

HUD Holds Town Hall on Transforming Rental Assistance

NLIHC's Memo to Members

May 21, 2010

HUD held a town hall meeting and webcast on May 19 to discuss its legislative proposal to allow public housing agencies and certain assisted housing properties to convert their subsidies to a new form of rental assistance. HUD's proposal, Preservation, Enhancement, and Transformation of Rental Assistance (PETRA), was first announced as part of HUD's FY11 budget request

The proposal is HUD's attempt to facilitate the preservation of public housing units that currently are not being sufficiently supported financially. HUD is requesting \$350 million for increased rent subsidies, with the idea that these increased subsidies would be used to support leveraging private capital into the estimated 280,000 public and assisted housing units that could voluntarily apply to participate in PETRA.

"HUD's continued ability to serve families is at risk," HUD Secretary Shaun Donovan said at the May 19 town hall, noting that, over the last 15 years, 150,000 units of public housing have been demolished or sold off. "We need to have more options and better options." The funding backlog for public housing is between \$20 billion to \$30 billion, according to a 2008 analysis by the Center on Budget and Policy Priorities. HUD is currently conducting its own public housing capital needs assessment.

Public housing agencies in need of significant redevelopment could leverage resources by using the increased rent subsidy, Secretary Donovan said. Given the pace of public housing demolition and dispositions today, units under PETRA are more likely to remain publicly owned than leave the federal inventory, he said.

Under PETRA, most public housing projects that convert to the new subsidy would be funded through a new form of project-based contract. The smallest projects would be funded through a revised project-based voucher.

PETRA is being scrutinized by all stakeholders, and in particular, questions have been raised about HUD's intent to harnessing private market resources to address funding backlogs. Bringing private loans to the table, which public housing agencies would be responsible for repaying, adds to the debate how far housing agencies and HUD may have to go, if Congress does not provide sufficient subsidies to repay these private loans, to make good on their commitments to private lenders. Questions on the table include whether tenant rents would be increased to unaffordable levels, whether housing authorities would be able to target higher income people, and whether the public would lose ownership of these investments upon any default.

Resident participation in the conversion process and participation rights for tenants of converted units is also among the issues being discussed. Under PETRA, PHAs administering the new rental assistance and owners of converted units would not be able to "impede the reasonable efforts of tenants to organize or of tenant organizations to represent their members." And, owners and agencies would have to recognize legitimate tenant organizations and give reasonable consideration to concerns raised by legitimate tenant organizations. The proposal does not specifically require hearings or certain consultations with residents, but the conversion to the new rental subsidy would be considered a significant amendment to an agency's PHA Plan, thus triggering the hearing and notice requirements of that process. A portion of the \$350 million HUD is requesting for PETRA would be made available through a notice of funds availability "to facilitate tenants' rights to organize, subject to terms and conditions as the Secretary may establish." For the converted units,

the current \$25 a unit that public housing agencies receive each year for resident participation efforts would be abolished. Instead, HUD has said it would propose a competitive grant program for tenant participation and organizing.

On May 19, NLIHC released a statement on the PETRA proposal, praising HUD for its work to bring needed changes to federally assisted housing, while noting that certain issues remain to be resolved. “NLIHC is optimistic that HUD’s vision to preserve homes and protect tenants can be realized in a way that gives residents a voice in decision-making, provides public housing agencies with the resources needed to preserve the housing stock, gives tenants more housing choices, and serves as the platform under which most HUD housing programs can be administered,” NLIHC President Sheila Crowley said in the statement. “We are committed to working with HUD and Congress to continue to improve the TRA proposal. The proposal is not perfect, but it represents a framework to discuss the critical issue of preserving public housing in a way that protects tenants, gives tenants a voice in decision-making, safeguards public investments, and maintains public housing for future generations.”

Link to HUD’s PETRA page, including a link to the May 19 town hall webcast, at:

http://portal.hud.gov/portal/page/portal/HUD/fy2011budget/signature_initiatives/transfarming_rental_assistance

Link to NLIHC’s May 19 press release at:

http://www.nlihc.org/detail/article.cfm?article_id=7038&id=48