

**HOUSING  
HOUSING FOR THE ELDERLY (SECTION 202)  
2012 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>
2010 Appropriation .....	\$825,000 <sup>a/</sup>	\$746,140	...	\$1,571,140	\$580,250	\$960,454
2011 CR .....	825,000	978,042	...	1,803,042	853,709	901,203
2012 Request .....	<u>757,000</u>	<u>948,629</u>	...	<u>1,705,629</u>	<u>862,884</u>	<u>825,566</u>
Program Improvements/Offsets .....	-68,000	-29,413	...	-97,413	+9,175	-75,637

a/ The fiscal year 2010 Appropriation includes an \$8.25 million transfer to the Transformation Initiative (TI). These amounts are excluded from obligations and outlays but reflected in the Transformation Initiative account.

**Summary Statement**

The Department requests \$757 million for Housing for the Elderly (Section 202) in fiscal year 2012. Though this request is a \$68 million decrease from the fiscal year 2010 enacted level, HUD will continue to improve the program by better targeting units and leveraging each program dollar to maximize the impact of expansion funds. The Housing for Elderly program provides capital advance and rental assistance to non-profit sponsors to construct and operate housing for very low-income elderly. Very low-income elderly households, in particular those experiencing frailty or at-risk of frailty, often have unique needs that are best served through affordable housing that offers connections to supportive services. Over the course of half a century, the Section 202 Program has addressed a long-standing and demonstrated need, providing 400,000 federally assisted, privately owned affordable apartments for the elderly, including those with extremely low-incomes or significant health concerns. However, the rising need for affordable housing within America's elderly population will continue to grow into the foreseeable future, as a consequence of long-term demographic and economic trends. For example, projections done by the Seniors Commission Report show that by 2020, of elderly at 150 percent of poverty or lower, there will be 1.3 million who require assistance with activities of daily living and an additional 1.3 million with cognitive or mental disabilities. Many of these low-income elderly households may find themselves effectively homeless, housed in areas isolated from services or support network, or rent burdened to a degree that makes it impossible to effectively address health problems. Section 202 helps address this need, but continued Federal investment through must be strategically targeted and leveraged.

In fiscal year 2012, HUD will continue to improve the program through administrative and legislative reforms - working to better target units to communities and individuals with the greatest needs, bringing new units on line faster, and better leveraging each program dollar. These reform efforts build on the recently enacted Section 202 Supportive Housing for the Elderly Act of 2010 (Public Law 111-372), which provides new authorities, including new flexibility to ensure that existing Section 202 properties are not being lost as affordable housing stock as owners opt out of their responsibilities through pre-payment or an inability to renew. Building on this Act, the Administration is seeking further reforms, both legislative and administrative, to permit a new generation of Section 202 housing targeted at populations most at need of affordable housing where the greatest savings can be realized to state and Federal health care budgets through reduced institutionalization and emergency room utilization. These reforms create and sustain more affordable units at a lower initial cost than under the status quo. They

## Housing for the Elderly (Section 202)

streamline and modernize the program to reduce administrative processing and increase the likelihood of units successfully being completed under a shorter timeframe. And they ensure that new housing serves as a platform for the elderly and disabled to access key services required to live independently. In fiscal year 2012, HUD proposes appropriations language changes to allow funds to be used for the newly authorized senior preservation rental assistance contracts to maintain affordability in older Section 202 developments originally financed with direct loans. Going forward, HUD will also continue to align new Section 202 developments with ongoing efforts by the Department of Health and Human Services and its state partners to better deliver services to frail elderly aging in place in the community. New Section 202 housing would increasingly serve Medicaid-eligible households receiving licensed care in the context of independent living and would increasingly be co-located with community-based health care facilities. These changes respond to state and local priorities. They ensure that Section 202 not only seeks to improve the quality of life for elderly households with the greatest need, but also offsets state and federal health care investments that would otherwise be incurred through increased institutionalization and emergency room utilization. In addition, HUD will be doing more with Section 202 program funds by prioritizing leveraging of other mainstream affordable housing funds rather than fully funding the full capital advance award amount and streamlining the operating subsidy structure to increase efficiency and leverage. HUD is also working to better ensure that Section 202 program funds are awarded to higher capacity sponsors who have projects that are lined up and ready to go. Taken together, these reforms will: 1) create and sustain more affordable units at a lower initial cost than in previous years; 2) streamline and modernize the program to reduce administrative processing and increase the likelihood of units successfully being completed under a shorter timeframe; and 3) ensure that new housing serves as a platform for elderly persons to age-in-place in the community.

### **Program Relationship to Strategic Plan Goals and Subgoals:**

#### **Strategic Plan Goal 2. Meet the Need for Quality Affordable Rental Homes**

The Housing for the Elderly program provides funding to non-profit sponsors to construct, acquire or rehabilitate rental properties for very low-income elderly, and provides the rental assistance needed to ensure those units are affordable to households served by the program. Tenants are typically required to pay 30 percent of their adjusted gross income toward the monthly rent, and HUD pays the balance thereof.

#### Subgoal 2A: End homelessness and substantially reduce the number of families and individuals with severe housing needs

Where an elderly person could be at-risk of homelessness, this program provides that individual with housing which is especially designed for elderly persons and rental assistance.

#### Subgoal 2B: Expand the supply of affordable rental homes where they are most needed

The Section 202 program has helped develop an inventory of over 400,000 units. These units represent income-targeted affordable housing units for elderly persons.

#### Subgoal 2C: Preserve the affordability and improve the quality of federally assisted and private unassisted affordable rental homes

Through operating subsidy and amendment funding, HUD preserves inventory of Section 202 units for elderly persons. In addition, HUD will now be able to award Senior Preservation Rental Assistance Contracts to ensure continued affordability for elderly residents living in older existing Section 202 properties that are at-risk of being lost as affordable housing stock.

#### Subgoal 2D: Expand families' choices of affordable rental homes located in a broad range of communities

## Housing for the Elderly (Section 202)

Section 202 is an income targeted program that is found in states and communities across the country and provides very low-income seniors with a unique option for affordable housing with supportive services.

### **Strategic Plan Goal 3: Utilize Housing as a Platform for Improving Quality of Life**

Section 202 housing is affordable high-quality housing which improves the health and overall living environment for elderly persons, and supports Service Coordinators to connect HUD-assisted residents with public benefit programs.

#### Subgoal 3B: Utilize HUD assistance to improve health outcomes

This is an aspirational goal that recognizes that stable affordable housing can improve health outcomes through increased access to health services, co-location with or near health services, and better integration with Medicaid/Medicare and Neighborhood Health Center Services programs.

#### Subgoal 3C: Utilize HUD assistance to increase economic security and self-sufficiency

This is an aspirational goal that recognizes that stable affordable housing and improved access to public benefit programs can increase economic security and self-sufficiency.

#### Subgoal 3D: Utilize HUD assistance to improve housing stability through supportive services for vulnerable populations, including the elderly, people with disabilities, homeless people, and those individuals and families at risk of becoming homeless

Section 202 is a highly income targeted program provides quality affordable housing and facilitates access to an array of supportive services, thereby improving housing stability and reducing the risk of homelessness.

### **Strategic Goal 4: Build Inclusive and Sustainable Communities Free From Discrimination**

#### Subgoal 4B: Promote energy-efficient buildings and location-efficient communities that are healthy, affordable, and diverse

Section 202 produces quality housing, and the program has increasingly promoted “green building technology,” as well as location-efficient and energy efficient development practices.

#### Subgoal 4C: Ensure open, diverse, and equitable communities

Through inclusive development and by affirmatively furthering fair housing, Section 202 developments increase quality housing choices for elderly persons through diverse communities across the nation.

Housing for the Elderly (Section 202)

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

<u>Budget Activity</u>	<u>2010 Budget Authority</u>	<u>2009 Carryover Into 2010</u>	<u>2010 Total Resources</u>	<u>2010 Obligations</u>	<u>2011 CR</u>	<u>2010 Carryover Into 2011</u>	<u>2011 Total Resources</u>	<u>2012 Request</u>
Elderly Expansion .....	\$509,934	\$592,762	\$1,102,696	\$300,001	\$516,884	\$800,239	\$1,317,123	\$387,373
Elderly PRAC								
Renewal/Amendment ....	158,116	291	158,407	157,221	158,116	1,165	159,281	258,627
Service Coordinators/ Congregate Housing Service Program .....	89,100	66,738	155,838	60,622	90,000	61,275	151,275	91,000
Conversion to Assisted Living/Emergency Repairs .....	39,600	34,602	74,202	48,382	40,000	59,334	99,334	20,000
Planning Grant .....	20,000	48,747	68,747	14,024	20,000	53,029	73,029	...
Technical Assistance ..	...	2,000	2,000	...	...	2,000	2,000	...
Delegated Processing Demonstration .....	...	1,000	1,000	...	...	1,000	1,000	...
Transformation Initiative .....	8,250	...	8,250	...	...	...	...	...
Total .....	825,000	746,140	1,571,140	580,250	825,000	978,042	1,803,042	757,000

NOTE: A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111-242, as amended). The amounts listed under the 2011 CR column reflect total funding of \$825 million and do not reflect anticipated 2011 PRAC (\$210 million) renewal and amendment funding needed to maintain all units.

<u>FTE</u>	<u>2010 Actual</u>	<u>2011 Estimate</u>	<u>2012 Estimate</u>
Headquarters .....	25	24	24
Field .....	267	260	272
Total .....	292	284	296

**HOUSING  
HOUSING FOR THE ELDERLY (SECTION 202)  
Program Offsets  
(Dollars in Thousands)**

<b>Elderly Expansion</b>	<u><b>Amount</b></u>
2010 Appropriation .....	\$509,934
2011 CR .....	516,884
2012 Request .....	<u>387,373</u>
Program Improvements/Offsets .....	-129,511
<b>Elderly Expansion</b>	<b>Units</b>
2010 Appropriation.....	3,449a/
2011 CR.....	2,822b/
2012 Request.....	<u>2,235c/</u>
Program Improvements/Offsets.....	-587

- a/ Unit actual for fiscal year 2010.
- b/ Unit estimate for fiscal year 2011.
- c/ Unit estimate for fiscal year 2012.

**Proposed Actions**

The Department requests \$387.4 million in fiscal year 2012 for expansion activities which include new capital advances and associated Project Rental Assistance Contracts (PRAC), amendments to the capital advance through final closing, senior preservation rental assistance contracts, if applicable, inspection activities, and property disposition costs.

Housing for the Elderly (Section 202)

**HOUSING  
HOUSING FOR THE ELDERLY (SECTION 202)  
Program Offsets  
(Dollars in Thousands)**

	<b><u>Direct Loans Outstanding</u></b>	<b><u>Outlays</u></b>
<b>Section 202 Direct Loan Program (Mandatory)</b>		
2010 Balance.....	\$3,187,141	-\$589,539
2011 Estimated Balance.....	2,788,189	-640,000
2012 Estimated Balance.....	<u>2,387,551</u>	<u>-542,000</u>
Program Improvements/Offsets.....	-400,638	-98,000

The Direct Loan Program. The Housing for the Elderly or Handicapped Direct Loan program was authorized by Section 202 of the Housing Act of 1959, as amended. New project development activity was ended with the enactment of the Cranston-Gonzales National Affordable Housing Act in 1990 which replaced the 202 loans with capital advance awards to finance new construction, although projects developed under the Direct Loan Program continue to operate. The program provided direct loans to non-profit organizations sponsoring the construction and management of rental housing for the elderly or non-elderly persons with disabilities. Many projects originally developed under Section 202 also receive Section 8 subsidies to enable low-income households to afford the rents in these projects. The 1992 VA-HUD-IA Appropriations Act (Public Law 102-139) provided language to enable the conversion of pipeline Section 202 direct loan projects to the Supportive Housing program starting January 1, 1992. All of the pipeline Section 202 projects were converted in 1992. Any remaining activity for the loan program includes amendments for projects reaching final endorsement and management of the loan portfolio.

The recently enacted Section 202 Supportive Housing for the Elderly Act (Public Law 111-372) makes several changes to refinancing and prepayment provisions associated with old Section 202 loans, including expanding the eligible uses of refinancing proceeds to include recapitalization and rehabilitation, and authorizing HUD to award new Senior Preservation Rental Assistance Contracts to ensure these HUD-assisted units continue to meet the needs of the very low-income seniors served.

**HOUSING  
HOUSING FOR THE ELDERLY (SECTION 202)  
Program Offsets  
(Dollars in Thousands)**

<b>Service Coordinators/ Congregate Housing Service Program</b>	<b><u>Amount</u></b>
2010 Appropriation .....	\$89,100
2011 CR .....	90,000
2012 Request .....	<u>91,000</u>
Program Improvements/Offsets .....	+1,000

**Proposed Actions**

The Department is proposing \$91 million for Service Coordinators/Congregate Housing Services Program (CHSP) in fiscal year 2012. The proposed funding will be used for selecting new projects under this program as well as to extend previously approved Service Coordinators and Congregate Housing Service grants.

Section 808 of the Cranston-Gonzalez National Affordable Housing Act 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 purpose of the Service Coordinators program is to enable residents who are elderly or have disabilities to live as independently as possible in their own homes. Service Coordinator funds pay the salary and fringe benefits of a Service Coordinator and cover related program administrative costs. The primary responsibility of a Service Coordinator 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.

**Congregate Housing Services Program (CHSP)**

This program 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. The intent was to avoid costly and premature or unnecessary institutionalization of individuals and to reduce Government outlays for institutional care. The program was revised in 1992 to add other assisted housing program. The CHSP grant from HUD, in conjunction with grantee match and participant fees, subsidizes the cost of supportive services that are provided on-site and in the participant's home. Such services may include at least one or all of the following: (1) congregational meals; (2) housekeeping; (3) personal assistance; (4) transportation; (5) personal emergency response systems; (6) case management; and (7) preventative health programs. Eligible participants are residents of eligible housing who are frail (i.e. have difficulty performing three or more activities of daily living) or are persons with disabilities age 18 or older.

CHSP funds allow residents of subsidized housing to afford supportive services that enable them to continue living as independently as possible in their homes for as long as possible. Without this program, many of the low- and very low-income participants would have no choice but to relocate to a facility that provides a higher level of care, such as a nursing home, to meet their daily living needs.

Housing for the Elderly (Section 202)

**HOUSING  
HOUSING FOR THE ELDERLY (SECTION 202)  
Program Offsets  
(Dollars in Thousands)**

<b>Conversion to Assisted Living/Emergency Repairs</b>	<b><u>Amount</u></b>
2010 Appropriation .....	\$39,600
2011 CR .....	40,000
2012 Request .....	<u>20,000</u>
Program Improvements/Offsets .....	-20,000

**Proposed Actions**

The fiscal year 2012 Budget proposes \$20 million for capital grants for Conversion to Assisted Living or Service-Enriched Housing, as authorized by the recently enacted Section 202 Supportive Housing for the Elderly Act. These funds will be available to existing HUD elderly subsidized projects that convert some or all units to assisted living or service-enriched housing, and will also be available to cover the cost of eligible emergency repairs. Conversion grants cover basic physical conversion of existing project units, common areas, and service spaces. These competitive grants will be available to existing HUD project owners who demonstrate strong commitment to: (1) serve eligible frail elderly and (2) promote resident autonomy, independence, choice, and control. Existing project owners must provide supportive services for the residents either directly or through a third party. Examples of both mandatory and optional supportive service (which will vary from State to State) would include: (1) 24-hour staff for protective oversight and personal care; (2) 3 meals per day; (3) housekeeping services; (4) personal counseling; and (5) transportation.

Housing for the Elderly (Section 202)

**HOUSING  
HOUSING FOR THE ELDERLY (SECTION 202)  
Program Offsets  
(Dollars in Thousands)**

<b>Elderly PRAC Renewal/Amendment</b>	<b><u>Amount</u></b>
2010 Appropriation .....	\$158,116
2011 CR .....	158,116
2012 Request .....	<u>258,627</u>
Program Improvements/Offsets .....	+100,511
<b>Units Supported by Elderly PRAC Renewal/Amendment Funds</b>	<b><u>Units</u></b>
2010 Appropriation.....	41,048 <sup>a/</sup>
2011 CR.....	50,316 <sup>b/</sup>
2012 Request.....	<u>57,718<sup>c/</sup></u>
Program Improvements/Offsets.....	+7,402

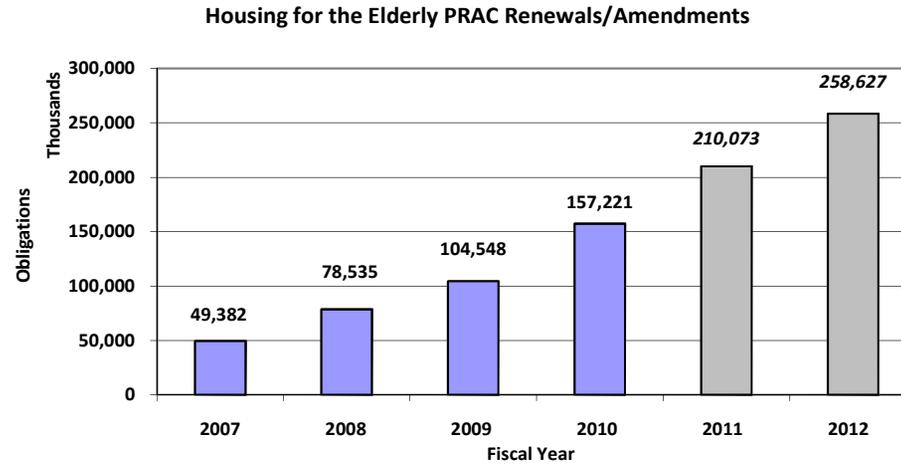
- a/ Actual units for fiscal year 2010.
- b/ Unit estimate for fiscal year 2011.
- c/ Unit estimate for fiscal year 2012.

**Proposed Actions**

The Department requests \$258.6 million in fiscal year 2012 for Project Rental Assistance Contract (PRAC) Renewals/Amendments for approximately 57,718 units. As new units are awarded through this program and initial PRAC contracts are depleted, the number of units and funds needed for PRAC renewals and amendments continually grows. Initial PRAC contracts are funded for 3 years and Renewal contracts are funded annually.

Housing for the Elderly (Section 202)

The following chart shows the amount of PRAC renewal/amendment obligations incurred since fiscal year 2007.



This chart illustrates the growth in the additional amount of budget authority needed annually to maintain operating assistance for Section 202 projects. As new projects and units come out of the construction pipeline and initial PRACs expire, this budget authority requirement will continue to grow with a similar trend. The fiscal year 2012 estimate reflects an analysis of subsidy balances on currently active PRAC contracts that are expected to require renewal or amendment.

NOTE: The fiscal year 2011 and 2012 obligations are estimates.

**HOUSING  
HOUSING FOR THE ELDERLY (SECTION 202)  
Program Offsets  
(Dollars in Thousands)**

<b>Transformation Initiative</b>	<b><u>Amount</u></b>
2010 Appropriation .....	\$8,250
2011 CR .....	...
2012 Request .....	<u>...</u>
Program Improvements/Offsets .....	...

**Proposed Actions**

In fiscal year 2012, the Department renews its request for the Transformation Initiative, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 0.5 percent of the funds appropriated for this account may be transferred to the Transformation Initiative Fund account for the following purposes: research, evaluations, and program metrics; program demonstrations; and technical assistance and capacity building. Departmentwide, no more than \$120 million will be transferred to the Transformation Initiative Fund account in fiscal year 2012. More details on the overall Transformation Initiative and these projects are provided in the justification for the Transformation Initiative Fund account.

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

Below is the italicized appropriations language for Housing for the Elderly.

*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, 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, 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, \$757,000,000, to remain available until September 30, 2015: Provided, That amounts for project rental assistance contracts are to remain available through fiscal year 2025 for the liquidation of valid obligations incurred: Provided further, That of the amount provided under this heading, up to \$91,000,000 shall be for service coordinators and the continuation of existing congregate service grants for residents of assisted housing projects, and of which up to \$20,000,000 shall be for grants under section 202b of the Housing Act of 1959 (12 U.S.C. 1701q-2) for conversion of eligible projects under such section to assisted living, service-enriched housing, or related use for substantial and emergency repairs as determined by the Secretary: Provided further, That amounts under this heading shall be available for Real Estate Assessment Center inspections and inspection-related activities associated with section 202 capital advance 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*

**Changes from the 2010 Appropriations**

The Department proposes a technical revision in the language used to provide 10 years for the liquidation of obligations for project rental assistance contracts. The Account Closure Statute (31 U.S.C. 1552) requires that all remaining funds (whether obligated or unobligated) be cancelled 5 years after the period of availability for obligation for an account ends. The proposed language continues to provide extended disbursement authority of 10 years, but to simplify accounting procedures, the language is modified to provide disbursement authority through fiscal year 2025, rather than from the date of fund obligation. The proposed language also permits appropriated funds to be used for the newly authorized senior preservation rental assistance contracts to maintain affordability in older Section 202 developments originally financed with direct loans.

Housing for the Elderly (Section 202)

**HOUSING  
HOUSING FOR THE ELDERLY (SECTION 202)  
Crosswalk of 2010 Availability  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Elderly Expansion .....	\$509,934	...	...	...	\$592,762	\$1,102,696
Elderly PRAC Renewal/Amendment .....	158,116	...	...	...	291	158,407
Service Coordinators/ Congregate Housing Service Program .....	89,100	...	...	...	66,738	155,838
Conversion to Assisted Living/Emergency Repairs .....	39,600	...	...	...	34,602	74,202
Planning Grant .....	20,000	...	...	...	48,747	68,747
Technical Assistance .....	...	...	...	...	2,000	2,000
Delegated Processing Demonstration ..	...	...	...	...	1,000	1,000
Transformation Initiative .....	<u>8,250</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>8,250</u>
Total .....	825,000	...	...	...	746,140	1,571,140

Housing for the Elderly (Section 202)

**HOUSING  
HOUSING FOR THE ELDERLY (SECTION 202)  
Crosswalk of 2011 Changes  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2011 President's Budget Request</u>	<u>2011 CR</u>	<u>2011 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2011 Resources</u>
Elderly Expansion .....	...	\$516,884	...	...	\$800,239	\$1,317,123
Elderly PRAC Renewal/Amendment .....	\$181,863	158,116	...	...	1,165	159,281
Service Coordinators/ Congregate Housing Service Program .....	89,100	90,000	...	...	61,275	151,275
Conversion to Assisted Living/Emergency Repairs .....	...	40,000	...	...	59,334	99,334
Planning Grant .....	...	20,000	...	...	53,029	73,029
Technical Assistance .....	...	...	...	...	2,000	2,000
Delegated Processing Demonstration ..	...	...	...	...	1,000	1,000
Transformation Initiative .....	<u>2,737</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total .....	273,700	825,000	...	...	978,042	1,803,042