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 program started: 2000
Number of persons/households served: 100,000 households
Population targeted: extremely low and low income households
See also: *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. 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 now have project-based voucher (PBV) assistance. About 500 of the 2,300 PHAs that administer HCVs currently 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 project-based vouchers is that they can encourage the production or preservation of affordable housing, since owners of properties with project-based vouchers 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

Project-based vouchers are administered by PHAs that decide to include this option as part of their HCV programs, and are overseen by HUD's Office of Public and Indian Housing.

HISTORY AND PURPOSE

The current project-based voucher 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 of 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 project-based voucher assistance who 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 project-based voucher 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. In April 2012, HUD proposed to revise the PBV rule to incorporate the HERA amendments and make some additional changes, but HUD has not yet issued the final revisions.

PROGRAM SUMMARY

A PHA may initiate a project-based voucher 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, as no separate review of whether excess subsidy is being provided is required. The locations where project-based vouchers 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.

Project-based vouchers can generally be attached to no more than 25% of the units 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." The requirement is intended to achieve a mix of incomes in a property. Also, 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 project-based voucher 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. As soon as HUD implements the changes in inspection requirements enacted in the 2014 omnibus appropriations bill, ongoing inspection requirements will be changed to every two years, rather than annually.

With a project-based voucher, a family typically pays 30% of its adjusted income, and the voucher covers the difference between that amount and the unit rent plus the agency'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. But there are two important differences in rent policy for project-based voucher units:

1. 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; and,
2. There is no risk that families will have to pay more than 30% of income if the rent is above the agency's payment standard.

This flexibility on unit rents applies even in the case of units that received 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. 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 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 need 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 even 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.

Current rules allow owners to evict a family from a PBV unit without cause when their lease expires, though the PHA must then reduce the number of units in the property that receive PBV assistance. The rules also 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. It is likely that the upcoming revision of HUD's PBV regulations will provide additional protections against eviction from PBV-assisted units by requiring owners to have "good cause" to evict a tenant, but HUD may leave the rules regarding units subject to the supportive services exception unchanged.

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 FOR 2014

Additional PBVs. Congress provided sufficient funding to enable PHAs to maintain all or nearly all of the vouchers in use during 2013. Because most agencies reduced the number of families receiving assistance by the end of 2013, this funding level will enable most agencies to increase the number of families assisted in 2014 (but only to restore fewer than half of the vouchers cut due to sequestration). This provides an opportunity for PHAs to commit additional vouchers to their PBV programs for supportive housing or other purposes.

Statutory changes. The draft Affordable Housing and Self-Sufficiency Improvement Act released in April 2012 by the Republican leadership of the House Financial Services Committee included four major changes in the PBV program.

First, the bill 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 5% of its vouchers, up to a total of 25% 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; or,
d. for other reasons specified by HUD.

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. Finally, it would extend the maximum term of the initial contract or any extension from 15 to 20 years.

It is unclear if there will be an opportunity in 2014 to enact these or other PBV reforms, either separately or as part of a broader housing reform bill or the appropriations bill.

Regulatory changes. It is likely that HUD will issue revised rules for some aspects of the PBV program in 2014. A broad range of organizations recommended extensive changes in comments on HUD's proposed rule. If these recommendations are not accepted it may be important to expand the recommendations for statutory changes, or to urge HUD to make further regulatory changes.

FOR MORE IMFORMATION

Center on Budget and Policy Priorities, 202-408-1080, www.cbpp.org; Information on housing policy and funding is at: http://bit.ly/1d2pkIR