



# 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.**





# PUBLIC HOUSING CONVERSIONS

Current Structure	TRA
Operating Fund + Capital Fund	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**





## RESIDENT 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.





## OVERVIEW OF LEGISLATIVE PROPOSAL

# SEC. 8(m)(1): KEY FEATURES

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





## OVERVIEW OF LEGISLATIVE PROPOSAL **UNIFORM POLICIES AND PROCEDURES**

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





## OVERVIEW OF LEGISLATIVE PROPOSAL

# SEC. 8(m)(2): KEY FEATURES

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





## OVERVIEW OF LEGISLATIVE PROPOSAL

# SEC. 8(n): KEY FEATURES

**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





## 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!

