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U.S. Department of Housing and Urban Development
451 7th Street, SW
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Re: Guiding Principles and Discussion Questions on the Section 202 Supportive Housing for the Elderly Program

The undersigned organizations which represent members or are themselves deeply involved in the development of Section 202 housing appreciate the opportunity to comment on HUD's FY 2013 budget proposal to reinvent the Section 202 program. We all recognize the need to address harsh budget realities at the same time as the demand for Section 202 development is increasing. We applaud HUD's efforts to obtain funding for new development and the recognition of the need for long term services and supports for a growing senior population that will be aging in place in affordable housing communities.

We believe that the strength of the Section 202 program has been its focus on providing housing and services for a mix of low income seniors from those who are healthy and independent to the very frail or at high risk of frailty. The need to maintain that focus and strength is not diminishing. However, the 202 program has survived for over 50 years because it has adapted to changing needs and budget realities, and we believe that alternatives to the existing Section 202 program may again be necessary. Our responses to the questions posed by HUD at the stakeholders' meetings are offered in that context.

<u>Allocating Funds</u>
There are several workable models for allocating funding for senior housing, but the realistic alternatives must bear some relationship to the level of available funding. At current proposed funding levels it is nearly impossible to sub-allocate funding to states or other intermediaries on a basis that provides regional equity and that does not impose unreasonable administrative costs on allocating entities. We believe that, for the present, HUD should award funds directly, possibly through a national competition, to maximize national impact, recognize best practices, and minimize administrative and application costs. Given current limited resources, allocating through the states would leave too many states without a meaningful level of award funds and could create challenges for both state agencies and applicants in states where existing state resources do not prioritize senior housing. We are also concerned about the implications of turning Section 202 into a block grant program, particularly in this constrained budget environment. Connecting funding to competitively identified projects provides a concrete example of the impact of this resource, which helps members of Congress justify the assistance going forward. However, we do encourage HUD to delegate the administration of approved applications through the development process to applicable state financing or tax credit entities where there is capacity and interest in doing so.Section 202 development can only expand if it can leverage other sources of capital. We recognize the critical and unique role that long-term operating assistance plays in meeting the needs of low-income seniors, and we welcome the

opportunity to think in new ways about the appropriate mix of operating and capital funding for the program. We appreciate your efforts to stretch the Section 202 funds further by requiring that the 202 funds leverage other funds including other state and local housing programs, HOME funds, conventional financing, and low income housing tax credits. We believe that the proposal provides an opportunity to attract outside capital and could encourage the development of larger, mixed income projects where the Section 202 assisted units represent a portion of the project.

While LIHTC is the best single resource to supplement 202 funds in creating this housing, under current conditions it is still an imperfect tool that does not serve every market equally, and may not always be a reliable component of low-income senior housing. Competition for 9% tax credits is fierce in every state and 4% credits will be insufficient to build a new project, especially if the 202 funding is provided only as operating assistance. State qualified allocation plans (QAPs) vary widely, which means LIHTC is not equally effective as a productionvehicle in every state. Further, in 2011, the Corporation for Supportive Housing analyzed each QAP and found that many states do not have a preference for senior housing. A small number set aside a portion of annual tax credits for supportive housing; others award points in the scoring process for projects serving elderly or projects that combine appropriate supportive services for the targeted population. However, in almost every state, seniors or frail elders are only one of a number of supportive housing target populations and do not stand alone in the competitions. Whatever the other sources of funding, it should be kept in mind that 202 awards will often be the first, catalytic investment that brings other funding to the project, and the award criteria and program requirements recognize that other sources of financing may not be fully committed prior to the Section 202 award.

Long-Term Operating Assistance

Providing operating assistance only is a way to stretch limited federal dollars to provide additional assisted units. However, the operating assistance has to be able to service debt incurred for development and not cause rents on the remaining units to be raised to unsustainable levels to cover the costs of the Section 202 units. While we support the concept to stretch available resources to support the maximum number of new units, we also recognize that appropriators will be likely to support only a limited number of 202 units in each of the next few years, whatever the mix of capital and operating funding.

Converting 202 rental assistance to a market based rent that covers both operating costs and debt service enhances the ability of the Section 202 funds to leverage other funding and to cover the costs associated with the development. Under this proposal even more of the financing will be debt because there will be less capital covered by the Section 202 funding. If a 20 year contract is required and funding will be provided on a yearly basis like Section 8 properties, it probably does not matter whether the assistance is provided for the initial three years or not.

Further, we support the notion of establishing a new balance between capital and operating assistance awards, but note that some worthy projects may require higher levels of capital funding than others. For example, a rural or underserved area may have limited access to capital and market-based rents that are insufficient to support extensive debt. This is reflective of the varied need for capital, which is not indicative of the experience or riskiness of a sponsor or project. Still other projects may not need any capital, just operating assistance.

Targeting
We support a broad approach to providing senior housing and an approach that recognizes the importance of providing supportive services across a spectrum from well, independent elders to frail elders with higher levels of service needs. The strength of the Section 202 program and its broad appeal is that the population of Section 202 properties typically involves a range of levels of frailty and vulnerability to frailty. An important goal of this program should be to support all residents' ability to age safely in the community by making available a range of services to meet their evolving needs and to prevent the premature need for higher levels of care. According to the CDC, 80% of today's seniors have at least one chronic condition, and 50% have two such conditions; but they are not necessarily frail or nursing home eligible as required by Medicaid waivers for eligibility. These seniors simply need stable, independent, affordable housing with services, not licensed health related services.

We believe that senior housing and Section 202 assisted seniors should accommodate diversity in their senior population and provide access to the broadest array of services so that all the seniors can age in place, including those who will not have 202 assistance. We recommend that HUD not necessarily prioritize projects that set-aside units for frail or at risk elderly, as this may have the unintended consequence of raising licensure issues for independent housing providers. Several states already require some form of licensure or certification as assisted living for 202 properties that have a meal program, a transportation program, arrange for health screenings, service coordinators and other such services. An increased emphasis on targeting frail elders may result in states' redefining independent senior housing as assisted living, which will require a license and add burdensome costs and regulations, even if the housing provider does not provide the supportive services directly..

We note that supportive services are much more than medical model, health-related services and they can forestall the need for more intensive health related services. Those services are typically paid for by programs funded under the Older Americans Act or by CDBG or state and local programs, including adult day programs, and often include services such as housekeeping, chore services, congregate meals, and transportation. Serving a range of elderly people and needs is the most efficient use of funds in the long term. Those services as well as the specific health related or Medicaid waiver services should result in future savings in both Medicaid and Medicare by preventing nursing home or other higher levels of care placement and repeat hospitalizations and emergency room usage. The services that are provided will dictate the agencies with which there should be partnerships and collaboration.

We believe that state or local housing agencies should process the development applications for HUD under the delegated processing authority provided in HERA. In order to ensure that senior housing is the platform for the delivery of supportive services, we suggest that the state housing agencies collaborate and partner with state aging services providers, including state Medicaid agencies and units on aging, to review the project applications. There should be strong and committed partnerships in order to review the services plans proposed by not for profit sponsors.

For sponsors of 202 assisted housing, however, we would suggest that obtaining MOUs at the application stage is unrealistic. Health related supportive services such as those provided by Medicaid waivers or PACE programs are only available to eligible residents (who likely will not be identified at the time of the application) and if slots are available. Reasonable examples of up-front support include letters of interest and support or soft commitments that affirm that if the project is funded and if slots are available, the service provider will provide services to eligible residents. The population of Section 202 properties typically involves a range of levels of frailty and vulnerability to frailty and the “best” services plan will reflect a range of services to be available at the resident’s choice.

We also believe that service coordinators are critical to the implementation of Section 202 housing as the platform for the delivery of supportive services for all elders, not just frail elders. The service coordinator in senior housing is the primary advocate for the elderly residents and typically the staff person who is responsible for knowing the needs of each senior and for linking a resident with the appropriate services either on site or in the community. Whatever production model is adopted, we strongly believe that there should always be adequate resources dedicated to service coordination for eligible 202 residents.

In conclusion, we want to reiterate our appreciation for HUD’s efforts to develop new affordable Section 202 housing at a lower initial cost and as the platform for the delivery of health and other long term services and supports. We understand that this budget environment demands new approaches and efforts to identify cost savings down the road, even if it is not savings to the HUD budget. We will continue to make the argument that investing in Section 202 housing with supportive services is a smarter and less expensive public investment than the costs of institutional care in nursing homes or hospitals that are the inevitable alternative. Our organizations represent a myriad of stakeholders—including advocates, developers, service providers, property owners and operators—and we are eager to be a resource and sounding board for these discussions. We look forward to continuing our dialogue about how new Section 202 development dollars should be allocated and awarded.

Thank you again for your continued commitment to this program, and please do not hesitate to contact Nancy Libson (nlibson@leadingage.org; 202.508.5447) with any questions.

Sincerely,

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