

PROJECT-BASED RENTAL ASSISTANCE

By National Preservation Working Group, sponsored by National Housing Trust

Administering Agency: HUD's Office of Multifamily Housing Programs

Years Started: 1961 – Section 221(d)(3) Below Market Interest Rate (BMIR); 1963 – USDA Section 515; 1965 – Section 101 Rent Supplement; 1968 – Section 236; 1974 – Project-Based Section 8, and Rental Assistance Payments Program; 1978 – Section 8 Moderate Rehabilitation Program.

Number of Persons/Households Served: Approximately 1.3 million households with more than 2 million people.

Population Targeted: Extremely low- to moderate-income households

Funding: For fiscal year (FY) 2026, the Trump administration's budget request proposed combining several housing programs, including project-based rental assistance programs, into a new "State Rental Assistance Block Grant" and slashing funding for rental assistance by over 43%. The House and Senate both rejected this extreme proposal: the House proposed \$17.127 billion and the Senate proposed \$17.404 billion for PBRA funding, compared to \$16.890 billion appropriated for FY25. The final appropriation for FY24 was \$16.010 billion, up from \$14.91 billion in FY23. A final FY26 appropriations bill for HUD programs was not passed as of the date *Advocates' Guide* went to press.

See Also: For related information, refer to the *USDA Rural Rental Housing Programs, Tenant Protection Vouchers, Project-Based Vouchers, and NSPIRE* sections of this *Advocates' Guide*.

Project-based housing refers to federally assisted housing for low-income households produced through a public-private partnership. Project-based assistance is fixed to a property, in contrast to portable tenant-based Section 8 Housing Choice Vouchers. Historically, HUD has provided private owners of multifamily housing either a long-term project-based rental assistance contract, a subsidized mortgage, or in some cases both, in order to make units affordable. This article focuses

on the Section 8 Project-Based Rental Assistance (PBRA) portfolio, after a historical summary of "legacy" HUD-subsidized mortgages that are maturing or being refinanced for which there is no replacement subsidized mortgage program.

This stock of PBRA-supported affordable housing is in danger of being permanently lost as a result of owners opting out of Section 8 contract renewals or physical deterioration of properties. When owners choose not to renew a project-based Section 8 contract (referred to as "opting out"), they may convert their properties to market-rate rental buildings, condominiums, or non-housing uses.

Basic Description of the Section 8 Project-Based Rental Assistance (PBRA) Program

In 1974, Section 8 of the "United States Housing Act" was enacted, providing a comprehensive tool for both project-based and tenant-based rental assistance. The project-based Section 8 program replaced a previous program (Section 236 described in the *Brief History* section below) as the primary affordable multifamily housing production tool through the New Construction, Substantial Rehabilitation, and State Agency Programs. Instead of subsidizing a mortgage, as Section 236 did, HUD provided a 20- to 40-year fully appropriated rent subsidy. This virtually guaranteed rent stream gave lenders confidence in the soundness of project financing (whether provided through conventional, Federal Housing Administration, or state housing finance agency debt).

More than 800,000 PBRA units were developed from 1974 to 1983, when authorization for new construction was repealed. In addition, from 1977 to 1991, project-based Section 8 was provided to subsidize the rent of tenants living at properties that also had mortgages from the Section 202 program (see Section 202 *Supportive Housing for the Elderly* in this guide).

Project-based Section 8 is also an affordable housing preservation tool:

- The Section 8 Loan Management Set-Aside (LMSA) program was used to replace some Rent Supplement contracts, and to support the feasibility of some struggling properties that were financed with the Section 221(d)(3) BMIR (below market interest rate) or 236 programs.
- The Section 8 Property Disposition Program was established to enable HUD-foreclosed multifamily properties to continue to house extremely low-income tenants after being sold back to private ownership.
- Finally, when the prepayment of subsidized mortgages and subsequent deregulation of BMIR and Section 236 properties became a national issue, the “Emergency Low Income Housing Preservation Act of 1987” (ELIHPA) and the “Low Income Housing Preservation and Resident Homeownership Act of 1990” (LIHPA) were enacted to provide a comprehensive preservation solution, including the provision of incremental Section 8 PBRA (BMIRs, 236s, ELIHPA and LIHPA are explained below).

Inherent in every project-based Section 8 property is a Housing Assistance Payments (HAP) contract, which provides funding for the subsidy and sets out program requirements. A HAP contract is between a property owner and HUD (except for Moderate Rehab contracts, discussed below). Every HAP contract has a fixed term, and when it expires, the owner has an option to renew. The HAP renewal process is codified in the “Multifamily Assisted Housing Reform and Affordability Act of 1997” (MAHRA), discussed below. These contracts can be renewed, typically in one-, five-, or 20-year increments, with congressional funding for the contracts provided 12 months at a time.

Under project-based Section 8, residents are responsible for paying 30% of their adjusted income toward rent and utilities, while HUD provides a monthly subsidy payment to the owner that pays for the remaining cost of maintaining and operating the unit. The average monthly subsidy per household in 2024 was \$1,060. New residents in project-based Section 8 units can have income of no more than 80% of the area median income (AMI), with 40% of new tenants required to have income less than 30% of AMI.

The Project-Based Rental Assistance program (PBRA), in all its variations, provides rental assistance for more than 2 million people in 1.3 million low-income, very low-income, and extremely low-income households, allowing them to afford modest housing. In 2024, 54% of assisted households were headed by or had a spouse who was 62 years of age or older. In addition, 60% of assisted households were headed by or had a spouse who had a disability. The average household income was \$15,955.

Since no net new units are being constructed using Section 8 PBRA, the challenge today is ensuring that federally assisted affordable housing is not permanently lost, either through physical deterioration or as a result of properties being converted to non-affordable uses, such as high-rent units or condominiums, when a PBRA contract is not renewed (“opt-out”) or is terminated for any reason (see the *Current Program Issues* section below).

It is important to note that a property may have use restrictions or affordability covenants from a subsidized mortgage or other programs, as well as from a Section 8 PBRA HAP contract. Even if an affordability covenant expires or is terminated, Section 8 rental assistance is independent of the mortgage financing, so it survives any subsidized mortgage maturity, prepayment, or other termination of covenants.

Another form of Section 8 rental assistance is the Moderate Rehabilitation (Mod Rehab) program, designed in 1978 to stimulate moderate levels of rehabilitation to preserve affordable housing. Mod Rehab provides project-based rental assistance for low- and very low-income residents; however, unlike other project-based Section 8 programs, the agreement is between the owner and a local public housing agency (PHA). Like project-based Section 8, residents pay 30% of their adjusted income for rent and utilities, while rental assistance pays the balance. The program was repealed in 1991 and no new projects are authorized for development. According to HUD’s [List of Mod Rehab Projects \(https://www.hud.gov/hud-partners/rad-program-details2\)](https://www.hud.gov/hud-partners/rad-program-details2), there are approximately 17,000 Mod Rehab and Mod Rehab SRO (single-room occupancy) units remaining as of July 2024. Because of rent restrictions and limitations on the term of

contract renewal, Mod Rehab properties are eligible to convert to conventional project-based Section 8 under the Rental Assistance Demonstration (RAD) program (described in detail in this chapter of this guide).

HUD Project Based Section 8 programs are codified in 24 CFR Parts 880-891:

- New construction, 24 CFR Part 880.
- Substantial rehabilitation, 24 CFR Part 881.
- Moderate Rehabilitation Program for Single Room Occupancy (SRO) Dwellings for Homeless Individuals, 24 CFR Part 882.
- State agency financed projects w/Section 8 assistance, 24 CFR Part 883.
- Loan Management/property disposition Set aside, 24 CFR Parts 886 and 247
- Supportive housing for elderly and persons with disabilities, 24 CFR Parts 891 and 247.

A Brief History

From 1965 to the mid-1980s, HUD played an essential role in creating affordable rental homes by providing financial incentives such as below-market interest rate loans, interest rate subsidies, and project-based Section 8 contracts. Currently, no additional units are being produced through these programs.

Initially, project-based assistance was provided through the Federal Housing Administration (FHA) in the form of a mortgage subsidy. Mortgage subsidies (also referred to as “shallow subsidies”) reduced the cost of developing rental housing; in return, owners agreed to restrictions that limited property rents and occupancy to households meeting program income limits. Even though these programs provided a below-market rent that was affordable to low- and moderate-income tenants, they could not serve extremely low- or very low-income households, who could not afford even the subsidized rent.

Despite the limitation on the range of incomes served, the mortgage subsidy programs were an effective production tool. Two successive HUD programs

created more than 600,000 units: the Section 221(d) (3) Below Market Interest Rate (BMIR) mortgage insurance program, created by the “National Housing Act of 1961,” and Section 236, created in 1968. Some, but not all, subsidized mortgage properties also used precursors to project-based Section 8 to enable them to provide deeper affordability. Those early project-based rental assistance programs were the Rent Supplement program (Rent Supp), authorized by Section 101 of the “Housing and Urban Development Act of 1965” and the Section 236 Rental Assistance Program (RAP). They each provided an early example of a “deep subsidy” in which HUD sets the rent level, the tenant pays a percentage of their adjusted income, and the subsidy program pays the balance. The last Rent Supp contracts converted to long-term project-based rental assistance contracts under the Rental Assistance Demonstration (RAD) in 2018. The last remaining RAP contracts converted to Section 8 under RAD in late 2019.

Beginning in May 1999, HUD began the process of transferring the administration of Section 8 contracts to third party Contract Administrators (CA). The CA’s responsibilities were identified in HUD Notice H 99-36 and initially applied to some 16,000 contracts under 24 CFR parts 880-886. Currently there are 53 third-party CAs operating across the country. Specific tasks the CAs perform include:

1. Conduct management and occupancy reviews;
2. Adjust contract rents;
3. Process HAP contract terminations or expirations;
4. Pay monthly vouchers from Section 8 owners;
5. Respond to health and safety issues;
6. Submit Section 8 budgets, requisitions, revisions, and year-end statements;
7. Submit audits of the CA’s financial condition;
8. Renew HAP Contracts;
9. Report on CA operating plans and progress; and
10. Follow-up and monitor results of physical inspections of Section 8 properties.

Current Program Issues

SUBSIDIZED MORTGAGE PREPAYMENT

Although Section 236 and Section 221(d)(3) BMIR mortgages originally had 40-year terms, program regulations allowed most for-profit owners to prepay their mortgages after 20 years. By prepaying, in most cases owners may terminate income and rent restrictions, although any project-based Section 8 rent subsidy will continue for the remaining term of the HAP contract. Owners must give tenants at least 150 days' advance notice of an intention to prepay. Upon prepayment, tenants are eligible for Tenant Protection Vouchers (TPVs), or in some cases Enhanced Vouchers (EVs), that allow a tenant to either remain in the property or find new affordable rental housing with voucher assistance (see the *Tenant Protection Vouchers* entry in this chapter of this *Advocates' Guide*).

MATURING SUBSIDIZED MORTGAGES

A significant number of low-income families face escalating rents if affordability protections are not extended for properties with maturing Section 236 and Section 221(d)(3) BMIR mortgages. Residents living in apartments with affordability protections but without project-based Section 8 contracts do not categorically qualify for enhanced vouchers or other rental assistance when the HUD-subsidized mortgage or a federal use agreement expires.

In recent years, including FY25, Congress has appropriated \$5 million annually for Enhanced Vouchers or Project-Based Vouchers for tenants in low-vacancy areas who are at risk of becoming rent-burdened as a result of a subsidized mortgage maturity or expiration of a use agreement.

EXPIRING PROJECT-BASED SECTION 8 ASSISTANCE CONTRACTS

When project-based Section 8 contracts expire, owners may renew the contract or choose to opt out of their contracts, enabling them to increase rents to market levels or to convert units to market-rate condominiums, thereby rendering apartments unaffordable to lower-

income tenants. Owners must give tenants one-year advance notice of intent to opt out and comply with any additional state notice requirements. Most tenants will receive enhanced vouchers to enable them to remain in their homes. An estimated 225,907 Project-Based Section 8 properties, more than one fifth, have expiring contracts over the next ten years and are therefore at risk of losing their affordability status, according to the [National Housing Preservation Database \(https://preservationdatabase.org/\)](https://preservationdatabase.org/).

ENHANCED VOUCHERS

Special voucher assistance is provided to tenants who would otherwise be displaced due to rising rents or market conversion if an owner prepays a Section 221(d)(3) BMIR or Section 236 mortgage, if an owner opts out of a project-based Section 8 contract, or if the Section 8 contract is terminated by HUD for cause and the unit can pass the physical inspection. HUD is required by statute to provide Enhanced Vouchers (EVs) to tenants in such properties to enable them to afford to remain in their homes. Enhanced vouchers pay the difference between 30% of the tenant's income and the new rent, even if that rent is higher than the PHA's payment standard. Tenants have a right to remain in their apartments after conversion to market rents and owners must accept enhanced vouchers. If a tenant with an enhanced voucher moves to another property, the enhanced voucher converts to a regular voucher and the unit they previously occupied is no longer affordable to any lower-income household (see the *Tenant Protection Vouchers* entry in this chapter of this guide).

SECTION 8 PBRA CONTRACT RENEWAL: MARK-TO-MARKET AND MARK-UP-TO-MARKET

Every Section 8 Housing Assistance Payment (HAP) contract was issued with a finite term, typically for 1, 5, 20, or 40 years. These contracts were fully funded at inception for the estimated cost over the entire term. When HAP contracts began to expire in large numbers in the mid-1990s, it became clear that comprehensive legislation, along with funding, was needed to prevent a massive upheaval due to loss of affordability.

The resulting statutory provisions governing renewal of Section 8 PBRA contracts (as well as Mod Rehab contracts) were defined in the “Multifamily Assisted Housing Reform and Affordability Act of 1997” (MAHRA). HUD’s operational guidance on MAHRA renewals is contained in the [Section 8 Renewal Guide \(https://www.hud.gov/sites/dfiles/Housing/documents/Section-8-Renewal-Guidebook.pdf\)](https://www.hud.gov/sites/dfiles/Housing/documents/Section-8-Renewal-Guidebook.pdf), which is organized around five Options, some of which have sub-options. A detailed description of the MAHRA renewal options is beyond the scope of this article, but the basic principles of MAHRA can be summarized as follows:

- HUD must renew all project-based Section 8 contracts if the owner elects to renew, subject to annual appropriations.
- Multi-year contracts are permitted; a minimum five-year term is required for Mark-Up-to-Market contract renewals (described below).
- Because any contract that is renewed for more than one year is subject to annual appropriations, HUD must provide a new funding increment each year out of current appropriations made by Congress. Since enactment of MAHRA, Congress has ultimately provided this funding, notwithstanding some occasional timing delays.

Regarding Mark-to-Market: As noted, some FHA-insured properties with expiring project-based Section 8 contracts have rents that exceed market rents. This may be due to current market conditions and is also often a programmatic consequence of the early use of Section 8 as a production tool. Upon contract renewal, HUD is required to reduce rents in properties with FHA-insured mortgages to market level, creating a cash crunch for those properties and potentially putting their FHA-insured mortgages at risk of default. To address this problem, Congress enacted the Mark-to-Market Program in 1997. Owners of eligible properties must either go through the Mark-to-Market Program, renew at lower market rents, or opt out. In the Mark-to-Market Program, an owner has two options:

- Choose to have the mortgage restructured to be able to afford to operate and maintain the property with lower market rents. In exchange for this mortgage

restructuring, an owner agrees to accept Section 8 rent subsidies for an additional 30 years, or

- Choose to renew the Section 8 contract for one year with Section 8 rents reduced to market without undergoing a mortgage restructuring.

Over-market rents may continue after renewal (Exception Properties) if the property has non-FHA financing or is a Section 202 property.

Regarding Mark-Up-to-Market: HUD is also able to raise contract rents to market levels upon contract renewal for properties in high-cost areas through the Mark-Up-to-Market Program. Contract renewals of at least five years are required in Mark-Up-to-Market, which provides a needed incentive for owners to renew their participation in the Section 8 program when private-sector rents are high. These contract renewals also provide a source of revenue for capital improvements.

TROUBLED PROPERTIES

HUD multifamily properties may be at risk when a property is in poor financial or physical condition. HUD has a number of contractual tools for preventing and resolving distress, based on Section 8 HAP contract provisions and mortgage covenants when FHA-insured or HUD-held lending is involved. In addition, annual appropriations acts have consistently contained language governing HUD’s enforcement process for assisted multifamily properties. As a result, while a default on a HUD-assisted mortgage or a HAP contract could in principle result in termination of the Section 8 subsidy, HUD foreclosure or both, HUD is required to take actions to restore compliance and to maintain the stock as viable affordable housing. For example, since 2005, Congress has used appropriations acts to renew the “Schumer Amendment,” (Section 212 in FY 2024 appropriations; FY25 appropriations were made through a full year continuing resolution; CR) which requires HUD to maintain a project-based Section 8 contract at foreclosure or disposition sale if the property is in viable condition. If a workout is not viable, HUD can, after consulting tenants, transfer the Section 8 subsidy to another property. In addition, separate annual authority (Section 219 in the FY 2024 appropriations; FY25 appropriations were made through a full year CR)

requires and permits HUD to take certain enforcement actions when assisted properties receive low physical inspection scores.

There is still a risk that HUD may terminate a Section 8 contract mid-term or refuse to renew the Section 8 contract if there is a serious uncured violation of the terms of the Section 8 Housing Assistance Payment contract. Appropriations act provisions since FY06 have allowed HUD to transfer project-based assistance, debt, and use restrictions from properties that are physically obsolete or not financially viable to another project. Residents must be notified and consulted.

RESIDENT PARTICIPATION IN PROJECT-BASED SECTION 8 RENTAL ASSISTANCE

Active resident participation in the operation of HUD-subsidized properties is essential to the success of assisted properties. Tenants are closest to the harm perpetuated by poor housing policies and often have institutional knowledge that other stakeholders lack. Residents and resident organizations have played a vital role in highlighting systemic condition problems and administrative issues at assisted properties as well as proposing solutions. Resident organizations also play an important role in informing and educating their neighbors about federal housing programs and in building collective power. Resident engagement and participation can ensure that tenants play an integral role in preserving the property, promoting services benefiting all residents, and furthering the goal of creating a more just housing system.

Overview

HUD multifamily tenants' right to organize is based on law at 12 U.S.C. § 1715z-1b and spelled out in regulations at [24 CFR Part 245, Subpart B \(https://tr.ee/ol59Jc\)](https://www.ecfr.gov/current/title-24/subtitle-A/part-30?toc=1), which require owners of privately owned, HUD-assisted multifamily housing to recognize tenant organizations. For RAD tenants, the organizing protocol is memorialized in the RAD notice and closely mimics 24 CFR Part 245, Subpart B.

A legitimate tenant organization is one established by tenants that represents all tenants, operates democratically, meets regularly, and is completely

independent of owners and management. The regulations recognize the rights of tenants to distribute leaflets, canvass, post notices, and convene meetings without management present and without prior notice or permission from management. Residents can invite outside organizers to assist them. Organizers have the right to go into a building without a tenant invitation to help residents organize.

Unlike the Section 964 regulations for Public Housing, the Section 245 regulations do not require a specific structure, written bylaws, or even elections for a tenant association to be "legitimate," as long as the "organic" tests are met: the group meets regularly, operates democratically, represents all tenants, and is completely independent of owners. This allows "early stage" tenant organizing committees to demand recognition as legitimate tenant groups and to claim their right to organize in the face of common resistance or hostility from private owners and managers.

Over the years, Congress and HUD have expanded the formal process for tenant participation in decisions affecting HUD-assisted housing. For example, HUD must notify tenants about a pending auction or sale of their building if it is owned by HUD or is under HUD foreclosure so that tenants can either submit a purchase offer as a nonprofit or limited-equity cooperative or support purchase by others. Additionally, when owners choose to go into HUD's [Mark-to-Market program \(https://www.hud.gov/hud-partners/multifamily-section8-renewal\)](https://www.hud.gov/hud-partners/multifamily-section8-renewal), HUD is required to notify tenants prior to a first and second tenant meeting so that tenants can comment on the owner's plans to rehabilitate the building and change the financing.

Enforcement

The civil money penalties regulation ([24 CFR Part 30; https://www.ecfr.gov/current/title-24/subtitle-A/part-30?toc=1](https://www.ecfr.gov/current/title-24/subtitle-A/part-30?toc=1)) allows HUD to assess fines on owners or management agents for major violations of tenants' right to organize. On June 18, 2010, HUD sent a letter to all owners and management agents highlighting key features of Part 245, emphasizing the right of tenants to organize and repeating the list of protected tenant organizing activities. HUD [Notice H 2011-29 \(https://www.hud.gov/sites/documents/11-29hsgn\)](https://www.hud.gov/sites/documents/11-29hsgn).

[pdf](#)) and [Notice H 2012-21 \(https://www.hud.gov/sites/documents/12-21hsgn.pdf\)](https://www.hud.gov/sites/documents/12-21hsgn.pdf) repeated and elaborated on the content of the June 2010 letter, adding civil money penalties that HUD could impose on an owner or manager failing to comply with Part 245. [Notice H 2014-12 \(https://www.hud.gov/sites/documents/14-12hsgn.pdf\)](https://www.hud.gov/sites/documents/14-12hsgn.pdf) revised Notice H 2011-29 and Notice H 2012-21 by adding a tenant appeals process when a decision by the local HUD office concludes that an owner did not violate the tenant participation regulations or other program obligations.

[HUD Notice H 2016-05 \(https://www.hud.gov/sites/documents/16-05hsgn.pdf\)](https://www.hud.gov/sites/documents/16-05hsgn.pdf) updated the previous notice regarding filing complaints, added to the list of property types that may be assessed a civil money penalty, and clarified that civil money penalties may be assessed on project-based Section 8 developments, not just buildings with HUD mortgages. Notice H 2016-05 also elaborated on the responsibility of owners to give priority to meeting spaces that provide physical access to people with disabilities. Additionally, when residents have complaints, the Notice allows tenants to reject “mediation” with owners as an option for resolving complaints because many tenants found mediation unproductive; instead, tenants may seek a ruling by HUD regarding owner infractions.

Other HUD guidance on tenants’ right to organize includes HUD’s [Model Lease \(https://www.hud.gov/sites/dfiles/OCHCO/documents/90105a.pdf\)](https://www.hud.gov/sites/dfiles/OCHCO/documents/90105a.pdf), which is applicable to all HUD tenants, and explicitly refers to the regulations about the right to organize. HUD’s [Management Agent Handbook 4381.5 Revision 2 \(https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsgn/4381.5\)](https://www.hud.gov/program_offices/administration/hudclips/handbooks/hsgn/4381.5) requires owners to recognize tenant unions and specifies management practices that would violate tenants’ rights and therefore potentially result in HUD-imposed sanctions.

[Resident Rights and Responsibilities \(https://www.hud.gov/sites/dfiles/Housing/documents/resident_rights_brochure_8.pdf\)](https://www.hud.gov/sites/dfiles/Housing/documents/resident_rights_brochure_8.pdf) is a resident-oriented HUD brochure explaining that tenants have the right to organize free from management harassment or retaliation. This brochure must be made available in appropriate languages and distributed annually to all HUD tenants at lease signing or recertification.

HUD Preservation Action

As discussed earlier in this article, properties may lose their subsidy for a variety of reasons. As rental markets become more stressed, preserving the subsidy will be essential to maintaining communities’ ability to provide affordable, decent, safe, and sanitary housing.

HUD and communities have several options to consider when working to preserve subsidy contracts. Preservation can be done by utilizing various intervention strategies that can be crafted into a preservation plan. A preservation plan is a coordinated effort to preserve the long-term affordability, quality, and supply of units available to low-income families. To create an effective preservation plan, advocates must understand what is putting the subsidy at risk, the reasons for the owner exiting the program, and the rules governing the program. Below are some intervention strategies for consideration.

- **Increased Unit Rents:** A 2018 HUD report found that properties most at risk of owner opt-out are properties in higher opportunity and/or gentrifying communities with increasing rents and higher home values, as well as properties where the rent is below the surrounding fair market rent (FMR) and ownership is for-profit. If an owner cites low rents or high operating costs as reasons for exiting the program, HUD has several ways to renew the subsidy contract at higher rents. The “Multifamily Assisted Housing Reform and Affordability Act of 1997” (MAHRA) provides the general framework for renewing expiring subsidy contracts. As discussed above, one option provided by MAHRA allows an owner to renew a HAP contract at its expiration with additional rent incentives for remaining in the program. To learn more about the various contract renewal options, see [HUD Section 8 Renewal Guidebook \(https://www.hud.gov/sites/dfiles/Housing/documents/Section-8-Renewal-Guidebook.pdf\)](https://www.hud.gov/sites/dfiles/Housing/documents/Section-8-Renewal-Guidebook.pdf).
- **Early Intervention Due to Poor Habitability Conditions:** HUD must ensure assisted housing is decent, safe, and sanitary. And while a good portion of HUD’s portfolio is in good condition, the conditions at non-compliant properties have a detrimental impact on assisted families’ health and place the subsidy at risk. HUD [Notice H 2018-08 \(https://www.hud.gov/sites/dfiles/](https://www.hud.gov/sites/dfiles/)

[OCHCO/documents/2018-08hsgn.pdf](#)) describes the various tools HUD can use to bring a property back into compliance after failing a HUD inspection. Often, tenants and advocates have had to push HUD to take one of these additional actions when a property has had a long period of non-compliance. Along with alerting HUD about the poor conditions, advocates have had success getting local jurisdictions to use their authority to have condition defects fixed.

- **Transferring the Budget Authority:** When the property cannot be preserved, or the owner chooses to end their participation in the program, HUD can transfer the budget authority from that property to assist another property. There are three vehicles HUD can use to do this: a Section 8(bb) transfer (codified at [42 U.S.C. § 1437f\(bb\)](#); <https://tr.ee/OIJa9l>), a general provision of the annual appropriation act (Section 209 in FY 24), and under certain circumstances, the “Schumer Amendment” (Section 212 in FY 23). As discussed above, HUD lacks the authority and the funding to expand the size of the project-based Section 8 program. Thus, the ability to transfer the budget authority keeps the budget authority alive and available for continued use. HUD can use section 8(bb) transfers in response to an owner choosing to exit the program or in conjunction with a HUD enforcement action. You can learn more about Section 8(bb) transfers at [HUD’s 8\(bb\) webpage](#) ([hud.gov/program_offices/housing/mfh/8bb](https://www.hud.gov/program_offices/housing/mfh/8bb)) and by reviewing [HUD Notice H 2015-03](#) (<https://www.hud.gov/sites/documents/15-03hsgn.pdf>).
- **Project Basing Tenant-Based Assistance:** When a property’s affordability cannot be preserved, Tenant Protection Vouchers (TPVs) and Enhanced Vouchers (EVs) may be provided to eligible assisted families living at the building at the time of the triggering event. In some cases, to support financing necessary for rehabilitation, an owner may seek to convert inherently portable TPVs or EVs to Project-Based Vouchers under 24 CFR §983. With two exceptions, this requires the consent of each participating tenant as well as of the housing authority administering the TPVs or EVs. For more information on voluntarily converting a TPV or EV to a PBV, see [HUD Notice PIH 2013-27](#) (<https://www.nhlp.org/wp-content/uploads/Notice-PIH-2013-27-HA-Dec-4-2013.pdf>). The exceptions to the requirement

for tenant consent are: (1) an annual provision in the appropriation for Tenant Protection Vouchers that permits owners of properties in low-vacancy areas with expiring use restrictions or subsidized mortgage maturities to receive either PBVs or EVs for eligible tenants and to project-base them; and (2) another annual appropriations provision providing PBVs or PBRA to tenants in pre-1974 Section 202 senior housing properties that are refinancing their Section 202 loans. For overall information about TPVs and EVs, see the *Tenant Protection Vouchers* and *Project-Based Voucher* articles in this guide.

- **Local Preservation Working Groups:** Local preservation working groups are a collective of stakeholders working collaboratively to preserve affordable housing within a jurisdiction. Stakeholders can include tenant organizations, legal aid programs, local housing authorities, state and local government agencies, nonprofits, and other community groups. These local preservation working groups allow stakeholders to proactively plan for changes in the affordable housing stock, share knowledge, and quickly mobilize resources to at-risk properties.

GENERAL PROVISIONS OF THE “CONSOLIDATED APPROPRIATIONS ACT OF 2024”

Note: In 2025 Congress passed a full year CR that extended FY24 funding levels through September 2025. The General Provisions included in the “Consolidated Appropriations Act of 2024” were carried forward with the CR.

The “FY24 Consolidated Appropriations Act” had four key provisions affecting project-based programs. These provisions are in the HUD appropriations act’s General Provisions section and are not codified in permanent law. Therefore, they must be renewed each year.

1. **Section 8 Savings:** The savings provided to state housing finance agencies from refunding bonds can be used for social services, professional services essential to carrying out McKinney Act homeless assistance-funded activities, project facilities or mechanical systems, and office systems.

2. **Transfers of Assistance, Debt, and Use Restrictions (Section 209):** Authorizes HUD to transfer some or all project-based assistance, debt held or insured by HUD, and statutorily required “use restriction” to serve low-income and very low-income use from one or more obsolete multifamily housing project(s) to a viable multifamily housing project.
3. **Management and Disposition of Certain Multifamily Housing Projects:** Authorizes HUD to provide direction on HUD’s management and disposition of certain multifamily housing projects owned by HUD and requires HUD to maintain a Project-Based Section 8 contract at foreclosure or disposition sale, unless “infeasible” (this is known as “the Schumer Amendment”).
4. **Physical Conditions Requirements:** Describes HUD’s oversight obligations within the PBRA program, and permits HUD to mandate corrective action, make contract transfers, or require a change in management due to failure to meet physical condition standards.

Recent New Features

NSPIRE (NATIONAL STANDARDS FOR PHYSICAL INSPECTION OF REAL ESTATE)

The National Standards for Physical Inspection of Real Estate (NSPIRE) is a protocol intended to align, consolidate, and improve the physical inspection regulations that apply to multiple HUD-assisted housing programs (24 CFR part 5). NSPIRE replaces the Uniform Physical Condition Standards (UPCS) developed in the 1990s and it absorbs much of the Housing Quality Standards (HQS) regulations developed in the 1970s. NSPIRE physical inspections focus on three areas: the housing units where HUD-assisted residents live, elements of their building’s non-residential interiors, and the outside of buildings, ensuring that components of these three areas are “functionally adequate, operable, and free of health and safety hazards.”

NSPIRE applies to all HUD housing previously inspected by HUD’s Real Estate Assessment Center (REAC), including Public Housing and Multifamily Housing

programs such as Section 8 Project-Based Rental Assistance (PBRA), Section 202 Supportive Housing for the Elderly, Section 811 Supportive Housing for Persons with Disabilities, and FHA Insured multifamily housing. NSPIRE also applies to HUD programs previously inspected using the Housing Quality Standards (HQS) regulations: the Housing Choice Voucher (HCV) program (including Project-Based Vouchers, PBVs) and the programs administered by the Office of Community Planning and Development (CPD): HOME Investment Partnerships (HOME), national Housing Trust Fund (HTF), Housing Opportunities for Persons with AIDS (HOPWA), Emergency Solutions Grants (ESG), and Continuum of Care (CoC) homelessness assistance programs.

HUD published a [final rule \(https://www.govinfo.gov/content/pkg/FR-2023-05-11/pdf/2023-09693.pdf\)](https://www.govinfo.gov/content/pkg/FR-2023-05-11/pdf/2023-09693.pdf) implementing the National Standards for Physical Inspection of Real Estate (NSPIRE) in the *Federal Register* on May 11, 2023. The new inspection protocol started on July 1, 2023 for public housing and on October 1, 2023 for the various programs of HUD’s Office of Multifamily Housing Programs, such as PBRA, Section 202 and Section 811. Based on a [September 2025 email \(https://nlihc.org/sites/default/files/NSPIRE-V-email-9-10-2025.pdf\)](https://nlihc.org/sites/default/files/NSPIRE-V-email-9-10-2025.pdf) from PIH, the Housing Choice Voucher (HCV) and Project-Based Voucher programs will not need to implement the NSPIRE changes until February 1, 2027, (postponed from October 1, 2025, after being previously postponed from October 1, 2024), although a PHA could voluntarily implement NSPIRE before then.

HUD has published three “Subordinate Notices” that supplement the final rule addressing NSPIRE “standards,” “scoring,” and “administration.” The intent of issuing the subordinate notices instead of incorporating their content in regulation is to enable HUD to more readily provide updates as appropriate.

For more information about NSPIRE, see the *National Standards for Physical Inspection of Real Estate (NSPIRE)* article in this guide.

HOTMA (HOUSING OPPORTUNITY THROUGH MODERNIZATION ACT)

On July 29, 2016, President Obama signed into law the “Housing Opportunity Through Modernization Act” (HOTMA). This law made changes to the Section 8 PBRA and other Multifamily programs such as Section 202 Supportive Housing for the Elderly and Section 811 Supportive Housing for People with Disabilities (see Section 202 and Section 811 entries in this chapter of this guide). HOTMA also made changes to the public housing and voucher programs. On December 17, 2025, HUD issued Notice H-2025-07, extending the date for compliance with the updated resident income and asset documentation requirements (Section 102 and 104) to January 1, 2027 (the previous date was January 1, 2026, which was postponed from July 1, 2025 by [Notice H-2025-03](#), and postponed from January 1, 2025 before that.) The major public housing changes are:

Income Determination and Recertification (Section 102)

- For residents already assisted, rents must be based on a household’s income from the prior year. For applicants for assistance, rent must be based on estimated income for the upcoming year.
 - » An owner may determine a household’s income, before applying any deductions, based on income determination made within the previous 12-month period using the income determination made by other programs, such as the Low Income Housing Tax Credit (LIHTC) Tenant Income Calculation (TIC), Temporary Assistance for Needy Families (TANF), Medicaid, the Supplemental Nutrition Assistance Program (SNAP), etc.
- A household may request an income reexamination any time their income or deductions are estimated to decrease by 10%.
 - » Owners have the discretion to set a lower percentage threshold.
- » Rent decreases are to be effective on the first day of the month after the date of the actual change in come—meaning the rent reduction is to be applied retroactively. (A [March 25, 2024 email \(https://nlihc.org/sites/default/files/Multifamily_Email_3.28.24.pdf\)](https://nlihc.org/sites/default/files/Multifamily_Email_3.28.24.pdf) from Multifamily emphasizes that an owner “must” retroactively apply any rent reduction.)
- An owner must review a household’s income any time that income with deductions is estimated to increase by 10%, except that any increase in earned income cannot be considered for an interim reexamination unless a household has previously undergone an interim income reexamination for an income decrease during the year.
- Owners must conduct interim income reexaminations within a reasonable time of the request, generally not to exceed 30 days.

Income Deductions and Exclusions

- The Earned Income Disregard was eliminated; it disregarded certain increases in earned income for residents who had been unemployed or were receiving welfare.
- When determining income:
 - » The deduction for elderly and disabled households was \$525 (the same as 2024, up from \$400 in 2023) with annual adjustments for inflation. (Became effective on January 1, 2025.)
 - » The deduction for elderly and disabled households for health and medical expenses (including attendant care and auxiliary aid expenses for disabled members of the household) used to be for such expenses that exceeded 3% of income; HOTMA limits the deduction for such expenses to those that exceed 10% of income.
 - » The dependent deduction remains at \$480 but will be indexed to inflation. It applies to each member of a household who is less than 18 years of age and attending school, or who is a person 18 years of age or older with a disability (this became effective on January 1, 2025).

- » The deduction of anticipated expenses for the care of children under age 12 that an adult needs to maintain employment or education is unchanged.
- » Any expenses related to aiding and attending to veterans is excluded from income.
- » Any income of a full-time student who is a dependent is excluded from income, as are any scholarship funds used for tuition and books.
- » If a household is not able to pay rent, an owner has the discretion to establish policies for determining a household's eligibility for general hardship relief for the health and medical care expense deduction and for the child-care expense hardship exemption.

Asset Limits (Section 104)

To be eligible for public housing assistance, a household must not own real property that is suitable for occupancy as its residence or have net assets greater than \$103,200 (adjusted for inflation each year). However, owners have the discretion to not enforce these asset limits.

- There are a number of things that do not count as “assets” and instead are considered “necessary personal property” such as a car needed for everyday use, furniture, appliances, personal computer, etc.
- So-called “non-necessary” personal items that have a combined value less than \$50,000 are excluded from calculating household assets.
- Also exempt are retirement savings accounts, refundable tax credits, educational savings accounts, and more.
- A household may self-certify that it has assets less than \$50,000 (adjusted for inflation each year).

HUD's Office of Multifamily Housing Programs (Multifamily) distributed an [email \(https://nlihc.org/sites/default/files/Multifamily_Email.pdf\)](https://nlihc.org/sites/default/files/Multifamily_Email.pdf) on February 6, 2024, announcing publication of a revised version of joint [Notice H 2023-10/PIH 2023-27 \(https://tr.ee/fp3Ctg\)](https://tr.ee/fp3Ctg) (issued February 2, 2024). Attachment A provides clear

and specific guidance regarding an owner's ability to decide to not enforce the asset limitation provision. An [email \(https://nlihc.org/sites/default/files/HOTMA-Supplemental-Guidance-Update.pdf\)](https://nlihc.org/sites/default/files/HOTMA-Supplemental-Guidance-Update.pdf) distributed by HUD's Multifamily Asset Management office to Multifamily owners and operators on November 29, 2024, declared, “Until new guidance is released, please be aware of the following: **MFH Owners must not enforce the asset limitation or the real property exemption until both the owner's software is HOTMA compliant (with TRACS 203A), and the family has signed a model lease detailing the new HOTMA provisions.**”

HOTMA Resources

- A [final rule \(https://www.govinfo.gov/content/pkg/FR-2023-02-14/pdf/2023-01617.pdf\)](https://www.govinfo.gov/content/pkg/FR-2023-02-14/pdf/2023-01617.pdf) implementing the HOTMA income and asset provisions was published in the *Federal Register* on February 14, 2023.
- [Notice H 2023-10/Notice PIH 2023-27 \(https://tr.ee/sFBKP9\)](https://tr.ee/sFBKP9) was posted on September 29, 2023 and revised on February 2, 2024, providing detailed guidance for implementing the final rule provisions.
- Multifamily's HOTMA webpage, <https://www.hud.gov/hud-partners/multifamily-hotma> Talking Points and Q&A for Multifamily Programs, <https://tr.ee/awsPPt>.

Tips for Local Success

Subsidized multifamily rental housing can be at risk of leaving the affordable housing stock for any number of reasons, such as an owner's intent to prepay a subsidized mortgage or not renew a project-based rental subsidy contract, or uninhabitable living conditions prompting a HUD foreclosure. Preservation is when action is taken to ensure the federal housing subsidy and affordability restrictions remain in place, preserving long-term housing affordability. Preservation is usually combined with repairs to the property. Often the property is purchased by a new owner who is committed to the long-term affordability of the property and is then renovated and managed along with those values.

Preservation of affordable rental housing is usually undertaken by mission-driven developers, often regional or national nonprofits. The most successful local efforts include early identification of properties at risk of conversion, as well as active partnerships with tenants, local HUD officials, state and local housing officials, and lenders and investors with a shared commitment to preserving affordable rental housing.

Preservation inventories are lists of specific affordable multifamily rental properties in a jurisdiction that can be used to identify and prevent the loss of at-risk properties. These inventories typically focus on dedicated subsidized properties, including those with project-based rental assistance, although affordable unsubsidized units may be covered as well. Preservation inventories may include information on each property's location, age, number of units (affordable and market rate), physical condition, and the year when rent restrictions expire, among other data points. Through proactive monitoring of this information, local jurisdictions can act in a timely manner to try to preserve at-risk properties as part of the affordable stock, allowing time to assemble financing or an incentive package to facilitate the transfer of the property to a mission-oriented owner or encourage the current owner to maintain affordability. Local Housing Solutions provides [resources and examples \(https://www.localhousingsolutions.org/housing-policy-library/preservation-inventories/\)](https://www.localhousingsolutions.org/housing-policy-library/preservation-inventories/) for local governments that wish to create a preservation inventory.

NLIHC and the Public and Affordable Housing Research Corporation (PAHRC) created the National Housing Preservation Database, a tool for preserving the nation's affordable rental housing. It provides integrated information on all housing subsidies for each federally subsidized project. It also enables advocates and researchers to easily quantify the supply of federally assisted affordable housing in any geographic area, while at the same time establishing a baseline of subsidized affordable units against which future levels can be measured. The database is available at <http://www.preservationdatabase.org>.

What to Say to Legislators

Advocates should urge legislators to provide sufficient funding to renew all project-based rental assistance contracts for a full 12 months. If Congress moves forward with another long-term Continuing Resolution, explain that an anomaly will be needed to fully fund all project-based rental assistance contracts for the entire year, given necessary adjustments to rental contracts.

Members of Congress also should be asked to support preservation features of the RAD program and improvements to the project-based voucher program to allow housing authorities, developers, and owners to preserve the existing housing stock. In addition, advocates should urge reintroduction of broad legislation to preserve assisted housing that would:

- Provide grants and loans to nonprofit and for-profit housing sponsors to help ensure that properties can be recapitalized and kept affordable while maintaining housing affordability long term.
- Clarify general procedures to allow owners to request project-based assistance in lieu of enhanced vouchers in order to support preservation transactions and tenant protections.
- Protect the rights of states to enact preservation and tenant protection laws that will not be preempted by federal law.
- Ensure that data needed to preserve housing are publicly available and regularly updated and allow for the creation of a single database for all federally assisted properties based on a unique identifier for each property.
- Streamline the process of transferring Project-Based Section 8 contracts under Section 8(bb)(1) of the United States Housing Act of 1937 to ensure no Section 8 budget authority is ever lost.
- Authorize rural housing preservation programs for Rural Development Section 515 properties.

For More Information

National Low Income Housing Coalition, 202-662-1530,
www.nlihc.org.

National Housing Trust, 202-333-8931, www.nhtinc.org.

National Housing Law Project, 415-546-7000,
www.nhlp.org.

Leaders and Organizers for Tenant Empowerment
Network (LOFTE), <https://www.loftenetwork.org>.

National Alliance of HUD Tenants (NAHT), 617-267-
9564, www.saveourhomes.org.

HUD's Multifamily webpage,
<https://www.hud.gov/hud-partners/multifamily>

HUD's Section 8 Renewal Policy Guide,
[https://www.hud.gov/sites/dfiles/Housing/documents/
Section-8-Renewal-Guidebook.pdf](https://www.hud.gov/sites/dfiles/Housing/documents/Section-8-Renewal-Guidebook.pdf)

HUD's Multifamily Preservation webpage,
[https://www.hudexchange.info/programs/multifamily-
housing-preservation/](https://www.hudexchange.info/programs/multifamily-housing-preservation/)