Section 202: Supportive Housing for the Elderly

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Administering agency: HUD: Office of Housing's Office of Housing Assistance and Grant Administration **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). Some pre-1990 Section 202 properties are eligible for occupancy by non-elderly, very low income persons with disabilities.

FY17 funding: $502 million, including $77 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. In its FY17 HUD appropriations bill, Congress included $10 million in the 202 account for, at HUD's discretion, either new construction or preservation of pre-1974 202 communities. Before the DY17 bill, Congress had not provided new resources for new Section 202 construction since FY12. 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.

KEY ISSUES:

- New construction and rental assistance need to address the insufficient supply of affordable housing for very low income seniors.
- Ensuring full funding to meet annual renewal needs of Section 202 rental assistance, provided by PRAC and Section 8 Project-Based Rental Assistance.
- Necessary expansion of the Rental Assistance Demonstration program to include Project Rental Assistance Contracts.

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. Prior to 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 serving very low income seniors.

The 202 program allows seniors to age in place and avoid unnecessary, unwanted, and much more 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 *2017 Worst Case Housing Needs Report*, only 34% of income-eligible seniors receive the rental assistance they qualify for today. The Joint Center projects that the number of over-65 households will grow from 29.6 million 2015 to 49.6 million in 2035. With each passing day, senior households are older, most likely single renters, who are likely to have disabilities related to mobility and self-care, and who usually have lower incomes than ever before.

HUD's 2017 *Worst Case Housing Needs* report to Congress noted that older adult households made up 66% of the overall 382,000 household increase of worst case housing needs households identified in the report between 2013–2015.

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 (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. The average age of a Section 202 resident is 79, and nearly 39% of residents are over the age of 80. In 2017, the average annual household income for Section 202 households was $13,300.

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 except for a $10 million appropriation in FY17 that HUD may choose to use for new construction or preservation.

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 (LIHTC) debt and equity to either build additional units or supplement the capital advance as gap financing in so-called mixed-finance transactions.

Given the current and growing need for affordable senior housing, Congress must renew its commitment to senior housing. A new program, which merges the benefits of the Section 202 program with modern flexibilities, is needed. The Service-Enriched Affordable Living (SEAL) program is such a program. It would be administered by the Department of Housing and Urban Development. SEAL would provide a leveraging source of construction resources to nonprofit sponsors for the development of housing affordable to very low income seniors. In addition to providing a share of capital funding, SEAL funds would include project-based rental assistance and enriched services financing.

Operating funding. The second program component provides rental assistance in the form of Project Rental Assistance Contracts (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 complementary 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. According to the Government Accountability Office, about half of Section 202 properties have a Service Coordinator funded as part of the Section 202 appropriation or through HUD grants. 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. Supportive Services Demonstration for Elderly Households 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.
3. Senior Preservation Rental Assistance Contract (SPRAC), 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 FY17, Congress appropriated $502 million for Section 202, again providing no new funding for new construction. Congress did provide funding for PRAC renewals and $77 million for service coordinators. In addition, Congress included the estimated $16 million SPRAC renewals in the Section 202 account. For FY18, Congress must fund the overall 202 account at at least $573 million. This is the amount needed to renew current PRACs and Service Coordinators.

FORECAST FOR 2018

The Trump Administration's FY18 budget request to Congress seeks $510 million total for the Section 202 account, at least $63 million less than what is needed to renew rental assistance and Service Coordinators in FY18. To make up for the insufficient funding request, HUD has also proposed, for FY18, raising rents on all 202 residents, instituting minimum rents for 202/PRC residents, raising minimum rents for 202/8 residents, and freezing rents to private owners. The Administration also proposed making Section 202 PRAC properties eligible for the RAD.

Given the Budget Control Act's caps on discretionary spending, and the threat particularly to nondefense discretionary housing in FY18 and beyond, securing resources and policies to preserve existing affordable housing will be a focus of affordable senior housing advocacy.

New Section 202 units. The Trump Administration, the Senate, and the House, have yet to provide resources for new Section 202 construction in their to-be-completed FY18 HUD bill. Advocates will need to focus on new construction efforts for FY18 and beyond.

Section 202 Preservation / RAD for PRAC. Enact RAD for PRAC expansion. Between 1990 and 2012, Congress funded the creation of approximately 2,800 properties serving over 120,000 households headed by low-income seniors. Most of those properties are still operated by the nonprofit owners that built them, but as the seniors inside have aged and become more frail, the buildings themselves have become older and in need of repairs and upgrades to meet the changing needs of their residents. These apartments, created by HUD's Section 202 program for low-income seniors and funded by PRACs currently have no mechanism that allows them to bring in new capital to make needed repairs and improvements.

Congress must to address this problem by making PRAC properties eligible for HUD's RAD program, which is currently providing for the recapitalization of thousands of public housing and privately-owned, HUD-assisted properties at no additional cost to the government. The FY18 HUD appropriations package approved by the Senate Appropriations Committee included a provision to allow PRAC properties to participate in RAD, and also includes $4 million to allow some properties to increase their rents to market levels in order to allow them to leverage new debt for repairs and improvements. The House Committee on Appropriations-passed FY17 HUD bill also includes RAD for PRAC conversion authority. Although the RAD program will not address the preservation needs of all of HUD's housing for seniors, this is an important start that we strongly support.

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 program, including full funding for PRAC renewals.
- Authorize the expansion of RAD to include PRAC.
- Provide $91 million for the Section 202 Service Coordinator program to fund all existing grant renewals and provide new grants to Section 202 properties.
- Support funding for a new HUD construction leveraging program for low income seniors, the SEAL program.
- Support the Section 202 program as a platform for the delivery of supportive services and make sure all buildings have the necessary staff to assist seniors aging in place.
- Provide sufficient renewal funding for all Project-Based Section 8 contracts, including the Section 202/8 properties.

FOR MORE INFORMATION

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