

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Housing

Housing for the Elderly (Section 202)

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2020 Appropriation	793,000	262,637 ^{a/}	50,000	1,105,637 ^{b/}	773,584	757,871
2021 Appropriation	855,000	331,193 ^{c/}	-	1,186,193 ^{d/}	857,193	951,000
2022 President's Budget	928,000	328,000 ^{e/}	-	1,256,000 ^{f/}	895,157	972,000
Change from 2021	73,000	(3,193)	-	69,807	37,964	21,000

a/ Amount includes \$254.8 million in carryover balances, \$3.6 million in recoveries, and \$4.2 million in collections.

b/ Amount includes \$1.1 million that expired at the end of fiscal year 2020.

c/ Amount includes \$1 million in estimated recoveries.

d/ Amount includes \$3 million in estimated transfer for Rental Assistance Demonstration (RAD) in 2021.

e/ Amount includes \$1 million in estimated recoveries.

f/ Amount includes \$7 million for an estimated transfer for Rental Assistance Demonstration (RAD) in 2022.

PROGRAM PURPOSE

The Housing for the Elderly (Section 202) program expands the supply of affordable housing with supportive services for the elderly through capital advances and project rental assistance contracts. The Section 202 program supports nonprofit entities in building and operating affordable housing for very low-income elderly tenants. Housing through the Section 202 program provides seniors with options that allow them to live independently and in an environment that provides connection to supportive services such as cleaning, cooking, and transportation. Section 202 is particularly important in housing very low-income elderly individuals that have been adversely impacted by the COVID-19 pandemic.

BUDGET OVERVIEW

The 2022 President's Budget requests \$928 million for Housing for the Elderly, which is \$73 million more than the 2021 enacted level. This Budget includes:

- \$700 million to fund renewals and amendments of Project Rental Assistance Contracts (PRACs) and Senior Preservation Rental Assistance Contracts (SPRACs);
- \$100 million for new Capital Advances to increase the supply of affordable housing for seniors by approximately 1,100 units;
- \$125 million to fund the renewal of approximately 1,600 existing Service Coordinator and Congregate Housing Services grants plus new awards that will be determined based on the results of the 2021 Notice of Funding Availability (NOFA); and
- \$3 million for property inspections and related administrative costs.

In addition, to support HUD's focus on climate resilience, property owners who seek to improve their properties may be eligible to receive grants or loans under the Green and Resilient Retrofit program.

This budget level assumes that adverse impacts of the current COVID-19 pandemic will gradually begin to subside and the start of a transition to normalcy within the last quarter of 2021, with strides towards full economic recovery well underway by the start of 2022.

JUSTIFICATION

PRAC/SPRAC Renewals and Amendments - \$700 million

The requested funding continues annual rental assistance to approximately 115,000 households headed by seniors in the 2,740 properties with contracts requiring renewal or amendment through mid-November 2022. The Section 202 program expands the supply of affordable housing with supportive services for the elderly through capital advances and project rental assistance contracts.

Increases in gross needs for Section 202 PRAC/SPRAC renewals and amendments are driven mainly by increased project operating costs and other inflationary factors, and by funding needed to support units under contracts that are renewing or need amendment funding for the first time. For 2022, HUD estimates inflation of approximately 4.5 percent. During 2022 about 3,100 existing PRAC units will renew or require amendment funds for the first time.

Service Coordinator/Congregate Housing Services - \$125 million

The requested funding renews approximately 1,600 existing Service Coordinator/Congregate Housing Services grants plus the new grants that will be awarded as part of the 2021 NOFA. These grants support independent living and guard against premature transitions to nursing home care at properties that do not have a current service coordinator grant or funds allocated in their operating budgets for this purpose.

A service coordinator is a social service staff person responsible for ensuring that residents 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. Service coordinators also may provide case management, act as an advocate or mediator, coordinate group programs, or train housing management staff. 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 used only to meet a critical need and in cases in which no other funding source is available. 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 increases in the size of annual extension requests for established grants.

The Congregate Housing Services Program (CHSP) is a legacy program that now only funds renewals. CHSP subsidizes the cost of supportive services that are provided on-site and in participants' homes, which may include, but are not limited to, congregate meals, housekeeping, personal assistance, transportation, and case management.

Capital Advance and Project Rental Assistance Expansion - \$100 million

The requested funding continues the annual increase in the affordable housing supply for vulnerable seniors with worst-case housing needs. These funds will provide construction funding and operating assistance for approximately 1,100 new units of Section 202 housing.

Capital Advance Amendments and Other Expenses - \$3 million

The requested funding provides \$3 million for property inspections and related administrative costs.

HOUSING FOR THE ELDERLY (SECTION 202)

The Section 202 program is currently the only federally funded program that expressly addresses the need for affordable elderly housing. Its impact is amplified through the leverage of other housing

resources such as Low-Income Housing Tax Credits (LIHTC). The average annual household income for Section 202 PRAC tenants is approximately \$14,000. 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 the Baby Boom generation continues to age into retirement. In addition to demand outpacing investments in elderly housing, the number of older Americans with worst-case housing needs is increasing. HUD's *Worst Case Housing Needs: 2019 Report to Congress* found that 1.93 million households headed by an elderly person had worst-case housing needs.¹ The proportion of elderly, very low-income renters with worst-case needs was 39 percent in 2017. Low-income elderly households that rely on fixed incomes may be less likely than households with wage income to benefit from positive economic trends, but elderly households are affected by rising market rents, nonetheless. The Section 202 program helps to reduce the number of vulnerable seniors experiencing worst-case housing needs or homelessness. 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, age in the community, and avoid more expensive institutional settings.

As Section 202 assets age, these properties create an upward pressure on this account because of the reliance on funding through the rental assistance contract to make repairs and replacements. As HUD reviews the potential increases to subsidy levels, energy efficient, cost-effective improvements to the properties are typically required to decrease their carbon footprint and operating costs.

As part of the Administration's whole-of-government approach to the climate crisis, HUD's Budget includes \$800 million to assist communities to improve energy efficiency, reduce greenhouse gas and other pollution, and make themselves more climate resilient. Communities served by HUD programs are often more vulnerable to climate change due to their aging infrastructure, historic disinvestment, and the significant share of low-moderate income households and persons of color in these places. HUD's 2022 Budget addresses climate change on two fronts: both in lowering the carbon footprint of the 4.5 million units of public-assisted housing (mitigation), and at the same time helping the communities served by HUD programs to better withstand and increase their resilience to future disasters (adaptation). These investments are crucial to assist communities throughout the country mitigate and prepare for the worst effects of climate change.

Owners of Section 202 properties may be able to receive a grant or loan to improve the climate resilience and energy efficiency of the units through HUD's new Green and Resilient Retrofit program. Please see the "Green and Resilient Retrofit" and "Climate Initiative" justifications for more information.

¹ HUD (2020). *Worst Case Housing Needs: 2019 Report to Congress*. Available at: <https://www.huduser.gov/Portal/sites/default/files/pdf/worst-case-housing-needs-2020.pdf>

HOUSING FOR THE ELDERLY (SECTION 202)

Q4 2020 Section 202 Tenant Characteristics																								
<p>How many households and people are served?</p> <p>133 thousand people</p> <p>124 thousand households</p>	<p>What are the racial characteristics of the tenants?</p> <p>This program serves a relatively demographically diverse population. 50% of residents are in a minority group.</p> <table border="1"> <thead> <tr> <th>Asian/ P.I.</th> <th>Black, non- Hispanic</th> <th>Hispanic</th> <th>Native American</th> <th>White</th> <th>Unknown</th> </tr> </thead> <tbody> <tr> <td>11%</td> <td>22%</td> <td>16%</td> <td>1%</td> <td>45%</td> <td>5%</td> </tr> </tbody> </table>	Asian/ P.I.	Black, non- Hispanic	Hispanic	Native American	White	Unknown	11%	22%	16%	1%	45%	5%	<p>What are the characteristics of the heads of household?</p> <p>Female headed families with children <1%</p> <p>Elderly 99%</p> <p>Non-elderly disabled <1%</p>										
Asian/ P.I.	Black, non- Hispanic	Hispanic	Native American	White	Unknown																			
11%	22%	16%	1%	45%	5%																			
<p>How big are the households?</p> <table border="1"> <thead> <tr> <th>Household Size</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>1 Person</td> <td>92%</td> </tr> <tr> <td>2 People</td> <td>8%</td> </tr> <tr> <td>3 People</td> <td>0%</td> </tr> <tr> <td>4+ People</td> <td>0%</td> </tr> </tbody> </table>	Household Size	Percentage	1 Person	92%	2 People	8%	3 People	0%	4+ People	0%	<p>How old are the heads of household?</p> <table border="1"> <thead> <tr> <th>Age Group</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>24 Years or Less</td> <td>0%</td> </tr> <tr> <td>25 to 50 Years</td> <td>0%</td> </tr> <tr> <td>51 to 60 Years</td> <td>0%</td> </tr> <tr> <td>62 Years or More</td> <td>99%</td> </tr> <tr> <td>85 Years or More</td> <td>16%</td> </tr> </tbody> </table>	Age Group	Percentage	24 Years or Less	0%	25 to 50 Years	0%	51 to 60 Years	0%	62 Years or More	99%	85 Years or More	16%	<p>What is the share of rent paid by the tenant and HUD?</p> <p>Average household contribution \$318</p> <p>Average HUD contribution \$453</p>
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<p>What are the income levels of assisted households?</p> <p>Tenants make an average gross income of \$14,086. 86% of households earn \$20,000 or less per year</p>	<p>How do household incomes compare to the local area median income?</p> <p>Extremely low income (less than 30% AMI) 75%</p> <p>Very low income (30% to 50% AMI) 24%</p> <p>Low Income (50% to 80% AMI) 1%</p>																							

Some percentage totals not equal to 100 due to rounding.
Source: HUD PIC and TRACS databases, December 2020 extract.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2020 Budget Authority	2019 Carryover Into 2020	2020 Total Resources	2020 Obligations	2021 Appropriation	2020 Carryover Into 2021	2021 Total Resources	2022 President's Budget
Capital Advance (Expansion)	88,500	167,893	256,393	55,458	35,000	150,000	185,000	100,000
Capital Advance Amendments and Other Expenses	3,000	10,766	13,766	-	3,000	8,703	11,703	3,000
Elderly PRAC/SPRAC Renewals/Amendments	590,000	49,051	639,051	604,764	673,000	105,285	778,285	700,000
Service Coordinators/Congregate Services	100,000	24,635	124,635	93,961	125,000	14,814	139,814	125,000
Senior Preservation Rental Assistance Contracts (Expansion)	1,500	292	1,792	292	-	1,500	1,500	-
Aging in Place Home Modification Grants	10,000	10,000	20,000	-	-	20,000	20,000	-
Elderly PRAC/SPRAC Renewals/Amendments (CARES Act)	40,000	-	40,000	19,109	-	20,891	20,891	-
Service Coordinators/Congregate Services (CARES Act)	10,000	-	10,000	-	-	10,000	10,000	-
Intergenerational Dwelling Units	-	-	-	-	5,000	-	5,000	-
Supportive Services/IWISH Demonstration	-	-	-	-	14,000	-	14,000	-
Rental Assistance Demonstration (RAD)	-	-	-	-	-	[(3,400)]	[(3,400)]	[(7,000)]
Total	843,000	262,637	1,105,637	773,584	855,000	331,193	1,186,193	928,000

NOTE: 2021 reallocation described in the 2021 Operating Plan is included in this table.

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS**General Provisions**

The 2022 President's Budget proposes the following new general provision:

- **Ensure continued availability of services for residents of Section 202 PRAC, Section 811 PRAC, and SPRAC properties following a RAD conversion to PBRA or PBV by excluding existing service coordinator and service costs from the 120 percent of Fair Market Rent (FMR) rent cap for new Section 8 contracts.** The rent caps were designed to ensure that HUD subsidies align with market rent costs. Service coordinators and associated services are typically not provided in market rate housing.

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Therefore, the costs associated with these services should be excluded from the rent cap calculation, allowing continued services and service coordination at the properties (2022 President's Budget, Sec. 232).

The 2022 President's Budget re-proposes the following general provisions that were enacted in the 2021 appropriations bill:

- Transfers of Assistance, Debt, and Use Restrictions: This provision allows the Secretary to authorize the transfer of some or all project-based assistance, debt held or insured by the Secretary, and statutorily required low-income and very low-income use restrictions if any, associated with one or more obsolete multifamily housing project(s) to a viable multifamily housing project. (2022 President's Budget, Sec. 206).

APPROPRIATIONS LANGUAGE

The 2022 President's Budget includes proposed changes in the appropriations language listed below. New language is italicized, and language proposed for deletion is bracketed.

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 (12 U.S.C. 1701q), 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 5-year term, for senior preservation rental assistance contracts, including renewals, as authorized by section 811(e) of the American Homeownership and Economic Opportunity Act of 2000 (12 U.S.C. 1701q note), and for supportive services associated with the housing, [\$855,000,000]*\$928,000,000* to remain available until September 30, [2024]*2025*: Provided, That of the amount made available under this heading, up to \$125,000,000 shall be for service coordinators and the continuation of existing congregate service grants for residents of assisted housing projects: Provided further, That amounts made available under this heading shall be available for Real Estate Assessment Center inspections and inspection-related activities associated with section 202 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 remain available until September 30, [2024]*2025*: 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: Provided further, That unobligated balances, including recaptures and carryover, remaining from funds transferred to or appropriated under this heading shall be available for the current purposes authorized under this heading in addition to the purposes for which such funds originally were appropriated[:Provided further, That of the total amount made available under this heading, up to \$14,000,000 shall be used by the Secretary to continue demonstration programs to test housing with services models for the elderly that demonstrate the potential to delay or avoid the need for nursing home care: Provided further, That of the total amount made available under this heading, up to \$5,000,000 shall be used to expand the supply of intergenerational dwelling units (as such term is defined in section 202 of the Legacy Act of 2003 (12 U.S.C. 1701q note)) for elderly caregivers raising children]. (*Department of Housing and Urban Development Appropriations Act, 2021.*)