DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Housing

Rental Assistance Demonstration

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2019 Appropriation	-	-	-	-	-	-
2020 Appropriation	-	-	-	-	-	-
2021 President's Budget	100,000	-	-	100,000	100,000	100,000
Change from 2020	100,000	-	-	100,000	100,000	100,000

PROGRAM PURPOSE

The Rental Assistance Demonstration (RAD) aims to preserve and improve HUD's affordable housing stock, specifically by converting public housing and other HUD-assisted properties to long-term, Section 8 project-based rental assistance (PBRA) and project-based vouchers (PBV). These conversions ensure properties remain affordable, provide for robust resident protections, and allow public housing authorities (PHAs) and other owners to leverage financing to address properties' immediate and future capital needs.

BUDGET OVERVIEW

The 2021 President's Budget requests $100 million for the RAD program, which is $100 million more than the 2020 enacted level. These funds would be used to support the costs of conversion for public housing properties that are unable to convert using only the funds currently provided through public housing appropriations.

The Budget also requests new budget-neutral authority that would:

- Eliminate the statutory cap of 455,000 units and the deadline for application submission so that any public housing property that could convert under RAD without additional subsidy would have the opportunity to do so;
- Authorize the conversion of certain voucher assistance to PBRA to increase and improve budget-neutral conversions under RAD;
- Authorize the budget-neutral conversion of Section 811 Project Rental Assistance Contracts (PRACs) through RAD;
- Authorize the budget-neutral conversion of Section 202 Senior Preservation Rental Assistance Contracts (SPRACs) through RAD; and
- Provide greater flexibility for the conversion of Section 202 PRACs and, if authorized, Section 202 SPRACs so that following conversion, owners can continue to provide and coordinate critical services to these vulnerable residents.

JUSTIFICATION

As of December 2019, without any new Congressional appropriations, PHAs and multifamily housing owners have used RAD to preserve and improve over 162,500 units in properties formerly assisted through the public housing, Moderate Rehabilitation (Mod Rehab), Moderate Rehabilitation for Single Room Occupancy (Mod Rehab SRO), Rent Supplement (Rent Supp), and Rental Assistance Payment (RAP) programs. This total includes over 128,000 public housing units that have secured public and private debt and equity to implement over $8.1 billion in construction to improve or replace this critical affordable housing resource. Under RAD, HUD also preserved the remaining Rent Supp properties (completed in 2018) and RAP properties (completed in 2019).

Despite the success of RAD, many public housing properties are unable to leverage the public and private capital needed for property improvements with subsidy levels based only on available appropriated funds. In 2010, the 1.1 million units in the Public Housing program had a documented capital needs backlog of approximately $26 billion and the public housing inventory was losing an average of 10,000 units annually through demolition or property disposition. By most accounts, the capital needs backlog in the inventory that has not converted under RAD has increased steadily since then. There are many properties in the public housing stock where rent levels, based on current appropriations, are too low to support the financing necessary to address the capital needs at the property. To the extent public housing appropriations on which the RAD rents are based and are further constrained, many of the currently viable conversions will become infeasible.

In the absence of a RAD-based rehabilitation or recapitalization strategy, distressed public housing units continue to decline. At some point, many of these units will require replacement funding with Tenant Protection Vouchers (TPVs) at a greater overall subsidy cost to HUD (the RAD subsidized rents are, on average, roughly 75 percent of the per unit TPV subsidized rents). HUD has already mitigated the need for future 100 percent replacement funding through the more budget-intensive TPVs by allowing public housing authorities to combine a limited number of TPVs in predominantly RAD conversions that require the additional subsidy. RAD has also successfully facilitated the rehabilitation and redevelopment of distressed public housing using the Low-Income Housing Tax Credits, but these resources are inherently limited.

To maintain the current capacity of RAD to address capital backlog needs and to minimize the need for alternative tools available for public housing which entail greater subsidy costs, HUD requests $100 million to support the cost-effective conversion of public housing properties – particularly those in Opportunity Zones or areas with more limited access to capital, such as small and rural communities – that are unable to convert using only the funds provided through existing appropriations. This investment would permit public housing authority stakeholders who want to participate in the program to convert approximately 30,000 units under RAD that could not otherwise participate. This investment would also permit public housing authorities to generate an estimated $1.8 billion in capital markets financing for improvements to these properties.

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
RAD	-	-	-	-	-	-	-	100,000
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**100,000**

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

General Provisions

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

- **Eliminate the cap on the number of public housing units allowed to convert under RAD and eliminate the sunset date for participation in RAD**: This provision would eliminate the unit cap on the number of public housing conversions that can be completed relying solely on existing public housing funding levels. The proposal also eliminates the statutory application deadline. Such changes will ensure that HUD can maximize the number of public housing properties that can be preserved without additional funding (i.e., without the $100 million requested in this budget) (2021 President's Budget, Sec. 222).

- **Conversion of Tenant Protection Vouchers (TPV) to PBRA in limited circumstances**: PHAs sometimes use RAD in combination with another authority (Section 18) in order to access the higher funding levels associated with the new vouchers that HUD issues. However, those new vouchers can currently only result in a Project-Based Voucher (PBV) contract. This general provision would provide authority for a PHA to have HUD convert TPV assistance to PBRA, in lieu of the PHA receiving new vouchers, in limited cases where this flexibility would result in a property fully assisted via PBRA, instead of partially assisted by PBRA and partially assisted through the Housing Choice Voucher Program. Without any new cost, this proposal would help expand the number of properties that could successfully convert through RAD, while simplifying administration by HUD, PHAs, and owners (2021 President's Budget, Sec. 222).

- **Authorize budget-neutral conversion of Section 811 PRACs**: Much like 202 PRACs, the 30,000 units assisted through Section 811 PRACs are an aging stock with growing capital needs, but with limited access to private and public financing. These properties also experience unique challenges as owners seek alignment with community integration mandates and supportive service program requirements, all of which will be recognized in the planned conversion process (2021 President's Budget, Sec. 222).

- **Authorize budget-neutral conversion of Section 202 SPRACs**: SPRACs were authorized in 2010 as a preservation solution for affordable senior properties that were refinancing their pre-1974 Section 202 Direct Loans. However, with limited funding from Congress and alternative preservation solutions identified by HUD, the stock is unlikely to grow much beyond the 1,450 supported by SPRACs today. The proposed change will consolidate the SPRACs, which, by statute, already operate very similarly to PBRA, onto the Section 8 platform (2021 President's Budget, Sec. 222).

- **Exempting properties converting on a budget-neutral basis from Section 202 PRACs and, if authorized, Section 202 SPRACs, from initial rent setting provisions of the Section 8 statute in order to continue critical services for the elderly and prevent a reduction of project funding:** Properties assisted through Section 202 PRACs and Section 202 SPRACs receive funding for the provision and coordination of services within their current contracts. However, initial contract rents under Section 8 are subject to a Fair Market Rent (FMR) cap designed for contracts that only support shelter costs and do not anticipate the cost of these critical services. As properties from these programs convert at budget-neutral levels, this provision would allow HUD to exempt such conversion from the FMR cap to ensure that the conversion does not put at risk the ongoing provision and coordination of services or result in a reduction in project subsidy (2021 President's Budget, Sec. 222).

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 continuing activities under the heading "Rental Assistance Demonstration" in the Department of Housing and Urban Development Appropriations Act, 2012 (Public Law 112-55), as amended, $100,000,000, to remain available through September 30, 2025, for targeted supplemental subsidy to properties seeking to convert from assistance under section 9 of the United States Housing Act of 1937

(42 U.S.C. 1437g) where the section 9 assistance is insufficient to support conversion of the property under the demonstration, in accordance with procedures established by the Secretary.