

**HOUSING**  
**PROJECT-BASED RENTAL ASSISTANCE**  
**2012 Summary Statement and Initiatives**  
**(Dollars in Thousands)**

<b>PROJECT-BASED RENTAL ASSISTANCE</b>	<b>Enacted/ Request</b>	<b>Carryover</b>	<b>Supplemental/ Rescission</b>	<b>Total Resources</b>	<b>Obligations</b>	<b>Outlays</b>
2010 Appropriation .....	\$8,557,853	\$335,771 <sup>a</sup>	...	\$8,893,624 <sup>b</sup>	\$8,767,423	\$8,281,693
2011 CR .....	8,551,525	126,140	...	8,677,665	8,677,665	8,852,000
2012 Request .....	<u>9,428,672<sup>c</sup></u>	...	...	<u>9,428,672</u>	<u>9,428,672</u>	<u>9,378,000</u>
Program Improvements/Offsets .....	+877,147	-126,140	...	+751,007	+751,007	+526,000

- a/ Carryover includes \$159.1 million from fiscal year 2009 (of which \$10.7 million is Disaster Relief funds), together with \$8.8 million of remaining unobligated authority from the \$2.0 billion American Recovery and Reinvestment Act (P.L.111-5) (Recovery Act) supplemental in fiscal year 2009, plus recaptured funds of \$167.8 million (including \$10.3 million from ARRA funding).
- b/ Total fiscal year 2010 resources include \$61 thousand in Recovery Act funds that expired on September 30, 2010, and therefore are not included in the carryover from fiscal year 2010 into fiscal year 2011.
- c/ The \$9.429 billion reflects total resources available for 2012. This includes \$9.035 billion requested in this Budget and a \$394 million advance appropriation to become available on October 1, 2011.

**Summary Statement**

The Department is requesting a total of \$9.435 billion to meet Project-Based Rental Assistance (PBRA) program needs. This includes \$9.035 billion for 2012 and a \$400 million advance appropriation for 2013. Under the request, the total funding level for 2012 (\$9.429 billion) is \$871 million above the 2010 enacted level (\$8.558 billion). The increase is based on an estimated \$9.130 billion in renewal costs for 2012, assuming an Operating Cost Adjustment Factor (OCAF) of 1 percent. This will provide a full 12-months of funding on contracts at their renewal (or renewal anniversary) dates throughout the year (provided that Congress enacts the President's requested funding level for 2011). The fiscal year 2012 request includes \$289 million for Project-Based Contract Administrators (PBCA); and \$10 million for Tenant Resource Network (TRN) grants. Flexible language is proposed to augment proposed set-aside amounts as necessary by re-allocating funds from other set-asides or from recaptures, including an anticipated \$100 million in recaptures from the Housing Certificate Fund, which may be available for obligation.

PBRA provides rental assistance funding to privately owned multifamily rental housing projects. To be eligible for the program, a participant must be a private owner and can be a for-profit or non-profit organization, cooperative, Limited Liability Corporation, Limited Partnership or other type of joint ownership structure. The amount of rental assistance paid is the difference between what a household can afford (usually based on 30 percent of their income) and the approved market-based rent for an affordable housing unit in a multifamily rental housing project. These properties are financed in the same manner as market rate rental developments in utilizing private financing, equity or FHA mortgage insurance. Currently, the portfolio is leveraging over \$12 billion in FHA insurance and \$17 billion in private financing and equity. The owner must provide affordable decent, safe and sanitary housing units to receive this assistance. Currently, the program serves over 1.2 million low-income and very low-income households that are comprised of individuals, families, elderly and persons with disabilities.

## Project-Based Rental Assistance

Without assistance, most of the families served by the PBRA program would be at risk of worst case housing (i.e. rental burden over 50 percent of income and /or distressed physical property) or even homelessness.

The program set-aside of \$289 million for PBCAs is an important tool that ensures that there is efficient and effective oversight and monitoring of this rental assistance. The Department uses PBCAs to: (1) reduce payment errors; (2) improve the physical condition of the properties; and (3) ensure the timely payment of the assistance to the owners.

The program set-aside of \$10 million for TRN will provide funding to eligible organizations that assist, inform, educate, train and provide technical assistance to tenants of eligible Section 8-assisted properties regarding their rights and responsibilities. This program aims to engage tenants in efforts to preserve eligible properties as affordable housing, and to provide tenants with information about their rights and responsibilities. TRN awardees will work directly with tenants in multifamily properties to support them in conducting activities protected under 24 CFR Part 245, subpart B.

### **Program Relationship to Strategic Plan Goals and Subgoals**

#### Strategic Goal 2. Meet the Need for Quality Affordable Rental Homes

The Project-Based Rental Assistance programs (Section 8, including Section 8 Moderate Rehabilitation, Rent Supplements and Section 236 RAP), continue to serve over 1.2 million low-income households. HUD routinely renews Project-Based contracts and amends project budgets as necessary to assure the preservation of this crucial inventory, with the exception of a limited number of instances (for example, where owners fail to maintain projects in satisfactory condition, or where project owners decide to opt-out of the program) .

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

The renewal of approximately 8,500 PBRA contracts during fiscal years 2011 and 2012 will assure preservation of more than 1.2 million affordable housing units for occupancy by low-income households, many of whom would otherwise be at risk of homelessness.

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

The PBRA programs directly support affordability for rental housing by lowering the rent burden of eligible households to only 30 percent of adjusted household income. The Department typically conducts physical inspections on roughly half of the PBRA stock each year—assuring that the quality of this rental housing is preserved.

#### Subgoal 2D: Expand families' 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.

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**Strategic Goal 3: Utilize Housing as a Platform for Improving Quality of Life**

Subgoal 3B: Utilize HUD assistance to improve health outcomes

This is an aspirational goal reflecting the juncture of housing and health services, and a focus on health benefits of safe, sanitary housing as well as possible improved access to health services.

Subgoal 3C: Utilize HUD assistance to increase economic security and self-sufficiency

This is an aspirational goal and will focus on possible expansion of work incentives, and access to job and other related training and employment opportunities.

Subgoal 3D: Utilize HUD assistance to improve housing stability through supportive services for vulnerable populations, including the elderly, people with disabilities, homeless people, and those individuals and families at risk of becoming homeless

This is an aspirational goal and is related to the demographics of the income eligible population served by the program. The program has a notable influence on homelessness reduction.

Subgoal 4B: Promote energy-efficient buildings and location-efficient communities that are healthy, affordable, and diverse

Title XII of the American Recovery and Reinvestment Act of 2009 (P.L. 111-5), provided \$250 million for the Green Retrofit Program, which provides loans and grants for utility-saving retrofits and other retrofits that produce environmental benefits in certain existing HUD-assisted multifamily housing. The Act allowed up to 5 percent of the funds available to be used for underwriting and oversight which has been allocated to certain Mark-to-Market participating administrative entities (PAEs). These PAEs carry out due diligence, underwriting, and negotiation activities for the Green Retrofit Program pursuant to each PAE's existing portfolio restructuring agreement.

Subgoal 4C: Ensure open, diverse, and equitable communities.

The Project-Based program strengthens communities by providing decent, sanitary, affordable housing that serves as an asset and stabilizing force for families and communities. This subsidized housing will also emphasize green building technology and is emphatic about affirmatively furthering fair housing,

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2012 Summary Statement and Initiatives  
(Dollars in Thousands)**

<b>Budget Activity</b>	<b>2010 Budget Authority</b>	<b>2009 Carryover Into 2010</b>	<b>2010 Total Resources</b>	<b>2010 Obligations</b>	<b>2011 CR</b>	<b>2010 Carryover Into 2011</b>	<b>2011 Total Resources</b>	<b>2012 Request</b>
Contract Renewals and Amendments .....	\$8,315,853	\$311,721	\$8,627,574	\$8,513,038	\$8,309,525	\$114,536	\$8,424,061	\$9,129,672
Contract Administrators	232,000	18	232,018	232,018	232,000	...	232,000	289,000
Vouchers for Disaster Relief - (P.L. 111-32) .....	...	4,803	4,803	3,199	...	1,604	1,604	...
Tenant Resources								
Network .....	10,000	...	10,000	...	10,000	10,000	20,000	10,000
Contract Renewals - Recovery Act - (P.L. 111-5) .....	...	<u>19,229</u>	<u>19,229</u>	<u>19,168</u>	...	...	...	...
<b>Total .....</b>	<b>8,557,853</b>	<b>335,771</b>	<b>8,893,624</b>	<b>8,767,423</b>	<b>8,551,525</b>	<b>126,140</b>	<b>8,677,665</b>	<b>9,428,672</b>
<b>FTE</b>	<b><u>2010 Actual</u></b>	<b><u>2011 Estimate</u></b>	<b><u>2012 Estimate</u></b>					
Headquarters .....	54	53	55					
Field .....	<u>355</u>	<u>346</u>	<u>361</u>					
Total .....	409	399	416					

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Program Offsets  
(Dollars in Thousands)**

<b>Contract Renewals and Amendments</b>	<u><b>Amount</b></u>
2010 Appropriation .....	\$8,315,853
2011 CR .....	8,309,525
2012 Request .....	<u>9,129,672</u>
Program Improvements/Offsets .....	+820,147

**Proposed Actions**

The contract renewals and amendments set-aside provides funding for the Department to renew and amend PBRA contracts. These funds are necessary to keep over 1.2 million families in safe, sanitary, and affordable housing. For fiscal year 2012, HUD requests \$9.130 billion of new Budget Authority for contract renewals and amendments. This amount is for Housing’s Project-Based Section 8 contracts, Public and Indian Housing’s Moderate Rehabilitation contracts, and Community Planning and Development’s Single Room Occupancy contracts.

The need for Section 8 Amendment funds results from insufficient funds provided for long-term project-based contracts funded primarily in the 1970’s and 1980’s. During those years, the Department provided contracts for terms of up to 40 years. Estimating funding needs over such a long period of time proved to be problematic, and as a result, many of these Section 8 contracts were inadequately funded. The current practice of renewing expiring contracts for a 1-year term helps to ensure that the problem of inadequate funding for contracts is not repeated. However, older long-term contracts that have not reached their termination dates and have not entered the 1-year renewal cycle must be provided amendment funds for the projects to remain financially viable and thus maintain the inventory of affordable rental housing.

The Department estimates that total Section 8 Amendment needs in fiscal year 2012 will be \$667 million.

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Program Offsets  
(Dollars in Thousands)**

<b>Contract Administrators</b>	<b><u>Amount</u></b>
2010 Appropriation .....	\$232,000
2011 CR .....	232,000
2012 Request .....	<u>289,000</u>
Program Improvements/Offsets .....	+57,000

**Proposed Actions**

The Department is proposing \$289 million for Project-Based Contract Administrators (PBCAs) in fiscal year 2012. The appropriation is a \$57 million increase over the floor in the fiscal year 2010 enacted appropriation.<sup>1</sup> Through this set-aside, the Department funds contracts with performance-based contract administrators. These administrators, which are typically Public Housing Authorities or state housing finance agencies, are responsible for conducting on-site management reviews of assisted properties; adjusting contract rents; reviewing, processing, and paying monthly vouchers submitted by owners.

PBCAs are vital to the Department's efforts to be more effective and efficient in the oversight and monitoring of this program. In particular, the Department uses PBCAs to: (1) reduce payment errors; (2) improve the physical condition of units; and (3) ensure timely payment of rents to property owners. In conjunction with the Department's Rental Housing Integrity Improvement Project (RHIIIP), PBCAs have helped make HUD a leader among Federal agencies in reducing improper payments. PBCAs are required to perform extensive annual reviews of property operations, including reviewing owner rent subsidy calculations. PBCAs help the Department ensure that the right benefits are going to the right people.

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<sup>1</sup>Appropriations language provided for "not less than \$232,000,000 but not to exceed \$258,000,000" for PBCAs.

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Program Offsets  
(Dollars in Thousands)**

<b>Tenant Resources Network</b>	<u><b>Amount</b></u>
2010 Appropriation .....	\$10,000
2011 CR .....	10,000
2012 Request .....	<u>10,000</u>
Program Improvements/Offsets .....	...

NOTE: The Department plans to use up to \$10 million from the Contract Renewals and Amendments set-aside to fund this activity in fiscal year 2012.

**Proposed Actions**

HUD is proposing to use up to \$10 million from the Contract Renewals and Amendments set-aside for Tenant Resources Network (TRN) grants to build on previous efforts to provide assistance to tenant groups, non-profit organizations, and public entities for building the capacity of tenant organizations. The grants support tenants in Section 8 subsidized properties upon the expiration of the subsidy contracts, and include activities such as education, outreach, training and technical assistance activities.

Section 514(f) of the Multifamily Assisted Housing Reform and Affordability Act (MAHRA) of 1997 (47 U.S.C. 1437) authorizes the Department to provide financial assistance for building the capacity of tenant organizations and furthering the purposes of the Mark-to-Market program including preservation of low-income housing and tenant services. This activity is subject to an annual limitation of \$10 million to be derived from the PBRA account.

The TRN program will build upon best practices and lessons learned from predecessor programs to provide training and technical guidance in order to educate tenants about the ramifications of subsidy contract expirations and renewals under MAHRA, and to enable tenants to explore alternative outcomes.

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Appropriations Language**

Below is the italicized appropriations language for the Project-Based Rental Assistance Program.

*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, \$9,035,000,000, to remain available until expended, shall be available on October 1, 2011 (in addition to the \$393,672,000 previously appropriated under this heading that will become available October 1, 2011), and \$400,000,000, to remain available until expended, shall be available on October 1, 2012: 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 \$289,000,000 shall be available for performance-based contract administrators for section 8 project-based assistance: Provided further, That the Secretary of Housing and Urban Development may also use such amounts in the previous proviso for performance-based contract administrators 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, notwithstanding the purposes for which such amounts were appropriated.*

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Crosswalk of 2010 Availability  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Contract Renewals and Amendments ....	\$8,315,853	...	...	...	\$311,721	\$8,627,574
Contract Administrators .....	232,000	...	...	...	18	232,018
Vouchers for Disaster Relief - (P.L. 111-32) .....	...	...	...	...	4,803	4,803
Tenant Resources Network .....	10,000	...	...	...	...	10,000
Contract Renewals - Recovery Act - (P.L. 111-5) .....	...	...	...	...	<u>19,229</u>	<u>19,229</u>
Total .....	8,557,853	...	...	...	335,771	8,893,624

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**HOUSING**  
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**Crosswalk of 2011 Changes**  
**(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2011 President's Budget Request</u>	<u>2011 CR</u>	<u>2011 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2011 Resources</u>
Contract Renewals and Amendments ....	\$9,044,000	\$8,309,525	...	...	\$114,536	\$8,424,061
Contract Administrators .....	322,000	232,000	...	...	...	232,000
Vouchers for Disaster Relief - (P.L. 111-32) .....	...	...	...	...	1,604	1,604
Tenant Resources Network .....	10,000	10,000	...	...	10,000	20,000
Contract Renewals - Recovery Act - (P.L. 111-5) .....	...	...	...	...	...	...
<b>Total .....</b>	<b>9,376,000</b>	<b>8,551,525</b>	<b>...</b>	<b>...</b>	<b>126,140</b>	<b>8,677,665</b>