

**PUBLIC AND INDIAN HOUSING
TRANSFORMING RENTAL ASSISTANCE
2011 Summary Statement and Initiatives
(Dollars in Thousands)**

TRANSFORMING RENTAL ASSISTANCE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2009 Appropriation .....	...	...	...	...	...	...
2010 Appropriation/Request .....	...	...	...	...	...	...
2011 Request	<u>\$350,000</u>	<u>...</u>	<u>...</u>	<u>\$350,000</u>	<u>\$350,000</u>	<u>\$53,000</u>
Program Improvements/Offsets	+350,000	...	...	+350,000	+350,000	+53,000

Summary Statement

Over the last 75 years, the Federal Government has invested billions in the development and maintenance of public and multifamily housing. This housing serves tremendously vulnerable people (extremely low-income families, seniors, and people with disabilities) who rely on it and will face few if any options in the event the housing is lost. Despite this sizable Federal investment and the great demand for deeply affordable rental housing, we continue to lose hard units. While some portion of these units has been lost due to their deteriorated physical condition, others--both publicly and privately owned--have left the affordable inventory out of their owners' frustration with HUD's administrative procedures or because HUD's preservation toolkit was lacking in resources and/or flexibility.

Particularly for public housing, this trend shows no sign of slowing. HUD estimates that the public housing inventory faces a capital needs backlog ranging from \$18 to \$24 billion. Given the current Federal fiscal constraints, we cannot expect to meet this need from the Federal coffers. At the same time, the structure of the affordability covenants associated with the public housing program impedes private investment in the stock. To preserve the public housing stock and improve upon the multifamily programs, recognizing the investment of taxpayer dollars both programs represent, the President's Budget proposes to make available \$350 million for phase one of an initiative called "Transforming Rental Assistance" (TRA).

TRA will preserve public and assisted housing, enhance housing choice for residents, and increase administrative efficiency at all levels of program operations. For public and assisted housing owners, participation in the initiative will be voluntary and will involve conversion to an improved form of property-based rental assistance under section 8(o)(13) of the U.S. Housing Act of 1937. Conversion contracts will include a resident mobility feature. HUD intends through the conversion process to assure the physical and financial sustainability of properties, including through the implementation of energy-efficiency measures. Residents of converted properties, should they opt to move, will have access to tenant-based rental assistance as it becomes available, without reducing the number of units with property-based assistance. TRA also will streamline and improve the delivery and oversight of rental assistance and increase the share of housing choice vouchers used in lower poverty communities.

Transforming Rental Assistance

Initiatives

HUD provides deep rental assistance to more than 4.6 million households through at least 13 different programs (each with its own rules) administered by 3 operating divisions with separate field staff. Assistance under these programs is delivered through an infrastructure that includes some 4,200 Public Housing Agencies (PHAs), 17,000 private owners with individual Federal contracts, and hundreds of not-for-profit entities. This structure increases transaction costs for developers and communities and makes it more difficult for families in need to access HUD programs, while at the same time worst case housing needs and homelessness are increasing significantly. To access assistance, eligible individuals or families typically must place their name on the waiting list of each agency, owner, or entity administering assistance in the area. The inefficient nature of the administrative structure of HUD's rental assistance programs impedes fair access to scarce resources, resulting in wait times that vary substantially and often with racially disparate impacts. Depending on the type of assistance received, an assisted family may have to sacrifice affordability in order to choose to relocate. The balkanized administrative geography of rental assistance and the lack of a universally available mobility option combine to reinforce existing concentrations of households by race and income.

While navigating the rental assistance maze is difficult for prospective tenants, it is also difficult for developers and owners of HUD-assisted housing. The structure of the public housing program essentially prohibits most PHAs from leveraging debt to address modernization needs. Small, single asset owners often struggle with compliance requirements that are out of proportion to the resources available to them or to the level of financial risk posed by their properties. Portfolio owners may be subject to as many sets of rules and regulations as there are properties in their portfolios. The enormous amount of effort required to move project-based rental assistance from one property to another under current law all but impedes the ability of owners to reconfigure units to meet local need or to transform fully assisted properties into mixed-income communities. Development of new mixed-income housing and connection of assisted housing residents to services are made more difficult by the lack of alignment between the levels of government that allocate capital and service funding and the administration of most rental assistance resources.

To address these issues, in fiscal year 2011, HUD proposes to initiate phase one of a multiyear effort called the Transforming Rental Assistance (TRA) initiative. Under this phase, \$350 million will be made available to preserve approximately 300,000 units of public and assisted housing, increase administrative efficiency at all levels of program operations, and enhance housing choice for residents.

In year one of TRA, PHAs and private owners will be offered the option of converting to long-term property-based rental assistance contracts that include a resident mobility feature. Some \$290 million will be used to fill the gap between the assistance otherwise available for the selected properties and the first-year cost of the new contracts. For the public housing properties alone, HUD estimates that phase one conversions to property-based contracts will enable owners to leverage approximately \$7.5 billion of debt to support the rehabilitation of aging properties. HUD's rent-setting procedures and underwriting guidelines will support the goals of placing converted assets on a sustainable footing from a physical and financial standpoint and assuring that strong ownership and management are rewarded. Converting properties will be required to assess the opportunities for improved energy-efficiency and to implement cost-effective measures. In this phase of the TRA initiative, HUD will prioritize for conversion housing owned by PHAs that do not administer Housing Choice Voucher (HCV) assistance, housing owned by PHAs that also administer the Housing Choice Vouchers (HCV) programs and agree to combine HCV administration with PHAs serving adjacent communities, and properties assisted under the Section 8 Moderate Rehabilitation, Rent Supplement, or Rental Assistance Programs.

Transforming Rental Assistance

Up to \$50 million of TRA funds will be made available for two purposes: (1) to offset the one-time costs of combining HCV program administrative functions in approximately 50 geographic areas where public housing agencies submit locally designed plans to increase efficiency and effectiveness; and (2) for outreach to encourage landlords in a broad range of communities to participate in the program and to provide additional services to expand families' housing choices. Enlarged geographical service areas and expanded search assistance, together with the addition of a mobility option for residents of converted properties and other policy changes HUD plans for 2011, such as improving how Fair Market Rents are determined, will enhance housing choice for residents and increase the share of rental assistance used in lower-poverty communities.

In the spring of 2010, the Administration will transmit to the Congress proposed legislation to amend the project-based voucher program under section 8(o)(13) of the U.S. Housing Act and to authorize the long-term property-based rental assistance contracts that include a resident mobility feature that would be funded by the Budget request. Enactment of a number of the provisions in the Section 8 Voucher Reform Act is also an integral part of the Transforming Rental Assistance initiative. The Administration will work with the Congress to finalize this vital legislation.

**PUBLIC AND INDIAN HOUSING
TRANSFORMING RENTAL ASSISTANCE
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2009 Budget Authority</u>	<u>2008 Carryover Into 2009</u>	<u>2009 Total Resources</u>	<u>2009 Obligations</u>	<u>2010 Budget Authority/ Request</u>	<u>2009 Carryover Into 2010</u>	<u>2010 Total Resources</u>	<u>2011 Request</u>
Rental Assistance and Administrative Fees	\$290,000
Resident Mobility	50,000
Technical Assistance and Evaluation	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>10,000</u>
Total	350,000
<u>FTE</u>	<u>2009 Actual</u>	<u>2010 Estimate</u>	<u>2011 Estimate</u>					
Headquarters	10					
Field	<u>...</u>	<u>...</u>	<u>45</u>					
Total	55					

NOTE: The FTEs that will implement the Transforming Rental Assistance Initiative are reflected in the programs that will participate in this Initiative.

**PUBLIC AND INDIAN HOUSING
TRANSFORMING RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)**

Rental Assistance and Administrative Fees	<u>Amount</u>
2009 Appropriation .....	...
2010 Appropriation/Request .....	...
2011 Request	<u>\$290,000</u>
Program Improvements/Offsets	+290,000

Proposed Actions

In year one of TRA, public housing agencies (PHAs) and private owners of some forms of HUD-assisted housing will be offered the option of converting to long-term, property-based, rental assistance contracts that include a resident mobility feature. Some \$290 million will cover the first-year costs of the new contracts, including administrative fees, for approximately 300,000 converted units. In the case of any converted public housing property, the first-year cost will be the difference between the operating and capital fund monies appropriated for that property and the budget authority assigned to the new contract. Similarly, the cost for assisted multifamily properties that convert will be the difference if any between the budget authority of the pre- and post-conversion contracts and related administrative fees. For the public housing properties alone, HUD estimates that phase one conversions to property-based contracts will enable owners to leverage approximately \$7.5 billion of debt to support the rehabilitation with improved energy-efficiency of aging properties.

HUD's rent-setting procedures and underwriting guidelines will support the goals of placing converted assets on a sustainable footing from a physical and financial standpoint and assuring that strong ownership and management are rewarded. Converting properties will be required to assess the opportunities for improved energy-efficiency and to implement cost-effective measures. In this phase of the TRA initiative, HUD will prioritize for conversion housing owned by PHAs that do not administer HCV assistance (goal of converting 150,000 of the 240,000 public housing units owned by such agencies), public and multifamily housing owned by PHAs that also administer HCV programs and agree to combine HCV administration with PHAs serving adjacent communities (goal of converting about 130,000 of such units), and properties assisted under the Section 8 Moderate Rehabilitation, Rent Supplement, or Rental Assistance Programs (goal of 20,000 or more of such units).

As part of the TRA initiative, HUD intends to assure legal separation between the entities administering these new rental assistance contracts and the owners of converted properties. Such separation already exists with respect to assisted multifamily properties. The owners of converting public housing properties will be prohibited from serving as contract administrators for their own properties in order to help ensure compliance with basic requirements concerning rent-setting and housing quality.

Transforming Rental Assistance

HUD intends to allocate through competition conversion assistance for properties owned by PHAs that also administer assistance under section 8(o) of the U.S. Housing Act of 1937 and will prioritize for funding applications that propose to combine the administration of programs under section 8(o) through a locally designed plan. Conversion assistance for properties owned by PHAs that do not administer assistance under section 8(o) and for eligible assisted multifamily properties may be awarded by means other than a competition.

In the spring of 2010, the Administration will transmit to the Congress proposed legislation to amend the project-based voucher program under section 8(o)(13) of the U.S. Housing Act and to authorize the long-term property-based rental assistance contracts that include a resident mobility feature that would be funded by the Budget request. Enactment of a number of the provisions in the Section 8 Voucher Reform Act is also an integral part of the Transforming Rental Assistance initiative. The Administration will work with the Congress to finalize this vital legislation.

**PUBLIC AND INDIAN HOUSING
TRANSFORMING RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)**

Resident Mobility	<u>Amount</u>
2009 Appropriation .....	...
2010 Appropriation/Request .....	...
2011 Request	<u>\$50,000</u>
Program Improvements/Offsets	+50,000

Proposed Actions

In year one of TRA, up to \$50 million will be made available for two purposes: (1) to offset the one-time costs of combining HCV program administrative functions in approximately 50 geographic areas where public housing agencies submit locally designed plans to increase efficiency and effectiveness; and (2) for outreach to encourage landlords in a broad range of communities to participate in the program and to provide additional services to expand families' housing choices. Enlarged geographical service areas and expanded search assistance, together with the addition of a mobility option for residents of converted properties and other policy changes HUD plans for 2011, such as improving how Fair Market Rents are calculated, will enhance housing choice for residents and increase the share of rental assistance used in lower-poverty communities.

Under the TRA initiative, agencies that propose to combine their administrative functions under section 8(o) will become eligible for one-time funding awards to defray the upfront costs of these administrative changes. Agencies could propose to combine operations in a variety of ways and agree to consolidate in whole or in part, with the goal of enabling HUD to contract with a single entity for administration of the vouchers that had been allocated to the participating agencies. Agencies proposing to combine their administrative functions or that already operate on a regional (or statewide) level and agree to administer the rental assistance contracts for converted properties will be eligible for additional funding for mobility counseling.

By incentivizing agencies to combine and offering additional funding to support mobility, HUD expects both to improve locational outcomes in the HCV program and to facilitate agencies' ability to participate in the development of housing strategies that coordinate rental assistance with capital funding streams as well as with transportation, education, and other human services initiatives throughout the agencies' geographical service areas. (Transportation planning organizations and workforce investment boards both operate regionally.) HUD intends to implement performance incentives and other measures in fiscal year 2011 that, combined with the TRA initiative, will put into place a rental assistance administrative structure that will expand assisted families' choices of where to live and increase the share of assisted families living in safe neighborhoods with access to high-performing schools and employment opportunities.

**PUBLIC AND INDIAN HOUSING
TRANSFORMING RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)**

Technical Assistance and Evaluation	<u>Amount</u>
2009 Appropriation .....	...
2010 Appropriation/Request .....	...
2011 Request	<u>\$10,000</u>
Program Improvements/Offsets	+10,000

Proposed Actions

In year one of TRA, the President’s Budget proposes to use up to 3 percent of the total appropriation in this account for rent comparability studies, technical assistance, and program evaluations.

**PUBLIC AND INDIAN HOUSING
TRANSFORMING RENTAL ASSISTANCE
Justification of Proposed Changes in Appropriations Language**

The fiscal year 201 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.

For assistance to convert properties with contracts for project-based assistance under section 8 of the U. S. Housing Act of 1937, the rent supplement program under section 101 of the Housing and Urban Development Act of 1965, the rental assistance program under section 236 of the National Housing Act, or for assistance under section 9 of the U.S. Housing Act of 1937, to properties with assistance under section 8(o)(13) of the U.S. Housing Act of 1937, as amended, and for fees to cover the costs of administration of such new assistance contracts, services to promote resident mobility, and for one-time expenses of combining administrative components of local programs under section 8(o) of the U.S. Housing Act of 1937, \$350,000,000, to be available until September 30, 2015: Provided, That of the amounts made available under this heading, up to 3 percent shall be available to the Secretary for the costs of, including the contracting for, rent comparability studies, evaluation, and technical assistance: Provided further, That up to \$50,000,000 shall be available for services to promote resident mobility and up-front expenses of public housing agencies related to the transformation of rental assistance under this heading: Provided further, That the Secretary shall select properties and award funds for services and upfront expenses through a competitive process, except that for conversion of public housing and other multifamily properties owned by public housing agencies that do not administer a program under section 8(o) or of properties assisted under section 8(e)(2), the rent supplement program under section 101 of the Housing and Urban Development Act of 1965, or the rental assistance program under section 236 of the National Housing Act, the Secretary may award funds for assistance, services, and upfront expenses through such other procedure as the Secretary may establish: Provided further, That the Secretary shall contract for administration of the rental assistance for any property converted under this heading with a public housing agency that does not own or control the property, directly or indirectly: Provided further, That the conversion of contracts under this heading shall not be grounds to evict tenants or terminate families' rental assistance: Provided further, That the Secretary may waive, or specify alternative requirements for, any provision of section 8(o)(13) (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment) or any provision that governs the use of funds made available under the headings of "Public Housing Capital Fund," "Public Housing Operating Fund," and "Project-Based Rental Assistance," under this Act or any prior Act for properties converted under this heading, upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the effective conversion of the contracts provided for under this heading: Provided further, That the Secretary shall publish in the Federal Register any waiver pursuant to the preceding proviso no later than 10 days before the effective date of such waiver.

Transforming Rental Assistance

**PUBLIC AND INDIAN HOUSING
TRANSFORMING RENTAL ASSISTANCE
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>
Rental Assistance and Administrative						
Fees
Resident Mobility
Technical Assistance and Evaluation
Total

**PUBLIC AND INDIAN HOUSING
TRANSFORMING RENTAL ASSISTANCE
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>
Rental Assistance and Administrative						
Fees
Resident Mobility
Technical Assistance and Evaluation
Total