

Supportive Housing for the Elderly (Section 202)



Housing Assistance Council

September 2003

HUD's Supportive Housing for the Elderly program was authorized by Section 202 of the Housing Act of 1959, as amended by Section 801 of the National Affordable Housing Act of 1990 (NAHA). The program is often referred to as Section 202. Prior to the 1990 legislation, Section 202 funding was available to developers of housing for both elderly and disabled low-income households. Low-income disabled households are now served through the Supportive Housing for Persons with Disabilities (Section 811) program.

PROGRAM BASICS

Purpose

The Section 202 program provides capital advances (no-interest loans that are forgiven as long as affordability requirements are met for 40 years) and Project Rental Assistance Contracts (PRACs) for the construction or substantial rehabilitation and operation of residential projects and related facilities for the elderly. Housing financed under this program may include appropriate support services for elderly persons who are frail or at risk of being institutionalized.

Eligibility

Applicants: Private nonprofit corporations and consumer cooperatives may participate in this program. Public bodies and their instrumentalities are not eligible Section 202 applicants. Only approved project sponsors may obtain a Section 202 capital advance fund reservation. A project owner must be a private nonprofit corporation or consumer cooperative formed by the project sponsor for the purpose of providing eligible rental housing. Religious bodies may not be Section 202 owners, but may be sponsors.

Tenants: Occupancy is restricted to very low-income households that include at least one person who is 62 years or older.

Terms

Section 202 projects must be available for very low-income elderly persons for 40 years. The project owner must deposit one-half of 1 percent of the HUD-approved capital advance (up to a maximum of \$25,000 for a national sponsor and \$10,000 for a non-national sponsor) in a special escrow account to assure the owner's commitment to the housing. Half of this minimum capital investment (MCI) is paid back to the project owner at the start of construction, as long as construction starts within 18 months of fund reservation. If final closing occurs within six months after construction completion, HUD will approve the return of all remaining MCI funds not used to cover operating deficits during the first three years of operation. (Otherwise, the remaining balance is deposited in the project's replacement reserve account.)

Tenants pay approximately 30 percent of monthly adjusted income for rent and utilities, with the remainder of the established rent paid by PRAC funds. Rental assistance contracts are established according to HUD-approved operating budgets, last for five years, and are renewable. The payment amount is based on 75 percent of the project's estimated operating costs, the remaining 25 percent to be paid by tenant rents.

Comments

Between 20 and 25 percent of Section 202 funding nationwide must be set aside for use in nonmetropolitan areas.

Potential applicants for Section 202 grants also should investigate HUD's Congregate Housing Services program, which HUD administers as a demonstration program for frail elderly and non-elderly handicapped persons.

HUD also provides for the development of three types of specialized housing for persons with disabilities – group homes, independent living facilities, and cooperative/condominium projects – through its Section 811 program. (See HAC's information sheet on Section 811.)

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ADDITIONAL INFORMATION

For further information, contact the nearest HUD field office (see www.hud.gov/local) or HUD's national Multifamily Housing Clearinghouse at 800-685-8470 (TTY: 800-483-2209), or visit www.hud.gov/progdsc/multindx.cfm.

This Information Sheet was prepared by HAC. The work that provided the basis for that publication was supported by funding under Cooperative Agreement H-21292 CA with the U.S. Department of Housing and Urban Development. Ndeye Jackson served as Government Technical Representative. The substance and funding of that work are dedicated to the public. HAC is solely responsible for the accuracy of the statements and interpretations contained in this publication and such interpretations do not necessarily reflect the views of the United States Government.

HAC, founded in 1971, is a nonprofit corporation that supports the development of rural low-income housing nationwide. HAC provides technical housing services, loans from a revolving fund, housing program and policy assistance, research and demonstration projects, and training and information services. HAC is an equal opportunity lender.

