."

In 2023, there should be a greater emphasis on using affordable housing as a platform to offer voluntary health and wellness supports to older adults. Expected pressure to invest in cost-saving programs could see the Section 202 program's ability to help older adults with very low incomes avoid or delay much more costly nursing home care could result in greater Section 202 investments.

Internet. 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 2023, as will ensuring residents take advantage of the act's Affordable Connectivity Program.

### New Section 202 Units

Advocates are asking Congress for at least $600 million in new Section 202 capital advance and operating funds, and urging Congress authorize HUD to provide PBRA or PRAC as the operating subsidy for new Section 202 awards. In addition, in 2023, advocates will seek expanded ongoing budget adjustment opportunities for Section 202/PRAC properties.

### RAD for PRAC

In 2023, advocates will seek expanded support for RAD for PRAC conversions. To help preserve 202/PRACs, Congress expanded HUD's Rental Assistance Demonstration to include for Section 202 communities with Project Rental Assistance Contracts (dubbed "RAD for PRAC") in 2018; 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. 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. To help ensure that RAD rents are high enough upon conversion, Congress provided $6 million in FY22 for PRAC rents prior to conversion. In FY23, HUD says the need will be $10 million.

## WHAT TO SAY TO LEGISLATORS

Advocates concerned with HUD's flagship senior housing program, the Section 202 Supportive Housing for the Elderly Program, should encourage their Members of Congress to take the following actions:

EXPAND ACCESS TO AFFORDABLE SENIOR HOUSING.

- Provide $600 million for new capital advances and operating assistance, including service coordination, for approximately 6,200 new Section 202 Supportive Housing for the Elderly homes nationwide, including in rural areas.
- Allow capital advances for new Section 202 properties to be paired with project-based Section 8 operating subsidy.
- Provide $50 million for about 5,000 new Older Adult Special Purpose Vouchers, at least 50% of which could be project-based. Preserve and improve HUD-assisted housing.
- Provide full funding for Section 8 Project-Based Rental Assistance (PBRA) and Project Rental Assistance Contract (PRAC) renewals, including funding that reflects increased costs for insurance, staffing, utilities, service coordination, and internet connectivity.
- Expand ongoing budget adjustment options for Section 202/PRAC properties, including by implementing market-driven adjustments option such as Operating Cost Adjustment Factors (OCAFs).

ENSURE RAD FOR PRAC SUCCESS.

- Allow converted RAD for PRACs to access a Rent Comparability Study (RCS) every five years, in addition to annual OCAFs, and adjust initial rent-setting to improve financial viability of the converted property.
- Provide $10 million for RAD for PRAC conversion subsidy to ensure the successful and long-term preservation of 202/PRAC homes.

CONNECT HUD-ASSISTED RESIDENTS TO THE SERVICES AND SUPPORTS THEY NEED TO AGE IN THE COMMUNITY.

- Provide $125 million for the renewal of existing service coordinator grants.
- Provide $100 million for 400 new, three-year service coordinator grants and expand eligibility to 202/PRAC communities.
- Provide a $31 million increase for new, budget-based service coordinators.
- Further improve the FCC's Affordable Connectivity Program to allow for whole-building eligibility and enrollment for HUD-assisted communities.
- Expand resources to install building-wide internet in HUD-assisted communities.

## FOR MORE INFORMATION

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