

**PUBLIC AND INDIAN HOUSING  
RENTAL ASSISTANCE DEMONSTRATION  
2013 Summary Statement and Initiatives  
(Dollars in Thousands)**

<b>RENTAL ASSISTANCE DEMONSTRATION PROGRAM</b>	<b>Enacted/ Request</b>	<b>Carryover</b>	<b>Supplemental/ Rescission</b>	<b>Total Resources</b>	<b>Obligations</b>	<b>Outlays</b>
2011 Appropriation .....	...	...	...	...	...	...
2012 Appropriation/Request .....	...	...	...	...	...	...
2013 Request .....	...	...	...	...	...	...
Program Improvements/Offsets .....	...	...	...	...	...	...

**1. What is this request?**

The Consolidated and Further Continuing Appropriation Act of 2012 (P.L. 112-55) authorized the Rental Assistance Demonstration (RAD) to test new preservation tools for the HUD-assisted housing stock, allowing for:

- Public Housing (PH) and Moderate Rehabilitation (MR) properties to convert assistance to long-term Section 8 rental assistance contracts (capped at 60,000 units of converted assistance); and
- Rent Supplement (RS), Rental Assistance Payment (RAP), and MR properties, upon contract expiration or termination, to convert tenant protection vouchers (TPVs) to project-based vouchers (PBVs), subject to the availability of annual appropriations for TPVs.

HUD is not requesting funding for RAD in fiscal year 2013. Instead, RAD will make use of funds requested for existing programs, including: 1) an estimated \$102 million and \$46 million requested for the Public Housing Operating Fund and Public Housing Capital Fund, respectively; and 2) TPVs requested as part of the Tenant-Based Rental Assistance program that would otherwise be issued to tenants upon contract expiration or termination (e.g., RS, RAP, and MR). As a result, RAD does not require its own appropriation. Unlike their current forms of assistance, these contracts offer a rental subsidy platform that allows PHAs and private owners to leverage other private and public capital to finance much needed rehabilitation and preserve the assets as affordable housing for the long term.

The budget does include a legislative request to exempt MR from the 60,000 unit cap on projects that could convert assistance, at their current subsidy levels, to long-term Section 8 rental assistance contracts. If enacted, the 60,000 unit cap would apply to public

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housing conversions alone, while the number of MR conversions would not be constrained. In fiscal year 2013, approximately 48,000 units of public housing and 4,000 to 6,000 units of MR, RS, and RAP properties are expected to be converted.

### 2. What is this program?

Under RAD, PHAs and private owners of rental properties assisted under the PH, MR, RS and RAP programs will be offered the option to convert the current form of assistance on properties to long-term, project-based, Section 8 rental assistance contracts.

RAD provides an opportunity to test the conversion of assistance to project-based Section 8 in order to achieve the following goals:

- 1) Long-term stability and affordability of HUD-assisted housing;
- 2) Access to safe, proven tools to leverage private capital;
- 3) Increased housing choice for residents;
- 4) Strong resident rights; and
- 5) Effective public ownership.

Participation by PHAs and private owners will be voluntary. Properties that convert assistance will be subject to long-term rental assistance contracts and use restrictions, which will survive any disposition of the property, including foreclosure or bankruptcy. In addition, all projects that convert assistance will provide residents the choice to move with continuing tenant-based rental assistance within a reasonable time after conversion. Recognizing that not all PHAs will have vouchers sufficient to support a housing choice option, a small percentage of conversions will receive a good-cause exception from this provision.

### Staffing

<b>FTE</b>	<b>2011 Actual</b>	<b>2012 Estimate</b>	<b>2013 Estimate</b>
Headquarters .....	...	...	...
Field .....	...	...	...
Total .....	...	...	...

HUD will utilize existing staff and resources to support the conversion of assistance for participating properties to long-term, renewable project-based assistance. Staff will be responsible for implementing RAD, which will include stakeholder education, training field staff, developing new processes (or adapting systems) to facilitate conversion, reviewing and processing applications, monitoring the progress of selected applicants towards conversion, reviewing project financing plans, participating in project closings, and overseeing the evaluation. In the implementation of RAD, HUD will make best use of the existing staff and resources,

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although augmenting their current workload. Reductions in Salaries and Expenses would likely have a detrimental effect on the implementation of RAD.

### **3. Why is this program necessary and what will we get for the funds?**

Over the last 75 years, the Federal Government has invested billions in the development and maintenance of public and multifamily housing. The Department is proposing this demonstration as a top priority solution to a key challenge: despite this sizable Federal investment and the great demand for deeply affordable rental housing, we continue to see a decline in the number of available affordable housing units. Under the strain of a capital needs backlog (which Abt Capital Needs Assessment recently estimated at \$26 billion or \$23,365 per unit) the public housing stock has shrunk at a rate of 10,000 units per year over the last 12 years. Meanwhile, properties assisted under the MR, RS, and RAP programs are ineligible to renew their contracts on terms that favor the long-term preservation of affordable rents and are at immediate risk of loss from the affordable housing inventory.

Recognizing the investment of taxpayer dollars these programs represent, RAD will provide PHAs and private owners with the tools to preserve and enhance affordable housing and stem the deterioration of affordable housing properties through public-private partnerships. Using only the appropriation levels provided for these projects in the fiscal year 2013 Budget, approximately 48,000 units of PH and 4,000 to 6,000 units of MR, RS, and RAP properties will convert to project-based assistance in order to support rehabilitation and ensure their long-term preservation and affordability.

Without RAD and the access to new sources of capital that it allows, the PH stock would continue to rely almost entirely on direct Federal appropriations from the Capital Fund to address capital repair and replacement needs. MR properties would continue to operate with short-term contracts that have inhibited their use of debt and equity tools for owners to make needed repairs. Some would opt out of the program, while the rest will limp along. Finally, the 2,800 RS and RAP units with contracts expiring in fiscal year 2013 would be permanently lost from the nation's affordable housing stock. With worst-case housing needs having risen more than 20 percent to over seven million households between 2007 and 2009, RAD will help prevent a substantial loss of affordable housing resources across the country.

### **4. How do we know that this program works?**

RAD will also include an evaluation component, which will assess across different markets and geographic areas, and within portfolios managed by PHAs of varying sizes, the following research areas:

- Conversion impact on properties' physical and financial stability;
- Amount and types of capital leveraged; and
- Affected residents' access to residential mobility.

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That being said, long-term project-based Section 8 contracts have a long record of accomplishment in providing stable, reliable, and effective rental assistance to serve the country's low-income families, including individuals who are elderly and/or disabled. HUD supports 1.2 million units of affordable housing through the Office of Multifamily Housing's Project-Based Section 8 program, which owners have leveraged to raise billions in public and private investment in order to make life-cycle property improvements while maintaining a historically low foreclosure rate. Because of this program's success, the bi-partisan Millennial Housing Commission and other panels of experts for years have recommended to allow public housing properties to leverage limited public resources with private debt and equity, in a manner similar to that done with the Section 8 multifamily programs for decades.

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Summary of Resources by Program  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2011 Budget Authority</u>	<u>2010 Carryover Into 2011</u>	<u>2011 Total Resources</u>	<u>2011 Obligations</u>	<u>2012 Budget Authority/ Request</u>	<u>2011 Carryover Into 2012</u>	<u>2012 Total Resources</u>	<u>2013 Request</u>
Rental Assistance and Administrative Fees ..	...	...	...	...	...	...	...	...
Total .....	...	...	...	...	...	...	...	...