

One Hundred Eleventh Congress  
of the  
United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Tuesday,  
the fifth day of January, two thousand and ten*

An Act

To amend section 202 of the Housing Act of 1959, to improve the program under such section for supportive housing for the elderly, and for other purposes.

*Be it enacted by the Senate and House of Representatives of  
the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

(a) **SHORT TITLE.**—This Act may be cited as the “Section 202 Supportive Housing for the Elderly Act of 2010”.

(b) **TABLE OF CONTENTS.**—The table of contents for this Act is as follows:

Sec. 1. Short title and table of contents.

**TITLE I—NEW CONSTRUCTION REFORMS**

- Sec. 101. Selection criteria.
- Sec. 102. Development cost limitations.
- Sec. 103. Owner deposits.
- Sec. 104. Definition of private nonprofit organization.
- Sec. 105. Nonmetropolitan allocation.

**TITLE II—REFINANCING**

- Sec. 201. Approval of prepayment of debt.
- Sec. 202. Use of unexpended amounts.
- Sec. 203. Use of project residual receipts.
- Sec. 204. Additional provisions.

**TITLE III—ASSISTED LIVING FACILITIES AND SERVICE-ENRICHED HOUSING**

- Sec. 301. Amendments to the grants for conversion of elderly housing to assisted living facilities.
- Sec. 302. Monthly assistance payment under rental assistance.

**TITLE IV—COMPLIANCE WITH STATUTORY PAY-AS-YOU-GO ACT OF 2010**

- Sec. 401. Budgetary effects.

**TITLE I—NEW CONSTRUCTION REFORMS**

**SEC. 101. SELECTION CRITERIA.**

Section 202(f)(1) of the Housing Act of 1959 (12 U.S.C. 1701q(f)(1)) is amended—

(1) by redesignating subparagraphs (F) and (G) as subparagraphs (G) and (H), respectively; and

(2) by inserting after subparagraph (E) the following new subparagraph:

“(F) the extent to which the applicant has ensured that a service coordinator will be employed or otherwise retained

for the housing, who has the managerial capacity and responsibility for carrying out the actions described in subparagraphs (A) and (B) of subsection (g)(2);”.

**SEC. 102. DEVELOPMENT COST LIMITATIONS.**

Section 202(h)(1) of the Housing Act of 1959 (12 U.S.C. 1701q(h)(1)) is amended, in the matter preceding subparagraph (A), by inserting “reasonable” before “development cost limitations”.

**SEC. 103. OWNER DEPOSITS.**

Section 202(j)(3)(A) of the Housing Act of 1959 (12 U.S.C. 1701q(j)(3)(A)) is amended by inserting after the period at the end the following: “Such amount shall be used only to cover operating deficits during the first 3 years of operations and shall not be used to cover construction shortfalls or inadequate initial project rental assistance amounts.”.

**SEC. 104. DEFINITION OF PRIVATE NONPROFIT ORGANIZATION.**

Section 202(k)(4) of the Housing Act of 1959 (12 U.S.C. 1701q(k)(4)) is amended to read as follows:

- “(4) The term ‘private nonprofit organization’ means—
- “(A) any incorporated private institution or foundation—
- “(i) no part of the net earnings of which inures to the benefit of any member, founder, contributor, or individual;
- “(ii) which has a governing board—
- “(I) the membership of which is selected in a manner to assure that there is significant representation of the views of the community in which such housing is located; and
- “(II) which is responsible for the operation of the housing assisted under this section, except that, in the case of a nonprofit organization that is the sponsoring organization of multiple housing projects assisted under this section, the Secretary may determine the criteria or conditions under which financial, compliance and other administrative responsibilities exercised by a single-entity private nonprofit organization that is the owner corporation responsible for the operation of an individual housing project may be shared or transferred to the governing board of such sponsoring organization; and
- “(iii) which is approved by the Secretary as to financial responsibility; and
- “(B) a for-profit limited partnership the sole general partner of which is—
- “(i) an organization meeting the requirements under subparagraph (A);
- “(ii) a for-profit corporation wholly owned and controlled by one or more organizations meeting the requirements under subparagraph (A); or
- “(iii) a limited liability company wholly owned and controlled by one or more organizations meeting the requirements under subparagraph (A).”.

**SEC. 105. NONMETROPOLITAN ALLOCATION.**

Paragraph (3) of section 202(l) of the Housing Act of 1959 (12 U.S.C. 1701q(1)(3)) is amended by inserting after the period at the end the following: “In complying with this paragraph, the Secretary shall either operate a national competition for the non-metropolitan funds or make allocations to regional offices of the Department of Housing and Urban Development.”.

## **TITLE II—REFINANCING**

**SEC. 201. APPROVAL OF PREPAYMENT OF DEBT.**

Subsection (a) of section 811 of the American Homeownership and Economic Opportunity Act of 2000 (12 U.S.C. 1701q note) is amended—

(1) in the matter preceding paragraph (1), by inserting “, for which the Secretary’s consent to prepayment is required,” after “Affordable Housing Act”;

(2) in paragraph (1)—

(A) by inserting “at least 20 years following” before “the maturity date”;

(B) by inserting “project-based” before “rental assistance payments contract”;

(C) by inserting “project-based” before “rental housing assistance programs”; and

(D) by inserting “, or any successor project-based rental assistance program,” after “1701s)”;

(3) by amending paragraph (2) to read as follows:

“(2) the prepayment may involve refinancing of the loan if such refinancing results in—

“(A) a lower interest rate on the principal of the loan for the project and in reductions in debt service related to such loan; or

“(B) a transaction in which the project owner will address the physical needs of the project, but only if, as a result of the refinancing—

“(i) the rent charges for unassisted families residing in the project do not increase or such families are provided rental assistance under a senior preservation rental assistance contract for the project pursuant to subsection (e); and

“(ii) the overall cost for providing rental assistance under section 8 for the project (if any) is not increased, except, upon approval by the Secretary to—

“(I) mark-up-to-market contracts pursuant to section 524(a)(3) of the Multifamily Assisted Housing Reform and Affordability Act (42 U.S.C. 1437f note), as such section is carried out by the Secretary for properties owned by nonprofit organizations; or

“(II) mark-up-to-budget contracts pursuant to section 524(a)(4) of the Multifamily Assisted Housing Reform and Affordability Act (42 U.S.C. 1437f note), as such section is carried out by the Secretary for properties owned by eligible owners (as such term is defined in section 202(k) of the

Housing Act of 1959 (12 U.S.C. 1701q(k)); and”;  
and

(4) by adding at the end the following:

“(3) notwithstanding paragraph (2)(A), the prepayment and refinancing authorized pursuant to paragraph (2)(B) involves an increase in debt service only in the case of a refinancing of a project assisted with a loan under such section 202 carrying an interest rate of 6 percent or lower.”.

**SEC. 202. USE OF UNEXPENDED AMOUNTS.**

Subsection (c) of section 811 of the American Homeownership and Economic Opportunity Act of 2000 (12 U.S.C. 1701q note) is amended—

(1) by striking “USE OF UNEXPENDED AMOUNTS.—” and inserting “USE OF PROCEEDS.—”;

(2) by amending the matter preceding paragraph (1) to read as follows: “Upon execution of the refinancing for a project pursuant to this section, the Secretary shall ensure that proceeds are used in a manner advantageous to tenants of the project, or are used in the provision of affordable rental housing and related social services for elderly persons that are tenants of the project or are tenants of other HUD-assisted senior housing by the private nonprofit organization project owner, private nonprofit organization project sponsor, or private nonprofit organization project developer, including—”;

(3) by amending paragraph (1) to read as follows:

“(1) not more than 15 percent of the cost of increasing the availability or provision of supportive services, which may include the financing of service coordinators and congregate services, except that upon the request of the non-profit owner, sponsor, or organization and determination of the Secretary, such 15 percent limitation may be waived to ensure that the use of unexpended amounts better enables seniors to age in place;”;

(4) in paragraph (2), by inserting before the semicolon the following; “, including reducing the number of units by reconfiguring units that are functionally obsolete, unmarketable, or not economically viable”;

(5) in paragraph (3), by striking “or” at the end;

(6) in paragraph (4), by striking “according to a pro rata allocation of shared savings resulting from the refinancing.” and inserting a semicolon; and

(7) by adding at the end the following new paragraphs:

“(5) rehabilitation of the project to ensure long-term viability; and

“(6) the payment to the project owner, sponsor, or third party developer of a developer’s fee in an amount not to exceed or duplicate—

“(A) in the case of a project refinanced through a State low income housing tax credit program, the fee permitted by the low income housing tax credit program as calculated by the State program as a percentage of acceptable development cost as defined by that State program; or

“(B) in the case of a project refinanced through any other source of refinancing, 15 percent of the acceptable development cost.

For purposes of paragraph (6)(B), the term ‘acceptable development cost’ shall include, as applicable, the cost of acquisition, rehabilitation, loan prepayment, initial reserve deposits, and transaction costs.”.

**SEC. 203. USE OF PROJECT RESIDUAL RECEIPTS.**

Paragraph (1) of section 811(d) of the American Homeownership and Economic Opportunity Act of 2000 (12 U.S.C. 1701q note) is amended—

- (1) by striking “not more than 15 percent of”; and
- (2) by inserting before the period at the end the following: “or other purposes approved by the Secretary”.

**SEC. 204. ADDITIONAL PROVISIONS.**

Section 811 of the American Homeownership and Economic Opportunity Act of 2000 (12 U.S.C. 1701q note) is amended by adding at the end the following new subsections:

“(e) SENIOR PRESERVATION RENTAL ASSISTANCE CONTRACTS.—Notwithstanding any other provision of law, in connection with a prepayment plan for a project approved under subsection (a) by the Secretary or as otherwise approved by the Secretary to prevent displacement of elderly residents of the project in the case of refinancing or recapitalization and to further preservation and affordability of such project, the Secretary shall provide project-based rental assistance for the project under a senior preservation rental assistance contract, as follows:

“(1) Assistance under the contract shall be made available to the private nonprofit organization owner—

“(A) for a term of at least 20 years, subject to annual appropriations; and

“(B) under the same rules governing project-based rental assistance made available under section 8 of the Housing Act of 1937 or under the rules of such assistance as may be made available for the project.

“(2) Any projects for which a senior preservation rental assistance contract is provided shall be subject to a use agreement to ensure continued project affordability having a term of the longer of (A) the term of the senior preservation rental assistance contract, or (B) such term as is required by the new financing.

“(f) SUBORDINATION OR ASSUMPTION OF EXISTING DEBT.—In lieu of prepayment under this section of the indebtedness with respect to a project, the Secretary may approve—

“(1) in connection with new financing for the project, the subordination of the loan for the project under section 202 of the Housing Act of 1959 (as in effect before the enactment of the Cranston-Gonzalez National Affordable Housing Act) and the continued subordination of any other existing subordinate debt previously approved by the Secretary to facilitate preservation of the project as affordable housing; or

“(2) the assumption (which may include the subordination described in paragraph (1)) of the loan for the project under such section 202 in connection with the transfer of the project with such a loan to a private nonprofit organization.

“(g) FLEXIBLE SUBSIDY DEBT.—The Secretary shall waive the requirement that debt for a project pursuant to the flexible subsidy program under section 201 of the Housing and Community Development Amendments of 1978 (12 U.S.C. 1715z–1a) be prepaid in

connection with a prepayment, refinancing, or transfer under this section of a project if the financial transaction or refinancing cannot be completed without the waiver.

“(h) TENANT INVOLVEMENT IN PREPAYMENT AND REFINANCING.—The Secretary shall not accept an offer to prepay the loan for any project under section 202 of the Housing Act of 1959 unless the Secretary—

“(1) has determined that the owner of the project has notified the tenants of the owner’s request for approval of a prepayment; and

“(2) has determined that the owner of the project has provided the tenants with an opportunity to comment on the owner’s request for approval of a prepayment, including on the description of any anticipated rehabilitation or other use of the proceeds from the transaction, and its impacts on project rents, tenant contributions, or the affordability restrictions for the project, and that the owner has responded to such comments in writing.

“(i) DEFINITION OF PRIVATE NONPROFIT ORGANIZATION.—For purposes of this section, the term ‘private nonprofit organization’ has the meaning given such term in section 202(k) of the Housing Act of 1959 (12 U.S.C. 1701q(k)).”.

### **TITLE III—ASSISTED LIVING FACILITIES AND SERVICE-ENRICHED HOUSING**

#### **SEC. 301. AMENDMENTS TO THE GRANTS FOR CONVERSION OF ELDERLY HOUSING TO ASSISTED LIVING FACILITIES.**

(a) TECHNICAL AMENDMENT.—The section heading for section 202b of the Housing Act of 1959 (12 U.S.C. 1701q–2) is amended by inserting “AND OTHER PURPOSES” after “ASSISTED LIVING FACILITIES”.

(b) EXTENSION OF GRANT AUTHORITY.—Section 202b(a)(2) of the Housing Act of 1959 (12 U.S.C. 1701q–2(a)(2)) is amended—

(1) by striking “(2) CONVERSION.—Activities” and inserting the following:

“(2) CONVERSION.—

“(A) ASSISTED LIVING FACILITIES.—Activities”; and

(2) by adding at the end the following:

“(B) SERVICE-ENRICHED HOUSING.—Activities designed to convert dwelling units in the eligible project to service-enriched housing for elderly persons.”.

(c) AMENDMENT TO APPLICATION PROCESS.—Section 202b(c)(1) of the Housing Act of 1959 (12 U.S.C. 1701q–2(c)(1)) is amended by inserting “for either an assisted living facility or service-enriched housing” after “activities”.

(d) REQUIREMENTS FOR SERVICES.—Section 202b(d) of the Housing Act of 1959 (12 U.S.C. 1701q–2(d)) is amended to read as follows:

“(d) REQUIREMENTS FOR SERVICES.—

“(1) SUFFICIENT EVIDENCE OF FIRM FUNDING COMMITMENTS.—The Secretary may not make a grant under this section for conversion activities unless an application for a grant submitted pursuant to subsection (c) contains sufficient evidence, in the determination of the Secretary, of firm commitments for the funding of services to be provided in the assisted

living facility or service-enriched housing, which may be provided by third parties.

“(2) REQUIRED EVIDENCE.—The Secretary shall require evidence that each recipient of a grant for service-enriched housing under this section provides relevant and timely disclosure of information to residents or potential residents of such housing relating to—

“(A) the services that will be available at the property to each resident, including—

“(i) the right to accept, decline, or choose such services and to have the choice of provider;

“(ii) the services made available by or contracted through the grantee;

“(iii) the identity of, and relevant information for, all agencies or organizations providing any services to residents, which agencies or organizations shall provide information regarding all procedures and requirements to obtain services, any charges or rates for the services, and the rights and responsibilities of the residents related to those services;

“(B) the availability, identity, contact information, and role of the service coordinator; and

“(C) such other information as the Secretary determines to be appropriate to ensure that residents are adequately informed of the services options available to promote resident independence and quality of life.”

(e) AMENDMENTS TO SELECTION CRITERIA.—Section 202b(e) of the Housing Act of 1959 (12 U.S.C. 1701q–2(e)) is amended—

(1) in paragraph (2)—

(A) by inserting “or service-enriched housing” after “facilities”; and

(B) by inserting “service-enriched housing” after “facility”;

(2) in paragraph (5), by inserting “or service-enriched housing” after “facility”; and

(3) in paragraph (6), by inserting “or service-enriched housing” after “facility”.

(f) AMENDMENTS TO SECTION 8 PROJECT-BASED ASSISTANCE.—Section 202b(f) of the Housing Act of 1959 (12 U.S.C. 1701q–2(f)) is amended—

(1) in paragraph (1), by inserting “or service-enriched housing” after “facilities” each time that term appears; and

(2) in paragraph (2), by inserting “or service-enriched housing” after “facility”.

(g) AMENDMENTS TO DEFINITIONS.—Section 202b(g) of the Housing Act of 1959 (12 U.S.C. 1701q–2(g)) is amended to read as follows:

“(g) DEFINITIONS.—For purposes of this section—

“(1) the term ‘assisted living facility’ has the meaning given such term in section 232(b) of the National Housing Act (1715w(b));

“(2) the term ‘service-enriched housing’ means housing that—

“(A) makes available through licensed or certified third party service providers supportive services to assist the residents in carrying out activities of daily living, such as bathing, dressing, eating, getting in and out of bed

or chairs, walking, going outdoors, using the toilet, laundry, home management, preparing meals, shopping for personal items, obtaining and taking medication, managing money, using the telephone, or performing light or heavy housework, and which may make available to residents home health care services, such as nursing and therapy;

“(B) includes the position of service coordinator, which may be funded as an operating expense of the property;

“(C) provides separate dwelling units for residents, each of which contains a full kitchen and bathroom and which includes common rooms and other facilities appropriate for the provision of supportive services to the residents of the housing; and

“(D) provides residents with control over health care and supportive services decisions, including the right to accept, decline, or choose such services, and to have the choice of provider; and

“(3) the definitions in section 1701(q)(k) of this title shall apply.”.

**SEC. 302. MONTHLY ASSISTANCE PAYMENT UNDER RENTAL ASSISTANCE.**

Clause (iii) of section 8(o)(18)(B) of the United States Housing Act of 1937 (42 U.S.C. 1437f(o)(18)(B)(iii)) is amended by inserting before the period at the end the following: “, except that a family may be required at the time the family initially receives such assistance to pay rent in an amount exceeding 40 percent of the monthly adjusted income of the family by such an amount or percentage that is reasonable given the services and amenities provided and as the Secretary deems appropriate.”.

**TITLE IV—COMPLIANCE WITH STATUTORY PAY-AS-YOU-GO ACT OF 2010**

**SEC. 401. BUDGETARY EFFECTS.**

The budgetary effects of this Act, for the purpose of complying with the Statutory Pay-As-You-Go-Act of 2010, shall be determined by reference to the latest statement titled “Budgetary Effects of PAYGO Legislation” for this Act, submitted for printing in the



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Congressional Record by the Chairman of the Senate Budget Committee, provided that such statement has been submitted prior to the vote on passage.

*Speaker of the House of Representatives.*

*Vice President of the United States and  
President of the Senate.*