

**PUBLIC AND INDIAN HOUSING
RENTAL ASSISTANCE DEMONSTRATION PROGRAM
2019 Summary Statement and Initiatives
(Dollars in Thousands)**

RENTAL ASSISTANCE DEMONSTRATION PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2017 Appropriation .....	...	...	...	...	...	...
2018 Annualized CR .....	...	...	...	...	...	...
2019 Request	<u>\$100,000</u>	<u>...</u>	<u>...</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>
Change from 2018	+100,000	...	...	+100,000	+100,000	+100,000

NOTE: While the Budget shows all of the funds being obligated and spent in fiscal year 2019, HUD is still developing the parameters of the funding allocations and the actual rate of obligation and spending may vary.

1. Program Purpose and Fiscal Year 2019 Budget Overview

Through conversion under the Rental Assistance Demonstration (RAD), Public Housing Agencies (PHAs) and other owners, partnering with private industry, preserve, rehabilitate, or redevelop affordable housing by raising capital using private and public financing tools. The 2019 President Budget request for RAD is \$100 million. The request will support the conversion of public housing properties that could not otherwise convert to long-term Section 8 rental assistance contracts in the absence of such funds. The Budget also includes proposals, described in Section 2, which would expand the number of revenue neutral conversions of public housing and Section 202 PRAC properties that could occur under RAD, while ensuring that tenants’ rights are protected, and the public interest is preserved.

2. Request

As of December 2017, over 88,000 public housing units have utilized RAD to convert to the Section 8 platform at revenue neutral rent levels. Through conversion, PHAs and their partners have been able to raise over \$5 billion toward the improvement and recapitalization of these properties. Despite this success, many public housing properties are unable to leverage the public and private capital needed for improvements based on existing or projected Public Housing Operating Fund and Capital Fund funding levels. With the requested \$100 million, HUD would be able to support the conversion of approximately 30,000 units that are unable to secure the private capital to support needed improvements at revenue neutral subsidy levels on the Section 8 platform. This would result in capital improvements to these properties totaling an estimated \$1.8 billion.

In addition, the Budget requests:

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- Eliminating the cap on public housing projects that could convert assistance to long-term Section 8 rental assistance contracts;
- Eliminating the deadline of September 30, 2020 for submission of RAD Applications under the first component;
- Expanding the second component of RAD to include the conversion of Section 202 PRAC properties;
- Standardizing ownership and control requirements for converted public housing properties by extending the baseline standard of permitting non-profit ownership at conversion to situations where low-income housing tax credits are used or where foreclosure, bankruptcy, or default occurs; and
- Authorizing a tenant's right to continued occupancy under the second component.

3. Justification

RAD promotes public-private partnerships to improve the nation's housing infrastructure and create jobs. The main goal of RAD is preservation of affordable housing, specifically by converting public housing and other HUD-assisted properties to long-term, project-based Section 8 rental assistance (PBRA) and project-based vouchers (PBVs). These conversions allow PHAs and owners to leverage private debt and equity to address their properties' immediate and long-term capital needs. RAD targets HUD-assisted properties that are at risk of being lost from the Nation's affordable housing inventory. In 2010, the 1.1 million units in the Public Housing program had a documented capital needs backlog of nearly \$26 billion and the public housing inventory was losing an average of 10,000 units annually through demolitions or dispositions. The capital needs backlog has been increasing steadily since that time. Public housing properties are largely inhibited from accessing non-federal sources to help to address this need. Meanwhile, the units currently assisted under the Moderate Rehabilitation (MR), McKinney Vento Moderate Rehabilitation Single Room Occupancy (MR SRO), Rent Supplement (Rent Supp), Rental Assistance Payment (RAP), and Section 202 Project Rental Assistance Contracts (202 PRACs) programs are ineligible to renew their contracts on terms that favor modernization and long-term preservation.

HUD has received applications and allocated awards up to the existing 225,000-unit cap of public housing units that can convert. A subsequent waiting list of over 86,000 has formed. As such, in addition to the request for \$100 million, this Budget request the elimination of the cap on public housing units that can convert so that any public housing property that can be preserved at revenue-neutral levels can do so. Eliminating the cap allows PHAs and their partners to develop locally appropriate strategies responsive to the needs and conditions in their communities. Without a cap, they can take the time needed to engage with their communities, assess needs, and prepare financing structures and implement the conversion without artificial deadlines or running the risk that

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RAD is not available when they need it. Making the availability of RAD more certain will increase the number of high impact investments that can transform homes and communities and create jobs.

Additionally, over 200 RAP and Rent Supp properties comprising over 25,000 units and 22 MR and MR SRO properties comprising over 2,400 units have converted through RAD to long-term Section 8 contracts. This budget requests authority to convert Section 202 Project Rental Assistance Contracts (PRACs) to long-term Section 8 contracts without any additional funding. PRACs support over 121,000 units which serve elderly residents, often in conjunction with services. These properties are currently limited to year-to-year renewals that inhibit recapitalization of the properties. This new authority would permit HUD to enter into long-term contracts at revenue-neutral levels, much like public housing conversions, so that owners could seek debt and equity financing to address capital repairs.

Under RAD, PHAs and owners of rental properties assisted under the Public Housing, MR, MR SRO, Rent Supp and RAP programs, (and, as proposed, the owners of 202 PRAC properties) are offered the option to convert the current form of assistance on these properties to long-term, project-based Section 8 rental assistance contracts. By offering a long-term contract tied to a historically more reliable funding stream and a regulatory structure that facilitates partnerships with other forms of private and public financing, RAD achieves the following goals:

1. Promotes local public-private development activity with access to proven tools to leverage private capital;
2. Recapitalizes the HUD-assisted housing portfolio to ensure its long-term stability and affordability while ensuring the public's interest is maintained;
3. Increases housing choice for residents and safeguards strong resident rights; and
4. Places properties on a regulatory structure that allows flexible, local decision-making.

General Provisions

The President's budget proposes the following General Provision for the Rental Assistance Demonstration:

- HUD proposes to eliminate the unit cap, eliminate the application deadline, expand RAD to Section 202 PRAC properties, standardize ownership and control requirements, and authorizing tenant's rights under the second component (Sec. 219).

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**PUBLIC AND INDIAN HOUSING
RENTAL ASSISTANCE DEMONSTRATION PROGRAM
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2017 Budget Authority</u>	<u>2016 Carryover Into 2017</u>	<u>2017 Total Resources</u>	<u>2017 Obligations</u>	<u>2018 Budget Annualized CR</u>	<u>2017 Carryover Into 2018</u>	<u>2018 Total Resources</u>	<u>2019 Request</u>
Rental Assistance								
Demonstration	\$100,000
Total	100,000

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**PUBLIC AND INDIAN HOUSING
RENTAL ASSISTANCE DEMONSTRATION
Appropriations Language**

The fiscal year 2019 President's Budget includes the appropriations language listed below.

For continuing activities under the heading "Rental Assistance Demonstration" in the Department of Housing and Urban Development Appropriations Act, 2012 (Public Law 112-55), \$100,000,000, to remain available through September 30, 2023, 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.