



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

Rents Needed or Requested	No Secretary Approval	Secretary Approval*
At or below market**	110% of FMR or below	Greater than 110% of FMR
Above market	n/a	Up to higher of 110% of FMR or 120% of market

***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	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





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





OVERVIEW OF THE PRESERVATION, ENHANCEMENT, AND TRANSFORMATION OF RENTAL ASSISTANCE ACT OF 2010 (PETRA)





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

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

RENT SETTING UNDER TRA: ILLUSTRATION

HIGHER-COST MARKET	PBC	PBV
Rent needed or requested	\$940	\$940
110% of FMR	\$1,000	\$1,000
Comparable market rent (CMR)	\$920	\$920
120% of CMR	\$1,100	n/a
Allowable rent	\$940	\$920

LOWER-COST MARKET	PBC	PBV
Rent needed or requested	\$940	\$940
110% of FMR	\$880	\$880
Comparable market rent (CMR)	\$800	\$800
120% of CMR	\$960	n/a
Allowable rent	\$940	\$800





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!

