



Highlights of [GAO-07-290](#), a report to congressional committees

Why GAO Did This Study

In light of the pressing need for rental housing affordable to low-income households and concerns that the Department of Housing and Urban Development (HUD) may not be committed to maintaining its Section 8 project-based housing stock—a key source of such housing—Congress directed GAO to assess HUD's efforts to preserve its project-based housing and recommend ways to improve these efforts. This report discusses (1) patterns in the volume and characteristics of HUD's Section 8 project-based properties; (2) tools and incentives that are available to encourage property owners to stay in the program; and (3) the views of property owners, managers, and industry representatives on HUD's preservation efforts. To address these issues, GAO analyzed HUD data, reviewed pertinent legislation and regulations, and interviewed HUD officials and industry representatives.

What GAO Recommends

To enhance its efforts, GAO recommends that HUD modify its one-for-one replacement policy for Section 8 units and address property owners' concerns about reimbursements for operating costs in high-cost areas. HUD provided comments on a draft of this report and generally agreed with the findings and has efforts underway to address the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-290.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Orice Williams at (202) 512-8678 or williamso@gao.gov.

PROJECT-BASED RENTAL ASSISTANCE

HUD Should Update Its Policies and Procedures to Keep Pace with the Changing Housing Market

What GAO Found

GAO identified a number of patterns in the volume, characteristics, and location of HUD's project-based Section 8 housing between 2001 and 2005. During this period owners renewed 92 percent of Section 8 rental assistance contracts and 95 percent of the units covered by these contracts. While relatively few owners left the program voluntarily, most of those we interviewed did so to seek higher rents in the private market or to convert their units into condominiums. The properties most likely to leave the program were those with few Section 8 units, family-occupied units, those in poor physical condition, and those located in markets with rapidly escalating housing values.

HUD offers several incentives to keep Section 8 property owners in the program. Owners that used these incentives between 2001 and 2005 most often chose the Mark-to-Market and Mark-up-to-Market programs, both of which adjust rents to conform to prevailing market conditions. Some owners used HUD programs that offered additional financing for property rehabilitation to participants in the Section 236 mortgage reduction program and the Section 202 mortgage program for housing for the low-income elderly and persons with disabilities. HUD officials, owners, and industry representatives told us that many Section 8 owners also opted to use the Low-Income Housing Tax Credit and tax-exempt bonds, both of which the IRS administers through state housing finance agencies.

Some property owners, managers, and industry representatives cited concerns with certain HUD policies and practices, especially the one-for-one replacement policy for Section 8 units and the Operating Cost Adjustment Factors (OCAF) payment process. GAO found that the one-for-one replacement policy, which prohibits reductions in the total number of Section 8 units in a property when a contract is renewed, had led some owners to leave the program. Property owners noted that they could not reconfigure their properties to supply larger units that were in higher demand, especially by elderly tenants. Although not required by statute to adopt this policy, HUD did so in order to preserve as many units as possible but is reviewing it in light of the growing concerns. Owners also expressed frustration with the long delay in OCAF adjustments, the use of statewide averages, and the inability of the process to deal with emergency situations. Finally, owners offered several suggestions that may warrant HUD's attention, including improving the Section 8 contract renewal guidance and revisiting physical inspection guidelines.