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Nonprofit Developers Seeking Legislation for Senior Housing

By Aglaia Pikounis

Image courtesy Jewish Community Housing for the Elderly

The Jewish Community Housing for the Elderly is planning to build Shillman House, a 150-unit senior housing community in Framingham, which will use funding from the federal Section 202 program.

LOCAL NONPROFIT HOUSING DEVELOPERS ARE pushing for legislation that would make it easier to develop and renovate affordable housing for low-income elderly residents.

The legislation aims to improve the Section 202 program, a federal program that nonprofit organizations throughout the country have tapped into to build and rehabilitate rental housing for low-income tenants. In addition to providing loans for new units, the program provides subsidies so that tenants use only 30 percent of their incomes to pay rent.

A bill filed by U.S. Rep. Tim Mahoney, D-Fla., earlier this summer would make it easier for nonprofit groups that obtain a mix of financing to build projects and refinance to make improvements, streamline the administrative process for approving projects funded under Section 202, and change rental assistance contracts to cover increases in utility costs and other expenses.

The legislation will help nonprofit groups in Massachusetts like the Jewish Community Housing for the Elderly in Brighton.

"The 202 program has really been the 'gold standard' federal housing program," said Ellen Feingold, president of JCHE. "The program has been trouble-free for many years and produced exactly what it was supposed to produce." JCHE has built more than 1,000 apartments for low-income elders in Newton and Brighton and is currently developing a 150-unit mixed-income community in Framingham.

As operational and construction costs increased over the years, nonprofit developers had to use multiple programs to finance their projects because the Section 202 funding wasn't sufficient, explained Feingold. JCHE's new project in Framingham, for example, will use a mix of nine funding sources.

In recent years, developers like JCHE have used both Section 202 funding and the Low Income Housing Tax Credit program.

"What happens is the HUD 202 and the other vehicles for funding affordable housing projects have so many differences, and are so disconnected at present, that it makes it sometimes almost impossible to use both on the same project. Also, the 202 is a lot slower and then you end up with delays and carrying costs and all kinds of other risks," said Mark D. Hinderlie, chief executive officer of Hearth, a Boston-based nonprofit group that has created housing for homeless elders.

Sometimes one funding program's requirements conflict or contradict another's.

"My favorite example is that the maximum apartment size for Section 202 unit is smaller than the minimum size unit for a tax-credit unit," said Feingold, who testified in support of the legislation at a hearing in Washington, D.C., in early September.

The U.S. Department of Housing and Urban Development has made it tough for nonprofit groups that have had to cobble together different sources of funding, according to housing advocates.

"They have been extremely unwilling to bend their own ways of doing things to make it easier to work with other programs," said Feingold.

Developers trying to secure a mix of financing frequently encounter delays because the various programs have different deadlines for applying for funds. James Seagle, president of Rogerson Communities, said the first project that his organization built, the 75-unit Farnsworth House in Jamaica Plain, took 18 months to develop.

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Seagle said Rogerson's latest project, the 46-unit Spencer House that recently opened in Roxbury's Egleston Square, took five years to complete. "You have to get everyone on the same page to get to a loan closing and satisfy program requirements," he noted.

The legislation will help, Seagle added, particularly because it will allow owners to access different funding sources to refinance.

A 'Competitive' Program

A HUD spokesman would not comment on the legislation last week but referred Banker & Tradesman to testimony that John Garvin, HUD's acting deputy secretary for multifamily housing, provided at a Sept. 6 hearing.

In his remarks, Garvin noted that production of Section 202 units declined by approximately 40 percent between 1995 and 2005. The main reason for the drop, he said, was that as rental assistance contracts expire, they are renewed from the same "pot of funds that would otherwise be targeted toward development."

Garvin also mentioned that HUD has proposed a pilot program that would use housing tax credits and other housing resources to expand production under Section 202.

"To prepare for this likely demonstration project, we have contracted with experts in the field [industry stakeholders, housing advocates, etc.] to look at various ways to improve the program," Garvin said in a prepared statement.

There are 297,070 Section 202 assisted-living units for seniors in the United States. The average age of people living in such units is 75 and their average income is about $9,000.

Funding for the Section 202 program has been slashed from $643 million to $511.9 million last year. The Bush administration has proposed $575 million for the program during this fiscal year.

Massachusetts received more than $18.9 million last year to produce 143 units and just over $2 million for five-year rental subsidies, according to Kristine G. Foye, spokeswoman for HUD's New England region. The funds awarded to the Bay State were higher than what it was given in 2005, when the state received approximately $11 million to create 86 units, and $1.9 million for rental subsidies.

"It's one of the most competitive programs we have," said Foye.

A congressional commission, on which Feingold served, reported in 2002 that there were 6.1 million seniors who were living in adequate, substandard or unaffordable housing or who needed services. The commission predicted that the number would balloon to 7.5 million by 2020.

Hinderlie said the proposed legislation would make a tremendous difference for nonprofit developers focused on building affordable elderly housing.

Hearth has never used the Section 202 program. However, if Mahoney's bill is passed, the group would consider using Section 202 financing for up to 80 housing units for previously homeless seniors that the organization is planning to build as part of the Olmsted Green development at the former Boston State Hospital site, according to Hinderlie.

The bill is in the House Financial Service Committee. ■