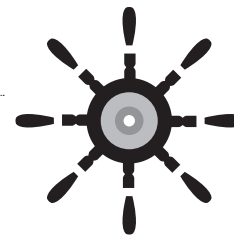


Vouchers: Project-Based Vouchers



By *Barbara Sard*,
Vice President for Housing Policy,
Center on Budget and Policy Priorities

Administering agency: HUD's Office of Public and Indian Housing (PIH)

Year current version of program started: 2001

Number of persons/households served: Fewer than 100,000 households (could rise to more than 400,000)

Population targeted: Extremely low and low income households

Also see: *Housing Choice Voucher Program, Public Housing Agency Plan*

Public housing agencies (PHAs) may “project base” up to 20% of their Housing Choice Voucher (HCV) funding. [Public housing or other federally-assisted housing converted to project-based vouchers (PBVs) as part of the Rental Assistance Demonstration are not counted in this calculation.] The term project based means that the assistance is linked to a particular property, as opposed to tenant-based vouchers, which move with the family. More than 400,000 vouchers could be project based nationwide, but fewer than 100,000 units had PBV assistance in 2014. About 560 of the 2,300 PHAs that administer HCVs operate PBV programs.

PBVs are an important tool to provide supportive housing for individuals with disabilities or others who need services to live stably in their own homes. PBVs can also help PHAs in tight housing markets utilize all of their vouchers by making it unnecessary for some families to search for units they can rent with their vouchers. Another benefit of PBVs is that they can encourage the production or preservation of affordable housing, since owners of properties with PBVs receive financial security from the long-term contracts they sign with PHAs. This potential is particularly important in higher cost areas, where PBV rules may allow higher subsidies than tenant-based vouchers.

ADMINISTRATION

PBVs are administered by PHAs that decide to

include this option as part of their HCV programs, and are overseen by PIH.

HISTORY AND PURPOSE

The current PBV program was created by Congress in October 2000, as part of the FY01 appropriations bill for HUD and other agencies. [Section 232 of Pub.L. 106-377, revising section 8(o)(13) of the U.S. Housing Act, 42 U.S.C. §1437f(o)(13).] It replaced the project-based certificate program, which was rarely used because it was cumbersome (e.g., HUD approval was required for each individual transaction), did not allow long-term financial commitments by PHAs, was limited to new development or rehabilitation, and did not provide incentives for owners to commit units to the program.

In addition to addressing weaknesses of the prior program, Congress included a novel feature, the “resident choice” requirement. This guarantees that a family with PBV assistance that wishes to move after one year will receive the next available tenant-based voucher. The project-based subsidy stays with the unit to assist another eligible family. This requirement helps ensure that PBV recipients remain able to choose the areas in which they live. Congress also included statutory requirements to promote mixed-income housing and to deconcentrate poverty.

HUD issued a notice on January 16, 2001, making most of the statutory changes immediately effective, but did not issue final rules fully implementing the statute until 2005. Congress made several amendments to the statute in 2008 as part of the Housing and Economic Recovery Act (HERA), notably extending the maximum contract period from 10 to 15 years in order to correspond to the initial affordability period for the Low Income Housing Tax Credit (LIHTC) program, and making contract extensions more flexible. Effective July 2014, HUD revised the PBV rule to incorporate the HERA amendments and make some additional changes.

PROGRAM SUMMARY

A PHA may initiate a PBV program by including the following in its PHA Plan: the projected number of

units to be project based, their general locations, and how project basing would be consistent with the needs and goals identified in the Plan. A PHA also must include in its HCV Administrative Plan various details about how it will select properties in which to project base vouchers and how it will maintain waiting lists. (See HUD Notice PIH 2011-54, September 20, 2011.) No HUD approval is required.

Vouchers may be project based in existing housing as well as in newly constructed or rehabilitated units, but cannot be used in transitional housing. Use in existing housing permits a more streamlined process. The locations where PBVs are used must be consistent with the goal of deconcentrating poverty and expanding housing and economic opportunity, but agencies have substantial discretion to make this judgment, so long as they consider certain HUD-specified factors. PHAs must use a competitive process to select properties, or rely on a competition conducted by another entity, such as the process used by the state to allocate Low Income Housing Tax Credits.

In general, PBVs can be attached to no more than 25% of the units in a property in order to achieve a mix of incomes in a property, although there are several exceptions to this requirement. The limitation does not apply to properties with four units or less, units housing seniors or families with a member with a disability, and units whose residents are receiving supportive services. PHAs have discretion to define “supportive services.” By requiring owners to attract unsubsidized tenants for a majority of the units, the requirement imposes market discipline in place of direct HUD oversight. The “resident choice” feature described above also is intended to promote market discipline, as owners’ costs will increase if there is a great deal of turnover in their units.

Units receiving PBV assistance, like other HCV units, must meet HUD’s housing quality standards prior to initial occupancy. Where tenants remain in place, PHAs may inspect only a sample of PBV units in a property in subsequent years rather than each assisted unit, reducing administrative costs.

With a PBV, a family typically pays 30% of its adjusted income on housing, and the voucher covers the difference between that amount and the unit rent plus the PHA’s allowance for tenant-paid utilities. As in the tenant-based voucher program,

the unit rent must not exceed the rents for comparable unassisted units in the area. However, there are two important differences in rent policy in PBV units:

1. There is no risk that families will have to pay more than 30% of its income if the rent is above the agency’s payment standard; and
2. The unit rent is not limited by the PHA’s payment standard, but may be any reasonable amount up to 110% of HUD’s Fair Market Rent (FMR), or HUD-approved exception payment standard. This flexibility on unit rents applies even in the case of units that receive HOME Program funds, where rents usually are capped at 100% of the HUD FMR. Special and more flexible rent rules apply in LIHTC units.

PHAs may consider other government subsidies to reduce allowable unit rents below market. This could be an important tool to stretch voucher funding to assist more units that receive additional capital subsidies through the National Housing Trust Fund.

PHAs must maintain the waiting list for PBV units and refer applicants to owners with anticipated vacancies for selection. PHAs can maintain the PBV waitlist as part of their full voucher waitlist, or maintain a separate PBV waitlist, or even maintain separate waitlists for different properties. To minimize the risk to owners of losing income due to a PHA’s failure to promptly refer applicants, PHAs are allowed to pay the rent on vacant units for up to 60 days.

PHAs may use different preferences for their PBV waiting list or the lists for individual PBV properties than for the regular tenant-based list, including a preference based on need for services offered in conjunction with a property. HUD does not generally permit preferences based on type of disability. Applicants for regular tenant-based vouchers must be notified of the right to apply to any separate project-based waiting list, and retain their place on the tenant-based list if they decline to apply for PBV units or are rejected by a PBV owner. Such notice needs not be provided directly to each individual on the tenant-based waiting list at the time the project-based list is established; PHAs may use the same procedures used to notify the community that the waiting list will be opened.

PHAs are bound by the PBV contract with an owner, and may not refuse to refer applicants to

vacant units in order to reduce costs. If Congress drastically reduced or eliminated funding for the HCV program, PHAs could terminate PBV contracts, but otherwise funding for PBV units is more secure than for other vouchers.

Families admitted to PBV units count for purposes of determining a PHA's compliance with the HCV program's targeting requirement that 75% or more of the families admitted annually have extremely low incomes. Targeting compliance is measured for a PHA's entire HCV program, not at the property level.

HUD's rules now make clear that owners may evict a family from a PBV unit only for good cause. (In contrast, families may be evicted from units assisted by tenant-based vouchers when their lease expires, without cause, unless state laws are more stringent.) The rules require the eviction from an assisted unit of any family who fails to comply with a supportive service requirement if that family does not have a member with a disability and the property uses the supportive services exception to have PBV assistance in more than 25% of the units.

FUNDING

PBVs are funded as part of the overall Tenant-based Rental Assistance account. PHAs use a portion of their HCV funding for PBVs if they decide to offer the program. The formula Congress directs HUD to use to allocate annual HCV renewal funding provides additional funding to agencies that had to hold back some vouchers in order to have them available for use as project-based assistance in new or rehabilitated properties.

FORECAST

Statutory changes. On February 2, 2016, the House of Representatives unanimously approved H.R. 3700, the Housing Opportunity Through Modernization Act. Section 106 of this bill includes a number of positive changes in the PBV program. [These changes are identical to those included in the Project-Based Voucher Improvement Act of 2015 (H.R. 3827), introduced by Ranking Member Maxine Waters (D-CA).]

First, H.R. 3700 would increase the share of vouchers that agencies could project base by shifting the measure from 20% of voucher funding to 20% of authorized vouchers, which is a higher level for nearly all PHAs. In addition, it would

allow an agency to project base an additional 10% of its vouchers, up to a total of 30% in units that:

- a. House individuals and families meeting the McKinney homelessness definition, veterans, or elderly persons.
- b. Provide supportive housing to persons with disabilities.
- c. Are located in areas where vouchers are difficult to use.
- d. Are specified by HUD for other reasons.

Second, the bill would alter the "income-mixing" requirements by: allowing the greater of 25% of the units in a project or 25 units to receive PBV assistance; and by permitting 40% of the units in a project to have PBVs in areas where vouchers are difficult to use (as defined by HUD), or in areas where the poverty rate is 20% or less. Units that house the elderly would continue to be exempt from these limitations, but the supportive services exception for new PBV contracts would be modified to apply to households eligible for (rather than receiving) services meeting standards established by HUD (rather than by PHAs). Units housing persons with disabilities would no longer be exempt from the income-mixing requirements unless they qualify for the supportive services exception.

Third, the bill permits owner-managed, site-based waiting lists, subject to PHA oversight and responsibility, as well as requirements of applicable civil rights laws.

Fourth, the bill would provide PHAs and owners additional flexibility regarding the terms of PBV contracts. It extends the maximum term of the initial contract or any extension from 15 to 20 years, allows PHAs and owners to add units to existing contracts, allows PHAs to enter into a contract for a property under construction, and to agree to rent adjustments using operating cost adjustment factors (rather than market rent comparisons).

Finally, the bill allows vouchers provided under the Family Unification or HUD-VASH programs to be project-based subject to the same requirements as other vouchers.

It is unclear when the Senate will consider H.R. 3700. If the comprehensive bill does not pass the Senate this year, parts of it may be attached to the year-end appropriations bill.

Regulatory changes. HUD may issue guidance to clarify some of the concerns raised during the comment process on the recent rule changes that HUD declined to address in the final rule.

FOR MORE INFORMATION

Center on Budget and Policy Priorities,
202-408-1080, www.cbpp.org

A “policy basic” on PBVs is at <http://www.cbpp.org/sites/default/files/atoms/files/12-7-15hous-pb.pdf>

Information on housing policy and funding is at <http://bit.ly/1d2pkIR>. ■