



Rental Assistance Demonstration

Goals. HUD's FY12 budget request includes a Rental Assistance Demonstration that seeks to make rental assistance a more viable tool for the preservation of public and assisted housing while maintaining affordability and offering residential mobility. The Demonstration will allow for the voluntary conversion of units in the public housing (PH), Moderate Rehabilitation (MR), and Rent Supplement/Rental Assistance (RS/R) programs to long-term Section 8 contracts. Such conversions will advance the Department's goals of preservation, simplification, leverage, and increased access to opportunity.

Applicability. Only owners of PH, MR, and RS/R properties that voluntarily submit a proposal to participate and are selected for the Demonstration will be governed by its statutory requirements and program rules. The Demonstration will not affect other federally-assisted housing.

Two Rental Assistance Tracks. PHAs and owners of MR and RS/R properties will be offered the option of converting their current form of rental assistance to either a:

- **Project Based Voucher (PBV) Contract**, which is administered locally by PHAs. The Department will offer administrative flexibility under current authority and seek additional authority to waive current rules to make the PBV option easier to implement; or a
- **Project Based Rental Assistance (PBRA) Contract**, which is administered by HUD's Office of Multifamily Programs. The Department will seek legislative authority to offer to PH, MR, and RS/R properties a PBRA option that is eligible for renewal under the Multifamily Assisted Housing Reform and Affordability Act (MAHRA) statute.

Currently, expiring RS/R properties have no contract renewal option; instead, at contract termination, tenants become eligible for tenant-protection vouchers, which enable them to remain in their housing or move in search of different housing. Under legislative changes sought through the Demonstration, the assistance provided through these vouchers may instead be project-based through a PBV or PBRA contract, keeping the housing affordable. In the case of public housing, the conversion to a long-term Section 8 rental assistance contract will allow public housing agencies (PHAs) to access private debt and equity to address unmet capital needs.

Resident Choice—Mobility. At least 90 percent of the PH and MR units converted under the Demonstration will test options to provide residents the choice to move with continuing tenant-based rental assistance within a reasonable time after conversion. This recognizes that not all PHAs will have vouchers sufficient to support a choice-mobility option, and therefore a limited good-cause exception from this provision will be permitted.

Resident Rights, Procedures & Engagement. All conversions will be subject to resident review and comment. There will be no rescreeing at conversion, and tenant contribution toward rent will be governed by Section 8 program rules. Residents in converted properties will have a right to organize and a right to due process reviews for tenancy-related issues. The Department will also identify funding to support PH residents living in converted properties to engage in the conversion process and ongoing matters related to their housing and tenancy.

Long-Term Affordability. Converted properties will be subject to long-term rental assistance contracts and use restrictions, which will survive any disposition of the property, including in the event of foreclosure or bankruptcy. Renewals of such contracts and use restrictions must be accepted by owners, although if there are material violations or substantial defaults with the contract resulting in a HUD enforcement action, the Secretary may transfer the contract to another owner or property to protect tenants and maintain the assistance and use restrictions. RS/R contract renewals will not be subject to continuous renewal and acceptance of contracts. All long-term Section 8 contracts will be subject to annual appropriations by Congress.

Ownership and Disposition Options. At initial conversion any public housing property will remain under the ownership or control of a PHA, other capable public or nonprofit entity identified by the PHA, or a limited partnership formed for purposes of accessing low-income housing tax credits – if a PHA chooses to relinquish ownership control to these other entities. In the event of foreclosure or bankruptcy action or a contract enforcement action, the Secretary may transfer the contract and use agreement to a capable public or nonprofit entity, and only when neither of these options is viable, to a for profit entity.

Budget Request & Impact. The \$200 million budget request will support the cost of converting public housing units and MR and RS/R properties currently at risk of being lost from the inventory. This level of public investment is projected to leverage more than \$6-7 billion in private debt and equity capital for properties participating in the Demonstration.

Evaluation. The Department will conduct an evaluation of the Demonstration to study the effect of conversion on access to private capital, on the physical condition of converted properties, and the extent to which choice-mobility was realized by residents who were offered it.