

HOUSING  
HOUSING FOR THE ELDERLY (SECTION 202)  
2008 Summary Statement and Initiatives  
(Dollars in Thousands)

HOUSING FOR THE ELDERLY (SECTION 202)	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2006 Appropriation .....	\$742,000	\$1,026,145	-\$17,366 <sup>a</sup>	\$1,750,779	\$890,599	\$921,751
2007 Full-Year CR Estimate.....	746,580	834,570 <sup>b</sup>	...	1,581,150	890,000	875,000
2008 Request .....	<u>575,000</u>	<u>691,150</u>	<u>...</u>	<u>1,266,150</u>	<u>889,000</u>	<u>874,000</u>
Program Improvements/Offsets .....	-171,580	-143,420	...	-315,000	-1,000	-1,000

a/ Includes \$7.4 million from 2006 budget authority and \$10 million from unobligated balances for 2006 rescission.

b/ Excludes unobligated funds that expired October 1, 2006.

**Summary Statement**

An appropriation of \$575 million is proposed for the Housing for the Elderly program for fiscal year 2008. This is a increase of \$29.5 million from the fiscal year 2007 President's Request and a decrease of \$172 million from the fiscal year 2007 Continuing Resolution estimate. The President's budget includes \$415 million for program expansion. This includes \$390.4 million for new capital grants and the associated Project Rental Assistance Contracts (PRAC); and \$25 million for a leveraged financing demonstration project. The President's Budget also includes \$62.4 million to renew expiring PRAC and for amendments to such contracts; \$24.75 million for conversion of existing elderly projects to assisted living facilities and emergency repairs; \$71 million for Service Coordinators/Congregate Services programs to provide services in projects for the elderly and persons with disabilities. Furthermore, \$1.4 million is to be transferred to the Working Capital Fund for information technology.

The budget proposal reflects the growing need for affordable quality elderly housing and at the same time reflects the following documented aspects of the Section 202 program:

- The Section 202 program provides quality housing with 95 percent of projects meeting Housing Quality Standards.
- As documented in the recently completed Policy Development and Research (PD&R) study, the Section 202 program allows frail elderly to age in place and avoids institutionalization. The study suggests that elderly 75 or older living in Section 202 have an improved quality of life and longevity.
- The PD&R study also documented the effectiveness of the program through offsetting savings in medical costs including Medicare and Medicaid.

The requested funding will support an estimated 3,100 units. Efficiencies in the program are being proposed that include greater targeting to frail elderly as well as a greater focus on grantees that are ready and able to develop projects in a more streamlined manner.

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**Initiatives**

Up to \$25 million is proposed for a leveraged financing demonstration project to encourage the leveraging of HUD grants with other funds, with a primary focus on tax credit equity, to increase the number of units constructed in Section 202. In developing the program, the Department will consider mixed-finance arrangements including low-income housing tax credits and other creative financing options for development and/or rental operating assistance.

Housing for the Elderly (Section 202)

**HOUSING**  
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**Summary of Resources by Program**  
**(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2006 Budget Authority</u>	<u>2005 Carryover Into 2006</u>	<u>2006 Total Resources</u>	<u>2006 Obligations</u>	<u>2007 CR Estimate</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2008 Request</u>
Elderly Expansion -								
Grants and PRAC .....	\$597,856	\$888,299	\$1,486,155	\$751,821	\$615,950	\$710,452	\$1,326,402	\$390,450
Elderly PRAC								
Renewal/Amendment ....	36,932	2,936	39,868	35,651	44,500	4,216	48,716	62,400
Service Coordinators/ Congregate Housing								
Service Program .....	51,084	35,845	86,929	55,682	59,400	31,477	90,877	71,000
Conversion to Assisted Living/Emergency								
Repairs .....	24,552	55,212	79,764	31,057	24,750	46,752	71,502	24,750
Planning Grant .....	9,854	43,853	53,707	15,992	...	37,713	37,713	...
Intergenerational								
Families Demonstration Project .....	3,960	...	3,960	...	...	3,960	3,960	...
Leverage Financing								
Demonstration .....	...	...	...	...	...	...	...	25,000
Working Capital Fund ..	<u>396</u>	<u>...</u>	<u>396</u>	<u>396</u>	<u>1,980</u>	<u>...</u>	<u>1,980</u>	<u>1,400</u>
Total .....	724,634	1,026,145	1,750,779	890,599	746,580	834,570	1,581,150	575,000

NOTE: The fiscal year 2006 Budget Authority for Planning Grants reflects a decrease of \$10 million from unobligated balances for 2006 rescission.

<u>FTE</u>	<u>2006 Actual</u>	<u>2007 Estimate</u>	<u>2008 Estimate</u>
Headquarters .....	25	26	25
Field .....	<u>274</u>	<u>271</u>	<u>272</u>
Total .....	299	297	297

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Program Offsets  
(Dollars in Thousands)**

<b>Elderly Expansion - Grants and PRAC</b>	<u><b>Amount</b></u>
2006 Appropriation .....	\$597,856
2007 Full-Year CR Estimate.....	615,950
2008 Request .....	<u>390,450</u>
Program Improvements/Offsets .....	-225,500
 <b>Elderly Expansion - Grants and PRAC</b>	 <u><b>Units</b></u>
2006 Appropriation.....	4,242
2007 Full Year CR Estimate.....	4,994
2008 Request .....	<u>3,100</u>
Program Improvements/Offsets .....	-1,894

**Proposed Actions**

The Department is proposing \$390.45 million for new capital grants and associated PRAC, including amendments to initial grant awards, inspection activities, and property disposition costs. The proposed funding continues to support additional Housing for the Elderly with one important component for the frail elderly.

<b>Section 202 Loan Program (Mandatory)</b>	<u><b>Direct Loans Outstanding</b></u>	<u><b>Outlays</b></u>
2006 Actual.....	6,502,000	-1,463,582
2007 Estimate.....	5,520,000	-1,185,000
2008 Estimate.....	<u>4,720,000</u>	<u>-1,185,000</u>
Program Improvements/Offsets .....	-800,000	0

**The Direct Loan Program.** The Housing for the Elderly or Handicapped Direct Loan program was authorized by Section 202 of the Housing Act of 1959, as amended. The program is no longer active, although projects developed under it continue to operate. The program provided direct loans to non-profit organizations sponsoring the construction and management of rental housing for the elderly or non-elderly persons with disabilities. Projects originally developed under Section 202 also receive Section 8 subsidies to enable low-income households to afford the rents in these projects. The 1992 VA-HUD-IA Appropriations Act (Public Law 102-139) provided language to enable the conversion of pipeline Section 202 direct loan projects to the Supportive Housing program starting January 1, 1992. All of the pipeline Section 202 projects were converted in fiscal year 1992. Any remaining activity for the loan program includes amendments for projects reaching final endorsement, payment of interest and repayment of borrowings to Treasury, and management of the loan portfolio.

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<b>Service Coordinators/Congregate Housing Service Program</b>	<b><u>Amount</u></b>
2006 Appropriation .....	\$51,084
2007 Full-Year CR Estimate.....	59,400
2008 Request .....	<u>71,000</u>
Program Improvements/Offsets .....	+11,600

**Proposed Actions**

The fiscal year 2008 budget proposes \$71 million for Service Coordinators. Section 808 of the Cranston-Gonzalez National Affordable Housing Act authorized the use of Service Coordinators within existing projects for the elderly. Sections 674 and 676 of the Housing and Community Development Act of 1992 expanded the universe of projects eligible to receive service coordinator assistance by authorizing funding for service coordinators in Section 202, Section 8 and Sections 221(d)(3) and 236 projects. The purpose of the Service Coordinators program is to enable residents who are elderly to live as independently as possible in their own homes. The \$71 million set-aside for fiscal year 2008 for Service Coordinators/Congregate Services is provided under the Housing for the Elderly program account.

Service Coordinator funds pay the salary and fringe benefits of a Service Coordinator and cover related program administrative costs. The primary responsibility of a Service Coordinator 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.

Congregate Housing Services Program (CHSP)

This program was authorized by the Housing and Community Development Amendments of 1978 to provide 3- to 5-year grants to fund services for eligible residents of Public Housing and Section 202 Housing for the Elderly or Persons with Disabilities. The intent was to avoid costly and premature or unnecessary institutionalization of individuals and to reduce Government outlays for institutional care. The program was revised in 1992 to add other assisted housing programs.

The CHSP grant from HUD, in conjunction with grantee match and participant fees, subsidizes the cost of supportive services that are provided on-site and in the participant's home. Such services may include at least one or all of the following: (1) congregate meals, (2) housekeeping, (3) personal assistance, (4) transportation, (5) personal emergency response systems, (6) case management, and (7) preventative health programs. HUD requires that each program includes a Service Coordinator and that each makes at least one hot meal available every day to participants. Eligible participants are residents of eligible housing who are frail (i.e., have difficulty performing 3 or more activities of daily living) or are persons with disabilities age 18 or older.

CHSP funds allow residents of subsidized housing to afford supportive services that enable them to continue living as independently as possible in their homes for as long as possible. Without this program, most of the low- and very low-income participants would have no choice but to relocate to a facility that provides a higher level of care, such as a nursing home, to meet their daily living needs.

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(Dollars in Thousands)

<b>Conversion to Assisted Living/Emergency Repairs</b>	<u>Amount</u>
2006 Appropriation .....	\$24,552
2007 Full-Year CR Estimate.....	24,750
2008 Request .....	<u>24,750</u>
Program Improvements/Offsets .....	...

**Proposed Actions**

The fiscal year 2008 budget proposes \$24.75 million for capital grants for Conversion to Assisted Living and emergency repairs. These funds will be available to existing HUD elderly subsidized projects that convert some or all units to assisted living or to cover the cost of eligible emergency repairs. Typical funding will cover basic physical conversion of existing project units, common areas, and services space. These competitive grants will be available to existing HUD project owners who demonstrate strong commitment to: (1) serve eligible frail elderly and (2) promote resident autonomy, independence, choice, and control. Existing project owners must provide supportive services for the residents either directly or through a third party. Examples of both mandatory and optional supportive services (which will vary from State-to-State) would include: (1) 24-hour staff for protective oversight and personal care; (2) 3 meals per day; (3) housekeeping services; (4) personal counseling; and (5) transportation.

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(Dollars in Thousands)

<b>Elderly PRAC Renewal/Amendment</b>	<b><u>Amount</u></b>
2006 Appropriation .....	\$36,932
2007 Full-Year CR Estimate.....	44,500
2008 Request .....	<u>62,400</u>
Program Improvements/Offsets .....	+17,900

<b>Elderly PRAC Renewal</b>	<b><u>Units</u></b>
2006 Appropriation .....	13,928
2007 Full Year CR Estimate .....	14,831
2008 Request .....	<u>20,873</u>
Program Improvements/Offsets .....	+6,042

**Proposed Actions**

The Department is proposing \$62.4 million for the renewal and amendment of Project Rental Assistance Contracts (PRAC). The increase reflects the growing pipeline of renewal units and the identification of large number of contracts that have not reached their initial expiration date but are exhausting all available funding. Renewals are for a period of 1 year and amendments are used to support the contract to its next anniversary date or its expiration date when unforeseen costs arise. These funds are used to cover the difference between HUD-approved operating cost for the project and the tenant's contribution towards rent.

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(Dollars in Thousands)**

<b>Planning Grant</b>	<b><u>Amount</u></b>
2006 Appropriation .....	\$9,854
2007 Full-Year CR Estimate.....	...
2008 Request .....	<u>...</u>
Program Improvements/Offsets .....	...

NOTE: The fiscal year 2006 Budget Authority for Planning Grants reflects a decrease of \$10 million from unobligated balances for 2006 rescission.

**Proposed Actions**

No funding is requested this fiscal year for Pre-Construction Planning Demonstration Grants. In fiscal year 2006, funds were appropriated to make grants to private non-profit organizations and consumer cooperatives for covering the cost of architectural and engineering work, site control, and other planning relating to the development of supporting housing for the elderly that is eligible for assistance under Section 202 of the Housing Act of 1959. Pending the assessment of this demonstration, no new funding is requested for fiscal year 2008.

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Program Offsets  
(Dollars in Thousands)

<b>Working Capital Fund</b>	<u><b>Amount</b></u>
2006 Appropriation .....	\$396
2007 Full-Year CR Estimate.....	1,980
2008 Request .....	<u>1,400</u>
Program Improvements/Offsets .....	-580

**Proposed Actions**

The Department proposes \$1.4 million for the Working Capital Fund for developing and maintaining information technology systems related to Federal housing activities.

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Program Offsets  
(Dollars in Thousands)

<b>Intergenerational Families Demonstration Project</b>	<u><b>Amount</b></u>
2006 Appropriation .....	\$3,960
2007 Full-Year CR Estimate.....	...
2008 Request .....	<u>...</u>
Program Improvements/Offsets .....	...

**Proposed Actions**

The fiscal year 2006 Appropriations Act provided \$3.96 million for demonstration to determine the efficiency of implementing Section 203 of Public Law 108-186, which authorizes assistance for intergenerational dwelling units for families in connection with the supportive housing program under Section 202. Pending the assessment of this demonstration, no new funding is requested for fiscal year 2008.

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Program Offsets  
(Dollars in Thousands)

<b>Leverage Financing Demonstration</b>	<u>Amount</u>
2006 Appropriation .....	...
2007 Full-Year CR Estimate.....	...
2008 Request .....	<u>\$25,000</u>
Program Improvements/Offsets .....	+25,000

**Proposed Actions**

A new leveraged financing demonstration project is proposed for development of supportive housing for the elderly. With assistance from housing professionals in the private sector, the Department plans to develop and implement a demonstration program that encourages the leveraging of other funds, with a primary focus on tax credit equity, to increase the number of units constructed in the Section 202 program. In developing the program, the Department will consider mixed-finance arrangements including low-income housing tax credits and other creative financing options for development and/or rental operating assistance. The short-term goal is to leverage one dollar for every program dollar spent.

This program will be initiated within the existing statutory framework; however, one of the goals of the demonstration is to identify changes in the administrative guidance, regulations and statutes that will facilitate mixed-finance projects.

**HOUSING  
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Performance Measurement Table**

Program Name: <b>HOUSING FOR THE ELDERLY (SECTION 202)</b>					
Program Mission: The Housing for Elderly supportive housing program was authorized by Section 202 of the Cranston-Gonzalez National Affordable Housing Act to provide eligible non-profit organizations with capital advances and rental assistance to provide housing for very low-income elderly or disabled individuals. The capital advances will be used to finance the acquisition, acquisition with rehabilitation, construction, reconstruction, or rehabilitation of housing intended for use as supportive housing for elderly people. Supportive housing is designed to meet the special physical needs of elderly individuals and to accommodate the provision of supportive services.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2006 Plan	2006 Actual	2007 Plan	2008 Plan
The share of assisted and insured privately owned multifamily properties that meet HUD established physical standards are maintained at no less than 95 percent.	Real Estate Assessment Center's Physical Assessment Subsystem	No less than 95%	95%	No less than 95%	No less than 95%
For households living in assisted and insured privately owned multifamily properties, the share of properties that meets HUD's financial management compliance is maintained at no less than 98 percent.	Real Estate Assessment Center's Financial Assessment Subsystem & Office of Housing's Real Estate Management System	No less than 98%	98%	No less than 98%	No less than 98%
Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 200 projects to initial closing under Sections 202 and 811.	HEREMS-F24D, based on the Development Applications Processing System, Tracking Sub-module	250	315	200	200
The number of elderly households living in private assisted housing developments served by a service coordinator is maintained at the fiscal year 2007 level.	Office of Housing's Real Estate Management System	Maintained at FY 2005 level (139,000 units)	139,000 units	Maintained at FY 2006 level (139,000 units)	Maintain at FY 2007 level

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Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2006 Plan	2006 Actual	2007 Plan	2008 Plan
The number of assisted living units that HUD supports through Assisted Living Conversion program increases by completing conversion of 10 properties.	MF Program Office and Annual Performance Plan	10 units	10 units	10 units	10 units
Beginning in FY 2007, at least 35 percent of projects receiving a capital advance will get from fund reservation in initial endorsement and construction start within 18 months.	HEREMS-F24D, based on the Development Applications Processing System, Tracking Sub-module	NA	NA	At least 35%	At least 35%

NA = Not Applicable.

**Explanation of Indicators**

Nearly two million households headed by an elderly individual or a person with a disability receive HUD rental assistance that provides them with the opportunity to afford a decent place to live and often helps them to live independent lives. Housing for the Elderly is awarded competitively to private non-profit organizations to develop new housing units through new construction or rehabilitation. The facilities are then provided with rental assistance, enabling them to accept very low-income residents. Many of the residents live in the facilities for years; over time, these individuals are likely to become frail and less able to live in rental facilities without some additional services. Therefore, the program also provides grants to convert all or part of existing properties to assisted-living facilities. These indicators will measure the success of this program by examining whether service-enriched housing increases the satisfaction of persons with disabilities with their units, developments, and neighborhoods.

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**Justification of Proposed Appropriations Language**

*For capital advances, including 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 1-year term, and for supportive services associated with the housing, \$575,000,000 to remain available until September 30, 2011, of which amount up to \$415,450,000 shall be for capital advance and project-based rental assistance awards, including up to \$25,000,000 for demonstration program that leverages project awards with other sources of development financing, such a tax credit incentives, to expand housing assistance: Provided, That amounts under this heading, up to \$71,000,000 shall be for service coordinators and the continuation of existing congregate service grants for residents of assisted housing projects, and of which amount up to \$24,750,000 shall be for grants under section 202b of the Housing Act of 1959 (12 U.S.C. 1701q-2) for conversion of eligible projects under such section to assisted living or related use and for emergency capital repairs as determined by the Secretary: Provided, That amounts under this heading shall be available for Real Estate Assessment Center inspections and inspection-related activities associated with section 202 capital advance projects: Provided further, That \$1,400,000 of the total amount made available under this heading shall be transferred to the Working Capital Fund: 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.*

**Explanation of Changes**

The proposed language restructures the account to highlight funding for expansion of existing assistance levels as contrasted with on-going operational costs. The language includes up to \$25 million for the new leverage financing demonstration project.

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Crosswalk of 2006 Availability  
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2006 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2006 Resources</u>
Elderly Expansion - Grants and PRAC .	\$603,895	-\$6,039 <sup>a</sup>	...	...	\$888,299	\$1,486,155
Elderly PRAC Renewal/Amendment .....	37,305	-373	...	...	2,936	39,868
Service Coordinators/ Congregate Housing Service Program .....	51,600	-516	...	...	35,845	86,929
Conversion to Assisted Living/Emergency Repairs .....	24,800	-248	...	...	55,212	79,764
Planning Grant .....	20,000	-10,146 <sup>a</sup>	...	...	43,853	53,707
Intergenerational Families Demonstration Project .....	4,000	-40	...	...	...	3,960
Leverage Financing Demonstration ....	...	...	...	...	...	...
Working Capital Fund .....	<u>400</u>	<u>-4</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>396</u>
Total .....	742,000	-17,366	...	...	1,026,145	1,750,779

a/ Includes unobligated balance of \$9.95 million rescinded from Pre-Construction Planning Grant (\$9.86 million) and Elderly Grants (\$89 thousand).

Housing for the Elderly (Section 202)

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Crosswalk of 2007 Changes  
(Dollars in Thousands)

<u>Budget Activity</u>	2007 President's Budget Request	FY 2007 CR Estimate	2007 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2007 Resources
Elderly Expansion - Grants and PRAC .	\$414,843	\$615,950	...	...	\$710,452	\$1,326,402
Elderly PRAC Renewal/Amendment .....	44,517	44,500	...	...	4,216	48,716
Service Coordinators/ Congregate						
Housing Service Program .....	59,400	59,400	...	...	31,477	90,877
Conversion to Assisted						
Living/Emergency Repairs .....	24,750	24,750	...	...	46,752	71,502
Planning Grant .....	...	...	...	...	37,713	37,713
Intergenerational Families						
Demonstration Project .....	...	...	...	...	3,960	3,960
Leverage Financing Demonstration ....	...	...	...	...	...	...
Working Capital Fund .....	<u>1,980</u>	<u>1,980</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>1,980</u>
Total .....	545,490	746,580	...	...	834,570	1,581,150