



Highlights of [GAO-03-807T](#), a testimony before the Special Committee on Aging, U.S. Senate

# ELDERLY HOUSING

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

### Why GAO Did This Study

In 2001, an estimated 2 million elderly households with very low incomes (50 percent or less of area median income) did not receive housing assistance. The Department of Housing and Urban Development (HUD) considered most of these households to be “rent burdened” because they spent more than 30 percent of their incomes on rent. 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. Based on a report issued in May 2003, this testimony discusses the role of the Section 202 program in addressing the need for affordable elderly housing and factors affecting the timeliness of approving and constructing new projects.

### What GAO Recommends

In its report, GAO made recommendations designed to reduce the time required for projects to receive approval from HUD to start construction. Specifically, GAO recommended 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 also made other recommendations to improve HUD’s administration and oversight of the 202 program’s performance.

HUD concurred with the recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-03-807T](http://www.gao.gov/cgi-bin/getrpt?GAO-03-807T).

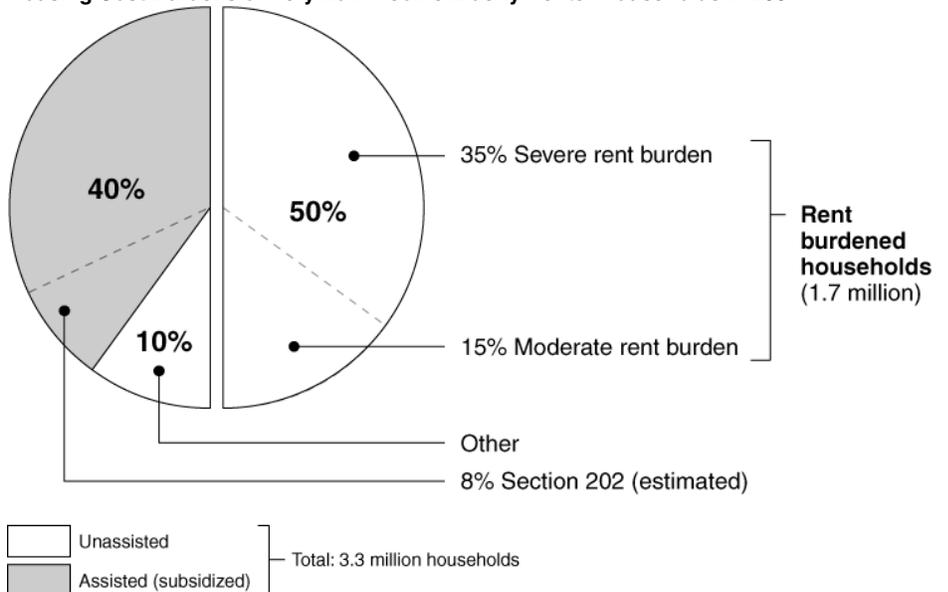
To view the full product, including the scope and methodology, click on the link above. For more information, contact David G. Wood at (202) 512-8678 or [WoodD@gao.gov](mailto:WoodD@gao.gov).

### What GAO Found

As the only federal housing program that targets all of its rental units to very low income elderly households, HUD’s Section 202 program provides a valuable housing resource for these 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 incomes and need for supportive services. The Section 202 program offers about 260,000 rental units nationwide and ensures that residents receive rental assistance and access to services that promote independent living. However, even with the program’s exclusive focus, Section 202 has only reached an estimated 8 percent of very low income elderly households.

More than 70 percent 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, particularly capital advances that were not sufficient to cover development costs. Project sponsors reported that because of insufficient capital advances, they often had 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 include 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.