

# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## Office of Housing

### Project-Based Rental Assistance

#### SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2019 Appropriation	11,747,000	418,717	-	12,165,717 <sup>a</sup>	11,961,761	12,207,000
2020 Appropriation	12,570,000	302,956	(650)	12,872,306 <sup>b</sup>	12,706,000	10,836,000
2021 President's Budget	12,642,000	287,306	-	12,929,306 <sup>c</sup>	12,706,000	13,773,000
Change from 2020	72,000	(15,650)	-	57,000	-	2,937,000

a/ Resources, obligations, and outlays for 2019 Appropriation include \$297 million in carryover of unobligated balances, \$63 million from recaptures in 2019, \$50 million transferred from the Public Housing Operating Fund and Capital Fund for the Rental Assistance Demonstration (RAD), and \$9 million from Other Assisted Housing for RAD conversions.

b/ Resources, obligations, and outlays for 2020 Appropriation include \$204 million in carryover of unobligated balances, an estimated \$58 million from recaptures in 2020, and \$41 million of transfer from the Public Housing Operating Fund and Capital Fund for RAD conversions. Additionally, unobligated balances from PBRA Disaster Assistance (P.L. 110-329 as amended by P.L. 111-32) are permanently cancelled, as reflected in the "Supplemental/Rescission" column.

c/ Resources, obligations, and outlays for the 2021 request include \$166 million in carryover of unobligated balances, an estimated \$57 million from recaptures in 2021, \$64 million of transfer from the Public Housing Fund for RAD conversions.

#### PROGRAM PURPOSE

The Project-Based Rental Assistance (PBRA) program provides over 1.2 million low-income families with decent, safe, and affordable housing. Without this assistance, many currently affordable properties would either convert to market rates or would be unable to generate enough rental income to be maintained in good condition. More than 5,500 PBRA properties carry financing issued by FHA, while many others are backed by bonds issued by state housing finance agencies. Multifamily housing assisted by PBRA stabilizes neighborhoods and contributes to local economic bases by providing employment, increasing the buying power of assisted tenants in support of local businesses, and increasing local tax bases.

#### BUDGET OVERVIEW

The 2021 President's Budget requests \$12.6 billion, which is \$72 million more than the 2020 enacted level. This includes:

- \$12 billion for contract renewals, including public housing properties that converted to PBRA via the Rental Assistance Demonstration (RAD).
- Up to \$6 million to support the tenant capacity building activities.
- \$110 million for contract amendments.
- \$230 million for Mod Rehab and SRO renewals.
- \$350 million for Performance-Based Contract Administration (PBCA).

#### JUSTIFICATION

##### Contract Renewals and Amendments - \$12.4 billion

The budget provides \$12.4 billion, consisting of two components. The first component, \$12.4 billion, will provide continuing rental assistance to approximately 1.2 million low-income households at approximately 17,200 multifamily housing properties. This component includes \$12.0 billion for

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renewal funding, including for public housing properties that converted to PBRA via the RAD program, \$230 million for renewals in the Section 8 Moderate Rehabilitation Single Room Occupancy Program for Homeless Individuals (commonly known as the Mod Rehab SRO program), and \$110 million for contract amendments that are used when long-term project-based contracts require additional funding.

The second component includes up to \$6 million to assist tenant groups, nonprofit groups, and public entities with addressing tenant concerns within at-risk properties and improving tenant access to community services that support self-sufficiency. Section 514(f) of Multifamily Assisted Housing Reform and Affordability Act (MAHRA) authorizes the Secretary to utilize PBRA appropriations for tenant capacity building and technical assistance. The requested funds will support improvements aligned with the President's Management Agenda (PMA) to improve the customer experience and develop a workforce for the 21st century.

### **Contract Administration Support - \$350 million**

The budget provides for Performance-Based Contract Administrators (PBCAs) and other supportive services contractors, which are integral to the Department's efforts to be more effective and efficient in the oversight and monitoring of the PBRA program and are typically responsible for conducting on-site management reviews of assisted properties; adjusting contract rents; and reviewing, processing, and paying monthly vouchers submitted by owners. This program will use the funding from within the Housing Certificate Fund (HCF) to supplement needs not provided by annual appropriations in the PBRA account. Currently, HUD estimates this need as at least \$10 million, but will access the level of funding that will ensure that regardless of the timing or outcome of new procurements, critical contract administration services will continue without interruption. Given that protests and litigation may slow the execution of new contract awards, the request considers multiple budgetary scenarios. Continued extension of the existing PBCA agreements is estimated to cost up to \$370 million in 2021. Actual cost is dependent on changes in Fair Market Rents, the number of Housing Assistance Payment (HAP) contracts assigned to each PBCA, and the number of management and occupancy reviews completed. Should the Department successfully execute new awards in 2021, the request will allow for a partial year extension of existing PBCA agreements, with remaining funds anticipated to be placed on the base-year of the new contracts.

The PBRA program provides over 1.2 million low-income families with decent, safe, and affordable housing. The program maintains and protects the long-term federal investment in these assets. Nationally, only 58 affordable units are available per 100 low-income renters.<sup>1</sup> PBRA funding directly reduces worst-case housing needs by providing affordable housing to populations likely to be in this situation, including families with children, senior citizens, and persons with disabilities, who might otherwise be at risk of homelessness. Approximately 49 percent of assisted households are headed by elderly persons, 16 percent by persons with disabilities, and 24 percent are families with children.

Without this assistance, many currently affordable properties would either convert to market rates or would be unable to generate enough rental income to be maintained in good condition. Without ongoing rental income, some properties may be unable to continue payments on existing debt, including mortgages insured by FHA or backed by bonds issued by state housing finance agencies. Multifamily housing assisted by PBRA stabilizes neighborhoods and contributes to local economic bases by providing employment, increasing the buying power of assisted tenants in support of local businesses, and increasing local tax bases. The PBRA program directly contributes to job creation

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<sup>1</sup> National Low-Income Housing Coalition (2019). *The Gap: A Shortage of Affordable Rental Homes*. Analysis based on tabulations of 2017 American Community Survey Public Use Microdata Sample data. Available at: <https://reports.nlihc.org/gap>

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and retention in the fields of property management, maintenance, general construction, contract work such as landscaping, pest control, security, snow removal, equipment servicing, legal representation, and property insurance. PBRA contracts also act as a critical credit enhancement for project financing, allowing owners to leverage private debt and equity to permit refinancing and recapitalization. The periodic refinancing of the debt underlying projects assisted by PBRA generates significant capital available for investment in construction repairs and improvements.

### **Rent Reform**

The 2021 President's Budget funding level across HUD rental assistance programs would support the same number of households currently assisted while proposing reforms to ensure the long-term fiscal sustainability of HUD's rental assistance programs.

The current rent structure in HUD's rental assistance programs creates disincentives to employment; large administrative burdens for PHAs, private owners, and tenants; significant and increasing costs to the Federal Government; and a one-size-fits-all approach that cannot offer the flexibility to meet the needs of households in communities across the nation.

Thus, with the Making Affordable Housing Work Act (MAHWA), submitted to Congress in April 2018, HUD proposed reforming rental assistance with the following goals:

1. Simplify program administration: Simplify rent calculations by determining rents using gross rather than adjusted income.
2. Reduce federal taxpayer costs while encouraging work and stable family formation: Limit income recertification for all households to once every three years, which encourages work by deferring increases in tenant rent payments as a result of increased wages. In addition, the law would establish higher expectations for work-able tenants by setting tenant rent contributions at 35 percent of gross income, while setting a lower rent of 30 percent of gross income for those unable to work, notably the elderly and persons with disabilities. Additionally, current elderly and persons with disabilities would be temporarily held harmless from rent increases reflected in the proposed legislation. Moreover, HUD would maintain the hardship exemption for tenants who, in certain circumstances, are unable to pay their rents.
3. Increase local control and choice: Empower PHAs and property owners to choose alternative rent structures, approved by the Secretary, that would best serve the needs of households in localities across the nation. These alternative rent structures must incur the same overall program costs and would provide a structure to encourage resident self-sufficiency.

In addition, the 2021 Budget continues to propose uniform work requirements for non-elderly, non-disabled tenants able to work. HUD will continue exploring ways to leverage existing enforcement and compliance mechanisms without adding burdens on PHAs and private multifamily property owners. HUD also will continue to support work requirement demonstration evaluations to build an evidence base from the experiences of Moving to Work PHAs on effective ways to promote self-sufficiency.

Please see the "Overview of Rental Assistance Programs" justification for more information.

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**SUMMARY OF RESOURCES BY PROGRAM**

(Dollars in Thousands)

Budget Activity	2019 Budget Authority	2018 Carryover Into 2019	2019 Total Resources	2019 Obligations	2020 Appropriation	2019 Carryover Into 2020	2020 Total Resources	2021 President's Budget
Contract Renewals and Amendments	11,319,000	303,441	11,622,441	11,451,114	12,010,000	226,771	12,236,771	12,056,000
Contract Administrators	245,000	43	245,043	245,043	345,000	-	345,000	350,000
Tenant Information and Outreach	3,000	-	3,000	-	2,000	3,000	5,000	6,000
Vouchers for Disaster Relief – (P.L. 111-32)	-	650	650	-	-	-	-	-
Rental Assistance Demonstration	-	66,315	66,315	56,131	-	53,740	53,740	-
Mod Rehab and SRO Renewals	180,000	48,268	228,268	209,473	213,000	18,795	231,795	230,000
Research and Technology (transfer)	-	-	-	-	-	-	-	-
<b>Total</b>	<b>11,747,000</b>	<b>418,717</b>	<b>12,165,717</b>	<b>11,961,761</b>	<b>12,570,000</b>	<b>302,306</b>	<b>12,872,306</b>	<b>12,642,000</b>

Note(s):

- For 2019, resources, obligations, and outlays for 2019 Appropriation include \$297 million in carryover of unobligated balances, \$63 million from recaptures realized in 2019, \$50 million transferred from the Public Housing Operating Fund and Capital Fund for the Rental Assistance Demonstration (RAD), and \$9 million from Other Assisted Housing for RAD conversions.
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**LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS**

General Provisions

The 2021 President’s Budget re-proposes the following general provisions that were enacted in the 2020 appropriations bill:

- **Section 8 Savings:** The President’s Budget continues the provision on the sharing of savings from refunding bonds for certain Section 8 contracts (2021 President’s Budget, Section 201).
- **Transfers of Assistance, Debt, and Use Restrictions:** This General Provision currently allows the Secretary to authorize the transfer of some or all Project-Based Assistance, debt held or insured by the Secretary, and statutorily required low-income and very low-income use restrictions, if any, associated with one or more obsolete multifamily housing project/s to a viable multifamily housing project (2021 President’s Budget, Sec. 206).
- **Management and Disposition of Certain Section 8 Properties:** This section governs the use of project-based subsidy in connection with managing and disposing of multifamily properties (2021 President’s Budget, Section 208).
- **Physical Conditions Requirement:** This general provision enhances HUD’s ability to exercise oversight within the PBRA program, allowing HUD to mandate corrective action, contract transfers, or change in management due to failure to meet physical condition standards. It makes minor edits and additions to increase the options available to the Secretary and clarify his role and responsibilities (2021 President’s Budget, Section 212).

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The 2021 President's Budget proposes the following new general provisions:

- **Rent Adjustments:** This General Provision will enable the Department to suspend the requirement to provide annual rent adjustments for fiscal year 2021 to multifamily property owners (2021 President's Budget, Sec. 223).

## APPROPRIATIONS LANGUAGE

The 2021 President's Budget includes proposed changes in the appropriation language listed below. New language is italicized, and language proposed for deletion is bracketed.

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, \$12,170,000,000] *\$12,242,000,000*, to remain available until [expended] September 30, 2023, shall be available on October 1, [2019] *2020* (in addition to the \$400,000,000 previously appropriated under this heading that became available October 1, [2019] *2020*), and \$400,000,000, to remain available until [expended] September 30, 2024, shall be available on October 1, [2020] *2021*: *Provided*, That the amounts made available under this heading 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: *Provided further*, *That the amount of any foregone increases in tenant rent payments due to the implementation of rent incentives as authorized pursuant to waivers or alternative requirements of the Jobs-Plus initiative as described under the heading "Self-Sufficiency Programs" shall be factored into housing assistance payments under project-based subsidy contracts: Provided further*, That of the total amounts provided under this heading, not to exceed [\$345,000,000] *\$350,000,000* shall be available for performance-based contract administrators *or contractors* for section 8 project-based assistance, for carrying out 42 U.S.C. 1437(f): *Provided further*, That the Secretary may also use such amounts in the previous proviso for performance-based contract administrators *or contractors* 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): *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 *or contractors*, notwithstanding the purposes for which such amounts were appropriated: *Provided further*, That, notwithstanding any other provision of law, upon the request of the Secretary, project funds that are held in residual receipts accounts for any project subject to a section 8 project-based Housing Assistance Payments contract that authorizes HUD or a Housing Finance Agency to require that surplus project funds be deposited in an interest-bearing residual receipts account and that are in excess of an amount to be determined by the Secretary, shall be remitted to the Department and deposited in this account, to be available until expended: *Provided further*, That amounts deposited pursuant to the previous proviso shall be available in addition to

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the amount otherwise provided by this heading for uses authorized under this heading. (*Department of Housing and Urban Development Appropriations Act, 2020.*)