
CHAPTER 9. HOUSING FOR THE ELDERLY,
HANDICAPPED, AND DISPLACED

SECTION 1. NON-CONGREGATE

- 9-1. GENERAL. This Chapter provides certain feasibility design and planning criteria for all Section 236 housing projects for the elderly, handicapped and displaced.

The Elderly Housing Specialist, or the person assigned to this function in the Regional Office, is to be an important resource in assisting in the development and processing of housing designed to serve the elderly and handicapped.

- 9-2. DEFINITIONS.

- a. Family - two or more persons related by blood, marriage or operation of law, who occupy the same dwelling unit. A single person shall constitute a family if such person is elderly, handicapped, or displaced.
- b. Elderly - a person is elderly if he is 62 years of age or older.
- c. Elderly Family - a family, the head of which (or his spouse) is elderly.
- d. Handicapped - a person is handicapped if he has a physical impairment that:
 - (1) Is expected to be of long-continued and indefinite duration;
 - (2) Substantially impedes his ability to live independently; and
 - (3) Is of such a nature that his ability to live independently could be improved by more suitable housing conditions.
- e. Handicapped Family - a family, the head of which (or his spouse) is handicapped.
- f. Displaced Family - a person or family displaced as a result of governmental action or as a result of a major disaster.

In the case of projects designed for the elderly, occupancy may be limited to the elderly and preference for displacees may be limited to elderly displacees. The 10% limitation for single persons in Section 236 projects does not apply to single elderly and handicapped persons.

9-3. PROJECT ANALYSIS AND APPRAISAL.

- a. Facilities. Housing designed for the elderly and handicapped may be multifamily self-contained apartments or congregate facilities, or a combination of the two. Projects will usually include features which normally are not found in other multifamily facilities. These include dining halls, community rooms, workshops, infirmaries or other inpatient or outpatient health facilities, and other essential service facilities. Projects planned exclusively for handicapped persons should be designed to provide a living environment suitable to the varying physical conditions of the occupants.
- b. The Cost Per Square Foot of housing designed for the elderly and handicapped can be expected to be higher than for family apartments because the apartments are smaller (efficiencies and one bedroom) and result in a concentration of plumbing, electrical and/or gas service for kitchens and bathrooms, which constitute major elements of cost. They may also include special features such as centrally monitored call systems and special elevators. The cost will also be affected by the fact that lounge areas, carpeting and air conditioning are considered normally acceptable amenities. However, it is important to hold the total unit cost to that which is generally found in comparable construction in the area.

9-4. STATUTORY MAXIMUM MORTGAGE AMOUNTS.

- a. Computation of Maximum Insurable Mortgage Amounts for housing for the elderly and handicapped will be made with reference to high cost factors for Section 231 rather than those provided for other Section 236 cases. This procedure will recognize additional costs incurred in constructing common facilities referred to above.
- b. The High Cost Factor for profit motivated sponsors is 1.0. The factor for nonprofit sponsors is 1.111. The instructions for calculation of high cost percentages are contained in Reference (14) of the Foreword.

9-5. COSTS NOT ATTRIBUTABLE TO DWELLING USE.

- a. The Supplemental Estimate for Costs Not Attributable to Dwelling Use will include the costs for "special spaces and accommodations." The Cost Analyst will work with the Design Representative to identify the improvements to be included. In well-designed housing projects for elderly and handicapped persons, non-income producing space may average from 20 to 25% of the total.
 - b. Amenities and Services. Generally, this type of housing includes amenities, services and facilities not usually found to the same extent in rental projects not designed for the elderly and handicapped and which provide for the comfort, health and recreation of elderly or handicapped persons. Included in Costs Not Attributable are community rooms, workshops, infirmaries or other inpatient or outpatient health facilities, essential service facilities, and commercial space, whether income producing or not. Also included are central kitchens and dining rooms, but only to the extent of the excess above that required to serve living units with no cooking and dining accommodations.
 - c. Special Spaces. As with other Costs Not Attributable items, the costs of foundations, plumbing, heating, air conditioning, water, electric and/or sewage facilities are prorated to the "special spaces" as appropriate.
- 9-6. FEASIBILITY. The normal feasibility application (FHA Form 2013) is to be accompanied by FHA Form 2013E (see Appendix 25) when housing for the elderly or handicapped is proposed. Judging the economic feasibility of a housing proposal for the elderly or handicapped involves determining whether the combined monthly costs of meeting debt service requirements, covering project operating costs exclusive of non-shelter costs, and, for limited dividend mortgagors, allowing for a return on equity it will produce basic monthly rentals within 1/48 of the applicable "regular" or "exception" income limits.
- a. Exception Limits may be used provided the Field Office Director has assured himself that a market exists in the area among prospective tenants having income within the exception income limits.

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- b. Under Certain Circumstances when housing for the elderly and handicapped cannot otherwise be developed in the community, there may be justification for authorizing basic rents in excess of 25% of Section 236 regular income limits. Such

justification may be found when projects are so located that transportation costs are provided free at the project and price concessions are made to the occupants, resulting in lower out-of-pocket expenses to the tenants. In those cases when basic rents in excess of the 25% limitation appear to be justified, a documented recommendation to this effect may be submitted to the ARA for HPMC. Such documentation shall detail the amenities provided and justify the higher costs involved. The ARA for HPMC shall document the reason for his approval or rejection of any such recommendations.

- 9-7. TAX ABATEMENT. When real estate tax abatement is claimed, its acceptability shall be determined by the Regional Administrator upon advice from the Regional Counsel.
- 9-8. RENT SUPPLEMENTS. Where warranted by market considerations, tenants in a percentage of units in a Section 236 project for the elderly and/or handicapped may receive the additional benefit of rent supplement assistance. Please see Chapter 3, paragraph 3-7, of this Handbook for instructions. Qualifications for rent supplement tenant eligibility are discussed in Reference (21) of the Foreword. Rent Supplements may not be used to cover any charges for meals or special services.
- 9-9. SPECIAL DESIGN AND PLANNING CONSIDERATIONS. The basic design and construction of projects will be subject to MPS for Housing for the Elderly, With Special Consideration for the Handicapped. Special consideration should be given to the following:
- a. Site. A well-located site is possibly the most important element of a successful project. Experience indicates that, to the fullest extent possible, projects should be located within easy walking distance of shopping facilities and needed services, including religious institutions, doctors and medical facilities. These conditions can be met by suburban sites, areas adjoining satellite communities, and selective intown sites. Industrial and commercial areas should be avoided because of high land costs, environmental considerations, and because such areas are usually somewhat deserted after business hours.
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- (9-9) b. Project Size. Projects should be large enough to be financially feasible but not so large that the elderly residents cannot integrate easily into the surrounding community. Suggested maximum size is 200 dwelling units for most locations. Such projects may be garden apartments or high rise (although high rise construction should be authorized only after careful

study has demonstrated that it is the most appropriate design in light of tenant's needs). The type of projects will be determined to some extent by local codes, land costs, local preferences and rents obtainable.

- c. Social and Recreation Areas. Since the elderly and handicapped spend much of their time within the project, suitable and adequate facilities for social and recreational activities are essential to residents' well-being and the success of the project.
 - (1) Projects should have a living plan which affords independence, freedom of movement and protection, yet encourages the occupants' involvement with the interests and problems of others. Social and recreational facilities should reflect, insofar as possible, preferences of the anticipated residents. Multiple purpose use of common areas should be encouraged.
 - (2) With the necessary emphasis on community areas, dwelling units should be adequate and not unnecessarily large. A club-like atmosphere is desirable, and where there are central dining facilities, they may be made an extension of the lobby area. Small, isolated lounge areas scattered throughout the buildings are costly to build and furnish, and difficult for the management to observe and maintain adequately. Small sitting areas away from the lobby are seldom used.
- d. Apartment Types. Departmental studies show that 65% to 80% of the residents of HUD-FHA assisted elderly projects are single. Therefore, the usual ratio of efficiency to one-bedroom units will be about two to one except where, in the judgment of the Field Office Director, market consideration adversely affects the use of efficiency or studio units.
- e. Parking Space. Car ownership by the elderly averages 18% to 20% of total units. Where local parking requirements appear excessive, sponsors should be advised to seek local zoning variances to permit reduced parking facilities.

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- f. Office Space. To assist with the leisure time and problems relating to advanced age of elderly and handicapped residents, most projects for the elderly will have a special staff to work with the elderly residents. Suitable office space should be provided for such personnel.
 - g. Central Dining. Dining areas should usually be designed to

seat no more than one-half to two-thirds of the residents at one sitting and must not be institutional in appearance.

- 9-10. PLAN OF OPERATION. Each proposal shall include a plan of operation to be approved prior to issuance of the feasibility letter. This plan will include the method of administering the project, the type of services to be offered, the involvement of outside organizations and services, and the number, functions and estimated salaries of staff. Factors affecting staff need and cost include project size and geographical location, the type and extent of services to be provided, and whether the project is to be operated independently or in conjunction with other projects. The cost of staffing a project for the elderly or handicapped will generally exceed that of a regular family project due to the need of additional staff for special programs and services and the necessity of having partial staff on duty all day every day. However, excessive staff and salaries must not be permitted. Salaries are to be checked for "comparability" with the community.

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SECTION 2. CONGREGATE

- 9-11. CONGREGATE HOUSING FOR DISPLACED ELDERLY AND HANDICAPPED.
- a. General. This paragraph contains instructions for implementation of Section 115 of the Housing and Urban Development Act of 1970 (Congregate Housing for the Displaced, Elderly and Handicapped). Congregate Housing, as authorized by this Act, may be developed by private nonprofit, limited dividend or cooperative housing corporations under the Section 236 program.
 - b. Definition.
 - (1) Congregate housing is for displaced, elderly and handicapped persons or families in which some or all of the individual dwelling units do not contain kitchen facilities, and which has a central dining facility to provide nutritious and economical meals for the residents.
 - (2) Because of its special facilities, structural features and program of services, congregate housing meets the needs of persons who desire residential accommodations but who require some measure of assistance in their daily living. It is not a nursing home or other type of medical facility. Some of the service programs important to residents of congregate housing may be assisted or made possible through federal/state programs operated by

state or local agencies. It is important that appropriate state and local agencies be involved in both the planning and the execution of the service programs.

c. Characteristics of Congregate Housing.

- (1) Because of the special problems and needs that may exist for some of the residents, the location of congregate housing is very important. Transportation must be proximate and easily accessible to the handicapped and elderly. In addition, proximity to areas of employment, medical, commercial, welfare and religious facilities is desirable in project site selection.
- (2) The atmosphere of the project must be residential rather than institutional.

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- (3) When the design calls for a central dining facility within the building, the central dining facility will be treated as non-dwelling space in the computation of the mortgage amount, but only to the extent of the excess above that required to serve living units with no cooking and dining accommodations. The cost of the meals is not to be included in the rent and will be paid by the residents on an individual basis. Therefore, the charge for the meals must be kept at a level the residents can reasonably be expected to pay. The arrangements for the provision of meals, types and costs of meals to be served, will be discussed and agreed upon by the sponsor and Field Office Director prior to issuance of the feasibility letter. The residents should be ambulatory and room service should be available only on an emergency basis for the temporarily incapacitated.
 - (4) The project may include an infirmary or emergency first aid room. The cost of fixed equipment and necessary special plumbing and electrical service may be included in the mortgage. Movable equipment must be paid for by the sponsor. Residents will pay for special medication or doctor's care on an individual basis. The sponsor should make arrangements with a local hospital, clinic, or medical facility to have the services of a physician available in the event an emergency occurs.
 - (5) Those dwelling units that do not have kitchens shall contain a minimum size standard refrigerator, adequate electrical capacity and outlets for small appliances,

and adequate shelf space for limited food and utensil storage.

d. Special Processing Instructions. Applications for congregate housing will be processed in accordance with paragraph 9-1. above and other applicable portions of this Handbook, except as follows:

- (1) Licensing. Where licensing requirements are imposed by state or local licensing offices, the sponsor will submit evidence that the proposal will meet the applicable state or local agency guidelines and requirements.

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- (9-11) (2) Design Standards. Congregate housing facilities will be subject to the Minimum Property Standards for Housing for the Elderly, with Special Consideration for the Handicapped. Where state and local requirements are more restrictive, they will prevail over the MPS.
- (3) Limitations. In accordance with the statutory limitations, each field office will be limited to approving subsidy funds for congregate projects in which some or all of the units do not contain kitchen facilities, to an amount not in excess of 10% of the total contract authority issued under Section 236 after June 30, 1971. When approval of a project will result in the use of contract authority in excess of the 10% limitation, a waiver may be requested from the Director, Subsidized Housing Program, through the Regional Administrator.

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SECTION 3. FINANCING UNFUNDED SECTION 202 PROPOSALS IN THE APPLICATION STAGE AND REFINANCING FUNDED SECTION 202 PROJECTS UNDER SECTION 236

- 9-12. GENERAL. These instructions apply (1) to Section 202 proposals for which an application was filed on or before September 5, 1969, but for which Section 202 funds are not available, (2) for

refinancing under Section 236 of funded Section 202 projects which are in the construction stage or which have been completed for less than six months when an application is filed to convert to mortgage insurance under Section 236, and (3) proposals which had reached an advanced stage of processing which would create a hardship if processing under Section 236 were required. The specific circumstances creating the hardship and the nature and extent of the hardship created shall be documented in the file over the signature of the responsible processing official and initialed by the ARA or his deputy.

- 9-13. PROCEDURES. The field office will process the categories of elderly housing proposals covered herein. All elderly housing proposals will be subject to competitive bidding requirements. Where it can be shown that substantial savings can be achieved through negotiated bids, the ARA for HPMC may waive competitive bidding requirements on a case-by-case basis.

To provide an orderly transition of the Section 202 program to Section 236 by utilizing wherever possible existing policies of the Section 202 program the following procedures shall apply to these elderly housing proposals.

- a. The processed Section 202 application and supporting schedules will be transcribed in detail to an FHA Form 2013 for the applicant's use in discussing the proposal with approved mortgagees;
- b. In applying the Section 236 per unit mortgage limits, the maximum per unit limits permitted by statute, including the full 45% high cost factor, shall be applied. Elevator limits shall apply in all cases of elevator construction. Costs should not exceed allowable Section 202 cost criteria;

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- (9-13) c. Feasibility will be based on rentals the elderly will reasonably be expected to pay, rather than the minimum 25% of income required by Section 236. However, in no case may an assisted elderly family pay less than 25% of the adjusted family income. The rentals shall be at the level determined to be appropriate by the processing office, but not less than necessary to meet debt service and operating expense requirements;
- d. Review of site selection, architectural, design, and allowable cost factors will follow existing Section 202 standards and guidelines;
 - e. Consultant fees will be based upon the existing Section 202

formula;

- f. The application, commitment and inspection fees will not be required and the mortgage insurance premium during construction will be reduced to 1/4% per annum;
- g. No allowance will be included for AMPO. In accordance with Section 202 policy, the applicants will be expected to provide operating capital equal to 25% of the first year's operating budget and all funds for movable equipment;
- h. The current standards for determining operating expense amounts shall continue on the basis of usual Section 202 estimates for such amounts;
- i. Where real estate tax abatement is claimed, its acceptability shall be determined by the Regional Administrator upon advice of the Regional Counsel;
- j. Tenant income at admission may not exceed 135% of the limits established for admission to public housing;
- k. Occupancy criteria will be the same as established for the Section 202 program;
- l. Land cost must not exceed \$1,000 per unit;
- m. Unit composition must include at least 2/3 efficiencies; and
- n. Units must be all housekeeping.

In addition, any case involving the rehabilitation or refinancing of any existing structure must be submitted to the Central Office.

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- 9-14. RESERVATION OF CONTRACT AUTHORITY. When it is apparent that basic sponsorship, site and market criteria are met and an acceptable application can be developed based upon the proposal, the field office will prepare the Preliminary Reservation of Contract Authority, FHA Form 3126. The execution and approval of the FHA Form 3126 will be the basis for a letter of feasibility under Section 236. The feasibility letter may then be submitted through an initiating mortgagee to FNMA in accordance with outstanding instructions in order to obtain both construction and permanent financing.
- a. Reservation of Contract Authority Under Section 236 shall be made in accordance with the fiscal instructions herein. Copies

of the certified form shall be sent to the Director, Office of Subsidized Housing Programs and to the Director, Research and Statistics Division.

- b. Upon Receipt of the Feasibility Letter, the mortgagee will submit the FHA Form 2013, requesting a conditional commitment. The field office will analyze and process this request, determine any necessary conditions and make these a part of the conditional commitment. The mortgagee will advise the sponsor of the commitment, and if the conditions are acceptable, the case will proceed to final plans.
 - c. After Bids are Received by the applicant and found to be in reasonable relationship with the conditional commitment, the application is submitted for a firm commitment by the mortgagee. If all exhibits are in compliance with the conditional commitment, a firm commitment will be issued to the mortgagee. This will give the terms for insurance endorsement.
 - d. After Initial Insurance Endorsement, the construction may start and proceeds of the mortgage will be available for distribution according to the agreed upon trade payment schedules developed in processing.
- 9-15. RENT SUPPLEMENTS. The statute permits up to 40% of the units in a Section 236 project to be eligible for rent supplement assistance. Sponsors shall be requested to utilize this provision wherever possible. Requests for rent supplement assistance shall be prepared and submitted in accordance with requirements established for other Section 236 proposals.

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- 9-16. STATISTICAL REPORTING. The statistical reporting form, FHA Form 2038-P Supplement, must be prepared each week covering all processing activity concerning Section 202, nonprofit elderly housing projects which are transferred to Section 236 financing. This report is to be prepared according to the outstanding instructions contained in Reference (22) of the Foreword. Weekly reports are to be prepared as of 2:00 p.m. each Friday afternoon and sent directly to the HPMC-FHA Statistics Section, Room 6249, HUD Building. Telephone inquiries regarding reporting should be handled through Data Processing and Reports Unit, Statistics Section (755-5798).
- 9-17. FISCAL INSTRUCTIONS.
- a. HUD-FHA Project Numbers. A special block of serial numbers is required for Section 202 proposals when a Section 236

feasibility letter is to be issued. The special block of numbers is from 44801 through 44899. These number are to be assigned sequentially by the Field Office Director. This procedure applies to applications involving new projects as well as the refinancing of existing Section 202 projects.

- (1) A complete number will consist of the 3-digit field office projective code (collection code), followed by a dash, and the next open number in the 44801 series. For example, 062-44801 would be the first such number assigned by the Birmingham, Alabama Field Office.
 - (2) When the number is assigned, the Director will account for it by preparation of a "no fee" official receipt. In the mortgagor panel on the official receipt the Director will show "202-236;" in the location panel he will show the name of the project and the city. The original of the receipt and the usual pink copy will be attached to the FHA Form 906, Schedule of Collections.
 - (3) The project number will be shown on all applicable forms and documents.
- b. Reporting Issuances of Preliminary Reservations of Contract Authority. When FHA Form 3126 is approved, it will be recorded on FHA Form 3125. A copy of the approved FHA Form 3126 will be promptly sent to the Director, Office of Subsidized Housing Programs and the the Director, Research and Statistics Division. The entry made on FHA Form 3125 will serve as the basis for the preparation of FHA Form 3138 status report.

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- (1) The field office must maintain a record of contract authority reserved and obligated of FHA Form 3125 in accordance with applicable instructions.
 - (2) The FHA Form 3127, Weekly Report of Contract Authority obligated, shall be submitted to the Comptroller beginning with the week in which the first FHA Form 3126 is approved. When the FHA Form 3127 weekly report is prepared, the issuance of the preliminary reservation is to be reported in Section I, Preliminary Reservations Issued, for the report covering the week in which the approved copy of FHA Form 3126 is released. The original and two copies are to be mailed in special envelopes to be received by the Comptroller each Monday. FHA Form 3138 must accompany the weekly report.

(3) Other Section 202/236 transactions will be reported on FHA Form 3127 as they occur with respect to the cancellation of preliminary reservations and incurrence or cancellation of firm obligations.

- c. FHA Form 3138. Status of Reservations and Obligations. A FHA Form 3138, checked to indicated Section 236 transactions, and identified as "202/236" special purpose is to be submitted each week to the Comptroller. The original of this form is stapled to the original of FHA Form 3127. A copy is sent concurrently to the Director, Subsidized Mortgage Insurance Division. The field office will retain a copy of each FHA Form 3138 in a master file.

The number of units pertains to the number of mortgages, not dwelling units.

- d. Identification of Model City Transactions. A separate FHA Form 3138 must be submitted to report Section 202/236 transactions in a Model City or Model City area. In the top panel of FHA Form 3138 after the arrow on the form, show "202/236 Model Cities," a dash, and the name of the Model City or Model City area.

- (1) In those areas where there may be two or more Model City areas in which there are Section 202/236 transactions, a separate FHA Form 3138 must be submitted for each Model City or Model City area. When two or more FHA Forms 3138 are required to be submitted for Model City

(9-17) transactions, the totals on each line of each FHA Form 3138 must aggregate a gross total which would have been shown if only one FHA Form 3138 had been prepared. Only one part of the FHA Form 3127 weekly report is to be used to report in summary Section 202/236 transactions in two or more Model Cities.

- (2) Negative Reports on FHA Form 3138 for Section 202/236 transactions in Model City areas are not required. However, once an entry is made on the FHA Form 3127 weekly report under special purpose contract authority allocations indicating Model City activity, a supporting FHA Form 3138 must be submitted, and weekly thereafter. Although there is no new activity which must be reported on a subsequent FHA Form 3127 report, FHA Form 3138 must be prepared, showing opening and closing balances of

preliminary reservations and firm obligations.

- e. Increase in Preliminary Reservations. If for any reason it becomes necessary to increase the amount of a Section 202/236 preliminary reservation, a new FHA Form 3126, Request for Preliminary Reservation of Contract Authority, must be processed. The request must be specially identified by typing in capital letters "INCREASE" below the title of the form. Double underscore the word "increase." The new FHA Form 3126 request is to be for the total proposed mortgage amount, not just the amount of the increase. It will be completed and processed in the same manner as the original request.

When approved, the cancellation of the outstanding preliminary reservation will be reported in Section II of FHA Form 3127 on the same report that the new reservation for the increased amount is reported as having been issued under Section I.

- f. Outright Cancellation of Preliminary Reservations.

- (1) Whenever Section II of the FHA Form 3127 shows the cancellation of a preliminary reservation, and the entry is the result of an outright cancellation which will not result in a firm obligation, attach a sheet of paper to the FHA Form 3127 showing the project number and the words "Outright cancellation - will not result in firm obligations." This project identification applies to all Section 202/236 outright cancellations of preliminary reservations, irrespective of whether the proposed transaction was in a Modal City area.

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- (9-17) (2) When the cancellation is reported because an increase in the preliminary reservation has been requested and approved under the procedure outlined above, the project should be listed as an outright cancellation because that particular preliminary reservation will not result in a firm obligation.

- g. Official Receipts for Mortgage Insurance Premiums.

- (1) At the time of initial insurance endorsement the field office will collect the initial MIP at the rate of 1/4% per annum of the face amount of the mortgage for which he will prepare an Official Receipt, FHA Form 2006. The following formula will be used to compute the premium: .0025 X (face amount of mortgage). See Reference (23) of the Foreword. The original of the receipt will be delivered to the remitter; parts 2 and 3 together with

the check payable to HUD-FHA and a letter of transmittal will be sent under the loss-in-shipment procedure to the Comptroller, Attention: Receipts and Deposits Section; and part 4 will be retained by the processing officer.

- (2) Remittances for the initial MIP received by the Comptroller, Receipts and Deposits Section, will be scheduled for deposit and credited to the Special Risk Insurance Fund. All subsequent mortgage insurance premiums due HUD-FHA will be billed for and collected by the Comptroller.
- h. Closing Memorandum. A copy of the closing memorandum must be furnished to the Comptroller promptly following initial insurance endorsement in order that the transaction may be entered in the insurance-in-force records.