

Rental Reform

The Budget provides over \$35.2 billion for the Department's rental assistance programs, including proposals that serve as an initial step toward a comprehensive rental reform initiative and legislative package next year.

Changes are needed to HUD's rental assistance programs to provide a sustainable means to help those in greatest need and create the right incentives for work-able families to improve their earnings and economic standing. As currently structured, funding for rental assistance represents an overwhelming part of HUD's budget and continues to grow. The rental assistance programs generally comprise about 80 percent of HUD's total funding. Due to rent and utility inflation, the cost to assist roughly the same number of households increases each year and, without changes, will require more and more Federal resources over time. The Federal government must begin reforms now to address these costs while still supporting currently assisted families.

To begin the process of moving HUD's rental assistance portfolio to firm ground, the Administration needs partners in Congress, Public Housing Agencies (PHAs), local governments, non-profits, and the private sector to assist in crafting permanent and lasting solutions. The affordable housing shortage in this country continues to present difficult choices to families. HUD must be part of the solution, but that solution must also empower partners in local governments to find solutions that work on the local level. It must leverage HUD dollars with the public and private sector to get the most bang for each buck.

For 2019, HUD plans to present a comprehensive rental reform proposal that will re-examine how HUD provides rental assistance and propose a way forward that is sustainable in the long term, including rent reforms that provide a path for work-able families to move toward self-sufficiency.

This budget is a down payment on this proposal, beginning the necessary reforms for HUD programs. This budget reflects the following principles:

- *Operating efficiently without displacing families:* HUD seeks to ensure that there is no waste, and each dollar used is needed by the families that currently count on HUD to remain in their homes.
- *Right sizing the federal role in housing:* Housing is a partnership between the federal government, state and local governments, local PHAs, non-profit and for-profit businesses. The federal government wants to support and empower these local entities to solve their housing problems in a way appropriate to the needs, values, and priorities of the communities that they serve. HUD should not force "one size fits all" solutions on communities.
- *Rolling out reforms in a responsible manner:* The changes proposed to rental assistance in both this budget and the upcoming rental reform proposal will have impacts in communities across the country. HUD believes these changes can and must be managed effectively to prevent displacement of current residents, disruptions for property owners, and difficulties in reporting and tracking HUD assistance.

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For 2018, the Budget proposes a set of policies in its core rental assistance programs to reduce costs while at the same time continuing to assist current residents, encouraging work, and promoting self-sufficiency. They also seek to provide administrative flexibilities and to streamline the complex and administratively burdensome calculation of income and rent. These policies serve as a starting point as the Administration works towards a more comprehensive package of rental assistance reforms for 2019. Changes to rental assistance programs included in the 2018 President's Budget include:

- An increase in the tenant contribution toward rent from 30 percent of adjusted income to up to 35 percent of gross income (i.e., income adjusted by exclusions but not deductions). Hardship exemptions, as defined by the Secretary, will be available for tenants. Note: The Department will implement this provision as a pilot in PBRA, 202, and 811 in 2018; it does not plan to implement this in the Public Housing or HCV programs in 2018.
- Establishing minimum tenant rental payments of \$50 per month, with hardship exemptions.
- Elimination of utility reimbursement payments to tenants, sometime referred to as "negative rents." These payments have occurred when tenant-paid utility costs exceeded the minimum rent due. Hardship exemptions, as defined by the Secretary, will be available for tenants.
- For PBRA/202/811: A one-year freeze on annual rent adjustment increases, which may include those made using an annual operating cost adjustment factor, annual adjustment factor, budget based rent increase, or updated market rent study.
- For TBRA and public housing: Expanded waiver authority for statutory or regulatory provisions related to public housing agency (PHA) administrative, planning, and reporting requirements, energy audits, income recertification, and program assessments.

These changes will result in increased rents for many HUD-supported residents, and HUD recognizes that this will present difficulties for many families. All of these changes are accompanied by hardship exemptions that allow the Secretary to implement them in ways that take into account the difficult situations faced by some supported families. However, without these changes, the cost growth of these programs may be unsustainable in the long term.

Many of these changes are also designed to reduce administrative burdens on PHAs, freeing them to devote more resources to working on behalf of their residents rather than bureaucratic requirements and to assisting families as they move to self-sufficiency. HUD pledges to continue working with PHAs throughout the country, encouraging them to find creative ways to support vulnerable individuals and families; partner with local governments, non-profits, and businesses; and increase opportunities for all members of the community.

The Department looks forward to working with its stakeholders and Congress to find ways to reform these important programs to support those in need while ensuring that they are sustainable in the long term.