HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
2019 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING FOR THE ELDERLY (SECTION 202)	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation	$502,400	$176,361[a/]	...	$678,761	$534,997	$701,704
2018 Annualized CR	502,400	160,534[b/]	-$3,411[c/]	659,523	523,897	605,488
2019 Request	601,000	153,637[d]	...	754,637	614,446	659,000
Change from 2018	+98,600	-6,897	+3,411	+95,114	+90,549	+53,512

a/ Carryover includes $158.9 million in unexpired unobligated balances and $17.4 million from collections realized in 2017.
b/ Carryover includes $143.5 million in unexpired unobligated balances and an estimated $17 million from recaptures and collections. It excludes $230 thousand that expired at the end of fiscal year 2017.
c/ Public Law 115-56 requires a reduction from the fiscal year 2017 enacted budget authority of 0.6791 percent.
d/ Carryover includes an estimated $137 million in unexpired unobligated balances and an estimated $17 million from recaptures and collections.

1. Program Purpose and Fiscal Year 2019 Budget Overview

The 2019 President Budget request for the Housing for the Elderly (Section 202) program is $601 million which is $102 million more than the fiscal year 2018 Annualized CR Level. The Department's request will fund three ongoing activities within the Housing for the Elderly program:

- $508 million to fully fund Project Rental Assistance Contracts (PRAC) and Senior Preservation Rental Assistance Contracts (SPRAC) Renewals/Amendments in support of more than 122,000 existing units;
- $90 million to renew approximately 1,500 existing Service Coordinator/Congregate Housing Services grants; and
- $3 million for property inspections and related administrative costs.

Compared to 2018, the 2019 budget must also support 5,000 existing PRAC units that are renewing or requiring contract amendments for the first time in 2019. This additional unit demand coupled with increased project operating costs results in a significant increase in 2019 program needs relative to 2018. As described further below and in the "Enhance Rental Assistance" justification, the funding request reflects a set of policies that reduce costs while continuing to assist current residents, and the Administration will submit a legislative package of comprehensive rental assistance reforms consistent with this funding request following submission of the Budget.

The request assumes that proposed rent reform measures for Section 202 will be implemented at the start of 2019. Collections of excess residual receipts from prior years are expected to supplement the request and ensure all contracts are fully funded.

2. Request

The Housing for the Elderly (Section 202) program provides funding to create and support multifamily housing for very low-income elderly persons. Nearly 400,000 units for low-income elderly households have been produced to date. Section 202 is currently the only federal program that expressly addresses this need for affordable elderly housing. Its impact is amplified through the leverage of other housing resources such as Section 8 and Low-Income Housing Tax Credits (LIHTC). Since 2005, roughly 900 Section 202 projects have either refinanced their original Section 202 loans or had the loan reach maturity. Of that number, HUD has identified 161 projects that have obtained new FHA-insured mortgages that were linked to low-income tax credits. This represents over $600 million in new financing. In addition to this group of FHA-insured projects, other Section 202 sponsors are likely to have refinanced with conventional (non-FHA) mortgages that also relied on tax credits.

To be eligible for residency in a Section 202 unit, a household must be composed of one or more elderly persons, with a household income at or below 50 percent of the area median income. Most residents fall far below that threshold. The average annual household income for Section 202 households is approximately $13,300.[1]

<u>The program request supports two primary areas of activity:</u>
Project Rental Assistance Contracts (PRAC) and Senior Preservation Rental Assistance Contracts (SPRAC)

PRAC Renewals/Amendments provide continued assistance to tenants of Section 202 projects in which the initial PRAC has expired or all reserved funding has been disbursed. In the early stages of the Section 202 program, the initial PRAC terms were 20 years; those terms were reduced to 5 years in 1995 and further reduced to 3 years in 2006. As the initial contracts begin to expire, rental assistance is renewed on a 1-year basis with funding from the PRAC Renewal/Amendment component. A key cost driver for PRAC and SPRAC renewals is the number of new units entering the renewal portfolio for the first time. In 2019, approximately 5,000 units will be renewing for the first time. The request does not include any inflationary rent increases for renewing contracts.

Service Coordinators/Congregate Housing Services Program (CHSP)

[1] 2015 Analysis by HUD Office of Policy Development and Research of PIC and TRACS data.

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A Service Coordinator is a social service staff person who is responsible for assuring that residents, especially those who are frail or at risk of becoming frail, 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. 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. CHSP is a mature program that now only funds renewals. CHSP subsidizes the cost of supportive services that are provided on-site and in the participant's home, which may include but are not limited to congregate meals, housekeeping, personal assistance, transportation, and case management.

Service Coordinator funds pay the salary and fringe benefits of a Service Coordinator and cover related program administrative costs. Annual extensions of Service Coordinator grants are to be used only to meet a critical need and in cases where no other funding source is available. Meeting a "critical need" means addressing a need that cannot be met through use of other resources. 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 growth in the size of annual extension requests for established grants.

3. Justification

The Supportive Housing for the Elderly (Section 202) program provides critical support for the population of vulnerable seniors. Today, 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 baby boomers continue to age into retirement. In addition to demand outpacing investments in elderly housing, there is a growing increase in the number of older Americans with worst case housing needs. HUD's Worst Case Housing Needs: 2017 Report to Congress reveals that among very low-income renter households that lacked assistance in 2015, 8.3 million had worst case housing needs resulting from severe rent burden (paying more than one-half of their monthly income for rent) or from living in severely inadequate housing units. Almost 1.9 million households headed by an elderly person had worst case housing needs in 2015. The proportion of elderly very low-income renters with worst case needs was 39.8 percent in 2015, representing a 2.6 percentage point increase since 2013.

An estimated 38 percent of all residents currently living in Section 202 properties could be considered "frail" or "near-frail." However, with the assistance of service coordinators, many of these residents are able to access community-based services that are designed to help them stay longer in their housing, and avoid more expensive institutional settings. Going forward, the Section 202 program intends to increasingly target housing assistance towards exactly this subset of the elderly population, given the tremendous cost-savings associated with independent living versus nursing homes or assisted living facilities.

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A study of HUD's housing programs found that the average age at which elderly households leave assisted housing is the highest for Section 202 residents compared to other housing programs. The study found that housing occupied primarily by the elderly has greater success retaining residents until more advanced ages.[2] A study of service coordination found very high levels of satisfaction and it found that the presence of service coordinator staff who link residents to supportive services in the community increased residents' length of stay by 10 percent in comparison with those without access to this service.[3]

HUD has recently collaborated with the Department of Health and Human Services (HHS) on relevant research on ways housing can lead to long-term medical savings. One such study has produced a design for a demonstration on aging in place for HUD-assisted seniors. This contract, as noted above, has already produced an extensive literature review and several case studies, and these are the basis for developing a model of service and health care coordination that can be tested for its impacts on health outcomes, health care expenditures, health care service utilization, and consequences for participating properties. In addition, with MacArthur Foundation funding and HUD cooperation, the contractor is conducting a survey of HUD properties to assess the types and scope of services available in senior subsidized housing. Finally, the contractor has matched HUD-assisted seniors in 12 cities to their Medicare claims records to assess health care utilization, expenditures, and diagnoses. This is the first time that the Department has sought to match HUD administrative data with health claims data to create measures of Medicare utilization and expenditures for HUD-assisted elders.

In 2019, HUD will continue the execution of a 5-year Supportive Housing demonstration to evaluate the impact of HUD housing assistance combined with enhanced service coordination. This study relies on appropriations made in prior years.

Under the Americans with Disabilities Act and the Supreme Court's *Olmstead* decision, states are legally obligated to favor community-based and integrated settings over institutional settings for persons with disabilities, including the elderly. State Medicaid agencies are making efforts to comply with this mandate through Medicaid home and community-based "waiver" programs administered by HHS' Centers for Medicare and Medicaid Services. However, states often find themselves limited in achieving this mandate even when they have effective Medicaid waiver programs in place because the target population cannot afford the cost of renting a home in the community. In the most recent progress report of the HHS program, 20 out of 34 states reported an insufficient supply of affordable and accessible housing options to transition people from institutional settings to the community. Investments in Section 202 supportive housing align with and complement these state efforts to provide home and community-based services for elderly people with disabilities. The Department is working with HHS on several collaborative projects to increase access to affordable housing in community settings for elderly people with disabilities seeking to leave institutional settings related to the Section 202 program, such as HHS' Money Follows the Person (MFP) program.

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[2] Locke, Gretchen, Ken Lam, Meghan Henry, and Scott Brown (Abt Associates, Inc).2011. End of Participation in Assisted Housing: What Can We Learn About Aging in Place? Washington, DC: U.S. Department of Housing and Urban Development, Office of Policy Development and Research.
[3] HUD, "Multifamily Property Managers' Satisfaction with Service Coordination" 2008.

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Cross-cutting Rent Reform Proposals

The current rent structure in HUD's rental assistance programs creates disincentives to employment and stable family formation, imposes large administrative burdens, generates significant costs to the Federal government, and represents a one-size-fits-all approach that does not take into consideration local community needs. HUD is committed to the reformation of its rental assistance programs with the following goals:

1. Encouraging work and stable family formation;
2. Simplifying program administration;
3. Increasing local control and choice;
4. Reducing costs to the federal government; and
5. Protecting current elderly and disabled households from adverse impacts.

In furtherance of these goals, while also continuing to assist current residents, HUD will submit a rental reform legislative proposal to Congress in March. This Budget reflects key elements of that proposal, including:

- Establishing or increasing mandatory minimum rents;
- Simplifying rent calculations and increasing tenant rent contributions;
- Preventing rent increases for the most vulnerable current tenants, the elderly and disabled, when the new rent policies are implemented;
- Limiting income recertification for all households to once every three years, which supports stable family formation and incentivizes work by deferring increases in tenant rent payments as a result of increased wages;
- Providing a hardship exemption for tenants who, in certain circumstances, are unable to pay their rents; and
- Giving PHAs and property owners the option to choose alternative rent structures, approved by the Secretary, that work best for their communities, as well as the option to implement minimum work requirements for work-able residents. These alternative rent structures must incur the same overall program costs.

Proposed funding levels, while significantly reduced from the 2017 enacted level, should support currently assisted households while strategically reshaping the Federal footprint of HUD's rental assistance programs over time. As the legislative proposal is finalized, the requested allocation of funding across rental assistance programs in 2019 may change within the existing Departmental topline. HUD will provide Congress with updates to these programs' funding levels after the proposal is released.

Please see the "Enhance Rental Assistance" justification for more information.

In addition, for 2019, HUD is implementing a one-year freeze on annual rent adjustment increases, including those using operating cost adjustments, budget-based rent increases, or updated market rent studies.

General Provisions

The President's Budget proposes the following General Provisions for the Housing for the Elderly:

- Transfers of Assistance, Debt, And Use Restrictions (Sec. 206).
- Freeze on rent adjustment increases (Sec. 226).

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Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2017 Budget Authority	2016 Carryover Into 2017	2017 Total Resources	2017 Obligations	2018 Annualized CR	2017 Carryover Into 2018	2018 Total Resources	2019 Request
Capital Advance Amendments, Other Expenses and Initial PRAC	$3,000	$19,736	$22,736	$5,807	$2,980	$16,929	$19,909	$3,000
Elderly PRAC/SPRAC Renewals/Amendments ..	414,400	88,381	502,781	419,189	411,586	100,592	512,178	508,000
Service Coordinators/Congregat Housing Service Program	75,000	48,244	123,244	90,061	74,491	33,013	107,504	90,000
Senior Preservation Rental Assistance Contracts - Expansion	10,000	...	10,000	...	9,932	10,000	19,932	...
Section 202 Demonstration	...	20,000	20,000	19,940	...	...	...	...
Total	502,400	176,361	678,761	534,997	498,989	160,534	659,523	601,000

NOTE: Columns 2017 Carryover into 2018 and 2018 Total Resources includes an estimated $17 million in recaptures and spending authority from offsetting collections for Elderly PRAC and SPRAC Renewals/Amendments.

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Appropriations Language

The fiscal year 2019 President's Budget includes the appropriation language listed below.

For 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 senior preservation rental assistance contracts, including renewals, as authorized by section 811(e) of the American Housing and Economic Opportunity Act of 2000, as amended, and for supportive services associated with the housing, $601,000,000 to remain available until September 30, 2022: Provided, That of the amount provided under this heading, up to $90,000,000 shall be for service coordinators and the continuation of existing congregate service grants for residents of assisted housing projects: Provided further, That amounts 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 be available until September 30, 2022: 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 may be used for the current purposes authorized under this heading notwithstanding the purposes for which such funds originally were appropriated.

Note.—A full-year 2018 Annualized CR 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, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.