

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
2019 Appropriation	678,000	216,694 ^a	-	894,694	639,450	734,470 ^d
2020 Appropriation	793,000	255,244 ^b	-	1,048,244	833,000	848,307
2021 President's Budget	853,000	215,443 ^c	-	1,068,443	888,000	917,069
Change from 2020	60,000	(39,801)	-	20,199	55,000	68,762

a/ Amount includes \$204.3 million in carryover balances, \$7.3 million in recoveries and \$6.4 million in collections.

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

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

d/ Differs from the Budget Appendix due to rounding.

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 housing for very low-income elderly tenants. Housing through Section 202 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 2021 President's Budget requests \$853 million for Housing for the Elderly, which is \$60 million more than the 2020 enacted level. Affordable senior housing developments that were built with Section 202 funds continue to provide housing and services to their residents. Project-based rental assistance funds are provided to cover the difference between the HUD-approved operating cost for the project and the tenants' contribution toward rent.

This funding provides:

- \$641 million to fully fund renewals and amendments of Project Rental Assistance Contracts (PRACs) and Senior Preservation Rental Assistance Contracts (SPRACs);
- \$100 million for Capital Advances to increase the supply of affordable housing for seniors by approximately 600 units;
- \$95 million to fund renewal of approximately 1,600 existing service coordinator grants;
- \$14 million for an extension of the Supportive Services IWISH Demonstration; and
- \$3 million for other expenses related to property inspections and Capital Advance amendments.

JUSTIFICATION

PRAC/SPRAC Renewals and Amendments - \$641 million

The requested funding level of \$641 million will provide continuing annual rental assistance to approximately 124,000 households headed by seniors for contracts expiring through September 2021. Increases in gross needs for Section 202 PRAC/SPRAC renewals and amendments are driven mainly by increased project operating costs, inflationary factors, and by funding needed to support units that are renewing or need amendment funding for the first time. For 2021, HUD projects inflation at

approximately 5 percent and estimates that about 3,500 existing PRAC units will renew or require amendment funds for the first time. Approximately 11,200 units under Section 202 PRACs will continue to receive payments from balances remaining on initial contract awards and are not expected to require additional funding in 2021. The Budget recognizes that processing renewals is logistically difficult in the first few months of the fiscal year and, as a result, proposes the ability to renew contracts for longer than one year. For a portion of the contracts that renew in October, November, and December, this will give HUD the option to provide a one-time longer contract that will move them to a schedule of having their annual renewal occur in the second quarter of the fiscal year rather than the first.

Service Coordinator/Congregate Housing Services - \$95 million

The Budget requests \$95 million to fully fund the renewal of approximately 1,600 existing service coordinator grants and Congregate Housing Services grants. A service coordinator is a social service staff person who is responsible for ensuring that residents are connected to the specific supportive services provided by local community agencies and through other state and federal programs that they need to continue living independently and age in place. The service coordinator may also 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 the service coordinator and cover related program administration costs. Service Coordinator grants are to be used by the recipient to meet a critical need, and in cases where no other funding source is available. Should grantee utilization of funds improve in 2020, resulting in an increased grant requirement for 2021, HUD will use a portion of available collections from residual receipt accounts to ensure full funding of continuation grant awards in 2021. The Budget proposes giving HUD the authority to use balances transferred from the Rental Housing Assistance / Other Assisted Housing account for this purpose as well

In addition, 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 the participant's home, which may include, but are not limited to, congregating meals, housekeeping, personal assistance, transportation, and case management.

Extension of the Supportive Services Demonstration - \$14 million

HUD is currently implementing a randomized controlled trial on the impact of an enhanced service coordination model on healthcare utilization and continued independent living among seniors in assisted housing. The demonstration is known as the Integrated Wellness in Supportive Housing (IWISH) demonstration. The 2021 Budget requests \$14 million to provide an extension of the demonstration, allowing for collection of additional data, which will significantly strengthen the reliability of the research findings on the outcomes from this investment in the well-being of older low-income tenants.

Capital Advance - \$100 million

The Budget requests \$100 million in new capital advances that expand the affordable housing supply for vulnerable low-income seniors. The award of these funds will provide construction funding and operating assistance for approximately 600 units in additional Section 202 projects.

Capital Advance Amendments and Other Expenses - \$3 million

The Budget includes \$3 million for property inspections, capital advance amendments, and other administrative costs.

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 Section 8 and Low-Income Housing Tax Credits (LIHTC). The average annual household income for Section 202 PRAC households is approximately \$12,000. 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 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*¹ found that 1.85 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. 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.

The 2020 enacted level will fully fund all 202 PRAC/SPRAC renewal contracts that expire October 2019 through September 2020. There will be no rent reform savings realized in 2021; however, \$18 million in program savings will be realized via an inflationary freeze on rents effective at the start of 2021. Gross contract renewal needs in 2021 will be offset by approximately \$7 million in residual receipt collections; and approximately 3,500 units within the current PRAC portfolio will require renewal or amendment funding for the first time in 2021.

Rent Reform

The 2021 President's Budget funding levels across HUD rental assistance programs would support the same number of households currently assisted while proposing reforms to ensure the long-term fiscal sustainability of HUD's rental assistance programs.

The current rent structure in HUD's rental assistance programs creates disincentives to employment; large administrative burdens for PHAs, private owners, and tenants; significant and increasing costs to the Federal Government; and a one-size-fits-all approach that cannot offer the flexibility to meet the needs of households in communities across the nation.

Thus, with the Making Affordable Housing Work Act (MAHWA), submitted to Congress in April 2018, HUD has proposed reforming rental assistance with the following goals:

1. Simplify program administration: Simplify rent calculations by determining rents using gross rather than adjusted income.
2. Reduce federal taxpayer costs while encouraging work and stable family formation: Limit income recertification for all households to once every three years, which encourages work by deferring increases in tenant rent payments as a result of increased wages. In addition, the law would establish higher expectations for work-able tenants by setting tenant rent contributions at 35 percent of gross income, while setting a lower rent of 30 percent of gross income for those unable to work, notably the elderly and persons with disabilities. Additionally, current elderly and persons with disabilities would be temporarily held harmless from rent increases reflected in the proposed legislation. Moreover, HUD would also maintain the hardship exemption for tenants who, in certain circumstances, are unable to pay their rents.

¹ *Worst Case Housing Needs: 2017 Report to Congress*
(<https://www.huduser.gov/portal/sites/default/files/pdf/Worst-Case-Housing-Needs.pdf>)

3. Increase local control and choice: Empower PHAs and property owners to choose alternative rent structures, approved by the Secretary, that would best serve the needs of households in localities across the nation. These alternative rent structures must incur the same overall program costs and would provide a structure to encourage resident self-sufficiency.

In addition, the 2021 Budget continues to propose uniform work requirements for households with non-elderly, non-disabled tenants able to work. HUD will continue exploring ways to leverage existing enforcement and compliance mechanisms without adding burdens on PHAs and private multifamily property owners. HUD also will continue to support work requirement demonstration evaluations to build an evidence base from the experiences of Moving to Work PHAs on effective ways to promote self-sufficiency.

Please see the “Overview of Rental Assistance Programs” justification for more information.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2019 Budget Authority	2018 Carryover Into 2019	2019 Total Resources	2019 Obligations	2020 Appropriation	2019 Carryover Into 2020	2020 Total Resources	2021 President's Budget
Capital Advance Amendments, Other Expenses and Initial PRAC	3,000	9,399	12,399	1,689	3,000	10,710	13,710	3,000
Elderly PRAC/SPRAC Renewals/Amendments	524,000	64,630	588,630	544,000	590,000	44,630	634,630	641,000
Service Coordinators/Congregate Housing Service Program	90,000	27,665	117,665	93,761	100,000	23,904	123,904	95,000
Capital Advance (Expansion)	51,000	115,000	166,000	-	90,000	166,000	256,000	100,000
Supportive Services/IWISH Demonstration	-	-	-	-	-	-	-	14,000
Aging in Place Home Modification Grants	10,000	-	10,000	-	10,000	10,000	20,000	-
Total	678,000	216,694	894,694	639,450	793,000	255,244	1,048,244	853,000

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriations Language

The 2021 President’s Budget has the following changes to appropriations language from the 2020 enacted bill:

- **Extension of IWISH Demonstration:** As described above, this provision within the Housing for the Elderly account language allows the extension of the IWISH demonstration. This would allow the collection of additional data and significantly strengthen the findings of the randomized controlled trial currently underway.
- **Other Assisted Housing - Using Unobligated Balances for Section 202 Capital Advance:** An additional legislative proposal would allow HUD to transfer resources from the Other Assisted Housing account to the Housing for the Elderly account for capital advances and service coordinators. For further information, please see the Other Assisted Housing narrative.

General Provisions

The 2021 President’s Budget proposes the following new general provisions:

- **Rent Adjustments:** This General Provision will enable the Department to suspend the requirement to provide annual rent adjustments for 2021 to multifamily property owners (2021 President's Budget, Section 223)

Legislative Proposals

The 2021 Budget supports the following legislative proposal, and will seek changes through the authorization process rather than the appropriations process:

- **Five Year PRAC Renewals:** The Budget proposes a transition to five-year PRAC renewals, subject to availability of annual appropriations and utilization of an operating cost adjustment factor. The current annual budget-based process is burdensome for both owners and for HUD, especially as the PRAC portfolio has continued to grow; this will offer significant administrative streamlining. Providing that owners renew for five-year increments, while subject to a forty-year Capital Advance Use Agreement, would materially reduce administrative burdens for property owners and HUD. Projects in the Project-Based Rental Assistance (PBRA) program that serve exclusively seniors are currently funded this way, with no apparent negative effects on building operations. This proposal has no direct budgetary impact in 2021 as funding would still be initially set at a budget-based level. Going forward, funding would continue to be obligated in annual increments, similar to PBRA. Proposed changes in the Housing for the Elderly account language would work in concert with a planned submission of modest revisions to authorizations for the program in the National Housing Act of 1959, as amended.

APPROPRIATION LANGUAGE

The 2021 President's Budget includes proposed changes in the appropriation 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, as amended, 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], 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, [\$793,000,000] *\$853,000,000*, to remain available until September 30, [2023] *2024: Provided*, That of the amount provided under this heading, up to [\$100,000,000] *\$95,000,000* 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 remain available until September 30, [2023] *2024: 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 provided under this heading, \$10,000,000 shall be for a program to be established by the Secretary to make grants to

experienced non-profit organizations, States, local governments, or public housing agencies for safety and functional home modification repairs to meet the needs of low-income elderly homeowners to enable them to remain in their primary residence: *Provided further*, That of the total amount made available under the previous proviso, no less than \$5,000,000 shall be available to meet such needs in communities with substantial rural populations: *Provided further*, That beneficiaries of the grant assistance provided in the previous two provisos under this heading in the Department of Housing and Urban Development Appropriations Act, 2019 (Public Law 116–6) shall be homeowners.】

Provided further, That of the total amount provided under this heading, up to \$14 million may 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. (Department of Housing and Urban Development Appropriations Act, 2020.)