

**HOUSING
RENT SUPPLEMENT PROGRAM
2013 Summary Statement and Initiatives
(Dollars in Thousands)**

RENT SUPPLEMENT PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2011 Appropriation	\$9,000 ^{a/}	\$12,512	-\$18	\$21,494 ^{c/}	\$7,028	\$44,496
2012 Appropriation/Request	1,300 ^{b/}	14,376	...	15,676	10,700	41,707
2013 Request	<u>...</u>	<u>4,976</u>	<u>...</u>	<u>4,976</u>	<u>4,976^d</u>	<u>33,071</u>
Program Improvements/Offsets	-1,300	-9,400	...	-10,700	-5,724	-8,636

- a/ Part of the total \$40 million provided in the Department of Defense and Full-Year Continuing Appropriations Act , 2011 (P.L. 112-10). The balance of the appropriation (\$31 million) used for amendments to Section 236 RAP contracts is shown in the Rental Housing Assistance Program justification. The fiscal year 2011 Appropriation includes a \$90 thousand transfer to the Transformation Initiative. Carryover excludes contract authority funds withdrawn.
- b/ The Consolidated and Further Continuing Appropriations Act, 2012 (P.L. 112-55) provided \$1.3 million for the Other Assisted Housing Programs. The total appropriation has been allocated to the Rent Supplement program given sufficient funds in the Rental Housing Assistance Program account.
- c/ Includes \$90 thousand that was transferred to the Department’s Transformation Initiative account. This amount is excluded from obligations and outlays.
- d/ If estimated needs are higher than anticipated, excess balances from the Rental Housing Assistance Program account may be transferred to the Rent Supplement account.

1. What is this request?

The Department is not requesting any additional funding for the Rent Supplement Program or Rental Housing Assistance Program in fiscal year 2013. The Department is estimating that the Rent Supplement Program may not have sufficient funds to fully cover all eligible contract amendments and extensions. The appropriations for the Rent Supplement and Rental Housing Assistance Programs have been enacted under a single heading titled *Other Assisted Housing Programs*. The Department has discretion as to how that appropriation is divided between the two programs and therefore proposes to reallocate funds from the Rental Housing Assistance Account to the Rent Supplement Account.

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2. What is this program?

Section 101 of the Housing and Urban Development Act of 1965 authorized rent supplements on behalf of needy tenants living in privately owned housing and was the first project-based assistance program for mortgages insured by the Office of Housing. These contracts were available to Section 221(d)(3) BMIR, Section 231, Section 236 (insured and non-insured), and Section 202 properties for the life of the mortgage. Eligible tenants pay 30 percent of the rent or 30 percent of their income toward the rent, whichever is greater. The difference between the tenant payment and the economic rent approved by the Department is made up by a Rent Supplement payment made directly to the project owner.

The program was suspended under the housing subsidy moratorium of January 5, 1973. As rents escalated in the 1980s, contract funds were insufficient to subsidize contract units for the full term of the contract. Most insured and 202 projects were able to convert their rent supplement assistance to Section 8 assistance during the 1980s in order to avoid contract amendment problems.

Staffing

<u>FTE</u>	<u>2011 Actual</u>	<u>2012 Estimate</u>	<u>2013 Estimate</u>
Headquarters	1	1	1
Field	4	4	4
Total	5	5	5

No changes to the Rent Supplement staffing level are planned for fiscal year 2013.

Descriptions of work to be performed by FTE (Headquarters and Field) to administer Rent Supplement and Key Workload Drivers

Headquarters staff develops policy related to all aspects of administering the program; provides oversight and monitoring of field staff administration of policy and procedures related to management and occupancy, physical condition, financial accounting, owner obligations and responsibilities; develops and executes necessary enforcement actions; monitors field achievement of goals and targets regarding utilization of the Rent Supplement program including compliance with HUD business agreements with respect to financial and physical requirements; ensures availability of funding to guarantee timely payment of all assistance contracts.

Field Staff perform the following functions to administer the Rent Supplement program: review and approve management agents; analyze monthly accounting reports, annual financial statements, requests to transfer project ownership; monitor service coordinator grant agreements; process contract extension requests; review monthly assistance vouchers; disburse assistance payments; negotiate management improvement plans; initiate necessary enforcement actions; monitor project physical condition; review project operating budgets; conduct management and occupancy reviews; review capital needs assessments; monitor project use agreements; respond to tenant and community inquiries; review utility allowance schedules and process special claims for vacancies or damages.

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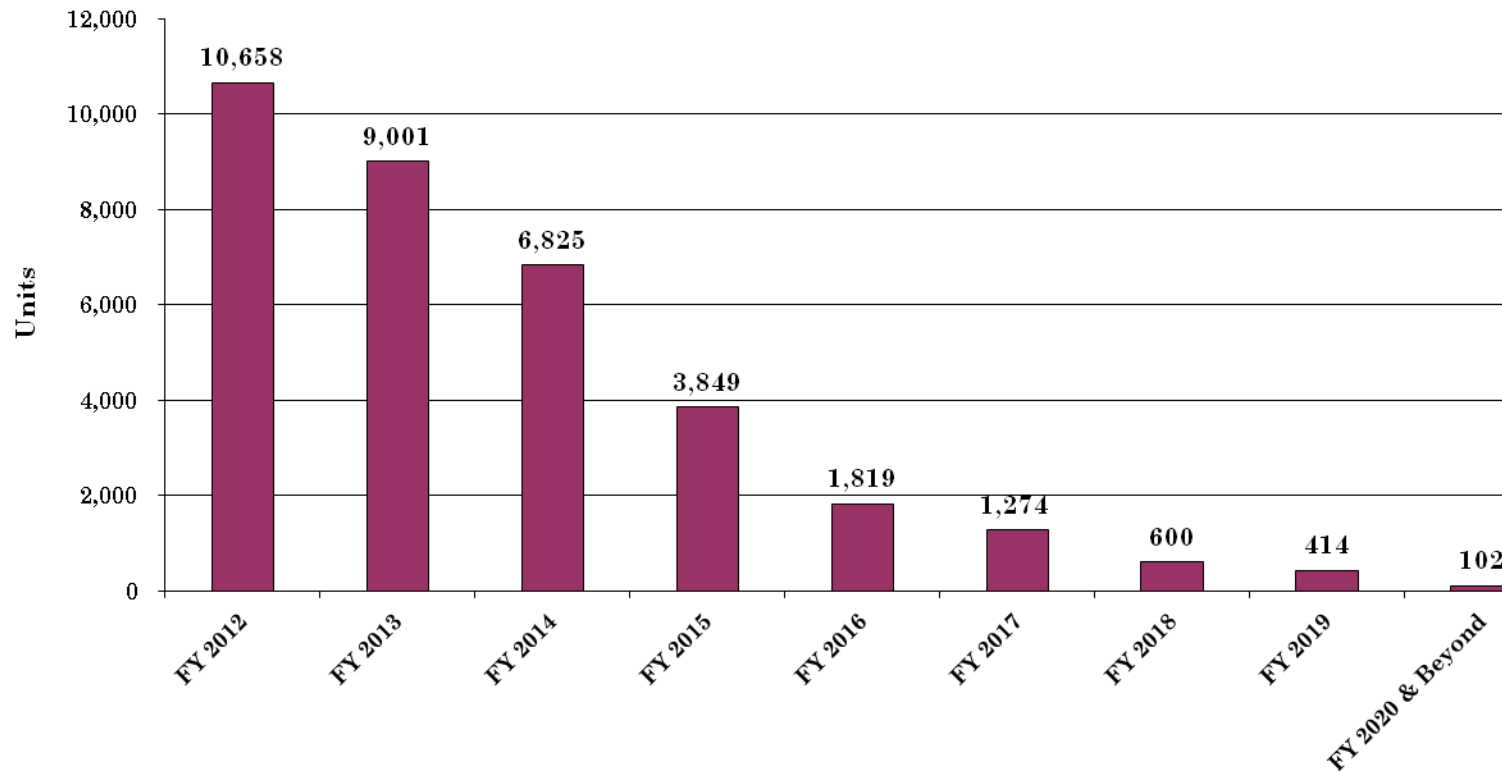
3. Why this program is necessary and what will we get for the funds?

The carryover funds will be used to provide amendments to contracts which have yet to expire but have exhausted the original funds provided to the contract. The funds will also be used to provide extensions to expiring contracts for up to a 1-year term. Current estimates show that 9,001 units will be assisted during fiscal year 2013. Though the program is no longer active, it will continue to provide support to families will continue to be supported until each Rent Supplement contract expires. As each contract reaches its expiration date, the number of contracts and units being supported will decrease as shown in the following graph.

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The following graph shows the total number of units being supported by the Rent Supplement program by fiscal year. The number of units decreases as the expiration date of each contract passes. The long-term preservation of these units is being addressed through the Department's Rental Assistance Demonstration program discussed below and in its' own separate justification.

Estimate of Total Units Funded by Fiscal Year



The Department is implementing three strategies to preserve the affordability of these assisted units and/or to prevent displacement or rent increases for low-income residents. The first strategy is to offer short-term contract extensions of up to 12 months, as authorized in P.L. 112-10 and P.L. 112-55. These extensions provide time for owners to obtain new financing for the property to maintain it as affordable housing, and for residents to locate new housing opportunities, should they choose to move. The second strategy is to provide tenant protection vouchers to residents at the time of expiration of the Rent Supplement contract, to

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safeguard low income residents from rent increases or displacement. The third strategy, aimed at the long-term preservation of these Rent Supplement properties, is authorized as part of the Department's Rental Assistance Demonstration (RAD). In 2013, RAD will allow owners to convert tenant protection vouchers to Project-Based Vouchers to preserve the properties as affordable housing for an additional 15 years. The RAD program is discussed further in its own separate justification. The Rent Supplement Program supports the Department in achieving its strategic goal to "meet the need for quality affordable rental housing." More specifically, continued funding for the program helps to achieve the objective to "preserve the affordability and improve the quality of the Federally assisted and private unassisted rental homes."

4. Notes to Justification

Status of Unobligated Balances

As of December 31, 2011, the total carryover of \$14.38 million is still available for obligation. Approximately \$133 thousand of the carryover was recaptured in fiscal year 2011. Funds were not fully obligated in fiscal year 2011 because our appropriations for the past 2 years were more than sufficient for our amendment needs. The Department believes this has been offset with the enactment of the fiscal year 2012 budget.

Fiscal years 2012 and 2013 Funding Estimates

The Department plans to continue providing funds for contract amendments and extensions in fiscal year 2013. For fiscal year 2012, an estimated \$6.6 million will be obligated for amendments to Rent Supplement contracts and \$4.1 million will be obligated for contract extensions. For fiscal year 2013, an estimated \$7.6 million will be needed for amendments to Rent Supplement contracts and \$5.7 million will be needed for the extension of expiring contracts.¹

¹ To fully fund projected activity for 2013 necessary funds may be reallocated from the Rental Housing Assistance Account to the Rent Supplement account. Budget tables reflect full utilization of budget authority currently in the Rent Supplement account.

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**HOUSING
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Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2011 Budget Authority</u>	<u>2010 Carryover Into 2011</u>	<u>2011 Total Resources</u>	<u>2011 Obligations</u>	<u>2012 Budget Authority/ Request</u>	<u>2011 Carryover Into 2012</u>	<u>2012 Total Resources</u>	<u>2013 Request</u>
Amendments to State								
Agency RS Contracts ..	\$8,892	\$12,512	\$21,404	\$7,028	\$1,300	\$9,376	\$10,676	...
Transformation								
Initiative	90	...	90	...	...	...	...	...
Extension of Expiring								
Contracts .....	...	...	...	...	...	5,000	5,000	...
Total	8,982	12,512	21,494	7,028	1,300	14,376	15,676	...