

GAO Highlights

Highlights of [GAO-16-424](#), a report to congressional committees

Why GAO Did This Study

Over 151,000 very low-income elderly and disabled households rely on the Section 202 and the Section 811 programs to provide affordable rents and housing with supportive services. Before fiscal year 2012, nonprofit organizations interested in developing units for these populations could apply to HUD for grants known as capital advances, which did not have to be repaid as long as the property continued to serve these populations for 40 years. Since fiscal year 2012, Congress has not appropriated any funding for capital advances for either program, although it has continued to fund rental assistance for existing developments.

The House report accompanying the Consolidated and Further Continuing Appropriations Act of 2015 contained a provision for GAO to provide information on HUD capital advances for the Section 202 and Section 811 programs from 2008–2013.

This report examines (1) how HUD determined the capital advance amounts awarded to sponsors for Section 202 and Section 811 and (2) the number of capital advance awards and amounts by state from fiscal years 2008–2011 and any changes in the distribution of capital advances over that period. GAO reviewed budget documents and funding announcements and interviewed agency officials.

GAO makes no recommendations in this report. GAO provided a draft to HUD for its review and received technical comments, which were incorporated as appropriate.

View [GAO-16-424](#). For more information, contact Daniel Garcia-Diaz, 202-512-8678 or garciafdiaz@gao.gov

May 2016

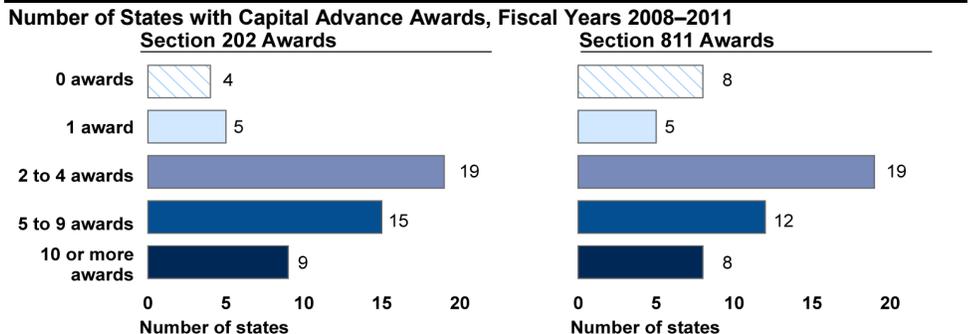
HOUSING FOR SPECIAL NEEDS

Funding for HUD’s Supportive Housing Programs

What GAO Found

Until program funding for new development ceased in fiscal year 2012, the Department of Housing and Urban Development (HUD) used a two-phase process to allocate and award capital advances for Section 202 Supportive Housing for the Elderly (Section 202) and Section 811 Supportive Housing for Persons with Disabilities (Section 811). First, HUD headquarters allocated the amount of appropriated funds for capital advances to each of the 18 regional offices using a funding formula, which accounted for regional housing needs and cost characteristics. Funding was further divided among 52 local offices using a set-aside formula and was also split between metropolitan and nonmetropolitan areas for Section 202. In 2010, HUD eliminated the set-aside which had guaranteed a minimum amount of funding for each local field office. The process for making capital advance awards did not change, but HUD was better able fund properties at a higher level. Second, applicants submitted applications to the applicable HUD regional office, and staff from these offices evaluated and scored applications based on various criteria, including capacity to provide housing and ability to secure funding from other sources. Applicants in each regional office were ranked highest to lowest and funded in that order. Any residual funds that were not sufficient to fund the next project in rank order were pooled nationwide and HUD headquarters used a national ranking to fund additional projects.

Most but not all states (including the District of Columbia and Puerto Rico) had applicants that received capital advances for Section 202 and Section 811 in fiscal years 2008 through 2011. GAO found that some states had applicants that received capital advances in each of the years reviewed, while other states did not. In the period reviewed, four states had no applicants that received Section 202 capital advance awards, and eight states had no applicants that received Section 811 capital advance awards. HUD officials cited several reasons applicants from some states may not have received funding during this period, including applications that were submitted may have been ineligible or higher-scoring applications from other states may have been selected instead. The capital advance amounts varied. For Section 202, total capital advance amounts for fiscal years 2008–2011 for states that received at least one award ranged from less than \$24 million to more than \$75 million. For Section 811, total capital advance amounts for fiscal years 2008–2011 for states that received at least one capital advance award ranged from less than \$4 million to more than \$15 million.



Source: GAO analysis of Housing and Urban Development data. | GAO-16-424