

HOUSING
PROJECT-BASED RENTAL ASSISTANCE
2011 Summary Statement and Initiatives
(Dollars in Thousands)

PROJECT-BASED RENTAL ASSISTANCE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2009 Appropriation	\$7,100,000	\$370,154 ^a	\$2,030,000 ^b	\$9,500,154	\$9,332,251	\$7,481,990
2010 Appropriation/Request	8,557,853	167,903 ^c	...	8,725,756	8,725,756	8,145,000
2011 Request	<u>9,376,000^d</u>	...	...	<u>9,376,000^e</u>	<u>9,285,672</u>	<u>8,722,000</u>
Program Improvements/offsets	+818,147	-167,903	...	+650,244	+559,916	+577,000

- a/ Includes \$221 million of carryover from fiscal year 2008 and \$159 million recaptured during fiscal year 2009 less \$10 million transferred to the Working Capital Fund (WCF). Carryover includes \$50 million for Disaster Relief Voucher assistance.
- b/ Provides \$2 billion in the American Recovery and Reinvestment Act (P.L. 111-5) for Contract Renewals; also includes \$30 million in supplemental funding for Vouchers for Disaster Relief (P.L. 111-32).
- c/ Carryover reflects \$159 million of carryover into fiscal year 2010 together with \$8.8 million of remaining unobligated authority from the \$2.0 billion Recovery Act supplemental in fiscal year 2009.
- d/ Appropriation/Request amounts are based on fiscal year appropriation. Total budget authority requested in fiscal year 2011 is \$9.382 billion (\$8.982 billion for fiscal 2011 and \$400 million for fiscal year 2012).
- e/ The \$9.376 billion includes \$8.982 billion of requested new appropriations for fiscal year 2011 and \$394 million provided in the Department of Housing and Urban Development Appropriations Act, 2010 (P.L. 111-117), to be available on October 1, 2010 for fiscal year 2011 needs. Of that amount, \$90 million is proposed to be transferred to the Transformation Initiative resulting in a net total of \$9.286 billion available for obligations in the PBRA account in fiscal year 2011.

Summary Statement

Project-Based Rental Assistance (PBRA) assists more than 1.3 million low- and very low-income households in obtaining decent, safe, and sanitary housing in private accommodations. This critical program serves families, elderly households, disabled households, and provides transitional housing for the homeless. Through PBRA funding, HUD renews Section 8 Project-Based assistance contracts with owners of multifamily rental housing. HUD makes up the difference between what a household can afford and the approved rent for an adequate housing unit in a multifamily development. Without this assistance, most of the people served by this program would face unsafe housing, over crowded housing, or homelessness.

The Department is requesting a total of \$9.382 billion (\$9.376 billion on a fiscal year) to meet PBRA program needs. This includes \$8.982 billion to be available in fiscal year 2011 and \$400 million advance appropriation to be available in fiscal year 2012. This provides funding not to exceed \$322 million for Project-Based Contract Administrators (PBCA); \$10 million for Tenant Resources, Information and Outreach; \$90 million to be transferred to the Transformation Initiative; and, the remaining resources in fiscal year 2011 to be made available for contract renewals and amendments. The \$90 million non-expenditure transfer to the Transformation Initiative program is excluded from carryover, obligations and outlays, but is reflected in the Transformation Initiative account. Flexible language is

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proposed to augment proposed set-aside amounts as necessary by re-allocating funds from other set-asides or from recaptures, including an anticipated \$100 in recaptures from the Housing Certificate Fund, which may be available for obligation.

The American Recovery and Reinvestment Act (Recovery Act) (P.L. 111-5) provided \$2 billion to fund all project-based contract renewals for a full 12 months in fiscal year 2009. This funding together with the fiscal year 2009 Omnibus Appropriation full year funding aids with the return of these projects to their original funding anniversary cycle. Of the total, \$1.991 billion of these funds were obligated in fiscal year 2009.

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Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2009 Budget Authority	2008 Carryover Into 2009	2009 Total Resources	2009 Obligations	2010 Budget Authority/ Request	2009 Carryover Into 2010	2010 Total Resources	2011 Request
Contract Renewals and Amendments	\$6,868,000	\$260,154	\$7,128,154	\$6,973,234	\$8,315,853	\$155,072	\$8,470,925	\$8,954,240
Contract Administrators	222,000	70,000	292,000	291,982	232,000	...	232,000	322,000
Working Capital Fund (transfer)	10,000	-10,000	...	...	...	...	...	...
Vouchers for Disaster Relief - (P.L. 111-32).....	30,000	50,000	80,000	76,866	...	4,000	4,000	...
Transformation Initiative Transfer ..	...	...	...	...	...	...	...	89,760 ^a
Tenant Resources, Information and Outreach (TRIO) .....	...	...	...	...	10,000	...	10,000	10,000 ^b
Contract Renewals - Recovery Act - (P.L. 111-5).....	<u>2,000,000</u>	<u>...</u>	<u>2,000,000</u>	<u>1,991,169</u>	<u>...</u>	<u>8,831</u>	<u>8,831</u>	<u>...</u>
Total	9,130,000	370,154	9,500,154	9,333,251	8,557,853	167,903	8,725,756	9,376,000

a/ These funds are proposed to be transferred to the Transformation Initiative program. The \$90 million non-expenditure to the Transformation Initiative program is excluded from carryover, obligations and outlays, but is reflected in the Transformation Initiative account.

b/ The Department may transfer up to \$10 million from the Contract Renewals set-aside for Tenant Resources, Information and Outreach (TRIO) activities under Sec. 514(f) of the Multifamily Assisted Housing Reform and Affordability Act (MAHRA) of 1997 (42 U.S.C. 1437f note).

FTE	2009 Actual	2010 Estimate	2011 Estimate
Headquarters	77	75	76
Field	<u>327</u>	<u>322</u>	<u>324</u>
Total	404	397	400

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Program Offsets
(Dollars in Thousands)**

Vouchers for Disaster Relief - (P.L. 111-32)	<u>Amount</u>
2009 Appropriation	\$30,000
2010 Appropriation/Request .....	...
2011 Request	<u>...</u>
Program Improvements/Offsets .....	...

Proposed Actions

A total of \$30 million was provided under the fiscal year 2009 Supplemental Appropriations Act (P.L. 111-32), amending Sec. 1203 of the “Continuous Security, Disaster Assistance, and Continuing Appropriations Act, 2009” (P.L. 110-329), under the heading “Project-Based Rental Assistance” to aid victims of Hurricanes Katrina and Rita. This supplemental funding amended the original Vouchers for Disaster Relief funding from \$50 million to \$80 million.

These project-based vouchers are provided under section 8 (o) (13) of the United States housing Act of 1937 (42 U.S.C. 1437f (o) (13)). This type of voucher is typically funded and renewed under the heading “Tenant-Based Rental Assistance.” Therefore, the Department includes the renewal of these vouchers in the Tenant-Based Rental Assistance request.

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Program Offsets
(Dollars in Thousands)**

Contract Renewals and Amendments	<u>Amount</u>
2009 Appropriation	\$6,868,000
2010 Appropriation/Request	8,315,853
2011 Request	<u>8,954,240</u>
Program Improvements/Offsets	+638,387

Proposed Actions

The contract renewals and amendments set-aside provides funding for the Department to renew and amend PBRA contracts. These funds are necessary to keep the nearly 1.3 million families assisted by this program in safe, sanitary, and affordable housing. For fiscal year 2011, HUD requests \$9.044 billion of new Budget Authority for contract renewals and amendments. This amount is for Housing's Project-Based Section 8 contracts, Public and Indian Housing's Mod Rehab contracts, and Community Planning and Development's Single Room Occupancy contracts. Of that amount, \$89.8 million is proposed to be transferred to the Transformation Initiative.

The need for Section 8 Amendment funds results from insufficient funds provided for long-term project-based contracts funded primarily in the 1970's and 1980's. During those years, the Department provided contracts for terms of up to 40 years. Estimating funding needs over such a long period of time proved to be problematic, and as a result, many of these Section 8 contracts were inadequately funded. The current practice of renewing expiring contracts for a 1-year term helps to ensure that the problem of inadequate funded contracts is not repeated. However, older long-term contracts that have not reached their termination dates and have not entered the 1-year renewal cycle must be provided amendment funds for the projects to remain financially viable and thus maintain the inventory of affordable rental housing.

The Department estimates that total Section 8 Amendment needs in fiscal year 2011 will be \$662 million.

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Program Offsets
(Dollars in Thousands)**

Contract Administrators	<u>Amount</u>
2009 Appropriation	\$222,000
2010 Appropriation/Request	232,000
2011 Request	<u>322,000</u>
Program Improvements/offsets	+90,000

Proposed Actions

The Contract Administrators set-aside is necessary to fund the vast majority of the administration of the PBRA program. Through this set-aside, the Department funds contracts with performance-based contract administrators (PBCAs). These entities, which are typically Public Housing Authorities or state housing finance agencies, are responsible for conducting on-site management reviews of assisted properties; adjusting contract rents; reviewing, processing, and paying monthly vouchers submitted by owners; renewing contracts with property owners; and responding to health and safety issues at properties.

The Appropriation for Contract Administrators for fiscal year 2009 was \$232 million while obligations were \$292 million. Fiscal year 2009 Recaptures in the amount of \$70 million were used to provide necessary funding for this activity in order to cover total needs. For fiscal year 2010, the Appropriation for Contract Administrators is \$232 million, not to exceed \$258 million. The Department projects that the need for this activity will be \$317 million in fiscal year 2010, and anticipates that recaptures realized in the Housing Certificate Fund will be needed to cover a shortfall in this program. The Department also proposes to continue the flexible language permitting the use of recaptured authority if that contingency becomes necessary.

The implementation of PBCAs for project-based Section 8 contract administration is a vital tool in the Department's efforts to transform and improve program administration and monitoring. In particular, the Department uses PBCAs to: (1) reduce payment errors; (2) improve the physical condition of units; and (3) ensure timely payment of rents to property owners. In conjunction with the Department's Rental Housing Integrity Improvement Project (RHIIIP), PBCAs have helped make HUD a leader amongst Federal agencies in reducing improper payments. Because PBCAs are required to perform extensive annual reviews of properties' operations, including reviewing owners' rent subsidy calculations; they help the Department ensure that the right benefits are going to the right people.

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Program Offsets
(Dollars in Thousands)**

Working Capital Fund (transfer)	<u>Amount</u>
2009 Appropriation	\$10,000
2010 Appropriation/Request .....	...
2011 Request	<u>...</u>
Program Improvements/Offsets .....	...

Proposed Actions

The Department is not requesting any transfers for the Working Capital Fund in fiscal year 2011. Instead, these activities will be funded through the Department's Transformation Initiative. This initiative will allow the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas.

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Program Offsets
(Dollars in Thousands)**

Contract Renewals - Recovery Act - (P.L. 111-5)	<u>Amount</u>
2009 Appropriation	\$2,000,000
2010 Appropriation/Request .....	...
2011 Request	<u>...</u>
Program Improvements/Offsets .....	...

Proposed Actions

The American Recovery and Reinvestment Act (Recovery Act) (P.L. 111-5) provided \$2 billion to fund all project-based contract renewals for a full 12 months in fiscal year 2009. This funding, together with the fiscal year 2009 Omnibus Appropriation full-year funding, aids with the return of these projects to their original funding anniversary cycle. Of the total, \$1.991 billion of these funds were obligated in fiscal year 2009. It reduces the administrative burden imposed by the necessity of reviewing the contracts multiple times during a 12-month period as a result of short term funding procedures. It spreads the workflow requirement on a more even monthly basis throughout the fiscal year. Finally, it helps to re-assure owners and project sponsors that funding will be available on a timely basis throughout the year.

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Program Offsets
(Dollars in Thousands)**

Transformation Initiative Transfer	<u>Amount</u>
2009 Appropriation .....	...
2010 Appropriation/Request .....	...
2011 Request	<u>\$89,760</u>
Program Improvements/Offsets	+89,760

Proposed Actions

The Department proposes to transfer \$89.8 million from Project Based Rental Assistance to the Transformation Initiative. Projects that could be facilitated include the Department's transition from paper-based and manual processes to automated processing and electronic document management, including: (1) implementation of the Integrated Real Estate Management System (iREMS) and (2) automation of the Section 8 Project-Based Assistance contract renewal and payment processes, with improved budget forecasting.

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Program Offsets
(Dollars in Thousands)**

Tenant Resources, Information and Outreach (TRIO)	<u>Amount</u>
2009 Appropriation .....	...
2010 Appropriation/Request	\$10,000
2011 Request	<u>10,000</u>
Program Improvements/Offsets .....	...

NOTE: The Department plans to use up to \$10 million from the Contract Renewals and Amendments set-aside to fund this activity in fiscal year 2011.

Proposed Actions

HUD is proposing to use up to \$10 million from the Contract Renewals and Amendments set-aside for Tenant Resources, Information and Outreach (TRIO) grants to build on previous efforts to provide assistance to tenant groups, non-profit organizations, and public entities for building the capacity of tenant organizations. The grants support tenants in Section 8 subsidized properties upon the expiration of the subsidy contracts, and include activities such as education, outreach, training and technical assistance activities.

Section 514(f) of the Multifamily Assisted Housing Reform and Affordability Act (MAHRA) of 1997 (47 U.S.C. 1437fnote) authorizes the Department to provide financial assistance for building the capacity of tenant organizations and furthering the purposes of the Mark-to-Market program including preservation of low-income housing and tenant services. This activity is subject to an annual limitation of \$10 million to be derived from the PBRA account.

The TRIO program would build upon best practices and lessons learned from predecessor programs to provide training and technical guidance on how to reach, educate and organize tenants about the ramifications of subsidy contract expirations and renewals under MAHRA and enable tenants to explore alternative outcomes.

This Budget presentation reflects the incremental \$10 million impact of the TRIO request in fiscal years 2010 and 2011.

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Justification of Proposed Changes in Appropriations Language

The fiscal year 2011 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

(INCLUDING TRANSFER OF FUNDS)

For activities and assistance for the provision of project-based subsidy contracts under the United States Housing Act of 1937 (42 U.S.C. 1437 et seq.) ("the Act"), not otherwise provided for, [~~\$8,157,853,000~~] \$8,982,328,000, to remain available until expended, shall be available on October 1, [2009] 2010 (in addition to the \$393,672,000 previously appropriated under this heading that will become available October 1, 2010), and [~~\$393,672,000~~] \$400,000,000, to remain available until expended, shall be available on October 1, [2010] 2011: Provided, That the amounts made available under this heading [are provided as follows:(1) Up to \$8,325,853,000] shall be available for expiring or terminating section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for amendments to section 8 project-based subsidy contracts (including section 8 moderate rehabilitation contracts), for contracts entered into pursuant to section 441 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11401), for renewal of section 8 contracts for units in projects that are subject to approved plans of action under the Emergency Low Income Housing Preservation Act of 1987 or the Low-Income Housing Preservation and Resident Homeownership Act of 1990, and for administrative and other expenses associated with project-based activities and assistance funded under this paragraph[(2) Not less than \$232,000,000 but not to exceed \$258,000,000]: Provided further, That of the total amounts provided under this heading, not to exceed \$322,000,000 shall be available for performance-based contract administrators for section 8 project-based assistance: Provided further, That the Secretary of Housing and Urban Development may also use such amounts in the previous proviso for performance-based contract administrators for the administration of: interest reduction payments pursuant to section 236(a) of the National Housing Act (12 U.S.C. 1715z-1(a)); rent supplement payments pursuant to section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s); section 236(f)(2) rental assistance payments (12 U.S.C. 1715z-1(f)(2)); project rental assistance contracts for the elderly under section 202(c)(2) of the Housing Act of 1959 (12 U.S.C. 1701q); project rental assistance contracts for supportive housing for persons with disabilities under section 811(d)(2) of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 8013(d)(2)); project assistance contracts pursuant to section 202(h) of the Housing Act of 1959 (Public Law 86-372; 73 Stat. 667); and loans under section 202 of the Housing Act of 1959 (Public Law 86-372; 73 Stat. 667)[.(3) A]: Provided further, That amounts recaptured under this heading, the heading "Annual Contributions for Assisted Housing", or the heading "Housing Certificate Fund" may be used for renewals of or amendments to section 8 project-based contracts or for performance-based contract administrators, notwithstanding the purposes for which such amounts were appropriated. (Department of Housing and Urban Development Appropriations Act, 2010.)

Explanation of Changes

No changes.

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Crosswalk of 2009 Availability
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2009 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2009 Resources</u>
Contract Renewals and Amendments	\$6,868,000	...	...	...	\$260,154	\$7,128,154
Contract Administrators	222,000	...	...	...	70,000	292,000
Working Capital Fund (transfer)	10,000	...	...	...	-10,000	...
Vouchers for Disaster Relief - (P.L. 111-32).....	...	\$30,000	...	...	50,000	80,000
Transformation Initiative Transfer ..	...	...	...	...	...	...
Tenant Resources, Information and Outreach (TRIO) .....	...	...	...	...	...	...
Contract Renewals - Recovery Act - (P.L. 111-5)	<u>2,000,000</u>	<u>2,000,000</u>
Total	7,100,000	2,030,000	370,154	9,500,154

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Crosswalk of 2010 Changes
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 President's Budget Request</u>	<u>Congressional Appropriations Action on 2010 Request</u>	<u>2010 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Contract Renewals and Amendments	\$7,858,000	\$8,315,853	...	...	\$155,072	\$8,470,925
Contract Administrators	232,000	232,000	...	...	...	232,000
Working Capital Fund (transfer) .....	...	...	...	...	...	...
Vouchers for Disaster Relief - (P.L. 111-32).....	...	...	...	...	4,000	4,000
Transformation Initiative Transfer ..	...	...	...	...	...	...
Tenant Resources, Information and Outreach (TRIO)	10,000	10,000	...	...	...	10,000
Contract Renewals - Recovery Act - (P.L. 111-5)	<u>8,831</u>	<u>8,831</u>
Total	8,100,000	8,557,853	167,903	8,725,756

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Sources and Uses Estimates. The table below reflects actual activity in fiscal year 2009 together with revised estimates for fiscal years 2010 and 2011.

PBRA SOURCES AND USES OF FUNDS

	<u>Actual</u> <u>FY 2009</u>	<u>Estimate</u> <u>FY 2010</u>	<u>Estimate</u> <u>FY 2011</u>
	(Dollars in Millions)		
<u>Source of Funds</u>			
PBRA in Appropriations Acts	\$7,100	\$8,158	\$8,982
PBRA Recovery Act P.L. 111-5	2,000	...	...
PBRA Disaster Relief Supplemental P.L. 111-32	30	...	...
PBRA Advance Appropriation	...	400	394
PBRA Recaptures	159	...	...
HCF Recaptures (Original Term Contracts)	143	95	95
PBRA Carryover	221	168	...
HCF Carryover	37	121	...
PBRA WCF Transfer	(10)	...	...
PBRA Transformation Initiative Transfer	...	...	-90
Total Funds Available	<u>9,680</u>	<u>8,942</u>	<u>9,381</u>
<u>Use of Funds:</u>			
Housing Contract Renewals	\$6,264	\$7,710	\$8,130
Housing Contract Renewals - Recovery Act	1,991	9	...
PIH Contract Renewals	178	179	179
CPD Contract Renewals	70	84	93
Impact of Opt Outs	NA	(15)	(15)
Original Term Amendments	520	644	662
Contract Administrators	292	317	322
Disaster Voucher Assistance	76	4	...
Tenant Resources (TRIO)	...	<u>10</u>	<u>10</u>
Total Funds Used	<u>9,391</u>	<u>8,942</u>	<u>9,381</u>