

# Understanding Section 8: The Basics of PBV, PBRA, HCV and RAD

**Samantha Sowards  
Sheryl Putnam**



# Agenda

- **Today we will discuss:**
  - **What is Section 8?**
  - **Housing choice voucher (HCV) program**
  - **Project based voucher (PBV) program**
  - **Project based rental assistance (PBRA)**
  - **Rental assistance demonstration (RAD) program**



## What is Section 8?

- Rental subsidy (HAP) paid on behalf of an eligible, low-income family to pay all or a portion of their rent





## **What is Section 8?**

- **Generally, a family will pay approximately 30% of their monthly adjusted income toward rent and utilities**

# Two Types of Section 8: Tenant-Based Assistance

- Housing choice voucher (HCV) program
- Assistance tied to the family
- Family selects their unit and public housing authority (PHA) approves or disapproves the unit
- Voucher is portable
  - Can move anywhere in the country where there's an HCV program

# Two Types of Section 8: Project-Based Assistance

- Assistance tied to the unit
- Unit may be owned by a PHA or private owner
- Examples
  - Project based voucher (PBV)
  - Project-based rental assistance (PBRA)

# Who oversees these programs?

- **HUD's Office of Public and Indian Housing (PIH)**
  - **Housing choice vouchers (HCV)**
  - **Project based vouchers (PBV)**
- **HUD's Office of Multifamily Housing Programs (Multifamily)**
  - **Project based rental assistance (PBRA)**



# Housing Choice Voucher (HCV) |





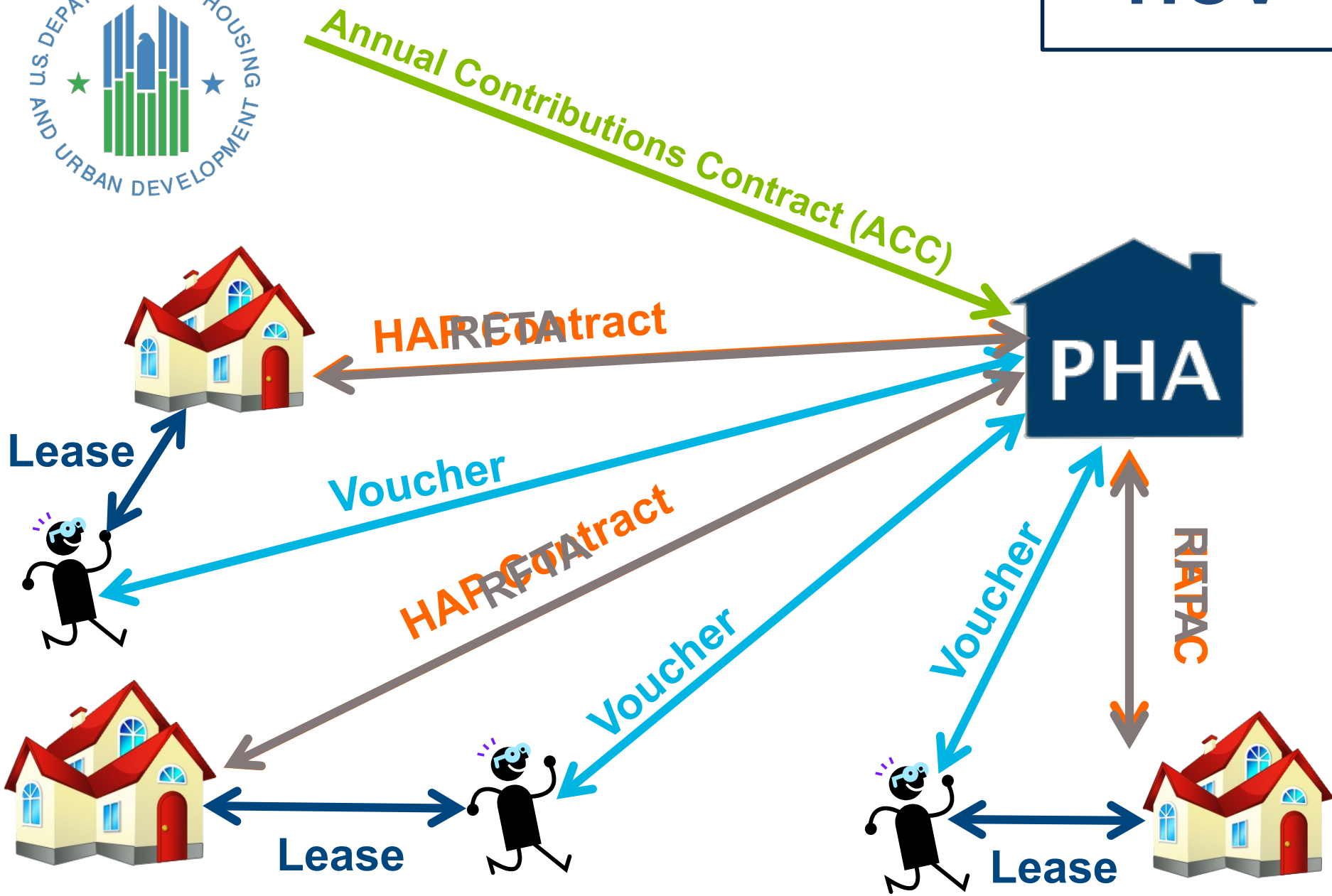
# What is HCV?

- **The PHA:**
  - Places the family on a waiting list
  - Issues family a voucher to select a unit
  - Approves the unit and the owner
  - Pays the owner HAP on behalf of the family
  - Performs annual and interim reexams
  - Inspects units annually/biennially and for complaints
  - Processes moves inside and outside their jurisdiction under portability

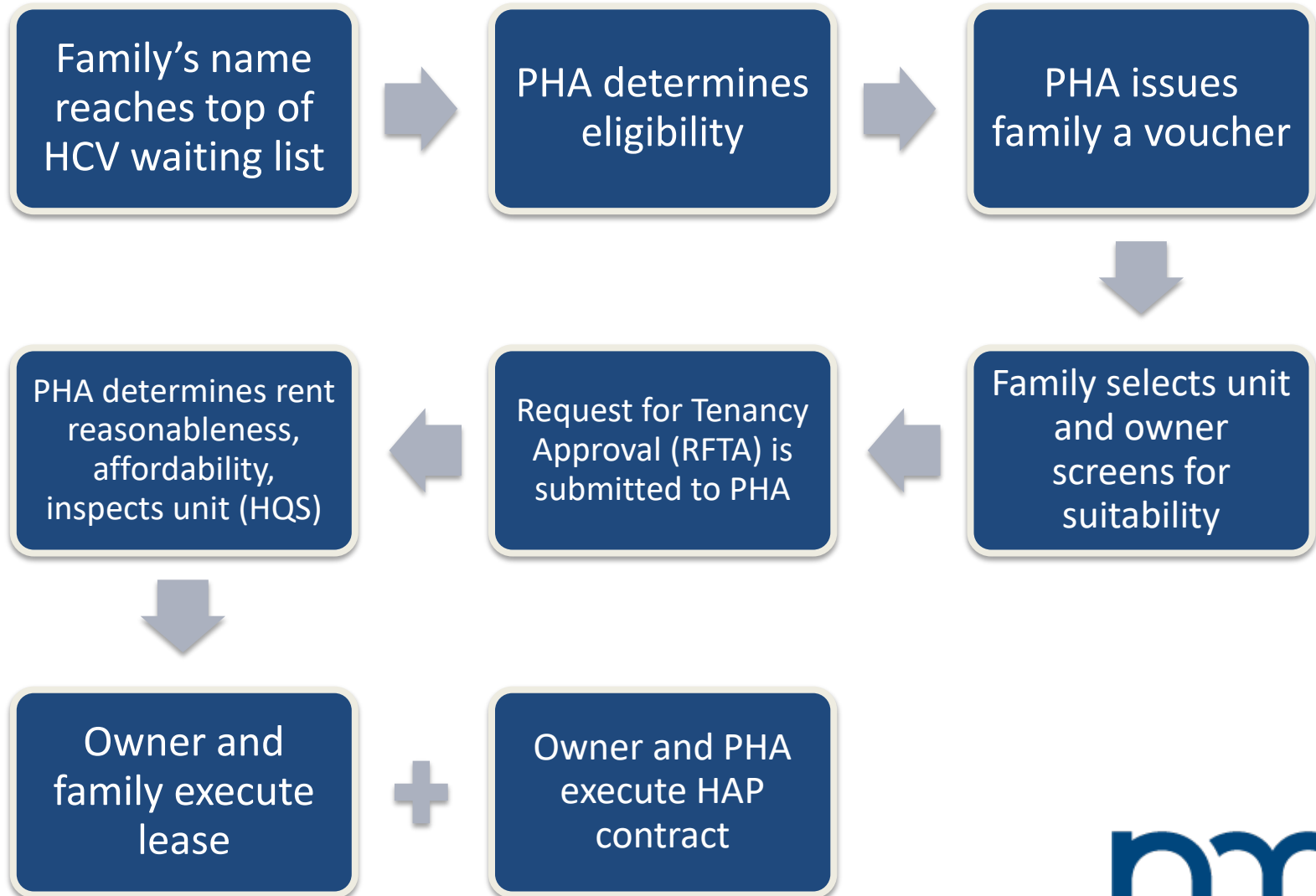
**HUD PIH**



**HCV**



# Approving Tenancy



# Rent in HCV

- Family pays income-based rent determined by PHA
- PHA pays owner HAP for the difference between tenant rent and contract rent for the unit
- Information reported to HUD (PIC) on a form HUD 50058



# Rent in HCV

- **Initial request for contract rent is made on the Request for Tenancy Approval (RFTA)**
  - **PHA determines if rent is reasonable and affordable (if applicable)**
- **After the initial term, owner may request a rent increase anytime the lease will allow with 60-day notice to the PHA**
  - **Subject to rent reasonableness**
  - **Not limited to requesting increases annually**

# Rent Reasonableness

- PHA must determine rent is reasonable initially and for rent increases
  - Assures a fair market rent is paid and HCV program doesn't inflate rents in the community
- Rent to owner is not more than rent charged for comparable units in the private, unassisted market and unassisted units on the premises
  - PHA considers 9 factors: Location, quality, size, type, age, amenities, housing services, maintenance, utilities

# Payment Standards

- **Maximum amount of subsidy that can be paid by the PHA for a unit of a particular size**
  - **“Cap on the HAP”**
- **HUD publishes fair market rents (FMRs) and small area FMRs (SAFMRs) annually**
  - **Based on this number, PHAs adopt a payment standard for each bedroom size**

Bedrooms	0	1	2	3	4	5	6
Payment Standard	\$765	\$963	\$1,235	\$1,651	\$1,963	\$2,257	\$2,551

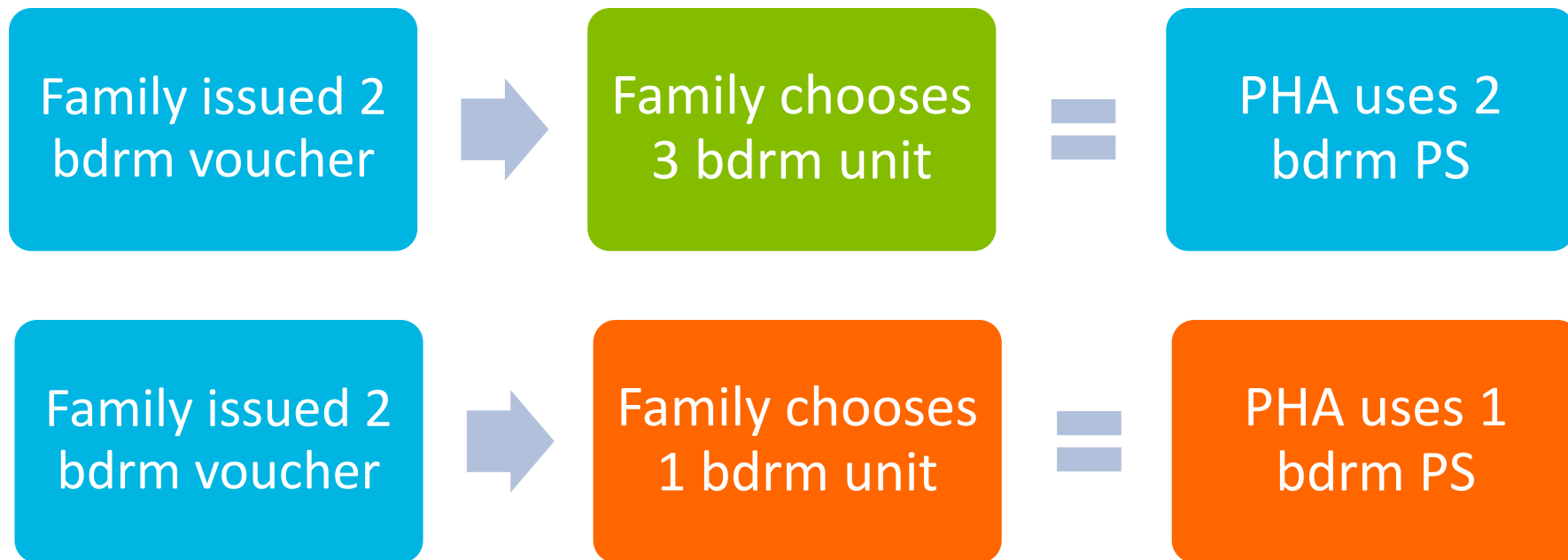
# Subsidy Standards

- PHA establishes subsidy standards in the administrative plan to determine the family's voucher size based on family composition
  - Since they are set in policy, each PHA has different subsidy standards
  - Family may select a larger or smaller unit than their voucher size



# How much subsidy is paid on the family's behalf?

- Payment standard is lower of the voucher size or unit size



# How much subsidy is paid on the family's behalf?

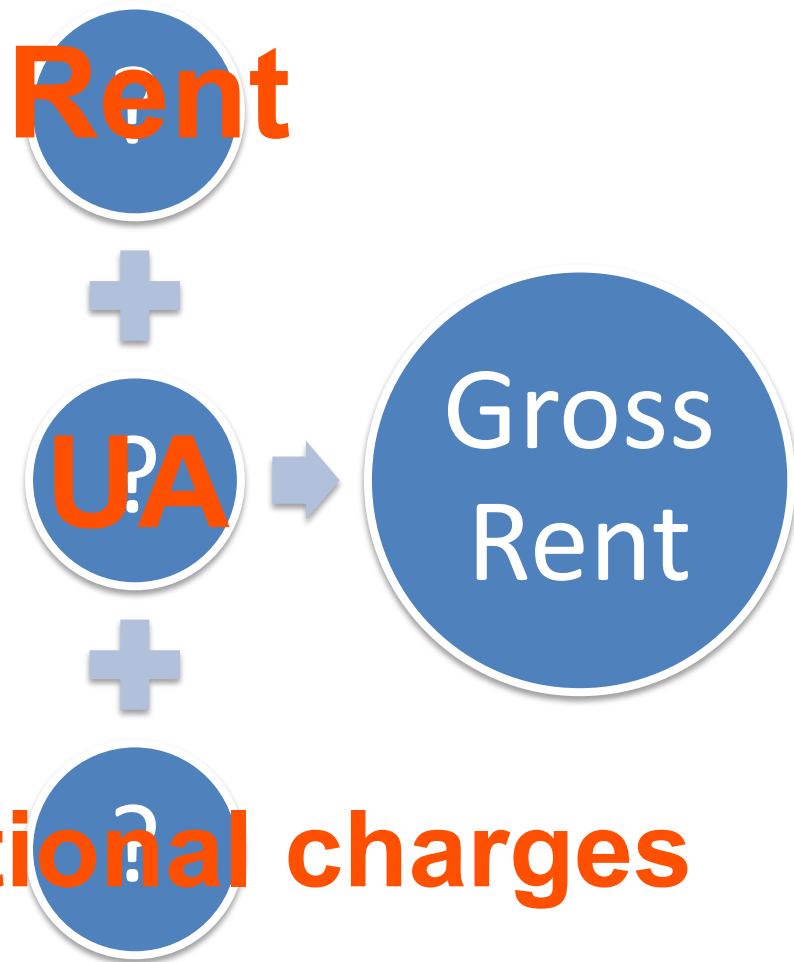
- Subsidy paid by the PHA is the lower of the unit's gross rent (contract rent + UA) or the payment standard



# Affordability Test

- When the gross rent exceeds the payment standard for the family at initial occupancy
- Family's rent plus UA cannot exceed 40% of adjusted monthly income
  - If it does, PHA will negotiate a lower rent
- After initial occupancy, affordability test doesn't apply (think rent increases)

# LIHTC + HCV



Non-optional charges

# LIHTC + HCV

- **HAP is not included in calculation of gross rent**
  - **HAP + tenant rent may exceed the LIHTC gross rent limit**
- **As long as owner receives subsidy on behalf of a tenant, total collected rent may exceed limit**
  - **Check with your state to see if tenant portion may exceed the limit**
- **If no subsidy is provided, tenant may not pay more than the maximum LIHTC rent limit**

# Example

- LIHTC rent limit is \$500

**\$500 gross rent**

**-\$0 utility allowance**

**-\$0 nonoptional charges**

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**\$500 paid by the family to the owner**

**\$500 is the maximum rent that can be charged for this unit, unless...**

# Example

- The family has a voucher
- Gross rent limit is still \$500

Owner charges \$600 in rent

PHA pays \$400 in HAP

Family pays \$200

**\$400 in HAP is not included in the calculation of gross rent**

# What's the limit?

- If the proposed rent **exceeds** the rent for similarly assisted units (LIHTC or HOME) not occupied by voucher holders in the project, rent can't exceed lesser of:
  - Reasonable rent; or
  - PHA payment standard



# Example

- Rent is \$500 for comparable, unassisted LIHTC units in the project
  - PHA-determined reasonable rent is \$625
  - PHA payment standard is \$600
- Owner may charge \$600 for HCV in the same size unit

# Pop Quiz!

- **What happens if the family has an increase in income, and the PHA pays \$0 HAP on their behalf?**

**The owner must lower the rent to be in compliance with LIHTC gross rent limits**

# References

- PHA will say you can't charge assisted and unassisted families different amounts and that's not true
  - 6/25/14 Federal Register Notice on rents
  - 24 CFR 982.507(c)(1) & (2)

# UAs

- **Based on normal patterns of consumption for the community as a whole and current utility rates, not actual usage**
  - **All PHAs calculate this differently**
- **Must change when there's a 10% or more increase since last revision**
  - **Many change every year since it's time consuming to calculate whether there's been a change**

<b>High Rise</b>	<b>0BR</b>	<b>1BR</b>	<b>2BR</b>	<b>3BR</b>	<b>4BR</b>	<b>5BR</b>
Heating						
a. Natural Gas	8	9	11	12	14	17
b. Electric	12	14	20	24	31	40
Cooking						
a. Natural Gas	3	3	4	4	5	5
b. Electric	4	5	6	7	7	8
Other Electricity	29	37	47	60	75	85
Water Heating						
a. Natural Gas	2	4	7	11	15	18
b. Electric	9	14	27	41	55	69
Range	8	8	8	8	8	8
Refrigerator	10	10	12	12	14	14

<b>Row House/Garden Apt</b>	<b>0BR</b>	<b>1BR</b>	<b>2BR</b>	<b>3BR</b>	<b>4BR</b>	<b>5BR</b>
Heating						
a. Natural Gas	10	11	12	15	18	21
b. Electric	17	20	24	34	44	56
c. Bottle Gas	16	19	22	32	42	52
d. Oil	21	25	30	43	55	70
Cooking						
a. Natural Gas	3	3	4	4	5	5
b. Electric	4	5	6	7	7	8
c. Bottle Gas	9	10	12	13	15	16
Other Electricity	29	37	47	60	75	85
Water Heating						
a. Natural Gas	2	4	7	11	15	18
b. Electric	9	14	27	41	55	69
c. Bottle Gas	8	12	25	37	49	62
d. Oil	11	16	33	49	66	82
Range	8	8	8	8	8	8
Refrigerator	10	10	12	12	14	14



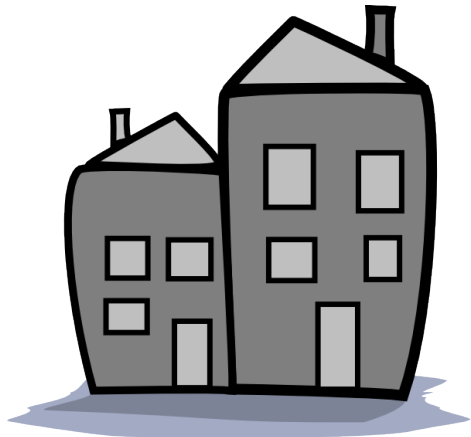
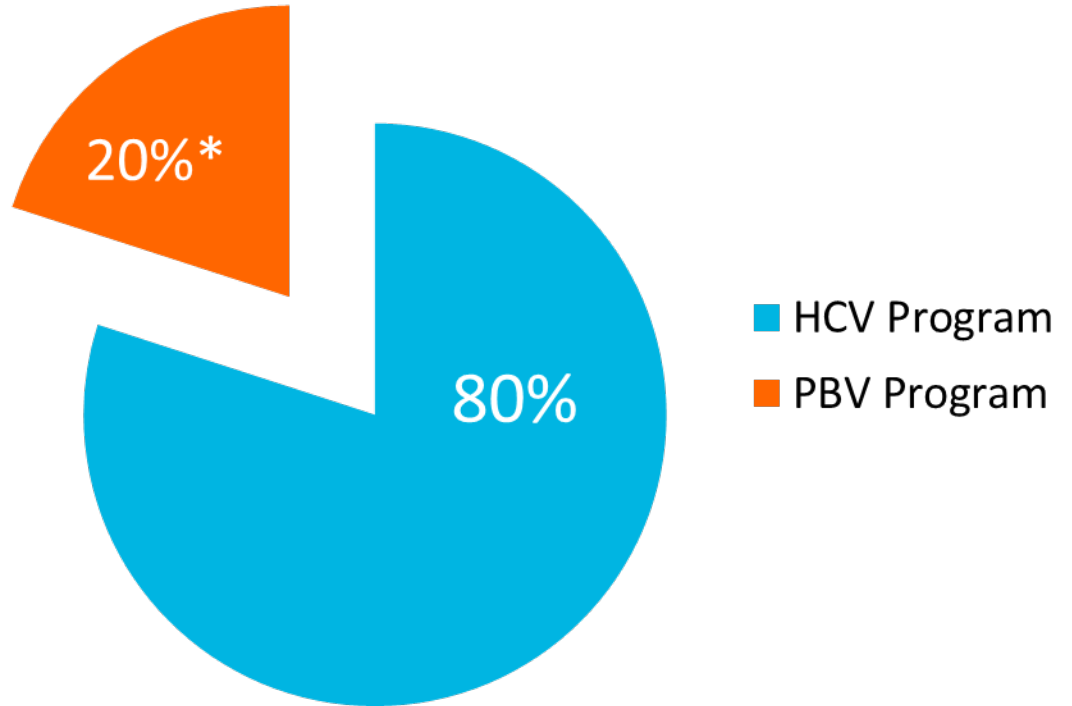
# Standard Project Based Voucher (PBV) |



# Standard Project-Based Voucher (PBV) Overview

- HUD's office of Public and Indian Housing (PIH)
- Discretionary component of HCV program
  - No additional funding
- PHA attaches rental assistance that was going to be tenant-based to specific units
  - Family must live in the project-based unit to receive assistance

# Standard PBV Overview



**RAD PBV units  
don't count**

**\*Additional 10% for homeless,  
veterans, supportive housing, low  
poverty census tracts**



# HUD PIH



Standard  
PBV

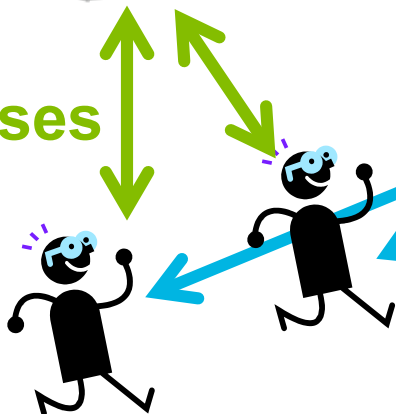
Voucher Annual Contributions  
Contract (ACC)



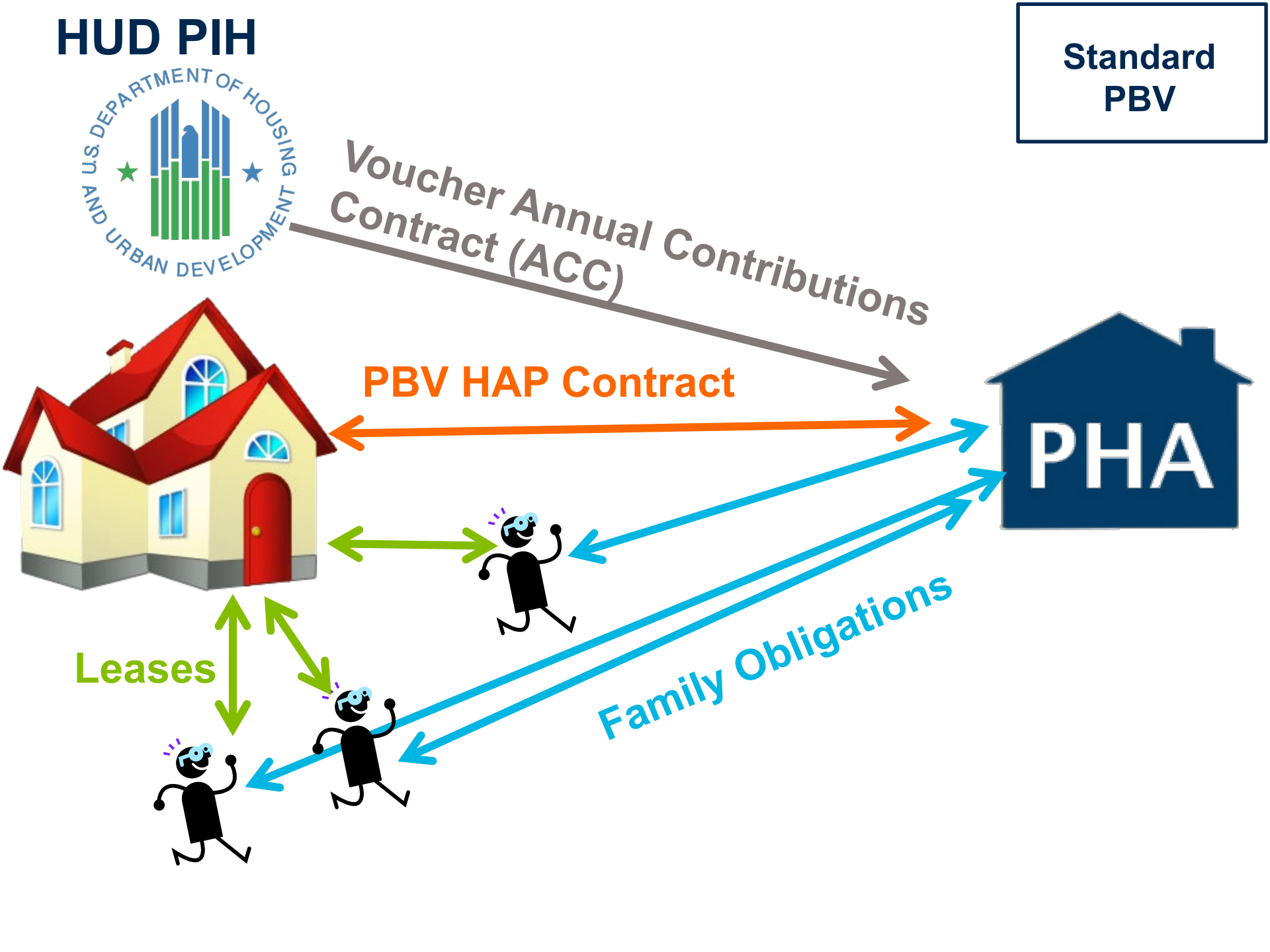
PBV HAP Contract



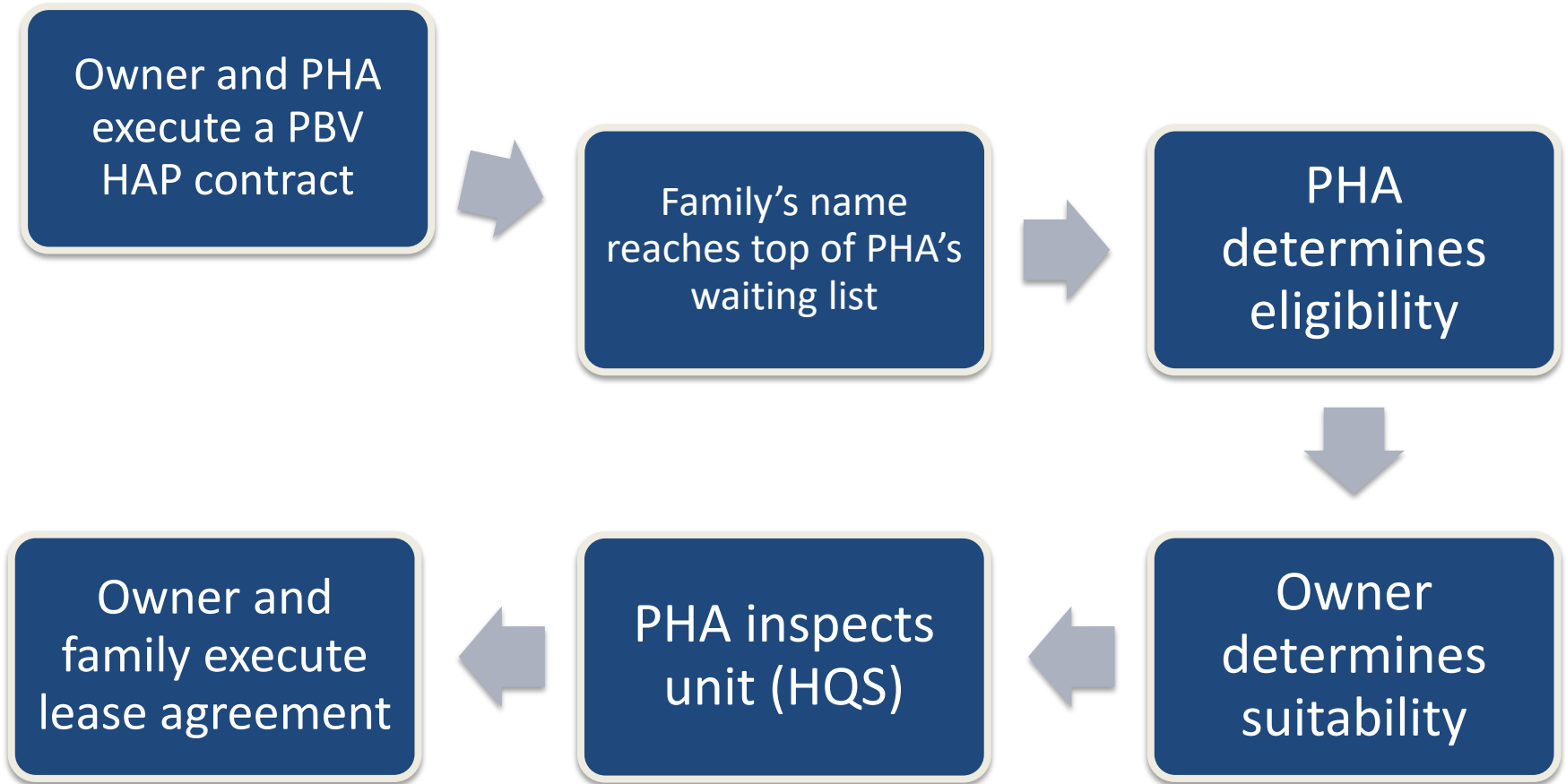
Leases



Family Obligations



# Tenancy Approval



# Property Selection in Standard PBV

## 1. PHA awards contract through proposal selection process

- PHA-owned units or owner/developer-owned

## 2. PHA selects units noncompetitively

- Property subject to state or local government affordable housing or supportive services competitive process in last 3 years (LIHTC or HOME)
  - No consideration of PBV in prior competition

# Property Selection in Standard PBV

- Under HOTMA, may attach PBVs to projects in which PHA has ownership interest or control without following competitive process if:
  - PHA is engaged in an initiative to improve, develop, or replace a public housing property or site; and
  - Rehabilitation or construction with a minimum of \$25,000 per unit in hard costs; or
  - Replacement of the project or site with existing housing that substantially complies with housing quality standards

# Rents in Standard PBV

- PHA establishes initial rent prior to execution of HAP contract
- Family pays income-based rent determined by PHA
- PHA pays owner HAP for the difference between tenant rent and contract rent for the unit
- Information reported to HUD (PIC) on a form HUD 50058
- Redetermined at annual anniversary of HAP contract



# LIHTC + Standard PBV Rents

- **LIHTC + PBV rents differ depending on:**
  - **Whether or not property is located in a qualified census tract**
  - **If rents for LIHTC-only units exceed 110% of FMR (or exception)**
- **24 CFR 983.301 (c)(1) & (2) for details**

# Other PBV Considerations

- After a year of occupancy, the family is entitled to request a tenant-based voucher
- Unlike in HCV there's no:
  - Payments standard or affordability test for rent
  - Request for tenant approval (RFTA)
  - Voucher
- Waiting list, recertifications, and inspections are the PHA's responsibility
- Special considerations for PHA-owned units

# Standard PBV UAs

- **Must use HCV UA**
  - **No site-specific UAs allowed**
- **LIHTC + PBV uses the HCV UA**



# RAD PBV UAs

- **At closing, use public housing UA**
  - **However PHA may submit projections of energy saving improvements for HUD approval**
- **In real life, look at what's on Exhibit C of the PBV HAP contract and use that**
  - **If PH UA is used, family's rent will not change, but if new UA is used, tenant rent may change**

# RAD PBV UAs

- **After conversion**
  - **100% RAD PBV conversions may establish site-specific UAs or HCV UAs**
    - **Site-specific is calculated using H 2015-04**
  - **Conversion with some non-RAD PBV units, PHA may request a waiver from HUD to use a site-specific UA for both RAD and non-RAD PBV units or just use HCV**
    - **See PIH 2018-11 for details**

# **Income Determinations in PIH Programs**

- **All programs follow definition of income found at 24 CFR Part 5**
- **Income calculated the same way in HCV and PBV**
- **Rules for calculating income are similar but not identical between Section 8 programs and LIHTC**
  - **PIH and Multifamily have different interpretations of some regulations**

# Income Determinations

- Each program requires that all income be converted to an annual figure, the process is different between Section 8 and LIHTC
  - Income-based rents vs restricted rents
  - Ability to conduct interims

# Income Determinations

PIH income calculations are different from LIHTC in the following areas:

## Income

- Zero, seasonal, and sporadic income
- Self employment
- Certain types of military pay
- Temporarily absent family members
- Scholarships and grants
- Earned income disallowance (EID)
- Imputed welfare income
- Regular gifts and contributions
- Foster children and foster adults
- Kinship Guardian Assistance
- Child support
- Certain pensions

## Assets

- Calculating the value of checking and savings accounts
- Assets owned jointly
- Withdrawals from investments
- Assets disposed of for less than fair market value
- Pre-paid debit cards
- Deferred VA disability payments
- Passbook rates



# Project Based Rental Assistance (PBRA) |



# PBRA Overview

- **HUD's Office of Multifamily Housing**
- **Program governed by the HUD Handbook 4350.3, Rev-1, CHG-4**
- **Rental assistance provided to owners and PHAs through HAP contracts with HUD**
  - **HAP contract specifics how many units receive Section 8 assistance**

# PBRA Overview

- **PBRA authorized by Congress in 1974**
  - **Repealed in 1983 so no new projects**
  - **Existing projects continue to be funded**
    - **Owner has the option to renew the contract**
  - **Exception under RAD**



# PBCAs/CAs

- **Owner/agents (O/As) typically do not work directly with HUD**
  - **Performance-Based Contract Administrator (PBCA) or**
  - **Traditional Contract Administrator (CA)**
- **Provide direct oversight in many cases**

# HUD Multifamily

**PBRA**



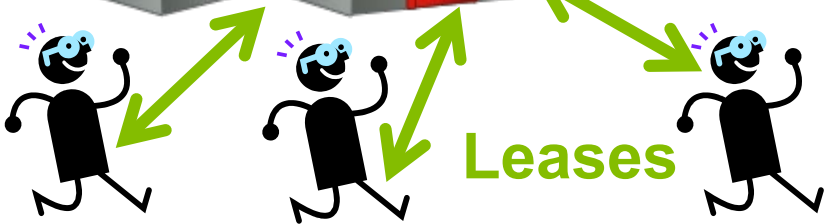
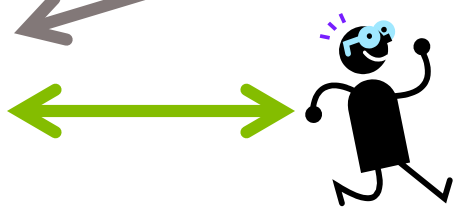
**HAP Contract**

Contracts to administer program



Monitors for compliance

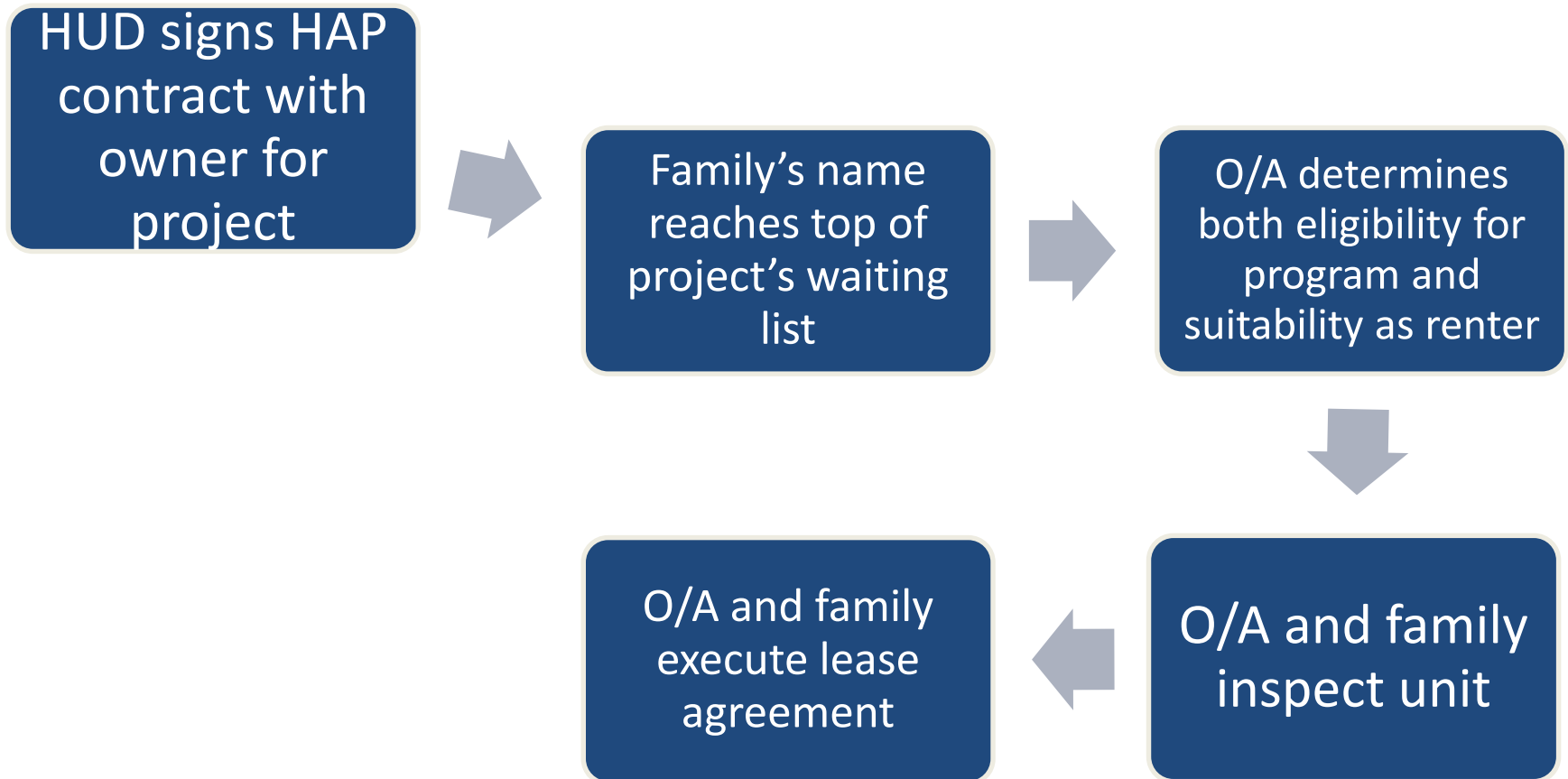
**CA/PBCA**



**Leases**



# Lease Up Process



# Rents in Standard PBRA

- **Contract rent: Amount of rent listed on the HAP contract or rent schedule (form HUD-92458)**
  - **Must be approved by HUD or CA**
  - **Typically, contract rent increases annually**
  - **Must be comparable to unsubsidized projects in the area**

# Rents in Standard PBRA

- HUD provides rental assistance to owner for each subsidized unit
  - Difference between gross rent and tenant's income-based TTP
    - Income information reported on form HUD-50059
    - O/A bills HUD for the difference monthly by submitting a voucher to TRACS



# Rent Adjustment

- Rents may be adjusted annually by the operating cost adjustment factor (OCAF) published by HUD for each state
- Not all properties qualify for OCAF
- An OCAF adjustment should not result in a rent reduction at any time

# Rent Adjustments

- **Owner may prepare a budget-based rent increase in lieu of an OCAF**
  - **Not all properties are eligible**
  - **Calculated based on actual line items and expenses incurred at the property**

# Special Considerations for LIHTC Projects

- Unlike other programs, PBRA has a mandatory HUD model lease
  - May not alter without HUD approval, including adding attachments
    - See if your state will allow a lease rider
      - Some states have state-wide approval
  - Otherwise, owner may include in House Rules



# UAs in Standard PBRA

- **Notice H-2015-04**
  - In the past there was no national standard
- **Baseline utility analysis based on actual usage at the property once every 3 years**
  - Process can be cumbersome
- **Factor-based analysis other years**
  - State-specific increase factor UAF (similar to an OCAF)

# UAs in RAD PBRA

- **At closing, use public housing UA**
  - **However PHA may submit projections of energy saving improvements for HUD approval**
- **Year after conversion, follow H 2015-04**

# Income Determinations in PBRA

- Even though LIHTC uses the HUD Handbook 4350.3 just like PBRA, PBRA is different because:
  - Rent is income-based
  - Interims are conducted
  - Adjusted income is calculated
  - Verification requirements are different

# But they're all Section 8, right?

	HCV	PBV	PBRA
Department	PIH	PIH	Multifamily
Subsidy Type	Tenant-based	Project-based	Project-based
Operated by	PHA	PHA	Owner (PHA)
HAP Contract	PHA/Owner for one unit	PHA/Owner for multiple units	HUD/Owner for multiple units
HAP Payments	PHA → Owner	PHA → Owner	HUD → Owner
Regulations	24 CFR 982	24 CFR 982 & 983	HUD 4350.3
Key Document	Admin plan	Admin plan	TSP
Voucher	For moves	None	For billing
Reporting	50058	50058	50059



**Rental Assistance  
Demonstration (RAD)  
Program**



# RAD

- **PHA may select:**
  - **Project-based vouchers (PBV)**
  - **Project-based rental assistance (PBRA)**
- **Rules for RAD differ somewhat from regular PBV and PBRA**

# RAD

- **Participation is voluntary**
- **PHA submits an application to HUD**
- **Many PHAs often apply for LIHTCs around the same time to rehab the property**
- **Rents are set differently under RAD PBV and RAD PBRA**

# RAD References

## Old Notices

PIH 2012-32, REV 2

PIH 2014-17; H 2014-09

## New Notices

PIH 2012-32, REV 3; H 2017-03 REV 3

PIH 2016-17; H 2016-17

- **REV-2: Closed prior to 1/19/17**
- **REV-3: Closed on or after 1/19/17**
- **Relocation: 2016-17 effective 11/10/16 and replaced 2014 notice**



# LIHTC issues and RAD

- **In-place tenants have a right to return**
  - **What about over-income families and students?**
- **How you are going to manage a RAD conversion and a LIHTC lease up at the same time?**
  - **Think about software, policies, forms**
  - **Who is going to do the work?**
    - **Interviewing tenants, collecting docs, creating files and certifications**
- **Know your acquisition and RAD closing dates**
  - **They are probably not the same**



Questions?

**Samantha Sowards**

[Ssowards@nanmckay.com](mailto:Ssowards@nanmckay.com)

**619.277.0259**

**Sheryl Putnam**

[Sputnam@nanmckay.com](mailto:Sputnam@nanmckay.com)

**619.322.8724**

**nmca**