

## Dear Congress: Please Renew Project-Based Rental Assistance Contracts

Our membership of managers and owners have the very important responsibility of preserving and advancing quality affordable rental housing for over two million residents. Project-based rental assistance (PBRA) contracts are between the Department of Housing and Urban Development (HUD) and private owners of multifamily rental housing developments. These PBRA contracts currently serve 2.11 million Americans in 1.2 million households. Currently, this portfolio is leveraging approximately \$16 billion in Federal Housing Administration insurance and more than \$17 billion in private financing and equity. Providing a stable and predictable stream of income based on the contractual obligations between HUD and the private owners will preserve and protect the government’s investment in this portfolio and prevent displacement of tenants. According to HUD’s fiscal year 2016 budget, PBRA households are comprised of 80% elderly (47%) and persons with disabilities (33%).

### Funding History

(Figures include \$400 million advanced appropriation, contract renewals, amendments and performance-based contract administrators)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Request
<b>Project-Based Rental Assistance</b>	\$9.257B	\$9.340B	\$8.851B *	\$9.917B	\$9.730B	<b>Option 1:</b> \$12,415,000,000
						<b>Option 2:</b> \$11,015,000,000

\*Includes sequestration reduction

## How Can Representatives/Senators Support NAHMA?

1. Write the Appropriations Subcommittee Chairs and Ranking Members in support of NAHMA’s Project-Based Rental Assistance funding priority (or include in Members’ formal appropriations requests),
2. Personally contact the Subcommittee Chairs and Ranking Members in support of Project-Based Rental Assistance, and
3. Ask the key staff person in each office to contact the Subcommittees in support of Project-Based Rental Assistance priorities.

Appropriations Subcommittee	House	Senate
<b>Transportation-HUD</b>	Chair Mario Diaz-Balart (R-FL) Ranking Member David Price (D-NC)  <b>Committee Request Deadline: March 23<sup>rd</sup></b>	Chair Susan Collins (R-ME) Ranking Member Jack Reed (D-RI)  <b>Committee Request Deadline: TBD</b>

## **PROJECT-BASED RENTAL ASSISTANCE FACT SHEET**

### **Portfolio Quick Facts**

- The Project-Based Rental Assistance (PBRA) program serves 2.11 million residents in 1.2 million households through 17,300 private contracts
- Average monthly rental assistance per unit- \$696 (\$8,352 annually)
- Average household income is 22% of the area median income (AMI) or \$11,639 average nationwide
- 76 % of the total residents served fall under the extremely low-income bracket (less than 30% of the AMI)
- Elderly- 47%, non-elderly/persons with disabilities- 33%

### **Funding History**

The PBRA program contracts with private apartment owners to pay the difference between the rent for the unit and 30% of a qualified tenant's income. This rental subsidy is tied to the rental unit and not the tenant. In the past, HUD would renew the expiring annual contracts for a full 12 month term as they expired throughout the year.

In recent years, HUD has not requested sufficient funding to meet the true contractual obligations with the private owners. Due to the lack of sufficient budget authority, HUD delayed payments, shortened the contract terms and reduced the Housing Assistance Payments to owners in order to push a portion of the total annual costs into the next fiscal year. The impact of these actions has required owners to scale back critical tenant services, delay tax and other payments for vital services – actions that subsequently reduced the confidence of private investors.

### **New Funding Process for FY 2015 and requested in FY 2016**

Beginning in FY 2015, HUD requested and Congress approved a new method to fund the expiring contracts. This new method, the "Calendar Year Funding Cycle" shifted the cost to January for a full 12 month payment. This allowed HUD to once again short fund contracts that require less than 12 months to transition to the January "Calendar Year Funding Cycle." The President's budget indicates that this shift requires a \$1.013 billion budget increase to pay for the transition in FY 2016.

### **Concerns with the new method and total resources needed to meet contractual obligations**

The shift to the "Calendar Year Funding Cycle" is an untested new funding formula. There are also discrepancies with the total resources needed to meet the accurate renewal needs to accomplish this goal. Former HUD Secretary, Shawn Donavan, testified that the reset to the calendar year would generate a one-time saving and claimed there would be no disruption to the owners or tenants as long as HUD continued this funding method. The Secretary indicated that the estimate was \$10.8 billion for the renewal costs, contrary to the \$10.545 figure reflected in the President's FY 2016 request for renewals costs. Other senior HUD officials have also provided higher numbers than the President's estimate.

### **Previous funding method**

For this and other reasons, we would prefer to return to the previous funding method coupled with sufficient appropriations. We estimate that this cost, using HUD data, would require an appropriation of \$12,415,000,000. The \$12.415 billion level provides \$10.8 billion for contract renewals and amendments, \$1.4 billion to fill the budget shortfall left over in FY 2015 and up to \$215 million for performance-based contract administrators. This level will cover the full cost of renewing Project-Based Rental Assistance contracts as they expire throughout FY 2016 for a full 12 month term.

### **Calendar year funding method**

If the Committee continues with the calendar year funding method, we are requesting an appropriation of \$11,015,000,000 (\$10.8 billion for contract renewals and amendments and up to \$215 million for performance-based contract administrators) necessary to continue the funding realignment with the calendar year method to cover the full cost of renewing expiring Project-Based Rental Assistance contracts beginning on January 1, 2016 for a 12 month period.

We appreciate the Committee's efforts to address this shortfall and sustain this public-private partnership. We look forward to working with Congress as you assemble the FY 2016 appropriations bill.