

**HOUSING  
HOUSING FOR THE ELDERLY (SECTION 202)  
2017 Summary Statement and Initiatives  
(Dollars in Thousands)**

HOUSING FOR THE ELDERLY (SECTION 202)	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2015 Appropriation .....	\$420,000	\$187,356 <sup>a</sup>	...	\$607,356	\$456,407	\$772,196
2016 Appropriation .....	432,700	166,219 <sup>b</sup>	...	598,919	447,500	719,184
2017 Request .....	<u>505,000<sup>c</sup></u>	<u>151,418</u>	...	<u>656,418</u>	<u>505,000</u>	<u>764,716</u>
Program Improvements/Offsets .....	+72,300	-14,801	...	+57,499	+57,500	+45,532

a/ Includes \$180.1 million in carryover and \$7.1 million in recaptures realized in fiscal year 2015.

b/ Includes \$15.4 million in spending authority from offsetting collections.

c/ Includes an estimated transfer to the Research and Technology (R&T) account of \$2.5 million of Budget Authority.

**1. What is this request?**

The Department requests \$505 million for the Housing for the Elderly (Section 202) program in fiscal year 2017, an increase of \$72.3 million above the fiscal year 2016 Enacted appropriation.

In fiscal year 2017, the Department requests \$505 million to primarily fund three activities for the Housing for the Elderly program: (1) \$427 million to fully fund Project Rental Assistance Contracts (PRAC) and Senior Preservation Assistance Contracts (SPRAC) Renewals/Amendments in support of more than 121,000 existing units; (2) \$75 million to renew approximately 1,500 existing Service Coordinator/Congregate Housing Services grants; and (3) \$3 million for property inspections and related costs. HUD will continue the execution of a 5-year Supportive Housing demonstration in 2017, using already appropriated funds.

Requested account language will enable the Department to use collections of excess residual receipts, recaptures, and unobligated balances to supplement the requested appropriations for service coordinators, renewals, and amendments, as needed.

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### Description of Set-Asides

#### Project Rental Assistance Contracts (PRAC)

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 fiscal year 1995 and further reduced to 3 years in fiscal year 2006. As the initial contracts begin to expire, the rental assistance is renewed on a 1-year basis with funding from the PRAC Renewal/Amendment component. Key cost drivers for PRAC and SPRAC renewals are a combination of the new units entering the renewal portfolio for the first time and increasing operating costs within the program. In fiscal year 2017, an estimated 6,000 units will be renewing for the first time. HUD is assuming a 2.7 percent inflation factor for fiscal year 2017. Also, HUD does not expect carryover funds to be available to offset new renewal and amendment appropriation needs in fiscal year 2017, as was the case for fiscal year 2016.

#### Service Coordinators/Congregate Housing Services Program (CHSP)

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 an older, smaller program that is now only funded through 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 extension 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 are able to offset service coordination costs from other sources, leading to growth in annual extension requests. If this trend accelerates, additional resources above the request level may be required to maintain the current number of service coordinators.

#### Section 202 Demonstration

The fiscal year 2014 Consolidated Appropriations Act provided HUD with \$20 million in the Section 202 account to develop a housing-with-services demonstration program for low-income elderly to test models that demonstrate the potential to delay or avoid

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the need for nursing home care. The Supportive Service Demonstration Program for Elderly Households in HUD-Assisted Multifamily Housing (also referred to as "Section 202 Demo"), which is being developed by HUD's Office of Multifamily Housing Programs and Office of Policy Development and Research in consultation with Congress and the Department of Health and Human Services, is expected to produce evidence about the impact of a supportive services model in existing assisted senior developments on aging in place; transitions to institutional care; and housing stability, wellbeing, health outcomes, and health care utilization (e.g. hospitalizations, emergency room visits) associated with nursing home placement and high health care costs.

### **2. What is this program?**

The Supportive Housing for the Elderly program, also known as "Section 202," 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, Community Development Block Grants (CDBG), HOME Investment Partnerships Program (HOME), and Low-Income Housing Tax Credits (LIHTC).

The Supportive Housing for the Elderly program is authorized under Section 202 of the Housing Act of 1959; Section 210 of the Housing and Community Development Act of 1974, P. L. 86-372 (12 U.S.C. 1701q, 73 Stat. 654, 667); the National Affordable Housing Act, P. L. 101-625 (42 U.S.C. 12701); the Housing and Community Development Act of 1992 (P.L. 102-550); the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569), and the Section 202 Supportive Housing for the Elderly Act of 2010 (P.L. 111-372).

The Service Coordinator Program is authorized under Section 808 of the Cranston-Gonzalez National Affordable Housing Act, which authorized the use of Service Coordinators within existing projects for the elderly. Sections 674 and 676 of the Housing and Community Development Act of 1992 expanded the universe of projects eligible to receive service coordinator assistance by authorizing funding for service coordinators in Section 202, Section 8 and Sections 221(d)(3) and 236 projects. The Service Coordinator Program provides funding for the employment of Service Coordinators in HUD-assisted multifamily housing that is designed for the elderly and persons with disabilities. The Congregate Housing Services Program (CHSP) was authorized by the Housing and Community Development Amendments of 1978 to provide 3- to 5-year grants to fund service coordinators for eligible residents of Public Housing and Section 202 Housing for the Elderly or Persons with Disabilities.

To be eligible for residency in a Section 202 unit, a household must be composed of one or more persons at least 62 years of age at the time of initial occupancy, 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 between \$13,238.<sup>1</sup>

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<sup>1</sup> 2015 analysis by HUD Office of Policy Development and Research of PIC and TRACS data.

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Tenants living in Section 202 supportive housing can access a variety of community-based services and support to keep living independently and age in place in their community. Thirty-eight percent of existing Section 202 tenants are frail or near-frail, requiring assistance with basic activities of daily living, and thus can be considered at-risk for institutionalization.<sup>2</sup> Further, through an Inter-Agency Agreement with Health and Human Services/Assistant Secretary for Planning and Evaluation (ASPE), HUD is now for the first time ever creating a data set for 12 cities which allows analysis of Medicare and Medicaid expenditures and diagnoses for individuals receiving HUD assistance. Preliminary data analyses show that a very large percentage of elderly HUD-assisted individuals are dually eligible to Medicare and Medicaid and they are more likely than unassisted elderly individuals to have multiple chronic diseases. These data could eventually help measure the potential of HUD programs to reduce health care use and expenditures among low-income elderly tenants.

### How Does Section 202 Work?

Traditionally, the Department has provided interest-free capital advances to nonprofit sponsors to finance the development of supportive housing for the elderly. The capital advance is used to support the construction, rehabilitation or acquisition (with or without rehabilitation) of supportive housing for very low-income elderly persons, including the frail elderly. The capital advance does not have to be repaid as long as the project serves very low-income elderly persons for 40 years.

In addition, operating subsidies, known as a project rental assistance contract (PRAC), are provided on an ongoing basis to cover the difference between the HUD-approved operating cost for the project and the tenants' contribution towards rent, which is limited to 30 percent of a tenant's income. The operating subsidy makes the housing more affordable to low-income elderly individuals by subsidizing tenants with the lowest incomes. The initial term of the PRACs is 3 years, after which the contracts are renewed annually, contingent upon the availability of funds and project's compliance with Section 202 requirements. While capital advance funds are no longer being awarded, HUD continues to support existing Section 202 properties with rental assistance contracts.

Prior to the inception of the Section 202 Capital Advance program, the Department offered the Section 202 Direct Loan Program. The Direct Loan program was authorized by the Housing Act of 1959 (P.L. 86-372), the first direct loans were issued in the 1960s and the program was discontinued after fiscal year 1991 with the enactment of the Cranston-Gonzales National Affordable Housing Act. Although properties supported by the direct loan program continue to operate, no new loans have been issued since fiscal year 1991. The program provided loans directly for the construction, rehabilitation or acquisition of rental properties to serve the elderly, physically handicapped, developmentally disabled or chronically mentally ill adults. The loan terms were for a maximum of 40 years and HUD is currently receiving repayments of these loans.

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<sup>2</sup> HUD, "Section 202 Supportive Housing for the Elderly: Program Status and Performance Measurement", June 2008.

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### Recipients of Section 202 Funds

Key partners in the Section 202 program have traditionally been non-profit organizations, including faith-based organizations, with a Section 501(c) (3) tax exemption from the IRS. Over the years, many nonprofit organizations have developed an impressive capacity to serve low-income elderly persons, not only in terms of building housing, but in maintaining that housing and providing or coordinating necessary supportive services. Smaller community-based non-profit organizations often partner with higher capacity regional or national organizations to make the projects happen. Since the need for this housing has been so widespread, Section 202 projects are located everywhere throughout the country, in large and small cities, small towns, and rural locales.

### Changes to the Program

The passage of the Section 202 Supportive Housing for the Elderly Act of 2010 (P.L. 111-372) improved the program in several ways. The bill makes it easier to refinance older Section 202 projects in need of rehabilitation; provides flexibility in transforming less marketable studio apartments into one bedrooms; establishes new rental assistance contracts for seniors at risk of being unable to afford rent increases due to refinances; makes it easier for owners to make health and supportive services available to residents through service-enriched housing.

In fiscal year 2017, the Department is proposing legislation to further strengthen the long-term sustainability of Section 202 Capital Advance-PRAC properties, by allowing the conversion of PRAC contracts to Section 8 contracts through the Rental Assistance Demonstration (RAD) program. The Section 8 platform will enable recapitalization and capital improvements at aging PRAC properties that are now at risk of physical deterioration and default. Please see the RAD Justification for details on this proposal.

### **3. Why is this program necessary and what will we get for the funds?**

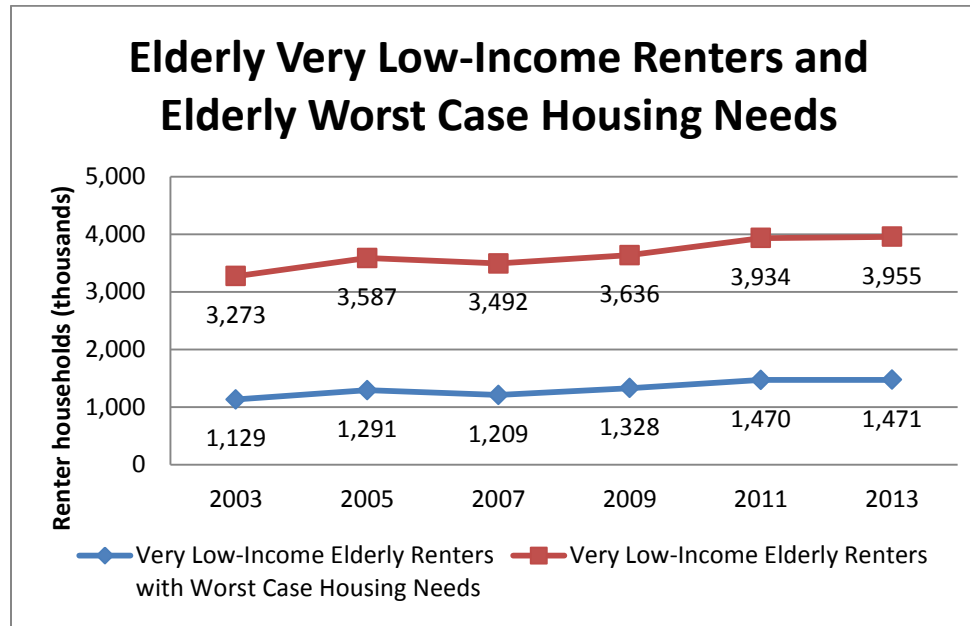
Today, HUD is only able to provide assisted housing to one in three seniors who need it. Based on a report from Harvard's Joint Center for Housing Studies that ratio will only get worse over time – particularly as baby boomers continue to age into retirement.<sup>3</sup> It would take a significant infusion of new funding in order to just keep up with the one-in-three figure.

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: 2015 Report to Congress* reveals that among very low-income renter households that lacked assistance in 2013, 7.7 million had worst case housing needs resulting from severe rent burden (paying more than one-half of their monthly income for rent) or living in severely inadequate housing units. Almost 1.5 million households headed by an elderly person had worst case housing needs in 2013. The number of elderly very low-income renters increased by 21 percent between 2003 and 2013, and the number with worst case needs increased even more rapidly, by 31 percent.

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<sup>3</sup> Joint Center for Housing Studies of Harvard University, "Housing America's Older Adults," 2014 [http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs-housing\\_americas\\_older\\_adults\\_2014.pdf](http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs-housing_americas_older_adults_2014.pdf)

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An estimated 38 percent of all residents currently living in Section 202 properties could be considered “frail” or “near-frail.” However, often with the assistance of service coordinators, most 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.

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.<sup>4</sup> 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.<sup>5</sup>

<sup>4</sup> 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.

<sup>5</sup> HUD, “Multifamily Property Managers’ Satisfaction with Service Coordination”, 2008.

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The continuing federal strategic focus on the integration of housing, supportive and health care services is reflected in HUD's collaboration with the Department of Health and Human Services (HHS) on relevant research. 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 anyone has used HUD administrative data matched with health claims data to create measures of Medicare utilization and expenditures for HUD-assisted elders.

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 elderly persons with disabilities.<sup>6</sup> 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, twenty out of 34 states reported an insufficient supply of affordable and accessible housing options to transition people from institutional settings to the community.<sup>7</sup> 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.

### **4. How do we know this program works?**

Until now, one of the main limitations of research on Section 202 has been the lack of data on residents' need and utilization of health and long-term care services and supports. Without this data, it has been difficult to understand health outcomes for Section 202 residents and elderly residents of other assisted housing programs, their service utilization and risks of institutionalization, and cost effectiveness with respect to other forms of living arrangements.

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<sup>6</sup> In *Olmstead v. L.C.*, 527 U.S.581 (1999), the Supreme Court held that Title II of the Americans with Disabilities Act prohibits the unjustified segregation of people with disabilities in nursing homes or other institutional settings. Federal regulations require that states or other public entities must reasonably modify their policies, procedures or practices to avoid such discrimination. 28 C.F.R. § 35.130(b)(7).

<sup>7</sup> Mathematica Policy Research. *Money Follows the Person Demonstration: Overview of State Grantee Progress, July to December 2011*. June 2012. Retrieved from: [http://www.mathematica-mpr.com/publications/PDFs/health/mfp\\_jul-dec2011\\_progress.pdf](http://www.mathematica-mpr.com/publications/PDFs/health/mfp_jul-dec2011_progress.pdf).

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HUD is directly involved in three research initiatives designed to address this critical knowledge gap. First, HUD will fund a rigorous experimental evaluation of the Section 202 program using cluster randomized methods to assign properties to treatment and control groups. The evaluation will assess the extent to which supportive housing allows elderly persons to live independently and age in place, improve general well-being and health, and create cost savings in the healthcare system. The first phase of the evaluation will involve sponsors selected in the Section 202 Demonstration competition held in early 2016.

The design of the Section 202 program model to be tested is based on a previous project funded by HUD and two HHS offices (Office of the Assistant Secretary for Planning and Evaluation and the Administration on Aging) that produced a literature review and case studies. The demonstration design describes three possible program models, explains the evidence base for the proposed model elements and discusses factors that will have to be taken into account to make implementation of the demonstration feasible and useful for producing valid research results. In addition, the contract included a match of HUD administrative data with Medicare and Medicaid claims data from CMS in 12 pilot locations. These data allowed HUD for the first time ever to have a picture of health of HUD-assisted elderly households compared to unassisted households. The match found that about 68 percent of HUD-assisted residents age 65 and older are dually enrolled in Medicare and Medicaid. Compared to other dually enrolled individuals, HUD-assisted elderly residents have more chronic conditions and higher health care utilization and costs. This project has demonstrated the feasibility of matching these data. In the future, similar data could be used to construct measures of impacts of HUD programs on health care use and expenditures.

Third, HUD and HHS are collaborating in the evaluation of the Support and Services at Home (SASH) program in Vermont, a Medicare/Medicaid demonstration of coordinated health and supportive service in affordable housing that is part of the larger CMS advanced primary care practice demonstration. SASH is especially relevant for HUD because it is designed to use existing affordable housing developments as the infrastructure for service delivery. HUD-funded affordable housing developments are, quite literally, the “hosts” of the SASH program. The SASH evaluation uses a rigorous quasi-experimental design, with comparison groups and sophisticated multivariate statistical methods, to examine the impact of participation in SASH on residents’ health outcomes, service utilization, and expenditures and on costs to participating properties. The study will include cost-effectiveness, cost-benefit, and quality-adjusted life-years analyses, as well as qualitative description of the implementation of SASH, including barriers and challenges. The SASH first annual report is now available.<sup>8</sup> It shows that SASH participants had slower rates of increase in total per beneficiary per month Medicare payments than did similar Medicare beneficiaries in assisted housing developments in Vermont and in New York; however, the effect was statistically significant only for beneficiaries with at least 4 quarters of SASH exposure.

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<sup>8</sup> Report available at <http://aspe.hhs.gov/daltcp/reports/2014/HUDpic.pdf>



## 5. Proposals in the Budget

- Expand the second component of the Rental Assistance Demonstration (RAD) to include the conversion of Section 202 PRAC properties. The Department proposes to amend the RAD authority to allow properties with Section 202 Project Rental Assistance Contracts to convert to Section 8 assistance. The Section 202 PRACS are funded on an annual renewal basis and are unable to leverage private debt and equity to address immediate and long-term capital needs. If enacted, HUD could preserve quality units without increased federal outlays, which would preserve and improve affordable housing for low-income households and create thousands of new jobs. (Sec. 269)
- Civil Money Penalties. The Department also proposes to expand the list of violations that may incur a monetary penalty of 202 property owners to include failure to maintain the property. (Sec. 271)
- Enhancing Enforcement Authority for Non-Performing HUD-Assisted Properties. The Department proposes to expand HUD's authority to seek double the specified financial damages when project owners fail to maintain their properties in accordance with program requirements, to include PBRA, Section 202, and Section 811. (Sec. 272)

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**HOUSING  
HOUSING FOR THE ELDERLY (SECTION 202)  
Summary of Resources by Program  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2015 Obligations</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2017 Request</u>
Elderly (Capital Advance, Other Expenses and PRAC) ...	...	\$48,648	\$48,648	\$10,182	\$2,000	\$38,466	\$40,466	\$3,000
Elderly PRAC Renewal/Amendment ....	\$350,000	41,998	391,998	331,294	353,700	63,625	417,325	412,000
Service Coordinators/ Congregate Housing Service Program .....	70,000	44,731	114,731	85,872	77,000	28,716	105,716	75,000
Conversion to Assisted Living/Emergency Repairs .....	...	18,817	18,817	15,896	...	[2,921]	[2,921]	...
Planning Grant .....	...	...	...	...	...	...	...	...
Senior Preservation Rental Assistance Contracts .....	...	13,162	13,162	13,162	...	1,212	1,212	15,000
Section 202 Demonstration .....	...	20,000	20,000	...	...	20,000	20,000	...
Research and Technology (transfer) .....	...	...	...	...	...	...	...	[2,525]
Residual Receipt Collections (anticipated) .....	...	...	...	...	...	14,200	14,200	...
<b>Total .....</b>	<b>420,000</b>	<b>187,356</b>	<b>607,356</b>	<b>456,406</b>	<b>432,700</b>	<b>166,219</b>	<b>598,919</b>	<b>505,000</b>

NOTE: Columns 2015 Carryover into 2016 and Total Resources include spending authority from offsetting collections. \$1.2 million in actual fiscal year 2015 collections for Senior Preservation Rental Assistance Contracts and \$14.2 million in anticipated fiscal year 2016 collections for purposes authorized under the Housing for the Elderly account heading. It also reflects the remaining \$2.9 million in Conversion to Assisted Living balances reallocated to Elderly PRAC Renewal/Amendment per Congressional reprogramming.

**HOUSING**  
**HOUSING FOR THE ELDERLY (SECTION 202)**  
**Appropriations Language**

The fiscal year 2017 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and language proposed for deletion is bracketed.

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, [~~\$432,700,000~~] *\$505,000,000* to remain available until September 30, [2019] *2020: Provided*, That of the amount provided under this heading, up to [~~\$77,000,000~~] *\$75,000,000* 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 of Housing and Urban Development, 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, [2019] *2020: 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 [amendments and renewals] *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 amendments and renewals] *in prior appropriations Acts may be used for the current purposes authorized under this heading* notwithstanding the purposes for which such funds originally were appropriated. (*Department of Housing and Urban Development Appropriations Act, 2016.*)