

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PROJECT-BASED RENTAL ASSISTANCE

PROGRAM PERFORMANCE

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004
<b>Strategic Goal A: Promote decent affordable housing.</b>			
Discretionary BA (Dollars in Thousands)	\$14,542,063	\$16,171,986	\$3,760,493
FTE			
Headquarters	228	250	65
Field	504	505	395
Subtotal	732	755	460
S&E Cost (Dollars in Thousands)			
Personal Services	\$62,588	\$66,535	\$39,937
Travel	1,279	2,385	405
Printing	128	159	56
Other Services	2,094	832	896
Supplies	42	41	18
Subtotal	66,131	69,952	41,312
<b>Strategic Objective A.1: Expand access to affordable rental housing.</b>			
Indicator: Under the Mark-to-Market program (M2M), HUD will reduce the rents and, where appropriate, complete a mortgage restructuring on 380 deals.	510	470	380
Indicator: The utilization of Housing Assistance for Needy Families vouchers increases by 1 percentage point from the fiscal year 2003 level.	94% SEMAP Utilization	95%	Initiative transferred to HANF
<b>Strategic Objective A.2: Improve the physical quality and management accountability of public and assisted housing.</b>			
Indicator: 95 percent of projects failing to meet quality standards will be brought under an improvement plan within the fiscal year.	95%	NA	NA
Indicator: The high incidence of program errors and improper payments in HUD's rental housing assistance programs will be reduced. Provide error measurement studies from PD&R and PIH tracking system.	Over 60% of rent calculations contain errors	Over 51% of rent calculations contain errors	42%
Indicator: The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases by 1 percentage point.	89%	90%	91%
Indicator: The share of assisted and insured privately owned multifamily properties that meet HUD-established	NA New indicator in 2003	92%	92%

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physical standards are maintained at no less than 92 percent.			
<b>Strategic Objective A.3: Increase housing opportunities for the elderly and persons with disabilities.</b>			
Indicator: The share of units of low-rent public housing and Section 8 programs that are occupied by families with children, elderly, and persons with disabilities.	a/	NA	NA
<b>Strategic Objective A.4: Help HUD-assisted renters make progress toward self-sufficiency.</b>			
Indicator: The number of public housing and Housing Assistance for Needy Families households that have accumulated assets through the Family Self-Sufficiency program increases by 5 percent and the average escrow amount for FSS graduates increases.	\$11,782; Escrow \$4,876. b/	12,371; Escrow \$4,925. b/	Initiative transferred to HANF
Indicator: Increase by 5 percent, the number of households whose predominant source of income is earned income.	NA New indicator in fiscal year 2003.	Baseline to be established.	Initiative transferred to HANF.

NA: Not Applicable

a/ Strategic Objective A.3 Indicator: The share of units of low-rent public housing and Section 8 programs that are occupied by families with children, elderly, and persons with disabilities. (This indicator is only used for tracking purposes.)

Units in Program Occupied by Families of Various Attributes	No Children			With Children		
	elderly	non-elderly disabled	non-elderly non-disabled	elderly	non-elderly disabled	non-elderly non-disabled
Public Housing	31.3%	14.9%	11.5%	1.5%	4.3%	36.5%
Tenant-based Section 8	15.1%	16.7%	8.0%	1.0%	7.7%	51.5%
Project-based Section 8	48.5%	13.3%	8.1%	0.7%	2.3%	27.1%

b/ Strategic Objective A3 Indicator: The number of public housing and Housing Assistance for Needy Families households that have accumulated assets through the Family Self-Sufficiency program increases by 5 percent and the average escrow amount for FSS graduates increases. Reliability of data from PIC-50058 data system in fiscal year 2002 was poor with the result that FSS program enrollment and escrow activities are not accurately reflected. Therefore, the fiscal year 2003 goal of 12,371 is based on the questionable figure from the fiscal year 2002 PIC-50058. Corrective actions are being implemented.

EXPLANATION OF PERFORMANCE

Performance/Means and Strategies

For the Project-Based Rental Assistance program, the Department requests approximately \$3.76 billion in program funding and \$41.3 million in Salaries and Expenses for a total of \$3.8 billion in 2004 to support Strategic Goal A: Promote decent affordable housing.

HUD's core mission is to help families find affordable and decent housing. Through the Project-Based Rental Assistance program, HUD annually provides over \$7 billion in rental assistance to 1.2 million low-income households living in Section 8 project-based units. In

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fiscal year 2004, the Department is requesting \$4.8 billion in new budget authority to renew expiring project-based contracts and for oversight of the Section 8 project-based rental assistance program.

Affordable housing is at a premium in many localities, this program helps to ensure that housing options remain available for low-income families. Through special programmatic approaches such as Mark-to-Market, Mark-Up-To-Market and tenant protection activities, the management of the project-based inventories contributes to the maintenance of this stock of affordable housing for low and moderate-income families. To achieve the goal of promoting decent affordable housing, HUD is strengthening the oversight of housing intermediaries and holding them responsible for results. Using existing statutory authority, HUD will promptly sanction private owners of subsidized projects when these intermediaries are in substantial default of their contractual obligations to maintain clean safe housing units.

Part of the President's Management Agenda focuses on Management and Performance, and specifically, identifies weaknesses that harm the people and communities served. Subsidized families are sometimes trapped in substandard, poorly maintained housing and some families receive excessive subsidies that could have been used to aid others in need.

HUD is no longer willing to subsidize substandard housing. HUD will strengthen oversight of housing intermediaries using a new database and management rating system to hold them responsible for results. Using existing statutory authority, HUD will promptly sanction private owners of subsidized projects when these intermediaries are in substantial default of their contractual obligation, to maintain clean safe housing units. For private housing that is subsidized by HUD, the percent of units meeting physical standards will increase from 93.2 percent in 2002 to 94.7 percent in 2003. HUD's goal for the near future is to expand housing choices for those who reside in housing that fails to meet physical standards. HUD will work with Congress on ways to ensure that families are not required to live in substandard housing as a condition for retaining their subsidy.

The Department assesses performance in promoting decent, affordable housing in terms of improving management accountability as well as by improving the physical and related conditions in project-based assisted housing. HUD seeks to improve performance results by addressing problems in the accurate calculation of tenant incomes and rents, the failure to maintain subsidized projects in adequate condition, and in some cases in severe mismanagement or fraud. Progress toward achieving improvement will be assessed by focusing on the reliability of financial record keeping, the quality and responsiveness of management, and the results experienced by the customers--the residents.

The President's Management Agenda commits to improving the physical quality of assisted multifamily housing such that, by 2005, 92 percent of multifamily housing will meet HUD's physical standards. In 2002, the Department far exceeded that goal with 93.2 percent of multifamily housing meeting HUD's physical standards. The Department will continue to seek improvements in the percentage of multifamily housing units that meet established physical standards by increasing the 2002 level to 94.7 percent in 2003. HUD's Real Estate Assessment Center (REAC) assesses the financial and physical condition of public and multifamily insured and project-based assisted housing. The REAC Physical Assessment Subsystem (PASS) is used for private multifamily housing. It consists of electronically coded and transmitted results of independent physical inspections of units, common and areas facilities. HUD is aiming its enforcement efforts at achieving improvements in the approximately 8 percent of multifamily properties that repeatedly achieve poor ratings. Many of these properties previously filed an improvement plan, yet remain below HUD standards. Inadequate financial resources frequently contribute to ongoing problems. However, the number of insured and project-based assisted properties with physical and financial problems continue to decline due to the consistent oversight provided by the REAC physical and financial review processes. HUD's vigilant follow-up review of corrective action will always be required as housing units deteriorate over time and require on-going maintenance. Similarly, financial compliance and soundness can only be assured by periodic audit and on-going oversight and follow-up. HUD will ensure that families are not required to live in substandard housing as a condition for retaining their rental assistance. Multifamily management plan goals require corrective action by all owners of properties not meeting minimum standards for physical condition or with compliance issues or findings from review of their properties' financial statements. HUD requires immediate action on health and safety issues, including smoke detectors, observed by the inspectors. The goal of 95 percent of the properties so identified being brought into compliance reflects the effect of enforcement policy.

Under the Mark-to-Market program (M2M), the Office of Multifamily Housing Assistance Restructuring (OMHAR) analyzes FHA-insured multifamily properties for which Section 8 rents exceed comparable market rents, and reduces Section 8 rents to bring them in line with comparable market rents or levels that preserve financial viability. Properties also are eligible for debt restructuring that involves a write down of the existing mortgage in conjunction with the reduced rent levels. Rent adjustments and mortgage restructuring reduce the average cost of providing housing assistance and help maintain the supply of good quality, affordable housing units. OMHAR administers M2M by contracting with Participating Administrative Entities (PAEs), including a number of state housing finance agencies, to conduct the mortgage restructuring. In fiscal year

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2002, OMHAR completed 294 full debt restructurings, 50 rent reductions and 166 restructuring plans were resolved or completed in an action other than a full debt restructuring, for a total of 510 project actions.

The recipients of housing assistance form one of HUD's largest groups of direct customers. The Department influences resident satisfaction by demanding quality management from housing agencies and private multifamily developments. This indicator tracks the percentage of respondents who are satisfied or very satisfied with "overall living conditions." The goal is to increase the percent of households who express satisfaction by 1 percentage point. Data regarding resident satisfaction come from the REAC Resident Satisfaction Assessment Subsystem (RASS), based on surveys of residents of public housing and assisted multifamily housing. Analysis of results of a pilot survey showed good correlation between resident satisfaction scores and physical condition scores. Annual survey samples will verify estimates and increase confidence in their statistical reliability.

HUD also seeks to help as many residents of public and assisted housing increase their self-sufficiency to the point that they no longer need housing assistance and/or are able to become homeowners if they choose. The Family Self-Sufficiency (FSS) program is HUD's principal asset building tool. FSS provides participating families with opportunities for educational services, job training, counseling and other services while they are receiving housing assistance. As participants' earnings increase, an amount based on their increased earned income is deposited into an interest-bearing escrow account. The family claims the escrow funds upon successful fulfillment of its self-sufficiency contract if no member of the family is receiving welfare assistance. In fiscal year 2002, the baseline for this goal was established using data reported to HUD's PIC-50058 system by PHAs. For fiscal year 2002, PIC reports showed that 11,782 FSS families had positive escrow account balances. The average escrow amount for graduates was \$4,876.

In fiscal year 2003, the Department's goal is to increase the number of families with positive escrow balances to 12,371, a increase of 5 percent above the fiscal year 2002 level and to increase the average escrow amount claimed by graduates by at least 1 percent to \$4,925. The funding requested to support FSS program coordinators is critical to achieving these goals. The FSS program coordinators assure that program participants are linked to the supportive services they need to obtain employment that will enable them to achieve economic self-sufficiency.

In fiscal year 2004, the Department's goal is to again increase the number of families with positive escrow balances by 5 percent to 12,990 and the average escrow of graduates to \$4,975. To accomplish this goal, it will be necessary to provide funding to renew existing coordinators and fund additional housing agencies to help them establish FSS programs or expand existing programs. These coordinators will also help families prepare to move from rental housing to homeownership. In fiscal year 2004, this initiative will be transferred to HANF.

### Resource Management Information

There is a significant decrease in the fiscal year 2004 resources from fiscal year 2003 level. The major factor is the Department's request of the tenant-based rental assistance and project-based moderate rehabilitation programs under a new account, Housing Assistance for Needy Families.