United States General Accounting Office

GAO

Report to the Special Committee on Aging, U.S. Senate

May 2003

ELDERLY HOUSING

Project Funding and Other Factors Delay Assistance to Needy Households

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GAO-03-512

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Highlights

Highlights of GAO-03-512, a report to Special Committee on Aging, U.S. Senate

May 2003

ELDERLY HOUSING

Project Funding and Other Factors Delay Assistance to Needy Households

Why GAO Did This Study

According to the Department of Housing and Urban Development (HUD), the most widespread and urgent housing problem facing elderly households is affordability. About 3.3 million elderly renter households in the United States have very low incomes (50 percent or less of area median income). 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. GAO was asked to determine the role of the Section 202 program in addressing the need for affordable elderly housing and the factors affecting the timeliness of approving and constructing new projects.

What GAO Recommends

GAO is making recommendations to reduce the time required for projects to receive approval from HUD to start construction. Specifically, GAO is recommending 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 is also making other recommendations to improve HUD's administration and oversight of the 202 program's performance.

GAO provided a draft of this report to HUD for comment. HUD agreed with the report's conclusions and recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-03-512.

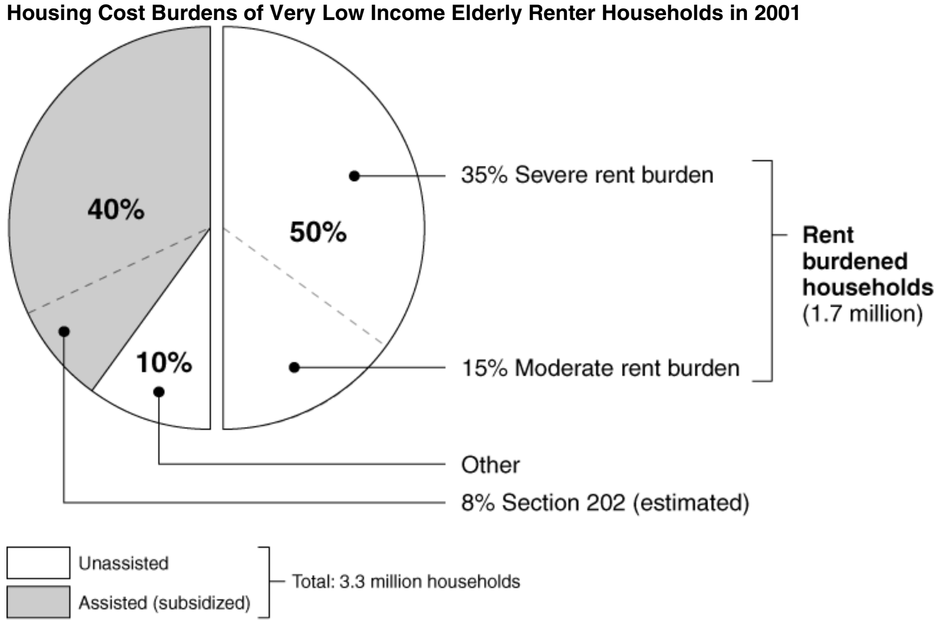
To view the full product, including the scope and methodology, click on the link above. For more information, contact David G. Wood at (202) 512-8678 or WoodD@gao.gov.

What GAO Found

HUD's Section 202 program provides a valuable housing resource for very low income elderly 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 income and the need for supportive services. The Section 202 program, which offers about 260,000 rental units nationwide and ensures that residents receive rental assistance and access to services that promote independent living, is the only federal program devoted exclusively to providing this type of housing. However, even with the program's exclusive focus, Section 202 has reached only about an estimated 8 percent of very low income elderly households.

About three-quarters 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, in particular capital advances that were not sufficient to cover development costs. Project sponsors reported that insufficient capital advances often forced them 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 included 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.

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Figures

Abbreviations

AHS	American Housing Survey
AMI	area median income
BMIR	below-market interest rate
DAP	Development Application Processing System
FHA	Federal Housing Administration
HFA	housing finance agencies
HUD	Department of Housing and Urban Development
PRAC	project rental assistance contract
REMS	Real Estate Management System

United States General Accounting Office
Washington, D.C. 20548

May 30, 2003

The Honorable Larry Craig
Chairman
The Honorable John Breaux
Ranking Minority Member
Special Committee on Aging
United States Senate

According to the Department of Housing and Urban Development (HUD), the most widespread and urgent housing problem facing elderly households is affordability—that is, finding housing that is not too expensive relative to household income.[1] In 2001, there were about 26 million households nationwide in which the householder or householder's spouse was 62 years or older.[2] Of these elderly households, about 3.3 million were renters with very low incomes, which HUD defines as 50 percent or less of area median income. The Section 202 Supportive Housing for the Elderly Program (the Section 202 program) provides funds to nonprofit organizations to develop affordable rental housing exclusively for very low income elderly households that are not receiving other forms of housing assistance. In fiscal year 2002, the Section 202 program received about $783 million in appropriations to fund, among other things, the construction of over 6,000 rental units.

The Section 202 program provides two types of financial support to nonprofit sponsors that develop and operate projects. First, project sponsors receive a capital advance, or a grant, to cover land and construction costs for projects of modest design that comply with HUD's minimum property standards. HUD determines the amounts of capital advances using its published development cost limits, adjusted for areas with high construction costs. HUD's policy is to have the capital advance cover total development costs without the need for sponsors to obtain additional funding from other sources. Second, after the project is completed and elderly tenants move in, the sponsor receives monthly

[1]U.S. Department of Housing and Urban Development. Housing Our Elders. (Washington, D.C.: 1999). Also see Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century. A Quiet Crisis in America: A Report to Congress. (Washington, D.C.: 2003).

[2]A householder is the person whose name is on the lease, deed, or mortgage. We chose 62 years to be consistent with HUD's definition of elderly.

rental assistance payments to defray some of the operating expenses. The combination of a debt-free project and rental assistance payments enables project sponsors to offer units at rents that are generally equal to 30 percent of the renter's income. Section 202 also has requirements to ensure that sponsors make the appropriate supportive services, such as housekeeping and transportation, available to elderly tenants.

Each year HUD announces the availability of Section 202 funds. Potential project sponsors submit their applications for these funds to HUD's field offices. An application includes the description of the sponsor's nonprofit status, past experiences in providing housing and supportive services, and the housing needs of the elderly in the market area to be served. Once the applications are ranked according to criteria published in the *Federal Register*, field offices make their selection recommendations to HUD headquarters. If HUD headquarters approves these recommendations, HUD reserves funds for these proposed projects and sends notification letters to project sponsors. Between the time HUD sends notification letters and approves the start of construction, the sponsors' must complete, and HUD must approve, design plans and other documentation. These actions are referred to as *project processing*. Generally, 45 of HUD's 81 field offices are responsible for processing Section 202 projects.

HUD's guidelines stipulate that HUD field offices and project sponsors should complete project processing within 18 months of the date the funding is awarded.[3] However, the field offices may grant extensions of up to 6 months. Delays in processing hold up the distribution of funds and contribute to the program's annual unexpended balances.[4] Between fiscal years 1998 and 2002, for example, the program's unexpended balances increased from about $4.8 billion to $5.2 billion. Delays in processing also hinder efforts to provide much-needed housing to very low income elderly renter households.

This report addresses the role of the Section 202 program in responding to the housing affordability needs of elderly renter households with very low incomes and the program's timeliness in processing projects for construction and expending appropriated funds. As agreed with your

[3]These guidelines are based on HUD regulation (24 C.F.R. 891.165).

[4]Unexpended balances include cumulative budget authority that has not been spent (outlayed) and that may be carried over from one year to the next. These balances may include either obligated or unobligated funds.

offices, our report discusses: (1) the role of the Section 202 program in meeting the housing needs of elderly renter households with very low incomes, (2) the extent to which Section 202 projects meet HUD's time guideline for project processing, and (3) the factors that keep Section 202 projects from meeting HUD's time guideline for project processing.

To address these objectives, we analyzed data from the American Housing Survey and other sources on the affordability of rental housing for very low income elderly households and the levels of assistance the Section 202 program provides.[5] In addition, we reviewed HUD program and budget data, surveyed all HUD field offices that process Section 202 projects, conducted site visits at selected offices, surveyed and interviewed project sponsors and consultants experienced in working with the Section 202 program, and observed a HUD training program on processing Section 202 projects. Unless stated otherwise, our analysis focused on Section 202 projects funded between fiscal years 1998 and 2000. Lack of reliable program data prevented us from reviewing all Section 202 projects funded before fiscal year 1998. Appendix I provides detailed information on our scope and methodology.

We conducted our work primarily in Washington, D.C., between May 2002 and March 2003, in accordance with generally accepted government auditing standards.

Results in Brief

As the only federal housing program that targets all of its rental units to very low income elderly households, Section 202 is an important source of affordable housing for these households. Because very low income elderly households often have difficulty affording market rents, program funding is directed to localities based in part on their proportions of elderly renter households that have a housing affordability problem—that is, that pay over 30 percent of their income for rent. Nationwide, about half of the 3.3 million elderly renter households with very low incomes have a housing affordability problem and do not receive government housing assistance.

[5]The survey, which the Bureau of the Census conducts for HUD, collects data on the nation's housing in odd-numbered years. The national sample covers approximately 55,700 housing units. All numerical estimates derived from the American Housing Survey have sampling errors of ±10 percent or less of the value of those numerical estimates, unless otherwise noted. All percentage estimates have sampling errors of ±6 percentage points or less, unless otherwise noted.

Section 202 insulates tenants in housing units subsidized by the program from increases in housing costs by limiting rents to 30 percent of household income. Section 202 provided housing for an estimated one-fifth of the 1.3 million renter households that received government housing assistance. Even with the program's exclusive focus on these households, Section 202 has reached less than 8 percent of eligible households. And though some other federal programs provide more rental housing for the elderly, they do not focus exclusively on the very low income group.

More than 70 percent of Section 202 projects funded between 1998 and 2000 were delayed—that is, these projects took longer than the 18 months set out in HUD's guidelines to proceed from the date of the funding award to the date of HUD's approval to start construction. However, a majority of projects were approved for construction within 24 months, or 18 months plus the 6-month discretionary extension. Projects located in metropolitan areas were more than twice as likely as projects in nonmetropolitan areas to exceed the 18-month guideline. Further, projects that exceeded the 18-month guideline ultimately took an average of 11 months longer to finish than projects that met the time guideline, and these delayed projects contributed to the program's unexpended fund balances. At the end of fiscal year 2002, 14 percent of the Section 202 program's $5.2 billion in unexpended funds was associated with projects that had not yet been approved for start of construction after 18 months.

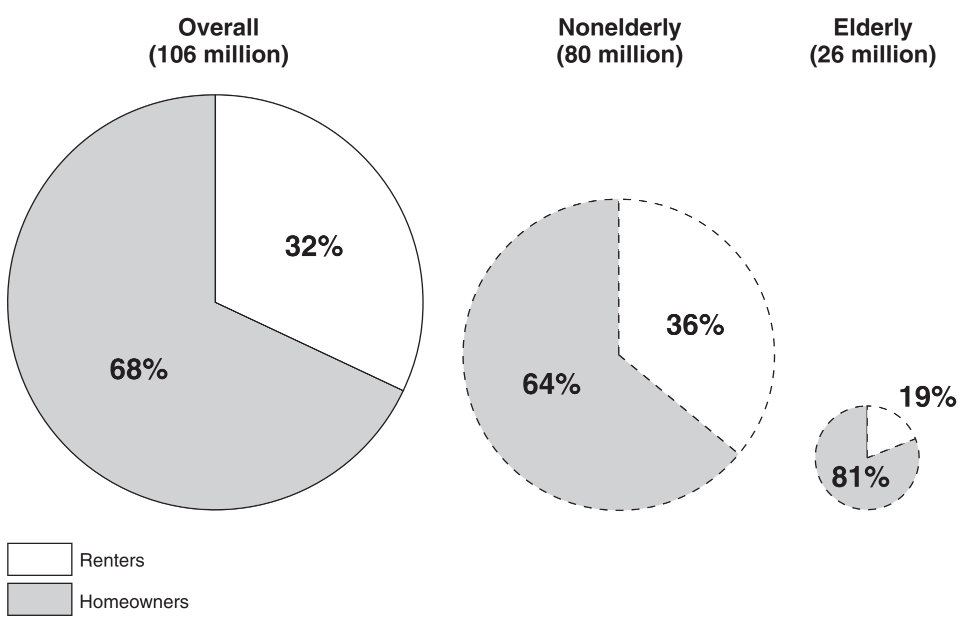
Several factors impeded the timely processing of projects, according to project sponsors, consultants, and HUD field office staff. First, despite HUD's development cost policy, the capital advances that HUD awards do not always cover the cost of developing projects. Field offices, sponsors, and consultants reported that this factor often prolonged processing time, in part because sponsors needed to seek additional funding. We found that field offices that cited capital advance shortfalls and the need for sponsors to seek outside funding were less likely to have met the 18-month processing time guideline, compared with field offices that did not report these problems. Second, field offices, sponsors, and consultants reported that inconsistent implementation of procedures HUD adopted to streamline processing by field office staff, as well as limited training and out-of-date guidance on processing policies and procedures, impeded timely processing. Third, prolonged response times from HUD headquarters on requests for additional funds or time have affected processing times, according to project sponsors and consultants and HUD field offices. Fourth, HUD's project monitoring system has limitations that may impede HUD's ability to oversee project timeliness. Finally, field offices, sponsors, and consultants reported that other factors—including inexperienced sponsors and local requirements in areas such as permitting and zoning—negatively affected processing time for some projects.

This report contains recommendations to the Secretary of HUD designed to improve both the timeliness of project processing and program oversight.

Background

Elderly households occupied about 25 percent (26 million) of the approximately 106 million housing units in the U.S. in 2001, according to the Housing Survey. A large majority of these elderly households were homeowners. The homeownership rate was considerably higher for elderly households than for nonelderly households (fig.1). A smaller share of elderly households (19 percent) rented their homes. These elderly renter households comprised about 15 percent of all renter households nationwide.

Figure 1: U.S. Homeowners and Renters in 2001



Source: GAO analysis of the American Housing Survey, 2001.

The Housing Act of 1959 (P.L. 86-372) established the Section 202 program, which began as a direct loan program that provided below-market interest rate loans to private nonprofit developers, among others, to build rental housing for the elderly and people with disabilities. In 1990, the Cranston-Gonzalez National Affordable Housing Act (P.L. 101-625) modified Section 202 by converting it from a direct loan program into a capital advance program. In addition, the 1990 act created Section 811, another capital advance program, to produce housing specifically for people with disabilities and limited Section 202 to housing for the elderly.

In its current form, Section 202 provides capital advances—effectively grants—to private nonprofit organizations (usually referred to as sponsors or owners) to pay for the costs of developing elderly rental housing. As long as rents on the units remain within the program's guidelines for at least 40 years, the sponsor does not have to pay back the capital advance. HUD calculates capital advances in accordance with development cost limits that it determines annually. These limits must account for several factors, including the costs of construction, reconstruction, or rehabilitation of supportive housing for the elderly that meets applicable state and local housing and building codes. HUD must, by statute, use current data that reflect these costs for each market area.[6] HUD's policy is that these limits should cover the reasonable and necessary costs of developing a project of modest design that complies with HUD's minimum property standards, accessibility requirements, and project design and cost standards. Once HUD calculates a capital advance, the amount is placed on reserve, and the funds are made available to the sponsor.[7]

To be eligible to receive Section 202 housing assistance, tenants must have (1) one household member who is at least 62 years old and (2) household income that does not exceed the program's income limits. HUD has established general income categories that it and other federal agencies use to determine eligibility for many federal rental housing assistance programs (table 1).[8] These amounts are subject to adjustments in areas

[6]12 U.S.C. 1701q(h)(1).

[7]In addition, HUD requires a minimum capital investment (generally not to exceed $10,000) to assure the sponsor's commitment to the housing.

[8]These other agencies include the Internal Revenue Service within the Department of the Treasury and Rural Housing Service within the Department of Agriculture. Both of these agencies administer affordable rental housing programs.

with unusually high or low incomes or housing costs and are published. Only very low income households—those with incomes below 50 percent of the area's median income—are eligible for the Section 202 program.

Table 1: HUD Income Categories

Income category	Percent of area median income
Low income	80%
Very low income	50%
Extremely low income	30%

Source: HUD.

Note: HUD does not officially refer to this category as "extremely low income," but the term is commonly used by housing experts to describe households that have incomes that do not exceed 30 percent of area median income.

Very low income households in Section 202 projects generally pay 30 percent of their income for rent. Because tenants' rent payments are not sufficient to cover the property's operating costs, the project sponsor receives an operating subsidy from HUD, called a project rental assistance contract. Under the project rental assistance contract, HUD pays the difference between the property's operating expenses (as approved by HUD) and total tenant rental receipts.[9] Section 202 rental assistance is a project-based subsidy and, as such, is tied to rental units. The households receiving assistance can benefit from a project-based subsidy only while living in Section 202 units.

For fiscal year 2002, Congress appropriated about $783 million for the Section 202 program to fund the construction of over 6,000 new units as well as new multiyear rental assistance contracts, service coordinators, renewals of expiring rental assistance contracts, and other activities as authorized by Section 202. From year to year, the Section 202 program has carried balances of unexpended appropriated dollars. According to HUD, in fiscal year 2002, the unexpended balance for Section 202 was approximately $5.2 billion. About 41 percent of this balance was for capital advance funds and 59 percent for rental assistance funds. Generally, some of the program's unexpended funds have not yet been awarded to projects,

[9]The term on rental assistance contracts is 5 years, although HUD has authorized these contracts for as long as 20 years. After these contracts expire, HUD renews them for 5 years, subject to the availability of funds.

and others are attributable to projects that have not begun construction. Once construction begins, funds are expended over several years during the construction phase and during the term of the project rental assistance contract. See appendix II for additional budgetary data for the Section 202 program.

Section 202 Is an Important Source of Housing for Elderly Households with Very Low Incomes

Section 202 is the only federal housing program that targets all of its rental units to very low income elderly households. Because these households often have difficulty affording market rents, program funding is directed to localities based in part on their proportions of elderly renter households that have a housing affordability problem—that is, that pay over 30 percent of their income for rent and do not receive housing assistance. Nationwide, about 1.7 of the 3.3 million elderly renter households with very low incomes have a housing affordability problem. Section 202 insulates tenants in housing units subsidized by the program from increases in housing costs by limiting rents to 30 percent of household income. The program is a significant source of new and affordable housing for very low income elderly households: in 2001, 1.3 million such households received government housing assistance (about 40 percent of the total), and Section 202 provided housing for roughly one-fifth of them. Even with the program's exclusive focus on the very low income elderly, Section 202 has reached only a small share of eligible households. Though some other federal programs provide more housing for the elderly, they do not focus exclusively on these renter households.

Section 202 Targets Very Low Income Elderly Households and Makes Supportive Services Available

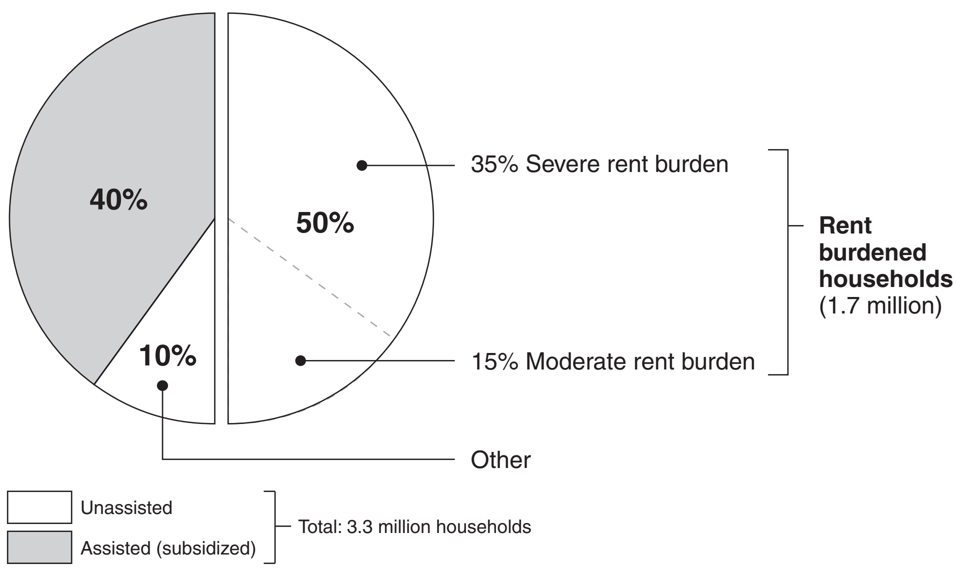
Congress specifically intended the Section 202 program to serve very low income elderly households and to expand the supply of affordable housing that can accommodate the special needs of this group.[10] HUD takes into account the level of need for the kind of housing Section 202 provides when allocating program funds to the field offices. Thus, the criteria for allocating funds to the offices include, among other things, the total number of very low income elderly renters in the area and the number in this group that pay more than 30 percent of their incomes for rent.

HUD's allocation formula takes into account the amount of rent households pay in relation to their income. According to the American Housing Survey,

[10] 12 U.S.C. 1701q(a).

in 2001 about 1.7 million households paid over 30 percent of their income for rent.[11] HUD classified the “rent burden” these households face as either “moderate”—between 31 and 50 percent of household income—or “severe”—more than 50 percent of household income. As figure 2 illustrates, about 35 percent (over 1 million) of all elderly renter households with very low incomes had severe rent burdens, and about 15 percent (about 500,000) had moderate rent burdens.[12] For detailed data on housing needs of these households, including data for metropolitan and nonmetropolitan areas, see appendix III.

Figure 2: Housing Cost Burdens of Very Low Income Elderly Renter Households in 2001



Source: GAO analysis of the American Housing Survey, 2001.

Note: Other includes households that reported zero or negative income or no rent burden.

[11]As in other surveys, estimates from the American Housing Survey are subject to both sampling and nonsampling errors. Appendix III provides the sampling error for all estimates presented in this report and discusses the types of nonsampling errors that may affect the estimates.

[12]The sampling error for these half a million households with moderate rent burden was about ±78,410.

Since Section 202 provides projects with rental assistance payments that cover a portion of the rent for each unit, the tenants themselves pay rents that equal a percentage of their household incomes—generally 30 percent. This percentage remains constant, so the amount of rent tenants pay increases only when household income rises, protecting them from rent increases that might be imposed in the private housing market when, for example, market conditions change. In contrast, low income elderly renter households that do not receive this type of assistance—especially those with very low incomes—are vulnerable to high rent burdens and increases in housing costs. Most of these households have few or no financial resources, such as cash savings and other investments, and rely primarily on fixed incomes that may not increase at the same rate as housing costs.

Section 202 serves another important function, potentially allowing households to live independently longer by offering tenants a range of services that support independent living—for example, meal services, housekeeping, personal assistance, and transportation. HUD ensures that sponsors have the managerial capacity to assess residents' needs, coordinate the provision of supportive services, and seek new sources of assistance to ensure long-term support. HUD pays a small portion of the costs of providing these services through its rental assistance payments.[13]

Section 202 Provides an Estimated One-fifth of All Government-subsidized Housing for Very Low Income Elderly Renters

Section 202 is an important source of housing for elderly households with very low incomes.[14] Between 1998 and 2001, Section 202 approved the construction of from 3,890 to 7,350 assisted units annually, for an average of about 5,690 units. According to the American Housing Survey, in 2001 about 1.3 million, or 40 percent, of elderly renter households with very low incomes received some form of rental assistance in 2001 from a government housing program, including Section 202, public housing, or housing vouchers (fig. 2).[15] According to our analysis of HUD program data, about 260,000 Section 202 units with rental assistance contracts (assisted units) generally served very low income elderly households through 2001. Taken together, these two sources of data suggest that around one-fifth of

[13]Tenants can also make co-payments to defray some of the services expenses.

[14]The exact share of elderly units provided through the Section 202 program in relation to all federal housing programs cannot be calculated because many of these programs are used in combination with each other.

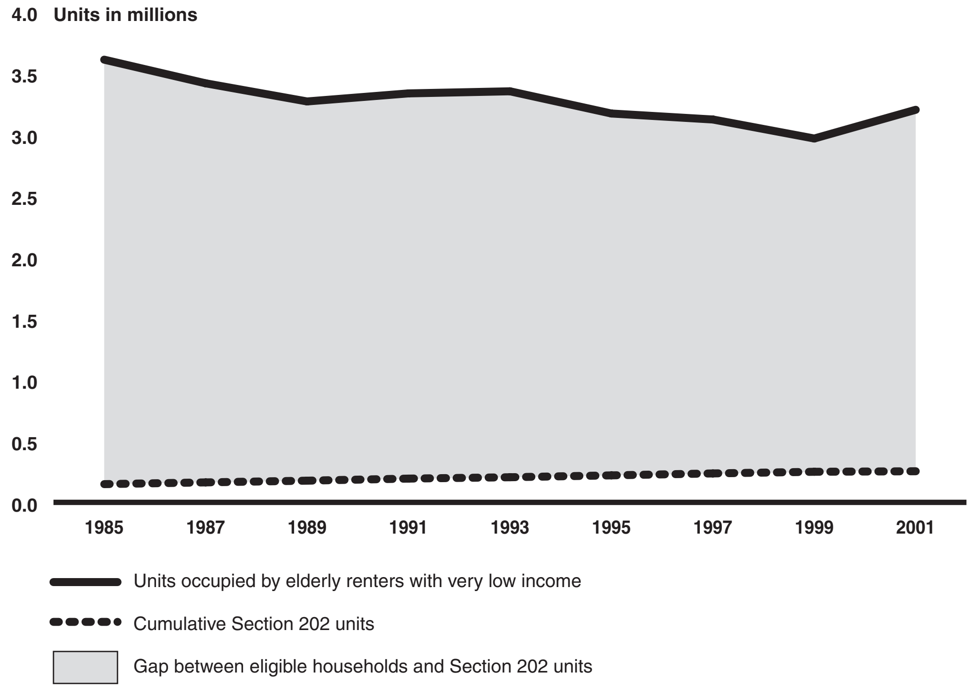
[15]These programs are described in appendix IV.

the 1.3 million assisted households identified in the American Housing Survey received assistance from Section 202.[16]

Although Section 202 is an important source of affordable elderly housing, the program reached a relatively small fraction of very low income elderly renter households. Between 1985 and 2001 the number of units assisted under the Section 202 program grew by about 4 percent annually, while the number of very low income elderly renter households declined by almost 1 percent annually. Yet at any given point in this period, Section 202 had reached no more than about 8 percent of these households that were eligible for assistance under the program (fig. 3). Also, during this period, many of these elderly renter households with very low incomes—ranging from about 45 to 50 percent—had housing affordability problems.

[16]Since this estimate is derived from two different sources, we cannot give a precise percentage, and thus, this estimate is intended to be illustrative. Appendixes I and III contain discussions of the data limitations in both of these sources.

Figure 3: Units Developed under Section 202 Compared with All Units Occupied by Very Low Income Elderly Renter Households, 1985 to 2001



Sources: GAO analysis of HUD Real Estate Management System and HUD tabulation of the American Housing Survey, 1985-2001.

Other federal programs that develop rental housing generally target different income levels, serve other populations in addition to the elderly (including families with children and people with disabilities) and do not require housing providers to offer supportive services for the elderly. For example, the Low-Income Housing Tax Credit Program, the largest of all current production programs, subsidizes the construction of about 86,000 units annually. However, according to one source, only around 13,200 of these units are intended for the elderly—and, unlike Section 202, not all of these units serve very low income elderly renter households.[17] In addition, these programs also do not have specific requirements ensuring that supportive services be available to elderly tenants. Appendix IV provides additional information on other federal housing programs.

[17]Seniors Commission 2002, 53.

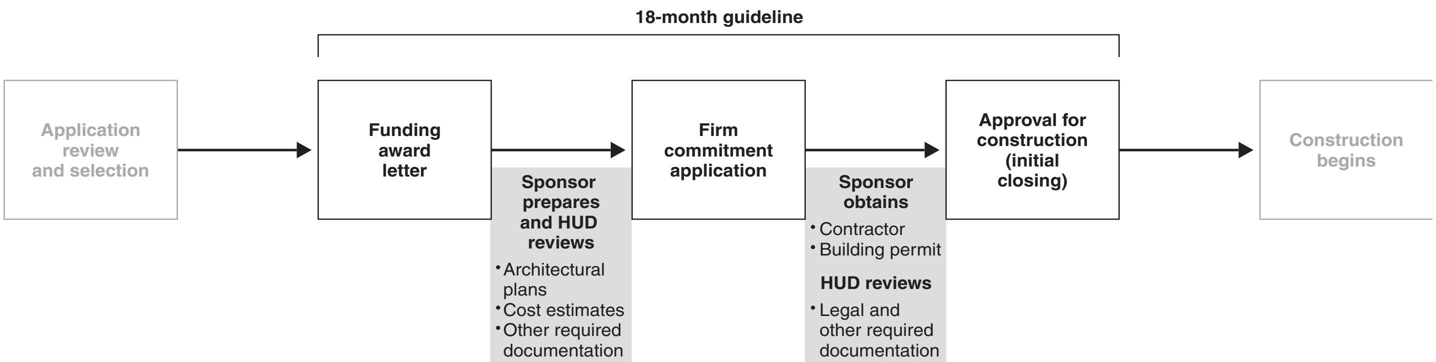
Section 202 Projects Reviewed Generally Did Not Meet Guidelines for Timeliness

According to HUD policy, Section 202 projects should complete project processing and be approved to start construction within 18 months after they are funded. Overall, 73 percent of Section 202 projects funded between fiscal years 1998 and 2000 did not meet this processing time guideline. However, about 55 percent of the projects were approved within 24 months. Projects located in metropolitan areas were about twice as likely as projects in nonmetropolitan areas to take more than 18 months to be approved. The percentage of projects approved within the specified time frame differed widely across HUD's field offices, with field offices located in the northeast and west approving the lowest percentages. As well as taking longer to complete than other projects—thus delaying benefits to very low income elderly tenants—projects that were not approved for construction after the 18-month time frame accounted for 14 percent of the Section 202 program's balance of unexpended appropriations.

HUD Expects Projects to Be Approved to Start Construction within 18 Months

Once HUD has made a funding award for a Section 202 project, HUD field office staff and project sponsors must complete various tasks, meetings, and paperwork before construction can commence (fig. 4). In this report, we refer to the tasks that take place between (1) the date when HUD sends a funding award letter to the sponsor and (2) the date that HUD authorizes the sponsor both to begin construction and to start drawing down the capital advance amount (initial closing) as *project processing.* The duration of the project processing period depends, in part, on project sponsors' timeliness in submitting the required documentation to HUD's field office reviewers. For example, sponsors must create owner corporations, hire consultants, obtain local permits and zoning approval, and design architectural and cost plans, among other things. HUD field offices must review all documentation before projects can be approved for construction.

Figure 4: Section 202 Project Processing



Source: GAO presentation based on flowchart provided by HUD.

As figure 4 illustrates, HUD's current time guideline for project processing is 18 months. Individual field offices have the discretion to extend processing for up to 6 more months without approval from HUD headquarters, but all extensions beyond those additional 6 months (that is, 24 months after the funding award) require approval from headquarters. After construction is authorized to begin, HUD gradually expends capital advance funds to cover development costs incurred by the sponsor. When construction is completed, HUD approves the final costs, and sponsors can begin leasing to eligible tenants. Over time, sponsors draw down funds from the reserved rental assistance amounts to support operating costs.

To help assure that field office staff and project sponsors could complete project processing requirements within the 18-month time guideline, HUD adopted changes in 1996 that were intended to streamline procedures.[18] One of the key changes included requiring field office staff to accept sponsor-provided certifications of architectural plans, cost estimates, and land appraisals. Previously, field office staff performed detailed technical reviews of these items. According to HUD policy, these streamlined procedures should have been used to process all projects in our analysis, which were funded between fiscal years 1998 and 2000.

[18]HUD Notice H 96-102.

HUD Took Longer Than 18 Months to Approve Most Projects for Construction

Most Section 202 projects that received funding awards did not receive approval to begin construction within the 18-month guideline set out by HUD. Altogether, 73 percent of projects funded from fiscal years 1998 through 2000 did not meet the 18-month guideline. These projects accounted for 79 percent of the nearly $1.9 billion in funding awarded to projects during this period. The percentage of projects exceeding the guideline remained relatively stable over the years at around 72 percent (fiscal year 1998) to 75 percent (fiscal year 2000). During this period, the projects located in metropolitan areas (72 percent of all projects) were about twice as likely as projects in nonmetropolitan areas to exceed the 18-month guideline (see app. V for more detail).[19]

HUD field offices may grant up to 6-month extensions after the 18-month guideline for projects needing more time to gain approval to start construction, and many projects were approved within that 6-month time frame. HUD approved 55 percent of the projects funded from fiscal years 1998 through 2000 for construction within 24 months of the funding award—27 percent within 18 months and 28 percent within 19 to 24 months. The remaining 45 percent of projects took more than 24 months to be approved. In addition, metropolitan projects were about twice as likely as nonmetropolitan projects to take more than 24 months to gain approval to start construction.

Field Offices' Performance in Meeting the Time Guideline Varied

We looked at the performance of the 45 individual HUD field offices that process Section 202 projects and found that they had varying degrees of success in meeting the 18-month guideline. We evaluated their performance by estimating the percentage of projects approved for construction (project approval rate) within 18 months for each field office. Among these offices, the median project approval rate for construction within 18 months was 22 percent (table 2), but field offices' performance varied widely. Eight field offices had no projects that met the 18-month guideline, while more than 90 percent of projects at one office did (see app. V for a breakdown of approval rates by field office). Field offices' performance varied by region, with those located in the northeast and west being least likely to approve

[19]HUD allocates Section 202 funding among field offices using a formula that targets funds based on the unmet needs of elderly renter households with housing problems. Also, the program allocates 85 percent of funding to metropolitan areas and 15 percent to nonmetropolitan areas.

projects within 18 months of the funding award. Table 2 also shows the rate of projects approved within 24 months.

Table 2: Field Office Performance in Approving Projects for Construction within 18 and 24 Months

Median project approval rate for field offices		
	Within 18 months	**Within 24 months**
All field offices	22%	60%
Offices in northeast	9%	36%
Offices in west	15%	41%
Offices in south	34%	71%
Offices in midwest	29%	71%

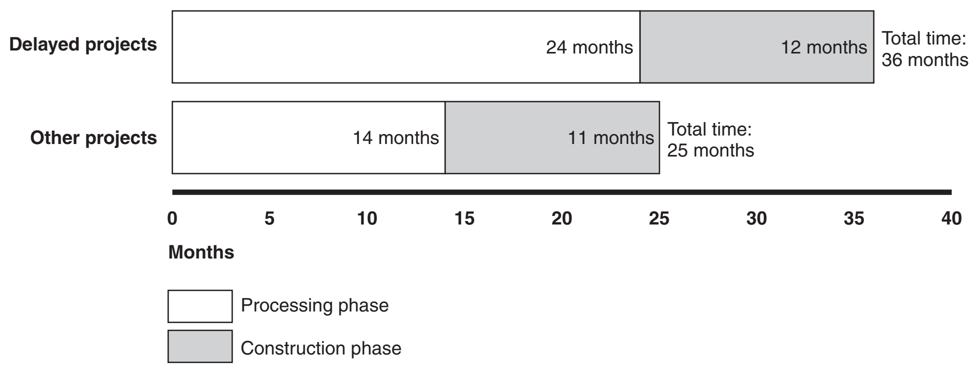
Source: GAO analysis of HUD's Development Application Processing (DAP) System, December 2002.

Note: The Puerto Rico field office is included in the median calculation for all field offices, but it is not part of any region, according to the Bureau of the Census definition.

Delayed Projects Affect the Program's Production Times and Expenditures

Meeting processing time guidelines is important because most of the delays in total production time—that is, the time between funding award and construction completion—stem from the project processing phase. When we compared the average total production times for completed projects that did not meet HUD's 18-month processing guideline and those that did, the delayed projects took 11 months longer than other projects to proceed from funding award to construction completion (fig. 5). Since the average time taken for the construction phase was very similar for all projects, most of the 11-month difference in total production time was attributable to the extra 10 months that delayed projects took to complete the processing phase.

Figure 5: Average Elapsed Time for Completed Section 202 Projects Funded in Fiscal Years 1998 and 1999

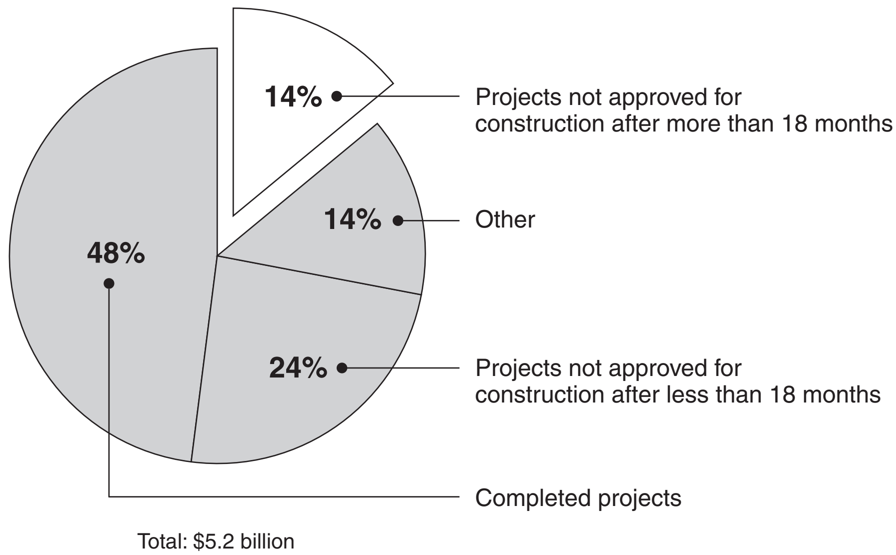


Source: GAO analysis of HUD DAP system, December 2002.

Note: Projects funded in fiscal year 2000 are excluded from this analysis because no delayed projects had completed construction.

Delayed processing of Section 202 projects also affected the Section 202 program's overall balances of unexpended appropriations. At the end of fiscal year 2002, for example, HUD had a total of $5.2 billion in unexpended Section 202 funds (fig. 6). A relatively small part of these unexpended funds—about 14 percent—was attributable to projects that had not yet been approved to start construction, even though they had exceeded HUD's 18-month processing time guideline. Consequently, none of the funds reserved for these projects had been expended. By contrast, the remaining 86 percent of unexpended funds were associated with projects for which HUD was in the process of expending funds for construction or rental assistance. For example, almost half of the unexpended balances—about 48 percent—resulted from projects that had already been completed but were still drawing down their rental assistance funds as intended under the multiyear project rental assistance contract between HUD and the project sponsor. (For additional details on unexpended fund balances, see app. II.)

Figure 6: Section 202 Unexpended Fund Balances as of End of Fiscal Year 2002



Source: GAO analysis of HUD DAP system and budget data as of September 30, 2002.

Note: Other includes projects under construction and funding for other program purposes.

Various Factors Can Impede the Timely Processing of Projects

Our review of projects funded from fiscal years 1998 through 2000 shows that several factors can prevent Section 202 projects from meeting the 18-month processing time guideline, including: issues related to capital advances, field office practices and the training and guidance that HUD has provided to field office staff, and HUD's program administration and oversight. First, despite HUD's intent, capital advances were not always sufficient to meet development costs. According to some sponsors and consultants, this factor often led sponsors to seek funding from other sources, including other HUD programs, which takes time. Second, some field offices, sponsors, and consultants reported that some field office staff had not fully implemented HUD's streamlined processing procedures and that HUD had offered only limited training and guidance to field office staff on processing policies and procedures. Third, additional time was needed for cases in which HUD headquarters responded to project sponsors' requests for additional funds or processing time. Fourth, limitations in HUD's project monitoring system impeded its ability to oversee project processing. Finally, factors external to HUD, such as sponsors' level of development experience and requirements established by local governments, also hindered processing.

Insufficient Capital Advances Caused Some Sponsors to Seek Other Funding

Although HUD policy intends for capital advances to fund the cost of constructing a modestly designed project, capital advances have not always been sufficient to cover these expenses.[20] HUD field staff, project sponsors, and consultants reported that program limits on capital advances often kept projects from meeting HUD's time guideline for approving projects for construction. Most field offices, and every sponsor and consultant that we surveyed, reported that insufficient capital advances negatively affected project processing time, and a substantial majority of respondents indicated that this problem occurred frequently (fig. 7). Many respondents also reported that securing secondary financing to supplement the capital advance amount often added to processing time. According to some sponsors and consultants, the capital advance amounts set by HUD were often inadequate to cover land, labor, and construction costs as well as fees imposed by local government. As a result, sponsors had to seek secondary financing from other federal, state, and local resources—including other HUD programs—or redesign projects to cut costs, or both. Some sponsors and consultants said that the search for secondary financing could add months to the construction approval process because funding application and award cycles for other programs varied and because sponsors had to meet HUD's documentation requirements for every additional funding source before the agency could authorize construction.

[20] See 66 *Fed. Reg.* 6647 (22 Jan. 2001).

Figure 7: Survey Responses—Insufficient Capital Advances and Other Project Funding Issues

Factor that affects timely project processing	Percent of respondents who said that factor: Has moderate to significant impact	Occurs often to always
Capital advance insufficient to fund projects — Field office representatives	89	64
Capital advance insufficient to fund projects — Sponsors and consultants	100	90
Sponsor has difficulty designing project within capital advance amount — Field office representatives	91	70
Sponsor has difficulty designing project within capital advance amount — Sponsors and consultants	90	62
Securing secondary financing — Field office representatives	77	57
Securing secondary financing — Sponsors and consultants	71	52

Field office representatives

Sponsors and consultants

Source: GAO survey of HUD field offices and Section 202 sponsors and consultants.

HUD has recognized that the development cost limits it uses to calculate capital advances have sometimes been inadequate and that, as a result, a number of sponsors have had to seek additional funding to construct their projects. According to a HUD official, the agency is currently considering initiating a study to determine how to calculate capital advances that can cover project development costs.

Our survey and program data showed that field offices that reported problems with insufficient capital advances and sponsors securing secondary financing had a lower percentage of projects that met the 18-month time guideline than other offices (table 3).[21] The median percentage of projects meeting the 18-month guideline was much lower for field offices that reported these problems than those that did not. In addition, field offices in the northeast and west—the regions with the lowest percentage of projects meeting the processing time guideline (see table 2 above)—were more likely than those in the south and midwest to report having problems with these factors.

[21]We considered a field office to have a problem with insufficient capital advances and securing secondary financing if it reported that both of these factors occurred often to always. We considered a field office not to have a problem with these two factors if it reported that both of them occurred seldom or sometimes.

Table 3: Field Office Performance and Problems with Funding Issues

	Median rate of projects approved within 18 months
All field offices	22%
Field offices that reported insufficient capital advances and problems with sponsors obtaining secondary financing	
Both factors are problems	18%
Neither factor is a problem	40%

Source: GAO survey of HUD field offices and Section 202 sponsors and consultants.

Note: Of the 44 field offices that responded to the survey, 25 reported having problems with both factors and 15 reported having problems with neither factor. Three field offices reported problems with only one of the factors, and one field office did not respond to the questions.

Varying Field Office Practices and Inadequate Staff Training and Guidance Affected Timely Processing

Differences in the procedures field offices use to approve projects for construction and the extent of staff training and experience affected project processing time. For example, most consultants and sponsors in our survey responded that the unwillingness of field office staff to implement policy changes that HUD had adopted to streamline processing caused delays, as did insufficient training for and inexperience of field office staff (fig. 8). About 40 percent of them also reported that these problems occurred frequently. In addition, some consultants and sponsors whom we interviewed told us that some field offices continued to conduct much more detailed and time-consuming technical reviews of project plans than HUD's current policies require. These sponsors and consultants said that field staff departing from program guidelines caused confusion for sponsors about the type of information HUD required and delayed the process of obtaining HUD's approval to begin construction. A majority of HUD field office representatives also reported that a lack of staff training and experience can have a negative effect on processing time. However, HUD field office staff regarded these problems, as well as staff unwillingness to implement policy changes, as infrequent problems. HUD officials at headquarters acknowledged that some field staff were performing technical reviews contrary to program guidelines, but the officials did not know how many staff were doing so.

Figure 8: Survey Responses—Field Office Staff Issues

Factor that affects timely project processing	Percent of respondents who said that factor: Has moderate to significant impact	Occurs often to always
Staff lack Section 202 training	55 90	11 38
Staff lack Section 202 experience	52 90	7 38
Some staff unwilling to fully implement streamlining procedures	25 76	2 48

Field office representatives (upper value)
Sponsors and consultants (lower value)

Source: GAO survey of HUD field offices and Section 202 sponsors and consultants.

HUD has provided limited guidance for field office staff on processing policies and procedures, which would ensure that all staff are up to date on the most current guidelines and requirements. In 1999, HUD headquarters issued a memorandum that reminded field office staff to process projects in accordance with streamlined procedures that had been adopted in 1996, such as replacing detailed technical review of project plans by field office staff with sponsor-provided certifications. Yet at the time of our review, most field office staff had not received any formal training on Section 202 project processing. According to HUD, in 2002, the agency required representatives from each field office to attend the first formal training on project processing for field office staff since at least 1992. Although HUD headquarters expected those who attended to relay what they had learned to other staff members in their own offices, our survey showed that by November 2002 no on-site training had occurred at about a quarter of the field offices. Also, only two field offices (5 percent) reported that training was relayed in a formal setting.

We also found that HUD's field office staff was relying on out-of-date program handbooks that did not reflect the streamlined processing procedures.[22] Although HUD stated that the agency intended to issue

[22]Handbook No. 4571.5 was issued on July 21, 1992. Handbook No. 4571.3 REV-1 was issued on April 9, 1993.

revised handbooks in order to ensure that all field offices follow current procedures, it had not yet done so at the time of our review. Based on written comments in our survey, some field office staff felt that an updated handbook would aid in the timely processing of Section 202 projects.

Administrative and Oversight Weaknesses at HUD Headquarters Contributed to Delays

The time that HUD headquarters took to make certain administrative decisions also added to the time taken to process Section 202 projects. HUD headquarters must approve all requests for additional time to complete processing beyond 24 months after funding award and for additional capital advance funds. A HUD official noted that projects must already have exceeded the 18-month time guideline, and the discretionary 6-month extension, before HUD headquarters would be called on to approve a request for a time extension beyond 24 months. However, most of the field office representatives and project sponsors and consultants in our survey agreed that the time HUD headquarters took to make these decisions further prolonged processing time, with many respondents reporting that this issue was a frequent problem (fig. 9).

Figure 9: Survey Responses—HUD Program Administration Issues

Factor that affects timely project processing	Percent of respondents who said that factor:	
	Has moderate to significant impact	Occurs often to always
Time spent by HUD headquarters considering waiver requests — Field office representatives	73	59
Time spent by HUD headquarters considering waiver requests — Sponsors and consultants	90	43

Field office representatives

Sponsors and consultants

Source: GAO survey of HUD field offices and Section 202 sponsors and consultants.

Further, HUD's project monitoring system was not as effective as it could have been and may have impeded HUD's oversight of project processing. HUD officials stated that, to monitor project processing, headquarters has periodically used its Development Application Processing (DAP) system to identify projects that exceeded the 18-month processing time guideline. In addition, the officials stated that headquarters contacted field offices on a quarterly basis to discuss the status of these delayed projects.[23] Nevertheless, HUD headquarters officials have acknowledged that there are data inaccuracies in the DAP system, and the agency has instituted efforts to improve the system's reliability in identifying delayed projects. Furthermore, according to HUD, the DAP system does not collect data that would allow both headquarters and field office staff to follow a project through every stage of development and, as a result, many field offices maintain their own tracking systems to monitor projects through these stages. The lack of reliable, centralized data on the processing of Section 202 projects has limited HUD headquarters' ability to oversee projects' status, determine problematic processing stages, and identify field offices that might need additional assistance. HUD officials stated that enhancing the DAP system is a priority, but that a lack of funding has hindered such efforts.

Issues External to HUD Caused Some Delays

Finally, other factors outside of HUD's direct control kept some projects from meeting time guidelines. Ninety-five percent of field office representatives and 90 percent of sponsors and consultants surveyed reported that project processing time was negatively affected when project sponsors were inexperienced. Nearly 60 percent of field offices, and almost 40 percent of sponsors and consultants, indicated that this problem occurred frequently. Local government requirements also negatively affected project processing, according to about 60 percent of field offices and about 85 percent of sponsors and consultants. About 35 percent of field offices and about 60 percent of sponsors and consultants reported that these requirements were frequently a problem. Also about 70 percent of field offices, sponsors, and consultants reported that, specifically, the local zoning process had a negative effect on project processing time, with about 40 percent of field offices and about 50 percent of sponsors and consultants indicating that this problem was frequent.

Most field offices, sponsors, and consultants reported that other factors, such as community opposition and environmental issues, affected processing times but were not frequent problems for Section 202 projects. Although about 50 percent of field offices, and about 60 percent of

[23]The agency has made some progress in approving some of these projects for construction or canceling them if they are no longer feasible. For example, 16 of the 169 projects that were pending construction approval at the end of fiscal year 2002 were approved for construction by December 2002, and 6 others had their funding awards canceled.

sponsors and consultants, reported that community opposition had a negative effect on project processing time when it occurred, less than 10 percent of field offices, and about 30 percent of sponsors and consultants, reported such opposition to be a frequent problem. Also, about 50 percent of field offices, sponsors, and consultants indicated that environmental problems negatively affect processing when they occur, but only about 20 percent of them considered environmental problems to occur frequently. Appendixes VI and VII provides additional details on the results of our survey of HUD field office staff, sponsors, and consultants.

Conclusions

The housing affordability problems of very low income elderly renter households—although they represent a small share of all elderly households—are particularly acute. These households represent one of the more vulnerable populations in the nation given their small incomes and need for supportive services. Considering the urgent housing needs of the Section 202 program's target population, ensuring that its projects are completed as soon as possible is critical. Delays in timely Section 202 processing can prolong project completion, on average, by nearly a year and result in higher balances of unexpended funds. Awarding capital advances that are sufficient to cover project development costs can alleviate delays by averting the need for sponsors to seek secondary financing or request approval from HUD headquarters for additional funding. While sufficient capital advance funding for projects, absent additional appropriations, can result in fewer units funded annually, it can also result in the prompt delivery of housing assistance to needy households and in the reduction of unexpended balances attributable to delayed projects. In addition, issuing an updated program handbook and providing adequate formal training can help in timely project processing by ensuring that staff are accountable for applying and interpreting HUD policies and procedures in a consistent manner. Finally, HUD's project monitoring system, in its current form, is not as effective as it can be and may hinder HUD's oversight. Maintaining reliable, centralized data on the processing of Section 202 projects is essential to overseeing projects' status as well as determining problematic processing stages.

Recommendations

To reduce the time required for projects to receive approval to start construction, we recommend that the Secretary of Housing and Urban Development direct the Assistant Secretary for Housing to (1) evaluate the effectiveness of the current methods for calculating capital advances and

(2) make any necessary changes to these methods, based on this evaluation, so that capital advances adequately cover the development costs of Section 202 projects consistent with HUD's project design and cost standards. In addition, to improve the performance of HUD field office and headquarters staff in processing projects in a timely manner, we recommend that HUD

- provide regular training to ensure that all field office staff are knowledgeable of and held accountable for following current processing procedures,
- update its handbook to reflect current processing procedures, and
- improve the accuracy and completeness of information entered in the DAP system by field office staff and expand the system's capabilities to track key project processing stages.

Agency Comments and Our Evaluation

We provided a draft of this report to HUD for its review and comment. In a letter from the Assistant Secretary for Housing (see app. VIII), HUD agreed with the report's conclusions, stating that the report demonstrated an excellent understanding of the importance of the Section 202 program in delivering affordable housing to very low income elderly households. HUD also concurred with the recommendations and provided information on how it intends to implement them. Regarding our recommendations concerning HUD's capital advance formula, the agency agreed that, in some locations, capital advances may be insufficient to cover project development costs and that delays can result when sponsors must seek additional funds from other sources. However, HUD also noted that increasing the per-unit development cost limits would result in fewer units constructed. Our draft report reached the same conclusion, but also stated that sufficient capital advances yield important benefits, such as the prompt delivery of housing assistance to needy households.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to interested members of Congress and congressional committees. We also will send copies to the HUD Secretary and make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

Please contact me at (202) 512-8678 or Paul Schmidt at (312) 220-7681, if you or your staff have any questions concerning this report. Key contributors to this report were Susan Campbell, Emily Chalmers, Mark Egger, Daniel Garcia-Diaz, Curtis Groves, Ron La Due Lake, Marc Molino, Melissa Roye, William Sparling, and Julianne Stephens.

David G. Wood

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Community Investment

Scope and Methodology

We conducted this review to address: (1) the role of the Section 202 program in meeting the housing needs of elderly renter households with very low incomes, (2) the extent to which Section 202 projects meet the Department of Housing and Urban Development's (HUD) time guidelines for project processing, and (3) the factors that keep Section 202 projects from meeting HUD's time guidelines for project processing.

To determine the role of the Section 202 program in meeting housing needs of elderly households, we analyzed household income and rental housing cost data from the American Housing Survey. The Bureau of the Census performs the survey for HUD every odd-numbered year. Appendix III provides a detailed discussion of the American Housing Survey. We also reviewed studies that involved the housing needs of elderly households.

To determine the extent to which HUD's Section 202 and other housing programs serve elderly households, we used data from HUD's Real Estate Management System (REMS) as of the beginning of calendar year 2003. Specifically, we analyzed information on the overall number of properties and their associated units under Section 202 and other housing programs that serve the needs of elderly households. Although we did not independently verify the accuracy of the program data, we did perform internal checks to determine (1) the extent to which the data fields were populated, (2) the reasonableness of the values contained in the data fields, and (3) if any aberrations existed in the data we used. We concluded that the REMS data was reliable for purposes of this report. We also reviewed relevant regulations, policies, and procedures for Section 202 and other active federal programs.

To explore the issue of timeliness in processing and some of the factors that may impede timely processing, we reviewed HUD program and budget data from HUD's Development Application Processing (DAP) System as of the end of calendar year 2002. Because HUD headquarters officials told us that program data from this system was not reliable for Section 202 projects funded before fiscal year 1998, we limited our review of Section 202 projects to those funded from fiscal years 1998 to 2000. While we did not independently verify the accuracy of the program data from this system, we periodically discussed the accuracy and interpretation of the data we used with HUD officials. In addition, we compared file records for projects funded since fiscal year 1998 with the data entered in the system for those projects by three HUD field offices that process Section 202 projects and generally found the data to be accurate. Also, we performed internal checks to determine the extent to which the data fields in DAP were populated and the reasonableness of the values contained in these fields. In cases where the data were not reasonable or questions arose, we contacted a HUD official to identify and correct errors. To determine the reasons why HUD awarded time extensions for certain projects listed in the system, we compiled and analyzed HUD's published notices of these extensions in the *Federal Register*.

We also used a questionnaire to survey of all HUD field offices that process Section 202 projects. About 98 percent (44 out of 45) of the field offices that process Section 202 projects completed the questionnaire. We also conducted site visits at the Greensboro and Richmond field offices to obtain field office staff perceptions on factors that may impede timely processing. In addition, to gain a fuller perspective on these issues, we surveyed sponsors and consultants, identified by HUD and others, that were experienced in working with Section 202 projects. Collectively, these sponsors and consultants worked on approximately 260 projects since fiscal year 1998 representing approximately 40 percent of Section 202 units funded. In addition, we observed a HUD training session on processing Section 202 projects in August 2002.

We conducted our work primarily in Washington, D.C., between May 2002 and March 2003, in accordance with generally accepted government auditing standards.

Budget Information for the Section 202 Program

This appendix provides information on the Housing for Special Populations appropriations account, which provides funding for the Section 202 and Section 811 programs.[1] In fiscal year 2002, Congress appropriated over $1 billion for the Housing for Special Populations account—of which $783 million was earmarked for the Section 202 program. From year to year, the Section 202 program carries significant balances of unexpended appropriated funds. In fiscal year 2002, the unexpended balance for the Section 202 program was $5.2 billion.

Section 202 Appropriations

In fiscal year 2002, Congress appropriated over $1 billion for the Housing for Special Populations appropriations account, which provides funding for both the Section 202 Supportive Housing for the Elderly and the Section 811 Supportive Housing for Persons with Disabilities Programs.[2] Since fiscal year 1998, a total of $4.6 billion in appropriations were made available for both programs (table 4). In fiscal year 2002, the lion's share of the appropriations for the Housing for Special Populations account, about $783 million or 76 percent, went to the Section 202 program to fund, among other things, capital advances and project rental assistance contracts (PRACs) for new projects and PRAC renewals for existing projects.[3] Since fiscal year 1998, about $3.6 billion have been appropriated for the Section 202 program. Appropriations for the Section 202 program in nominal dollars (that is, unadjusted for inflation) have increased since fiscal year 1998 at an average annual rate of about 5 percent. However, appropriations for Section 202 in constant 1998 dollars have increased by an average rate of about 2 percent annually.

[1]For fiscal year 2004, HUD proposed to separate the Housing for Special Populations account into two accounts—Housing for the Elderly and Housing for Persons with Disabilities.

[2]The period of availability for obligating Section 202 funds has been limited in recent years. The fiscal year 2003 appropriations act, for example, requires HUD to obligate fiscal year 2003 funds for the Section 202 program by the end of fiscal year 2006. Under 31 U.S.C. 1552, HUD is required to disburse, and the project owner to expend, all obligated Section 202 funds by the end of the fifth fiscal year after the period of availability for obligation ends—in the case of Section 202 funds for fiscal year 2003, no later than the end of fiscal year 2011. Any remaining balance (whether obligated or unobligated) in the account after the fifth year is to be canceled and is not available for obligation or expenditure.

[3]PRACs provide rental assistance payments to a property to pay the difference between the units' approved operating costs and the tenant rental contributions (generally 30 percent of adjusted income).

Table 4: Annual Appropriations for the Housing for Special Populations Account in Fiscal Years 1998-2002

Nominal dollars in millions

Fiscal year	Housing for Special Populations	Section 202 Supportive Housing for the Elderly	Section 811 Supportive Housing for Persons with Disabilities
1998	$839	$645	$194
1999	854	660	194
2000	911	710	201
2001	994	777	217
2002	1,024	783	241
Total	**4,622**	**3,575**	**1,047**

Source: GAO analysis of HUD data.

Section 202 Unexpended Balances

The Section 202 program carries significant balances of unexpended appropriations from year to year. Unexpended balances include the cumulative amount of budget authority that has not been spent (outlayed) and may consist of either obligated or unobligated funds. Some of the unexpended balances are expected to be carried over annually for various programmatic reasons, including the time required for project sponsors to prepare their application for program funds and finalize plans as well as the time required for HUD's field offices to review and process them. However, some unexpended funds can also result from problems in the timeliness of project processing. Between fiscal years 1998 and 2002, the program's unexpended balance increased from about $4.8 billion to $5.2 billion. In nominal dollars, this balance has increased by an average annual rate of about 2 percent between fiscal years 1998 and 2002. In constant 1998 dollars, unexpended balances for Section 202 actually decreased by an average rate of less than 1 percent annually. Table 5 shows the annual balances of unexpended appropriations for the Section 202 program since fiscal year 1998.

Table 5: Annual Balances of Unexpended Appropriations for Section 202 in Fiscal Years 1998-2002

Nominal dollars in millions

	Fiscal year				
	1998	**1999**	**2000**	**2001**	**2002**
Section 202 Supportive Housing for the Elderly	$4,839	$4,998	$5,048	$5,138	$5,219
Capital advance	1,774	1,789	1,949	2,041	2,164
PRAC (rental assistance)	3,065	3,209	3,099	3,097	3,055
Housing for Special Populations	6,343	6,547	6,701	6,899	7,074

Source: GAO analysis of HUD data.

As table 5 shows, unexpended PRAC funds account for a large share of the total unexpended balances for the Section 202 program as well as for the overall Housing for Special Populations account. Before fiscal year 1997, HUD provided individual projects with PRAC amounts that covered rental assistance payments generally for 20 years. Since fiscal year 1997, HUD provided PRAC amounts that covered rental assistance payments for 5 years. In both cases, PRAC funds are obligated, but remain unexpended, for multiple years after project occupancy—unlike capital advance funds, which are fully expended by project completion. With the reduction of the PRAC term from 20 to 5 years, HUD expects PRAC funds to comprise a declining share of the overall unexpended balance for the Section 202 program.

Data Issues Concerning the American Housing Survey

In reporting on the housing affordability problems of elderly renter households with very low incomes, this report relies on data from the 2001 American Housing Survey (AHS). We assessed the reliability of the data by reviewing AHS documentation, performing electronic testing of the data files to check for completeness of data files, and replicating published tables.[1] We determined that the data are reliable enough for the purposes of this report.

AHS is a probability sample of about 55,700 housing units interviewed between August and November 2001.[2] Because this sample is based on random selections, the specific sample selected is only one of a large number of samples that might have been drawn. Since each sample could have provided different estimates, we express our confidence in the precision of this sample's results as 95 percent confidence intervals (for example, $\pm$7 percentage points). This is the interval that would contain the actual population value for 95 percent of the samples that could have been drawn. As a result, we are 95 percent confident that each of the confidence intervals in this report will include the true values in the study population. In the following section, we provide 95 percent confidence intervals for the estimates used in this report. We calculated these confidence intervals by adding and subtracting the sampling error for each estimate to or from the estimate itself.[3]

Estimates from the survey are also subject to certain nonsampling errors, such as incomplete data and wrong answers. According to the survey documentation, errors due to incomplete data and wrong answers can be greater than sampling errors for some survey questions.[4] Of the survey questions we rely upon for our analysis (age, tenure, income, housing costs, rent subsidies, and location), the survey question on income was subject to

[1]U.S. Census Bureau, *Current Housing Reports – Series H150/01*, *American Housing Survey for the United States: 2001*. This report can be found at http://ww.huduser.org/datasets/ahs.html.

[2]For a description of the sample design, refer to Appendix B of U.S. Census Bureau, *Current Housing Reports – Series H150/01*, *American Housing Survey for the United States: 2001*.

[3]The formulas and methodology for computing these sampling errors are provided in Appendix D of U.S. Census Bureau, *Current Housing Reports – Series H150/01*, *American Housing Survey for the United States: 2001*.

[4]A more complete discussion of these sources of error (including response inconsistencies for various questions) can be found in Appendix D of the Census' *Current Housing Reports* for 2001.

a high level of inconsistency in survey responses. Also relevant to this report, AHS is known to underreport income when compared to the *Current Population Survey* and other independent sources. However, our analysis concentrates on elderly renters with very low income, for which this should be less of an issue. According to a Census study based on relatively older data (from the early 1980s), much of the underreporting of income in the survey seems to derive from interest and dividend income as well as wages and salary.[5] Consequently, the underreporting of income may be less of a problem among very low income elderly households who do not tend to rely on these sources of income. Generally, HUD's own internal analysis suggests that very low income renters in AHS tend to report their income more accurately than other groups. For example, in an unpublished analysis, HUD found that the income reported by very low income renters in the 1989 AHS was about 2 percent greater than the income reported in the 1990 Decennial Census. Nonetheless, current information on the extent of underreporting, especially among elderly renter households with very low incomes, is not available.

The survey also collects data on the type of government housing assistance the household receives. For example, it asks if the household lives in a unit owned by a public housing authority or receives vouchers. However, households surveyed may misreport their specific programs. As a result, the survey does not provide sufficient and reliable detail on the specific housing assistance program that is serving the household. According to the survey documentation, units requiring income verification are usually subsidized.

Table 6 shows the distribution of units that are occupied by homeowners and renters in 2001. A great majority of elderly households were homeowners. About 21 million (± 460,000) of 26 million (± 498,000) elderly households owned their homes. Elderly renter households consisted of about 5 million (± 242,000) households.

[5]U.S. Census Bureau, Current Housing Reports – Series H121/95-01, *American Housing Survey: A Quality Profile*, July 1996.

Table 6: Housing Units Occupied by Homeowner and Renter Elderly Households in 2001

Units in thousands

	Estimate	Sampling error	95 percent confidence interval	
			From	To
Elderly				
Owner occupied	21,324	460	20,864	21,784
Renter occupied	5,028	242	4,787	5,270
Cash rent	4,528	230	4,299	4,758
No cash rent	500	78	422	578
Total	**26,353**	**498**	**25,855**	**26,850**
Nonelderly				
Owner occupied	50,941	591	50,350	51,532
Renter occupied	28,968	514	28,454	29,483
Cash rent	27,520	505	27,015	28,026
No cash rent	1,448	132	1,316	1,580
Total	**79,909**	**555**	**79,354**	**80,463**
All				
Owner occupied	72,265	579	71,686	72,844
Renter occupied	33,996	541	33,455	34,537
Cash rent	32,049	532	31,517	32,580
No cash rent	1,948	152	1,795	2,100
Total	**106,261**	**345**	**105,917**	**106,606**

Source: GAO analysis of the American Housing Survey, 2001.

Table 7 provides details on the estimated number of households who owned or rented their homes by income category (very low income and low income) in 2001. About 3.7 million (± 208,000) elderly renter households have very low incomes. About 4.3 million (± 223,000) elderly renter households have low incomes. These figures include households that do not pay cash rent. Based on the data from tables 6 and 7, over four-fifths (85 ± 2 percent) of elderly renter households have low incomes and approximately three-quarters (73 ± 3 percent) have very low incomes.

Table 7: Income Categories for Elderly Homeowner and Renter Households in 2001

Units in thousands

			95 percent confidence interval	
Very low income	**Estimate**	**Sampling error**	**From**	**To**
Owner occupied	9,394	324	9,070	9,718
Renter occupied	3,668	208	3,460	3,875
Cash rent	3,287	197	3,090	3,484
No cash rent	381	68	313	449
Total	**13,061**	**375**	**12,686**	**13,437**
Low Income				
Owner occupied	13,351	379	12,972	13,729
Renter occupied	4,262	223	4,038	4,485
Cash rent	3,806	211	3,595	4,017
No cash rent	456	74	381	530
Total	**17,612**	**426**	**17,186**	**18,038**

Source: GAO analysis of the American Housing Survey, 2001.

Table 8 shows the number of units occupied by elderly renter households with very low incomes by subsidy status and rent burden. About 1.7 million (± 141,000) elderly renter households with very low incomes have moderate or severe rent burdens. The majority of these actually have severe rent burdens. About 1.3 million (± 125,000) renter households with very low incomes receive some form of government assistance. Households that do not pay cash rent appear in the tables above in this appendix for informational purposes. However, since they do not pay cash rents, we exclude these households from our estimates of rent burdens in this report.

Table 8: Elderly Renter Households with Very Low Incomes by Subsidy Status and Rent Burden in 2001

Units in thousands

Renter households	Estimate	Sampling error	95 percent confidence interval From	To
Subsidized	1,307	125	1,182	1,432
Unassisted	1,980	154	1,826	2,133
Zero income	125	39	86	163
No rent burden	201	49	152	250
Rent burden	1,654	141	1,513	1,795
Moderate rent burden	509	78	430	587
Severe rent burden	1,145	117	1,028	1,263
Total	**3,287**	**197**	**3,090**	**3,484**

Source: GAO analysis of the American Housing Survey, 2001.

Table 9 looks at unassisted elderly renter households with rent burdens. Of the 1.7 million (± 141,000) households with rent burdens, about 60 percent are located either in the northeast or the south regions. The northeast and south contained about 542,000 (± 81,000) and 477,000 (± 76,000), respectively, of the nation's rent burdened elderly renter households with very low incomes.

Table 9: Moderate or Severe Rent Burden of Unassisted Very Low Income Elderly Renter Households by Region in 2001

Units in thousands

Renter households	Estimate	Sampling error	95 percent confidence interval From	To
Northeast	542	81	461	623
Midwest	284	59	226	343
South	477	76	401	553
West	350	65	285	415
Total	**1,654**	**141**	**1,513**	**1,795**

Source: GAO analysis of the American Housing Survey, 2001.

The following four tables show the number and proportion of units occupied by elderly renter households with very low incomes by subsidy status and rent burden in metropolitan areas (tables 10 and 11) and nonmetropolitan areas (tables 12 and 13). About 1.4 million (± 131,000) elderly renter households with very low incomes in metropolitan areas and 234,000 (± 53,000) in nonmetropolitan areas have moderate or severe rent burden (tables 10 and 12). The proportion of households with rent burdens was generally higher in metropolitan areas than in nonmetropolitan areas (tables 11 and 13). In addition, households in nonmetropolitan areas were less likely than those in metropolitan areas to have severe rent burdens.

Table 10: Number of Elderly Renter Households with Very Low Incomes by Subsidy Status and Rent Burden in Metropolitan Areas in 2001

Units in thousands

			95 percent confidence interval	
Renter households	**Estimate**	**Sampling error**	**From**	**To**
Subsidized	1,048	112	936	1,160
Unassisted	1,696	142	1,553	1,838
Zero income	109	36	72	145
No rent burden	167	45	122	212
Rent burden	1,420	131	1,290	1,551
Moderate rent burden	395	69	326	464
Severe rent burden	1,025	111	914	1,137
Total	**2,744**	**180**	**2,564**	**2,924**

Source: GAO analysis of the American Housing Survey, 2001

Table 11: Proportion of Elderly Renter Households with Very Low Incomes by Subsidy Status and Rent Burden in Metropolitan Areas in 2001

Renter households	Estimate	Sampling error	95 percent confidence interval	
			From	To
Subsidized	38%	3%	35%	41%
Unassisted	62%	3%	59%	65%
Zero income	4%	1%	3%	5%
No rent burden	6%	2%	4%	8%
Rent burden	52%	3%	48%	55%
Moderate rent burden	14%	2%	12%	17%
Severe rent burden	37%	3%	34%	41%

Source: GAO analysis of the American Housing Survey, 2001

Table 12: Number of Elderly Renter Households with Very Low Incomes by Subsidy Status and Rent Burden in Nonmetropolitan Areas in 2001

Units in thousands

Renter households	Estimate	Sampling error	95 percent confidence interval	
			From	To
Subsidized	259	56	203	315
Unassisted	284	59	225	343
Zero income	16	14	2	30
No rent burden	34	20	14	55
Rent burden	234	53	181	287
Moderate rent burden	114	37	77	151
Severe rent burden	120	38	82	158
Total	**543**	**81**	**462**	**624**

Source: GAO analysis of the American Housing Survey, 2001.

Table 13: Proportion of Elderly Renter Households with Very Low Incomes by Subsidy Status and Rent Burden in Nonmetropolitan Areas in 2001

			95 percent confidence interval	
Renter households	**Estimate**	**Sampling error**	**From**	**To**
Subsidized	48%	7%	40%	55%
Unassisted	52%	7%	45%	60%
Zero income	3%	3%	0%	5%
No rent burden	6%	4%	3%	10%
Rent burden	43%	7%	36%	50%
Moderate rent burden	21%	6%	15%	27%
Severe rent burden	22%	6%	16%	28%

Source: GAO analysis of the American Housing Survey, 2001

Excluded from these estimates are the housing affordability needs of very low income homeowners. Although homeowners can experience housing affordability problems, homeowners and renters face different challenges in affording their homes. Unlike renters, homeowners have equity in their homes—about 68 percent (± 1 percent) of elderly homeowners own their homes free and clear. In addition, elderly homeowners face certain challenges in maintaining their housing, such as paying for property maintenance and accessibility modification.[6] As a result, rental programs, such as Section 202, do not directly address the problems homeowners experience.

[6]In the absence of additional income, an elderly homeowner can, among other things, downsize to a more affordable home, seek property tax relief, or access the home's equity through a home equity conversion mortgage ("reverse mortgage").

Federal Housing Programs and the Elderly

The federal government has multiple housing programs that subsidize the development of rental properties. Many of these programs also subsidize the development of properties that are intended to serve primarily elderly households. Unlike Section 202, most federal housing programs do not target a single type of household. Rather, they serve many different types of households, such as families with children, people with disabilities, and the elderly, and they produce units with rents that are affordable to households at different income levels.

Housing Production Programs That Develop Elderly Housing

In addition to Section 202, the federal government has multiple active housing production programs that continue to expand the number of assisted households by subsidizing the development of new rental housing. These federal programs, described below, can also subsidize individual rental properties that are intended primarily to serve elderly households.

Active Housing Production Programs

- *Low-Income Housing Tax Credits* and *Tax-Exempt Multifamily Housing Bonds* provide federal tax incentives for private investment and are often used in conjunction with other federal and state subsidies in the production of new and rehabilitated rental housing.

- *HOME Investment Partnerships* provides formula-based grants to states and localities to build, acquire, or rehabilitate affordable rental housing or provide tenant-based rental assistance.[1]

- *Section 515/521 Rural Rental Assistance* provides below-market loans and rental assistance to support the development of rental housing in rural areas.

- *Multifamily mortgage insurance programs* provide mortgage insurance for the development of rental housing without federally-funded interest rate subsidies or project-based rental assistance.[2]

[1]HOME also provides homeownership assistance.

[2]Although properties with FHA-insured multifamily mortgages today are often termed unassisted because they do not receive project-based rental assistance, projects may receive grants, tax concessions, subsidies, and other subsidies from federal, state, and local governments.

The Housing Choice Voucher program (housing vouchers) is another important source of assistance for elderly households. The program supplements tenants' rental payments in privately owned, moderately priced apartments chosen by the tenants. Currently, about 260,000 of the approximately 1.5 million voucher households are elderly. However, unlike the Section 202 or other programs discussed, housing vouchers is not a production program and does not directly subsidize the development of new or rehabilitated housing.

In addition to the active housing production programs, the federal government also has programs that no longer subsidize the development of rental properties but, in some cases, continue to provide operating subsidies, rental assistance payments, or other subsidies for rental properties that were developed under these programs in the past. Over the years, these inactive housing production programs, described in the next section, subsidized many rental properties that were intended primarily to serve elderly households.

Inactive Housing Production Programs

- *Public Housing* financed the development and operation of properties managed and owned by local housing authorities.[3]

- *Section 236* and *Section 221(d)(3) Below Market Interest Rate* provided mortgage insurance for the development of rental housing with federally funded interest rate subsidies.

- *Section 8 project-based rental assistance programs* provided project-based rental assistance to properties that were financed with Department of Housing and Urban Development (HUD) mortgage insurance, tax exempt bonds, and below-market interest rate loans.[4]

[3]Since 1994, public housing has not received new appropriations to fund incremental units. HUD funds the replacement of existing public housing units through the HOPE VI program. This program, however, does not increase the supply of affordable housing.

[4]These programs included Section 8 New Construction/Substantial Rehabilitation, Section 8 Loan Management Set Aside, Section 8 Property Disposition, and Section 8 Moderate Rehabilitation. Some of these programs overlapped with other mortgage subsidy programs.

Target Households

Unlike Section 202, most active federal housing programs do not target a single type of household. Rather, they serve many different types of households, such as families with children, persons with disabilities, and the elderly. Furthermore, most federal housing programs target households at different income levels, not just households with very low incomes (50 percent or less of area media income) as does Section 202. Table 14 provides information on targeted household types and rent levels of the active housing production and insurance programs.

Table 14: Active Federal Rental Housing Production and Insurance Programs by Household Type Served and Program Rent Levels

Rental housing production program	Household type served	Program rent levels affordable to households with:
Section 202 Supportive Housing	Elderly	50% or less of area median income (AMI) for all units
Low-Income Housing Tax Credits	Multiple household types	50% of AMI for 20% of units *or* 60% of AMI for 40% of units
Tax-Exempt Multifamily Housing Bonds	Multiple household types	50% of AMI for 20% of units *or* 60% of AMI for 40% of units
HOME Investment Partnerships	Multiple household types	65% of AMI for all units *and* 50% of AMI for 20% of units
Section 811 Supportive Housing	Persons with disabilities	50% or less of AMI for all units
Section 515 Rural Rental Housing with Section 521 rental assistance	Primarily families and the elderly	80% of AMI or less for all 515 units with rental assistance
FHA multifamily mortgage insurance[a]	Multiple household types	No income requirements/market rate rents

Source: GAO.

[a]These mortgage insurance programs are Section 221(d)(4), Section 221(d)(3), and Rental Housing for the Elderly (Section 231). In recent years, few mortgages have been insured with Section 231 because borrowers who intend to develop elderly rental properties rely on Section 221(d)(4) or Section 221(d)(3).

Low-Income Housing Tax Credits (tax credits), Tax-Exempt Multifamily Housing Bonds (tax-exempt bonds), and HOME set aside some of their units for very low-income households and can provide housing for the elderly (table 14). Congress has granted considerable latitude to state and local agencies that administer these programs in deciding who will be served with federal housing resources.[5] In addition, mortgage insurance programs for multifamily rental properties under HUD's Federal Housing Administration (FHA) currently do not have any specific age or income requirements for tenants. However, since rents for newly developed FHA-insured properties are often set at market levels, these programs may not be able to reach very low-income households without the use of other subsidies.

Annual Housing Production Levels

Although Section 202's annual production levels are small when compared to the total production levels of other housing programs, such as tax credits—the largest of all current production programs—Section 202, nonetheless, is a relatively important source of subsidized rental housing units for the elderly. Table 15 presents the volume of new production by rental housing production program. The volume of housing production illustrates individual program activity but, due to limitations in the data, it is not possible to accurately estimate what percentage of elderly units produced through federal housing programs is from Section 202 because units produced through these programs can overlap with each other. For example, HOME funding can be used in conjunction with programs such as tax credits, tax-exempt bonds, or HUD mortgage insurance programs to finance new production. As a result, adding units together for any of the programs in table 15 will likely result in double counting.

[5]For example, every year the Internal Revenue Service requires that the state agencies responsible for awarding tax credits under the tax credit program submit updated plans that outline how they will distribute their allocations of tax credits. See HUD's 2002 report *Analysis of State-Qualified Allocation Plans for the Low-Income Housing Tax Credit Program.*

Table 15: Approximate Volume of New Production of Housing Units by Active Federal Rental Housing Programs

	Approximate number of new or rehabilitated per annum	
Production program	**Elderly units**	**Total units**
Section 202 Supportive Housing	5,700	5,700
Percent of total	100%	
Low-Income Housing Tax Credits	13,200	86,000
Percent of total	15%	
Tax-Exempt Multifamily Housing Bonds	5,600	33,300
Percent of total	17%	
HOME Investment Partnerships	4,000	17,000
Percent of total	24%	
Section 515 Rural Rental Housing	800	1,800
Percent of total	44%	
Section 811 Supportive Housing	NA	1,300
Percent of total	NA	
FHA multifamily mortgage insurance	900	26,400
Percent of total	3%	

Source: GAO.

Notes: For Section 202, Section 811, and the FHA multifamily mortgage insurance programs, we estimated the average number of total and elderly units endorsed annually from 1998 to 2001 based on HUD program data. We reported the number of elderly units for tax credits based on the 2002 report from the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century and for tax-exempt bonds based on the National Council of State Housing Agencies' *State HFA Factbook: 2001 NCSHA Annual Survey Results*. In addition, for tax credits, we estimated the average number of units placed in service annually from 1998 to 2000 based on HUD's Low-Income Housing Tax Credit Database. Finally, we relied on estimates from program officials for HOME and Section 515.

Due to differing sources of data and, in some cases, lack of official data, these estimates are rough approximations of actual production activity and are intended to be illustrative. Many of these programs overlap with each other. As a result, adding units together for any of the programs will likely result in double counting.

Section 202 Program Data

This appendix provides additional information on the extent to which Section 202 projects meet the Department of Housing and Urban Development's (HUD's) 18-month processing time guideline. In particular, we present data on projects' status in meeting the guideline, HUD field offices' rate of success in meeting the guideline, and the factors cited by HUD in its approvals of processing time extensions. Table 16 profiles the projects funded in fiscal years 1998 through 2000 according to the projects' status in gaining HUD's approval to start construction.

Table 16: Distribution of Section 202 Projects, Capital Advance Funds, and PRAC Funds, by Fiscal Year and Construction Approval Status

			Exceeded 18-month guideline		
Fiscal year		Met 18-month guideline	Approved for construction after 18 months	Pending approval for construction	Funding award cancelled
1998	Number of projects	47	108	11	0
	Percent of projects	28%	65%	7%	-
	Capital advance funds	$113 million	$337 million	$43 million	-
	PRAC funds (rental assistance)	$23 million	$68 million	$9 million	-
	Total funds	**$136 million**	**$406 million**	**$52 million**	-
	Percent of total funds	23%	68%	9%	-
1999	Number of projects	44	84	34	3
	Percent of projects	27%	51%	21%	2%
	Capital advance funds	$108 million	$284 million	$127 million	$15 million
	PRAC funds	$22 million	$57 million	$28 million	$3 million
	Total funds	**$130 million**	**$341 million**	**$155 million**	**$18 million**
	Percent of total funds	20%	53%	24%	3%
2000	Number of projects	41	40	82	0
	Percent of projects	25%	25%	50%	-
	Capital advance funds	$109 million	$124 million	$283 million	-
	PRAC funds	$21 million	$27 million	$58 million	-
	Total funds	**$131 million**	**$150 million**	**$341 million**	**-**
	Percent of total funds	21%	24%	55%	-
Total	Number of projects	132	232	127	3
	Percent of projects	27%	47%	26%	1%
	Capital advance funds	$330 million	$746 million	$453 million	$15 million
	PRAC funds	$66 million	$152 million	$94 million	$3 million

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Fiscal year		Met 18-month guideline	Exceeded 18-month guideline: Approved for construction after 18 months	Exceeded 18-month guideline: Pending approval for construction	Exceeded 18-month guideline: Funding award cancelled
	Total funds	**$396 million**	**$897 million**	**$547 million**	**$18 million**
	Percent of total funds	21%	48%	29%	1%

Source: GAO analysis of HUD Development Application Processing (DAP) System, December 2002.

Note: Percentages do not always add to 100 because of rounding. Total funds do not always equal the sum of capital advance and project rental assistance contract (PRAC) funds because of rounding.

Table 17 compares the status of projects located in metropolitan and nonmetropolitan areas in gaining approval to start construction within either 18 or 24 months. In both cases, metropolitan projects were about twice as likely as projects in nonmetropolitan areas to take more than either 18 or 24 months to be approved. That is, the odds of a metropolitan project taking more than 18 or 24 months to be approved for construction were about twice the odds of a nonmetropolitan project taking more than 18 or 24 months, respectively.

Table 17: Status of Metropolitan and Nonmetropolitan Projects in Gaining Construction Start Approval, Projects Funded in Fiscal Years 1998 to 2000

Construction start approval status	Metropolitan projects		Nonmetropolitan projects		All projects	
	Number	Percent	Number	Percent	Number	Percent
Approved within 18 months	78	22%	54	39%	132	27%
Not approved within 18 months	278	78%	84	61%	362	73%
Approved within 24 months	180	51%	92	67%	272	55%
Not approved within 24 months	176	49%	46	33%	222	45%

Source: GAO analysis of HUD DAP system, December 2002.

Tables 18, 19, and 20 present the rate of project approvals within either 18 or 24 months for all field offices that have responsibility for processing Section 202 projects. Table 18 shows the results for all projects, table 19 shows the results only for projects located in metropolitan areas, and table 20 shows the results for projects located in nonmetropolitan areas. The rate of project approvals for each field office is the percentage of projects, funded between fiscal years 1998 and 2000, that HUD approved for construction within the 18-month processing time guideline or within the 24-month period after the funding award—that is, 18 months plus the 6-month discretionary extension.

Table 18: Field Office Performance in Approving Projects to Start Construction, All Projects Funded in Fiscal Years 1998 to 2000

	Project approval rate (%)		
Field office	Within 18 months	Within 24 months	Number of projects
Atlanta	11	67	9
Baltimore	18	36	11
Birmingham	80	80	5
Boston	0	15	20
Buffalo	29	64	14
Caribbean	0	0	2
Charleston	0	0	3
Chicago	21	57	14
Cleveland	8	58	12
Columbia	78	89	9
Columbus	50	56	16
Denver	33	58	12
Des Moines	29	71	7
Detroit	50	70	10
Fort Worth	43	71	14
Greensboro	93	93	14
Hartford	0	10	10
Houston	14	71	7
Indianapolis	67	83	6
Jackson	25	75	4
Jacksonville	13	50	16
Kansas City	29	71	7
Knoxville	50	100	6
Little Rock	83	100	18
Los Angeles	0	30	20
Louisville	67	92	12
Manchester	9	64	11
Milwaukee	6	39	18

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Field office	Project approval rate (%)		Number of projects
	Within 18 months	Within 24 months	
Minneapolis	45	91	11
Nashville	40	80	10
New Orleans	27	45	11
New York	0	36	22
Newark	0	22	9
Oklahoma City	67	67	3
Omaha	50	100	6
Philadelphia	18	41	17
Phoenix	0	22	9
Pittsburgh	11	33	9
Portland	27	64	11
Providence	40	40	5
Richmond	8	17	12
San Antonio	20	60	5
San Francisco	7	38	29
Seattle	22	44	9
St Louis	22	89	9
Total (all offices)	**27**	**55**	**494**

Source: GAO analysis of HUD DAP system, December 2002.

Table 19: Field Office Performance in Approving Metropolitan Projects to Start Construction, All Metropolitan Projects Funded in Fiscal Years 1998 to 2000

	Project approval rate (%)		
Field office	Within 18 months	Within 24 months	Number of metropolitan projects
Atlanta	0	67	6
Baltimore	22	44	9
Birmingham	67	67	3
Boston	0	19	16
Buffalo	18	55	11
Caribbean	0	0	2
Charleston	0	0	1
Chicago	25	50	12
Cleveland	10	60	10
Columbia	100	100	4
Columbus	54	62	13
Denver	14	29	7
Des Moines	40	80	5
Detroit	56	67	9
Fort Worth	46	69	13
Greensboro	86	86	7
Hartford	0	10	10
Houston	14	71	7
Indianapolis	60	80	5
Jackson	-	-	0
Jacksonville	13	50	16
Kansas City	33	67	6
Knoxville	33	100	3
Little Rock	75	100	4
Los Angeles	0	30	20
Louisville	80	100	5
Manchester	25	50	4
Milwaukee	0	27	11
Minneapolis	33	83	6
Nashville	40	80	5
New Orleans	25	75	4
New York	0	36	22

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	Project approval rate (%)		
Field office	**Within 18 months**	**Within 24 months**	**Number of metropolitan projects**
Newark	0	22	9
Oklahoma City	67	67	3
Omaha	50	100	4
Philadelphia	21	43	14
Phoenix	0	40	5
Pittsburgh	14	43	7
Portland	17	33	6
Providence	40	40	5
Richmond	13	25	8
San Antonio	25	75	4
San Francisco	0	43	21
Seattle	13	38	8
St Louis	17	83	6
Total (all offices)	**22**	**51**	**356**

Source: GAO analysis of HUD DAP system, December 2002.

Table 20: Field Office Performance in Approving Nonmetropolitan Projects to Start Construction, All Nonmetropolitan Projects Funded in Fiscal Years 1998 to 2000

	Project approval rate (%)		
Field office	Within 18 months	Within 24 months	Number of nonmetropolitan projects
Atlanta	33	67	3
Baltimore	0	0	2
Birmingham	100	100	2
Boston	0	0	4
Buffalo	67	100	3
Caribbean	-	-	0
Charleston	0	0	2
Chicago	0	100	2
Cleveland	0	50	2
Columbia	60	80	5
Columbus	33	33	3
Denver	60	100	5
Des Moines	0	50	2
Detroit	0	100	1
Fort Worth	0	100	1
Greensboro	100	100	7
Hartford	-	-	0
Houston	-	-	0
Indianapolis	100	100	1
Jackson	25	75	4
Jacksonville	-	-	0
Kansas City	0	100	1
Knoxville	67	100	3
Little Rock	86	100	14
Los Angeles	-	-	0
Louisville	57	86	7
Manchester	0	71	7
Milwaukee	14	57	7
Minneapolis	60	100	5
Nashville	40	80	5
New Orleans	29	29	7
New York	-	-	0

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	Project approval rate (%)		
Field office	**Within 18 months**	**Within 24 months**	**Number of nonmetropolitan projects**
Newark	-	-	0
Oklahoma City	-	-	0
Omaha	50	100	2
Philadelphia	0	33	3
Phoenix	0	0	4
Pittsburgh	0	0	2
Portland	40	100	5
Providence	-	-	0
Richmond	0	0	4
San Antonio	0	0	1
San Francisco	25	25	8
Seattle	100	100	1
St Louis	33	100	3
Total (all offices)	**39**	**67**	**138**

Source: GAO analysis of HUD DAP system, December 2002.

Table 21 shows the average number of months that projects took to complete various stages of the development process between Congress's appropriation of funds for the Section 202 program and completion of construction. For projects funded between fiscal years 1998 and 2000 that had been approved to start construction at the time of our analysis, the average time taken from appropriation to approval to start construction was 36 months. Projects that had also completed construction took another 11 months, on average, from beginning to end of construction. From appropriation to end of construction, the average time taken was 47 months or almost 4 years.

Table 21: Average Duration of Stages of Section 202 Project Development, Projects Funded Fiscal Years 1998 to 2000 That Were Approved to Start Construction

Average months

	Fiscal year			
Stage of development	**1998**	**1999**	**2000**	**1998-2000**
Appropriation to notice of funding availability	6	4	4	5
Notice of funding availability to funding award	7	10	10	9
Funding award to firm commitment	21	19	15	19
Firm commitment to approval to start construction	3	2	2	3
Approval to start construction to construction completion[a]	12	11	9	11
Total time from appropriation to approval to start construction	37	35	31	36
Total time from appropriation to construction completion	49	46	40	47
Number of projects[b]	155	128	81	364

Source: GAO analysis of HUD DAP system, December 2002.

[a]The average time for construction is based on a total of 193 projects that completed construction: 110 from 1998, 69 from 1999, and 114 from 2000.

[b]The number of projects includes only projects that were approved to start construction. An additional 11 projects from 1998, 37 projects from 1999, and 82 projects from 2000 were not approved for construction at the time of our analysis.

Table 22 summarizes the factors that HUD cited in extending the processing time for projects beyond 24 months after the funding award. This table draws on extension waivers approved between January 1998 and June 2002 for projects funded between fiscal years 1998 and 2000, showing the number and percentage of extended projects affected by each factor.

Table 22: Factors Cited by HUD in Approved Time Extensions for Section 202 Projects Funded in Fiscal Years 1998 to 2000

Factor	Number of extended projects affected	Percent of extended projects affected
Financing and cost issues	29	35%
Seeking additional funding	17	20%
Construction issues[a]	11	13%
Other financial issues	5	6%
State and local government issues	27	32%
Historic preservation	1	1%
Local review, approval, or permits	17	20%
Zoning issues	11	13%
Other state and local issues	3	4%
Design/architect issues	15	18%
Site change	14	17%
Environmental issues	8	10%
Site control	8	10%
Community concerns/local opposition	8	10%
Other site issues	7	8%
Legal challenges	6	7%
General delay in project processing[b]	19	23%

Source: GAO analysis of HUD data.

Note: GAO analyzed HUD-approved project processing time extensions. 84 projects received a total of 103 extensions. Percentages do not total 100 because many projects received extensions for multiple reasons.

[a]Construction issues include increased construction costs and difficulty finding a qualified contractor or obtaining a bid within the capital advance amount.

[b]General delays in project processing include cases where HUD cited the need for time for sponsors to submit or modify required paperwork and for HUD to review paperwork, without stating a more specific reason.

Survey of HUD Field Office Representatives

United States General Accounting Office

Section 202 Supportive Housing for the Elderly: Development Process Survey

Introduction

The United States General Accounting Office is contacting HUD officials responsible for the administration of the Section 202 Supportive Housing for the Elderly program. The Senate Special Committee on Aging asked GAO to explore the issues involved in the processing of projects that have been awarded capital advances.

We are interested in obtaining your valuable insights into the processing of Section 202 projects from *fund reservation* to *initial closing*. We are especially interested in learning more about the implementation of HUD Notice H 96 - 102, which was designed to facilitate project processing.

Instructions

The official or officials in your office who are responsible for the day-to-day management of Section 202 processing should complete this survey.

Please complete this survey by November 18, 2002 and fax it to (202) 512-2502.

If you have any questions about this survey or have problems submitting your response, please contact **Daniel Garcia-Diaz** by phone at **(202) 512-4529** or by email at **garciadiazd@gao.gov**.

BACKGROUND INFORMATION

1. In case we would like to clarify any of your responses, please provide the name, title, office/location, telephone number, and e-mail address of the individual primarily responsible for gathering the information requested in this survey.

Name: __________

Title: __________

Name of Office/Location: __________

Telephone number: __________

E-mail address: __________

FUND RESERVATION AND PROJECT MONITORING

2. While HUD does not require systematic tracking of Section 202 project progress from *fund reservation* to *initial closing*, we are interested in learning about any steps you may take to monitor project progress **from fiscal year 1998 through the present.**

   a. Was every Section 202 Sponsor/Owner contacted to schedule a project planning conference within 30 to 45 days of the sponsor's acceptance of fund reservation award letter? **(N=44)**

      1. ❐ Yes, for **all** Section 202 projects. **(81.8%)**
      2. ❐ Yes, but only for projects needing special attention (i.e., for new sponsors or projects facing major obstacles). **(13.6%)**
      3. ❐ No, project planning conferences were not scheduled for **all** projects within 30 to 45 days. **(4.6%)**

Section 202 Supportive Housing for the Elderly: Development Process Survey 1

b. From fiscal year 1998 through the present, how **frequently** has your office monitored the progress of the project Sponsor/Owners between *fund reservation* and *initial closing*? For each category below, please indicate the frequency that best describes your contact. *(Please check one box for each row)* **(N=44)**

	Office Contacts Sponsor/Owners to Monitor Project's Progress:			
	Monthly (1)	*About Every 2 Months* (2)	*About Every 3 Months* (3)	*Other* (4)
a. For all Section 202 projects?	**45.5%**	**34.1%**	**11.4%**	**9.1%** *(please specify)* ________
b. For Section 202 Projects needing special attention? **(6.8% did not respond)**	**52.3%**	**13.6%**	**0.0%**	**27.3%** *(please specify)* ________

3. a. Does your office currently develop internal monitoring reports to track project progress of Section 202 fund reservations (other than the *Aged Pipeline Report* prepared at HUD Headquarters)? **(N=44)**

   1. ❒ Yes **(86.4%)**
   2. ❒ No → *Please skip to question 4.* **(13.6%)**

   b. How often are these reports prepared? *(check all that apply)* **(N=38)**

   1. ❒ Weekly **(31.6%)**
   2. ❒ Biweekly **(18.4%)**
   3. ❒ Monthly **(36.8%)**
   4. ❒ Quarterly **(0.0%)**
   5. ❒ Semi-annually **(0.0%)**
   6. ❒ Annually **(0.0%)**
   7. ❒ Other *(Please specify)* **(18.4%)** ________

   c. Who receives these internal monitoring reports in your office? *(check all that apply)* **(N=38)**

   1. ❒ Hub Director **(57.9%)**
   2. ❒ Program Center Director **(73.7%)**
   3. ❒ Project Manager(s) **(81.6%)**
   4. ❒ Technical staff **(71.1%)**
   5. ❒ Program Center Assistant **(39.5%)**
   6. ❒ Other *(Please specify title)* **(42.1%)** ________
   7. ❒ Other *(Please specify title)* **(18.4%)** ________

4. HUD Notice H 96-102 revised the Section 202 Handbook to bypass the conditional commitment application stage. It also directed that HUD technical staff must (1) accept Sponsor/Owner certifications (i.e., architecture and engineering final plans) rather than conduct detailed technical reviews; and (2) conduct detailed reviews only under specified circumstances. **(N=44)**

   a. Does your office require submission of a conditional commitment application?

   1. ❒ Yes **(0.0%)**
   2. ❒ No **(100.0%)**

   b. Does your office have written standards for time spent by its technical staff on technical reviews?

   1. ❒ Yes **(9.1%)**
   2. ❒ No **(86.4%)**
   (4.6% did not respond)

(Note: If 'Yes' for questions 3a. and 4b., we may be contacting you to obtain copies of internal monitoring reports and/or any written standards.)

Section 202 Supportive Housing for the Elderly: Development Process Survey 2

PROJECT PLANNING CONFERENCES

5. HUD Notice H 96-102 stresses the importance of conducting a comprehensive project planning conference and includes a suggested agenda to be used at the conference. The agenda includes items such as project development, legal considerations, project design/contractor/construction issues, and project development schedule.

   We are interested in obtaining the following information on project planning conferences held at your office for fund reservations from **fiscal year 1998 through the present**. *(Please check one box for each row)* **(Unless otherwise noted, N=44)**

Project Planning Conference Activities	Never (1)	Occasionally (2)	About half the time (3)	Almost always (4)	Always (5)
a. How frequently have planning conferences been held within 30 to 45 days of the sponsor's acceptance of fund reservation award letter?	**4.6%**	**6.8%**	**2.3%**	**56.8%**	**29.6%**
b. How frequently have **all** relevant agenda items identified in section 3-1 of HUD Notice H 96-102 been covered during **each** planning conference?	**0.0%**	**2.3%**	**0.0%**	**22.7%**	**75.0%**
c. How frequently have Sponsor/Owners, their consultant (if used), design architect, and attorney **all** participated in the project planning conferences?	**2.3%**	**20.5%**	**13.6%**	**47.7%**	**15.9%**
d. How frequently have **all** HUD technical experts (design architect, cost analyst, attorneys, etc.), responsible for reviewing project paperwork participated in **each** project planning conference?	**2.3%**	**6.8%**	**9.1%**	**36.4%**	**45.5%**
e. Were there instances when specific HUD technical experts who were responsible for project paperwork did not participate in project planning conferences? ❒ Yes → *Continue to question 5f.* **(50.0%)** ❒ No → *Please read introduction below, then answer question 6 on next page.* **(47.7%)** **(2.3% did not respond)**					
f. When they did not participate in the planning conference, how frequently did these technical experts contact Sponsor/Owners directly to offer technical assistance? **(N=23)**	**4.4%**	**17.4%**	**17.4%**	**30.4%**	**30.4%**

FACTORS IMPACTING TIMELY PROCESSING

We are interested in identifying factors that may contribute to the untimely processing of Section 202 projects from *fund reservation* to *initial closing*. We understand that there are three basic factors that can add to project processing time. These factors may include (1) the actions or characteristics of Project Sponsors/Owners; (2) HUD staff, funding, and policies; and (3) State, local, and/or other requirements. Your responses to the following questions (6, 7, 8) will provide valuable insight into the significance of these factors.

Section 202 Supportive Housing for the Elderly: Development Process Survey 3

6. Based on your experience with all projects receiving fund reservations in your office **since fiscal year 1998**:

   Part A: For each factor related to **Sponsors or Owners**, select a single box that most commonly describes the factor's **impact** on the overall processing time.
   Part B: Indicate the **frequency** of each factor's influence on the timely processing of Section 202 projects in your office by selecting a single box that most commonly describes the frequency of the factor's impact on the overall processing time. *(For example, the factor 'Seldom if ever' prevents timely processing, 'Sometimes' prevents timely processing, etc.)*

Sponsor / Owner Factors That May Negatively Influence Timely Processing of Section 202 Projects (N=44)

Sponsor/Owner Factors:	**A. Typical Impact of Factor on Processing Time** *(check one box for each factor)*				**B. Frequency Of Factor Preventing Timely Processing** *(check one box for each factor)*				
	No Impact (1)	*Minor Impact* (2)	*Moderate Impact* (3)	*Significant Impact* (4)	*Seldom if ever* (1)	*Sometimes* (2)	*Often* (3)	*Very often* (4)	*Always or almost always* (5)
a. Doesn't attend pre-application workshop **(2.3% did not respond in part A and 4.6% in part B)**	**11.4%**	**20.5%**	**22.7%**	**43.2%**	**50.0%**	**34.1%**	**2.3%**	**2.3%**	**6.8%**
b. Lacks experience in Section 202 program/ multi-family project development	**0.0%**	**4.6%**	**31.8%**	**63.6%**	**4.6%**	**38.6%**	**27.3%**	**15.9%**	**13.6%**
c. Does not effectively manage project development process	**0.0%**	**4.6%**	**22.7%**	**72.7%**	**0.0%**	**40.9%**	**22.7%**	**18.2%**	**18.2%**
d. Lacks effective consultant	**0.0%**	**11.4%**	**0.0%**	**88.6%**	**6.8%**	**40.9%**	**13.6%**	**13.6%**	**25.0%**
e. Has difficulty designing project within fund reservation amount	**0.0%**	**9.1%**	**27.3%**	**63.6%**	**4.6%**	**25.0%**	**13.6%**	**18.2%**	**38.6%**
f. Lacks sufficient funds for pre-construction costs required before receipt of capital advance (e.g., environmental reviews, site control, etc.)	**9.1%**	**43.2%**	**15.9%**	**31.8%**	**40.9%**	**27.3%**	**11.4%**	**13.6%**	**6.8%**
g. Doesn't fulfill requirements in a timely fashion (e.g., set up Owner corporation, submit complete required forms, etc.)	**2.3%**	**13.6%**	**27.3%**	**56.8%**	**13.6%**	**27.3%**	**25.0%**	**22.7%**	**11.4%**
h. Other *(Please specify)* **(84.1% did not respond in parts A/B)**	**0.0%**	**0.0%**	**0.0%**	**15.9%**	**0.0%**	**2.3%**	**4.6%**	**4.6%**	**4.6%**

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7. Based on your experience with all projects receiving fund reservations in your office **since fiscal year 1998**:

Part A: For each factor related to **HUD staff, funding, or policies**, select a single box that most commonly describes the factor's **impact** on the overall processing time.
Part B: Indicate the **frequency** of each factor's influence on the timely processing of Section 202 projects in your office by selecting a single box that most commonly describes the frequency of the factor's impact on the overall processing time. *(For example, the factor 'Seldom if ever' prevents timely processing, 'Sometimes' prevents timely processing, etc.)*

HUD Factors That May Negatively Influence Timely Processing of Section 202 Projects (N=44)

HUD Factors:	**A. Typical Impact of Factor on Processing Time** *(check one box for each factor)*				**B. Frequency Of Factor Preventing Timely Processing** *(check one box for each factor)*				
	No Impact (1)	*Minor Impact* (2)	*Moderate Impact* (3)	*Significant Impact* (4)	*Seldom if ever* (1)	*Sometimes* (2)	*Often* (3)	*Very often* (4)	*Always or almost always* (5)
a. Staff lack Section 202 experience	**18.2%**	**29.6%**	**27.3%**	**25.0%**	**52.3%**	**40.9%**	**2.3%**	**2.3%**	**2.3%**
b. Staff lack Section 202 training	**11.4%**	**34.1%**	**29.6%**	**25.0%**	**38.6%**	**50.0%**	**4.6%**	**4.6%**	**2.3%**
c. Section 202 workload (e.g., simultaneously reviewing new applications and paperwork for funded projects)	**6.8%**	**29.6%**	**45.5%**	**18.2%**	**15.9%**	**59.1%**	**18.2%**	**4.6%**	**2.3%**
d. FHA loan processing can be, at certain times, higher priority than Section 202 project processing	**13.6%**	**18.2%**	**29.6%**	**38.6%**	**25.0%**	**34.1%**	**22.7%**	**13.6%**	**4.6%**
e. Some staff unwilling to fully implement HUD Notice H 96-102	**59.1%**	**15.9%**	**11.4%**	**13.6%**	**79.6%%**	**18.2%**	**2.3%**	**0.0%**	**0.0%**
f. Insufficient project coordination (including turnover in project coordinator position) **(2.3% did not respond in parts A/B)**	**36.4%**	**25.0%**	**29.6%**	**6.8%**	**63.6%**	**27.3%**	**4.6%**	**2.3%**	**0.0%**
g. Capital advance insufficient to fund projects **(2.3% did not respond in part B)**	**6.8%**	**4.6%**	**27.3%**	**61.4%**	**11.4%**	**22.7%**	**9.1%**	**29.6%**	**25.0%**
h. Award letters not mailed during fiscal year of appropriation	**20.5%**	**25.0%**	**29.6%**	**25.0%**	**31.8%**	**25.0%**	**2.3%**	**13.6%**	**27.3%**
i. Availability of HUD amendment funds (after other funding sources exhausted) **(2.3% did not respond in parts A/B)**	**9.1%**	**25.0%**	**29.6%**	**34.1%**	**25.0%**	**20.5%**	**15.9%**	**20.5%**	**15.9%**
j. Time spent by HUD HQ considering waiver requests (extensions, amendment funds)	**6.8%**	**20.5%**	**27.3%**	**45.5%**	**15.9%**	**25.0%**	**20.5%**	**13.6%**	**25.0%**
k. Other *(Please specify)* **(90.9% did not respond in parts A/B)**	**0.0%**	**0.0%**	**2.3%**	**6.8%**	**0.0%**	**0.0%**	**2.3%**	**2.3%**	**4.6%**

Section 202 Supportive Housing for the Elderly: Development Process Survey 5

8. Based on your experience with all projects receiving fund reservations in your office **since fiscal year 1998**:

   Part A: For each factor related to **State, Local, and/or Other requirements**, select a single box that most commonly describes the factor's **impact** on the overall processing time.
   Part B: Indicate the **frequency** of each factor's influence on the timely processing of Section 202 projects in your office by selecting a single box that most commonly describes the frequency of the factor's impact on the overall processing time. *(For example, the factor 'Seldom if ever' prevents timely processing, 'Sometimes' prevents timely processing, etc.)*

Factors Related to State, Local, or Other Requirements That May Negatively Influence Timely Processing of Section 202 Projects (N=44)

Factors Related to State, Local, or Other Requirements:	**A. Typical Impact of Factor on Processing Time** *(check one box for each factor)*				**B. Frequency Of Factor Preventing Timely Processing** *(check one box for each factor)*				
	No Impact (1)	*Minor Impact* (2)	*Moderate Impact* (3)	*Significant Impact* (4)	*Seldom if ever* (1)	*Sometimes* (2)	*Often* (3)	*Very often* (4)	*Always or almost always* (5)
a. Project is new construction **(2.3% did not respond in part B)**	**36.4%**	**34.1%**	**13.6%**	**15.9%**	**50.0%**	**22.7%**	**13.6%**	**2.3%**	**9.1%**
b. Project involves rehabilitation **(4.6% did not respond in parts A/B)**	**25.0%**	**22.7%**	**27.3%**	**20.5%**	**45.5%**	**31.8%**	**6.8%**	**6.8%**	**4.6%**
c. Project site zoning approval **(2.3% did not respond in part A)**	**6.8%**	**22.7%**	**27.3%**	**40.9%**	**15.9%**	**43.2%**	**20.5%**	**13.6%**	**6.8%**
d. Local permits (i.e., obtaining and/or cost of permits)	**9.1%**	**29.6%**	**29.6%**	**31.8%**	**25.0%**	**38.6%**	**15.9%**	**11.4%**	**9.1%**
e. State and local historic preservation approval	**13.6%**	**45.5%**	**31.8%**	**9.1%**	**45.5%**	**43.2%**	**9.1%**	**2.3%**	**0.0%**
f. Site contamination mitigation **(2.3% did not respond in part A)**	**13.6%**	**31.8%**	**25.0%**	**27.3%**	**52.3%**	**27.3%**	**13.6%**	**2.3%**	**4.6%**
g. Securing secondary financing (e.g., time needed to secure additional funding and obtain approval of financing documents)	**11.4%**	**11.4%**	**38.6%**	**38.6%**	**18.2%**	**25.0%**	**25.0%**	**25.0%**	**6.8%**
h. Legal challenges	**11.4%**	**36.4%**	**27.3%**	**25.0%**	**22.7%**	**63.6%**	**9.1%**	**4.6%**	**0.0%**
i. General local opposition to project	**15.9%**	**31.8%**	**27.3%**	**25.0%**	**40.9%**	**50.0%**	**4.6%**	**2.3%**	**2.3%**
j. Other *(Please specify)* **(86.4% did not respond in parts A/B)**	**0.0%**	**0.0%**	**4.6%**	**9.1%**	**0.0%**	**4.6%**	**6.8%**	**0.0%**	**2.3%**

Section 202 Supportive Housing for the Elderly: Development Process Survey 6

9. What are the three most important factors (from those listed in the tables above) that can negatively impact timely processing of Section 202 projects?

   a) ______________________________

   b) ______________________________

   c) ______________________________

HUMAN CAPITAL RELATED QUESTIONS

10. a. Did any staff members from your office attend HUD's Section 202/811 field office staff training titled "The Process Imperative: Moving Quickly from Fund Reservation to Initial Closing" held this past summer in St. Louis, Missouri or Washington, D.C.? **(N=44)**

    1. ❒ Yes **(100.0%)**
    2. ❒ No → *Please skip to question 11* **(0.0%)**

    b. How many staff members attended from your office? **(Mean = 1.9 persons)**

    c. How many staff members in your office process Section 202 projects (full time or part-time)? **(Mean = 6.8 persons)**

    d. Have those who attended shared the content of the training with staff who did not attend?

    1. ❒ Yes **(75.0%)**
    2. ❒ No → *Please skip to question 11.* **(22.7%)**
    (2.3% did not respond)

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e. How was the content of the training shared with staff members in your office who did **not** attend the training?**(Unless otherwise noted, N=34)**

Method of Instruction	*Check one box for each row*	*If 'Yes' is checked, enter number of staff trained*
Formal training		
a. Training session held (at least 1 full day)	1. ❒ Yes **(5.9%)** → 2. ❒ No **(79.4%)** **(14.7% did not respond)**	**Mean = 5.3 persons (N=3)**
Informal training		
b. Meeting or information session held (less than 1 full day)	1. ❒ Yes **(64.7%)**→ 2. ❒ No **(20.6%)** **(14.7% did not respond)**	**Mean = 5.4 persons (N=19)**
c. Trained staff answer project processing questions and provide guidance to other staff on an hoc basis	1. ❒ Yes **(82.4%)**→ 2. ❒ No **(11.8%)** **(5.9% did not respond)**	**Mean = 4.6 persons (N=18)**
d. Trained staff provided a written summary of training highlights	1. ❒ Yes **(17.7%)**→ 2. ❒ No **(55.9%)** **(26.5% did not respond)**	**Mean = 6.7 persons (N=6)**
e. ***Other*** *(please explain)*	1. ❒ Yes **(14.7%)** → 2. ❒ No **(0.0%)** **(85.3% did not respond)**	**Mean = 9 persons (N=1)**
f.	1. ❒ Yes **(2.9%)**→ 2. ❒ No **(0.0%)** **(97.1% did not respond)**	**Mean = 5 persons (N=1)**

CONCLUSIONS

11. Please identify up to three policy changes within HUD's control that you believe would aid the timely processing of Section 202 projects from fund reservation to initial closing:

a) ____

b) ____

c) ____

Survey of Section 202 Sponsors and Consultants

United States General Accounting Office

Section 202 Supportive Housing for the Elderly:

Introduction

The United States General Accounting Office is contacting sponsors and consultants who have significant experience with housing development under the Section 202 Supportive Housing for the Elderly program. The Senate Special Committee on Aging asked GAO to explore the issues involved in the processing of projects that have been awarded capital advances.

We are interested in obtaining your valuable insights into the processing of Section 202 projects from *fund reservation* to *initial closing*. As you complete the survey, please consider your experience *since 1998 with the Section 202 program only*.

Instructions

Please complete this survey by December 13, 2002 and fax it to (202) 512-2502.

If you have any questions about this survey or have problems submitting your response, please contact Melissa A. Roye by phone at (202) 512-6426 or by email at royem@gao.gov.

BACKGROUND INFORMATION

1. In case we would like to clarify any of your responses, please provide your sponsor or consultant name, respondent name and title, location, telephone number, and e-mail address of the individual primarily responsible for gathering the information requested in this survey.

Name of Sponsor or Consultant: ____________________

Respondent name: ____________________

Title: ____________________

Location: ____________________

Telephone number: ____________________

E-mail address: ____________________

1

2. Based on your experience with all Section 202 projects (not Section 811) receiving fund reservations **since 1998**, please list the states in which you have sponsored or consulted on at least one project per year **OR** a total of at least three projects since 1998.

____

____

____

3. Approximately how many Section 202 projects have you sponsored or consulted on in total since 1998 **Mean=12.3** **(N=21)**, since 1992 **Mean=25.6** **(N=21)**?

FACTORS IMPACTING TIMELY PROCESSING

We are interested in identifying factors that may contribute to the untimely processing of only Section 202 projects from *fund reservation* to *initial closing*. We understand that there are three basic factors that can add to project processing time. These factors may include (1) the actions or characteristics of Project Sponsors/Owners; (2) HUD staff, funding, and policies; and (3) State, local, and/or other requirements. Your responses to the following questions (4, 5, 6, 7) will provide valuable insight into the significance of these factors.

2

4. Based on your experience with all projects you have sponsored or consulted on that have received fund reservations **since 1998**:

Part A: For each factor related to **Sponsors or Owners**, select a single box that most commonly describes the factor's **impact** on the overall processing time.
Part B: Indicate the **frequency** of each factor's influence on the timely processing of Section 202 projects by selecting a single box that most commonly describes the frequency of the factor's impact on the overall processing time. *(For example, the factor 'Seldom if ever' prevents timely processing, 'Sometimes' prevents timely processing, etc.)*

Sponsor / Owner Factors That May Negatively Influence Timely Processing of Section 202 Projects (N=21)

Sponsor/Owner Factors:	**A. Typical Impact of Factor on Processing Time** *(check one box for each factor)*				**B. Frequency Of Factor Preventing Timely Processing** *(check one box for each factor)*				
	No Impact (1)	*Minor Impact* (2)	*Moderate Impact* (3)	*Significant Impact* (4)	*Seldom if ever* (1)	*Sometimes* (2)	*Often* (3)	*Very often* (4)	*Always or almost always* (5)
a. Doesn't attend pre-application workshop **(9.5% did not respond for part B)**	**42.9%**	**38.1%**	**9.5%**	**9.5%**	**76.2%**	**14.3%**	**0.0%**	**0.0%**	**0.0%**
b. Lacks experience in Section 202 program/ multi-family project development **(9.5% did not respond for part B)**	**28.6%**	**14.3%**	**9.5%**	**47.6%**	**28.6%**	**23.8%**	**0.0%**	**14.3%**	**23.8%**
c. Does not effectively manage project development process **(9.5% did not respond for part B)**	**28.6%**	**4.8%**	**14.3%**	**52.4%**	**23.8%**	**28.6%**	**4.8%**	**9.5%**	**23.8%**
d. Lacks effective consultant **(4.8% did not respond for part A and 19.1% for part B)**	**23.8%**	**4.8%**	**4.8%**	**61.9%**	**23.8%**	**14.3%**	**4.8%**	**0.0%**	**38.1%**
e. Has difficulty designing project within fund reservation amount **(9.5% did not respond for part B)**	**4.8%**	**4.8%**	**33.3%**	**57.1%**	**4.8%**	**23.8%**	**4.8%**	**28.6%**	**28.6%**
f. Lacks sufficient funds for pre-construction costs required before receipt of capital advance (e.g., environmental reviews, site control, etc.) **(9.5% did not respond for part B)**	**14.3%**	**23.8%**	**23.8%**	**38.1%**	**33.3%**	**19.1%**	**19.1%**	**9.5%**	**9.5%**
g. Doesn't fulfill requirements in a timely fashion (e.g., set up Owner corporation, submit complete required forms, etc.) **(14.3% did not respond to part B)**	**23.8%**	**28.6%**	**19.1%**	**28.6%**	**23.8%**	**33.3%**	**9.5%**	**4.8%**	**14.3%**
h. Other *(Please specify)* **(71.4% did not respond to parts A/B)**	**0.0%**	**0.0%**	**4.8%**	**23.8%**	**0.0%**	**0.0%**	**9.5%**	**9.5%**	**9.5%**

3

5. Based on your experience with all projects you have sponsored or consulted on that have received fund reservations **since 1998**:

Part A: For each factor related to **HUD staff, funding, or policies**, select a single box that most commonly describes the factor's **impact** on the overall processing time.
Part B: Indicate the **frequency** of each factor's influence on the timely processing of Section 202 projects by selecting a single box that most commonly describes the frequency of the factor's impact on the overall processing time. *(For example, the factor 'Seldom if ever' prevents timely processing, 'Sometimes' prevents timely processing, etc.)*

HUD Factors That May Negatively Influence Timely Processing of Section 202 Projects (N=21)

HUD Factors:	**A. Typical Impact of Factor on Processing Time** *(check one box for each factor)*				**B. Frequency Of Factor Preventing Timely Processing** *(check one box for each factor)*				
	No Impact (1)	*Minor Impact* (2)	*Moderate Impact* (3)	*Significant Impact* (4)	*Seldom if ever* (1)	*Sometimes* (2)	*Often* (3)	*Very often* (4)	*Always or almost always* (5)
a. Staff lack Section 202 experience	**4.8%**	**4.8%**	**47.6%**	**42.9%**	**19.1%**	**42.9%**	**14.3%**	**9.5%**	**14.3%**
b. Staff lack Section 202 training	**4.8%**	**4.8%**	**38.1%**	**52.4%**	**14.3%%**	**47.6%**	**9.5%**	**19.1%**	**9.5%**
c. Section 202 workload (e.g., simultaneously reviewing new applications and paperwork for funded projects) **(14.3% did not respond for part B)**	**4.8%**	**14.3%**	**33.3%**	**47.6%**	**4.8%**	**19.1%**	**33.3%**	**19.1%**	**9.5%**
d. FHA loan processing can be, at certain times, higher priority than Section 202 project processing **(14.3% did not respond for parts A/B)**	**0.0%**	**9.5%**	**14.3%**	**61.9%**	**0.0%**	**23.8%**	**23.8%**	**19.1%**	**19.1%**
e. Some staff unwilling to fully implement HUD Notice H 96-102 **(4.8% did not respond for part A)**	**4.8%**	**14.3%**	**38.1%**	**38.1%**	**14.3%**	**38.1%**	**23.8%**	**4.8%**	**19.1%**
f. Insufficient project coordination (including turnover in project coordinator position)	**4.8%**	**14.3%**	**42.9%**	**38.1%**	**23.8%**	**28.6%**	**19.1%**	**4.8%**	**23.8%**
g. Capital advance insufficient to fund projects	**0.0%**	**0.0%**	**33.3%**	**66.7%**	**0.0%**	**9.5%**	**28.6%**	**33.3%**	**28.6%**
h. Award letters not mailed during fiscal year of appropriation	**14.3%**	**52.4%**	**9.5%**	**23.8%**	**33.3%**	**47.6%**	**4.8%**	**0.0%**	**14.3%**
i. Availability of HUD amendment funds (after other funding sources exhausted) **(4.8% did not respond for part A and 19.1% for part B)**	**14.3%**	**0.0%**	**19.1%**	**61.9%**	**14.3%**	**14.3%**	**14.3%**	**14.3%**	**23.8%**
j. Time spent by HUD HQ considering waiver requests (extensions, amendment funds)	**4.8%**	**4.8%**	**38.1%**	**52.4%**	**4.8%**	**52.4%**	**14.3%**	**23.8%**	**4.8%**
k. Other *(Please specify)* **(71.4% did not respond for parts A/B)**	**0.0%**	**4.8%**	**0.0%**	**23.8%**	**0.0%**	**4.8%**	**0.0%**	**9.5%**	**14.3%**

4

6. Based on your experience with all projects you have sponsored or consulted on that have received fund reservations **since 1998**:

Part A: For each factor related to **State, Local, and/or Other requirements**, select a single box that most commonly describes the factor's **impact** on the overall processing time.
Part B: Indicate the **frequency** of each factor's influence on the timely processing of Section 202 projects by selecting a single box that most commonly describes the frequency of the factor's impact on the overall processing time. *(For example, the factor 'Seldom if ever' prevents timely processing, 'Sometimes' prevents timely processing, etc.)*

Factors Related to State, Local, or Other Requirements That May Negatively Influence Timely Processing of Section 202 Projects (N=21)

Factors Related to State, Local, or Other Requirements:	**A. Typical Impact of Factor on Processing Time** *(check one box for each factor)*				**B. Frequency Of Factor Preventing Timely Processing** *(check one box for each factor)*				
	No Impact (1)	*Minor Impact* (2)	*Moderate Impact* (3)	*Significant Impact* (4)	*Seldom if ever* (1)	*Sometimes* (2)	*Often* (3)	*Very often* (4)	*Always or almost always* (5)
a. Project is new construction	**33.3%**	**38.1%**	**4.8%**	**23.8%**	**42.9%**	**33.3%**	**4.8%**	**9.5%**	**9.5%**
b. Project involves rehabilitation **(14.3% did not respond in part A and 19.1% in part B)**	**38.1%**	**14.3%**	**33.3%**	**0.0%**	**33.3%**	**28.6%**	**14.3%**	**0.0%**	**4.8%**
c. Project site zoning approval **(9.5% did not respond in part B)**	**19.1%**	**9.5%**	**19.1%**	**52.4%**	**14.3%**	**23.8%**	**14.3%**	**19.1%**	**19.1%**
d. Local permits (i.e., obtaining and/or cost of permits)	**0.0%**	**14.3%**	**47.6%**	**38.1%**	**0.0%**	**38.1%**	**28.6%**	**23.8%**	**9.5%**
e. State and local historic preservation approval	**23.8%**	**42.9%**	**14.3%**	**19.1%**	**52.4%**	**28.6%**	**4.8%**	**0.0%**	**14.3%**
f. Site contamination mitigation **(4.8% did not respond in part A and 14.3% in part B)**	**33.3%**	**14.3%**	**4.8%**	**42.9%**	**42.9%**	**23.8%**	**9.5%**	**4.8%**	**4.8%**
g. Securing secondary financing (e.g., time needed to secure additional funding and obtain approval of financing documents) **(4.8% did not respond in part A and 9.5% in part B)**	**19.1%**	**4.8%**	**23.8%**	**47.6%**	**9.5%**	**28.6%**	**9.5%**	**14.3%**	**28.6%**
h. Legal challenges **(4.8% did not respond in part A and 14.3% in part B)**	**23.8%**	**14.3%**	**14.3%**	**42.9%**	**42.9%**	**23.8%**	**0.0%**	**9.5%**	**9.5%**
i. General local opposition to project **(9.5% did not respond in part B)**	**14.3%**	**23.8%**	**9.5%**	**52.4%**	**14.3%**	**42.9%**	**14.3%**	**9.5%**	**9.5%**
j. Other *(Please specify)* **(81.0% did not respond in parts A/B)**	**0.0%**	**0.0%**	**9.5%**	**9.5%**	**0.0%**	**0.0%**	**0.0%**	**9.5%**	**9.5%**

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7. What are the three most important factors **(from those listed in the tables above)** that can negatively impact timely processing of Section 202 projects?

a) ______________________________

____

b) ______________________________

____

c) ______________________________

____

8. Please identify up to three policy changes within HUD's control that you believe would aid the timely processing of Section 202 projects from fund reservation to initial closing:

a) ______________________________

____

____

b) ______________________________

____

____

c) ______________________________

____

____

Thank you very much for your time.

6

Comments from the Department of Housing and Urban Development

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-8000

May 15, 2003

OFFICE OF THE ASSISTANT SECRETARY
FOR HOUSING-FEDERAL HOUSING COMMISSIONER

Mr. David G. Wood
Director
Financial Markets and Community Investment
United States General Accounting Office
Washington, DC 20548

Dear Mr. Wood:

Thank you for the opportunity to provide comments on the General Accounting Office (GAO) draft report: ELDERLY HOUSING: Project Funding and Other Factors Delay Assistance to Needy Households (GAO-03-512).

The GAO report reflects an excellent understanding of the importance of the Section 202 Supportive Housing Program in the delivery of affordable housing to very low-income elderly households. We are pleased that one of your observations of the report is that only a relatively small part of the unexpended funds, about 14 percent, are associated with pipeline projects that have exceeded HUD's 18-month processing time guideline. The report also verifies that the number of projects scheduled to reach construction start will double in the next 6 months, suggesting that the remaining projects represent an even smaller share of the unexpended balances -- approximately 7 percent. Our comments do not question the conclusions in the report. Instead, they are provided to give an indication of the progress we have made in reducing the Section 202 pipeline since 2001.

In a report prepared for GAO in early fiscal year 2002, the Department identified 118 Section 202 pipeline projects that had exceeded HUD's processing time guidelines. As a result of the Department's aggressive efforts to close, in particular, these pipeline projects; there are only 36 of these projects remaining in the pipeline. We expect most of these remaining projects to reach construction start by the end of the current fiscal year. We are working diligently with our field offices to assist the sponsors of 8 projects that were funded in Fiscal Year 1997 or earlier to reach a construction start by the end of this fiscal year.

The Department certainly recognizes the importance of timely processing for the Section 202 program and we have made that a priority. We believe substantial improvement has been made since the end of FY 2000, the concluding date for the analysis in this report. Due to increased Headquarters monitoring, the number of projects reaching construction start within 24 months has increased by 10 percent. In addition, late in the last fiscal year, we conducted training to our field office staff on processing Section 202 applications for the first time in ten years.

The Department is aware that in some areas of the country, capital advances may be insufficient to cover the cost of developing Section 202 projects. We have initiated steps to examine how HUD's Section 202 development cost limits compare with other objectively measurable indicators of local construction costs. We are also aware that when sponsors seek additional funds from other sources, the development time is increased. However, if the Department increased the allowable per unit cost limitations, there would be a reduction in the number of units built under the Section 202 program. In addition, the successful partnerships that have been developed with states, localities and other interested parties over time would disappear. We plan to explore this issue with the stakeholders of the Section 202 program early this summer.

Our specific comments on the Report's recommendations are as follows:

Recommendation:

- **Evaluate the effectiveness of the current methods for calculating capital advances.**

Response:

We agree with this recommendation. We have already initiated steps to examine how HUD's Sections 202 and 811 development cost limits compare with other objectively measurable indicators of local construction costs.

Recommendation:

- **Make any necessary changes to these methods, based on this evaluation, so that capital advances adequately cover the development costs of Section 202 projects consistent with HUD's project design and cost standards.**

Response:

We will consider this recommendation and will be discussing this recommendation with Section 202 stakeholders this summer.

Recommendation:

- **Provide regular training to ensure that all field office staff are knowledgeable of and held accountable for following current processing procedures.**

Response:

We agree with this recommendation. As noted in this report, during Fiscal Year 2002, we provided the first training to field staff in 10 years. Subject only to resource limitations, we will continue to implement an effective training program. Our next training will include technical processing training for field staff to assure that there is consistent processing in the field offices.

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Recommendation:

- **Update its handbook to reflect current processing procedures.**

Response:

We agree with this recommendation. We have begun the process of consolidating and updating the Section 202 Program Handbooks.

Recommendation:

- **Improve the accuracy and completeness of information entered in the Development Application Processing (DAP) system by field office staff and expand the system's capabilities to track key processing stages.**

Response:

We agree with this recommendation. There was an intensive effort to verify the accuracy of the information in the DAP system during Fiscal Year 2002. Expanding the capabilities of the DAP system is a top Information Technology priority of the Office of Housing.

The Department is committed to ensuring that the Section 202 Program continues to address the need for affordable elderly housing. GAO's assistance in monitoring this program and the Department's performance has been very beneficial.

Sincerely,

John C. Weicher
Assistant Secretary for Housing -
Federal Housing Commissioner

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