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February 24, 2009

## APPENDIX B

### DESCRIPTION OF MAJOR FEDERAL LOW-INCOME HOUSING ASSISTANCE PROGRAMS

Over the past 70 years, the federal government has created a wide variety of programs designed to help low-income households secure decent, affordable housing. The two tables below summarize the major federal programs that provide housing assistance to low-income renters.

The first table lists the five largest rental assistance programs. Generally, tenant rents under these programs are limited to 30 percent of household income, which ensures housing affordability for tenants, including those with the lowest incomes.

The second table lists important housing assistance programs that provide a range of subsidies and incentives for the construction, rehabilitation, and operation of affordable housing for low-income families.

Table 1: Major Rental Assistance Programs

	<b>Housing Choice (Section 8) Voucher Program<sup>1</sup></b>	<b>Project-Based Section 8 Program</b>	<b>Public Housing<sup>2</sup></b>	<b>Section 515 Rural Rental Housing Program and Section 521 Rental Assistance Program</b>	<b>Section 202 and Section 811 Supportive Housing Programs</b>
<b>Enactment</b>	Housing and Community Development of 1974, as amended by the Quality Housing and Work Responsibility Act of 1998	Housing and Community Development Act of 1974	U.S. Housing Act of 1937	U.S. Housing Act of 1949	Cranston-Gonzalez National Affordable Housing Act of 1990
<b>Program description</b>	Low-income individuals and families use Housing Choice vouchers to rent moderate-cost housing in the private market. The voucher subsidy, which is paid directly to the landlord by one of the 2,400 state or local public housing agencies (PHAs) that administer the program, covers the difference between the tenant’s contribution (see below) and the PHA’s maximum payment or actual rental charge (whichever is lower).	Project-based Section 8 rental assistance subsidizes new or rehabilitated rental units in buildings that are privately owned and operated. Owners, who may be either for-profit or nonprofit entities, contract directly with HUD or through an intermediary such as a state housing finance agency to receive rental assistance in exchange for abiding by rent restrictions and other provisions of the program.  Included under the	Public housing consists of rental units owned and operated by public housing agencies (PHAs), which are public or quasi-public entities. Tenant rental payments go to the PHA and are used to help meet the operating and maintenance costs of providing the housing. Federal subsidies paid through the Public Housing Capital and Operating Funds cover the bulk of PHA costs.	The Section 515 Rural Rental Housing Program provides low-interest loans directly to private owners to acquire, rehabilitate, or construct rental housing in rural areas.  Three-quarters of households living in Section 515 units also receive rental assistance, most of which is provided under the USDA Section 521 Rental Assistance Program.	As revamped in 1990, these programs provide direct grants and project-based rental assistance to nonprofit developers of affordable rental housing for the elderly and people with disabilities. Section 811 also funds tenant-based rental assistance for people with disabilities.

<sup>1</sup> For more information on the Housing Choice Voucher Program, see CBPP’s “Introduction to the Housing Voucher Program.”

<sup>2</sup> For more information, see Fischer and Sard (2008).

	<b>Housing Choice (Section 8) Voucher Program<sup>1</sup></b>	<b>Project-Based Section 8 Program</b>	<b>Public Housing<sup>2</sup></b>	<b>Section 515 Rural Rental Housing Program and Section 521 Rental Assistance Program</b>	<b>Section 202 and Section 811 Supportive Housing Programs</b>
		project-based Section 8 umbrella are the Section 8 New Construction and Substantial Rehabilitation Program, the Section 8 Moderate Rehabilitation Program, and the Section 8 Loan Management, Property Disposition, and Conversion Programs.			
<b>Number of units, 2008</b>	2.2 million vouchers are authorized by Congress.	1.27 million units available.	1.16 million units available.	446,000 units available (as of January 2006). Three-quarters of the occupied units include rental assistance.	142,000 units available, including about 15,000 units of Section 811 tenant-based rental assistance.
<b>Current status</b>	Congress funded nearly 300,000 new vouchers from 1998 to 2002. No new vouchers were funded over the 5-year period, 2003-2007. A small number were funded in 2008. (The above excludes "tenant protection" vouchers issued to replace housing assisted under other federal programs that has been lost.	No new units have been added since the mid-1980s, except for a small number of units set aside for the homeless. The total number of project-based Section 8 units has been declining by 10,000 to 15,000 units per year, as owners have prepaid their mortgages or chosen not to renew expiring Section 8 contracts. (Some units	No additional public housing units have been added for more than 10 years, and the total number of available public housing units has declined by about 165,000 since the mid-1990s.	In recent years, very few new units have been produced, and there has been a net loss of units as owners have exited the program.	In recent years, the programs have funded the production of an additional 5,000 units of housing each year.

	<b>Housing Choice (Section 8) Voucher Program<sup>1</sup></b>	<b>Project-Based Section 8 Program</b>	<b>Public Housing<sup>2</sup></b>	<b>Section 515 Rural Rental Housing Program and Section 521 Rental Assistance Program</b>	<b>Section 202 and Section 811 Supportive Housing Programs</b>
		receive temporary Section 8 Property Disposition contracts in the period between HUD foreclosure and resale.)			
<b>Rent policy</b>	Rents are based on tenant income; tenant rent is generally limited to 30 percent of household income. However, tenants may pay more to rent higher-priced units.	Rents are based on tenant income; tenant rent is generally limited to 30 percent of household income.	Rents are based on tenant income; tenant rent is generally limited to 30 percent of household income.	Under Section 515, tenants generally either pay “basic rent” or contribute 30 percent of household income, whichever is greater. “Basic rent” is calculated roughly as the amount required to cover operating costs, debt service, and the allowable return on equity.  When Section 521 or other rental assistance is available, tenant rent is generally limited to 30 percent of household income.	Rents are based on tenant income; tenant rent is generally limited to 30 percent of household income.
<b>Initial eligibility</b>	75 percent of new program participants annually must be families with extremely low incomes (incomes below 30 percent of area	40 percent of new households admitted annually must be extremely low income (below 30 percent of area	40 percent of new households admitted annually must have incomes below 30 percent of area median income; the	Depending on whether a project is new or existing, 95 percent or 75 percent of newly admitted households, respectively,	Only households with very low incomes (incomes below 50 percent of area median income) are eligible to be admitted.

	<b>Housing Choice (Section 8) Voucher Program<sup>1</sup></b>	<b>Project-Based Section 8 Program</b>	<b>Public Housing<sup>2</sup></b>	<b>Section 515 Rural Rental Housing Program and Section 521 Rental Assistance Program</b>	<b>Section 202 and Section 811 Supportive Housing Programs</b>
	median income). The remaining new households may have incomes up to 80 percent of area median income.	median income); 15 – 25 percent of new households (depending on the year the project was completed) may have incomes between 50 and 80 percent of area median income.	remaining new tenants may have incomes up to 80 percent of area median.	must have incomes below 50 percent of area median income; the remaining new households may have incomes that are low (up to 80 percent of area median income) or moderate (up to \$5,500 a year above the low-income limit).	
<b>Tenant demographics</b>	About 30 percent of vouchers are used by elderly households and people with disabilities; more than 50 percent are used by families with children. <sup>3</sup>	About two thirds of project-based Section 8 tenant households are seniors or people with disabilities. Nearly all the remainder are families with children.	Two thirds of public housing households include people who are elderly or disabled; more than 40 percent include children.	Nearly 60 percent of Section 515 households are elderly or disabled. <sup>4</sup>	100 percent are elderly (Section 202) or disabled (Section 811).
<b>Spending 2008 (outlays)<sup>5</sup></b>	\$15.7 billion	\$8.7 billion	\$7.5 billion (includes Capital Fund, Operating Funds, and HOPE VI)	\$45 million (Section 515 loans)  \$1.3 billion (Section 521 rental assistance)	\$1.3 billion

<sup>3</sup> HUD (2008b).

<sup>4</sup> USDA (2006).

<sup>5</sup> Source is Office of Management and Budget.

Table 2: Other Low-Income Housing Assistance Programs

	<b>Low-Income Housing Tax Credit</b>	<b>HOME Investment Partnerships Program</b>	<b>McKinney-Vento Homeless Assistance Program</b>
<b>Enactment</b>	Tax Reform Act of 1986	Cranston-Gonzalez National Affordable Housing Act of 1990	McKinney-Vento Homeless Assistance Act of 1987
<b>Program description</b>	Provides ten-year tax credits that developers may use to raise capital for the acquisition, construction, or rehabilitation of affordable housing for low-income families. In most cases, LIHTCs are allocated and administered by state housing finance agencies.	Provides block grant funding to states and localities that may be used for acquisition, rehabilitation, and new construction of rental housing; development of homeownership units and assistance to homebuyers; and tenant-based rental assistance.	Includes a number of programs to provide transitional and permanent housing (Supportive Housing Program (SHP), the Shelter Plus Care (SPC) Program, the Section 8 Moderate Rehabilitation for Single-Room Occupancy Program, and the Safe Havens for Homeless Individuals Demonstration Program), as well as the Emergency Shelter formula grant to states and localities.  The transitional and permanent housing programs are administered by HUD as competitive grants to local Continuums of Care (which are consortia of public and private

	<b>Low-Income Housing Tax Credit</b>	<b>HOME Investment Partnerships Program</b>	<b>McKinney-Vento Homeless Assistance Program</b>
			providers of homeless assistance).
<b>Number of units</b>	As of 2005, about 1.9 million units financed by LIHTCs had been placed into service since 1987. <sup>6</sup>	From program inception through 2008, HOME funding contributed to the development of 336,438 rental housing units. In 2008, 25,381 households also received tenant-based rental assistance under HOME. <sup>7</sup>	About 168,000 transitional housing and permanent housing beds were funded in 2008. <sup>8</sup>
<b>Current status</b>	Currently, each state receives \$2.30 per capita in LIHTCs annually. The LIHTC program has provided funding in recent years for about 100,000 affordable units per year. However, the market for LIHTCs has collapsed in 2008 and 2009, and LIHTC production is likely to be significantly lower in these years than previously.	Over the past four years, HOME has contributed to the creation of about 50,000 units of rental housing per year, on average, including 22,000 units of tenant-based rental assistance. <sup>9</sup>	About two thirds of competitive McKinney funds are used for housing activities, while the remainder is used for services. About 10,000 new beds are funded annually (most of these are permanent supportive housing), although renewals consume a growing share of the McKinney budget.
<b>Rent policy</b>	Rents are not based on tenant income. Rather, rent limits are set based on the mix of units in the development. In LIHTC	Under HOME, rents are not based on tenant household income but may not exceed specific rent limits.	The McKinney transitional and permanent housing programs use rent rules similar to those used in

<sup>6</sup> National Council of State Housing Finance Agencies (2007).

<sup>7</sup> HUD (2008c) and (2008d).

<sup>8</sup> Source for McKinney unit figures is HUD budget documents supplied as part of the *Budget of the U.S. Government, Fiscal Year 2009*.

<sup>9</sup> HUD (2008d).

	<b>Low-Income Housing Tax Credit</b>	<b>HOME Investment Partnerships Program</b>	<b>McKinney-Vento Homeless Assistance Program</b>
	<p>developments, either 20 percent of units must be affordable to households with incomes below 50 percent of the area median income or 40 percent of units must be affordable to households with incomes below 60 percent of the area median. Rents in tax credit units thus may not exceed levels affordable to households earning either 50 or 60 percent of the area median income.</p> <p>Rent burdens among LIHTC residents are high. According to one study, half of LIHTC residents report that their housing costs exceed 30 percent of their income, thereby exceeding federal standards of affordability. The majority of LIHTC tenants with affordable rent burdens are receiving rental assistance from another source, such as Section 8 vouchers.<sup>10</sup></p>	<p>Rents for most (90 percent of) HOME-assisted units must be set at a level that is affordable to households earning 65 percent of the area median income. In multifamily developments of at least 5 units, 20 percent of the HOME-assisted units must have rents affordable to households with incomes no greater than 50 percent of the area median income.</p> <p>Rent burdens among HOME tenants are reportedly high, especially for those receiving no rental assistance. For HOME tenants receiving no rental assistance, housing costs eat up 44 percent of their income, on average, and the burden rises to 69 percent of income for HOME-assisted households with extremely low incomes who do not receive rental assistance.<sup>11</sup></p>	<p>the rental assistance programs described above. Typically, tenants contribute 30 percent of their income for housing costs.</p>
<b>Initial eligibility</b>	Tenant income may not exceed 60 percent of the area median income.	Incomes of households admitted to HOME-assisted units may not exceed 80 percent of the area median income.	Placement in McKinney-funded developments is restricted to individuals and families who are homeless. Permanent supportive

<sup>10</sup> Abt Associates (2000).

<sup>11</sup> Herbert (2001).

	<b>Low-Income Housing Tax Credit</b>	<b>HOME Investment Partnerships Program</b>	<b>McKinney-Vento Homeless Assistance Program</b>
		Rental housing: 90 percent of tenants receiving rental assistance must have incomes below 60 percent of the area median income.	housing, Shelter Plus Care, and Section 8 Moderate Rehabilitation units are restricted to individuals with disabilities and their families.
<b>Tenant demographics</b>	Nearly 70 percent of LIHTC households include members who work. Of the remaining 30 percent of households, many are elderly or disabled. <sup>12</sup>	NA	The majority of households living in <i>transitional</i> housing funded by SHP are families with children. SHP <i>permanent</i> supportive housing, SPC, and Section 8 Moderate Rehabilitation units are restricted to individuals with disabilities and, in some cases, their families.
<b>Spending 2008 (outlays, except where noted)</b>	\$5.4 billion (tax expenditures)	\$2.0 billion	\$1.4 billion

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<sup>12</sup> Abt Associates (2000).