

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOUSING
PROJECT-BASED RENTAL ASSISTANCE
2020 Summary of Resources

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2018 Appropriation	11,515,000	403,902	-	11,918,902 ^a	11,622,974	11,768,000
2019 Annualized CR	11,515,000	361,929	-	11,876,929 ^b	11,627,293	12,039,000
2020 Request	12,021,000	321,636	(650)	12,341,985 ^c	12,093,000	11,901,000
Change from 2019	506,000	(40,293)	(650)	464,057	465,707	(138,000)

- a/ Resources, obligations, and outlays for 2018 Appropriation include \$269 million in carryover of unobligated balances, \$62 million from recaptures realized in 2018, \$63 million transferred from the Public Housing Operating Fund and Capital Fund for the Rental Assistance Demonstration (RAD), and \$10 million from Other Assisted Housing for RAD conversions.
- b/ Resources, obligations, and outlays for 2019 Annualized Appropriation include \$296 million in carryover of unobligated balances, an estimated \$10 million from recaptures in 2019, \$47 million of transfer from the Public Housing Operating Fund for RAD conversions, and \$9 million of transfer from Other Assisted Housing for RAD conversions.
- c/ Resources, obligations, and outlays for the 2020 Request include \$250 million in carryover of unobligated balances, an estimated \$10 million from recaptures in 2020, \$59 million of transfer from the Public Housing Operating Fund for RAD conversions, and an estimated \$3 million of transfer from Other Assisted Housing 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.

1. Program Purpose and Budget Overview

The 2020 President’s Budget request for the Project-Based Rental Assistance (PBRA) program is \$12.021 billion, which is \$506 million more than the 2019 Annualized Continuing Resolution (CR) level. This includes \$11.676 billion for contract renewals and amendments, as well as up to \$345 million for Performance-Based Contract Administration (PBCA). As described further below, the funding request reflects a set of policies that reduce costs while continuing to assist current residents.

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- The funding requested allows renewal or amendment of several types of rental assistance contracts, which currently provide safe, stable, and affordable housing to approximately 1.2 million low-income and very low-income households that are primarily seniors, families with children, and persons with disabilities each year.
- The request, in combination with previously appropriated resources, is estimated to support all PBRA rental subsidy contracts through the end of calendar year 2020.
- The PBRA program provides rental assistance on behalf of eligible tenants residing in specific multifamily rental developments, through contracts between the Department and owners of multifamily rental housing. If a tenant moves, the assistance stays with the housing development (which is a major difference between this program and the Tenant-Based Rental Assistance program in which the subsidy moves with the tenant). The amount of rental assistance paid to the owner is the difference between what a household can afford and the approved contract rent for the unit.

2. Request

Contract Renewals and Amendments - \$11.676 billion

The 2020 President's Budget for Contract Renewals and Amendments fully funds the existing PBRA portfolio, inclusive of pending RAD conversions. The request provides funding for approximately 17,200 Section 8 contracts, which HUD will continue to fund under the calendar year funding methodology, implemented in 2017. The request also includes renewal funding for Public Housing properties that converted to PBRA in 2013 through 2018 via Rental Assistance Demonstration (RAD). HUD will continue the conversion of Public Housing properties to long-term Section 8 contracts in 2020 through RAD. The request also includes renewal funding for Rent Supplement (Rent Supp) and Rental Housing Assistance Payments (RAP) properties converting to PBRA in 2019 under the second component of RAD.

The 2020 Budget for Section 8 Amendments will provide additional funds for long-term project-based contracts, executed primarily in the 1970s and 1980s. During those years, the Department provided contracts for terms of up to 40 years. Accurately estimating long-term funding needs proved to be problematic, and accordingly, many of these Section 8 contracts were inadequately funded. This funding will continue supporting projects with contracts still in the original term.

In 2020, the Department seeks to allocate up to \$2 million (from Contract Renewals and Amendments appropriations) to assist tenant groups, nonprofit groups, and public entities with addressing tenant concerns within at-risk properties and improving tenant access to community services to support self-sufficiency. Section 514(f) of Multifamily Assisted Housing Reform and Affordability Act

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(MAHRA) authorizes the Secretary to utilize PBRA appropriations for tenant assistance activities and for technical assistance for preservation activities. PBRA appropriations authority for “administrative and other expenses associated with project-based activities and assistance” enables the implementation of this MAHRA authorization. Funding will be used to improve the capacity of tenants to engage in the preservation of properties where housing is at risk due to poor physical conditions or contract expiration. Funding may also be directed toward tenant services and capacity building activities at properties housing significant numbers of work-able households to further resident access to education, health services, and employment opportunities.

Contract Administration Support - \$345 million

Performance-Based Contract Administrators (PBCAs) or 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, 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. The estimated annual appropriation needed in 2020 to maintain the contract administration program is \$345 million. These funds may be combined with up to \$20 million from Housing Certificate Fund (HCF) to cover the full program cost. This level of funding 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 takes into account multiple budgetary scenarios. Continued extension of the existing PBCA agreements is estimated to cost up to \$365 million in 2020. Actual cost is dependent on changes in Fair Market Rents and the number of Housing Assistance Payment (HAP) contracts assigned to each PBCA. Should the Department successfully execute new awards, 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. In recent years, this program has utilized residual funding in HCF to supplement needs not provided by annual appropriations. In 2020, HCF availability will be largely exhausted, resulting in a \$60 million increase in appropriations relative to the 2018 enacted level.

3. Justification

Addressing the need for quality affordable rental homes

The PBRA program is one of three major federal rental assistance programs for providing low-income families with decent, safe, and affordable housing. The program currently provides housing for over 1.2 million families, many of whom are vulnerable populations. Approximately 47 percent of assisted households are headed by elderly persons, 17 percent by persons with disabilities, and 26 percent by females with children. The program supports a stock of affordable housing and maintains and protects the long-term federal investment in these assets, which would be costly to recreate.

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PBRA has maintained a stock of long-term affordable rental housing for the lowest-income American families while a long-term affordable housing shortage was growing increasingly severe. The number of very low-income renters increased by 18 percent between 2003 and 2013 (from 15.7 to 18.5 million households) while the number of affordable units for these renters decreased by 10 percent (from 20 to 18 million). In the face of this affordable rental crisis, PBRA continues to account for over 6 percent of the nation's affordable housing stock for very low-income renters.

Reduces the number of families with severe housing needs and reduces or prevents homelessness

HUD's *Worst-Case Housing Needs: 2017 Report to Congress* revealed that among very low-income renter households that lacked assistance, 8.3 million had worst-case housing needs resulting from severe rent burden (paying more than one-half of their monthly income for rent) or living in severely inadequate housing units. The likelihood that a very low-income renter household has worst-case needs increased to 43 percent in 2015, approaching the record rate of 44 percent observed in 2011¹. Public-sector housing assistance and private-sector housing development have substantially failed to keep up with the growing demand for affordable rental housing.

PBRA funding directly reduces worst case housing needs by providing affordable housing to populations likely to face worst-case needs, included families with children, senior citizens, and persons with disabilities. Without assistance, housing costs would effectively diminish the already-limited incomes of these families, even for necessities such as utilities, food, health care, child care, education, and transportation costs, and many would be at risk of homelessness.

Preserving the affordability and condition of privately-owned rental housing

PBRA supports a stock of long-term affordable rental housing for the lowest-income American families. The gap in the supply of affordable rental units relative to need has been growing for decades; worst-case needs are common in every region and metropolitan category across the United States. Nationwide, 43 percent of very low-income renters had worst case housing needs in 2015. Only 66 affordable units exist nationwide per 100 extremely low-income renters, and because many of these units are occupied by higher-income renters, only 38 units per 100 extremely low-income renters are available to renters in this category (only 33 of the affordable, available units are also physically adequate). The available rental stock, even at higher rent levels, is being absorbed rapidly, reducing the overall rental vacancy rate from 10.9 percent in 2009 to 9.7 percent in 2015. Therefore, it is increasingly important that PBRA supports a stock of long-term affordable rental housing for the lowest-income American families.

¹ HUD's *Worst-Case Housing Needs: 2017 Report to Congress*, <https://www.huduser.gov/portal/sites/default/files/pdf/Worst-Case-Housing-Needs.pdf>

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Without this assistance, many projects would either convert to market rates with potentially larger rent increases than the current families could afford, or alternatively would be unable to generate sufficient rental income to be maintained in good condition. In addition, without ongoing rental income, some projects may be unable to continue payments on existing debt, including mortgages insured by FHA, or mortgages backed by bonds issued by state housing finance agencies.

Expanding choices of affordable rental homes located in a broad range of communities

The preservation of affordable units assures that units will continue to become available in a wide range of housing markets throughout the nation as vacancies occur. Many projects are in neighborhoods where low-income families may otherwise be unable to find affordable housing, while other projects serve as anchors, providing well-maintained properties in areas that might experience downward investment. Many projects also provide badly needed affordable housing in rural areas, as some projects were developed with financing through the USDA Rural Housing Service's Section 515 Multifamily program.

PBRA's spillover benefits to local communities and economies

Multifamily housing assisted by PBRA stabilizes neighborhoods and contributes to local economic bases. PBRA housing provides employment, increases the buying power of assisted tenants in support of local businesses, and increases local tax bases. The PBRA program, through its approximately 17,200 contracts with owner landlords, directly contributes to job creation and retention in the fields of property management, maintenance, administration, general construction, contract vendors such as landscapers, exterminators, security guards, snow removers, equipment servicers, legal representation, and property insurance providers.

In addition to local revenue generation and job retention associated with ongoing project operation, the PBRA program is also a redevelopment and preservation tool for private owners of low-income multifamily rental housing. PBRA contracts act as a critical credit enhancement for project financing, allowing owners to leverage private debt and equity to permit project 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. Without funding for the PBRA program, the value of the underlying debt to FHA and private lenders and existing equity in the physical structures could be severely eroded, contributing to a significant loss of privately held wealth and community investment.

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Cross-Cutting Rent Reform Proposal

The 2020 President's Budget funding level across HUD rental assistance programs would support the same number of households currently assisted, while also proposing the following reforms to ensure the long-term fiscal sustainability of rental assistance.

The current rent structure in HUD's rental assistance programs creates disincentives to employment; imposes large administrative burdens for Public Housing Authorities (PHAs), private owners, and tenants; generates significant and increasing costs to the federal government; and ultimately represents a one-size-fits-all approach that cannot reasonably offer the programmatic flexibility to meet the needs of households in localities across the nation.

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

1. *Simplify program administration:* The proposed legislation would simplify rent calculations by determining rents using gross rather than adjusted income.
2. *Reduce federal taxpayer costs by encouraging work and stable family formation:* HUD seeks to 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 proposed legislation would establish higher expectations for tenants able to work 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 held harmless from rent increases as reflected in the proposed legislation. Moreover, MAHWA would provide additional safe-harbors, including a hardship exemption for tenants who, in certain circumstances, are unable to pay their rents.
3. *Increase local control and choice:* MAHWA would empower PHAs and property owners to choose alternative rent structures, as 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 for residents to achieve self-sufficiency.

In addition, the 2020 Budget proposes uniform work requirements for households able to work. Consistent with Administration policy, the requirement would allow for work-seeking and preparation activities and would exempt the elderly, persons with disabilities, those

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caring for a family member with a disability or small child, and pregnant women. 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.

General Provisions

The 2020 Budget includes General Provisions related to PBRA (Sec. 201, 206, 209, 213 and 224). These provisions are described further in “Fiscal Year 2020 General Provisions”.

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HOUSING
PROJECT-BASED RENTAL ASSISTANCE
Summary of Resources by Program

(Dollars in Thousands)

Budget Activity	2018 Budget Authority	2017 Carryover Into 2018	2018 Total Resources	2018 Obligations	2019 Annualized CR	2018 Carryover Into 2019	2019 Total Resources	2020 Request
Contract Renewals and Amendments	10,997,000	227,634	11,224,634	11,031,256	11,087,000	281,168	1,368,168	11,486,000
Contract Administrators	285,000	18	285,018	284,975	245,000	43	245,043	345,000
Tenant Resources Network	3,000	-	3,000	-	3,000	-	3,000	2,000
Vouchers for Disaster Relief - (P.L. 111-32)	-	650	650	-	-	650	650	-
Rental Assistance Demonstration	-	109,354	109,354	99,743	-	9,611	9,611	-
Mod Rehab and SRO Renewals	230,000	66,246	296,246	207,000	180,000	70,457	250,457	188,000
Research and Technology (transfer)	-	-	-	-	-	-	-	-
Total	11,515,000	403,902	11,918,902	11,622,974	11,515,000	361,929	11,876,929	12,021,000

- For fiscal year 2018, Resources, obligations, and outlays include \$269 million in carryover of unobligated balances, \$62 million from recaptures realized in 2018, \$63 million transferred from the Public Housing Operating Fund and Capital Fund for the Rental Assistance Demonstration (RAD), and \$10 million from Other Assisted Housing for RAD conversions.
- For fiscal year 2019 Annualized CR, Resources, obligations, and outlays include \$296 million in carryover of unobligated balances, an estimated \$10 million from recaptures in 2019, \$47 million of transfers from the Public Housing Operating Fund for RAD conversions, and \$9 million of transfers from Other Assisted Housing for RAD conversions.

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- For fiscal year 2020 Request, Resources, obligations, and outlays include \$250 million in carryover of unobligated balances, an estimated \$10 million from recaptures in 2020, \$59 million of transfers from the Public Housing Operating Fund for RAD conversions, and an estimated \$3 million of transfers from Other Assisted Housing for RAD conversions. Unobligated balances from PBRA Disaster Assistance in the amount of \$650 thousand (P.L. 110-329 as amended by P.L. 111-32) are permanently cancelled, as reflected in the “Supplemental/Rescission” column.

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HOUSING PROJECT-BASED RENTAL ASSISTANCE Appropriations Language (INCLUDING CANCELLATION)

The 2020 President's Budget includes the appropriation language listed below:

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, [\$10,747,000,000]\$11,621,000,000, to remain available until September 30, [2021]2022, shall be available on October 1, [2018]2019 (in addition to the \$400,000,000 previously appropriated under this heading that became available October 1, [2018]2019), and \$400,000,000, to remain available until September 30, [2022]2023, shall be available on October 1, [2019]2020: 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 of the total amounts provided under this heading, not to exceed [\$285,000,000]\$345,000,000 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

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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 the amount otherwise provided by this heading for uses authorized under this heading: Provided further, That any unobligated balances made available for obligation under the heading "Department of Housing and Urban Development — Public and Indian Housing — Project-Based Rental Assistance" in chapter 10 of title I of division B of the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Public Law 110–329; 122 Stat. 324) (as amended by section 1203 of Public Law 111–32; 123 Stat. 1859) are hereby permanently cancelled.

Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115-245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.