TRANSFORMING RENTAL ASSISTANCE (TRA)

A Presentation on the Future of HUD’s Rental Assistance Programs

Department of Housing and Urban Development
THE CURRENT STATE

- HUD provides deep rental assistance to more than 4.8 million households across multiple programs with varying rules.

- Current programs lack sufficient market discipline and resident choice.

- Much of the assisted stock was developed more than 30 years ago; the portfolio has an enormous backlog of unmet repair and replacement needs.

- Billions of dollars of federal investment are at risk of being lost for future generations.
Current State: Capital Disinvestment

In the past 15 years, 150,000 public housing units have been lost.
TRA Objectives

- **Streamline** rental assistance programs
- **Simplify** program administration
- **Leverage** private funding to meet capital needs backlog
- **Introduce** greater market discipline
- **Enhance** tenant choice
- **Expand resident access** to a broader range of neighborhoods
TRA Objective: Mainstream Housing Market

Move subsidized housing into the mainstream housing market.

HUD-assisted housing must be built, financed, and managed in a way that attracts a mix of uses, incomes, and stakeholders that will make rental assistance programs truly successful.
LONG-TERM VISION

Toward a single platform for major Federal rental assistance programs.

Three programs within Section 8:

• Project based contracts (PBCs)
• Project based vouchers (PBVs)
• Tenant based vouchers (TBVs)
CONVERSION POLICIES

• Will be voluntary
• Owners converting under TRA will enter into either a project-based contract (PBC) with HUD or a project-based voucher (PBV) contract with a housing authority.
  • PBV available only to small or partially assisted properties
• Converting owners will be required to maintain the same number of deeply affordable units; and consult with residents in advance of and during conversion
• In the event of foreclosure, contract remains in place, whether or not the loan is FHA insured
• Contract rents will cover operating costs, deposits to the capital replacement reserve, debt service, and cash flow.
## Contract Rents for Converted Properties

<table>
<thead>
<tr>
<th>Rents Needed or Requested</th>
<th>No Secretary Approval</th>
<th>Secretary Approval*</th>
</tr>
</thead>
<tbody>
<tr>
<td>At or below market**</td>
<td>110% of FMR or below</td>
<td>Greater than 110% of FMR</td>
</tr>
<tr>
<td>Above market</td>
<td>n/a</td>
<td>Up to higher of 110% of FMR or 120% of market</td>
</tr>
</tbody>
</table>

*Properties must also meet test of preservation-worthiness.  
**The Secretary may approve or determine a rent lower than market if such lower rent is sufficient to meet the financial and physical sustainability needs of the property.
## Public Housing Conversions

### Current Structure

| Operating Fund + Capital Fund |

### TRA

| Housing Assistance Payment Contract (HAP) |

- **Continued public control**

- **At least 30-year use restriction with 20-year initial HAP, and acceptance of offered extensions**
TRA Result: Property Improvements

- First phase will allow PHAs to **leverage up to $7.5 billion** in private capital

- **Opportunity to substantially rehabilitate** aging public and assisted housing properties and improve energy efficiency

- New investments will also create **new jobs for residents** and other low income people in the community

- Ongoing, the long-term Section 8 contracts will include funds for replacement reserves so that **projects will be in a position to address repair and replacement needs as they arise**
Recipient Choice, Participation, and Rights in TRA

Resident Choice

Recipients of HUD-funded rental assistance should not have to sacrifice affordability if they need or want to move.

- After **two years** in the converted property, residents have option to move using a **housing choice voucher**, subject to availability
- Property based subsidy **remains with the unit**
- Part of a broader set of administrative changes intended to promote **informed choice** and **real mobility options**

Later stages **may need to constrain choice** if demand exceeds available supply of vouchers.
RESIDENT CHOICE, PARTICIPATION, AND RIGHTS IN TRA
RESIDENT PARTICIPATION

• PHAs and owners required to **consult with residents** before and during the conversion process

• PHAs required to have **at least one tenant on their board**

• No changes to **annual planning requirements**
RESIDENT CHOICE, PARTICIPATION, AND RIGHTS IN TRA

RESIDENT RIGHTS

- **Income-based rents** and security of tenure
  - No re-screening
  - Evictions only for good cause
- **Procedural rights**
  - Notice requirements
  - Required elements of due process
- **Organizing rights**
  - Right to organize and be recognized by owners
  - Funding for organizing
- **Section 3**
  - Hiring and contracting requirements would continue to apply
  - Uniform preferences
TRA: WHERE DO WE START?

The President’s FY11 budget requests $350 million for TRA Phase One. This is expected to allow 300,000 public housing and multifamily units to access investments for renovation and repair.

- $290 million would cover the supplemental cost of converting public housing and assisted housing units to long-term property-based contract Section 8 contracts
- $50 million would support resident choice
- $10 million would be for technical assistance and evaluation
PHASE ONE ELIGIBLE PROPERTIES

• Public Housing
• PHA-owned Multifamily properties
• Rent Supplement program
• Rental Assistance Program
• Section 8 Moderate Rehabilitation Program
PHASE ONE IMPLEMENTATION TIMELINE

• Legislation Enacted: Late 2010

• Program Announcement/Invitation: Early 2011

• Selections: Mid/late 2011

• Underwriting: Late 2011/mid 2012

• Rehabilitation: 2012 – 2013
OVERVIEW OF THE
PRESERVATION, ENHANCEMENT, AND
TRANSFORMATION OF RENTAL ASSISTANCE
ACT OF 2010 (PETRA)
OVERVIEW OF LEGISLATIVE PROPOSAL

NEW SECTION 8 AUTHORITY

PETRA would authorize two new sections in the U.S. Housing Act of 1937:

- **Section 8(m)**
  - Section 8(m)(1) would streamline policies across rental assistance programs
  - Section 8(m)(2) would authorize the conversion of rental assistance

- **Section 8(n)**
  - Would authorize the Secretary to enter into long-term, property-based contracts for rental assistance, subject to annual appropriations, with owners of converting properties.
Section 8(m)(1) would authorize the Secretary to:

• **Allocate funds** to owners of converting properties;

• **Establish and collect fees**;

• Recover previously obligated funds and deposit them into a “Rental Assistance Conversion Trust Fund”;

• Allocate amounts for **other activities**, such as rental assistance administration and the promotion of resident mobility; and

• **Establish uniform policies and procedures** across rental assistance programs
For converting properties and for other HUD-funded rental assistance programs, the Secretary would be authorized to establish **uniform policies and procedures**, including with respect to the following areas:

- Resident choice
- Tenant organization rights
- Applicant and tenant procedural rights
- Nondiscrimination and affirmatively furthering fair housing
- Administration of rental assistance
- Physical condition standard
- Properties in foreclosure or bankruptcy
- HUD enforcement
Would establish conditions and features to govern the voluntary conversion process, including with respect to:

- One-for-one replacement of hard units
- Use and affordability restrictions
- Federal option to purchase
- Tenants residing in units at time of conversion
- Relocation assistance
- Tenant rents
- Security of tenure
- Use of unexpended assistance under prior programs
OVERVIEW OF LEGISLATIVE PROPOSAL

PRESERVATION TOOLS

PETRA would authorize several measures intended to assure that properties remain affordable for the long-term, including:

- For former public housing, a minimum 30-year use agreement and required acceptance of extension, regardless of ownership structure
- Enhanced enforcement powers for HUD
- Federal option to purchase
- HUD authority to transfer rental assistance
- Rental assistance contract and use agreement would survive foreclosure or bankruptcy
- Hard 1-for-1 replacement with exception for weak markets (estimated to be less than 10% of housing stock)
OVERVIEW OF LEGISLATIVE PROPOSAL
SEC. 8(m)(2): REQUIREMENTS FOR PUBLIC HOUSING

• Conversion can be approved in a single process without going through Section 18 disposition
  • Establishment of new ownership structure not considered disposition so long as PHA retains interest, assuring continued public control

• Resident membership on PHA board is retained

• Compliance with terms and conditions of:
  • Energy performance contracts
  • Capital Fund Financing Program
  • Operating Fund Financing Program
  • And similar obligations in effect prior to conversion
Section 8(n) would authorize the Secretary to enter into long-term, property-based contracts for rental assistance with owners of converting properties, subject to annual appropriations:

- 20-year initial contract term for public housing; for other properties, term at least equal to remaining term of legacy contract
- 20-year extension, subject to appropriations
- Selection of tenants and targeting
- Physical condition standard and financial reporting requirements
- Initial rent-setting and rent adjustments
Initial rents would be set at a level needed to address capital needs and sustain operations

Initial rents could not exceed comparable market above 110% of FMR without Secretary’s approval

For PBC-assisted properties, the Secretary would be authorized to approve initial “exception rents” above comparable market levels up to the higher of 110% of FMR or 120% of comparable market rent

Rents would be adjusted annually based on a multifamily market rent index and would be rebenchmarked to market at least every 5 years
## Overview of Legislative Proposal

### Rent Setting under TRA: Illustration

<table>
<thead>
<tr>
<th></th>
<th>PBC</th>
<th>PBV</th>
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</thead>
<tbody>
<tr>
<td><strong>Higher-Cost Market</strong></td>
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<td></td>
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<tr>
<td>Rent needed or requested</td>
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<td>$940</td>
</tr>
<tr>
<td>110% of FMR</td>
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<tr>
<td>Comparable market rent (CMR)</td>
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<td>$920</td>
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<tr>
<td>120% of CMR</td>
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<tr>
<td>Allowable rent</td>
<td>$940</td>
<td>$920</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>PBC</th>
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<tbody>
<tr>
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<tr>
<td>Rent needed or requested</td>
<td>$940</td>
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OVERVIEW OF LEGISLATIVE PROPOSAL

CHANGES TO EXISTING SEC. 8 PBV AUTHORITY

- Measure cap by vouchers not funding, to remove disincentive to project-base in higher cost areas
- Allow up to 25% of vouchers to be project-based, with a focus on:
  - Supportive housing and areas where vouchers are difficult to use.
  - For converted projects, agencies may project-base up to 40% of vouchers.
- Would allow for assistance at the greater of 25 dwelling units or 25 percent of dwelling units in a project
  - Continue to allow some fully assisted developments
  - Authorizes the Secretary to establish additional oversight requirements for properties with assistance on more than 40 percent of units.
- May exercise resident choice option after 1 year.
OVERVIEW OF LEGISLATIVE PROPOSAL

STREAMLINING CHANGES TO PBV ASSISTANCE

• Conversion to PBV assistance permitted only for properties that are “small” or partially assisted properties

Uniform Policies for Converted and New Properties

• Maximum contract term extended to 20 years
• Rents could be adjusted annually based on a multifamily market rent index
• Exceptions to the rent cap of 110% FMR would be permitted, but all rents must be “reasonable”
• Owners would be permitted to adopt site-based waiting lists
• Eviction for good cause only
OVERVIEW OF LEGISLATIVE PROPOSAL
CONFORMING AMENDMENTS

- Sec. 6 of PETRA would authorize conforming amendments in a number of areas, including:
  - The definition of a public housing agency
    - Modified to include not-for-profit entities.
  - Mainstream voucher renewals
    - Shifted to HCV rules and the tenant-based rental assistance account.
  - Section 3 requirements
    - Converted properties would remain subject to the requirements that were in effect prior to conversion.
    - Preferences would be streamlined, made uniform.
  - Enforcement
    - The availability of civil money penalties would be extended to PHAs administering rental assistance.
HOW CAN YOU HELP?

Your involvement is **critical** to efforts to strengthen, preserve, and enhance affordable housing for the future. Please send questions, comments, and suggestions to:

**TRA@hud.gov**

**We want** to hear from you!