

Project-Based Section 8: Calendar Year Funding



According to Secretary Donovan: “Annual renewal funding should be predictable, timely and sufficient to fund rental contracts for a full 12 months, a sharp contrast to the short-funding of contracts that occurred in recent years.”

- However, HUD’s CY proposal is an attempt to provide CY funding for the Project Based Section 8 program without making hard choices this year.
- Failure to seek sufficient funds for FY’15 means that HUD must secure \$1.2 B “extra” funding in FY’2016. In a flat budget environment, the “extra” \$1.2 B needed presents a tremendous risk.
- Without this \$1.2 B increase, thousands of contracts will be at risk of receiving less than required to support them for 12 months.

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Failure to fully fund Section 8 contracts:

- **Discourages private investment.**
 - Section 8 contracts act as a critical support for project-financing, allowing owners to leverage private debt and equity through the LIHTC program to permit project refinancing and rehabilitation. Inadequate Sec. 8 funding discourages such investment.
- **Increases insurance risk**
 - Nearly 10,000 of the 17,700 Project-Based Section 8 properties are insured by the Federal Housing Administration (FHA). Without sufficient Section 8 rental assistance, projects may find it difficult to continue debt payments. FHA will be left paying the tab.
- **Does not reduce federal expenditures**
 - HUD's calendar year policy merely shifts significant additional budget authority costs to the follow fiscal year.
- **Jeopardizes housing for vulnerable populations**
 - Over 60% of PBS8 tenants are elderly or persons with disabilities. Anything less than full 12 months of fund will limit a property owner's ability to provide supportive services to their tenants.