

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
2020 Summary of Resources

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental / Rescission	Total Resources	Obligations	Outlays
2018 Appropriation	678,000	153,678 ^a	-	831,678	626,323	728,448
2019 Annualized CR	678,000	204,398 ^b	-	882,398	647,887	752,080
2020 Request	644,000	234,511	-	878,511	688,864	798,926
Change from 2019	(34,000)	30,113	-	(3,887)	40,977	46,926

a/ Carryover includes \$143.5 million in unexpired unobligated balances and \$10.1 million in recaptures and collections

b/ Carryover includes \$204.3 million in unexpired unobligated balances; it excludes \$1 million in unobligated balances that expired at the end of FY 2018.

1. Program Purpose and Budget Overview

The 2020 President's Budget requests \$644 million for the Housing for the Elderly Program (Section 202), which is \$34 million less than the 2019 Annualized Continuing Resolution (CR) level. The 2020 Budget will fully fund Project Rental Assistance Contracts (PRAC) and Senior Preservation Rental Assistance Contracts (SPRAC) renewals and amendments that support more than 124,000 existing units. An estimated 3,400 existing PRAC units will renew or require contract amendments for the first time in 2020.

The Section 202 program helps expand the supply of affordable housing with supportive services for the elderly through capital advances and project rental assistance contracts to support nonprofit entities in building and operating housing for very low-income elderly tenants. Housing through Section 202 provides seniors with options that allow them to live independently and in an environment that provides access to support activities such as cleaning, cooking, transportation, and other services. Affordable senior housing developments that were built with Section 202 funds continue to provide housing and services to their residents. Project-based rental assistance funds are provided to cover the difference between the HUD-approved operating cost for the project and the tenants' contribution toward rent.

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2. Request

The 2020 President's Budget supports the following activities:

Elderly PRAC/SPRAC Renewals and Amendments - \$551 million

The 2020 Budget funds Project Rental Assistance Contracts (PRAC) and Senior Preservation Rental Assistance Contracts (SPRAC) Renewals/Amendments that support more than 124,000 existing units. PRAC Renewals/Amendments provide continued assistance to tenants of Section 202 projects where the initial PRAC has expired or all reserved funding has been disbursed. In the early stages of the Section 202 program, the initial PRAC terms were 20 years; those terms were reduced to five years in 1995 and further reduced to three years in 2006. As the initial contracts begin to expire, rental assistance is renewed on a 1-year basis with funding from the PRAC Renewal/Amendment component. The budget recognizes that processing renewals is logistically difficult in the first months of a new fiscal year and, as a result, proposes the ability to renew contracts for up to fifteen months. For a portion of the contracts up for renewal in October, November, or December, this will give HUD the option to provide a one-time longer contract that will put them on a schedule going forward to have annual renewals in the second quarter of the fiscal year rather than the first.

A key ongoing cost driver for PRAC and SPRAC renewals is the number of new units entering the renewal portfolio for the first time. In 2020, approximately 3,400 units will be renewing for the first time. The request, coupled with the Department's proposal to freeze budget-based rent increases and with offsets from residual receipt collections, will fully fund all renewals in the portfolio.

Service Coordinator/Congregate Housing Services - \$90 million

The 2020 Budget will fund renewal of approximately 1,500 existing Service Coordinator/Congregate Housing Services grants.

A service coordinator is a social service staff person who is responsible for assuring that residents, especially those who are frail or at risk of becoming frail, are linked to the specific supportive services they need to continue living independently and age in place. Their primary responsibility is to help link residents of eligible housing with supportive services provided by community agencies. The service coordinator may also perform such activities as providing case management, acting as an advocate or mediator, coordinating group programs, or training housing management staff. The Congregate Housing Services Program (CHSP) is a mature program that now only funds renewals. CHSP subsidizes the cost of supportive services that are provided on-site and in the participant's home, which may include but are not limited to congregate meals, housekeeping, personal assistance, transportation, and case management.

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Service Coordinator grants pay the salary and fringe benefits of a service coordinator and cover related program administrative costs. Annual extensions of Service Coordinator grants are to be used only to meet a critical need and in cases where no other funding source is available. Meeting a “critical need” means addressing a need that cannot be met through the use of other resources. As the physical repair/replacement needs of aging properties begin to increase, HUD has noticed a decline in the number of grantees that can offset service coordination costs from other sources, leading to growth in the size of annual extension requests for established grants.

Capital Advance

Capital Advance funds may be supplemented through the transfer of recaptures from the Rental Housing Assistance account should recaptures not be needed to support contract renewals and amendments in 2020. The award of these funds will provide construction funding and operating assistance for additional Section 202 projects.

Capital Advance Amendments and Other Expenses - \$3 million

The 2020 Budget includes \$3 million for related administrative costs.

3. Justification

The Housing for the Elderly (Section 202) program provides funding to create and support multifamily housing for very low-income elderly persons. Nearly 400,000 units for low-income elderly households have been produced to date. Section 202 is currently the only federal program that expressly addresses this need for affordable elderly housing. Its impact is amplified through the leverage of other housing resources such as Section 8 and Low-Income Housing Tax Credits (LIHTC). Since 2005, roughly 900 Section 202 projects have either refinanced their original Section 202 loans or had the loan reach maturity. Of that number, HUD has identified 161 projects that have obtained new FHA-insured mortgages that were linked to low-income tax credits. This represents over \$600 million in new financing. In addition to this group of FHA-insured projects, other Section 202 sponsors are likely to have refinanced with conventional (non-FHA) mortgages that also relied on tax credits.

To be eligible for residency in a Section 202 unit, a household must be composed of one or more elderly persons, with a household income at or below 50 percent of the area median income. Most residents fall far below that threshold. The average annual household income for Section 202 households is approximately \$13,300.¹

¹ 2015 Analysis by HUD Office of Policy Development and Research of PIC and TRACS data.

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The Supportive Housing for the Elderly (Section 202) program provides critical support for the population of vulnerable seniors. Today, HUD is only able to provide assisted housing to one in three seniors who qualify. The demand for such programs is likely to increase as baby boomers continue to age into retirement. In addition to demand outpacing investments in elderly housing, there is a growing increase in the number of older Americans with worst-case housing needs. HUD's *Worst Case Housing Needs: 2017 Report to Congress* reveals that among very low-income renter households that lacked assistance in 2015, 8.3 million had worst-case housing needs resulting from severe rent burden (paying more than one-half of their monthly income for rent) or from living in severely inadequate housing units. Almost 1.9 million households headed by an elderly person had worst-case housing needs in 2015. The proportion of elderly very low-income renters with worst-case needs was 39.8 percent in 2015, representing a 2.6 percentage point increase since 2013.

An estimated 38 percent of all residents currently living in Section 202 properties could be considered “frail” or “near-frail.” However, with the assistance of service coordinators, many of these residents can access community-based services that are designed to help them stay longer in their housing and avoid more expensive institutional settings. Going forward, the Section 202 program intends to increasingly target housing assistance toward exactly this subset of the elderly population given the tremendous cost-savings associated with independent living versus nursing homes or assisted living facilities.

A study of HUD's housing programs found that the average age at which elderly households leave assisted housing is higher for Section 202 residents compared to other housing programs. The study found that housing occupied primarily by the elderly has greater success at retaining residents into more advanced ages.² A study of service coordination found very high levels of satisfaction, and it found that the presence of service coordinator staff who link residents to supportive services in the community increased residents' length of stay by 10 percent compared to those without access to this service.³

HUD has recently collaborated with the Department of Health and Human Services (HHS) on relevant research on ways housing can lead to long-term medical savings. One such study has produced a design for a demonstration on aging-in-place for HUD-assisted seniors. This contract, as noted above, has already produced an extensive literature review and several case studies, and these are the basis for developing a model of service and health care coordination that can be tested for its impacts on health outcomes, health care expenditures, health care service utilization, and consequences for participating properties. In addition, with MacArthur Foundation funding and HUD cooperation, the contractor is conducting a survey of HUD properties to assess the types and scope of services available in senior subsidized housing. Finally, the contractor has matched HUD-assisted seniors in 12 cities to their Medicare claims records to assess health care utilization, expenditures, and diagnoses. This is the first time that the Department has sought to match

² Locke, Gretchen, Ken Lam, Meghan Henry, and Scott Brown (Abt Associates, Inc).2011. End of Participation in Assisted Housing: What Can We Learn About Aging in Place? Washington, DC: U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

³ HUD, “Multifamily Property Managers' Satisfaction with Service Coordination” 2008.

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HUD administrative data with health claims data to create measures of Medicare utilization and expenditures for HUD-assisted elders.

Under the Americans with Disabilities Act and the Supreme Court's *Olmstead* decision, states are legally obligated to favor community-based and integrated settings over institutional settings for persons with disabilities, including the elderly. State Medicaid agencies are making efforts to comply with this mandate through Medicaid home and community-based "waiver" programs administered by HHS' Centers for Medicare and Medicaid Services. However, states often find themselves limited in achieving this mandate, even when they have effective Medicaid waiver programs in place, because the target population cannot afford the cost of renting a home in the community. In the most recent progress report of the HHS program, 20 out of 34 states reported an insufficient supply of affordable and accessible housing options to transition people from institutional settings to the community. Investments in Section 202 supportive housing align with and complement these state efforts to provide home and community-based services for elderly persons with disabilities. The Department is working with HHS on several collaborative projects to increase access to affordable housing in community settings for elderly persons with disabilities seeking to leave institutional settings related to the Section 202 program, such as HHS' Money Follows the Person (MFP) program.

Cross-Cutting Rent Reform Proposal

The 2020 President's Budget funding level across HUD rental assistance programs would support the same number of households currently assisted, while also proposing the following reforms to ensure the long-term fiscal sustainability of rental assistance.

The current rent structure in HUD's rental assistance programs creates disincentives to employment; imposes large administrative burdens for Public Housing Authorities (PHAs), private owners, and tenants; generates significant and increasing costs to the federal government; and ultimately represents a one-size-fits-all approach that cannot reasonably offer the programmatic flexibility to meet the needs of households in localities across the nation.

Thus, with the Making Affordable Housing Work Act (MAHWA), submitted to Congress in April 2018, HUD proposed reforming rental assistance to address these notable issues and further the following goals:

1. *Simplify program administration:* The proposed legislation would simplify rent calculations by determining rents using gross rather than adjusted income.

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2. *Reduce federal taxpayer costs by encouraging work and stable family formation:* HUD seeks to limit income recertification for all households to once every three years, which encourages work by deferring increases in tenant rent payments as a result of increased wages. In addition, the proposed legislation would establish higher expectations for tenants able to work by setting tenant rent contributions at 35 percent of gross income, while setting a lower rent of 30 percent of gross income for those unable to work, notably the elderly and persons with disabilities. Additionally, current elderly and persons with disabilities would be held harmless from rent increases as reflected in the proposed legislation. Moreover, MAHWA would provide additional safe harbors, including a hardship exemption for tenants who, in certain circumstances, are unable to pay their rents.
3. *Increase local control and choice:* MAHWA would empower PHAs and property owners to choose alternative rent structures, as approved by the Secretary, that would best serve the needs of households in localities across the nation. These alternative rent structures must incur the same overall program costs and would provide a structure for residents to achieve self-sufficiency.

Please see the “Overview of Rental Assistance Programs” justification for more information.

General Provisions

The 2020 Budget proposes to continue General Provisions related to the Housing for Elderly program (Sec. 206 and 224). These provisions are described further in “Fiscal Year 2020 General Provisions”.

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Summary of Resources by Program**

(Dollars in Thousands)

Budget Activity	2018 Budget Authority	2017 Carryover Into 2018	2018 Total Resources	2018 Obligations	2019 Annualized CR	2018 Carryover Into 2019	2019 Total Resources	2020 Request
Capital Advance Amendments and Other Expenses	3,000	17,977	20,977	3,596	3,000	17,288	20,288	3,000
Elderly PRAC/SPRAC Renewals/Amendments	480,000	92,609	572,609	527,979	480,000	44,630	524,630	551,000
Service Coordinators/Congregate Housing Service Program	90,000	33,092	123,092	94,748	90,000	27,480	117,480	90,000
Capital Advance, Senior Preservation Rental Assistance Contracts - (Expansion)	105,000	10,000	115,000	-	105,000	115,000	220,000	-
Total	678,000	153,678	831,678	626,323	678,000	204,398	882,398	644,000

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Appropriations Language

The 2020 President’s Budget includes the appropriation language listed below:

For amendments to capital advance contracts for housing for the elderly, as authorized by section 202 of the Housing Act of 1959, as amended, and for project rental assistance for the elderly under section 202(c)(2) of such Act, including amendments to contracts for such assistance and renewal of expiring contracts for such assistance for up to a 15 month term, and for senior preservation rental assistance contracts, including renewals, as authorized by section 811(e) of the American Housing and Economic Opportunity Act of 2000, as amended, and for supportive services associated with the housing, \$644,000,000 to remain available until September 30, 2023: Provided, That of the amount provided under this heading, up to \$90,000,000 shall be for service coordinators and the continuation of existing congregate service grants for residents of assisted housing projects: Provided further, That the Secretary may waive the provisions of section 202 governing the terms and conditions of project rental assistance, except that the initial contract term for such assistance shall not exceed 5 years in duration: Provided further, That upon request of the Secretary, project funds that are held in residual receipts accounts for any project subject to a section 202 project rental assistance contract, and that upon termination of such contract are in excess of an amount to be determined by the Secretary, shall be remitted to the Department and deposited in this account, to be available until September 30, 2023: Provided further, That amounts deposited in this account pursuant to the previous proviso shall be available, in addition to the amounts otherwise provided by this heading, for the purposes authorized under this heading and capital advance contracts: Provided further, That unobligated balances, including recaptures and carryover, remaining from funds transferred to or appropriated under this heading may be used for the current purposes authorized under this heading notwithstanding the purposes for which such funds originally were appropriated.

Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115-245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.