

**HOUSING  
HOUSING FOR THE ELDERLY (SECTION 202)  
2013 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>
2011 Appropriation .....	\$400,000	\$978,716	-\$800	\$1,377,916 <sup>a/</sup>	\$509,211	\$933,661
2012 Appropriation/Request .....	374,627	864,801 <sup>b/</sup>	...	1,239,428	1,164,900	1,017,456
2013 Request .....	<u>475,000</u>	<u>74,528</u>	...	<u>549,528<sup>c</sup></u>	<u>549,528</u>	<u>1,005,299</u>
Program Improvements/Offsets .....	+100,373	-790,273	...	-689,900	-615,372	-12,157

- a/ The fiscal year 2011 Appropriation includes a \$3.99 million transfer to the Transformation Initiative (TI). These amounts are excluded from carryover, obligations and outlays but are reflected in the Transformation Initiative account.
- b/ The carryover will be substantially obligated in fiscal year 2012. \$630 million has been awarded for new capital advances, \$90 million will be provided for Service Coordinators, \$39 million will be provided for Assisted Living Conversions and \$35 million will be provided for Pre-Development Grants. The remainder will be obligated for other activities relating to Supportive Housing for the Elderly.
- c/ Includes an estimated Transformation Initiative (TI) transfer of \$2.3 million in fiscal year 2013; the TI transfer may be up to .05 percent of Budget Authority.

**1. What is this request?**

The Department requests \$475 million for the Housing for the Elderly (Section 202) program in fiscal year 2013, a \$100 million increase from the fiscal year 2012 appropriation. Included in this request is \$100 million for new awards of project rental assistance, \$90 million for Service Coordinators, and \$285 million for the renewal and amendment of project rental assistance contracts (PRAC).

Elderly Project Rental Assistance

In fiscal year 2013, the Department is requesting the flexibility to provide only operating assistance through a new Section 202 Project Rental Assistance authority, by mapping over the similar authorities that are currently being successfully implemented with the Section 811 project rental assistance authority (enacted under the Melville Act). Under this model, state housing agencies, in partnership with state health care agencies, act as a delegated processing agent for awarding and administering Section 202 funds. Applications must be submitted to a state agency that has jurisdiction over the area where the proposed project will be located, generally as part of a competition process for Low-Income Housing Tax Credits (LIHTC), HOME funds, or other state and local housing funding. Those selected for funding must meet program requirements and demonstrate their capacity to perform, the financial resources and partnerships they bring with them, the need for deeply affordable elderly housing in the proposed location,

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and the project's readiness to proceed. With these reforms, the Budget request of \$100 million for the first round of funding is expected to support up to 3,500 new operating assistance-only units.

### Service Coordinators/ Congregate Housing Services Program

The Department is proposing \$90 million for Service Coordinators/Congregate Housing Services Program (CHSP) in fiscal year 2013. Of that \$90 million, an estimated \$70 million will be applied to extend funds to approximately 1,300 previously approved Service Coordinators and Congregate Housing Service grants. The remaining \$20 million will be used to select approximately 100 new service coordinator grantees. 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. The Congregate Housing Services Program (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 congregate meals, housekeeping, personal assistance, transportation, case management, etc.

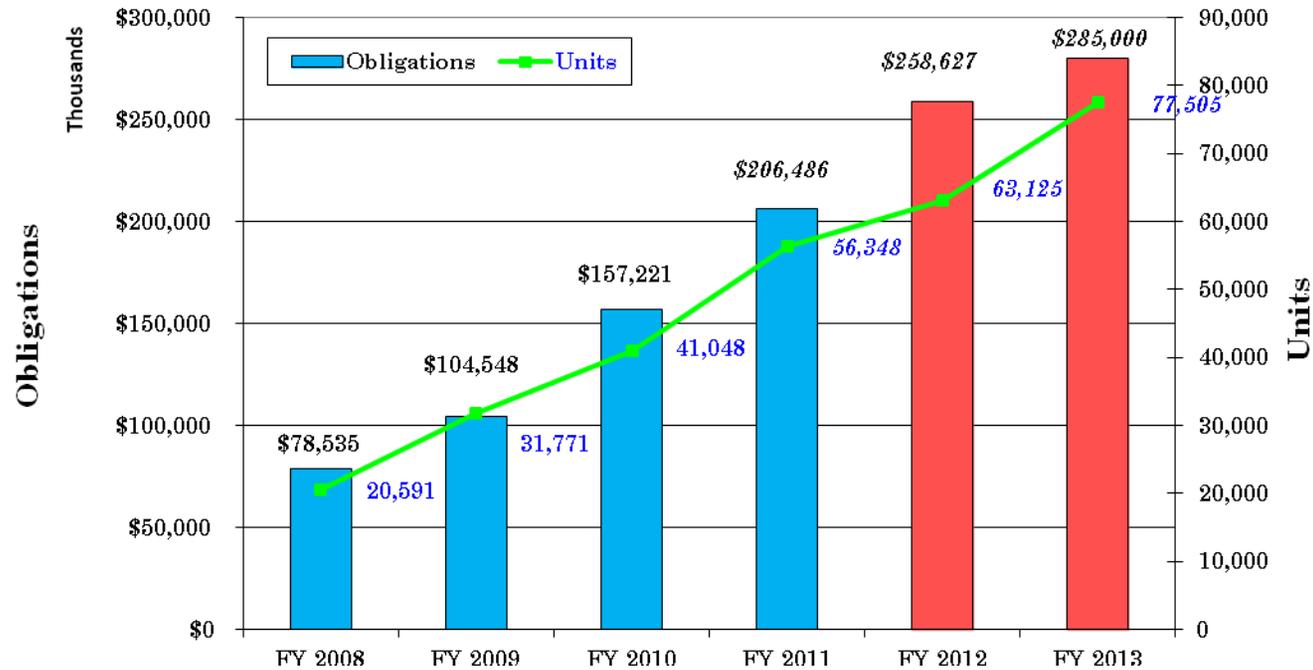
### Project Rental Assistance Contracts

The Department requests \$285 million for Project Rental Assistance Contracts (PRAC) Renewals/Amendments in fiscal year 2013. PRAC Renewals/Amendments provides 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 for 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 PRACs begin to expire, the rental assistance is renewed on a 1-year basis and continued through the PRAC Renewal/Amendment program. HUD estimates that \$17 million of the increased need in fiscal year 2013 is due to contracts being renewed or amended for the first time.

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The following graph shows growth of the PRAC Renewal/Amendment obligations since fiscal year 2008, the estimated obligations through fiscal year 2013 and the number of units supported by those obligations.

**PRAC Renewals/Amendments**



NOTE: Fiscal years 2012-2013 obligations are estimates.

The above chart illustrates the growth in the amount of budget authority that must be obligated annually to maintain operating assistance for Section 202 projects. As new projects and units come out of the construction pipeline and initial PRACs are depleted, this budget authority requirement will continue to grow with a similar trend. The fiscal year 2013 estimate reflects an analysis of subsidy balances on currently active Project Rental Assistance Contracts (PRACs) that are expected to require renewal or amendment.

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### Senior Preservation Rental Assistance Contracts (SPRAC)

The Section 202 Supportive Housing for the Elderly Act of 2010 authorized a new form of rental assistance, called Senior Preservation Rental Assistance Contracts (SPRACs), to be provided in the refinancing of certain Section 202 projects where no debt service savings is anticipated and where unassisted residents would otherwise face potential rent increases. In conjunction with the approved prepayment of a Section 202 project, HUD will make available to property owners project based rental assistance in the form of a SPRAC to assist elderly tenants residing in units not covered by a rental assistance contract. Owners must show that absent the SPRAC assistance, unassisted residents would be subject to rent increases due to the new higher interest loan. SPRACs will have a term of 20 years, subject to annual appropriations, and will operate under the same rules governing Section 8 project-based rental assistance, including those for income eligibility of residents. In fiscal year 2012, the Department initiated the first round of SPRACs and may continue these efforts in fiscal year 2013 depending on initial demand.

### Transformation Initiative

In fiscal year 2013, 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; technical assistance; capacity building and Information Technology. Departmentwide, no more than \$120 million is estimated to be transferred to the Transformation Initiative Fund account in fiscal year 2013 although transfers could potentially total up to \$214.8 million. More details on the overall Transformation Initiative and these projects are provided in the justification for the Transformation Initiative Fund account.

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

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 Congregate Housing Services Program (CHSP) was authorized by the Housing and Community Development

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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.

### Program Description

The Section 202 program provides capital advances and operating subsidies to facilitate the creation of multifamily housing for very low-income elderly persons. Nearly 400,000 homes 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 Investments Partnerships Program (HOME), and Low-Income Housing Tax Credits (LIHTC).

### Changes to the Program

The passage of the Section 202 Supportive Housing for the Elderly Act of 2010 (P.L. 111-372), signed into law on January 4, 2011, 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; it established new rental assistance contracts for seniors at risk of being unable to afford rent increases due to refinances; made it easier for owners to make health and supportive services available to residents through service-enriched housing.

This new legislation complemented the Administration's broader Section 202/811 reform agenda which implemented policy and regulation changes to better target the program to support the most vulnerable elderly, bring new units on line faster, and better leverage each program dollar. Changes to the program have been done with input from, and in coordination with, the Department of Health and Human Services (HHS). Further changes would occur with authorization of the proposed Section 202 Project Rental Assistance, which would make more units available on a considerably faster timeframe.

Key changes to the Section 202 program over the last year include: 1) prioritizing leveraging of other funds rather than fully funding the full capital advance award amount; 2) streamlining the operating subsidy structure to increase efficiency and leverage; 3) improving administrative processing to speed development timeframes; and 4) revising the geographic allocation formula to better meet market need.

### Who Does Section 202 Housing Serve?

Section 202 provides supportive housing for very low-income elderly adults. 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 \$12,629 and HUD estimates suggest that a significant share of those entering

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Section 202 housing may be coming from substandard housing, are doubled-up, or are paying more than half of their income in rent.<sup>1</sup>

Tenants living in Section 202 supportive housing can access a variety of community-based services and support to keep living independently in the community and age in place. Thirty-eight percent of existing Section 202 tenants are frail or near-frail, requiring assistance with basic activities of living, and thus can be considered at-risk for institutionalization.<sup>2</sup>

### How does it Work?

Traditionally, the Department provides interest-free capital advances to non-profit 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 on-going 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.

As mentioned previously, in fiscal year 2013 the Department is requesting the flexibility to provide operating assistance only, by mapping over a similar authority that is currently being successfully implemented with the Section 811 project rental assistance authority (enacted under the Melville bill), which would provide operating subsidies for Section 202 units located in affordable housing complexes funded by tax credits, HOME funds, or other sources.

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>1</sup> Analysis by HUD Office of Policy Development and Research of 2009 TRACS data.

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

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### Who Receives Section 202 Housing Funds?

Non-profit organizations, including faith-based organizations, with a Section 501(c)(3) tax exemption from the IRS can apply for Section 202. Over the years, many non-profit 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. HUD funding through the Section 202 program is often vital to fulfilling these organizations' missions.

Because the need for this housing is so widespread, Section 202 projects are funded everywhere throughout the country, in large and small cities, small towns, and rural locales.

### Staffing

<b>FTE</b>	<b>2011 Actual</b>	<b>2012 Estimate</b>	<b>2013 Estimate</b>
Headquarters .....	25	25	25
Field .....	<u>260</u>	<u>257</u>	<u>257</u>
Total .....	285	282	282

### No staffing changes proposed in fiscal year 2013.

Although funding is not being requested for new Section 202 capital advance units, 169 projects are currently in the pipeline and staff will continue to work on getting them to initial closing. In addition, staff will continue to focus on implementing provisions in the 2010 Section 202 Act and other legislative and programmatic reforms as well as streamlining the processing requirements. Staff responsibilities are split between Headquarters and Field Offices.

Headquarters staff develops policy related to all aspects of implementing the program, including handbooks, notices, guides, regulations, etc.; provides oversight and monitoring of field staff implementation of policy and procedures related to sponsor and owner obligations and responsibilities; monitors field achievement of goals and targets regarding development of new units and the number of service coordinators hired and maintained, including compliance with HUD business agreements with respect to financial and physical requirements; reviews and processes requests for amending and or extending previously funded projects/grants; drafts Notices of Funding Availability (NOFA) announcing the availability of funds; ensures availability of funding for all funding commitments; reviews applications submitted for funding under the Assisted Living Conversion Program (ALCP) NOFA; responds to correspondence, audits, and other requests for information; reviews and approves field offices' recommendations for selection of new projects/grants; conducts training for field and headquarters staff as well as our industry partners; and drafts budget requests and supporting documents.

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Field Staff performs the following functions: reviews NOFA applications (Section 202, Section 811, Service Coordinator, Demonstration Planning Grants (DPG), Assisted Living Conversion Program (ALCP); prepares grant agreements and agreement letters for NOFA awardees; monitors service coordinator, Congregate Housing Service Program (CHSP), ALCP, and DPG grants; responds to tenant and community inquiries; processes firm commitment applications, cost certification, initial closing and final closing packages; monitors development progress of projects; processes waiver requests for time extensions and for amendments; provides technical assistance to sponsors/owners during the development process; responds to correspondence and other external and internal requests for information; provides technical assistance to staff and industry partners; and participates in initial and final closing of projects.

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

Since 1959, the Section 202 program has added nearly 400,000 units to the supply of affordable senior housing units. An estimated 38 percent of all residents currently living in Section 202 properties could be considered "frail" or "near-frail." However, most of these residents access community-based services and avoid more expensive institutional settings.

Although the Section 202 program has produced nearly half a million units, the need for affordable housing within America's elderly population is far from being met today and will continue to grow into the foreseeable future.<sup>3</sup> The need for housing is tremendous. In 2009, 1.33 million very low-income older adults paid more than half their income for rent and/or lived in substandard housing.<sup>4</sup> Moreover, the need for accompanying supportive services for seniors is growing. Projections done by the Seniors Commission Report show that by 2020, within the population of elderly living 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.

Research on Section 202 has focused to a larger extent on process (development costs and processing time) and to a lesser extent on program outcomes. The new strategic focus on the integration of housing and health services has prompted a new study in collaboration with the Department of Health and Human Services (HHS). The study will develop a conceptual framework that sets the parameters for understanding the elements of housing with coordinated health and long-term services and support for older adults. It will provide options for the design of a demonstration of housing with services to enhance aging in place for older adults, as well as examine the use of administrative and other data to target the appropriate places and individuals for such a service delivery model.<sup>5</sup>

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<sup>3</sup>A significant factor in the affordability crisis is an ongoing and dynamic shift. According to 2005 Census Data, the number of people age 65 and older was projected to grow from 35.0 million to 71.5 million, and from 12.4% of the population to 19.6% between 2000 and 2030. Congressional Research Service, "Section 202 and Other HUD Rental Housing Programs for Low-Income Elderly residents" (September 2008).

<sup>4</sup> HUD, Worst Case Housing Needs 2009: Report to Congress (February 2011).

<sup>5</sup> HHS/HUD, "Design of a Demonstration of Coordinated Housing, Health and Long-term Care Services and supports for low-Income Older Adults", expected 2012.

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### An Alternative to Institutionalization

As a consequence of the lack of affordable housing<sup>6</sup>, vulnerable elderly persons with health care needs often either: 1) are at increased risk of high cost emergency care utilization because of the lack of basic support or 2) reside in institutional settings such as nursing homes or Medicaid-funded board and care facilities. The cost of unnecessary emergency care for the elderly is one of the greatest contributors to the rising Federal expenditures associated with the Medicare program. And similarly, the cost to the taxpayer of institutional settings is significantly more than the cost of a Section 202 unit, while not providing nearly the same quality of life for the resident. For example, one HUD study found that the annual cost of Section 202 housing plus costs of food, transportation and housekeeping services was \$13,035. The cost for Section 202 residents who also access community-based assisted living personal services (such as in home supportive services or adult day care) was \$25,311. Meanwhile, the cost of housing that same person in a nursing home for 1 year would be \$48,793.<sup>7</sup> Investments in Section 202 can offset greater state and Federal expenditures on Medicaid and Medicare and provide an opportunity for low-income elderly to age in place in their own communities.

In addition, 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>8</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. 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 program.

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

Over the course of a half a century, the Section 202 program has provided nearly 400,000 affordable homes for the elderly, including many with extremely low-income or significant health concerns. A study on Section 202 found that although Section 202 has a

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<sup>6</sup> 36.5 percent of renters age 62 and over paid more than half their incomes for housing in 2009. HUD Worst Case Housing Needs 2009: Report to Congress (February 2011).

<sup>7</sup> HUD, "Section 202 Supportive Housing for the Elderly: Program Status and Performance Measurement", June 2008.

<sup>8</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).

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higher per-unit cost in comparison with Housing Choice Vouchers because of special accommodations and services provided, the cost of Section 202 is lower than the nursing home alternative. As stated previously, the annual cost of services in a Section 202 unit can be ¼ to ½ the cost of nursing home care.<sup>9</sup>

Research has also found that supportive housing for the elderly, and the presence of service coordinators in particular, enables older residents to age in place. A study of satisfaction with service coordination found that the average length of stay was 6 months longer for residents in properties with HUD-funded service coordination.<sup>10</sup> This longer length of stay means less months spent in costly institutional care and translates into reduced turnover within the apartment buildings which lowers costs for the Federal Government and the property owner. A more recent study on the end of participation in assisted housing found that Section 202, with an average age at end of participation of 79 years, ranked among the best of HUD programs for length of tenure of elderly residents.<sup>11</sup>

### Quality of Life Example

A good example of how Section 202 supportive housing plays a critical role in supporting the elderly with a range of health needs can be found in Columbus, Ohio. There the non-profit organization National Church Residences (NCR) received a Section 202 capital advance of \$3.5 million, plus a commitment from HUD for on-going rental assistance (which included the costs of a property manager and service coordinator but not direct services), to develop a 39 unit independent living community for low-income elderly households. Shortly after the property opened in early 2010, NCR surveyed its residents and found that its residents had an average annual income of approximately \$11,000. Of the residents, 69 percent were Medicaid-eligible and 10 percent had actually left a nursing home setting to live at this Section 202-funded property. Some of the households were active and independent, not requiring any services or support at all. Others were benefiting from linkages to community-based services provided by an on-site service coordinator. And quite a few were receiving intensive Medicaid home and community-based care services, including personal care services, homemaking services, physical/occupational therapy services, and nursing services.

### Leveraging Capital: Section 202 as a Magnet for More Funding

The Section 202 program is now particularly well-designed to support leveraging of other housing funding, particularly Federal Low-Income Housing Tax Credits, HOME funds, and other state, local, and private funds. Because state and local agencies control almost all the new federal funds for new affordable housing construction through HOME and LIHTC, putting the Project Rental Assistance authority into their hands directly enables aligned capital investments.

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<sup>9</sup> See previous section, citing to HUD, "Section 202 Supportive Housing for the Elderly: Program Status and Performance Measurement", 2008.

<sup>10</sup> HUD, "Multifamily Property Managers' Satisfaction with Service Coordination", 2008.

<sup>11</sup> Abt, "End of Participation in Assisted Housing: What Can We Learn About Aging in Place?", 2011

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

<u>Budget Activity</u>	<u>2011 Budget Authority</u>	<u>2010 Carryover Into 2011</u>	<u>2011 Total Resources</u>	<u>2011 Obligations</u>	<u>2012 Budget Authority/ Request</u>	<u>2011 Carryover Into 2012</u>	<u>2012 Total Resources</u>	<u>2013 Request</u>
Elderly Expansion .....	\$99,800	\$800,913	\$900,713	\$215,622	\$8,000	\$686,546	\$694,546	...
Elderly PRAC								
Renewal/Amendment ....	206,486	1,165	207,651	195,625	258,627	12,028	270,655	\$285,000
Service Coordinators/ Congregate Housing								
Service Program .....	88,922	61,275	150,197	60,602	81,000	89,860	170,860	90,000
Conversion to Assisted Living/Emergency								
Repairs .....	...	59,334	59,334	20,419	11,000	38,749	49,749	...
Planning Grant .....	...	53,029	53,029	16,943	...	35,618	35,618	...
Technical Assistance ..	...	2,000	2,000	...	...	2,000	2,000	...
Delegated Processing								
Demonstration .....	...	1,000	1,000	...	...	...	...	...
Senior Preservation								
Rental Assistance								
Contracts .....	...	...	...	...	16,000	...	16,000	...
State Housing Project								
Rental Assistance								
Demonstration .....	...	...	...	...	...	...	...	100,000
Transformation								
Initiative .....	<u>3,992</u>	<u>...</u>	<u>3,992</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total .....	399,200	978,716	1,377,916	509,211	374,627	864,801	1,239,428	475,000

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

The fiscal 2013 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, 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, 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, ~~[\$374,627,000]~~ *\$475,000,000* to remain available until September 30, ~~[2015]~~ *2016: Provided*, That of the amount provided under this heading, up to ~~[\$91,000,000]~~ *\$90,000,000* shall be for service coordinators and the continuation of existing congregate service grants for residents of assisted housing projects[, and of which up to \$25,000,000 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. (*Department of Housing and Urban Development Appropriations Act, 2012.*)

#### **Changes from 2012 Appropriations**

The Department proposes two new general provisions for the 2013 appropriations bill that will impact on the Section 202 program. The language in Section 234 of the general provisions provide the Department with the flexibility to provide operating assistance-only funding to affordable housing developments for the elderly that utilize capital from other state and local sources. This new Section 202 Project Rental Assistance authority draws on lessons learned from the implementation of the Section 811 project rental assistance program authorized by the Melville Act. Under this model, state housing agencies or similar entities, in partnership with state health care agencies, may apply to be a delegated processing agent for awarding and administering Section 202 funds, taking advantage of efficiencies inherent in these same agencies' oversight responsibilities for tax credits, HOME funds or similar housing funding. The general provision in Section 223 proposes rent reforms for both public housing and certain rental assistance programs. This includes the establishment of new minimum rents that would apply to the Section 202 program. However, the impact is expected to be minimal since most project residents are currently paying at least the proposed minimum rent. In addition, should the increase create a burden, the affected residents will be eligible for consideration of a hardship exemption.