

Goal 2. Meet the Need for Quality Affordable Rental Homes



Problem Statement

Renters in America face serious difficulty finding affordable housing in a broad range of communities because of the dual problems of a shortage of units in some areas and a lack of income to afford units in the existing market.

- In 2007, 5.5 million unassisted very low-income renters lived in decent quality housing but paid more than 50 percent of their income for rent.⁶
- In 2007, 430,000 unassisted very low-income renters also lived in severely substandard housing, some of whom also paid more than 50 percent of their income for rent.⁷ This problem is particularly severe in some areas; for example, roughly 40 percent of housing units in tribal areas are overcrowded and/or have serious physical problems.⁸
- In 2008, 1.59 million people nationwide were homeless.⁹ Nearly 6 in 10 people who were homeless during a January 2008 survey were in emergency shelters or transitional housing programs, and about 4 in 10 were unsheltered—on the “street” or in other places not meant for human habitation.¹⁰
- In 2007, only 44 affordable units were available for every 100 extremely low-income renters nationwide.¹¹
- Between 2005 and 2007, the nation experienced a net loss of 1.2 million affordable rental units for renters with incomes below 50 percent of area median income (AMI), even though there was an increase in the overall U.S. rental stock of 1.4 million units.¹²

Rental Homes Goal

In an era when more than one-third of all American families rent their homes, we face a housing market that does not create and sustain a sufficient supply of affordable rental homes, especially for low-income households. In many communities, affordable rental housing does not exist without public support. Despite significant improvements in housing quality in recent decades, much of our rental housing stock is not energy efficient or even accessible to people with disabilities, and pockets of severely substandard housing remain across the country. Even before the recent recession, the number of households with severe housing cost burdens had increased substantially since 2000, and homelessness among families with children is a growing problem throughout our nation. When it comes to strong, safe, and healthy communities, lower cost rental housing is particularly scarce. As the lead federal housing agency, HUD will work with its federal, state, local, and private partners to meet affordable rental housing needs for all. The following subgoals provide a roadmap for accomplishing this goal:

Subgoal 2A: End homelessness and substantially reduce the number of families and individuals with severe housing needs.

Subgoal 2B: Expand the supply of affordable rental homes where they are most needed.

Subgoal 2C: Preserve the affordability and improve the quality of federally assisted and private unassisted affordable rental homes.

Subgoal 2D: Expand families' choices of affordable rental homes located in a broad range of communities.

Homeownership is incredibly important. But if this crisis has taught us anything, it's that it is long past time we had a...balanced, comprehensive national housing policy—that supports homeownership, but also provides affordable rental opportunities...so families can make good, responsible choices.

—HUD Secretary
Shaun Donovan
October 22, 2009

Measures of Success

- Reduce the number of households with worst case housing needs.
- Increase the total number of affordable rental homes constructed and rehabilitated in communities with the greatest unmet needs.
 - Interim: HUD programs will meet more of the growing need for affordable rental homes by serving 5.46 million families by the end of FY 2011, which is 207,000 more than in FY 2009.
- Reduce homelessness (*cross-cutting measure for Goals 2 and 3*).
 - Reduce the number of homeless families.
 - Reduce the number of chronically homeless individuals.
 - Reduce the number of homeless veterans to 59,000 by June 2012 (jointly with the Department of Veterans Affairs).
- Improve the quality of housing and available community opportunities reported by HUD residents (*cross-cutting measure for Goals 2, 3, and 4*).



Subgoal 2A: End homelessness and substantially reduce the number of families and individuals with severe housing needs

The current administration strongly believes that, in addition to the moral imperative to end the human suffering caused by homelessness, there are compelling economic reasons for investing in efforts to eradicate this complex social problem. If individuals and families that are currently cycling through expensive institutions can be targeted for appropriate housing and services, there can be significant cost savings, according to recent studies. To achieve this goal, HUD will partner with local, state, and federal organizations, including the U.S. Interagency Council on Homelessness, to deploy evidence-based interventions, such as supportive housing, housing first, homelessness prevention, and rapid rehousing, to more effectively and efficiently use the nation's limited resources to bring an end to homelessness.

Strategies:

1. Provide additional individuals and families with rental housing subsidies.
2. Increase service-enriched housing.
3. Work with state and local governments to expand rental assistance and prevent homelessness.
4. Improve access to HUD-funded housing assistance by eliminating administrative barriers and encouraging prioritization of households most at risk for homelessness.

Subgoal 2B: Expand the supply of affordable rental homes where they are most needed

The nation needs an increased supply of affordable rental homes in safe, mixed-income communities that provide access to jobs, good schools, transportation, high-quality services, and, most importantly, economic self-sufficiency. HUD will work to expand the supply of affordable rental housing and the capital needed to increase the supply, while sharpening our ability to target the needs of individuals and neighborhoods. The Department will also improve the effectiveness of tools for creating supply and streamline policies and programs to increase the efficiency of program practices.

Strategies:

1. Support the construction, rehabilitation, and acquisition of quality affordable housing by providing and leveraging capital.
2. Develop measures and policies that enable HUD programs to target markets with the greatest unmet affordable housing needs and neighborhoods where HUD is supporting housing-related investments (for example, transit-oriented developments).
3. Improve project-based vouchers to make them a more effective tool for creating supply where it is most needed.
4. Streamline and coordinate the policies and practices of HUD programs and Treasury programs, including the Low-Income Housing Tax Credit Program.

Subgoal 2C: Preserve the affordability and improve the quality of federally assisted and private unassisted affordable rental homes

The nation's portfolio of affordable rental homes provides an invaluable resource in communities across the country. In addition, unassisted privately owned rental homes are the largest, but dwindling, source of affordable rental homes. To avoid losing these homes to deterioration or market conversion, HUD and its partners will preserve and improve these homes.

Strategies:

1. Provide reliable, adequate renewal funding for all HUD programs that provide ongoing operating or rental assistance.
2. Preserve and improve publicly and privately owned HUD-assisted properties by transforming HUD's rental assistance programs to leverage capital.
3. Ensure preservation of affordable housing in neighborhoods where HUD is supporting housing-related investments (for example, transit-oriented developments).
4. Develop interagency partnerships with the Department of the Treasury and the Department of Agriculture to preserve federal investments in affordable rental homes.
5. Expand access to capital and mitigate risk for small- and mid-size multifamily property acquisition and rehabilitation.

Subgoal 2D: Expand families' choices of affordable rental homes located in a broad range of communities

The nation's housing market needs to create and sustain a sufficient supply of affordable rental homes, especially for low-income households, located in mixed-income communities. Through policy changes and more effective program implementation and oversight, HUD will expand rental housing opportunities in strong, safe, healthy communities for families receiving rental assistance.

Strategies:

1. Reform project-based subsidies to allow for resident mobility and promote better location outcomes in the housing voucher program.
2. Expand opportunities for lower income households to live in mixed-income communities by modifying underwriting policies and rental capital programs.
3. Create more mixed-income communities through regional planning, increased effectiveness of and compliance with the Analysis of Impediments (AI) to Fair Housing plans, and other strategies to affirmatively further fair housing through HUD programs.
4. Promote regional administration of HUD rental assistance.
5. Develop, target, and deliver technical assistance for increasing affordability in areas experiencing increased rental costs due to development.
6. Remove local barriers to the expansion of the supply of multifamily homes in strong, safe, healthy communities through incentives to state and local governments.

Examples of Themes for Goal 2

New Partners

Over the past 75 years, the federal government has invested billions of dollars in the development and maintenance of public housing. Despite this sizable investment, we continue to lose housing units due to deteriorating physical condition and a growing capital needs backlog estimated to be between \$18 and \$24 billion. Given the current fiscal constraints, we cannot expect to meet this need from the federal coffer. In response, through the **Transforming Rental Assistance Initiative**, HUD is shifting to a **property-based rental assistance model, through which public housing authorities will be able to leverage an estimated \$7.5 billion of debt from private sources** to support the rehabilitation of its aging inventory in the first phase alone. This mixed public-private funding stream offers a paradigm shift in the way public housing is managed.

New Geography

Countless residents of public and assisted housing are trapped in neighborhoods of concentrated poverty—because moving means giving up their rental subsidy. For these individuals, the mobility constraints limit access to communities with more employment opportunities, high-quality schools, and lower crime rates. Through HUD's **Transforming Rental Assistance Initiative**, HUD will work with partners at the state and local levels to **regionalize rental assistance administration** and to offer residents the option to receive tenant-based Section 8 vouchers, giving families access to a wider range of choices and opportunities when it comes to choosing a place to live.

New Business Model

Residents of HUD-assisted housing have the most insight about what is working, what is not, and what we need to do to make housing, its management, and neighborhoods better. To improve our programs and HUD's accountability to the residents we assist, HUD's **Office of Policy Development and Research is implementing a new survey** to understand what residents think about their home, the way it is managed, and the community where they live. The results of these data will be a powerful management tool—to identify and address residents' needs as well as help measure HUD and grantee performance.





Signature Initiative— Transforming Rental Assistance (TRA)

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. The complexity of this structure makes it difficult for households in need to get HUD-assisted rental housing and undermines administrative efficiency. Residents often have to make the hard trade-off between new opportunities of where to live and retaining their rental subsidy. Agencies that operate public housing

are particularly limited in their ability to leverage private investment, creating a sort of “parallel universe” for public housing compared to other types of affordable rental housing. To address these deficiencies, the TRA initiative will—

- Create a more uniform rental assistance funding stream, largely governed by the same rules and regulations, in order to preserve affordable housing and retain deeply affordable rents.
- Draw upon the best features of existing programs in order to facilitate investment in affordable rental housing and assure that residents have real options regarding where to live while retaining their rental subsidy.
- Begin in FY 2011 with the preservation of public housing and a subset of HUD-assisted multifamily properties through their voluntary conversion to the more uniform rental assistance funding stream proposed under TRA.