

**HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
2018 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>
2016 Appropriation	\$432,700	\$162,955 ^{a/}	...	\$595,655	\$436,801	\$721,472
2017 Annualized CR	432,700	158,954 ^{b/}	-\$823 ^{c/}	590,831	574,000	694,000
2018 Request	<u>510,000</u>	<u>17,554</u>	...	<u>527,554</u>	<u>485,000</u>	<u>661,000</u>
Change from 2017	+77,300	-141,400	+823	-63,277	-89,000	-33,000

a/ Amount includes \$9.4 million in spending authority from offsetting collections.

b/ Amount excludes \$96 thousand that expired at the end of fiscal year 2016. It also includes an estimated \$1.1 million in collections.

c/ Public Law 114-254 requires a reduction from the fiscal year 2016 enacted budget authority of 0.1901 percent.

1. Program Purpose and Fiscal Year 2018 Budget Overview

The fiscal year 2018 President’s Budget requests \$510 million for the Housing for the Elderly program, \$78 million more than the fiscal year 2017 Annualized CR level. The Department’s request will fund three ongoing activities within the Housing for the Elderly (Section 202) program:

- \$417 million to fully fund Project Rental Assistance Contracts (PRAC) and Senior Preservation 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 fiscal year 2016, the fiscal year 2018 budget must support over 10,000 additional PRAC units that have required, or will require, renewal or amendment funding for the very first time. This additional unit demand coupled with increased project operating costs results in a very significant increase in fiscal year 2018 program needs relative to fiscal year 2016. However, the

Housing for the Elderly (Section 202)

savings measures proposed in the Budget as the initial steps towards holistic rental reform, as described below, will support full funding in fiscal year 2018 at the requested level while supporting current residents. If any funds are recaptured from Service Coordinator/Congregate Housing Services grants, those would be available for PRAC renewals.

The funding request reflects a set of policies, described further below, that reduce costs while continuing to assist current residents; these policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms.

2. Request

The Supportive 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 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, others 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 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 approximately \$13,300¹.

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. In addition, in recognition that funding needs may evolve under the proposed savings measures, the account language allows for transfers between the Housing for the Elderly and Housing for Persons with Disabilities account.

The program request supports two primary areas of activity:

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

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

Housing for the Elderly (Section 202)

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 2018 over 5,800 units will be renewing for the first time. HUD is assuming a 2.5 percent inflation factor for fiscal year 2018.

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 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

Today, HUD is only able to provide assisted housing to one in three seniors who qualify. 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.

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.

Housing for the Elderly (Section 202)

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.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’s 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 2018, 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 elderly persons with disabilities. 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

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.

Housing for the Elderly (Section 202)

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. 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.

Cross-cutting Rent Reform Proposals

The Budget proposes a set of policies in its core rental assistance programs to reduce costs while at the same time continuing to assist current residents, encouraging work, and promoting self-sufficiency. They also seek to provide administrative flexibilities and to streamline the complex and administratively burdensome calculation of income and rent. These policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms for 2019. Changes to Housing for the Elderly included in the 2018 President's Budget include:

- An increase in the tenant contribution toward rent from 30 percent of adjusted income to up to 35 percent of gross income (i.e., income adjusted by exclusions but not deductions). Hardship exemptions, as defined by the Secretary, will be available for tenants.
- An increase in minimum tenant rental payments from up to \$25 to \$50, with hardship exemptions.
- Elimination of utility reimbursement payments to tenants, sometime referred to as "negative rents." These payments have occurred when tenant-paid utility costs exceeded the minimum rent due. Hardship exemptions, as defined by the Secretary, will be available for tenants.
- A one-year freeze on annual rent adjustment increases, which may include those made using an annual operating cost adjustment factor, annual adjustment factor, budget based rent increase, or updated market rent study.

The Budget also proposes flexibility through a transfer up to \$35 million between Section 811 and Housing for the Elderly (Section 202) to allow HUD to be flexible in meeting the needs of the two programs under a constrained fiscal environment.

Housing for the Elderly (Section 202)

General Provisions

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

- Transfers of Assistance, Debt, And Use Restrictions (Sec. 206).
- RAD Amendments (Sec. 209).
- Raising rent contributions to 35 percent of gross rents (Sec. 226).
- Raising minimum rents to \$50 (Sec. 227).
- Elimination of utility allowance reimbursements (Sec. 228).
- Freeze on rent adjustment increases (Sec. 229).

Housing for the Elderly (Section 202)

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

<u>Budget Activity</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2016 Obligations</u>	<u>2017 Annualized CR</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2018 Request</u>
Elderly (Capital Advance, Other Expenses and PRAC) ...	\$2,000	\$20,915	\$22,915	\$4,103	\$3,000	\$18,812	\$21,812	\$3,000
Elderly PRAC Renewal/Amendment	353,700	75,725	429,425	366,033	353,923	63,492	417,415	417,000
Service Coordinators/ Congregate Housing Service Program	77,000	29,181	106,181	58,176	74,954	48,005	122,959	90,000
Senior Preservation Rental Assistance Contracts .....	...	16,395	16,395	7,750	...	8,645	8,645	...
Section 202 Demonstration .....	...	20,000	20,000	...	...	20,000	20,000	...
Reimbursable Authority for Split Funded Contracts .....	...	<u>739</u>	<u>739</u>	<u>739</u>	...	...	...	...
Total	432,700	162,955	595,655	436,801	431,877	158,954	590,831	510,000

NOTE: Columns 2016 Carryover into 2017 and Total Resources include \$1.1 million in anticipated fiscal year 2017 spending authority from offsetting collections for Elderly PRAC.

HOUSING
HOUSING FOR THE ELDERLY (SECTION 202)
Appropriations Language

The fiscal year 2018 President's Budget includes proposed changes in 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, \$510,000,000 to remain available until September 30, 2021: 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 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, 2021: 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. Provided further, That up to \$35,000,000 of any amounts made available under this heading, including recaptures, carryover, and residual receipts, may be transferred to and merged with amounts made available under the heading "Housing for Persons with Disabilities", and any such transferred and merged amounts may be transferred back and merged with amounts made available under this heading. (Department of Housing and Urban Development Appropriations Act, 2017.)

Note.—A full-year 2017 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 Further Continuing Appropriations Act, 2017 (P.L. 114–254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.