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: $855 million in FY21, 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 seniors with very low incomes. In its FY21 HUD appropriations bill, Congress included $52 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:

- COVID-19 has had widespread impact on the residents of HUD Section 202 communities. Death resulting from COVID-19 is 7900x more likely for someone 85 and 1100x more likely for someone 65 - 74 compared to someone younger than 18, according to the CDC.
- Expanding the supply of affordable housing. Nationally, more than 1.7 million extremely low income (ELI) renter households with an older adult are severely cost-burdened, spending more than half of their income on rent and utilities, according to a 2021 report from Justice in Aging and NLIHC.
- 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 Project-Rental Assistance Contract (PRAC) and Section 8 Project-Based Rental Assistance (PBRA).
- Successful implementation of the expansion of the Rental Assistance Demonstration for Section 202 communities with Project Rental Assistance Contracts.

- Addressing increasing homelessness among older adults.
- Providing resources for the installation and service fees for internet for older adults living in HUD-assisted senior housing.
- Identifying stable financing for the provision of health and wellness services within federally-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. 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.

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 *2019 Worst Case Housing Needs Report*, on the basis of household composition, only among elderly householders did worst case needs increase during 2015 to 2017. For older adults, the number of worst case needs increased by more than 4% between 2015 and 2017.

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 2020, the average annual household income for Section

202 households was $14,109.

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 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.

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

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.

FORECAST FOR 2021

The Biden Administration has made clear its intention to support expansion of affordable housing, including affordable senior housing. Between annual appropriations and the possibility of an infrastructure bill investing in new Section 202 housing, there will be a big push to expand the supply to address the severe shortage of affordable housing. COVID-19 will overshadow all affordable senior housing work in 2021. In a January 2021 survey of LeadingAge members, 75% of providers said they were aware of COVID-19 cases in their communities and 63%

said they were experiencing financial strain from COVID-19. Besides a focus on expanding supply, the impact of COVID-19, the other over-arching issue is connecting Section 202 communities to stable service and wellness funding.

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.

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.

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 encourage their Members of Congress to take the following actions:

- $600M for new approximately 6,700 new Section 202 Housing for the Elderly homes.
- $100 million for 400 new three-year Service Coordinator grants.
- $100 million for the installation and service fees for building-wide internet in 3,300 senior housing communities. It is time to treat internet access as a basic utility.
- Full renewal funding for rental assistance contract renewals (Project-Based Rental Assistance and Project Rental Assistance Contracts) and Service Coordinator grant renewals.
- Work with HHS and CMS to identify financing for prevention and wellness services in HUD-assisted housing.
- Support for $2.5 billion for new Section 202 housing in any infrastructure package.

FOR MORE INFORMATION

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