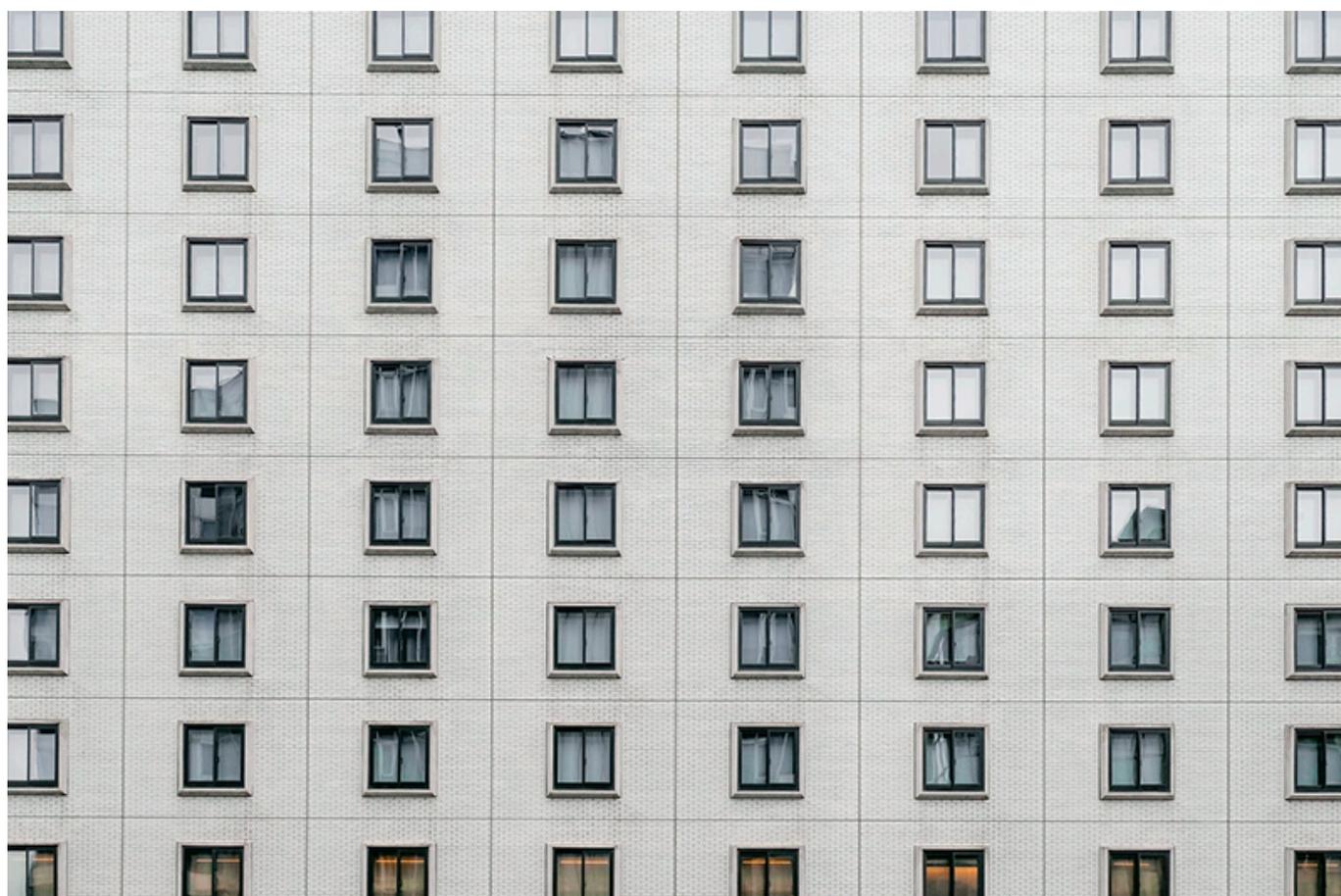


Project-basing of housing choice vouchers

Overview

Public housing agencies (PHAs) have the authority to attach (or project-base) up to 20 percent of their voucher assistance to specific housing units.^[1] Project-based vouchers provide rental assistance for eligible individuals and families who occupy specific housing units managed by private owners who have entered into agreements with a PHA. The household pays an established amount to the owner each month (typically approximately 30 percent of monthly income) and the PHA pays the balance of the rent due.



While project-based vouchers do not allow residents to take the vouchers with them when they move, some PHAs find that project-based vouchers can help produce more housing, thereby increasing the supply of affordable units in housing markets that are otherwise tight. In addition, by project-basing a share of their housing choice vouchers in well-located housing developments, PHAs can ensure there will be affordable rental units in gentrifying neighborhoods and in areas that provide access to critical resources such as high-quality schools, employment opportunities, public

transportation, health care services, and grocery stores and other services and amenities.

While the Housing Choice Voucher program is a federal program, its effectiveness depends on local initiative and policy determinations. This section describes some of the steps that cities, towns and counties can take to maximize effectiveness and contributions to the achievement of local housing goals of project-based vouchers.

Approach

PHAs and cities, towns, and counties should start by determining whether they wish to project-base any vouchers, and if so, how many. These decisions will be based on a variety of factors. Primary among these should be local market conditions, the community's policy priorities, and consideration of whether project-basing vouchers can be used to help low-income households access resource-rich neighborhoods.

To inform this decision, PHA staff and community members can look at the success rates of families issued housing choice vouchers in finding owners willing to accept them as well as the extent to which housing choice vouchers are being used in different parts of the PHA's service area. Where housing choice voucher holders are experiencing difficulties using their vouchers successfully or where voucher use is concentrated in areas with high rates of poverty and/or minority residents, communities may wish to consider project-basing a percentage of their vouchers in low-poverty, resource-rich areas to help correct this imbalance. Communities that are experiencing or anticipate gentrification and rent increases in formerly affordable neighborhoods may also wish to project-base vouchers in these areas.

Once a PHA has determined that it wishes to project-base vouchers, it must then determine the length of time that assistance will be provided and enter into agreements with property owners called Housing Assistance Payment (HAP) contracts. HAP contracts for project-based vouchers can have an initial term of one year to 20 years, with the possibility to renew at the conclusion of the initial term. In general, communities should seek to secure long-term HAP contracts as a way to ensure the continued availability of affordable units. Long-term affordability restrictions are particularly important for vouchers attached to housing in areas where rents are anticipated to increase in the coming years. See the related brief, [Determining the duration of required affordability for dedicated affordable housing overview](#) for additional guidance.

Longer HAP contracts also have special importance for new construction. Project-based vouchers may not be sufficient to spur development where land costs are high, but when used with additional government subsidies they can help to make development possible. For example, anticipated proceeds from the HAP contract sometimes function as a form of gap funding in Low Income Housing Tax Credit (LIHTC) projects. Developers can use the contract as collateral and as a regular source of income that will be needed for the project to be able make debt payments.^[2] A 20-year HAP contract provides a layer of predictability that helps makes these projects more attractive to investors and lenders.

PHAs will also need to determine how to handle waiting lists associated with the voucher program. PHAs that project-base vouchers have the option of maintaining a combined waiting list for both the tenant-based and project-based voucher programs, creating a separate waiting list for project-based vouchers only, or creating individual waiting lists for each property with project-based voucher units. Site-specific waiting lists may be particularly appropriate for supportive housing developments, where priority can be given to tenants who would benefit from the supportive services offered. However, site-based waiting lists can create fair housing challenges to the extent that residents of particular races or ethnicities experience difficulty learning of vacancies at specific properties. These and other policies related to the Housing Choice Voucher program must be described in the Administrative Plans that PHAs submit to HUD on an annual basis.

Eligibility

Eligibility to live in housing assisted with project-based vouchers is the same as for the overall Housing Choice Voucher program. All residents of project-based voucher-assisted units must have incomes, at the time of enrollment, that do not exceed 80 percent of the area median income (AMI). In addition, at least 75 percent of the households newly enrolled in the Housing Choice Voucher program each year—including both tenant-based and project-based vouchers—must be extremely low-income households with incomes that do not exceed the higher of 30 percent of AMI or the federal poverty level. Households must be selected from the PHA's waiting list, although PHAs can choose to provide priority to prospective households referred by a service provider – a policy that is used sometimes with supportive housing.

PHAs have discretion when selecting the housing units to participate in the project-based voucher program, although they must follow certain contracting policies. In general, this is a competitive process and the selection criteria are described in PHAs' Administrative Plans as well as any notices of funding availability they issue.^[3] Communities can work with their local PHA to establish selection criteria that address

a variety of local priorities and needs. These can range from giving preference to housing for particular types of tenants (e.g., people experiencing homelessness, people with disabilities, etc.) to housing with certain attributes (e.g., projects built with universal design features to promote accessibility, or buildings constructed with green materials and high energy-efficiency ratings).

Communities and PHAs may wish to give special consideration to location-based criteria. Project-based vouchers provide a unique opportunity to create deep affordability in low-poverty, resource-rich neighborhoods where affordable housing may otherwise be unavailable. For example, in selecting proposals for project-based vouchers, the Housing Authority of the County of Santa Cruz [awards points](#) for proposals that create new affordable housing where no opportunities currently exist. In selecting locations that receive priority consideration during the application review process, communities may wish to prioritize properties located in neighborhoods that provide access to good schools, job centers, health care and recreational facilities, and retail and other services. Low-poverty rates and racial/ethnic integration are also useful selection criteria. Selection criteria may also include proximity to public transit service as a means to access these facilities, even if they are not in the immediate neighborhood.

PHAs typically can project-base up to 20 percent of their housing choice vouchers, but they can add another 10 percent when the vouchers are attached to units in low-poverty areas. In addition, federal rules generally limit project-based voucher use to 25 percent of units or 25 units in a building (whichever is greater).^[4] However, PHAs may now attach project-based vouchers to up to 40 percent of units in properties located in low-poverty areas.

Other considerations

- *Project-based vouchers and LIHTC.* Rent levels for LIHTC units are typically too high for extremely low-income households without some additional subsidy. Some communities attach project-based vouchers to LIHTC units as a way to provide deeper affordability in these developments. PHAs have the authority to attach vouchers to LIHTC projects without a competitive selection process, provided the project has been selected under a separate competitive process (without consideration of the receipt of project-based voucher assistance) in the past three years. Communities may wish to work with the local PHA and state or local housing finance agency to create a process for facilitating access to project-based vouchers for LIHTC-assisted developments.
- *Project-based vs. tenant-based assistance.* Unless they are specifically project-based, housing choice vouchers are tenant-based, which means that recipients can

use the voucher to rent any private apartment that meets program guidelines and has an owner willing to participate in the program. Tenant-based vouchers play an important role in allowing renters to choose where to live, but tenant-based voucher holders can sometimes experience difficulty locating owners willing to accept their vouchers. Voucher holders can find it particularly challenging to find owners willing to rent to them in resource-rich neighborhoods that are in high demand, and sometimes even in the market as a whole when vacancy rates are particularly low. For more on this topic, see the related brief, [Allocating resources between tenant-based and project-based rental assistance overview](#).

- *Outreach and marketing.* Project-based vouchers are less likely to be attractive to for-profit owners of projects with high market rents that exceed allowed voucher limits. However, project-based vouchers may appeal to other private owners because of the reliable source of income they provide. While affordable housing developers and project sponsors will likely be familiar with the project-based voucher program, owners of market-rate rentals may be unaware of it or have misconceptions or concerns about how it operates. PHAs and housing department staff may wish to consider developing an outreach strategy to introduce the program to landlords and address any questions or misunderstandings. A proactive approach can help to increase interest and overcome obstacles to participation.

Examples

- The project-based voucher program administered by the **Denver Housing Authority** (DHA) includes owner selection procedures that help to promote the de-concentration of poverty and increase tenants' access to opportunity. Proposals to attach vouchers to existing and rehabilitated housing are evaluated against criteria that include "Promote greater choice of housing opportunities and avoid undue concentration of assisted persons in areas containing a high proportion of low-income persons," and "Be accessible to social, recreational, educational, commercial, health facilities and services." DHA also weighs the travel time and cost by private vehicle and public transit from the development to places of employment for lower-income workers. DHA approves the project-basing of vouchers in areas of minority concentration only in limited circumstances. For more details, click [here](#).
- **The Regional Housing Initiative** is a partnership that covers **Chicago** and **Cook County** as well as 3 neighboring counties and 4 cities. Through an intergovernmental agreement, the jurisdictions pool project-based vouchers and maintain a centralized, regional waiting list. Vouchers are only attached to units located in "opportunity areas" of participating jurisdictions, often in the suburbs, allowing tenants to find affordable housing in low-poverty, resource-rich neighborhoods they would not normally have been able to access. The partnership

has also helped to alleviate a jobs-housing mismatch as jobs for lower-income workers have grown in suburban areas that typically lack sufficient affordable housing. For more details, click [here](#).

Related resources

General

- [HOTMA Expands Opportunities for Low-Income Families](#), Sanford Journal of Public Policy (August 2016) – This article summarizes recent changes to the project-based voucher program under the Housing and Opportunity through Modernization Act of 2015.
- [Project Based Vouchers](#), U.S. Department of Housing and Urban Development – Web page maintained by HUD with links to program guidance and requirements and relevant notices and forms.

Program design

- [The Resident Choice Option: Reasons Why Residents Change from Project-Based Vouchers to Portable Housing Vouchers](#), Urban Institute (June 2010) – Families in units with project-based vouchers have the option of moving with a tenant-based voucher when one becomes available. However, only a small share of project-based voucher residents exercise their option to convert to tenant-based vouchers when given the option. The authors of this policy memo use analysis of HUD data and interviews with public housing agency staff to explore the reasons that residents of project-based voucher units convert to tenant-based reasons.
 - [What Do We Know about Housing Choice Voucher Program Location Outcomes? A Recent Review of Literature](#), What Works Collaborative (2010) – This report reviews the literature on where voucher holders live, and includes a section comparing the locations of tenant-based voucher holders with those of project-based units
1. Program rules allow another 10 percent to be project-based under specific circumstances. These circumstances are: to assist veterans or people experiencing homelessness, provide supportive housing for seniors or people with a disabilities, or in areas where the poverty rate is 20 percent or below. [Policy Basics: Project-Based Vouchers](#). Center on Budget and Policy Priorities, March 2017. _
 2. Program rules allow another 10 percent to be project-based under specific circumstances These circumstances are: to assist veterans or people experiencing homelessness, provide supportive housing for seniors or people with a disabilities, or in areas where the poverty rate is 20 percent or below. ([Policy Basics: Project-Based Vouchers](#). Center on Budget and Policy Priorities, March 2017.) ■
 3. Glassman, Amy. Project-Based Voucher Reforms Will Facilitate Development of Affordable Units but Should Be Taken Further. 2008; *Journal of Affordable Housing*

& *Community Development Law*. 18(1): 71-80. ■

4. In specific circumstances, PHAs may also attach vouchers to properties without going through a competitive process. These include situations where the PHA has an ownership interest in the property, or where the property has been selected for federal, state, or local housing assistance under a separate competitive process (without consideration of the receipt of project-based voucher assistance). ■

NOTE: Public housing agencies that have been selected to participate in the Moving to Work (MTW) demonstration program may receive an exemption from many of the federal rules described in this write-up. Click [here](#) to view participating MTW sites.

This section discusses how federal funding through the Housing Choice Voucher program can be used to provide rental assistance at specific affordable housing developments. Local funding can also be used to provide project-based rental assistance – click [here](#) to learn more.

See also:

[Low Income Housing Tax Credit](#)

[Operating subsidies for affordable housing developments](#)

[Acquisition and operation of moderate-cost rental units](#)