

# 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:** \$793 million in FY20, including \$90 million for new Section 202 homes, and \$100 million to renew existing service coordinator grants.

**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 seniors with very low incomes. In its FY20 HUD appropriations bill, Congress included \$90 million in the 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:

- New construction and rental assistance need to address the insufficient supply of affordable housing for very low-income seniors.
- Service Coordinators, in only half of Section 202 communities, should be in all affordable housing communities serving older adults.
- Ensuring full funding to meet annual renewal needs of Section 202 rental assistance provided by PRAC and Section 8 Project-Based Rental Assistance.
- Successful implementation of the expansion of the Rental Assistance Demonstration for Section 202 communities with Project Rental Assistance Contracts.
- Extension of HUD's three-year Integrated Wellness in Supportive Housing demonstration at 40 Section 202 communities, which will otherwise sunset in September 2020.
- Increasing homelessness among older adults.

## 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 built since the “Housing Act of 1959” serving very low-income seniors.

The 202 program allows seniors to age in place and avoid unnecessary, unwanted, and much costlier 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 in 2015 to 49.6 million in 2035. With each passing day, senior households grow older, become more likely to be single renters, are increasingly likely to have disabilities related to mobility and self-care, and often have lower incomes than ever before.

HUD’s 2017 *Worst Case Housing Needs* report to Congress also 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 and 2015.

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 2018, the average annual household income for Section 202 households was \$12,589.

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).

### 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 greatly expand its commitment to senior housing.

### 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 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 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. 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.
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 FY20, Congress appropriated \$793 million for Section 202, providing \$90 million for new construction. This amount also funded the renewal of Service Coordinators and Project Rental Assistance Contracts. In FY19 and FY20, Congress provided \$10 million each year for a new home modification program to help older adults age in place. HUD is working to establish this new program, which Congress has stipulated can only assist older adult homeowners despite the fact that more than 20% of older adults are renters.

## FORECAST FOR 2020

Congress is once again likely to ignore the deep funding cuts and damaging programmatic changes to HUD's rental assistance programs that the Trump administration will request for FY21. Fiscal year 2021 will be the last year of the ten-year-old "Budget Control Act" spending caps. While this is good news, the budget agreement from the summer of 2019 provides barely an increase for overall nondefense discretionary spending for FY21 compared to FY20.

### New Section 202 Units

Advocates are asking Congress for at least \$600 million in new Section 202 construction/operating funds. This amount is in line with historic funding of this critical program prior to the program being zeroed out after FY11. Advocates will also work to address the capital repair needs of Section 202 homes with new funding for capital repair grants within the Section 202 account.

### Support Services Coordination in Housing for Older Adults

In the FY20 HUD funding bill, Congress provided \$500,000 for HUD to collaborate with the Centers for Medicare and Medicaid Services on how Medicare and Medicaid funds can be used to support programs that use affordable senior housing as a platform for coordinating health, wellness, and supportive services and programs to help older adults remain healthy, age in their community, and reduce their use of costly health care services. Advocates will also work to identify financing for prevention and wellness services in HUD-assisted housing.

Advocates will push to continue funding for all existing Service Coordinators and expand Service Coordinator funding to all federally-assisted communities.

Advocates will also urge extension of the three-year Integrated Wellness in Supportive Housing (IWISH) demonstration. The IWISH demonstration, which is testing how HUD-assisted older adults can be supported to live safely and independently in their homes and

communities, is set to sunset on September 30, 2020. The demonstration is built on research on housing-based service models and best practices from service coordination in HUD-assisted housing. Congress should extend this demonstration for two years. Programming that has been ramped up to full capacity is at risk of winding down equally as rapidly as hired staff and partnerships must look for new opportunities. Given the significant investment in the demonstration and the unanimous research pointing to the demonstration's ultimate success, the IWISH demonstration should be extended from its current sunset of September 30, 2020 to September 30, 2022.

### **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. There are 125,000 apartment homes within HUD's 202/PRAC portfolio. These owners are assessing 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. 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 encourage their members of Congress to take the following actions:

- Support at least \$600 million for new Section 202 homes.
- Support funding for all Section 202 renewals; two-thirds of Section 202 communities receives Section 8 project-Based Rental Assistance as their operating subsidy, the other third receives Project Rental Assistance

Contracts as their operating subsidy. Each must be fully funded and administered in a manner that does not disrupt communities and residents.

- Provide sufficient funding for the Section 202 Service Coordinator program to fund all existing grant renewals.
- Expand funding (budget-based and grants), so all HUD-assisted platforms can have Service Coordinators.
- Congress, HUD, and HHS must identify financing for prevention and wellness services in HUD-assisted housing.
- Congress should extend the IWISH demonstration for two years.

### **FOR MORE INFORMATION**

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