

November 22, 2011

TO: All Multifamily Project Owners

FROM: Janet M. Golrick, Acting Deputy Assistant Secretary for Multifamily Housing Programs

SUBJECT: Impact of HUD's Fiscal Year 2012 Budget on Section 8 Project Based Rental Assistance

On November 18, 2011, President Obama signed HUD's Fiscal Year 2012 budget into law, which provides the Department with funding through September 30, 2012. As Secretary Donovan said in announcing the passage of the Department's budget last Friday, HUD's "final budget protects the vulnerable American families currently assisted by our rental assistance and public housing programs" but "several of our key initiatives that help needy families and struggling communities will be reduced."

The 2012 budget climate is clearly challenging for HUD's programs and we expect it to become even more so in 2013. Although Section 8 Project Based Rental Assistance (PBRA) was funded in 2012 at levels sufficient for the Department to continue full funding of all contracts, the Department is committed to achieving certain savings in order to slow the growth of PBRA expenditures and to effectively manage the account within appropriated levels. This is to inform you about policy changes that will be formally announced through Housing Notice within the coming months to implement PBRA savings and constrain future expenditures.

First, funds currently held in project residual receipts accounts will be used to reduce assistance payments. We are formulating a process to apply these funds to PBRA expenditures and we are committed to implementing this policy in a way that is minimally disruptive to the current voucher and disbursement process.

Second, all Option 4 renewals and annual rent adjustments will be limited to OCAF increases if proposed rents exceed market. This policy was announced and commented on over the last year by the industry as part of our revision and reissuance of the Section 8 Renewal Guide.

Third, all rent comparability studies will be required to justify proposed rents that exceed 110% of Small Area Fair Market Rents (SAFMR). Forthcoming guidance will contain instructions on the additional analysis required to justify proposed market rents in excess of this SAFMR benchmark.

Once again, the increasingly difficult budget environment has challenged the Department and our partners to implement programs more efficiently than ever. These three policy changes to be implemented in 2012 will be continued and likely expanded in 2013. We ask for your understanding and cooperation in executing these changes, which are necessary to ensure the long term stability and availability of PBRA for all program participants.