

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Housing

Housing for the Elderly (Section 202)

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carry over	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2022 Appropriation	1,033,000	231,984	-	1,264,984	829,904	792,570
2023 Appropriation	1,075,000	429,252	-	1,504,252	1,108,000	912,000
2024 President's Budget	1,023,000	366,252	-	1,389,252	993,000	1,117,000
Change from 2023	(52,000)	(63,000)	-	(115,000)	(115,000)	205,000

a/ 2022 Carryover amount includes \$227 million in carryover, \$5 million in recoveries, and \$2 million in collections. It is net \$2 million in transfers to PBRA for RAD Conversions.

b/ 2022 Total Resources includes \$8 million in appropriations that was subsequently transferred to PBRA and TBRA for RAD Conversions.

c/ 2023 Carryover amount includes \$427 million in estimated carryover and \$1.2 million in estimated recoveries. It is net of \$4 million in estimated transfers to PBRA and TBRA for RAD Conversions.

d/ 2023 Total Resources includes \$26 million in appropriations that are estimated for transfer to PBRA and TBRA for RAD Conversions.

e/ 2024 Carryover amount includes \$365 million in estimated carryover and \$1 million in estimated recoveries. It is net of \$6 million in estimated transfers to PBRA and TBRA for RAD Conversions.

f/ 2024 Total Resources includes \$25 million in appropriations that are estimated for transfer 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. 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. Section 202 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 2024 President's Budget requests \$1.023 billion for Housing for the Elderly, which is \$52 million less than the 2023 enacted level. This includes:

- \$797 million to fund renewals and amendments of Project Rental Assistance Contracts (PRACs) and Senior Preservation Rental Assistance Contracts (SPRACs);
- \$110 million for new Capital Advances to increase the supply of affordable housing for seniors by approximately 1,000 units;
- \$112 million to fund the renewal of approximately 1,600 existing Service Coordinator and Congregate Housing Services grants; and
- \$4 million for administrative and other related expenses.

In addition, to support HUD's focus on climate resilience, Section 202 property owners who seek to improve their properties may be eligible to receive grants or loans under the forthcoming Green and Resilient Retrofit (GRRP) program, funded by the Inflation Reduction Act.

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

JUSTIFICATION

PRAC/SPRAC Renewals and Amendments - \$797 million

The requested funding provides \$797 million for Section 202 PRAC/SPRAC renewals and amendments. The proposed amount will fully fund the approximately 118,205 units covered by the 2,868 contracts requiring renewal or amendment through December 2024.

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 2024, HUD estimates Section 202 program subsidy inflation at approximately 4.5 percent. During 2024, about 118,205 existing PRAC units will renew or require amendment funds for the first time.

Service Coordinator/Congregate Housing Services - \$112 million

The requested funding renews approximately 1,600 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 the community.

As the physical repair or replacement needs of aging properties increase, HUD has noticed a decline in the availability of other sources, such as residual receipts, to cover a portion of service coordination costs, 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 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, congregational meals, housekeeping, personal assistance, transportation, and case management.

Capital Advance Expansion - \$110 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 1,000 new units of Section 202 housing. A small portion of this funding may be used for SPRACs as needed to preserve existing Section 202 senior housing.

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).

The average annual household income for Section 202 PRAC tenants is approximately \$15,000. 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 boomer generation continues to age. 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.¹ 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 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 administrative and other related expenses. It does not fund inspections, as it did in prior years. Instead, all inspection funds will come from a single account, Operational Performance Evaluation and Risk Assessments (OPERA).

The OPERA account is proposed in the Budget for the inspection and assessment of rental assistance programs. This new account, previously funded under the Financial and Physical Assessment set-aside within the Public Housing Fund and accounts within the Office of Housing, streamlines the Real Estate Assessment Center (REAC) operations into a centrally funded account that performs inspections, evaluations, and assessments across HUD's housing programs. This centrally funded account will enhance the quality and capabilities of these services to ensure that millions of residents reside in housing that is healthy, safe, and operated at a high level.

Please see the Operational Performance Evaluation and Risk Assessments Justification for more details.

¹ <https://www.huduser.gov/portal/publications/Worst-Case-Housing-Needs-2021.html>.

Q2 2023 Section 202 Tenant Characteristics

How many households and people are served?

132 thousand people

123 thousand households

What are the racial characteristics of the tenants?

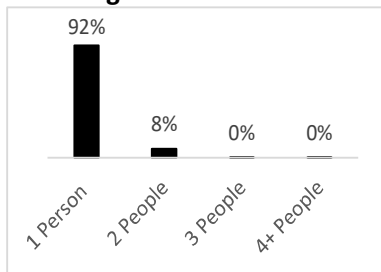
This program serves a diverse population: **54%** of residents are in a minority group.

<i>Asian/Pacific Islander</i>	<i>Black, non-Hispanic</i>	<i>Hispanic</i>	<i>Native American</i>	<i>White, non-Hispanic</i>
12%	24%	17%	1%	46%

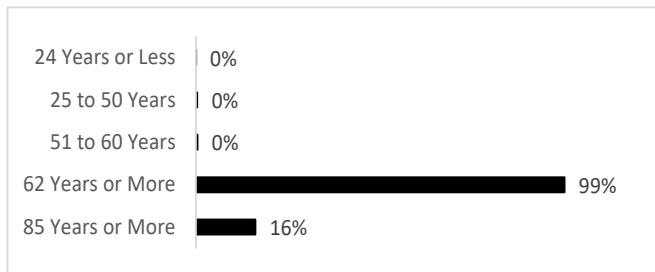
What are the characteristics of the heads of household?

Female headed families with children < **1%**
 Elderly **99%**
 Non-elderly disabled < **1%**

How big are the households?



How old are the heads of household?



What is the share of rent paid by the tenant and HUD?

Average household contribution: **\$342**
 Average HUD contribution: **\$487**

What are the income levels of assisted households?

Tenants make an average gross income of **\$15,208**.
81% of households earn \$20,000 or less per year

How do household incomes compare to the local area median income?

Extremely low income (less than 30% AMI) **77%**
 Very low income (30% to 50% AMI) **22%**
 Low Income (50% to 80% AMI) **1%**

Note: Some percentage totals not equal to 100 due to rounding.
 Source: HUD PIC and TRACS databases, December 2022 extract.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2022 Budget Authority	2021 Carryover Into 2022	2022 Total Resources	2022 Obligations	2023 Appropriation	2022 Carryover Into 2023	2023 Total Resources	2024 President's Budget
Elderly PRAC/SPRAC Renewals/Amendments	730,000	92,772	822,772	686,507	835,000	128,242	963,242	797,000
Senior Preservation Rental Assistance Contracts SPRAC [Expansion]	500	1,500	2,000	510	[383]	1,107	1,107	-
Service Coordinators/Congregate Services	125,000	44,819	169,819	95,320	120,000	74,577	194,577	112,000
Capital Advance Amendments and Other Expenses	3,000	2,264	5,264	-	4,000	12,170	16,170	4,000
Capital Advance (Expansion)	168,500	55,384	223,884	29,849	110,000	189,630	299,630	110,000
Intergenerational Dwelling Units	[10,000]	[5,000]	[15,000]	-	[25,000]	[15,000]	[40,000]	-
Capital Advance Preservation	6,000	-	6,000	-	6,000	6,000	12,000	-
Elderly PRAC/SPRAC Renewals/Amendments (CARES Act)	-	15,606	15,606	4,945	-	16,299	16,299	-
Service Coordinators/Congregate Services (CARES Act)	-	5,639	5,639	-	-	-	-	-
Support Services/IWISH Demonstration	-	14,000	14,000	12,773	-	1,227	1,227	-
Rental Assistance Demonstration (RAD)	[7,300]	[2,334]	[9,634]	-	[26,000]	[4,000]	[30,000]	[25,000]
Total	1,033,000	231,984	1,264,984	829,904	1,075,000	429,252	1,504,252	1,023,000

NOTE: 2022 Carryover into 2023 reflects the following reallocations as reflected in the 2023 Operating Plan:

- Reallocation between SPRAC and Elderly PRAC/SPRAC Renewals/Amendments, and Reallocation between Service Coordinators/Congregate Services (CARES Act) and Elderly PRAC/SPRAC Renewals/Amendments (CARES Act).

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

The 2024 President's Budget includes the following changes:

- Creation of Operational Performance Evaluation and Risk Assessments (OPERA) Account: The 2024 President's 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.
- 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 PRACs. This proposal would allow HUD to enter into Section 8 PBRA Housing Assistance Payments (HAP) contracts in lieu of PRACs, which would facilitate non-profit developers' access to debt and equity financing and reduce the reliance on direct Capital Advance funds.

Legislative Proposals

The 2024 Budget supports the following legislative proposals and will seek changes through the authorization process:

- **Triennial Recertification**: The Budget reflects the planned submission of authorizing legislation to allow public housing agencies (PHAs) and property owners to verify the income of families living in assisted housing every three years instead of annually, as the statute currently requires.
- **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 every 5 years. This would streamline the rent adjustment process for Section 202 and reduce administrative burden on property owners and HUD program staff. The use of 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 other portfolio management tasks, including property oversight.

General Provisions

The 2024 President's Budget re-proposes the following general provisions:

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. (Sec. 206)

RAD for SPRAC: This provision would authorize the budget-neutral conversion for properties assisted under SPRACs under Rental Assistance Demonstration (RAD). SPRACs were authorized in 2010 as a preservation solution for affordable senior properties that were refinancing their pre-1974 Section 202 Direct Loans. However, with limited funding from Congress and alternative preservation solutions identified by HUD, the stock is unlikely to grow much beyond the 1,450 units supported by SPRACs today. The proposed change will consolidate the SPRACs, which, by statute, already operate very similarly to PBRA, onto the Section 8 platform and eventually allow HUD to sunset the SPRAC program. (Sec. 236)

Appropriations Language

The 2024 President's Budget includes proposed changes in the appropriations language listed below. New language is italicized, and language proposed for deletion is bracketed.

(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, [~~\$1,075,000,000~~]~~\$1,023,000,000~~ to remain available until September 30, [2026] 2027: Provided, That of the amount made available under this heading, up to [~~\$120,000,000~~]~~\$112,000,000~~ 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 [amounts made available under this heading shall be available for Real Estate Assessment Center inspections and inspection-related activities associated with section 202 projects:] *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 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] 2027: 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[: Provided further, That of the total amount made available under this heading, up to \$25,000,000 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: Provided further, That for the purposes of the preceding proviso the Secretary may waive, or specify alternative requirements for, any provision of section 202 of the Housing Act of 1959 (12 U.S.C. 1701q) in order to facilitate the development of such units, except for requirements related to fair housing, nondiscrimination, labor standards, and the environment: Provided further, That of the total amount made available under this heading, up to \$6,000,000 shall be used by the Secretary to support preservation transactions of housing for the elderly originally developed with a capital advance and assisted by a project rental assistance contract under the provisions of section 202(c) of the Housing Act of 1959]. (*Department of Housing and Urban Development Appropriations Act, 2023.*)*