United States General Accounting Office

GAO

Report to the Chairman, Subcommittee on Housing Opportunity and Community Development, Committee on Banking, Housing, and Urban Affairs, U. S. Senate

November 1997

# HOUSING FOR THE ELDERLY

## Information on HUD's Section 202 and HOME Investment Partnerships Programs

GAO/RCED-98-11

GAO

**United States**
**General Accounting Office**
**Washington, D.C. 20548**

**Resources, Community, and**
**Economic Development Division**

B-277091

November 14, 1997

The Honorable Connie Mack
Chairman, Subcommittee on Housing
Opportunity and Community Development
Committee on Banking, Housing, and
Urban Affairs
United States Senate

Dear Mr. Chairman:

The Department of Housing and Urban Development (HUD) reported in 1996 that at least 1.4 million elderly individuals nationwide needed but did not currently receive housing assistance. These individuals need housing assistance because most have extremely low incomes, are paying more than half of their incomes for rent, or often live in homes that are physically inadequate. To alleviate these problems, the federal government provides housing assistance through a variety of programs that benefit low-income people, including the elderly. Two HUD programs—Section 202 Supportive Housing for the Elderly and HOME Investment Partnerships (HOME)—are receiving federal funds each year to fully or partially support the production of new multifamily rental housing for the elderly. However, only the Section 202 program provides housing assistance exclusively for the elderly.

As agreed with your office, this report describes similarities and differences between the Section 202 program and the HOME program in three areas: (1) the amount and types of new multifamily rental housing that each program has provided for the elderly; (2) the sources of each program's funding for multifamily rental projects; and (3) the availability of supportive services for elderly residents. In general, we have described the programs at the national level and have illustrated some points with examples drawn from our visits to selected projects in four states with relatively high concentrations of low-income elderly residents and numbers of Section 202 and HOME-funded projects—California, Florida, North Carolina, and Ohio. (See app. I for pictures and descriptions of the Section 202 and HOME projects that we visited.)

## Results in Brief

During fiscal years 1992 through 1996, the Section 202 program substantially exceeded the HOME program in providing multifamily rental housing that was set aside almost exclusively for elderly households. Over

1,400 Section 202 projects opened during this time, providing homes for nearly 48,000 elderly residents. At the same time, the HOME program provided housing assistance to 21,457 elderly households, including 675 elderly residents in 30 multifamily rental projects comparable to those developed under the Section 202 program.[1] The Section 202 program produced new multifamily rental housing for low-income elderly households through new construction, the rehabilitation of existing buildings, and the acquisition of existing properties that the Federal Deposit Insurance Corporation obtained through foreclosure. The HOME program provided housing assistance to address the most pressing housing needs that local communities and states identified among low-income people of all ages. For the elderly, HOME assistance helped rehabilitate the homes they already owned and in which they still lived. It also provided tenant-based rental assistance; helped new homebuyers make down payments and pay closing costs associated with purchasing a home; and made funds available to acquire, construct, or rehabilitate single-family and multifamily rental housing.

In the Section 202 program, the capital advance, which HUD provides to a project's sponsor, is the only significant source of funds for developing the project. In general, a HOME project typically attracts significant levels of additional public and private funding, such as a grant from a state or local housing program, a conventional bank mortgage, and proceeds from the syndication of low-income housing tax credits. HOME multifamily housing that is similar to Section 202 projects is usually financed with a combination of HOME funds and other federal and nonfederal funds.

HUD does not pay for supportive services, such as transportation or subsidized meals programs, through the HOME program but does do so under limited circumstances through the Section 202 program. The extent to which the Section 202 and HOME projects that we visited provided these services on-site for their residents usually depended on each project's ability to generate the operating income needed to pay for the services. These projects often depended on and referred their residents to community-based supportive services to supplement those they could provide. None of the HOME projects that we visited had a staff person solely responsible for identifying the services that some or all of the residents needed and for coordinating with service providers to give the residents

[1]In commenting on a draft of this report, HUD said that the HOME program—which began in fiscal year 1992—could not have produced as much multifamily rental housing as the Section 202 program because constructing multifamily rental projects requires lead time for their planning, selection, and construction. We agree and note that the number of such HOME-funded projects would have been somewhat higher during this time period if the program had begun several years earlier.

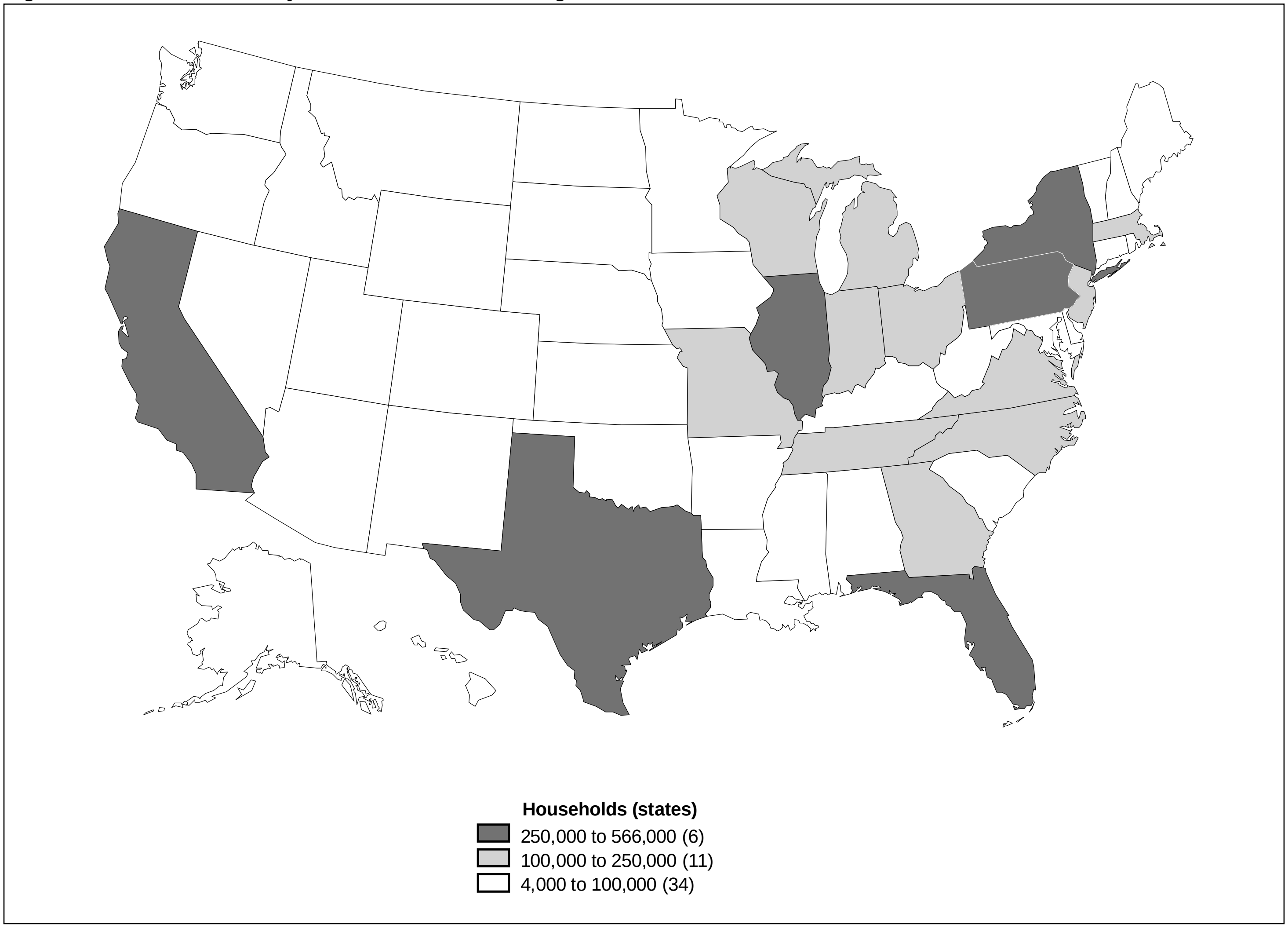
access to the services, but five of the eight Section 202 projects we visited employed such a staff person or expected their on-site resident manager to coordinate services. In addition, all of the Section 202 projects and six of the eight HOME projects that we visited had common areas or activity rooms that service providers or residents could use for community-based services, group social or educational activities, and dining. The two HOME projects that did not have such common areas housed families and individuals as well as the elderly.

## Background

In general, federal housing assistance is available only to people or households that have low incomes.[2] Consequently, income, not age, is the single biggest factor in deciding on an elderly person's need and eligibility for federal housing assistance. HUD also identifies problems that, regardless of age, exacerbate a person's need for assisted housing. These problems include housing that costs more than 30 percent of a person's income or is inadequate or substandard. Figure 1 shows the magnitude of the housing needs among low-income elderly households in each state.

[2]HUD updates decennial Census data each year to estimate the median family income for metropolitan and nonmetropolitan areas and adjusts these estimates for higher-than-average housing costs. HUD defines eligibility for housing assistance in terms of the percentage of an area's median family income that potential residents earn. "Low-income" means that a household's income is no more than 80 percent, and "very-low income" means that a household's income is no more than 50 percent, of the area's median family income.

**Figure 1: Low-Income Elderly Households With Housing Problems**




Note: An elderly household has one or two members and either the head of the household or the spouse must be at least 62 years of age. A household with housing problems pays more than 30 percent of its income for rent or resides in a unit that (1) lacks a complete kitchen or complete plumbing or (2) has more than one person per room (overcrowded).

Source: GAO's analysis of HUD's special tabulations of 1990 Census data.

According to HUD, the need for housing assistance, for the elderly as for the general population, far outstrips the federal resources available to address that need. As a result, federal housing assistance, which is provided through a variety of programs, reaches just over one-third of the elderly households that need assistance.[3] Furthermore, most of the programs are maintaining, rather than increasing, the level of assistance they provide. Only two of these programs—Section 202 and HOME—are under HUD's jurisdiction and are receiving annual appropriations for the sole purpose of increasing housing assistance for elderly and other households.[4]

Under the Section 202 program, HUD provides funding to private nonprofit organizations to expand the supply of housing for the elderly by constructing or rehabilitating buildings or by acquiring existing structures from the Federal Deposit Insurance Corporation. Since it was first created in 1959, the Section 202 program has provided over $10 billion to the sponsors of 4,854 projects containing 266,270 housing units.[5] At the same time that HUD awards Section 202 funds, it enters into contracts with these nonprofit organizations to provide them with project-based rental assistance. This assistance subsidizes the rents that elderly residents with very low incomes will pay when they move into the building. In addition to having a very low income, each household in a Section 202 project must have at least one resident who is at least 62 years old. Finally, sponsoring organizations must identify how they will ensure that their residents have access to appropriate supportive services, such as subsidized meals programs or transportation to health care facilities.[6] When HUD evaluates sponsors' applications, it awards more points to, and is thus more likely to fund, applicants who have experience providing such services or have shown that they will readily be able to do so.

[3]Programs under HUD's jurisdiction include the HOME and Community Development Block Grant programs, public housing, the Section 8 certificate and voucher programs, and private project-based assistance programs. The Department of Agriculture's Rural Housing Service also provides new multifamily assisted housing in rural areas.

[4]The Low-Income Housing Tax Credit Program also helps produce new housing each year by providing federal tax credits to investors in privately developed projects to offset the federal taxes they would otherwise owe. However, this is not a HUD program and does not require an annual appropriation. Moreover, data on the number of elderly households in properties receiving tax credits are generally not available. The Internal Revenue Service and tax credit allocation agencies in each state administer the program. The money private investors pay for tax credits is paid into housing projects for the elderly and other low-income households as equity financing. For more information on the tax credit program, see Tax Credits: Opportunities to Improve Oversight of the Low-Income Housing Program (GAO/GGD/RCED-97-55, Mar. 28, 1997).

[5]Prior to fiscal year 1991, HUD provided Section 202 funding via direct loans to projects' sponsors. The sponsors, in turn, repay these loans using the operating revenue they derive from HUD's Section 8 project-based rental assistance. Since fiscal year 1991, HUD has provided Section 202 funding via capital advances that sponsors do not have to repay as long as they continue to meet HUD's requirements for keeping rents affordable.

[6]HUD pays up to $15 per unit per month to fund the costs of services for the frail elderly and for those determined to be at risk of being institutionalized in projects funded after fiscal year 1990. Otherwise, sponsors must arrange for the provision and financing of these services on their own.

The purpose of the HOME program is to address the affordable housing needs of individual communities. As a result, the day-to-day responsibility for implementing the program rests not with HUD, but with over 570 participating jurisdictions. These participating jurisdictions can be states, metropolitan cities, urban counties, or consortia made up of contiguous units of general local government. HUD requires these jurisdictions to develop consolidated plans in which they identify their communities' most pressing housing needs and describe how they plan to address these needs.[7] Each year, HUD allocates HOME program funds to these jurisdictions and expects them to use the funds according to the needs they have identified in their consolidated plans.[8] The legislation that created the HOME program allows—but does not require—those receiving its funds to construct multifamily rental housing for the elderly.[9]

Although the legislation authorizing the HOME program directs that its funds address the housing needs of low-income people, it allows local communities to choose from a variety of ways of doing so. These include the acquisition, construction, and rehabilitation of rental housing; the rehabilitation of owner-occupied homes; the provision of homeownership assistance; and the provision of rental assistance to lower-income tenants who rent their homes from private landlords. Finally, the legislation requires that communities target the rental assistance they choose to provide. Specifically, jurisdictions must ensure that for each multifamily rental project with at least five HOME-assisted units, at least 20 percent of the residents in the HOME-assisted units have incomes at or below 50 percent of the area's median income; the remaining residents may have incomes up to 80 per cent of the area's median.[10]

[7]The consolidated plans, which participating jurisdictions must submit every 3 to 5 years and update annually with an action plan, must explain the jurisdictions' plans to use the funds they receive through HUD's HOME, Community Development Block Grant, Emergency Shelter Grant, and Housing Opportunities for Persons With AIDS programs.

[8]The states receive 40 percent of the HOME funds and the remaining jurisdictions receive 60 percent (after limited set-asides for insular areas and other purposes). HUD's allocation to each jurisdiction is based on a formula that includes factors such as the number of families at or below the poverty level and local housing production costs.

[9]The 1990 Cranston-Gonzalez National Affordable Housing Act, P.L. 101-625, created the HOME program.

[10]HUD applies a second targeting requirement to the portion of the annual allocation of HOME funds that each community devotes to rental units or tenant-based rental assistance. All of that money must benefit individuals or families with incomes at or below 80 percent of the area's median income (low-income) and 90 percent of that money must benefit those with incomes at or below 60 percent of the area's median income.

## Housing Assistance for the Elderly Reflects the Programs' Intent

The Section 202 program, far more often than the HOME program, is the source of funds for increasing the supply of multifamily rental housing for low-income elderly people. In comparison, through fiscal year 1996, participating jurisdictions have seldom chosen to use HOME funds to produce multifamily housing almost exclusively for the low-income elderly. This result is linked to differences in the purposes for which each program was created and the persons each was intended to serve. The Congress designed the Section 202 program to serve only low-income elderly households. In creating the HOME program, however, the Congress sought to give states and local communities the means and the flexibility to identify their most pressing low-income housing needs and to decide which needs to address through the HOME program. As is consistent with each program's intent, the Section 202 program focuses its benefits on the elderly, while the HOME program benefits those whom local communities choose to serve—regardless of age—through various kinds of housing assistance.

From fiscal year 1992 through fiscal year 1996, over 1,400 Section 202 and HOME program multifamily rental housing projects for the elderly opened nationwide. These projects included

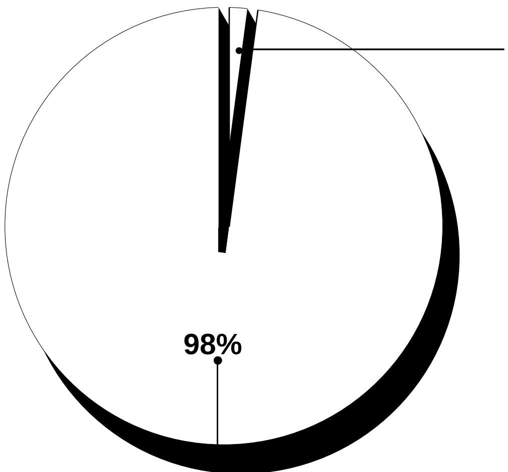
- 1,400 Section 202 projects with 51,838 rental units, providing homes for at least 47,823 elderly individuals,[11] and
- 30 comparable HOME projects with 681 rental units, providing homes for at least 675 elderly individuals.[12]

On average, the Section 202 projects had 37 units, while the HOME projects had 23 units. Figure 2 illustrates the proportion of the total number of projects attributable to each program.

[11]Prior to fiscal year 1991, projects that received Section 202 funding had to make at least 10 percent of their units accessible to persons with a handicap and generally available for occupancy by persons at least 18 years old with a handicap. Since that time, Section 202 projects must limit occupancy to elderly households. Consequently, we derived a conservative estimate of the number of elderly households in Section 202 projects by assuming that 90 percent of the units funded before fiscal year 1991 and 100 percent of the units funded afterwards were occupied by elderly households. We also assumed that each household included at least one elderly person.

[12]Many of the Section 202 projects that opened from fiscal year 1992 through fiscal year 1996 received their funds before fiscal year 1992 and are thus subject to the requirement to make 10 percent of their units accessible to and available for occupancy by nonelderly residents with a handicap. Therefore, we defined comparable projects in the HOME program to include only the multifamily rental projects in which at least 90 percent of the residents were elderly.

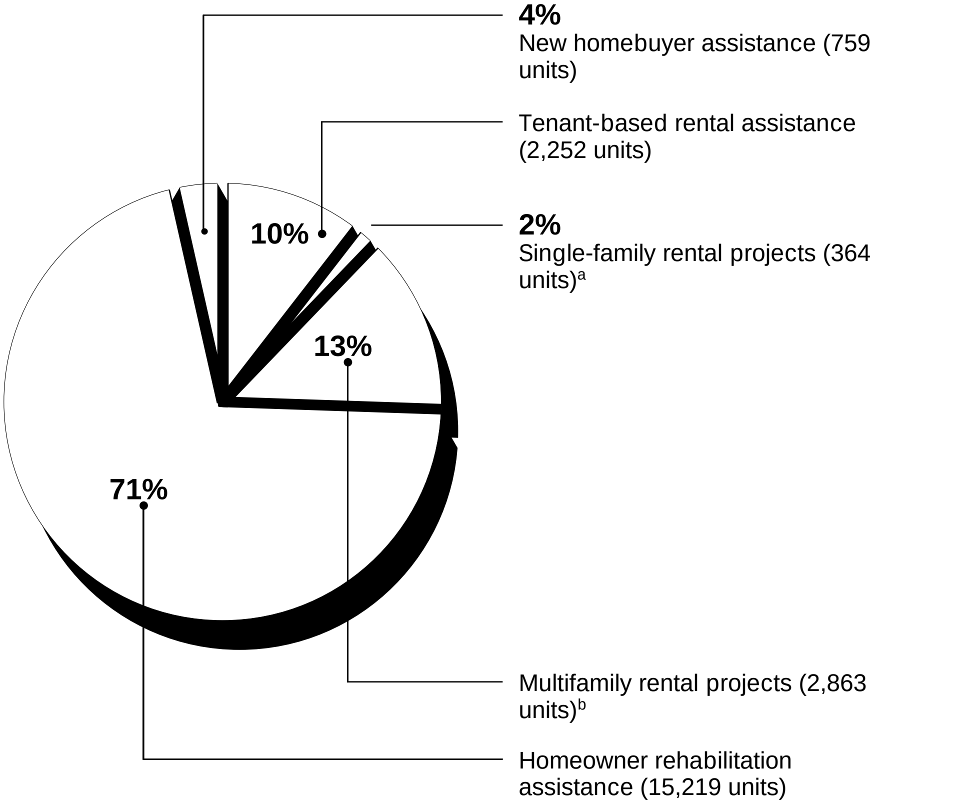
Figure 2: Incremental Multifamily Rental Projects in Which at Least 90 Percent of the Household Heads Are Elderly, Fiscal Years 1992-96




Source: GAO's analysis of HUD's program data.

Although only a small portion of the HOME projects were comparable to Section 202 projects, participating jurisdictions used HOME funds to assist low-income elderly people in other ways. Most of the elderly households that obtained assistance from the HOME program—over 70 percent—used that assistance to rehabilitate the homes they already owned and in which they still lived. The remaining HOME assistance benefiting the elderly did so by providing tenant-based rental assistance; helping new homebuyers make down payments and pay the closing costs associated with purchasing homes; and acquiring, constructing, or rehabilitating single-family and multifamily rental housing. In total, the HOME program assisted 21,457 elderly households, approximately 40 percent as many as the Section 202 program assisted during the same 5-year period. Figure 3 illustrates how the HOME program assisted the elderly during fiscal years 1992 through 1996.

**Figure 3: HOME Program Assistance Provided to Households With an Elderly Household Head, Fiscal Years 1992-96**




[a]Single-family rental projects have between one and four units, at least one of which is occupied by an elderly household head.

[b]Multifamily rental projects have five or more units, at least one of which is occupied by an elderly household head.

Source: GAO's analysis of HUD's program data.

## Section 202 Projects Rely on HUD Funding, but Most HOME Projects Leverage Private Financing and Other Subsidies

In nearly all cases, Section 202 projects rely solely on HUD to pay the costs of construction and subsidize the rents of the low-income elderly tenants who occupy the buildings. In contrast, HOME-assisted multifamily rental housing projects rely on multiple sources of funding, including private financing, such as bank mortgages and equity from developers. At the HOME-funded projects we visited, the use of HOME funds reduced the amount that the projects' sponsors had to borrow for construction or made borrowing unnecessary. Reducing or eliminating the need to go into debt to build HOME projects enables the projects to be affordable to households with lower incomes than would be the case otherwise.

## Section 202 Funds Generally Cover Projects' Costs, but Some Need Supplemental Funding

For the Section 202 projects that became occupied during fiscal years 1992 though 1996, HUD provided over $2.9 billion in capital advances and direct loans. The average cost of these projects was about $2.1 million. HUD expects this assistance to be the only significant source of funds for the development of Section 202 projects. Furthermore, when HUD awards Section 202 funds, it also enters into contracts with the sponsoring organizations to provide project-based rental assistance to the tenants who will occupy the buildings once they open. As a result, HUD expects that successful sponsors will be able to develop and build multifamily housing projects that will be affordable to low-income elderly households.

The nonprofit sponsors of two of the eight Section 202 projects we visited said that the Section 202 funds were not sufficient to cover all of the costs associated with building their projects. HUD officials told us that this is usually the case when a sponsor (1) includes amenities in a project, such as balconies, for which HUD does not allow the use of Section 202 funds; (2) incurs costs not associated with the site on which the project is being built, such as costs to make the site more accessible to public transportation; or (3) incurs costs that exceed the amount HUD will allow, which can happen when a sponsor pays more for land than HUD subsequently determines the land is worth. Consequently, in some cases, sponsors of the projects we visited sought funding from other sources to make up for the shortfall. Those that found HUD's funding insufficient primarily cited the high cost of land in their area or factors unique to the site on which they planned to build as the reason for the higher costs. For example, one sponsor in California said that the Section 202 funding was not sufficient to cover the high cost of land and of designing a project that was compatible with local design preferences.

Several of the Section 202 projects we visited received additional financial support from their nonprofit sponsors or in-kind contributions from local governments (such as zoning waivers or infrastructure improvements). However, this added support was typically a very small portion of a project's total costs. For example, the Section 202 funding for the construction of a project in Cleveland was nearly $3 million. However, Cleveland used $150,000 of its Community Development Block Grant (CDBG) funds to help the sponsor defray costs incurred in acquiring the land on which the project was built. Another nonprofit sponsor in

California estimated that the development fee waivers and other concessions the city government made for its project were worth over $160,000. The total cost for this project was over $4 million.

However, attempts to use other funds have not always been successful. For example, one of the Section 202 projects we visited obtained HOME and CDBG funds from the local county government, but officials from the HUD regional office subsequently reduced the final amount of the project's capital advance to offset most of these funds. The project's nonprofit sponsor had sought additional funding because the costs of land exceeded the appraised value that HUD had determined (and would thus agree to pay) and because the sponsor incurred additional costs to extend utility service onto the property where the project was being built. According to the sponsor, HUD reduced the project's Section 202 capital advance because the sponsor was using other federal funds to meet expenses for which HUD had granted the Section 202 funding.

## HOME Multifamily Rental Projects Usually Have Multiple Funding Sources

The HOME program is not meant be a participating jurisdiction's sole source of funds for the development of affordable housing. By statute, the local or state government must contribute funds to match at least 25 percent of the HOME funds the jurisdiction uses to provide affordable housing each year. Additionally, one of the purposes of the HOME program is to encourage public-private partnerships by providing incentives for state and local governments to work with private and nonprofit developers to produce affordable housing. As a result, HOME projects typically attract significant levels of additional public and private funding from sources such as other federal programs, state or local housing initiatives, low-income housing tax credit proceeds, and donations or equity contributions from nonprofit groups.

While a participating jurisdiction could conceivably develop new multifamily rental housing using only its allocation of HOME funds, HUD officials questioned why any jurisdiction might choose to do so. Multifamily rental housing is costly to build, and one such project could easily consume a community's entire allocation of HOME funds in a given year if no other funding were used. Furthermore, using HOME funds to leverage other funds can not only significantly increase the total funding available for housing assistance but also allow communities to offer more types of housing assistance than if they devoted their entire HOME allocation to a single multifamily rental project.

Overall, with its current funding of $1.4 billion (for fiscal year 1997), the HOME program is a significant source of federal housing assistance. However, it has not been a major source of funds for new multifamily rental housing designed primarily or exclusively to serve the low-income elderly. From fiscal year 1992 through fiscal year 1996, such projects received a small percentage of the total HOME funds allocated to participating jurisdictions. During these 5 years, the jurisdictions built or provided financial support for 30 multifamily rental projects with 681 units, of which the elderly occupied at least 90 percent. These projects were financed with over $12 million in HOME funds. According to HUD's data, these funds leveraged an additional $65 million in other public and private financing. Figure 4 illustrates the multiple funding sources used for these HOME projects.

**Figure 4: Sources of Financing for HOME Multifamily Projects Serving Elderly Households**


Note: Includes projects with 90 percent of their units occupied during fiscal years 1992 through 1996 by elderly heads of household.

[a]Includes HOME program income.

Source: GAO's analysis of HUD's HOME program data.

Six of the eight HOME projects we visited had received funding from multiple public and private financing sources, reflecting the national pattern at the local level. These projects' developers and/or sponsors told us that using HOME funds in conjunction with other funding sources enabled them to reduce the amount of debt service on their projects (or eliminate the need for borrowing altogether) so that they could charge lower rents and be affordable to more people with lower incomes. Two of the projects we visited were quite unlike the other projects we visited because they did not use the federal Low-Income Housing Tax Credit program and did not have a conventional mortgage or other bank financing. The same participating jurisdiction developed both projects using only public resources, including HOME and CDBG funds, donations of city-owned land, and interior and exterior labor provided by the city's work force.

## Availability of Supportive Services at Section 202 and HOME Projects

HUD does not pay for supportive services through the HOME program but does, under limited circumstances, do so through the Section 202 program. Information on the provision of services is generally not available because neither program collects nationwide data on the availability of such services at the projects each has funded. For most of the Section 202 and HOME projects we visited, some supportive services, such as group social activities or subsidized meals programs, were available to the residents on-site, but usually only to the extent that the projects could generate operating income to pay for them. Rather than provide such services themselves, the projects tapped into and availed themselves of various supportive, educational, social, or recreational services in their communities. Furthermore, most of the projects that we visited included common areas and activity rooms that gave the residents places to socialize and provided space for hosting community-based and other services.

### Availability of Supportive Services at Most Projects Depended on Having Sufficient Rent Revenue

All eight of the Section 202 and seven of the HOME projects we visited ensured that their residents had access to supportive services. The range and nature of the services depended on the amount of operating income that was available to pay for the services and/or the proximity of community-based services to the projects. In addition, one of the Section

202 projects had a grant from HUD to hire a part-time service coordinator;[13] the remaining Section 202 projects paid for a service coordinator from the project's operating revenues, expected their on-site resident managers to serve as service coordinators, or provided services at nearby facilities. None of the HOME projects received outside support through grants from HUD and/or project-based rental assistance to pay for supportive services.

Six of the eight HOME projects and all but one of the Section 202 projects that we visited expected an on-site manager to coordinate the provision of supportive services to elderly residents or relied on rent revenue to pay for a service coordinator. The costs of having on-site managers, like the costs of providing most of the service coordinators, were covered by the projects' operating incomes. One of the Section 202 projects that relied on rent revenue provided few services on-site, but its residents had access to a wide variety of services, including a subsidized meals program, at another nearby Section 202 project developed by the same sponsor. In another case, the nonprofit sponsor of the Section 202 project consulted a nonprofit affiliate that has developed services for various housing projects developed by the sponsor. In addition to keeping up to date with the needs of their residents, the sponsors or management companies of the Section 202 projects we visited expected their service coordinators or resident managers to refer residents to community-based services as needed or to bring community-based services to their facilities on a regular or occasional basis.

One of the Section 202 projects we visited had hired a part-time service coordinator using a grant from HUD's Service Coordinator Program. According to HUD, resident managers cannot always provide supportive services because they may lack the resources to do so and/or the experience needed to provide such services. As a result, the Congress began funding the Service Coordinator Program in 1992 to help meet the increasing needs of elderly and disabled residents in HUD-assisted housing and to bridge the gap between these needs and resident managers'

[13]A service coordinator's job is to coordinate the provision of supportive services to the elderly to prevent their premature institutionalization and to promote independent living. Examples of supportive services that elderly residents might need include transportation to community-based health care providers; subsidized meals programs (provided either at the project or in the community); or case management through which the coordinator assesses an elderly person's needs and identifies social services in the community for which that person is eligible (such as Medicaid or food stamps).

resources and experience.[14] The program awarded 5-year grants to selected housing projects to pay for the salaries of their service coordinators and related expenses. The managers of this Section 202 project doubted that their operating revenues would be sufficient to continue paying for the coordinator when their HUD grant expires.

One Section 202 project that we visited was unique in that it did not have a service coordinator, but the project's management company had structured the duties of the resident manager to include activities that a service coordinator performs. The project's management company could do so because it manages over 40 Section 202 projects nationwide and handles nearly all financial, administrative, and recordkeeping duties in one central location so that its resident managers have time to become more involved with their residents.

The two HOME projects we visited that had neither a service coordinator nor an expectation that a resident manager would fill this role were the two projects that housed both the low-income elderly and families. At one of these projects, a nearby city adult center offered numerous opportunities for supportive services similar to those other projects provided on-site. At the second project, a social worker from the city visited the project on a part-time basis to provide information about and referrals to community-based services.

## Projects for the Elderly Usually Included Congregate Areas

All of the Section 202 projects we visited had common or congregate areas for group activities, socializing, and supportive services. Six of the eight HOME projects we visited had similar common areas. At both the Section 202 and the HOME projects, these common areas were often the places in which residents could take advantage of the supportive services the project's manager or service coordinator had provided directly or, in the case of community-based services, had arranged to come to the project on a regular or occasional basis.

The only projects that did not have common or congregate areas were the two HOME projects that housed a mixture of low-income families and elderly residents. One was a traditional multifamily apartment building in which 19 of the 29 units were set aside for the elderly. Although this

[14]The 1990 Cranston-Gonzalez National Affordable Housing Act authorized grants under the Service Coordinator Program to projects developed under HUD's Section 202 direct loan program (pre-fiscal year 1991). Projects receiving Section 202 capital advances are not eligible for these grants but can fund the costs of a service coordinator and 15 percent of the costs (up to $15 per unit per month) of the services for frail elderly residents with operating funds they derive from their rental assistance contract with HUD.

project had no congregate space, it was near one of the city's adult centers that provides adult education, recreational classes, and other services for seniors and others from the community.[15] The second was a single-room-occupancy project in which about 20 percent of the tenants were elderly, although the project did not set aside a specific number or percentage of the units for the elderly. This project had more limited common areas, parts of which were devoted to kitchen facilities on each floor because single-room-occupancy units do not have full kitchens themselves.

## Agency Comments

We provided a draft of this report to HUD for its review and comment. HUD generally agreed with the information presented in this report but said that the report (1) understates the contributions of the HOME program in providing assistance to the elderly and (2) assumes that the Section 202 model is the preferred way of providing housing for the elderly, without giving sufficient recognition to the other kinds of assistance the elderly receive from the HOME program.

In discussing the relative contributions of the HOME and the Section 202 programs, HUD said that comparable production of multifamily rental projects for the elderly could not have occurred in the first few years of the HOME program (which was first funded in fiscal year 1992) because of the lead time necessary for planning, selecting, and constructing projects. HUD also questioned whether our data included all HOME projects that might be comparable to Section 202 projects by taking into account the (1) projects developed through the substantial rehabilitation of existing buildings (as opposed to new construction), (2) projects in which vacant units might later be occupied by the elderly in sufficient numbers to achieve comparability with Section 202 projects, (3) projects in which 50 percent or more of the residents were elderly, and (4) projects that were under way but had not been completed at the close of fiscal year 1996.

We agree that our review probably would have identified more comparable HOME projects if the program had been funded before fiscal year 1992, and we have added language to this effect in the report. Our analysis and the data we present include projects from the Section 202 and HOME programs that were substantial rehabilitations of existing buildings. We agree that filling vacant units with elderly residents could increase the

[15]In fact, this adult center occupies the ground floor of a HOME apartment project this community recently built to house only the elderly.

number of comparable HOME projects in the future, but any such units in our analysis were vacant as of the close of fiscal year 1996, and our report discusses each program's activity only through that date. Data on the HOME projects in which 50 percent or more of the residents were elderly are reflected in figure 3 of this report, which illustrates the different types of HOME assistance the elderly received. We did not compare these data with Section 202 data because, as we note, comparable HOME projects are those in which 90 percent or more of the households have one elderly resident. We agree that some HOME projects that were under way but had not been completed at the close of fiscal year 1996 might in the future be comparable to Section 202 projects, but we note that the number of comparable Section 202 projects would also be greater because projects funded by the Section 202 program were also under way but had not opened as of this date.

In stating its belief that this report assumes the Section 202 model is the preferred way of providing housing for the elderly, HUD expressed concern that we did not give sufficient recognition to the assistance the HOME program provides the elderly by other means. HUD noted, for example, that the HOME program provides a viable alternative to multifamily rental housing by offering assistance to the elderly to rehabilitate the homes they own with special features that allow them to continue to live independently. HUD also noted that smaller rental projects than those we compared with the Section 202 program (projects with 1-4 units) also present a viable alternative to multifamily rental housing, provided adequate supportive services are available if needed.

We disagree with HUD's comment that this report assumes the Section 202 model is the preferred way of providing housing assistance for the elderly. In this report, we have described the operations of the two programs and presented data on the assistance each has provided nationally and at selected projects. We have not evaluated the manner in which either program provides assistance, and we have not expressed a preference for either approach to delivering housing assistance to elderly households. We have added statements to this effect to the report to address HUD's concern. We acknowledge that the HOME program provides housing assistance to the elderly in several ways other than through the production of new multifamily rental housing that is set aside almost exclusively for the elderly. However, because this report describes comparable Section 202 and HOME-funded housing assistance and because the Section 202 program provides only one kind of housing assistance, we focused on the multifamily rental projects funded by the HOME program that are comparable to those funded by the Section 202 program. To address HUD's concerns and to provide further recognition of the HOME program's other types of housing assistance, we have revised the sections of the report cited by HUD to more prominently reflect the complete range of HOME-funded activities benefiting the elderly.

HUD also provided several technical and editorial corrections to the report, which we have incorporated as appropriate. HUD's comments are reproduced in appendix II of this report.

## Scope and Methodology

The information we present in this report describes the need for assisted housing, discusses the operations of the Section 202 and HOME programs, and presents data on the assistance each program has provided. We did not evaluate the manner in which either program provides assistance, and we did not express a preference in the report for either one of the approaches to delivering assistance to elderly households.

To determine the amount and types of new assisted housing that the Section 202 and HOME programs have provided for the elderly, we obtained and analyzed data from HUD headquarters on the Section 202 and HOME projects completed from fiscal year 1992 through fiscal year 1996. Fiscal year 1992 was the first year in which the HOME program received funding, and fiscal year 1996 was the most recently completed fiscal year for which data from the programs were available when we began our review. Our analysis of the HOME data also provided information on the amount and sources of funding for multifamily projects developed under the HOME program. The Section 202 data did not include information on any other federal or nonfederal funding these projects may have received because a Section 202 allocation is intended to cover 100 percent of a project's development costs. In addition to using these data, we analyzed special HUD tabulations of Census data to identify the level of need among the elderly for housing assistance in each state.

We examined HUD's data on the HOME program to identify all types of housing assistance that the program has provided for elderly households, but we also analyzed these data by the type of assistance in order to obtain information on the HOME projects that are comparable to Section 202 projects. To do so, we focused our analysis on the HOME multifamily projects in which 90 percent or more of the residents are elderly because, at a minimum, 90 percent of the residents of Section 202 projects must be elderly (before 1991, 10 percent could be persons at least 18 years old with a handicap).

Throughout our review, we also discussed housing assistance for the elderly with officials from HUD's Section 202 and HOME programs, HUD's Office of Policy Development and Research, and the Bureau of the Census. In addition, we reviewed relevant documents from each program and prior HUD and Census reports on housing needs of the elderly.

We supplemented this national information on each program by visiting a total of 16 projects to obtain more detailed data than HUD collects centrally on the use of other federal and nonfederal funding and the presence or availability of supportive services for elderly residents. Using Section 202 and HOME program data, we judgmentally selected two Section 202 and two HOME projects in each of four states—California, Florida, North Carolina, and Ohio. We selected these states because they have relatively high concentrations of low-income elderly residents and numbers of Section 202 and HOME-funded projects. In each state, we selected individual Section 202 and HOME projects that were in the same vicinity and were roughly comparable in size. Nearly all of these projects were reserved exclusively for the elderly or had a portion of their units set aside for the elderly. In one case, about 20 percent of a HOME-funded project's residents were elderly, although neither the project nor any portion of its units was explicitly reserved for elderly residents.

At each project we visited, we discussed the project's history and financing and the availability of supportive services with the sponsor or developer and relevant local and HUD officials. The observations we make about the individual projects we visited are not generalizable to all Section 202 or HOME-funded projects because we judgmentally selected these projects and did not visit a sufficient number from each program to draw conclusions about the universe of such projects.

We did not assess the reliability of the data we obtained and analyzed from HUD's Section 202 and HOME program databases. However, throughout our review we consulted with the appropriate HUD officials to ensure we were analyzing the relevant data elements for the purposes of this report. Furthermore, the information we obtained from these databases was generally consistent with our observations during our site visits to the projects we selected using these databases.

We conducted our work from April through October 1997 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Housing and Urban Development, and the Director of the Office of Management and Budget. We will make copies available to others on request.

Please call me at (202) 512-7631 if you or your staff have any questions about the material in this report. Major contributors to this report are listed in appendix III.

Sincerely yours,

Stanley J. Czerwinski

Stanley J. Czerwinski
Associate Director, Housing and
Community Development Issues

# Contents

## Abbreviations

| | |
|---|---|
| CDBG | Community Development Block Grant |
| HOME | HOME Investment Partnerships |
| HUD | Department of Housing and Urban Development |

# Selected Section 202 and HOME Investment Partnerships Projects

As part of our review, we visited 16 low-income, multifamily rental projects—4 each in California, Florida, North Carolina, and Ohio—to obtain information that the Department of Housing and Urban Development (HUD) does not collect centrally and to discuss with program participants their experience in applying for, developing, and operating these projects. In each state, two of the projects we visited were funded by the Section 202 program and two received funds from the HOME Investment Partnership (HOME) program. As we noted in the Scope and Methodology section of this report, we judgmentally selected these states because, compared with other states, they had relatively high concentrations of low-income elderly residents and numbers of Section 202 and HOME-funded projects. We selected individual Section 202 and HOME projects that were in the same vicinity and were roughly comparable in size.

During each site visit, we discussed the history, financing, and availability of supportive services with the sponsor or developer of the project. We also discussed these issues with on-site management agents, local officials administering the HOME program, and HUD Section 202 and HOME field office officials. At each project, we walked through the grounds, selected residential units, and any common areas available to the residents for group activities.

Typically, the Section 202 projects we visited were high- or mid-rise apartment buildings with elevators, laundry facilities, and one or more community rooms in which residents participated in group activities and, in some cases, meals programs. In one project, which consisted of more traditional garden apartments on a single level, each apartment had its own outdoor entrance and front porch. Ranging in size from 42 to 155 units, most of the projects (5 of 8) had a resident manager. Current Section 202 regulations require that all residents of these projects have very low incomes—that is, the must earn less than 50 percent of the median income for their area.

The HOME projects we visited, ranging in size from 20 to 120 units, were more varied than the Section 202 projects. Several were high- or mid-rise buildings, although one of these was a single-room-occupancy hotel. In the single-room-occupancy hotel, the units were smaller than in a typical apartment building and much of the common space consisted of kitchen facilities, which were not included in the units themselves. At another project, the ground floor of the building housed a city-operated adult center offering a variety of educational and recreational programs. Other HOME projects we visited were multi-unit cottages or detached structures, each of whose units had its own outdoor entrance; one such project consisted of buildings scattered over three different sites. Unlike the Section 202 projects, two of the HOME projects housed both families and the elderly.

As we noted earlier in this report, at a minimum, in each multifamily rental project with at least five HOME-assisted units, at least 20 percent of the residents in the HOME-assisted units must have very low incomes (at or below 50 percent of the area's median income); the remaining units may be occupied by households with low-incomes (up to 80 percent of the area's median income). At the HOME projects we visited, half designated all of their units as HOME-assisted, meaning that the HOME program's regulations about tenants' incomes applied to those units; the other half designated some but not all of their units as HOME-assisted, meaning that the remaining units in these projects were subject either to the rules associated with other sources of funding or to those established by the local jurisdiction.

The following pages include photographs and other pertinent information about the various Section 202 and HOME projects we visited.

**Figure I.1: Lytton Courtyard Section 202 Project, Palo Alto, California**

Exterior

- 50-unit mid-rise independent living facility
- One of four projects for the elderly that make up the Lytton Gardens complex[1]
- Located about 4 blocks from the main campus, where the other three facilities are located

Interior

- Access to units by stairs and an elevator
- Appliances such as ranges and refrigerators in units
- Laundry facilities on each floor
- Little congregate space on-site, but group facilities—large community room, separate dining room, and resident-owned thrift shop—available at the main campus

[1]The other three projects, located on the main campus, are (1) a 220-unit Section 202 project, (2) a 100-unit multifamily project that includes 50 assisted living units, and (3) a 145-bed nursing home that offers rehabilitation services as well as subacute and long-term care.

Supportive Services

- Transportation
- Social services
- Subsidized meals
- Exercise programs
- Service coordinator position at the larger Section 202 project (220 units) terminated after a grant from HUD's Service Coordinator Program expired

Development and Financing

- Developed by Community Housing, Inc., a nonprofit organization formed by two churches
- $5,700,000 in a capital advance from HUD for construction

Special Features

- Provides health as well as supportive services to allow elderly residents to continue living in the community
- Is part of a complex that is located on more than one site

Figure I.2: Oceana Terrace Section 202 Project, Pacifica, California

Exterior

- 42-unit three-story apartment building opened in September 1995
- Overlooks the Pacific Ocean, just south of San Francisco
- Land for the project previously owned by the Church of the Good Shepherd, adjacent to the property

Interior

- 41 one-bedroom units
- One 2-bedroom unit reserved for a resident manager
- All units accessible to the handicapped; one unit adapted for the sight- or hearing-impaired
- Emergency pull cords in units
- Access to units by stairs and an elevator
- Appliances such as ranges and refrigerators in units
- Laundry facilities on the second floor
- One large community room

Supportive Services

- Access to an adult day care center that offers social, educational, recreational, and therapeutic activities
- Subsidized meals program available at the city of Pacifica's senior centers
- Assistance in arranging transportation provided by the sponsor, service coordinator, or volunteers from the nearby parish
- Part-time service coordinator to initially assess residents' needs for services and monitor ongoing needs as well as provide counseling or prepare recovery plans

Development and Financing

- Developed by Mercy Charities Housing of California
- Land for the project previously owned by the Church of the Good Shepherd
- $4,053,024 in total funding for development, including

  $3,362,000 in a Section 202 capital advance from HUD for construction[2]

  $160,000 in Community Development Block Grant (CDBG) funds from San Mateo County for predevelopment expenses

  $460,000 in HOME funds from San Mateo County for expenses related to the site's improvement, predevelopment, and construction

  $71,024 in an equity contribution from the sponsor

Special Features

- Economies of scale and wide access to community professional and volunteer services through Mercy Services—a nonprofit subsidiary of the sponsor—that provides services to residents in this and several other Section 202 projects sponsored by the archdiocese
- Ready access to volunteer services created by the project's proximity to the church
- Unusual number of funding sources for the development of a Section 202 project

[2]The Section 202 capital advance is $430,000 lower than the advance HUD originally approved because the Section 202 program's rules preclude the use of other federal assistance, such as the HOME and CDBG funds this project received, for most of the purposes for which the sponsor sought the the funds.

Figure I.3: Federation Gardens II Section 202 Project, Miami, Florida

Exterior

- 50-unit four-story apartment building opened in late 1990
- Adjacent to Federation Gardens I, a 110-unit Section 202 project opened in 1982 by the same developer

Interior

- 37 one-bedroom units, 13 efficiency units
- All but one unit reserved for the elderly; one unit reserved for the resident manager
- Emergency pull cords in units
- Basic appliances in units
- Laundry facilities on the second floor
- All units carpeted

Supportive Services

- Large multipurpose community room with kitchen facilities and other common spaces in Federation Gardens I
- Meals on Wheels program sponsored by the Jewish Vocational Services
- Case management and referral services
- Educational sessions on consumer issues, health, and nutrition
- Volunteer programs

- Access to programs for all ages at the neighboring Jewish Community Center
- Full-time tenant services director who works out of Federation Gardens I and makes services available to residents of both projects

Development and Financing

- Developed by Jewish Federation Housing, Inc., a subsidiary of the Greater Miami Jewish Federation
- $2,135,400 in a direct loan from HUD for construction

Special Features

- Opportunities for intergenerational interaction afforded by proximity to the Jewish Community Center

Figure I.4: Coral Bay Terrace Section 202 Project, Miami, Florida

Exterior

- 155-unit three-story apartment building opened in October 1993

Interior

- 115 one-bedroom and 39 efficiency units; 1 resident manager's unit
- 16 units accessible to the handicapped; 1 one-bedroom unit reserved for a resident manager; all other units reserved for the elderly
- Emergency pull cords in units
- Access to units by stairs and an elevator
- Basic appliances in units
- Laundry facilities on each floor
- All units carpeted

Supportive Services

- County bus service to nearby meals programs and medical facilities
- English-as-a-second-language classes held on-site through a partnership established with a nearby school
- Role of a service coordinator filled by the on-site resident manager, who is responsible not only for performing property management tasks, such as overseeing routine and periodic maintenance, but also for being involved in the community, soliciting support from county or charitable service

organizations, interacting with and becoming familiar with the needs of the residents, and helping to find alternative living arrangements for residents who become too frail to live independently

Development and Financing

- Developed by Christian Senior Housing, Inc., a nonprofit developer of housing projects for the elderly as well as intermediate- and extended-care facilities
- $7,556,500 in two separate capital advances from HUD for construction

Special Features

- Two separately approved capital advances for two projects on the same property (approved over 2 years) combined to fund a single project; combination feasible because the first project, for 55 units, was still in the early stages when the second project, for 100 units, was approved

Figure I.5: Granville Plaza Section 202 Project, Winston-Salem, North Carolina

Exterior

- 42-unit mid-rise apartment building opened early in 1995
- Situated on a site formerly occupied by an elementary school
- Built adjacent to an existing Section 202 property

Interior

- All one-bedroom units
- All units reserved for the elderly
- Four units accessible to the handicapped
- All units on a single level
- Two emergency pull cords in each unit that trigger an audio signal in the hallway
- Basic appliances and window treatments in units
- Laundry facilities on the ground floor
- Congregate space—including a library and a large community room with kitchen facilities—for residents' activities
- Storage space for each resident on the first floor

### Supportive Services

- Home health care
- Assistance in establishing eligibility and applying for participation in the Medicaid and Food Stamp programs
- Public and private transportation to medical appointments, grocery stores, drug stores, and banks
- Monthly on-site blood pressure screening clinic
- Quarterly on-site podiatry clinic
- Social activities, including a garden club, birthday and major holiday celebrations, and monthly covered-dish dinners for all residents
- Full-time service coordinator position shared with the adjoining Section 202 property and supported through project-based rental assistance contracts

### Development and Financing

- Developed by the Winston-Salem Housing Foundation, Inc., a nonprofit organization that also helped to develop the Assembly Terrace project
- $2,218,400 in a capital advance from HUD for construction

### Special Features

- Developer, the oldest nonprofit developer of assisted housing in the Winston-Salem area, involved in six other Section 202 projects

Figure I.6: Assembly Terrace Section 202 Project, Winston-Salem, North Carolina

Exterior

- 60-unit low-rise apartment building opened late in 1994
- Located in a single-family neighborhood on a site adjacent to the First Assembly of God Church, one of the project's nonprofit cosponsors
- Site about 1/2 mile from medical facilities and grocery, drug, and other retail stores

Interior

- All units reserved for elderly persons capable of living independently and taking care of themselves
- Five units accessible to the handicapped
- All units on one level
- Two emergency pull cords in each unit that trigger a visual and audio signal in the hallway
- Basic appliances, such as ranges and refrigerators, in units
- Laundry facilities on the ground floor
- Congregate space for residents' activities, including a library and a large community room with kitchen facilities

### Supportive Services

- Arrange for services to be provided through existing community resources
- Home health care
- Assistance with financial planning and with Medicare/Medicaid paperwork
- Social activities such as potluck dinners, parties, and outings
- Mental health counseling
- Part-time service coordinator position supported through a project-based rental assistance contract

### Development and Financing

- Developed by the First Assembly of God Church and the Winston-Salem Housing Foundation, Inc., a nonprofit organization that also helped to develop the Granville Plaza project
- $3,367,400 in a capital advance from HUD for construction

### Special Features

- Project jointly developed by a church, with a history of service to and volunteer activities in the community, and a foundation that is the oldest nonprofit developer of assisted housing in the area and has been involved in the development of six other Section 202 projects

Figure I.7: Abyssinia Towers Section 202 Project, Cleveland, Ohio

Exterior

- 70-unit high-rise apartment building opened in mid-1987
- Constructed on a formerly vacant, deteriorated site

Interior

- 50 one-bedroom units, 19 efficiencies, and 1 two-bedroom resident custodian’s unit
- 90 percent of the units reserved for the elderly and 10 percent available for the nonelderly handicapped
- Emergency pull cords in units
- Access to units by stairs and an elevator
- Appliances such as ranges and refrigerators in units
- Laundry facilities on the second and fourth floors
- A library and one large community room with kitchen facilities available for groups
- Arts and crafts room

Supportive Services

- Group shopping trips arranged
- Free transportation arranged to services in the community
- Community-based services, such as Meals-on-Wheels, provided on-site
- Home care services arranged for those who need help with housekeeping
- Help in obtaining assisted living arrangements provided as necessary to residents and their families
- Part-time service coordinator position supported by a multiyear grant from HUD's Service Coordinator Program

Development and Financing

- Development initiated by the Greater Abyssinia Baptist Church
- $150,000 provided by the city of Cleveland to acquire land
- $2,683,500 in a direct loan from HUD for construction

Special Features

- Some units available for nonelderly tenants because the project received its Section 202 direct loan before 1991
- Project developed to revitalize the community as well as provide housing for the elderly; was initiated by a church that wanted to stabilize and develop the neighborhood and received some funds from the city, which supported the church's goals

**Figure I.8: Robert L. Bender Senior Apartments Section 202 Project, Massillon, Ohio**

Exterior

- 50-unit complex opened in mid-1992
- Consists of small, attached, cottage-style buildings, each containing six to eight units that residents enter from the outside
- Buildings wrapped around a cul-de-sac, encircling an additional building in the center of the property

Interior

- All one-bedroom units
- One unit reserved for the resident manager; all other units reserved for the elderly
- Resident manager’s unit, large community room with kitchen facilities, and coin-operated laundry facilities located in the central building
- Emergency pull cords in units
- Basic appliances in units
- All units carpeted

Supportive Services

- Dinner, for which residents pay a voluntary donation, served in the community room 5 days a week by a Meals on Wheels program based in Canton, Ohio
- Access to a variety of community-based services, such as programs sponsored by the area's Agency on Aging
- Some transit service provided by the community
- On-site services, such as periodic visits from a podiatrist
- Residents' social club that plans trips and other events

Development and Financing

- Developed by a nonprofit group that sponsors and develops affordable housing using a variety of federal and nonfederal programs
- Work to extend utilities to the site donated by the city
- $2,346,800 in a direct loan from HUD for construction

Special Features

- Layout of the project gives each unit space in which residents can do limited landscaping

Figure I.9: The Carroll Inn HOME Project, Sunnyvale, California

Exterior

- 120-unit single-room-occupancy project opened late in 1994; one additional unit for a resident manager
- Constructed on a site originally purchased by the city for use as a parking lot
- Includes a landscaped interior courtyard and a children's play area

Interior

- No fixed number or percentage of units reserved for the elderly
- Most units occupied by one person (though single parents with one child also accepted as tenants)
- Kitchen facilities available for all residents in the common space on each floor
- Televisions, exercise equipment, and laundry facilities also provided in the common space

Supportive Services

- Counseling and referral to appropriate community-based services provided to residents by a part-time social worker from the city of Sunnyvale

Development and Financing

- Jointly developed and financed by the city of Sunnyvale and the Mid-Peninsula Housing Coalition, a nonprofit organization that develops and manages different kinds of affordable housing for low- and moderate-income families, senior citizens, and the disabled throughout the Bay Area
- $6,716,911 in total funding for the project, including

  $3,831,238 in net proceeds from the sale of tax credits

  $150,000 contributed by the general partner, the Mid-Peninsula Housing Coalition

  $1,446,415 in grant funds from a state rental housing construction program

  $964,750 in HOME funds from the city of Sunnyvale

  $200,008 in HOME funds from Santa Clara County

  $124,500 in grant funds from a private foundation

Special Features

- Affordability of all units to low-income tenants (with incomes at or below 40 percent of the area's median income) required for at least 55 years
- About 20 percent of the units occupied by elderly tenants at the time of our visit

Figure I.10: Pinole Grove Senior Housing HOME Project, Pinole, California

Exterior

- 70-unit low-rise mix of one-, two-, and three-level Spanish-mission style buildings opened in late 1994
- A balcony with storage space and a carport provided for each unit
- Project located on the site of a former elementary school
- A garden, a hair salon, and a crafts room on-site

Interior

- 56 one-bedroom and 14 two-bedroom apartments
- All units on a single level
- Emergency pull cords in units
- Various appliances, including dishwashers, in units
- A community room and laundry facilities on-site

Supportive Services

- Project located within walking distance of a city senior center that provides some meals and group activities for the elderly

- Off-site coordinator for some services, such as visiting nurses and nutrition counseling

Development and Financing

- Jointly developed and financed by the city of Pinole, the Community Development Department of Contra Costa County, and Bridge Housing Corporation, a nonprofit developer of assisted housing
- $6,846,833 in total funding for the project, including

$3,739,008 in proceeds from the sale of tax credits

$1,450,000 in a bank loan/mortgage

$900,000 in a loan from the city's redevelopment agency

$357,825 in an equity contribution from Bridge Housing Corporation

$200,000 in CDBG funds from Contra Costa County provided in the form of a fully deferred, forgivable loan

$200,000 in Contra Costa County HOME funds provided in the form of a fully deferred loan

Special Features

- 55-year period of affordability for low-income households required under the terms of the tax credit award and the city's and county's loan terms
- 1995 "Gold Nugget" Award for best Senior Development from the Pacific Coast Builders' Conference

**Figure I.11: 20 West 6th Street HOME Project, Hialeah, Florida**

Exterior

- 57-unit four-story housing project opened in March 1997
- Built on a parcel of land directly across from city hall

Interior

- Mix of one-bedroom and efficiency units
- All units reserved for the elderly
- 20 units accessible to the handicapped
- Entire ground floor and two open-air courtyards in the center of the building used for an adult center
- Access to units by stairs or elevators that lead to breezeways surrounding the two courtyards
- Basic variety of kitchen appliances in units
- Coin-operated laundry facilities on each floor

Supportive Services

- Supportive, educational, and recreational services available to resident and nonresident senior citizens at the adult center
- Subsidized meals available at the center for senior citizens
- Assistance in applying for benefits provided at the center to potentially eligible senior citizens by representatives from social services programs, such as Medicare or Social Security
- Adult education classes (e.g., painting, ceramics, or English as a second language) offered to elderly and nonelderly residents of Hialeah

Development and Financing

- Developed by the city of Hialeah on city-owned land
- $4,300,000 in total funding for the project, including

$2,262,000 in HOME funds for the residential portion of the building

$800,000 in CDBG funds for the adult center

$1,238,000 in the value of contracting services and labor provided by the city

Special Features

- Construction costs minimized by designating the city as the general contractor for the project and using its work force wherever possible (e.g., for landscaping, irrigation, and cabinetry work)

Figure I.12: 51 East 9th Street HOME Project, Hialeah, Florida

Exterior

- 29-unit multifamily apartment complex opened in mid-1995
- Includes two adjacent mid-rise buildings

Interior

- Mixture of one- and two-bedroom apartments
- 19 units reserved for the elderly
- Access to units by stairs and elevators
- Basic variety of kitchen appliances in units
- Coin-operated laundry facilities on the ground floor of each building
- No community or other multipurpose room

Supportive Services

- Free transportation provided by the city, under a contract with the local housing authority, to and from sites (including the HOME housing project for the elderly on West 6th Street) where other social service agencies operate subsidized meals programs for the elderly

- Other supportive, social, educational, and recreational activities provided at the West 6th Street project's adult center

Development and Financing

- Developed by the city of Hialeah
- $1,534,795 in total funding for the project, including

$338,669 in CDBG funds for land acquisition

$1,089,700 in HOME funds for construction

$106,426 in funds generated locally by city-owned housing projects, also for construction

Special Features

- Only public funds used to develop and finance this project

**Figure I.13: Rockwood Cottages HOME Project, Durham, North Carolina**

Exterior

- 20-unit complex opened early in 1996
- Consists of five newly constructed buildings that form a semicircle around a cul-de-sac
- A front porch and a rear deck on each building
- Access to the units in each building through the front porch
- Use of the rear deck shared by the first-floor residents of each building

Interior

- 15 one-bedroom and 5 two-bedroom apartments—3 one-bedroom units and 1 two-bedroom unit in each building
- All units on a single-level, but the two-bedroom units include a stairway to the second floor on which they are located
- Basic variety of appliances (but no dishwasher) in each unit
- Laundry facilities in the basement of one building available for all residents
- One room in the basement of one of the buildings set aside for group activities and socializing

Supportive Services

- No service coordinator
- On-site resident manager

Development and Financing

- Developed by a private developer of low-income housing properties
- $1,427,304 in total funding for the project, including

$691,000 in HOME funds contributed by the city of Durham

$466,260 in tax credit proceeds

$260,000 in City Housing Bond funds loaned to the developer at no interest with no payments required until a balloon payment comes due at the end of a 30-year term

Special Features

- Single-family appearance of individual buildings consistent with the architecture of the neighborhood

Figure I.14: Mountain Springs Apartments HOME Project, Asheville, North Carolina

Exterior

- 44-unit development opened in late 1995
- Consists of six buildings in three locations (four buildings in one of the locations)
- One one-story building with 12 units
- Four one-story buildings, each with two units
- One two-story building with 24 units
- All units with a porch, patio, or balcony

### Interior

- All one-bedroom units on a single level
- Four units accessible to the handicapped (one each at the first two locations and two at the third location)
- Basic appliances (but no dishwasher) in each unit
- Laundry facilities in the 12-unit and 24-unit buildings
- Community room in the two-story building for group activities and socializing

### Supportive Services

- Coordination with local organizations provided by the resident manager to obtain services such as
- Transportation to medical appointments, shopping, and a senior center
- Health care
- Blood pressure screening
- Meals on Wheels
- Educational lectures

### Development and Financing

- Developed by Douglas Company, Inc., a private developer of low-income housing properties in multiple states
- $2,543,300 in total funding for the project, including

$1,084,300 in tax exempt bond proceeds

$843,556 in HOME funds ($686,213 from the state of North Carolina and $157,343 from the Asheville Regional Consortium, consisting of local governments in Buncombe, Henderson, Madison, and Transylvania counties)

$300,000 in a bank loan/mortgage

$119,744 in private grants

$102,000 in proceeds from the sale of tax exempt bonds contributed by the North Carolina State Housing Finance Agency

$42,657 in matching local funds

### Special Features

- Units in three separate locations that are close to one another
- Funding from a wide variety of federal, state, local, and private sources

**Figure I.15: Ascension Village Apartments HOME Project, Cleveland, Ohio**

Exterior

- 60-unit mid-rise (three-floor) apartment building for people age 55 and over; opened in 1994
- Located next to a church that leases the land and supported the development of this project

Interior

- Mixture of one- and two-bedroom units
- Access to units via stairs and an elevator
- Basic kitchen appliances (but no dishwasher) in each unit
- Emergency pull cords in all units
- Carpeting in all units
- Coin-operated laundry facilities on each floor
- Multipurpose community rooms and lounge areas on the ground floor

Supportive Services

- Resident council active in arranging services
- Access to volunteers and activities for senior citizens through the neighboring church

- No service coordinator

Development and Financing

- Developed by Catholic Charities in the Diocese of Cleveland, through a nonprofit subsidiary established to create affordable housing for the elderly
- Land leased from Ascension Catholic Church
- $3,056,928 in total funding for the project, including

  $1,664,000 in tax credit proceeds

  $828,400 in a bank loan/mortgage

  $363,000 in HOME funds contributed by the city of Cleveland

  $141,528 in a Federal Home Loan Bank Board Affordable Housing Program grant

  $60,000 in a state grant

Special Features

- Development initiated in response to an annual request from the city for proposals to develop affordable housing using its allocation of HOME and CDBG funds
- Award of HOME funds from the city a catalyst for other funding

Figure I.16: 59 Duncan Place HOME Project, Massillon, Ohio

Exterior

- 66-unit nine-story apartment building opened in mid-1994
- Located in downtown Massillon in renovated commercial space that had been vacant for 10 years

Interior

- Office space for the project management company and additional commercial space available for lease on the ground floor
- Residential units on the remaining eight floors
- All residential units reserved for the elderly
- Access to units by stairs and an elevator
- Emergency pull cords in units
- Basic kitchen appliances in each unit
- Carpeting in all units
- Coin-operated laundry facilities on each floor
- Community rooms dedicated to different purposes (e.g., library, exercise room) on several floors
- Large multipurpose community room with kitchen facilities and a large observation deck with picnic tables off of the seventh floor

Supportive Services

- Access to subsidized meals and other services at a nearby city senior center arranged by on-site management staff
- Recreational opportunities available in community rooms (e.g., reading, television viewing, stationary bicycling, and other exercise equipment)
- Educational and/or social activities (e.g., periodic on-site health and wellness seminars and community outings) coordinated by on-site management staff
- No service coordinator

Development and Financing

- Jointly developed and financed by the city of Massillon, the state of Ohio, a private developer of low-income housing tax credit projects, and a nearby nonprofit group specializing in assisted housing and economic development

- $4,057,102 in total funding for the project, including

  $2,267,102 in proceeds from the syndication of tax credits allocated by Ohio's Housing Finance Agency

  $1,300,000 in a bond-financed permanent loan from the city

  $415,000 in HOME funds loaned by the state's Department of Development to the nonprofit housing and economic development group, which invested the loan funds in the project

Special Features

- Community revitalization as well as affordable housing goals served by project; vacant space in a prominent location converted to desirable uses
- City's loan a catalyst for other funding

# Comments From the Department of Housing and Urban Development

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-7000

OFFICE OF THE ASSISTANT SECRETARY FOR
COMMUNITY PLANNING AND DEVELOPMENT

OCT 29 1997

Ms. Judy A. England-Joseph
Director, Housing and Community
Development Issues; Resources,
Community and Economic
Development Division
U.S. General Accounting Office
Washington, DC 20548

Dear Ms. England-Joseph:

We are in general agreement with the information presented in the Draft GAO Audit "Housing for the Elderly - Information on HUD's Sec. 202 and HOME Investment Partnerships Program," which describes and compares the Sec. 202 Program and multifamily rental housing projects for the elderly under the HOME Program. However, we believe the report understates the contributions of the HOME Program in providing assistance for the elderly.

Level of Effort in HOME Is Understated

First, the report indicates that the Sec. 202 Program is a much larger provider of housing for the elderly than HOME. This conclusion is based on the number of multifamily units completed from 1992-1996, without considering factors such as the resources that were provided to make that possible, and the existing pipeline of Sec. 202 projects that were committed and under construction vs. the HOME Program just starting up in 1992. The implication is that State and local HOME PJs do not allocate nearly as much money to elderly multifamily rental projects as does the Sec. 202 program. There is not sufficient information provided in this report to reach that conclusion. In making a comparison of level of effort it is important to include information on funds available under each of the programs, and to acknowledge that comparable production could not have occurred in the first few years of the HOME program due to the lead time required for project planning, selection, and construction.

It also appears that the HOME level of effort for "comparable projects" may be understated in absolute numbers. The report states that during the period 1992 through 1996, 1400 new Sec. 202 projects were completed providing homes for at least 47,823 elderly. In contrast, 30 "comparable" new HOME multifamily units (occupied by at least 90% elderly) were completed. Does the HOME number include multifamily rehabilitation projects occupied by elderly families? If not, these need to be included.

The HOME assistance in comparable projects may also be understated in that if a unit was vacant, it was not (understandably) included in the selection criteria. Such units may well be occupied by elderly persons at a later point (and therefore could increase the number of "comparable projects"), and should be so acknowledged in the report.

Our data show that there were 88 multifamily rental projects with 1733 units occupied by elderly persons where elderly persons were more than 50% of project occupants. This, again, suggests that the strict "comparability" standard is understating the degree to which HOME is assisting elderly renters in multifamily projects.

Finally, our data show that there were 3824 multifamily rental projects (including 91,367 units) committed as of 9/30/96. It is likely that some of these will be on the Sec. 202 model, and also should be acknowledged in the report.

Multifamily Rental Model Is Not the Only Good Model

Second, the report assumes that the Sec. 202 model is the preferred way of providing housing for the elderly, and does not give sufficient recognition, particularly in the executive summary, to the assistance provided by HOME to the elderly living in small rental projects and elderly homeowners--both those owning their own homes and new homebuyers. HOME provided assistance to 21,499 households during the same period, and this is the number that should be included in the executive summary on p. 2 and compared to the production of Sec. 202 units. Providing assistance for someone to rehabilitate their home with special features may allow someone to live independently in their own home. This is a viable alternative to multifamily rental housing in addressing the needs of the elderly, as is rental housing in smaller units (1-4 family), provided adequate supportive services are available if needed.

Other Comments

There are a few corrections noted in the enclosed mark-up of the text.

Sincerely,

Jacquie M. Lawing

Jacquie M. Lawing
Acting Assistant Secretary

Enclosure

# Major Contributors to This Report

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