Project-Based Section 8 Rental Assistance FAQ

What is Project-Based Section 8 Rental Assistance?

Project-based Section 8 rental assistance (PBRA) is a public-private partnership to build and maintain affordable rental homes for low-income persons. HUD provides private owners of multifamily housing either a long-term project-based rental assistance contract, a subsidized mortgage, or in some cases both, to make units affordable.

PBRA makes up the difference between market rents and what low-income tenants can afford, based on paying 30 percent of household income for rent. This vital program supports the affordable housing stock and maintains and protects the long-term historic federal investment in these assets, which would be costly to recreate. PBRA contracts provide subsidies for affordable multifamily rental developments to lower rental costs for low-income families and to help offset construction, rehabilitation, and preservation costs.

Whom does PBRA serve?

Today, more than 1.2 million low- and very-low-income households live in homes with PBRA. Two-thirds (66 percent) of these households have someone with a disability or who is elderly, and 28 percent are households with children. To be eligible for PBRA, households must be low-income [at or below 80 percent of area median income (AMI)]; however, PBRA typically serves households with incomes far below that threshold. The average income of families assisted with PBRA is less than $12,000.

Why is PBRA necessary?

PBRA provides low-income households with decent, safe, and sanitary housing for a rent they can afford. Without it, many of these families would face worst-case housing needs, meaning they would pay more than half of their income for rent, live in severely inadequate physical conditions, or both.

PBRA supports a stock of long-term affordable housing and helps preserve and protect the federal investment that went into developing and maintaining it over the years. Without this assistance, many properties would convert to market-rate housing with potentially large rent increases that existing residents would not be able to afford. Alternatively, in the absence of rental subsidies, owners of these properties would not be able to generate sufficient rental income to maintain them in habitable condition. Without ongoing rental income, some developments would be unable to continue payments on existing debt, including mortgages insured by the Federal Housing Administration (FHA) and mortgages backed by bonds issued by state Housing Finance Agencies (HFAs).

How does PBRA work?

PBRA properties are financed in a similar manner to market-rate rental developments, utilizing private financing, FHA financing, private equity, and/or equity raised from the sale of Low Income Housing Tax Credits (Housing Credits). Currently, the project-based Section 8 portfolio is leveraging over $13.5 billion in FHA insured-debt and a similar amount in private financing and equity.

PBRA gives owners sufficient rental income and certainty to build and maintain affordable housing for very- and extremely-low-income families. Moreover, PBRA makes it financially viable for Housing Credit, Bond, and HOME properties to house those households at rents they can afford.

What is the economic impact of PBRA?

Privately owned properties with project-based Section 8 assistance generate $460 million in property taxes for local municipalities annually and directly support 55,000 jobs. Failure to fully fund PBRA contracts would deter this private investment and could result in short-funding Section 8 contracts covering thousands of apartments, two-thirds of which are occupied by elderly and disabled households.

What is the current funding level for PBRA?

The FY 2019 Appropriations Act provides $11.747 billion for project-based Section 8, including $11.202 billion for renewing existing contracts and up to $245 million for contract administration.

Who administers PBRA?

PBRA contracts are administered by HUD and state and local housing authorities. Many contract administrators are Section 8 Performance-Based Contract Administrators (PBCAs) under a program HUD developed to assign some contract administration duties to state and local housing authorities, while maintaining HUD oversight. PBCAs provide direct oversight and monitoring of the financial and physical condition of project-based Section 8 properties. They conduct on-site management reviews of assisted properties; adjust contract rents; and review, process, and pay monthly vouchers submitted by owners.

Currently, 33 state HFAs serve as PBCAs. See NCSHA's PBCA chart and map.

What is the current status of the PBCA program?

In April 2012, HUD published a Notice of Fund Availability (NOFA) as part of a national competition to award new PBCA contracts in 42 states. HUD was unable to award these contracts due to litigation against the Department related to the terms of the NOFA. This litigation ended in April 2015 when the U.S. Supreme Court refused to review the case.

HUD decided after this litigation that it had to award PBCA contracts through procurement as opposed to cooperative agreements, and it began the long and complicated process of developing a procurement framework. In December 2017, HUD published draft Requests for Proposals (RFP) soliciting bids for national and regional contractors. These draft RFPs failed to comply with statutory requirements that HUD contract with public housing agencies (PHA); undermined the ability of rental assistance administrators to best serve the needs of assisted tenants, the properties in which they live, the communities in which those properties are situated, and, ultimately, HUD's stated goals; and turned its back on years of programmatic success by disadvantaging effective and loyal partners.

In March 2018, HUD cancelled these draft RFPs after receiving extensive stakeholder comments and to reconsider its plans for obtaining the services to replace the current PBCA services. In its Joint Explanatory Statement on FY 2018 Appropriations, the House and Senate Appropriations Committees agreed with HUD's decision to cancel the solicitations, citing "overwhelming stakeholder response" and directed HUD, within 90 days of enactment of the omnibus, to report on the staffing and funding needs that would be necessary to undertake a state-by-state contracting methodology.

HUD is preparing a new solicitation to procure PBCA contracts and has suggested it could issue this imminently.

What should Congress do to improve PBRA?

First, it is critical that FY 2020 appropriations provide enough funding to renew all Section 8 PBRA contracts and adequately fund their administration. Failure to do so would jeopardize housing for vulnerable populations currently served, discourage private investment, and increase insurance risk.

Congress must also protect and improve the PBRA portfolio by ensuring that, as HUD prepares to release a new solicitation for PBCA contracts, it does not make mistakes similar to the first PBCA draft solicitations. Specifically, Congress must ensure that HUD complies with the Housing Act of 1937's requirement that it contract with PHAs for the administration of federal rental assistance. The Housing Act is not at odds with the Federal Acquisition Regulation (FAR) and the Competition in Contracting Act (CICA); in fact, an agency is exempt from the CICA requirement to "obtain full and open competition" if the agency's procurement is "otherwise expressly authorized by statute," as it is for project-based rental assistance contracts under the Housing Act. Contracting with PHAs is also justifiable on policy grounds because PHAs, including HFAs, are publicly accountable, mission-driven entities devoted to the same affordable housing mission as HUD.

HFAs are best positioned to maximize program effectiveness in a holistic, tenant-oriented, and asset-centric PBCA program, which HUD has said it wants. Congress should ensure HUD's PBCA procurement solicitation does not impede HFAs from bidding on state-based contracts that recognize the importance of mission-oriented entities performing the PBCA work.