

## ENHANCE RENTAL ASSISTANCE

HUD has spent the last year examining its main rental assistance programs (Housing Choice Vouchers, Project-Based Rental Assistance, Public Housing, and Housing for the Elderly and Persons with Disabilities) with the goals of improving resident outcomes, decreasing burden to the public, and maximizing public investment. To further these efforts, HUD designated rental assistance reforms as an FY 2018-2022 strategic goal, "Enhance Rental Assistance", which is comprised of two initiatives that HUD will pursue through a combination of legislative proposals and administrative actions: Rent Reform and the Future of Public Housing.

### ***Rent Reform***

HUD serves about 4.7 million low-income households per year through its rental assistance programs. While each program delivers rental assistance differently, there are many commonalities, including that each HUD-assisted household contributes 30 percent of its adjusted income towards rent, while the federal government subsidizes the difference, up to a maximum. This current rent structure creates disincentives to employment and stable family formation, imposes large administrative burdens, generates significant costs to the Federal government, and represents a one-size-fits-all approach that does not take into consideration local community needs. HUD is committed to reforming its rental assistance programs with the following goals:

1. *Encouraging work and stable family formation:* The current system requires income recertifications that create disincentives to employment and family formation. Limiting the frequency of income recertifications would reduce residents' disincentives to increase their earnings and form families.
2. *Simplifying program administration:* Moving to a simpler income calculation and limiting the frequency of income recertifications would reduce the time burden on residents, public housing authorities, and property owners.
3. *Increasing local control and choice:* HUD works with local partners, both Public Housing Authorities (PHAs) and property owners, who have ideas on how best to encourage residents to achieve self-sufficiency. Rather than force all housing assistance providers into a one-size-fits-all system, HUD would offer PHAs and owners the ability to structure rent calculations and/or adopt work requirements that work best with their local priorities and the families they serve. HUD will study the results of increased choice and share impacts and best practices.
4. *Fiscal sustainability:* These reforms encourage work-able residents to attain stable employment and achieve self-sufficiency and reduce overall costs to the taxpayer.
5. *Protecting current elderly and disabled households from adverse impacts.* In achieving the above goals, HUD's reforms prioritize preventing rent increases on currently assisted elderly and disabled households.

In furtherance of these goals, while also continuing to assist current residents, HUD plans to submit a Rent Reform legislative proposal to Congress in March. The legislative proposal includes the following key elements:

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- Establishing or increasing mandatory minimum rents;
- Simplifying rent calculations and increasing tenant rent contributions;
- Preventing rent increases for the most vulnerable current tenants, the elderly and disabled, when the new rent policies are implemented;
- Limiting income recertification for all households to once every three years, which incentivizes work by deferring increases in tenant rent payments as a result of increased wages, as well as removes disincentives for stable family formation;
- Providing a hardship exemption for tenants who, in certain circumstances, are unable to pay their rents; and
- Giving PHAs and property owners the option to choose alternative rent structures, approved by the Secretary, that work best for their communities, including the option to implement minimum work requirements for work-able residents. HUD would publish criteria, such as requiring that these alternative rent structures incur the same overall program costs.

### ***The Future of Public Housing***

Public Housing has an estimated \$26 billion capital needs backlog, and affordable units are lost each year due to severe disrepair. The cumbersome regulatory structure of the Public Housing program limits PHAs' ability to adequately address the significant needs in their portfolios. Furthermore, the existing tools available to PHAs to deal with their rapidly deteriorating inventory, including HUD's Rental Assistance Demonstration (RAD), Section 18 Demolition and Disposition, and Voluntary Conversion, are currently limited in their scope and ability to preserve affordable housing for the future.

To address the problem, the Budget expands and enhances RAD and other tools to empower PHAs to make local decisions about how to best use their properties to meet the needs of their communities. This strategy is focused on making the tools more accessible to PHAs of all sizes, while also simplifying administrative requirements where possible, and encouraging PHAs to transition public housing to a more sustainable Section 8 platform. The Budget supports the following tools to strategically reduce the footprint of Public Housing, including:

- o Funding to facilitate the demolition of physically obsolete public housing projects. These competitive grants would allow PHAs that lack sufficient funds to demolish obsolete projects and relocate affected families.
- o Allowing PHAs, under certain conditions, to retain public housing property free from public housing use restrictions and exempt from compensation requirements in accordance with the requirements of 2 CFR part 200. This option would allow PHAs to retain the real property and end HUD's commitment to provide annual public housing subsidies.

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- Permitting small PHAs to utilize a streamlined Voluntary Conversion process to retain public housing property free from use restrictions and provide existing Housing Choice Vouchers (HCVs) and/or tenant protection vouchers for existing residents. This option would reduce the number of PHAs and facilitate PHA consolidation.
- Streamlining the existing application and approval processes when PHAs propose to demolish, sell, or lease public housing property under Section 18 Demolition and Disposition.
- Expanding RAD, which would allow more public housing properties to shift to the Section 8 Project-Based Voucher (PBV) and Project-Based Rental Assistance (PBRA) platforms. These project-based Section 8 programs benefit from greater private sector involvement and can leverage private financing for modernization, generally resulting in higher quality housing for the assisted low-income families. The Budget provides \$100 million in funding for RAD to cover the incremental subsidy necessary for public housing properties that could not otherwise convert in the absence of such funds.