DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Housing

Project-Based Rental Assistance

SUMMARY OF RESOURCES

(Dollars in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>Enacted/Requested</th>
<th>Carryover</th>
<th>Supplemental/Recission</th>
<th>Total Resources</th>
<th>Obligations</th>
<th>Outlays</th>
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<td>308,115a</td>
<td>999,350b</td>
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<td>13,508,630</td>
<td>12,904,633</td>
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<td>-</td>
<td>13,955,000</td>
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<td>2022 President's Budget</td>
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<td>149,000c</td>
<td>-</td>
<td>14,209,000</td>
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<td>Change from 2021</td>
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<td>(341,000)</td>
<td>-</td>
<td>254,000</td>
<td>198,000</td>
<td>857,000</td>
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- Includes $205 million from unobligated balances, a net adjustment of -$800,542, $63 million from recaptures, and $28 million transferred from the Public Housing Operating Fund and $13 million transferred from the Public Housing Capital Fund for the purpose of Rental Assistance Demonstration (RAD) conversions.
- Supplemental resources include $1 billion of appropriated funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L.116-127).
- Additionally, the 2020 appropriations (P.L. 116-94) rescinded unobligated balances in the amount of $650,000 from PBRA Disaster Assistance (P.L.110-329 as amended by P.L.111-32).
- Includes $368 million from unobligated balances, an estimated $63 million in recaptures, and an estimated $56 million of transfers from the Public Housing Fund and $3 million transferred from Housing for the Elderly for RAD conversions.
- Includes $12 million from unobligated balances, an estimated $56 million in recaptures, and an estimated $75 million of transfers from the Public Housing Fund and $6 million transferred from Housing for the Elderly for RAD conversions.

PROGRAM PURPOSE

The Project-Based Rental Assistance (PBRA) program provides over 1.2 million low-income and very 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. PBRA supports safe and affordable rental homes for people with the lowest incomes which includes many seniors, people with disabilities, families with children, and public housing residents.

BUDGET OVERVIEW

The 2022 President’s Budget requests $14.060 billion for the PBRA program, which is $595 million more than the 2021 enacted level. This includes:

- $13.455 billion for contract renewals and amendments, including public housing properties that converted to PBRA via the Rental Assistance Demonstration (RAD).
- $160 million for Moderate Rehabilitation and Single Room Occupancy renewal programs.
- $50 million for RAD conversion subsidy.
- $30 million for Budget-Based Rent Increases (BBRIs) to cover the cost of service coordinators.
- Up to $10 million to support tenant capacity building activities under Section 514.
- $355 million for Performance-Based Contract Administration (PBCA).

In addition, to support HUD’s focus on climate, property owners who seek to improve their properties may be eligible to receive grants or loans under the Green and Resilient Retrofit program. As part of the Administration’s whole-of-government approach to the climate crisis, HUD’s budget includes $800 million to assist communities to reduce carbon pollution, increase resilience to the impact of climate change, and deliver environmental justice. The National Climate Assessment has
shown that climate change disproportionately impacts low-income communities, the very communities served by HUD programs. HUD’s budget addresses climate change on two fronts: both in lowering the carbon footprint of 4.5 million units of public and assisted housing (mitigation), and at the same time helping the communities served by HUD programs to better withstand and increase their resilience to future disasters (adaptation). These investments are crucial to assist communities throughout the country to mitigate and prepare for the worst effects of climate change.

Please see the “Climate Initiative” and the “Green and Resilient Retrofit” justifications for more details.

This budget level assumes that adverse impacts of the current COVID-19 pandemic will gradually begin to subside with very little budgetary impacts on PBRA into 2022, with strides towards full economic recovery well underway by the start of 2022. This Budget also requests modifications to the RAD statute to expand and improve the efficacy of RAD conversions to both PBRA and Project-Based Vouchers (PBV), including:

- Eliminate the sunset date by which applications must be received.
- Authorize conversion to PBRA or PBV for properties supported by Section 811 Project Rental Assistance Contracts (PRACs) and Senior Project Rental Assistance Contracts (SPRACs) to modernize housing for very low-income elderly persons and persons with disabilities.
- Ensure continued availability of services for residents following a RAD conversion to PBRA or PBV by a) excluding existing service coordinators and service costs from the 120 percent of Fair Market Rent (FMR) rent cap for new Section 8 contracts so that properties serving the elderly can effectively be preserved without losing access to critical services and b) permitting the full implementation of the Jobs Plus Initiative program design following conversion of properties benefiting from Jobs Plus program grants.
- Authorize conversion and integration into the RAD PBRA or RAD PBV contracts of the budget authority associated with the Tenant Protection Vouchers (TPV) issued following a Section 18 approval.

JUSTIFICATION

Contract Renewals and Amendments - $13.695 billion

Contract renewals and amendments funding is comprised of four components:

- $13.455 billion Section 8 contracts within the PBRA portfolio and properties that converted to PBRA via RAD: The majority of funding will support the renewal or amendment of approximately 17,200 rental assistance contracts, in turn providing safe, stable, 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. These include contracts requiring funding for the first time in 2022, such as: RAD conversions, first-time renewal of original contracts, and first-time amendment of original contracts. For 2022, HUD estimates overall PBRA subsidy inflation of approximately 4 percent, resulting from Operating Cost Adjustment Factors (OCAP) and other rent adjustments, coupled with no significant increase in tenant contributions, relative to 2021 enacted levels.

- $160 million Public and Indian Housing (PIH)/ Moderate Rehabilitation and Community Planning and Development (CPD) Single Room Occupancy (SRO): The Budget also includes $160 million for
renewals in the Section 8 Moderate Rehabilitation and the Single Room Occupancy Program for Homeless Individuals (commonly known as the Mod Rehab SRO program).

$50 million RAD conversion subsidy: The Budget provides $50 million in the PBRA account to support the cost-effective conversion of public housing properties that are unable to convert using only the funds provided through existing appropriations. This investment would permit public housing authorities (PHAs) who want to participate in RAD to convert approximately 15,000 units and, in the process, holistically address critical property needs, mitigate health and environmental hazards, adopt energy efficiency measures, and increase housing choice for residents. Combined with the $50 million requested in the TBRA account, which would permit an additional 15,000 units to participate, this investment would permit PHAs to generate an estimated $1.8 billion in financing to re-invest in impacted communities, bring deep rental assistance into neighborhoods of opportunity, re-invest in the Federal housing safety net, improve living conditions, and increase available housing choices.

$30 million Budget-Based Rent Increases Service Coordinators: The 2022 budget request includes a $30 million increase within contract renewal and amendment estimates to support budget-based rent increases (BBRIs) at Section 202/8 properties to cover the cost of a service coordinator to help elderly residents stay healthy and age in place. Elderly Service Coordination is recognized as a cost-effective means to support seniors aging-in-place and prevent premature institutionalization in nursing homes. These rent increases would be limited to circumstances where budget-based rent adjustments are allowed by statutory program authorizations but have been constrained in recent years by HUD policies designed to slow program cost growth. HUD would modify its rent adjustment procedures to reflect availability of the requested funds.

Tenant Education and Outreach - $10 million

The budget provides up to $10 million to continue assisting tenant groups, nonprofit groups, and public entities with addressing tenant concerns within at-risk properties while improving tenant access to community services. 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 Department has previously supported tenant organizing and access to community services through various approaches and will launch a new Tenant Education and Outreach effort in late 2021 or 2022, incorporating lessons learned from previous iterations of the program.

Contract Administration Support - $355 million

The budget provides $355 million for Performance-Based Contract Administrators (PBCAs) and other supportive services contractors. This funding is integral to the Department’s efforts to be more effective and efficient in the oversight and monitoring of the PBRA program. PBCAs 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 anticipates using about $25 million of residual funding in the Housing Certificate Fund (HCF) to supplement needs not provided by annual appropriations. The PBCA budget assumes the extension of current agreements, though savings may ultimately be realized through completion of pending procurements.
Addressing the Need for Quality Affordable Rental Homes

The PBRA program provides over 1.2 million low-income and very low-income families with decent, safe, and affordable housing. The program maintains and protects the long-term Federal investment in these assets. Nationally, only 37 affordable units are available per 100 extremely low-income renters.¹ Without rental assistance, many of these households would not be able to access housing at local market rates or would have very high housing costs. Households burdened with high housing costs often sacrifice spending on other critical expenses such as food, healthcare, and transportation to stay housed,² potentially impacting their health outcomes and access to job and educational opportunities. 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 45 percent of assisted households are headed by elderly persons, 16 percent by persons with disabilities, and 33 percent are families with children.³

The PBRA program is a crucial component of the Federal housing safety net for people in need. Multifamily housing assisted by PBRA stabilizes neighborhoods and contributes to greater local economic opportunity 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 and retention in the fields of property management, maintenance, general construction, and contract work such as landscaping, pest control, security, snow removal, equipment servicing, legal representation, and property insurance. Because PBRA contracts are a place-based investment, they provide opportunities for the Department to engage with communities where they are located and foster connections between initiatives and programs at the local level. 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. The periodic refinancing of the debt underlying projects assisted by PBRA generates significant capital available for investment in construction repairs and improvements. Refinancing and capital improvements create opportunities for increasing the energy efficiency of PBRA properties. HUD incentivizes energy efficiency at FHA-insured PBRA properties undergoing refinance through the FHA Green Mortgage Insurance Premium (MIP) program. More than 5,100 PBRA properties carry financing issued by FHA.

² Joint Center for Housing Studies of Harvard University (2020). The State of the Nation’s Housing 2020. Available at: https://www.jchs.harvard.edu/state-nations-housing-2020
Rental Assistance Demonstration (RAD)

The RAD conversion to PBRA and PBV is a powerful tool to secure the Federal safety net that has preserved over 180,000 affordable housing units (147,000 public housing units and 33,000 units in older HUD rental programs). In addition, through RAD, PHAs and private owners have moved assisted housing to less segregated neighborhoods, allowed residents to use tenant-based assistance if they want to find new housing, and produced more energy efficient and climate resilient housing free of environmental hazards. The outcomes within the public housing portfolio are particularly noteworthy:

- The PHAs’ development teams have generated over $11.5 billion, or over $60,000 per unit, for the rehabilitation or redevelopment of modern, safe, and affordable housing for low-income households. These teams have secured $15.53 for every $1.00 of appropriated public housing funds contributed to project budgets.
- Over 13,000 of the most distressed public housing units have been demolished and replaced with newly constructed units, all meeting international standards for energy efficiency.
- Over 9,000 units have been moved away from detrimental environmental conditions, floodplains, and opportunity deserts and into neighborhoods with greater access to jobs, schools, and transportation.
- All properties have undergone an environmental review as a condition of conversion, including evaluating, and where necessary mitigating, the presence of radon, lead, asbestos, carbon monoxide, and mold.
- All properties have been evaluated for their energy and water efficiency and have implemented cost-effective improvements to decrease their carbon footprint and operating costs.
- Over 218,000 jobs have been created, directly or indirectly, through RAD construction activities, including many jobs for low-income persons through HUD’s Section 3 requirements.

There remain many public housing properties that are unable to leverage the public and private capital needed for property improvements with subsidy levels based only on available appropriated funds. The public housing capital backlog, together with additional modernization needs, require a cost-effective, leveraged strategy to achieve a comprehensive modernization and these requests advance these efforts. The funding request supports the cost-effective conversion of public housing properties that are unable to convert using only the funds provided through existing appropriations. These general provision requests protect residents’ access to services, provide an affordable housing preservation strategy for additional portfolios of at-risk properties, provide technical capacity to support small owners, and assure permanent affordability of converted properties blending RAD and Section 18 strategies.

### SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

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<td>(650)</td>
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<td>13,465,000</td>
<td>490,000</td>
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Note:
Supplemental resources for 2020 include appropriated funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L.116). Additionally, unobligated balances in the amount of $650,000 from PBRA Disaster Assistance (P.L.110-329 as amended by P.L.111-32) are permanently cancelled. Resources for 2020 include $205 million in carryover of unobligated balances and a net adjustment to the balance forwarded of $-800,542, $83 million from recaptures realized in 2020, $28 million transferred from the Public Housing Operating Fund for the Rental Assistance Demonstration (RAD), and $13 million from the Public Housing Capital Fund for RAD conversions. Resources for 2021 include $366 million in carryover of unobligated balances, an estimated $64 million in recaptures, including $1 million for TRN, an estimated $56 million of transfers from the Public Housing Fund in addition to an estimated $3 million transferred from Elderly for RAD conversions. The 2022 Request assumes $12 million in carryover of unobligated balances, anticipated recaptures of $56 million, $75 million of transfer from the Public Housing Fund and $6 million from Elderly for RAD conversions.
LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

General Provisions:

The 2022 President’s Budget re-proposes the following general provisions that were enacted in the 2021 appropriations bill:

- **Section 8 Savings**: This general provision governs the sharing of savings that result from refunding the existing bonds for certain Section 8 contracts. The savings provided to State housing finance agencies can be used for social services, professional services essential to carrying out McKinney-funded activities, project facilities or mechanical systems, and office systems (2022 President’s Budget, Section 201).

- **Transfers of Assistance, Debt, and Use Restrictions**: This provision will allow 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. (2022 President’s Budget, Sec. 206).

- **Management and Disposition of Certain Multifamily Housing Projects**: This provision authorizes HUD to provide direction on HUD’s management and disposition of certain multifamily housing projects owned by HUD (2022 President’s Budget, Section 209).

- **Physical Conditions Requirements**: This general provision will enhance 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 (2022 President’s Budget, Section 215).

Preservation of assisted properties is part of reinvesting in communities that have been neglected or excluded from economic opportunity in the past, often in continuation of racial segregation. Preservation is also a way to ensure affordable housing options in places of high or rising housing cost to reduce past patterns of exclusion. RAD conversions have proven to be a versatile and effective preservation tool for which the 2022 President’s Budget proposes the following new General Provisions which would impact conversions to both PBRA and PBV:

- **Eliminate the sunset date by which applications to convert public housing units under RAD must be received**. This change will ensure that public housing authorities have adequate time to plan their transactions, allowing HUD to maximize the number of public housing properties that can be preserved even without additional funding (i.e., without the $100 million requested in this budget) (2022 President’s Budget, Sec. 232).

- **Ensure continued availability of services for residents of Section 202 PRAC, Section 811 PRAC, and SPRAC properties following a RAD conversion to PBRA or PBV by excluding existing service coordinator and service costs from the 120 percent of Fair Market Rent (FMR) rent cap for new Section 8 contracts**. The rent caps were designed to ensure that HUD subsidies align with market rent costs. Service coordinators and associated services are typically not provided in market rate housing. Therefore, the costs associated with these services should be excluded from the rent cap calculation, allowing continued services and service coordination at the properties (2022 President’s Budget, Sec. 232).

- **Ensure continued availability of services for residents following a RAD conversion to PBRA or PBV by permitting the full implementation of the Jobs Plus Initiative program design following conversion of properties benefiting from Jobs Plus program grants**. This general provision would clarify that a property with a Jobs Plus Initiative program grant that
PROJECT-BASED RENTAL ASSISTANCE

converts under RAD may continue to enroll participants in the Jobs Plus rent incentive for the duration of the grant’s period of performance. Currently, grantees may only allow participation in the Jobs Plus rent incentive if the resident enrolled prior to RAD conversion. The proposal would allow a Jobs Plus program to continue enrolling residents in the Jobs Plus rent incentive after RAD conversion (2022 President’s Budget, Sec. 232).

- Authorize conversion and integration into the RAD PBRA or RAD PBV contracts of the budget authority associated with the Tenant Protection Vouchers (TPV) issued following a Section 18 approval. RAD is sometimes used in conjunction with Section 18 authority to allow PHAs to access the higher funding levels provided by the TPVs issued following the Section 18 disposition approval. This authority would allow HUD to add the budget authority associated with the TPV assistance directly into the RAD PBRA or RAD PBV contract, in lieu of the PHA receiving a separate voucher contract. Without any new cost, this proposal would help expand the number of properties that could successfully convert through RAD and ensure that the RAD requirements for permanent affordability apply to all the units, while simplifying subsidy administration for HUD, PHAs, and owners (2022 President’s Budget, Sec. 232).

APPROPRIATIONS LANGUAGE

The 2022 President’s Budget includes proposed changes in the appropriations 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, [$13,065,000,000]/$13,660,000,000, to remain available until expended, shall be available on October 1, [2020]/[2021] (in addition to the $400,000,000 previously appropriated under this heading that became available October 1, [2020]/[2021]), and $400,000,000, to remain available until expended, shall be available on October 1, [2021]/[2022]: 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 heading: Provided further, That of the total amounts provided under this heading, not to exceed [$350,000,000 ]$355,000,000 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 of the total amount provided under this heading, up to $50,000,000 shall be available to supplement funds transferred from the heading "Public Housing Fund" to fund contracts for properties converting from assistance under Section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) under the heading "Rental Assistance Demonstration" in the Department of Housing and Urban Development Appropriations Act, 2012 (Public Law 112–55) to further long-term financial stability and promote energy efficiency or climate resilience of such properties: 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 the Department 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. (Department of Housing and Urban Development Appropriations Act, 2021.)