

Project-Based Rental Assistance Needs Full Funding

October 2018



Overview



Residents at NHT-Owned Galen Terrace Apartments in D.C.

Project-based rental assistance (PBRA) provides affordable housing for over **1.2 million low income and very low income households across the country**. Fifty-six percent of these households have someone with a disability or who is elderly. The average household income is less than \$12,000. Privately owned properties with project-based Section 8 assistance generate **\$460 million in property taxes for local municipalities annually and directly support 55,000 jobs**. Failure to fully fund these contracts could result in short funding Section 8 contracts covering thousands of apartments, more than half of which are occupied by elderly and disabled households.

PBRA provides a stock of long-term affordable rental housing for the lowest-income American families while a long-term affordable housing shortage has grown increasingly severe. The number of

very low-income renters increased by 18 percent between 2003 and 2013 (from 15.7 to 18.5 million households) while the number of affordable units for these renters decreased by 10 percent (from 20 to 18 million units).

Inadequate Funding of 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 (often through the Low-Income Housing Tax Credit program) to permit project refinancing and rehabilitation. According to HUD, the PBRA portfolio leverages over \$17 billion in private financing and equity. Failing to fully fund contracts will erode investor and lender confidence, as they become increasingly uncertain that projects will be able to meet debt servicing and operating obligations, impairing investment and increasing financing costs.

As HUD has observed, “Multifamily housing assisted by PBRA stabilizes neighborhoods and contributes to local economic bases. PBRA contracts act as a critical credit enhancement for project financing, allowing owners to leverage private debt and equity to permit project refinancing and recapitalization. The periodic refinancing of the debt underlying projects assisted by PBRA generates significant capital available for investment in construction repairs and improvements.”



NHT-Owned Skyview Park Apartments in Scranton, PA.



NHT-Owned Friendship Court Apartments in Charlottesville,

PBRA Expands Choices of Affordable Housing in a Range of Communities

Preserving properties with PBRA assures that affordable rental homes will continue to be available in a wide range of housing markets throughout the nation, including urban, rural, and suburban locations. According to the Urban Institute, nationally about 36 percent of all PBRA units are located in low-poverty neighborhoods, where low-income families otherwise might be unable to find affordable housing. Other properties serve as well-maintained anchors preventing downward investment in other communities.

Failure to Fully Fund Section 8 Contracts Increases FHA Insurance Risk

Nearly 10,000 of the 17,723 project-based Section 8 properties are insured by the Federal Housing Administration (FHA). The estimated unpaid balance of the FHA insured debt underlying properties assisted by project-based Section 8 contracts is over \$13.5 billion. Without sufficient Section 8 rental assistance, many projects will fail and FHA will be left paying the tab. **In HUD's own words, "If funding for the PBRA program is not provided, the value of this underlying debt to FHA and private lenders as well as existing equity in the physical structures could be severely eroded, contributing to significant loss of privately held wealth and community investment."**



NHT-Owned Mountainview Apartments resident at the Save HUD 202 Rally in D.C.

Failing to Fully Fund Section 8 Contracts Jeopardizes Housing for Vulnerable Populations

Over half of project-based Section 8 tenants are elderly or persons with disabilities. Many rely on Supplemental Security Income (SSI) and have few other economic resources. According to the National Low Income Housing Coalition's Out of Reach 2017, "in no state could an SSI recipient afford the average rent for a modest efficiency or one-bedroom apartment in the private market."

Many owners of HUD-assisted properties provide valuable supportive services which help their residents succeed and maintain their independence. These services help reduce taxpayer expenditures in Medicaid, Medicare and emergency shelter and healthcare services.

Anything less than 12 full months funding for project-based Section 8 contracts will limit a property owner's ability to provide supportive services to their tenants, impede or delay critical rehabilitation, or possibly increase rent burdens on fixed-income populations.