

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HM 925 Supportive Housing for the Elderly Program

**SPONSOR(S):** Pafford

**TIED BILLS:**           **IDEN./SIM. BILLS:** SM 576

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Local & Federal Affairs Committee	16 Y, 0 N	Dougherty	Rojas
2) Economic Affairs Committee			

### SUMMARY ANALYSIS

The Section 202 Supportive Housing for the Elderly Program expands the supply of affordable, independent-living housing with supportive services for the low-income elderly. Federal funding for the program drastically decreased in recent years, receiving no funding in 2012 or 2013.

HM 925 urges Congress to restore and adequately fund the Supportive Housing for the Elderly Program.

Copies of the memorial will be provided to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, and each member of the Florida delegation to the United States Congress.

This memorial has no fiscal impact.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### **Present Situation**

##### Section 202 Supportive Housing for the Elderly Program<sup>1</sup>

###### *Overview*

Section 202 of the Housing Act of 1959, entitled Supportive Housing for the Elderly, authorizes the Secretary of Housing and Urban Development (HUD) to provide assistance to private nonprofit organizations and consumer cooperatives<sup>2</sup> to supply housing for the low-income elderly.<sup>3</sup> The purpose of the program is to enable the low-income elderly to live with dignity and independence by expanding the supply of supportive housing that accommodates their special needs and provides a range of services tailored to those needs. It is the only federal program that expressly addresses affordable elderly housing. To date, Section 202 has produced nearly 400,000 quality homes that are highly rated by the low-income, elderly residents.<sup>4</sup>

In recent years, funds for the Section 202 program decreased while costs increase with inflation. Studies show that program costs are reasonable in relation to costs of other development programs and industry norms. Research suggests the Section 202 program may reduce Medicaid expenditures while providing a humane alternative to institutionalization. In recent years, the historically low level of Section 202 annual appropriations provided by Congress, in combination with HUD practices regarding allocation of funds, has resulted in development of multiple, small projects that reduce program efficiency and significantly contribute to project processing delays.

###### *Types of Assistance*

HUD provides two types of assistance: capital advances and rent subsidies.<sup>5</sup> Interest-free capital advances finance the construction, rehabilitation, or acquisition of structures that will serve as supportive housing. The capital advance does not have to be repaid as long as the project serves very low-income elderly persons for 40 years. HUD provides rent subsidies for the projects to help make them affordable. Project rental assistance funds are provided to cover the difference between the HUD-approved operating cost for the project and the tenants' contribution towards rent. Project rental assistance contracts are approved initially for three years and are renewable based on the availability of funds. Careful sponsor screening and rental subsidies have resulted in fewer defaults and greater financial stability in the Section 202 program than in most other federal housing programs.<sup>6</sup>

###### *Eligible Customers*

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<sup>1</sup> The Supportive Housing for the Elderly Program is authorized under s. 202 of the Housing Act of 1959 (12 U.S.C. 1701q), s. 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). Program regulations are found 24 CFR Part 891. More information about the Section 202 program can be found in HUD Handbooks 4571.3, Supportive Housing for the Elderly and 4571.5, Supportive Housing for the Elderly--Conditional Commitment; HUD Notices H96-102 REV 00-23, H2009-10 and H2011-18.

<sup>2</sup> Private nonprofit organizations and nonprofit consumer cooperatives that meet the threshold requirements contained in the General Section and the program Notice of Funding Availability are the only eligible applicants under this Section 202 program.

<sup>3</sup> 12 U.S.C. 1701q.

<sup>4</sup> *Housing for the Elderly (Section 202): 2013 Summary Statement and Initiatives*, available at <http://portal.hud.gov/hudportal/documents/huddoc?id=housing-elderly-2013.pdf>.

<sup>5</sup> See [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/housing/mfh/progdesc/eld202](http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh/progdesc/eld202).

<sup>6</sup> See "Section 202 Supportive Housing for the Elderly: Program Status and Performance Measurement," U.S. Department of Housing and Urban Development Office of Policy Development and Research, available at [www.huduser.org](http://www.huduser.org).

Occupancy in Section 202 housing is open to any very low-income household comprised of at least one person who is at least 62 years old at the time of initial occupancy. Generally, an income equal to 50 percent of the area median family income, adjusted for household size, qualifies for this program.<sup>7</sup>

### *Section 202 Housing*

Housing made available under the Section 202 program is of good quality, and performs better during on-site physical inspections than other HUD-assisted housing programs. A critical aspect of Section 202 housing is that it can accommodate residents with supportive services as they become frailer.<sup>8</sup> A majority of Section 202 projects have the capacity to provide an array of communal services for their residents.<sup>9</sup> Costs of formal services are generally not paid by HUD, but instead are paid through a variety of other sources, principally Medicaid. Examples of formal services are meals, housekeeping, assistance with medications, bathing, etc. Many of these housing options have a service coordinator, a person trained to work with residents and their families when supportive services are needed.<sup>10</sup>

Available information on resident satisfaction suggests that residents of Section 202 facilities are more satisfied with their home and immediate surroundings than participants in the Housing Choice Voucher program or unassisted very low-income elderly persons. On average, elderly persons admitted to Section 202 projects generally resided for longer periods of time in this kind of housing than elders admitted to public housing, other multifamily assisted housing, or using Housing Choice Vouchers.<sup>11</sup> Waiting lists for Section 202 facilities are long, especially when compared to the number of housing units becoming vacant each year. The relatively high demand for this housing means that applicants frequently must wait over two years for a unit.

### *Comparative Section 202 Program Costs*

A 2002 study by the Government Accountability Office compared the total per-unit costs of six active federal housing assistance programs, including the programs of Section 202 and the Housing Choice Vouchers.<sup>12</sup> The per-unit, 30-year cost of the Section 202 program was 12 percent more than for Housing Choice Vouchers in metropolitan areas, and 39 percent more than for vouchers in non-metropolitan areas. A key issue is whether a twelve percent higher cost of a Section 202 project in a metropolitan area is offset by greater benefits, particularly since Section 202 housing can provide features and services that are not generally available in private-market housing available to very low-income persons using vouchers.

The quality of Section 202 housing is uniformly good, regardless of where the project is built, while the quality of housing occupied by elderly voucher participants varies by geographic region of the country. When an elderly person moves into a newly developed Section 202 project, he/she is likely to occupy good quality housing with accessibility features, congregate dining (i.e. meals served to residents who sit together in a building's dining area), and services, regardless of location.

The voucher program is well suited to the needs of many low-income elderly persons who can live independently. However, vouchers may not be the best choice for people who are frail; need supportive

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<sup>7</sup> *Id.*

<sup>8</sup> A majority of facilities (73.9 percent) have grab rails, and 91.1 percent have a ramp or a level entrance. In the newer projects (built since 1990), nearly 100 percent of projects have at least one accessible unit, and 43 percent of all units are wheelchair-accessible.

<sup>9</sup> Community space for social and recreational facilities is available and used in 90.2 percent of projects. Spaces for congregate dining and supportive service providers are used in about half of projects.

<sup>10</sup> In 2006, 38 percent of all Section 202 properties reported having a service coordinator on staff. Almost half of all facilities built before 1984 reported having one on staff, while the smallest service coordinator presence (26.9 percent) was reported at newer Section 202 projects developed after 1990. Older facilities tend to be larger than newer projects, which permits greater economies of scale in staffing than in the newer, smaller facilities.

<sup>11</sup> See "Section 202 Supportive Housing for the Elderly: Program Status and Performance Measurement," U.S. Department of Housing and Urban Development Office of Policy Development and Research, available at [www.huduser.org](http://www.huduser.org).

<sup>12</sup> Government Accountability Office (2002) *Federal Housing Assistance: Comparing the Characteristics and Costs of Housing Programs*. GA0-02-76, available at [www.gao.gov](http://www.gao.gov). The programs compared included Housing Choice Vouchers, Low-Income Housing Tax Credits, Hope VI, Section 202, Section 811, and Section 515.

personal services; are at risk of institutionalization; or are unable to shop for food, cook meals, or perform housekeeping tasks. An elderly person using a voucher is likely to occupy much older housing than Section 202 options, probably without all needed accessibility features, access to congregate dining, or service coordinators.

### *Alternative to Institutionalization*

The elderly overwhelmingly prefer living in their own homes to other options. They see nursing homes as the least attractive option for people who are dependent.<sup>13</sup> It is therefore not surprising that non-financial factors become more important for demand for Section 202 housing as the ages of applicants increase. In particular, needs for supportive services and improved security are more important to older applicants than to those in their 60s. When reporting the types of needs influencing a decision to move to Section 202 housing, 20.3 percent of applicants over age 80 reported needing supportive services because of frailty, which was twice the rate for other applicants.<sup>14</sup>

### **Effect of Proposed Changes**

This memorial urges the United States Congress to restore and adequately fund the Supportive Housing for the Elderly Program.

Copies of the memorial will be provided to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, and each member of the Florida delegation to the United States Congress.

This memorial has no fiscal impact.

#### **B. SECTION DIRECTORY:**

None.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

#### **A. FISCAL IMPACT ON STATE GOVERNMENT:**

##### **1. Revenues:**

None.

##### **2. Expenditures:**

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<sup>13</sup> O'Keeffe, Janet, Christine O'Keeffe, and Shulamit Bernard (2003) *Using Medicaid to Cover Services for Elderly Persons in Residential Care Settings: State Policy Maker and Stakeholder Views in Six States*, available at <http://aspe.hhs.gov/daltcp/reports/med4rcs.htm>. Report was prepared under contract #HHS-100-97-0014 between the U.S. Department of Health and Human Services (HHS), Office of Disability, Aging and Long-Term Care Policy (DALTCP) and the Research Triangle Institute.

<sup>14</sup> Heumann, Leonard, Karen Winter-Nelson, and James Anderson (2001) *The 1999 Survey of Section 202 Housing for the Elderly*. AARP Public Policy Report #2001-02. Washington DC: AARP.

None.

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

None.

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

None.

**D. FISCAL COMMENTS:**

None.

**III. COMMENTS**

**A. CONSTITUTIONAL ISSUES:**

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

**B. RULE-MAKING AUTHORITY:**

None.

**C. DRAFTING ISSUES OR OTHER COMMENTS:**

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**

N/A