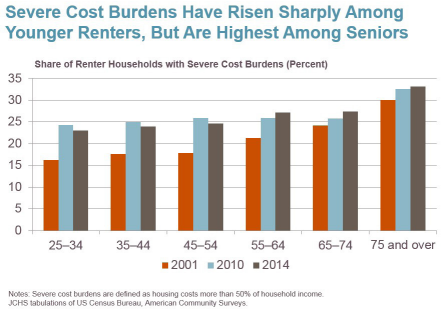
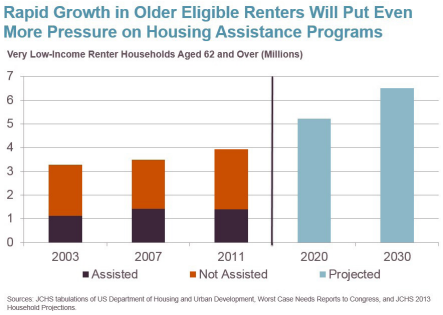
Affordable Senior Housing

ISSUE BRIEF





The above charts, from the Joint Center for Housing Studies of Harvard University, show the high levels of severe housing cost burdens on seniors today, and how our nation's housing assistance programs fail to provide most very low- income seniors with a housing safety net.

FY2017 HUD Appropriations Priorities for Affordable Senior Housing

Preservation of existing housing affordable to very low income seniors by fully funding 12-month contracts for:

- **Project Rental Assistance Contract Renewals**
  - Fully fund the renewal of all Section 202 Project Rental Assistance Contracts (PRACs), at $427 million, to ensure that all 121,175 affordable homes in these communities are preserved.
  - The Section 202 account needs **$72 million above FY16** funding to fully fund these contracts.
- **Project-Based Rental Assistance/Section 8 Contract Renewals**
  - Fully fund Project-Based Rental Assistance (PRBA) Contracts, at $10.9 billion, to ensure the stability of these contracts, which include rental assistance for an additional 3,800 communities (204,503 units) in the Section 202 Housing for the Elderly portfolio.
  - The PBRA account needs $200 million above FY16 funding to fully fund these contracts.

Access to Rental Assistance Demonstration for Project Rental Assistance Contracts

- Several HUD rental housing programs are allowed to convert their subsidy streams to the Section 8 subsidy platform under the Rental Assistance Demonstration (RAD). We support allowing Section 202 communities with Project Rental Assistance Contracts (PRACs) (there are 2,900 such communities) to access the RAD program. Under RAD, these properties could take on debt and use financing mechanisms to renovate and maintain communities in ways that are currently prohibited for PRACs. LeadingAge also supports $4 million to assist certain PRAC properties convert under RAD. These non-controversial "RAD for PRAC" provisions were included in the Senate's FY17 HUD bill.

Renewal and Expansion of Service Coordinators

- Funding this program at $91 million will keep today's service coordinators in place and expand the service coordinator program to additional properties. Only 50% of Section 202 properties today have a service coordinator, the presence of which in a community has been shown to reduce the odds of having a hospital admission among residents by 18%. The House and Senate FY17 bills only maintain existing service coordinator funding ($75 million) and do not provide sufficient funding to expand this program to additional communities.

LeadingAge®

Sufficient Funding for Tenant-Based Rental Assistance and Public Housing

- Funding is necessary to renew all 2.2 million Tenant-Based Rental Assistance vouchers; fully 22% of voucher-assisted households are headed by someone 62 or older. Sufficient funding and preservation tools are also required for the nation's 1.1 million units of public housing; fully 33% of public housing-assisted households are headed by someone 62 years or older. Together with Project-Based Rental Assistance, these three programs serve millions of senior-headed households.

FY2018 HUD Appropriations Priorities for Affordable Senior Housing

No More Cuts to Program Funding

No More Non-Defense Discretionary Cuts: The 2011 Budget Control Act established caps that limit overall appropriations for most defense and non-defense discretionary (NDD) programs. The sequester caps set to be implemented for FY18 will make further cuts to spending for all NDD programs, including HUD's housing programs.

Pressure to increase spending for defense, provide tax relief, pay for an infrastructure bill, and/or pay for a new wall along the Mexican border could mean even deeper cuts to NDD programs. Congress should provide relief from these caps, as it has done in FY14, FY15, FY16, and FY17. Also, Congress must continue to treat NDD and defense programs with parity. Funding for NDD programs represents only 16% of overall federal spending; these programs cannot continue to be cut.

- Allowing sequestration spending caps to go into effect and/or cutting NDD programs even deeper than the sequester caps, through across the board cut or cuts targeted at different agencies, would hurt seniors.
- If the sequester caps are deepened for FY18 for NDD programs, it will be extremely difficult to preserve existing affordable housing, not to mention accessing new funds for needed housing construction.

FY18 HUD Funding

Preserve Existing Affordable Senior Housing

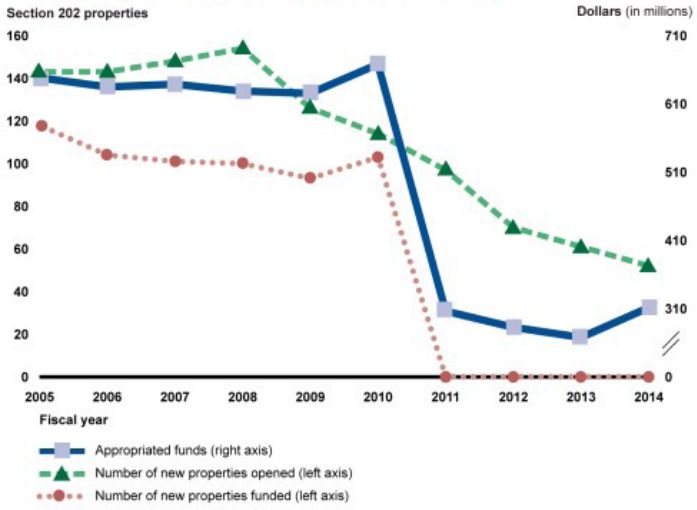
To preserve communities with PRACs:

- Make PRACs eligible under an expanded Rental Assistance Demonstration program, which would allow PRAC properties to leverage new financing for preservation.
- Improved PRAC budgeting processes to provide adequate funding of reserve for replacement account, and access to residual receipts account to offset repair needs.
- Funding for Section 202 Emergency Capital Repairs to address critical repair needs ($5 million).
- Funding for the existing Service Coordinator program, as well as pursuance of Centers for Medicare and Medicaid Services (CMS) funding for services where seniors live.

To maintain stable, affordable housing for seniors currently served by HUD programs, adequately fund the renewal of Section 202 PRACs, Project- and Tenant-Based Rental Assistance, and Public Housing.

Fund new construction: The following chart from GAO Report GAO-16-758 shows the decline of funding for new construction via HUD's Section 202 Housing for the Elderly program. Congress has not provided new senior housing construction funds since the $100 million provided in FY11, which was combined with FY10 resources when distributed by HUD.

Figure 4: Number of Section 202 Properties Funded and Opened Compared to Section 202 Appropriations, Fiscal Years 2005 through 2014



Source: GAO analysis of Department of Housing and Urban Development data. | GAO-16-758

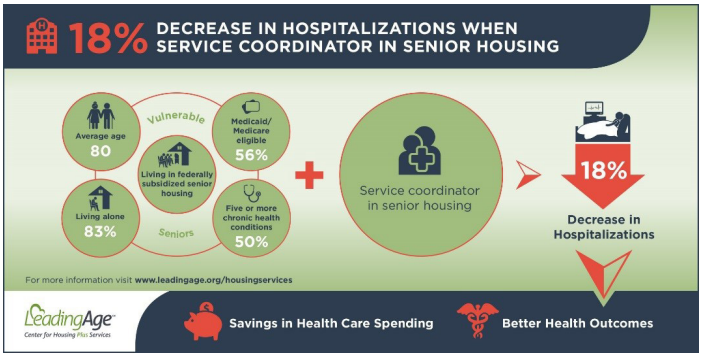
Increase the supply of service-enriched affordable senior housing by:

- Funding for a new HUD-administered program, the Service-Enriched Affordable Living (SEAL) program, will provide a leveraging source of construction funds to nonprofit sponsors for the development of housing affordable to very low-income seniors. In addition to providing a share of capital funding, SEAL funds would include, from HUD, project-based rental assistance and, from the Department of Health and Human Services, enriched services financing. Amount requested from HUD for construction financing in FY18: $600 million.
- Requiring states to evaluate their supply of affordable senior housing, analyzing effectiveness of existing preferences in their Low-Income Housing Tax Credit (LIHTC) program for affordable senior housing, and making changes to these preferences as appropriate to stimulate production.
- Financing from CMS of proven housing plus services models in new, federally-assisted senior housing.

Permanently Fund Services

The evidence is undeniable that housing plus services models lead to smarter spending, increased access to care, and better outcomes. To produce and operate federally-assisted affordable senior housing without service-enriched components would be counter to the growing understanding of the relationship between such services and the benefits to seniors and the public purse.

The following graphics show some of the cost savings to the federal government by investing in enhanced service coordination within the affordable housing platform:



CMS and its federal partners should be responsible for the predictable, reliable financing of enriched services to seniors in their homes. CMS must lead the effort to finance service-enriched supports, building upon the affordable housing platform, such as:

- Determining the feasibility of authorizing Medicare contributions to multi-payer pools to fund services.
- Evaluating whether the Medicare Advantage concept can be adapted to cover low-income seniors in congregate housing and low-income neighborhoods.
- Inclusion of proven Housing Based Service Models as a review criteria for CMS demonstrations, Medicaid waivers, and other grants and pilots.

Further, within the LIHTC program, there should be a basis boost for service-enriched.

Expand Project-Based and Tenant-Based Subsidies

Project-Based Rental Assistance:

- Traditional Project-Based Rental Assistance must be provided jointly with SEAL funds. This will ensure affordability for seniors and the long-term preservation of the homes as affordable for generations to come.

Tenant-Based Rental Assistance:

- Similar to special purpose vouchers for other particularly vulnerable populations, such as the highly successful Veterans Affairs Supportive Housing voucher program (VASH), there should be special purpose vouchers for senior households. Vouchers are a key tool to fight the graying of America's homeless population, and recently enacted improvements to the project-basing of vouchers can make senior vouchers a key tool to make otherwise unaffordable homes affordable.

Low-Income Housing Tax Credits

The Low-Income Housing Tax Credit Program is a critical housing production program affordable to low and moderate income seniors.

Legislation is expected in 2017 to expand and improve the LIHTC program.

LeadingAge supports:

- Increasing the annual amount of 9% credits available to states by 50%;
- Providing up to a 50% basis boost for properties targeting extremely-low income or homeless families and individuals, allowing these projects to achieve greater financial feasibility and eliminate the need for debt financing; and,
- Allowing "income averaging" at LIHTC properties. This proposal would require at least 40% of the units in the LIHTC property to be occupied by tenants with annual incomes that average no more than 60% of the area median income (AMI), but are never individually more than 80% AMI or be treated as less than 20% AMI.

There should be a basis boost for service-enriched housing.

Contacts:
Niles Godes
(202) 508-9437
ngodes@LeadingAge.org

Linda Couch
(202) 508-9416
lcouch@LeadingAge.org