

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 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.

Funding: \$678 million in FY19, including \$51
million for new Section 202 homes, and \$90
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 have developed and operate housing for seniors with very low incomes. In its FY18 HUD appropriations bill, Congress included \$105 million in the 202 account for the construction and operation of new Section 202 homes. This is in addition to the \$5 million from FY17 for new Section 202 homes. Before the FY17 bill, Congress had not provided new resources for new Section 202 construction since FY11. 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 also 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.

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.
- Implementation of the 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, 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 2018* reports that 4.9 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 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).

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 FY18, Congress appropriated \$678 million for Section 202, providing \$105 million for new construction. This amount also funded the renewal of Service Coordinators and Project Rental Assistance Contracts. For FY19, these PRAC renewal funding needs spike and Congress must provide a larger appropriation solely for these renewals.

FORECAST FOR 2019

The Trump Administration has asked his agencies to issue budget request for FY20 to request even less than was requested by the Administration in FY19. However, Congress is likely to continue to reject any request for deep cuts. While the Trump Administration may ask again for rent reform, which would increase rents for residents, including all older adult households, and freezing rents for private

owners. Congress will likely reject such a request.

Given the “Budget Control Act” caps on discretionary spending, and the threat to nondefense discretionary housing in FY20 and FY21, securing resources and policies to preserve existing affordable housing will be a focus of affordable senior housing advocacy. While Congress raised these spending caps for FY19, they must be raised again for FY20.

New Section 202 Units

The Section 202 program has been revived, with a total of \$110 million from Congress for new Section 202 homes from the FY17 and FY18 funding bills. Because the need is so great, Congress will decide again how much to fund new Section 202 construction/operating in FY20.

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

Advocates will push to continue funding for all existing Service Coordinators and expand Service Coordinator funding to all federally-assisted communities. Advocates will also work to identify financing for prevention and wellness services in HUD-assisted housing.

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 receive Section 8 project-Based Rental Assistance as their operating subsidy, the

other third receive 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 must identify financing for prevention and wellness services in HUD-assisted housing.

FOR MORE INFORMATION

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