

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 | Transfers | Total Resources | Obligations | Net Outlays |
|-------------------------|-----------------------|-----------|-----------------------------|-----------|--------------------|-------------|-------------|
| 2023 Appropriation | 1,075,000 | 438,847 | (159) | (27,096) | 1,486,592 | 871,717 | 879,748 |
| 2024 Annualized CR | 1,075,000 | 619,651 | - | (26,000) | 1,668,651 | 881,000 | 1,064,000 |
| 2025 President's Budget | 931,400 | 787,651 | - | (35,000) | 1,684,051 | 969,000 | 1,052,000 |
| Change from 2024 | (143,600) | 168,000 | - | (9,000) | 15,400 | 88,000 | (12,000) |

a/ 2023 Total Resources exclude \$10 million in offsetting collections.

b/ 2023 Carryover includes \$428 million in carryover and \$11 million in recoveries.

c/ 2024 Carryover excludes \$6 million in unobligated balance transfer and \$1 million in estimated recoveries of prior year unpaid obligations.

d/ 2025 Carryover excludes \$4 million in unobligated balance transfer and \$1 million in estimated recoveries of prior year unpaid obligations.

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 a connection to supportive services such as cleaning, cooking, and transportation. The Section 202 program provides project-based rental assistance that covers the difference between HUD-approved operating costs of the project and the tenants' contributions toward rent, as well as direct funding for construction through Capital Advances.

BUDGET OVERVIEW

The 2025 President's Budget requests \$931.4 million for Housing for the Elderly, which is \$143.6 million less than the 2024 Annualized CR level. This includes:

- \$813.4 million to fund renewals and amendments of Project Rental Assistance Contracts (PRACs) and Senior Preservation Rental Assistance Contracts (SPRACs);
- \$115 million to fund the renewal of approximately 1,500 existing Service Coordinator and Congregate Housing Services grants; and
- \$3 million for administrative and other related expenses.

In addition, to support HUD's focus on decarbonization and climate resilience, new Section 202 properties developed through Capital Advance funds must meet minimum energy efficiency and climate resiliency requirements. Existing Section 202 property owners have the opportunity to make decarbonization and climate resiliency improvements through competitively awarded new grants or loans under the Green and Resilient Retrofit (GRRP) program, funded by the Inflation Reduction Act (*Public Law 117-169*), or through conversion under the Rental Assistance Demonstration (RAD).

This program aligns to HUD 2022–2026 Strategic Objectives 2A: *Increase the Supply of Housing* and 4C: *Integrate Healthcare and Housing*.

JUSTIFICATION

The Section 202 Housing for the Elderly program plays a crucial role in advancing equity by providing affordable housing options, supportive services, accessibility features, and targeted assistance to vulnerable, very-low-income elderly individuals. 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 leveraging other housing resources such as Low-Income Housing Tax Credits (LIHTC).

PRAC/SPRAC Renewals and Amendments - \$813.4 million

The Budget includes \$813.4 million for Section 202 PRAC/SPRAC renewals and amendments. The proposed amount will fully fund the approximately 118,100 units covered by the 2,700 contracts requiring renewal or amendment through December 2025. An additional 125 contracts covering 5,100 units will continue to receive monthly assistance in 2025 from initial PRAC awards and other balances obligated in prior years. Continuation of annual operating cost support for all PRAC units helps address intensifying national needs for affordable housing for seniors. Demand from renters for Federal housing support dramatically exceeds supply, especially for older renters with very-low incomes, defined as less than or equal to 50 percent of area median income. In 2021, the number of renters aged 62 and over eligible for rental assistance reached 5.9 million, an increase of almost 50 percent since 2011.¹

Service Coordinator/Congregate Housing Services - \$115 million

The Budget includes \$115 million to fully fund the renewal of the approximately 1,500 existing Service Coordinator/Congregate Housing Services grants. These grants support independent living and guard against premature transitions to nursing home care. Older adults living in HUD-assisted housing are more likely, on average, to have multiple chronic conditions than other older adults. Service coordination promotes housing equity by connecting residents to the supportive services that they need to continue living independently and age in community-based settings.

The Congregate Housing Services Program (CHSP) is a legacy program that now only funds renewals for 30 remaining grants. 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.

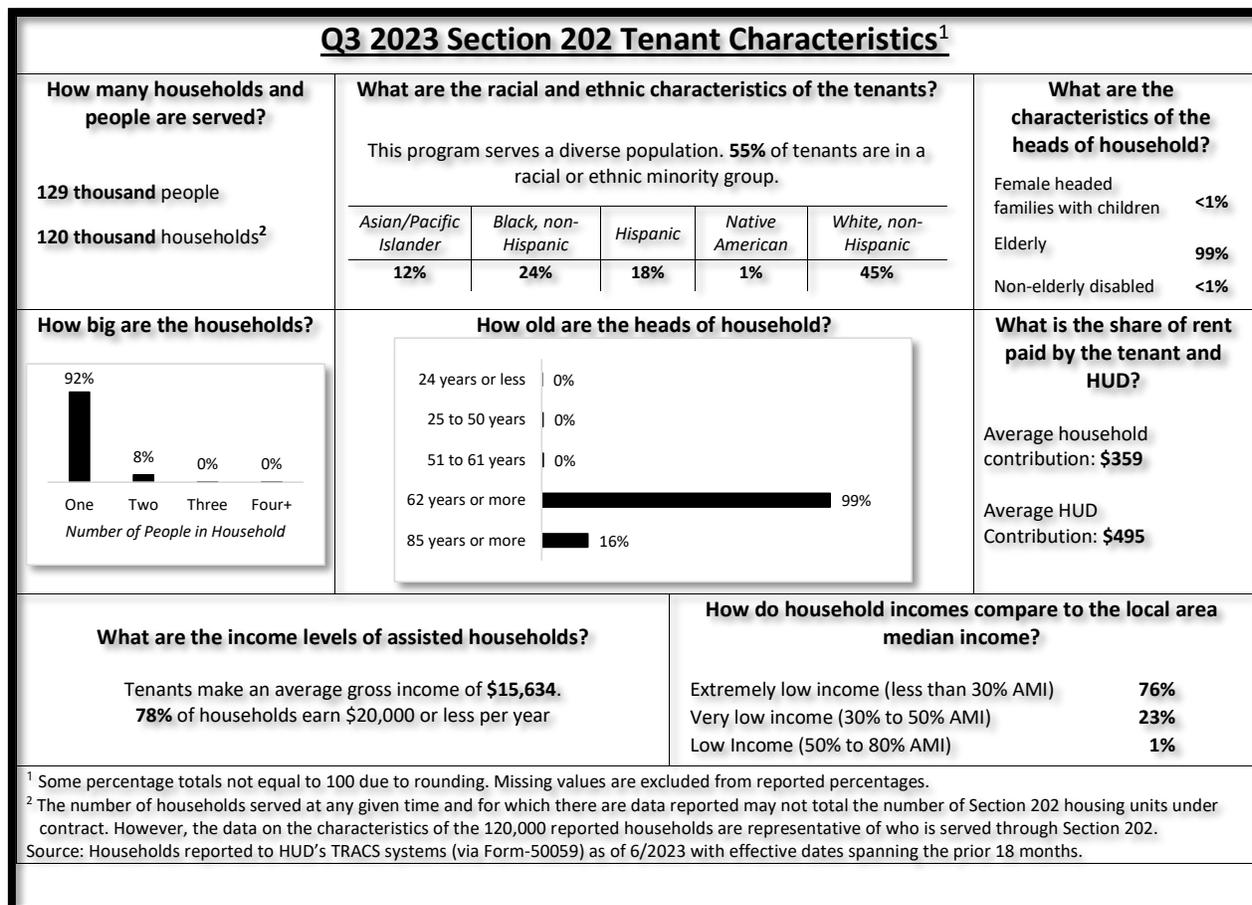
Other Expenses - \$3 million

The Budget provides \$3 million for the following contract services:

- Construction inspection for Capital Advance properties;
- Notes servicing for HUD-held notes;
- Commercial portfolio risk analytics and risk modeling; and
- Property Disposition:
 - Specialized inspection property analysis;
 - Marketing and advertisement placement;
 - Appraisals; and
 - Property management relocation services.

¹ "Housing America's Older Adults 2023". Joint Center for Housing Studies of Harvard University. Page 18. <https://www.jchs.harvard.edu/research-areas/aging>

This amount does not include funds to cover Real Estate Assessment Center (REAC) inspections of properties, which will be covered by the Operational Performance Evaluation and Risk Assessments (OPERA) account. Please see the OPERA justification for more details.



The average annual household income for Section 202 PRAC tenants is approximately \$15,634. According to the American Housing survey, fewer than 37 percent of very low-income older adult households received any type of rental assistance. The demand for such programs is likely to increase further as the baby boomer generation continues to age. In addition to demand outpacing investments in elderly housing, the number of older Americans aged 62 and over with worst-case housing needs (meaning that they pay more than half their income in rent and/or live in severely inadequate conditions) is increasing. HUD's *Worst-Case Housing Needs: 2023 Report to Congress* found that, in 2021, 2.4 million renter households headed by an elderly person had worst-case housing needs, an increase of 108,000 since 2019.² This increase is largely attributed to the growing population of elderly, very low-income (VLI) renter households, of which 40 percent had worse-case housing needs in 2021. Low-income elderly households that rely on fixed incomes may be less likely than households with wage income to benefit from positive economic trends and may be negatively affected by rising market rents. The Section 202 program helps to reduce the number of vulnerable

² "Worst Case Housing Needs: 2023 Report to Congress." HUD.
<https://www.huduser.gov/portal/publications/Worst-Case-Housing-Needs-2023.html>

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.

Key Assumptions

Increases in gross needs for the 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 2025, HUD estimates the Section 202 program subsidy inflation at approximately four percent. During 2025, about 125 contracts with 1,300 existing PRAC units will renew or require amendment funds for the first time. Baseline needs for 2025 have also been adjusted to account for PRAC contracts converting to Section 8 Housing Assistance Payments (HAPs) through the Rental Assistance Demonstration (RAD) program.

The Budget assumes that the Section 202 program PRAC/SPRAC annual current services renewal and amendment needs will be fully funded in 2024 through regular appropriations. The 2023 enacted level included increased funding to complete a transition to funding of annual needs on a calendar year basis. While monthly subsidy costs continue to increase in 2024 and 2025, annual cost for renewals and amendments is lower than 2023 since the one-time calendar-year-adjustment funding does not recur.

The 2025 Service Coordinator/Congregate Housing Services request incorporates an estimated three percent cost-of-living adjustment (COLA) for service coordinator salaries. The COLA is published annually by the Social Security Administration. The total cost to continue existing service coordination grants will be offset in 2025 by the availability of unobligated balances, allowing for a \$5 million decrease in the requested appropriations relative to the 2024 Budget.

Stakeholders

HUD collaborates with a range of stakeholders including property nonprofit owners/managers, tenant advocacy organizations, service providers, congressional committees, research institutions/think tanks, industry partners, and other Federal Agencies to ensure the successful implementation of the Section 202 program. HUD regularly meets with residents, advocates, owners, property managers, State and local officials, and service coordinators through association meetings, conferences, and individual meetings to disseminate and explain program status and updates and collect feedback to inform program implementation and policy. This collaborative approach helps HUD address challenges, gather feedback, make informed policy decisions, and improve the overall effectiveness of the program.

Operational Improvements

The Office of Multifamily Housing Programs continues to streamline administrative processes and reduce burdens for housing providers and tenants through implementation of the Housing Opportunity through Modernization Act (HOTMA), streamlining the PRAC contract renewal process with five-year renewal terms, implementing the National Standards for Physical Inspection of Real Estate (NSPIRE), and improving Information Technology (IT) through modernization.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

| Budget Activity | 2023 Budget Authority | 2022 Carryover Into 2023 | 2023 Total Resources | 2023 Obligations | 2024 Annualized CR | 2023 Carryover Into 2024 | 2024 Total Resources | 2025 President's Budget |
|---|-----------------------|--------------------------|----------------------|------------------|--------------------|--------------------------|----------------------|-------------------------|
| Elderly PRAC/SPRAC Renewals/Amendments | 835,000 | 135,521 | 970,521 | 745,769 | 835,000 | 196,101 | 1,031,101 | 813,400 |
| Senior Preservation Rental Assistance Contracts SPRAC [Expansion] | [383] | 1,690 | 1,690 | 607 | - | 500 | 500 | - |
| Service Coordinators/Congregate Services | 120,000 | 76,163 | 196,163 | 105,382 | 120,000 | 130,293 | 250,293 | 115,000 |
| Capital Advance Amendments and Other Expenses | 4,000 | 6,000 | 10,000 | 2,054 | 4,000 | 7,741 | 11,741 | 3,000 |
| Capital Advance (Expansion) | 110,000 | 193,010 | 303,010 | 26 | 110,000 | 277,059 | 387,059 | - |
| Intergenerational Dwelling Units | [25,000] | [15,000] | [40,000] | - | [25,000] | [35,000] | [60,000] | - |
| Capital Advance Preservation | 6,000 | 6,000 | 12,000 | - | 6,000 | 12,000 | 18,000 | - |
| Elderly PRAC/SPRAC Renewals/Amendments (CARES Act) | - | 10,661 | 10,502 | - | - | 135 | 135 | - |
| Service Coordinators/Congregate Services (CARES Act) | - | 8,575 | 8,575 | 17,475 | - | - | - | - |
| Support Services/IWISH Demonstration | - | 1,227 | 1,227 | 405 | - | 822 | 822 | - |
| Rental Assistance Demonstration (RAD) Transfer | - | - | (27,096) | - | - | (5,000) | (31,000) | [(35,000)] |
| Total | 1,075,000 | 438,847 | 1,486,592 | 871,718 | 1,075,000 | 619,651 | 1,694,651 | 931,400 |

a/ 2023 Total Resources exclude \$10 million offsetting collections.

b/ 2023 Carryover amount includes a CARES Act rescission of \$159 thousand in the Elderly PRAC/SPRAC Renewals/Amendments CARES Act.

c/ 2024 Total Resources includes transfers to PBRA and TBRA to cover RAD conversions, which include a \$6 million transfer from prior year carryover balances and a \$26 million transfer of new budget authority.

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS**Appropriations Language Changes**

The 2025 President's Budget includes the appropriations language listed below.

Creation of Operational Performance Evaluation and Risk Assessments (OPERA) Account: The 2025 Budget deletes language for the Real Estate Assessment Center (REAC) and transfers this activity to the centrally funded Operational Performance Evaluation and Risk Assessments (OPERA) account. The OPERA account is proposed to streamline operations that perform inspections, evaluations, and assessments across HUD's housing programs. Please see the Operational Performance Evaluation and Risk Assessments Justification for more details.

Legislative Proposals

The 2025 Budget supports the following continuing legislative proposals and will seek changes through the authorization process:

- Modification to Rent Increase Procedures for Section 202 Capital Advance Projects: Currently, contract rents for properties with Section 202 PRACs are set through annual budget-based rent increases. This proposal would allow for the use of an operating cost adjustment factor (OCAF) for annual contract adjustments, with budget-based rent increases at least once every five years. This would streamline the rent adjustment process for Section

202 and reduce the administrative burden on property owners and HUD program staff. The use of an annual OCAF would eliminate the need for more than 2,800 budget reviews of properties in the PRAC portfolio annually, saving an estimated 18,000 staff hours by allowing sponsors of these properties to use interim OCAF adjustments rather than preparing annual budget submissions, and an estimated 14,200 staff hours for HUD in reviewing and responding to these submissions. These scarce staffing resources could be better used running properties and supporting residents, and on the HUD side, could be dedicated to speedier routine rent adjustments and other portfolio management tasks, including property oversight.

- Prioritization of Federal Inspection Certification: In the absence of national standards, authorize HUD inspections to occur effectively without impediment from State or local licensing requirements regarding assessment of mold and moisture, pests, radon, and lead based paint and its hazards. This would cover the ability to collect or assess information on risks related to environmental or other hazards impacting the built environment or residential use of such structures.
- Triennial Recertification to Promote Family Wealth Building: HUD requests language that would provide the Department with the discretion to allow PHAs and owners of multifamily properties who receive project-based rental assistance through a housing assistance payments (HAP) contract to, instead of annual or biennial income examinations, implement triennial recertification of income, like what is currently available to PHAs for fixed income families. PHAs electing triennial recertification of income (and thus triennial recalculations of tenant rent contribution) would promote family wealth building, since increases in earned income would generally be taken into consideration only once every three years, rather than annually under the current law, the corresponding rent savings would help support the family's overall financial health. As an element of implementation, the PHA will leverage Federal financial education resources to enhance the financial skills of HUD-assisted residents. Coupling rent savings with financial education will promote family wealth building among HUD-assisted residents. Note that for 202/811, no statutory language is required, but will be addressed via regulatory change if the 1937 Act changes are enacted.

General Provisions

The 2025 President's Budget re-proposes the following general provisions:

- Transfers of Assistance, Debt, and Use Restrictions: This provision will allow 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. The language has been updated to allow the Secretary to authorize a change in the number of units and/or unit configuration when only a use agreement is being transferred, provided there is no loss of assistance to currently assisted households. (Sec. 206)
- Management and Disposition of Certain Multifamily Projects: This section governs the use of project-based subsidy in connection with managing and disposing of multifamily properties. (Sec. 208)
- Physical Conditions Requirements: This general provision enhances HUD's ability to exercise oversight within the PBRA, Housing for the Elderly, and Housing for Persons with Disabilities programs, allowing HUD to mandate corrective action or change in management due to failure to meet physical condition standards. (Sec. 214)

APPROPRIATIONS LANGUAGE

The 2025 President's Budget includes the appropriations language listed below.

(INCLUDING TRANSFER OF FUNDS)

For 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), for supportive services associated with the housing, and for administrative and other expenses associated with assistance funded under this heading, \$931,400,000 to remain available until September 30, 2028: Provided, That of the amount made available under this heading, up to \$115,000,000 shall be for service coordinators and the continuation of existing congregate service grants for residents of assisted housing projects: Provided further, That any funding for existing service coordinators under the preceding proviso shall be provided within 120 days of enactment of this Act: 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, 2028: Provided further, That amounts deposited in this account pursuant to the preceding 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.

Note.--A full-year 2024 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, 2024 and Other Extensions Act (Division A of Public Law 118-15, as amended). The amounts included for 2024 reflect the annualized level provided by the continuing resolution.