



HUD Issues NOFA for \$50 Million under Section 202 Supportive Housing for the Elderly Program

By: Benjamin Funk

On April 4th, HUD issued a Notice of Funding Availability (the “NOFA”) making up to \$50 million available for competitive award under HUD’s Section 202 Supportive Housing for the Elderly Program (the “202 Program”). Funding for capital advances under the 202 Program was last made available nearly a decade ago, in 2010. Many developers of, owners of, and investors in affordable housing for very-low income elderly households have anxiously awaited HUD’s posting of the NOFA.

The 202 Program funds project capital costs with “Capital Advances” that bear no interest and require no repayment so long as the owner complies with the 202 Program’s requirements for at least 40 years. Capital Advances may be used to finance the construction, reconstruction, moderate/substantial rehabilitation, or acquisition of a project to be used as supportive housing for very low-income, elderly households. The 202 Program funds project operating costs (and certain supportive services) under a rental subsidy contract known as a Project Rental Assistance Contract (or “PRAC”).

HUD expects successful applicants to demonstrate:

- Best practices or innovation in both physical design and supportive services.
- Promotion of long-term physical and mental health and wellness of residents and efficient delivery of government assistance to facilitate “aging in place.”
- Leveraging of Capital Advance funds with other financing sources (e.g., mixed finance development) to maximize the number of units created per dollar of HUD funding.

ELIGIBLE APPLICANTS: Section 501(c)(3) and 501(c)(4) nonprofit organizations, among others, are eligible. The project owners may include, among others: (a) eligible nonprofit organizations, and (b) in the context of a mixed finance transaction, limited partnerships with all general partner interests ultimately owned and controlled by one or more eligible nonprofit organizations.

AVAILABLE FUNDING: HUD expects to make about 30 awards. Per application, HUD will award from \$50,000 to \$5,000,000 for the Capital Advance and the initial year of the PRAC funding, combined.

- The Capital Advance maximum per project is the Total Development Cost limit for project type and size, as published by HUD.
- PRAC funding for the first year of the PRAC is based on the number of units to be PRAC-assisted, at an amount equivalent to 75% of HUD’s Operating Cost Standard for such units.

- HUD expects to issue a second 202 Program NOFA in 2020 for approximately \$60 million.

APPLICATION REQUIREMENTS: Requirements include, among other things, submission to HUD of:

1. evidence of the unmet housing needs in the proposed development area relative to the number of proposed assisted units (based on Census data and a HUD-prescribed “absorption ratio”).
2. a description of the proposed property, type of building, etc. The PRAC units, which will be developed with Capital Advance funds, must generally be one-bedroom or efficiency units.
3. a detailed development budget and operating pro forma.
4. evidence of site control and documentation for a Part 50 environmental review.
5. in the case of rehabilitation or acquisition, a CNA.
6. evidence of compliance with the HUD-specified design and cost standards, “enhanced livability design standards,” energy and water conservation standards, and site and neighborhood standards (minority concentration).
7. evidence of compliance with regulatory requirements relating to Davis Bacon wage rates, Section 3 employment opportunities, URA requirements and the applicable Consolidated Plan.
8. if applicable, evidence that the site is located in a designated Opportunity Zone.

RATING FACTORS AND SCORING: Section V of the NOFA discusses in detail certain “rating factors” that HUD will apply as the basis for awards. The rating factors include: Concept and Project Proposal (36 points); Market/Needs Assessment (14 points); Capacity, Project Leverage and Committed Funding (40 points); and Land-Use/Zoning (10 points).

APPLICATION AND PROCESSING DEADLINES:

- The Application Package and the Application Instruction should be downloaded from Grants.gov.
- Applications must be submitted before midnight (ET) on August 28, 2019. Applications must generally be submitted electronically through Grants.gov.
- HUD anticipates e-mailing applicants notice of awards under the NOFA by November 30, 2019. Awardees will execute a 202 Agreement Letter to obligate HUD funds, and stipulate the terms and conditions of the award.
- HUD expects awardees to submit a “Firm Commitment Application” within 180 days after executing the 202 Agreement Letter.
- Initial closings/start of construction should occur within 6 to 18 months after the obligation of funds.

HUD’s Program Summary and the NOFA can be viewed via the following links:

[HUD’s Section 202 Supportive Housing for the Elderly Program](#) & [NOFA](#).

HUD will host a single, national webinar at 2 PM (ET) on Thursday, April 25, 2019. To register, please [click here](#).

Should you have any questions about this KH Housing Alert or the NOFA, please contact Ben Funk or another Klein Hornig attorney. Ben may be reached at bfunk@kleinhornig.com or (202) 495-7209.