

**HOUSING  
RENT SUPPLEMENT PROGRAM  
2014 Summary Statement and Initiatives  
(Dollars in Thousands)**

RENT SUPPLEMENT PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2012 Appropriation .....	\$1,300	\$17,261 <sup>a</sup>	...	\$18,561	\$12,407	\$43,083
2013 Annualized CR .....	1,308	13,854 <sup>b</sup>	...	15,162	15,162	38,374
2014 Request .....	<u>17,554<sup>c</sup></u>	<u>1,456</u>	...	<u>19,010</u>	<u>19,010</u>	<u>32,957</u>
Program Improvements/Offsets .....	+16,246	-12,398	...	+3,848	+3,848	-5,417

- a/ This amount includes actual carryover of \$14.4 million, recaptures in the amount of \$9.9 million, and a withdrawal of contract and budget authority of -\$7 million.
- b/ Includes \$7.7 million that was reprogrammed from the Rental Housing Assistance Program (RHAP) account in fiscal year 2013.
- c/ Differs from amount shown in Presidents Budget Appendix due to rounding.
- d/ Total request for Other Assisted Housing is \$21 million; the remaining balance of \$3.4 is discussed in the Rental Housing Assistance Program justification. This number includes an estimated Transformation Initiative (TI) transfer that may be up to 0.5 percent of Budget Authority.
- e/ This amount assumes \$1.456 million in recaptures in fiscal year 2014.

**1. What is this request?**

The Department is requesting \$17.56 million for the Rent Supplement Program in fiscal year 2014, an increase of \$16.3 million from the fiscal year 2012 enacted level. This request of \$17.56 million, when combined with fiscal year 2013 carryover and anticipated recaptures, will allow HUD to direct approximately \$6.3 million to contract amendments and \$12.7 million to extensions of expiring contracts. These funds will ensure adequate on-going assistance to approximately 3,300 units associated with active, unexpired Rent Supplement contracts and preserve the affordability of approximately 2,800 units associated with contracts expiring in fiscal year 2014. The funding requirement assumes approximately 1,000 units will be converted to project-based vouchers in fiscal year 2013 under the Department’s Rental Assistance Demonstration (RAD) program and that an estimated 1,400 units will convert in fiscal year 2014. Actual conversions will be dependent on owner demand and timing of execution. Some projects will receive short term extensions of up to 12 months while finalizing RAD applications/conversions. These fiscal year 2014 RAD conversion estimates assume that the fiscal year 2014 appropriations act includes authority for continuing RAD conversions of Rent Supplement projects through fiscal year 2015 (see the RAD request for more information). Should this authority not be granted, the costs for Rent Supplement in 2014 would increase due to resulting increases in the number and/or duration of contract extensions.

## Rent Supplement Program

### **2. What is this program?**

Section 101 of the Housing and Urban Development Act of 1965 authorized rent supplements on behalf of needy tenants living in privately owned housing and was the first project-based assistance program for mortgages insured by the Office of Housing. These contracts were available to Section 221(d)(3) BMIR, Section 231, Section 236 (insured and non-insured), and Section 202 properties for the life of the mortgage. Eligible tenants pay 30 percent of the rent or 30 percent of their income toward the rent, whichever is greater. The difference between the tenant payment and the economic rent approved by the Department is made up by a Rent Supplement payment made directly to the project owner.

The issuance of new contracts under the program was suspended by the housing subsidy moratorium of January 5, 1973. As rents escalated in the 1980s, contract funds were insufficient to subsidize contract units for the full term of the contract. Most insured and Section 202 projects were able to convert their rent supplement assistance to Section 8 assistance during the 1980s in order to avoid contract amendment problems.

### Salaries and Expenses (S&E) and Full-Time Equivalents (FTE) Request

The primary workload for the Rent Supplement program is carried by HUD's Office of Housing, mainly the Office of Multifamily Housing. Critical functions are also supported by financial, procurement, IT, and other administrative organizations. A total of 25.5 FTE are requested for the Rent Supplement program which is a decrease of .1 from the fiscal year 2012 enacted level. Total S&E funding is \$3.2 million or an increase of \$103 thousand from the fiscal year 2012 enacted level. Personnel services increase by \$94 thousand or 3 percent reflecting the cost of salary and fringe benefits. Non-personnel services are increased by \$9 thousand reflecting an increase in training.

### Workload by Function

The overall S&E requests reflect the following workload by functions for the Rent Supplement Program:

- Multifamily Asset Management and Recapitalization has 20.3 FTE (79.6 percent) to provide oversight and monitoring of Field staff implementation of policy and procedures related to sponsor and owner obligations and responsibilities; monitor Field achievement of goals and targets; ensures compliance with HUD business agreements with respect to financial and physical requirements; oversight and monitoring of the Use Agreement and other contracts.
- Multifamily Subsidy Administration has 4.3 FTE (16.9 percent) associated with Multifamily rental assistance paid to the owner is the difference between what a household can afford (based on paying 30 percent of household income for rent) and the approved contract rent for the unit.
- Multifamily Policy Development staff has 0.9 FTE (3.5 percent) used to administer the multifamily rental assistance programs; develops policy on the renewal of Section 8 contracts and the provision of rent adjustments; writes guidebooks and notices; and responds to inquiries regarding contract provisions.

## Rent Supplement Program

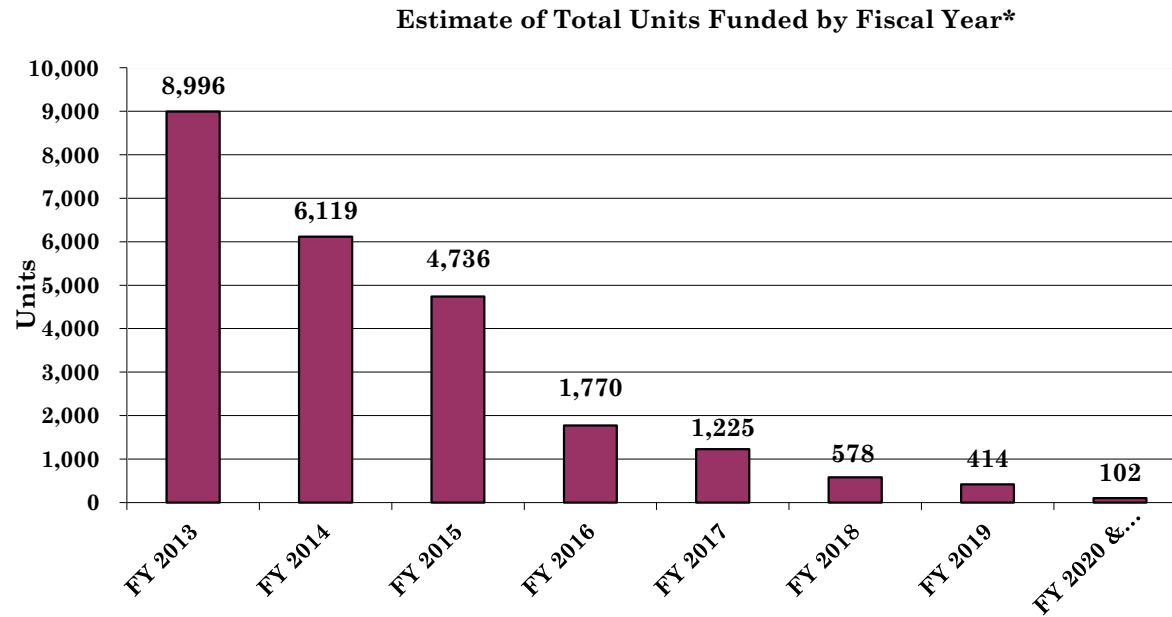
### **3. Why is this program necessary and what will we get for the funds?**

The Rent Supplement Program supports the Department in achieving its strategic goal to “meet the need for quality affordable rental housing.” More specifically, continued funding for the program helps to achieve the objective to “preserve the affordability and improve the quality of the federally assisted and private unassisted rental homes.”

The Rent Supplement program provides continued assistance to units on active or newly expired original term contracts. The contract amendment portion of the program provides additional funding on contracts that have not expired but have nearly exhausted all available funding prior to contract expiration. The contract extension portion of the program provides temporary preservation of the affordability of the units for up to 12 months after the contract has expired. The contract extension component provides owners with additional time to consider other preservation strategies once the Rent Supplement contract expires, such as the Rental Assistance Demonstration (RAD) or other options as applicable.

Current estimates show that approximately 3,300 units will be assisted with amendments and up to 2,800 will be assisted with extensions during fiscal year 2014. Though the program is no longer active, families will continue to be supported until each Rent Supplement contract expires. The following graph shows the total number of units being supported by the Rent Supplement program by fiscal year. The number of units decreases as the expiration date of each contract passes. The long-term preservation of these units is being addressed through the Department’s Rental Assistance Demonstration program.

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\*Unit counts assume that contract extensions will continue to be authorized in fiscal year 2014. Totals take into account the conversion of 1,400 units through RAD in fiscal year 2014.

The Department has implemented three strategies to preserve the affordability of these assisted units and/or to prevent displacement or rent increases for low-income residents. The first strategy is to offer short-term contract extensions of up to 12 months, as authorized in recent appropriations bills and as proposed again in this request. These extensions provide time for owners to obtain new financing for the property to maintain it as affordable housing, and for residents to locate new housing opportunities should they choose to move. As an increasing number of Rent Supplement contracts reach the ends of their terms, the funding needs of the account have shifted from amendments to short-term. In order to meet the growing need for extensions, the request also proposes to allow recaptured funds to be used for these purposes. The second strategy is to provide tenant protection vouchers to eligible residents at the time of expiration of the Rent Supplement contract, to safeguard low-income residents from rent increases or displacement. Funding projections reflect the continuation of authority to provide extensions. The third strategy, aimed at the long-term preservation of these Rent Supplement properties, is authorized as part of the Department's Rental Assistance Demonstration (RAD). RAD allows owners to convert tenant protection vouchers to long-term Project-Based Vouchers to preserve the properties as affordable housing. The Department anticipates conversion of approximately 1,400 units to

## Rent Supplement Program

RAD assistance in fiscal year 2014 from contracts expiring in that year. The RAD program is discussed further in its own separate justification from the Office of Public and Indian Housing.

### **4. How do we know this program works?**

As with the remaining Section 236 units covered under the Rental Housing Assistance Account, maintaining the remaining housing units that were financed by the federal government and assisted under Rent Supplement program is a cost-effective means of preserving at least a portion of the affordable housing stock. National data show a continuing and increasing need for affordable rental housing.

In February 2013, HUD released a summary of its biennial Worst Case Housing Needs Report. HUD found that the number of very low-income renters facing severe housing problems continues to grow. In 2011, nearly 8.5 million households had worst case housing needs, up from 7.1 million in 2009. This represents a 19 percent increase since 2009 and 43 percent since 2007. Worst case needs are defined as renters with very low incomes (below half the median in their areas) who do not receive government housing assistance and who either paid more than their monthly incomes in rent, lived in substandard conditions, or both. Housing needs cut across all regions of the country and included all racial and ethnic groups, regardless of whether they lived in cities, suburbs, or rural areas. In addition, large numbers of worst case needs were also found across various household types including families with children, senior citizens, and persons with disabilities.

The rise in hardships among renters is due to substantial increases in rental housing demand and weakening incomes that increased competition for already-scarce affordable units. As a result, the gap between the number of affordable units that were available for very low-income renters and the number of renters who need these units not only failed to improve in percentage terms, but worsened in absolute terms. See U.S. Department of Housing and Urban Development (February 2013). Worst Case Housing Needs 2011: Report to Congress--Summary.

Rent Supplement Program

**HOUSING  
RENT SUPPLEMENT PROGRAM  
Summary of Resources by Program  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2012 Budget Authority</u>	<u>2011 Carryover Into 2012</u>	<u>2012 Total Resources</u>	<u>2012 Obligations</u>	<u>2013 Annualized CR</u>	<u>2012 Carryover Into 2013</u>	<u>2013 Total Resources</u>	<u>2014 Request</u>
Amendments to State								
Agency RS Contracts ..	\$921	\$10,549	\$11,470	\$5,776	\$1,308	\$6,292	\$7,600	\$6,300
Extension of Expiring								
Contracts .....	<u>379</u>	<u>6,712</u>	<u>7,091</u>	<u>6,631</u>	<u>...</u>	<u>7,562</u>	<u>7,562</u>	<u>11,254</u>
Total .....	1,300	17,261	18,561	12,407	1,308	13,854	15,162	17,554

**NOTE:** Fiscal year 2013 Carryover includes \$7.7 million realigned from the Rental Housing Assistance Program.

**HOUSING  
RENT SUPPLEMENT PROGRAM  
Appropriations Language**

Below is the italicized appropriations language for the Rent Supplement Program account.

**Other Assisted Housing Programs  
Rental Housing Assistance**

*For amendments to contracts under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) and section 236(f)(2) of the National Housing Act (12 U.S.C. 1715z-1) in State-aided, noninsured rental housing projects, \$21,000,000, to remain available until expended : Provided, That such amount, together with unobligated balances from recaptured amounts appropriated prior to fiscal year 2006 from terminated contracts under such sections of law, and any unobligated balances, including recaptures and carryover, remaining from funds appropriated under this heading after fiscal year 2005, shall also be available for extensions of up to one year for expiring contracts under such sections of law.*

**Rent Supplement  
(Rescission)**

*Of the amounts recaptured from terminated contracts under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) and section 236 of the National Housing Act (12 U.S.C. 1715z-1) \$3,500,000 are hereby permanently cancelled: Provided, That no amounts may be rescinded from amounts that were designated by the Congress as an emergency requirement pursuant to the Concurrent Resolution on the Budget or the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.*

Note.--A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 112-175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

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