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HUD Issues NOFA for \$150 Million Under Section 202 Supportive Housing for the Elderly Program



On January 12th, HUD issued a Notice of Funding Availability (“**NOFA**”), available [here](#), making up to \$150 million available for competitive awards under HUD’s Section 202 Supportive Housing for the Elderly Program (the “**Section 202 Program**”). Funding for the Section 202 Program was last awarded in 2019, and prior to that, in 2010. The funding for this NOFA includes the remainder of the federal funds appropriated for FY 18, as well as funds appropriated for FY 19 and a portion of the funds appropriated for FY 20. Many developers, owners, and investors have anxiously awaited HUD’s posting of this NOFA.

PURPOSE AND SCOPE: The Section 202 Program funds projects designed to promote the long-term wellness of very low-income households (at or below 50% AMI) composed of at least one member who is 62 years of age or older (“**Elderly Households**”). The Section 202 Program funds capital costs with “Capital Advances” that bear no interest and require no repayment so long as the owner complies with the Section 202 Program’s requirements for at least 40 years. Capital Advances may be used to finance the construction, reconstruction, moderate or substantial rehabilitation, or acquisition of a project to be used as supportive housing for very low-income, elderly households. Project operating costs (and certain supportive services) are funded under a rental subsidy contract known as a Project Rental Assistance Contract (“**PRAC**”).

HUD expects successful applicants to demonstrate that they:

- will produce housing that is physically designed to promote the long-term wellness of Elderly Households and allow them to age in place;
- can provide a robust package of services that support the health and social well-being of Elderly Households; and
- will leverage Capital Advance funds with other financing sources to maximize the number of units created per dollar of HUD funding. Capital Advance funds are encouraged to be used in combination with other non-Section 202 Program funding, but they may only be used in connection with units that will be assisted under the PRAC. PRAC units may be developed or placed within a property that also includes non-PRAC residential units (whether restricted as affordable or rented at market rates) and non-residential units (such as first floor commercial space).

Capital Advance Funds cannot be used:



- for acquisition of facilities currently owned and operated by the applicant as housing for the elderly, except with rehabilitation as defined in 24 CFR 891.105;
- for the financing or refinancing of federally assisted units or properties encumbered by federally insured debt;
- for units in Section 202 direct loan projects previously refinanced under the provisions of Section 811 of the American Homeownership and Economic Opportunity Act of 2000, 12 U.S.C. 1701q; and
- to construct or operate assisted living facilities, nursing homes, infirmaries, medical facilities, mobile homes, community centers, headquarters for organizations for the elderly, or residential units without individual kitchens and/or bathrooms ("single room occupancy" units) that are not shared.

ELIGIBLE APPLICANTS: Section 501(c)(3) and 501(c)(4) nonprofit organizations, among others, are eligible to apply. 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 approximately 45 awards under this NOFA. HUD will award up to \$20,000,000 per project 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. The PRAC funding for the first year of the PRAC is based on the number of units to be PRAC-assisted and on HUD's Operating Cost Standard for such units (see Appendix A of NOFA).

KEY CHANGES FROM PREVIOUS NOFA: Funding for this program was last provided in 2019. The following key changes are new to this NOFA:

- Provides additional discussion of site and neighborhood standards review;
- Provides greater specificity around the building design rating factor and accessibility requirements;
- Adds rating factor points for project located in Opportunity Zones; and
- Allows the operating pro forma to cover hard debt service expenses if the applicant states its intention to pursue a RAD for PRAC conversion in the future (see this KH Housing Alert for more information about RAD for PRAC conversions), or if the project includes revenue-producing commercial space or non-RAD units.

Applications must be submitted by **May 26, 2021** through Grants.gov. For more information, please see HUD's summary, the NOFA, and FAQs. HUD will also host a national webinar to discuss the NOFA and answer questions on January 27th at 1pm ET.

Author





Chris Hornig
Partner
chornig@kleinhornig.com
202.926.3402

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