

# 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	Net Outlays
2021 Appropriation	855,000	339,442	-	1,194,442	965,876	783,034
2022 Annualized CR	855,000	207,477	-	1,062,477	994,100	858,000
2023 President's Budget	966,000	50,377	-	1,016,377	991,000	1,048,000
Change from 2022	111,000	(157,100)	-	(46,100)	(3,100)	190,000

a/ 2021 Carryover amount includes \$330 million in carryover, \$6 million in recoveries, and \$3 million in collections.

b/ 2022 Carryover amount includes an estimated \$227.4 million in carryover and \$1 million in recoveries. It is net \$21 million in transfers to PBRA and TBRA for RAD Conversions.

c/ 2023 Carryover amount includes an estimated \$68 million in carryover and \$1 million in recoveries. It is net \$19 million in transfers to PBRA and TBRA for RAD Conversions.

#### 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 (PRACs). 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.

#### BUDGET OVERVIEW

The 2023 President's Budget requests \$966 million for Housing for the Elderly, which is \$111 million more than the 2022 annualized CR level. This request includes:

- \$742 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.
- \$120 million to fund the renewal of approximately 1,600 existing Service Coordinator and Congregate Housing Services grants plus any new awards that will be determined based on the results of the 2022 Notice of Funding Opportunity (NOFO).
- \$4 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 (GRRP) program.

This budget level assumes that adverse impacts of the current COVID-19 pandemic will gradually begin to subside, and an economic recovery will be well underway by the start of 2023.

Housing-related challenges can trigger significant mental health distress. Training and technical assistance resources available in this account will be used to support HUD's department-wide effort to reduce the impacts of housing-related challenges on mental and emotional well-being and improve the experience of the Department's customers. HUD will coordinate validated, evidence-based

training for front-line housing professionals on the signs and symptoms of emotional distress and mental health challenges. This training will help housing professionals connect customers who are experiencing emotional distress with appropriate local resources.

## JUSTIFICATION

### **PRAC/SPRAC Renewals and Amendments - \$742 million**

The requested funding provides \$742 million for Section 202 PRAC/SPRAC renewals and amendments. The proposed amount will fully fund approximately 117,000 units covered by the 2,800 contracts requiring renewal or amendment through mid-November 2023.

Increases 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 2023, HUD estimates Section 202 program subsidy inflation at approximately 4.4 percent. During 2023, about 2,600 existing PRAC units will renew or require amendment funds for the first time.

The funding for PRAC/SPRAC renewal and amendment assumes that current services renewal needs will be fully funded in 2022 through regular appropriations. This assumes an offset of \$4 million as approximately 16 Section 202 properties with approximately 625 units convert to Project Based Rental Assistance (PBRA) or Project Based Vouchers (PBV) through the Rental Assistance Demonstration (RAD) program.

### **Service Coordinator/Congregate Housing Services - \$120 million**

The requested funding renews approximately 1,600 existing Service Coordinator/Congregate Housing Services grants plus any new grants awarded as part of the 2022 NOFO. 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. Older adults living in HUD-assisted housing are more likely on average to have multiple chronic conditions than other older adults<sup>1</sup>. Service coordination promotes housing equity by connecting residents to the supportive services that they need to continue living independently and age in the community.

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 for 31 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, congregational meals, housekeeping, personal assistance, transportation, and case management.

### **Capital Advance Expansion - \$100 million**

The requested funding would increase 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. The Section 202 program is currently the only Federally funded program that expressly addresses the need for affordable elderly housing. Its

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<sup>1</sup> U.S. Department of Health and Human Services (2014). *Picture of Housing and Health: Medicare and Medicaid Use Among Older Adults in HUD-Assisted Housing*. Available at: [https://aspe.hhs.gov/sites/default/files/migrated\\_legacy\\_files//44236/HUDpic.pdf](https://aspe.hhs.gov/sites/default/files/migrated_legacy_files//44236/HUDpic.pdf)

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: 2021 Report to Congress found that 2.24 million households headed by an elderly person had worst-case housing needs.<sup>2</sup> The proportion of elderly, very low-income renters with worst-case needs was 40.3 percent in 2019. 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 properties 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, and cost-effective improvements to the properties are typically required to decrease their carbon footprint and operating costs.

#### **Capital Advance Amendments and Other Expenses - \$4 million**

The requested funding provides \$4 million for inspections and other administrative costs, including funding needed to address the backlog and increasing cost of REAC inspections delayed due to the COVID-19 National Emergency.

HUD's 2023 Budget also includes funds for the Real Estate Assessment Center's (REAC) efforts to eliminate the backlog of overdue physical inspections accrued largely during the COVID-19 pandemic, consistent with HUD Strategic Objective 2B – Improve Rental Assistance. The funds requested will enable REAC to eliminate the Multifamily Housing inspection backlog and maintain on-schedule inspections and re-inspections consistent with Multifamily program regulations through the end of fiscal year 2023. Funds requested also support inspections-related contracts that facilitate analysis of inspection data, performance reporting, and the improvement of HUD's inspection program through the National Standards for the Physical Inspection of Real Estate (NSPIRE) contract. Please see the Public Housing Fund justification for more details.

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<sup>2</sup> <https://www.huduser.gov/portal/publications/Worst-Case-Housing-Needs-2021.html>.

### Q4 2021 Section 202 Tenant Characteristics

<p><b>How many households and people are served?</b></p> <p><b>132 thousand people</b> <b>123 thousand households</b></p>	<p><b>What are the racial characteristics of the tenants?</b></p> <p>This program serves a relatively demographically diverse population. <b>51%</b> of residents are in a minority group.</p> <table border="1"> <thead> <tr> <th><i>Asian/ P.I.</i></th> <th><i>Black, non- Hispanic</i></th> <th><i>Hispanic</i></th> <th><i>Native American</i></th> <th><i>White</i></th> <th><i>Unknown</i></th> </tr> </thead> <tbody> <tr> <td>11%</td> <td>22%</td> <td>16%</td> <td>1%</td> <td>44%</td> <td>5%</td> </tr> </tbody> </table>	<i>Asian/ P.I.</i>	<i>Black, non- Hispanic</i>	<i>Hispanic</i>	<i>Native American</i>	<i>White</i>	<i>Unknown</i>	11%	22%	16%	1%	44%	5%	<p><b>What are the characteristics of the heads of household?</b></p> <p>Female headed families with children &lt; 1%</p> <p>Elderly 99%</p> <p>Non-elderly disabled &lt; 1%</p>										
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<p><b>How big are the households?</b></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>&lt; 1%</td> </tr> <tr> <td>4+ People</td> <td>&lt; 1%</td> </tr> </tbody> </table>	Household Size	Percentage	1 Person	92%	2 People	8%	3 People	< 1%	4+ People	< 1%	<p><b>How old are the heads of household?</b></p> <table border="1"> <thead> <tr> <th>Age Group</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>24 Years or Less</td> <td>&lt; 1%</td> </tr> <tr> <td>25 to 50 Years</td> <td>&lt; 1%</td> </tr> <tr> <td>51 to 60 Years</td> <td>&lt; 1%</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	< 1%	25 to 50 Years	< 1%	51 to 60 Years	< 1%	62 Years or More	99%	85 Years or More	16%	<p><b>What is the share of rent paid by the tenant and HUD?</b></p> <p>Average household contribution <b>\$324</b></p> <p>Average HUD contribution <b>\$472</b></p>
Household Size	Percentage																							
1 Person	92%																							
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<p><b>What are the income levels of assisted households?</b></p> <p>Tenants make an average gross income of <b>\$14,249</b>. <b>85%</b> of households earn \$20,000 or less per year</p>		<p><b>How do household incomes compare to the local area median income?</b></p> <p>Extremely low income (less than 30% AMI) <b>75%</b></p> <p>Very low income (30% to 50% AMI) <b>23%</b></p> <p>Low Income (50% to 80% AMI) <b>1%</b></p>																						

Some percentage totals not equal to 100 due to rounding.

Source: HUD PIC and TRACS databases, December 2021 extract.

**SUMMARY OF RESOURCES BY PROGRAM**

(Dollars in Thousands)

Budget Activity	2021 Budget Authority	2020 Carryover Into 2021	2021 Total Resources	2021 Obligations	2022 Annualized CR	2021 Carryover Into 2022	2022 Total Resources	2023 President's Budget
Capital Advance (Expansion)	35,000	152,097	187,097	136,713	35,000	50,384	85,384	100,000
Capital Advance Amendments and Other Expenses	3,000	9,027	12,027	9,439	3,000	2,264	5,264	4,000
Elderly PRAC/SPRAC Renewals/Amendments	673,000	108,466	781,466	692,164	673,000	90,302	763,302	742,000
Service Coordinators/Congregate Services	125,000	17,459	142,459	97,912	125,000	43,782	168,782	120,000
Senior Preservation Rental Assistance Contracts (Expansion)	-	1,500	1,500	-	-	1,500	1,500	-
Aging in Place Home Modification Grants	-	20,000	20,000	20,000	-	-	-	-
Elderly PRAC/SPRAC Renewals/Amendments (CARES Act)	-	20,893	20,893	5,287	-	15,606	15,606	-
Service Coordinators/Congregate Services (CARES Act)	-	10,000	10,000	4,361	-	5,639	5,639	-
Intergenerational Dwelling Units	5,000	-	5,000	-	5,000	5,000	10,000	-
Supportive Services/IWISH Demonstration	14,000	-	14,000	-	14,000	14,000	28,000	-
Rental Assistance Demonstration (RAD)	-	-	-	-	-	(21,000)	(21,000)	-
<b>Total</b>	<b>855,000</b>	<b>339,442</b>	<b>1,194,442</b>	<b>965,876</b>	<b>855,000</b>	<b>207,477</b>	<b>1,062,477</b>	<b>966,000</b>

a/ 2021 Budget Authority reflects reallocation between Capital Advance and PRAC Renewals as reflected in the 2021 Operating Plan.

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

The 2023 President's Budget includes the following:

Renewal of Section 811 PRAC and 202 PAC Contracts for Terms of Up to Five Years: This proposal would allow HUD to renew expiring Section 811 PRACs and Section 202 PACs for up to five-year terms. This mirrors a provision enacted in 2021 that allows 5-year terms for Section 202 PRAC renewals.

Authorize use of Section 8 Contracts for Properties Developed Through Capital Advance Funds: Under current law, HUD is authorized to award Section 202 capital advance awards and to enter into project rental assistance contracts (PRACs). This proposal would allow HUD to enter into Section 8 PBRA Housing Assistance Payments (HAP) contracts in lieu of PRACs.

**General Provisions**

The 2023 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. (2023 President's Budget Sec. 206)

## Legislative Proposals

The 2023 Budget supports the following legislative proposal(s) and will seek changes through the authorization process:

Authorize use of Section 8 Contracts for Properties Developed Through Capital Advance Funds:

Under current law, HUD is authorized to award Section 202 capital advance awards and to enter into project rental assistance contracts (PRACs). This proposal would allow HUD to enter into Section 8 Housing Assistance Payments (HAP) contracts in lieu of PRACs.

Modification to Rent Increase procedures for Section 202 and 811 Capital Advance projects:

Currently, contract rents for properties with Section 202 and Section 811 project rental assistance contracts (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 every 5 years. This would streamline the rent adjustment process for Section 202 and Section 811 PRACs and reduce administrative burden on property owners and HUD program staff. The use of annual OCAF would eliminate the need for over 4,000 budget reviews of properties in the PRAC portfolio annually, saving an estimated 25,000 staff hours by allowing sponsors of these properties to use interim OCAF adjustments rather than preparing annual budget submissions, and an estimated 20,000 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 other portfolio management tasks, including property oversight.

## APPROPRIATIONS LANGUAGE

The 2023 President's Budget includes the appropriation language listed below.

### HOUSING FOR THE ELDERLY (INCLUDING TRANSFER OF FUNDS)

*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, \$966,000,000, to remain available until September 30, 2026: Provided, That of the amount made available under this heading, up to \$120,000,000 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 enter into new project-based subsidy contracts, which shall be renewable under section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, using the resources made available under the heading "Project-Based Rental Assistance" to support projects awarded new capital advance awards: Provided further, That, from amounts made available under this heading for project rental assistance contracts, the Secretary shall transfer to and merge with amounts available under the heading "Project-Based Rental Assistance" an amount equal to the total cost of the new incremental project-based subsidy contracts executed under the authority of the previous proviso: 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, 2026: 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.*

*Note.—A full-year 2022 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, 2022 (Division A of P.L. 117-43, as amended). The amounts included for 2022 reflect the annualized level provided by the continuing resolution.*