

AAHSA: Description of HUD Section 202 Proposal

HUD has released a legislative proposal to rewrite the Section 202 program going forward. On the one hand, it is a response to the budget dilemmas facing federal agencies and federal programs and on the other a response to growing demand for affordable senior housing that will enable seniors to age in place. In doing so, the old Section 202 program which provided capital advances as the first money into a project and project rental assistance for operations is turned on its head. The new Section 202 program as proposed will provide capital gap financing and market based project rental assistance to cover operating costs and debt service. It will be the last money into a project instead of the first money into a project as sponsors will have to have their projects well defined and obligated before the HUD funding is secured.

Forms of Assistance:

1. Gap financing as a deferred interest, below market interest rate loan, subordinated as necessary
2. Project based rental assistance to cover debt service and operating assistance. Proposes the separation of the capital grant and rental assistance accounts. Proposes that the assistance conform to HUD's PETRA proposal.
3. Planning grants equal to up to 5% of amounts appropriated. No guarantee that gap financing and rental assistance in the next round of funding will follow.

Applications:

1. Description of the housing and the type of assistance requested
2. Description of the financing for the proposed project
3. Description of the categories of seniors to be served and the supportive services and funding for those services that will be provided on a consistent long term basis
4. Evidence of compliance of the proposed project with an approved housing strategy such as a consolidated plan or a regional sustainability plan, and
5. Any other information or certifications required by the Secretary

Selection Criteria:

1. The extent to which the applicant can ensure the provision of supportive services in an economical fashion and on a consistent, long term basis
2. The amount of gap financing requested relative to the project size (The less funds requested for gap financing, the more points a project will receive. The less capital gap financing requested on a per unit basis, the more points a project will receive in funding.)
3. The extent to which applications propose to serve a percentage of frail or near frail seniors and a signed commitment to provide licensed services such as PACE or Medicaid waiver services
4. The extent to which applications are from states that have not been awarded funding in the last two or more previous years.
5. Whether applicants request rental assistance only
6. The extent to which permanent long term private financing is accessed to support the project
7. The need for supportive housing in the market area, taking into consideration other housing affordable to very low income seniors and the vacancy rates
8. The capacity of the applicant to develop and operate the proposed supportive housing
9. The extent to which the sponsor has dedicated funding for services on a long term basis

Incorporates Delegated Processing

Supportive Services:

Requires the Secretary to ensure that residents will have access a range of community based, supportive services and that the owners of the properties have the managerial capacity to coordinate the appropriate services for the seniors with various needs.

Service coordinators can only be paid for out of project dollars if the projects serves frail or near frail elders.

Development Cost Limits:

Applies HOME cost limits with waiver adjustments for special design features for frail and near frail elderly and for locating close to public transportation or locations that provide PACE or Medicaid waiver services, or the equivalent so that seniors can age in place.

Funds allocation:

Funds will be geographically allocated (perhaps by HUD region) related to housing needs of seniors, instead of fair share and in rural areas assistance will be allocated nationally.

Eligible Applicants:

1. Non profits
2. PHAs or their instrumentalities
3. Local governments or their instrumentalities

Research:

Proposes a yearly allocation of \$1.5 million to evaluate the impact of the 202 program on seniors and their premature or unnecessary institutionalization or repeat hospitalizations.