

SECTION 202: SUPPORTIVE HOUSING FOR THE ELDERLY PROGRAM

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The Section 202 Housing for the Elderly Program provides funding to nonprofit organizations to develop and operate housing for older adults with very low incomes.

Issue Summary

Congressional funding levels for Section 202, HUD's flagship senior housing program, are drastically misaligned with the needs of American communities. After congressional funding for new Section 202 homes rebounded briefly from 2017-2024—albeit still hundreds of millions of dollars below historic annual funding levels and out of step with the growing need—federal funding was zeroed out for new deeply affordable, service-enriched homes for older adults beginning in fiscal year (FY) 2025.

Expanding the supply of Section 202 homes is critical to meet the severe nationwide shortage of affordable senior housing. Older adult homelessness is now the fastest-growing type of homelessness nationwide, reflecting the confluence of a housing and healthcare crisis for older adults. Nearly 10,000 more people aged 65 and older experienced sheltered homelessness in just two years.

The federal housing programs designed to serve older adults as they age in community are proven solutions to our housing crisis, but they need to be scaled. The waiting lists for Section 202 communities are often two to seven or more years long. Nationally, more than 2.35 million very low-income older adult renter households have worst case housing needs. Between 2009 and 2019, worst case housing needs increased 69% among older adults, according to HUD's *Worst Case Housing Needs: 2023 Report to Congress*. Households with worst case housing needs are renters with incomes below 50% of area median income who spend more than half

of their income on rent. Meanwhile, HUD released 2021 data in August 2023, showing “the number of elderly people with chronic patterns of homelessness increased by an alarming 73%” between 2019 and 2021.

Preserving the existing supply of Section 202 homes must remain at the forefront of housing advocacy 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 reflecting realistic operating subsidies for high-quality housing, including rising insurance and staff costs and non-shelter services to help residents age in community. Preservation also requires adequate funding and processes for the Rental Assistance Demonstration (RAD) for 202 PRAC conversions to be successful.

Both RAD for PRAC and HUD's Green and Resilient Retrofit Program (GRRP) are valuable preservation programs for aging properties with high recapitalization needs, especially in climate-vulnerable areas. Section 202 stakeholders hope to emphasize energy and water efficiencies throughout the senior housing portfolio to improve efficient leveraging of HUD funding and to increase equity in climate resilience while improving the federal approach to disaster preparedness and response.

Currently, only approximately 45% of HUD multifamily senior communities have a Service Coordinator. Service Coordinators are low-cost interventions that support older adults in independent living settings by connecting them to resources in the community. 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 in fewer nursing home transfers. Every affordable senior housing community should have a Service Coordination program, as well as additional supportive

services funding and other co-location of services to support aging in community and avoid premature transfers to higher levels of care.

Because homelessness among older adults is on a steep rise, Congress and HUD must improve data on homelessness and evictions among older adults and recommit to a Housing First approach. “Housing First” centers Permanent Supportive Housing (PSH) and similar resources 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, including Low-Income Housing Tax Credit (LIHTC) and Section 202 housing providers, must work closely with each other to identify and carry out solutions.

Housing accessibility barriers are higher for older households, for renter households, for low-income households, and for households of color than for other households. Between now and 2038, the number of households age 80+ will double, and together, we can advocate for a future-proofed housing stock to meet our needs. While single-floor living and zero-step entry are common in HUD-assisted multifamily housing, retrofitting existing buildings—both federally-assisted and unassisted—with additional age-friendly features and implementing universal design concepts from the new development stage will ensure aging older adults can continue to live in their communities. HUD’s Older Adult Home Modification Program, administered by the Office of Lead Hazard Control and Healthy Homes, is an important program that deserves broad expansion for both owner-occupied and renter housing serving older adults.

As the digital divide continues to grow, resources to install and operate building-wide internet in Section 202 communities will support both efficient building operations and improved resident outcomes. Similarly, HUD systems and operations—including PRAC administration and new rules implemented under the Housing Opportunity Through Modernization Act (HOTMA) of 2026—need to be modernized to improve these vital affordable senior housing programs at scale.

History and Purpose

The Section 202 program was established under the “Housing Act of 1959.” Enacted to allow older adults to age in community by funding affordable housing connected to supportive services, the program has gone through several 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. More than 400,000 Section 202 units have been built since the Housing Act of 1959. Around 75% of Section 202 residents are dually enrolled in Medicare and Medicaid. In one 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 support, Section 202 residents access community-based services to live independently and age in community. 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.

Program Summary

The Section 202 Housing for the Elderly program provides funds to nonprofit organizations, known as owners or 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 limitations or may serve other targeted disabilities. In 2023, the average annual household income of a Section 202 household was \$16,262. Today, 16% of Section 202 residents are 85+ and, 50% of Section 202 households are non-white, two characteristics that place Section 202 residents at greater risk of having chronic health conditions. In the Section 202 program, the Capital Advance covers some expenses related to housing construction, and the 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).

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 augmented by the HOME Program, national Housing Trust Fund, FHLB Affordable Housing Program, and/or Low Income Housing Tax Credit, and/or other sources to either build additional units or supplement the Capital Advance as gap financing in mixed finance transactions. Given the current and growing need for affordable senior housing, Congress must greatly expand its commitment to senior housing development.

OPERATING FUNDING

The second component of the post-1990 Section 202 program provides rental assistance in the form of PRACs to subsidize the operating expenses of these developments. The operating subsidy can also pay up to \$15 per unit per month for supportive services and additional funding for a Service Coordinator, if approved by HUD. 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. Before 1990, most Section 202s received their operating subsidy from the Section 8 Project-Based Rental Assistance (PBRA) program. Since 1990, Section 202 operating subsidy has been received in the form of PRACs. In 2023, with support from stakeholders, HUD established a process to shift all Section 202 PRAC properties into contracts with 5-year terms, with annual rent adjustments possible, phased in over three years. In addition, limits within the PRAC format related to debt service have limited Section 202 properties in their ability to leverage private financing to cover the cost of capital repairs; because of this limitation, Section 202 PRACs have begun converting to PBRA through the Rental Assistance Demonstration, which carries tenant protections and continued affordability restrictions, but allows properties to access capital for major property upgrades. Of the country's roughly 7,000 Section 202 communities, just under two-thirds receive their operating subsidy from PBRA, with the rest receiving their operating subsidy from PRACs.

SERVICE COORDINATORS

The third key component of Section 202 communities is a Service Coordinator. Almost half of Section 202 properties have a Service Coordinator funded as part of their Section 202 annual operating budgets ("budget-driven 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. In 2023, HUD issued guidelines to clarify how Section 202/PRAC communities can receive up to \$15 per unit per month for supportive services, in addition to Service Coordination funding. Section 202 PRACs

that convert to the Section 8 platform under the Rental Assistance Demonstration are eligible for up to \$27 per unit per month in accordance with an approved supportive services plan.

Congress should expand Service Coordinator funding and support resources to install building-wide internet in HUD-assisted communities.

Forecast for 2026

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 community.” In 2026, the emphasis should be on expanding service-enriched housing supply, including by pairing LIHTC-financed development with Section 202 operating subsidy and age restrictions. Affordable senior housing should also be highly service-enriched, both through HUD funding and other financing options, like Medicaid tenancy sustaining services and health plan-funded services, to support independent aging and delay much more costly nursing home care.

What to Say to Legislators

Advocates should encourage their members of Congress to expand access to affordable senior housing through new capital advances and operating assistance, including service coordination, for new Section 202 Supportive Housing for the Elderly homes nationwide, and the capital advances for new Section 202 properties should cover more of the development cost so as to reduce the need for complex and costly leveraging of other funding sources. The capital advances should also be immediately paired with project-based Section 8 operating subsidy instead of PRAC funds, which are limited in making capital upgrades. In addition to production investment, Congress should support preservation efforts for climate-resilient and energy efficient upgrades to position affordable housing for the long-term. Lawmakers should also provide funding for new Older Adult Special Purpose Vouchers and 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. Lastly,