

# ELDERLY HOUSING

## Project Funding and Other Factors Delay Assistance to Needy Households

### Why GAO Did This Study

According to the Department of Housing and Urban Development (HUD), the most widespread and urgent housing problem facing elderly households is affordability. About 3.3 million elderly renter households in the United States have very low incomes (50 percent or less of area median income). The Section 202 Supportive Housing for the Elderly Program provides capital advances (grants) to nonprofit organizations to develop affordable rental housing exclusively for these households. GAO was asked to determine the role of the Section 202 program in addressing the need for affordable elderly housing and the factors affecting the timeliness of approving and constructing new projects.

### What GAO Recommends

GAO is making recommendations to reduce the time required for projects to receive approval from HUD to start construction. Specifically, GAO is recommending that HUD assess the effectiveness of the methods it uses to calculate the size of the Section 202 capital advances and make any appropriate changes to them. GAO is also making other recommendations to improve HUD's administration and oversight of the 202 program's performance.

GAO provided a draft of this report to HUD for comment. HUD agreed with the report's conclusions and recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-03-512](http://www.gao.gov/cgi-bin/getrpt?GAO-03-512).

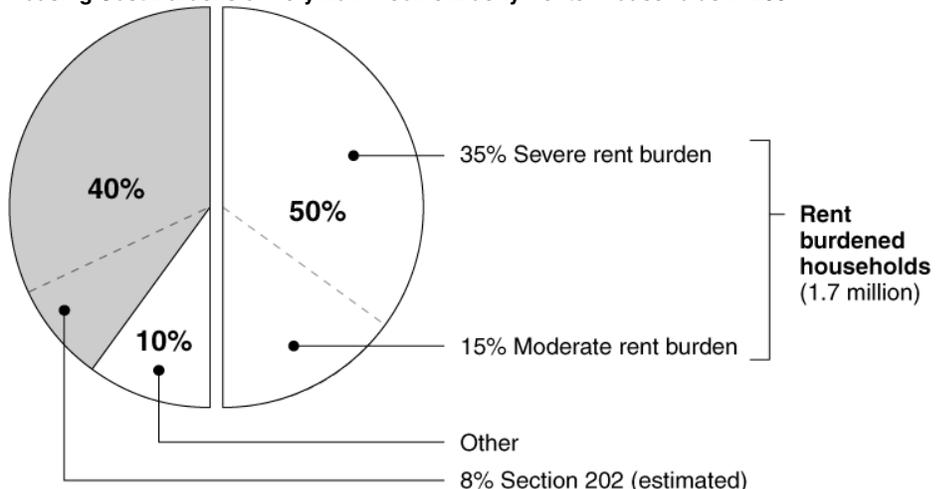
To view the full product, including the scope and methodology, click on the link above. For more information, contact David G. Wood at (202) 512-8678 or WoodD@gao.gov.

### What GAO Found

HUD's Section 202 program provides a valuable housing resource for very low income elderly households. Although they represent a small share of all elderly households, very low income elderly renters have acute housing affordability problems because of their limited income and the need for supportive services. The Section 202 program, which offers about 260,000 rental units nationwide and ensures that residents receive rental assistance and access to services that promote independent living, is the only federal program devoted exclusively to providing this type of housing. However, even with the program's exclusive focus, Section 202 has reached only about an estimated 8 percent of very low income elderly households.

About three-quarters of Section 202 projects in GAO's analysis did not meet HUD's time guideline for gaining approval to start construction. These delays held up the delivery of housing assistance to needy elderly households by nearly a year compared with projects that met HUD's guideline. Several factors contributed to these delays, in particular capital advances that were not sufficient to cover development costs. Project sponsors reported that insufficient capital advances often forced them to spend time seeking additional funds from HUD and other sources. Although HUD's policy is to provide sufficient funding to cover the cost of constructing a modestly designed project, HUD has acknowledged that its capital advances for the Section 202 program sometimes fall short. Other factors affecting the timeliness of the approval process included inadequate training and guidance for field staff responsible for the approval process, inexperienced project sponsors, and local zoning and permit requirements.

**Housing Cost Burdens of Very Low Income Elderly Renter Households in 2001**



Sources: GAO analysis of the American Housing Survey, 2001, and HUD program data.