

GAO

Fact Sheet for the Ranking Minority Member, Subcommittee on Housing and Urban Affairs, Committee on Banking, Housing and Urban Affairs, United States Senate

October 1986

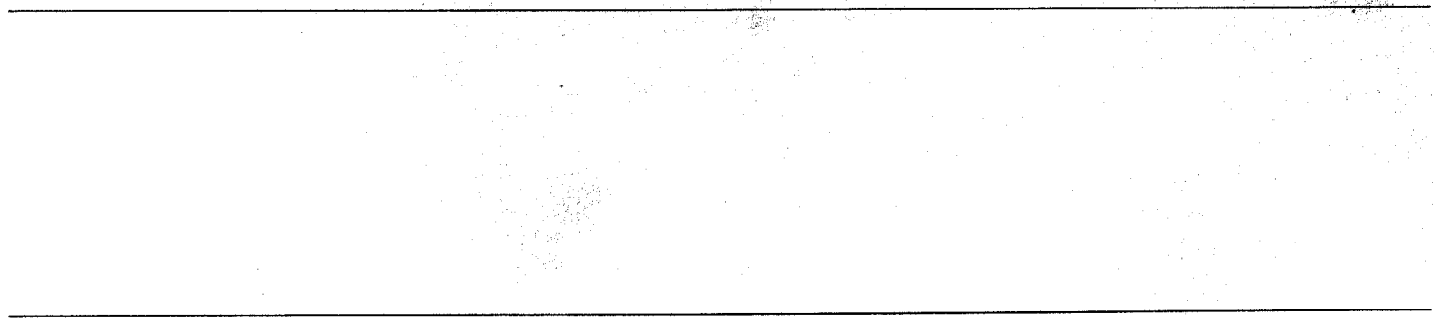
RENTAL HOUSING

Potential Reduction in the Section 8 Existing and Voucher Inventory



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United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-224834

October 27, 1986

The Honorable Donald W. Riegle, Jr.
Ranking Minority Member
Subcommittee on Housing and
Urban Affairs
Committee on Banking, Housing
and Urban Affairs
United States Senate

Dear Senator Riegle:

Your office expressed interest on July 17, 1986, in the potential reduction of rental housing assistance provided to lower income families under the section 8 program.¹ Specifically, your office requested that we provide information on (1) the current inventory of rental housing units with tenant-based section 8 assistance² and (2) the potential impact of expiring section 8 contracts on this inventory.

The Department of Housing and Urban Development (HUD) provides tenant-based section 8 assistance under the existing housing certificate and housing voucher programs. Under the section 8 existing housing certificate program, HUD makes annual contributions to public housing agencies (PHAs), which administer the program. The initial term of the annual contributions contract between HUD and a PHA is 5 years, but it may be extended at 2- to 5-year renewal periods, depending on available funding. Annual contributions contracts cannot be extended beyond a total of 15 years because of budget authority limitations. The PHAs, in turn, provide housing assistance payments to the owners of section 8 units on behalf of eligible families. The term of the housing assistance payments contract between the PHA and an owner is for at least 1 year but

¹This program, established under Section 8, U.S. Housing Act of 1937 (42 U.S.C. 1437f), aids low-income families in obtaining decent, safe, and sanitary housing in private accommodations.

²Assistance is committed to the tenant, not the housing unit, for the rental of any existing unit meeting program rent and quality standards.

cannot extend beyond the remaining term of the annual contributions contract. The section 8 housing voucher program, authorized in 1983, is similar to the section 8 existing housing certificate program. However, the initial term of HUD's annual contributions contract with a PHA is 5 years and cannot be extended.

Section 1 of this fact sheet summarizes our analysis of the potential reduction in the section 8 tenant-based inventory from expiring contracts, assuming minimum and maximum contract terms. HUD data show that the inventory of tenant-based section 8 units, as of July 31, 1986, was about 864,000 units. Current section 8 contracts will provide assistance for this inventory at least until fiscal year 1988. Expiring section 8 contracts would reduce the inventory to zero by the end of fiscal year 1991, assuming minimum contract terms, and by the end of fiscal year 2001, assuming maximum contract terms. The inventory will be larger, under either assumption, as new units are added after fiscal year 1986. However, we had no basis to estimate future additions. Section 2 of this fact sheet provides the details of our analysis.

Data on the current inventory were obtained from HUD's Section 8 Management Information System. We estimated the potential reduction in this inventory using assumptions about minimum and maximum section 8 contract terms. The minimum contract terms assume that funding is not provided to renew annual contributions contracts at the next renewal period, which would occur between fiscal years 1988 and 1991. However, information on specific contract renewal periods was not available to enable us to determine potential reductions from expiring contracts each fiscal year. Therefore, we assumed that the current inventory would be reduced by an equal number of units each year. On the other hand, the maximum contract terms assume that funding is provided to renew annual contributions contracts for the total contract term allowable--15 years for existing housing and 5 years for housing vouchers.

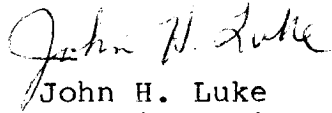
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We discussed the contents of this fact sheet with HUD program officials. They agreed with our methodology and stated that the fact sheet objectively presents potential reductions to the section 8 inventory.

B-224834

As arranged with your office, we are sending copies of this fact sheet to the Chairman, Subcommittee on Housing and Community Development, House Committee on Banking, Finance and Urban Affairs, and the Secretary of Housing and Urban Development. Copies will also be available to other interested parties who request them. If you have further questions, please contact me at (202) 275-6111.

Sincerely yours,



John H. Luke
Associate Director

ABBREVIATIONS

GAO General Accounting Office
HUD Department of Housing and Urban Development
PHA public housing agency
RCED Resources, Community, and Economic Development
Division

C o n t e n t s

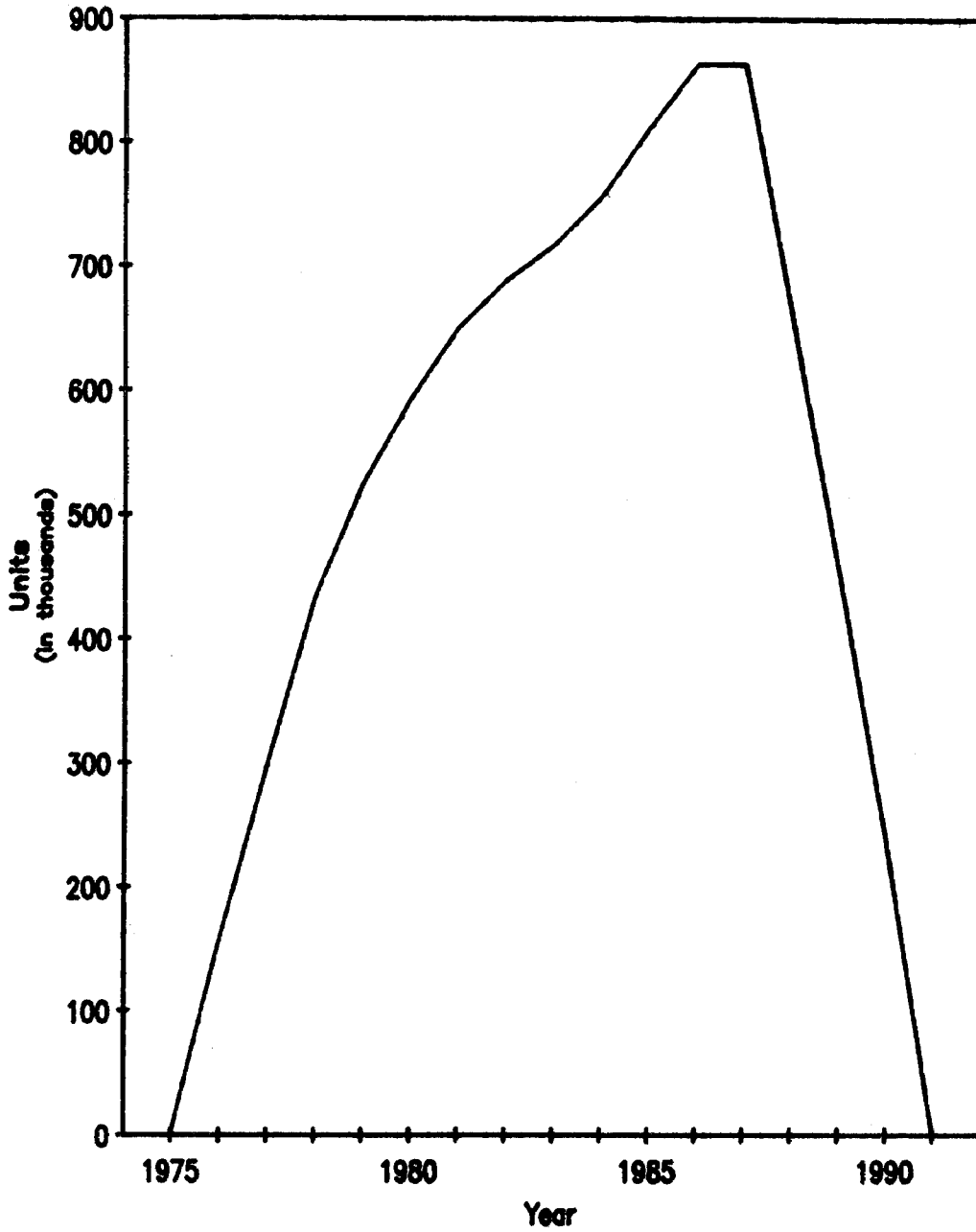
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SECTION 1

SUMMARY OF THE SECTION 8 TENANT-BASED INVENTORY,
ASSUMING MINIMUM AND MAXIMUM CONTRACT TERMS

Figure 1.1

Section 8 Tenant-Based Inventory
During Fiscal Years 1975-91,
Assuming Minimum Contract Terms



Source: GAO analysis of HUD data (see table 1.1).

Table 1.1

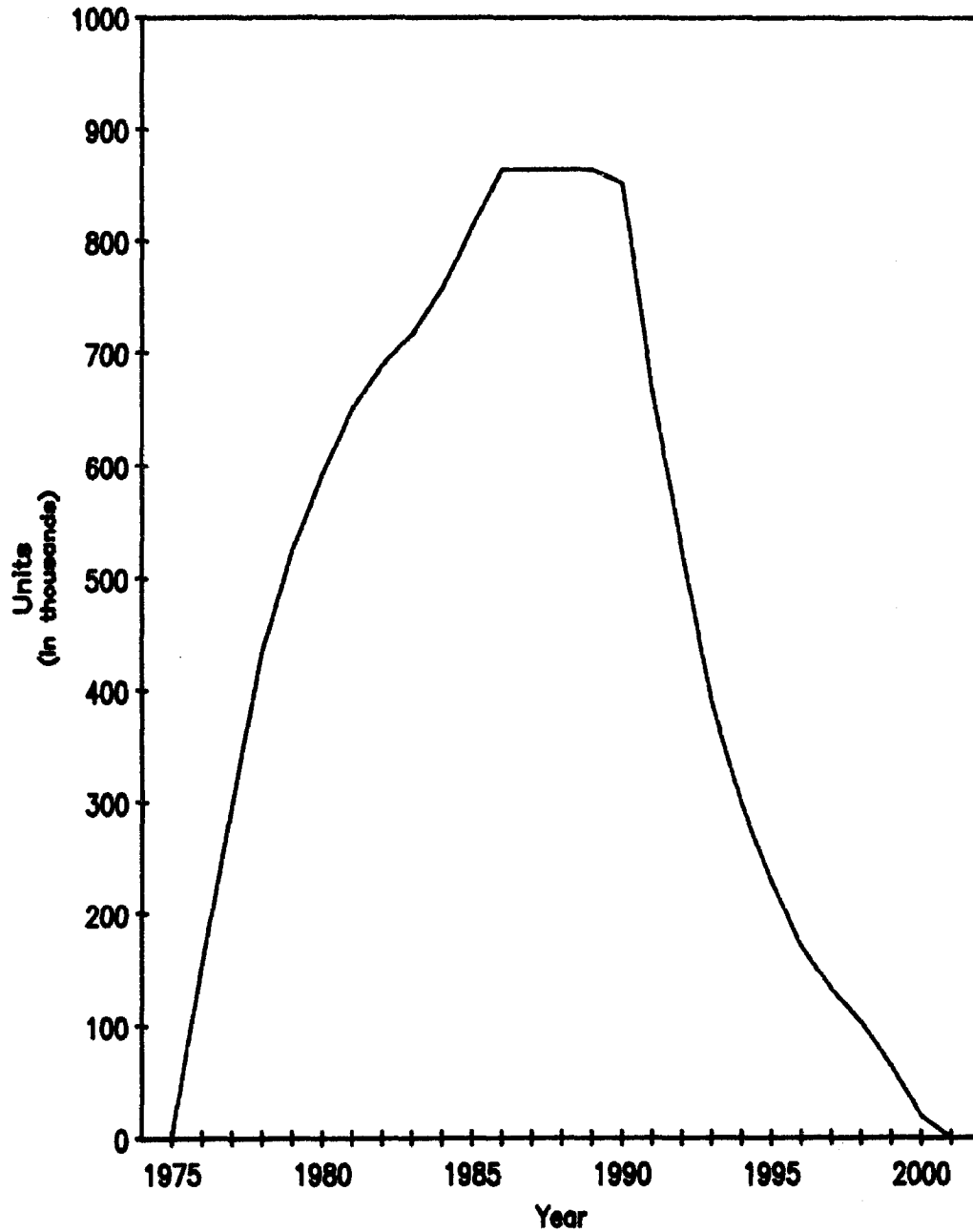
Section 8 Tenant-Based Inventory
During Fiscal Years 1975-91,
Assuming Minimum Contract Terms

<u>Year</u>	<u>Units completed</u>	<u>Units reduced</u>	<u>Cumulative section 8 inventory</u>
1975	993	0	993
1976	154,839	0	155,832
1977	141,882	0	297,714
1978	136,027	0	433,741
1979	90,848	0	524,589
1980	68,328	0	592,917
1981	57,859	0	650,776
1982	38,311	0	689,087
1983	28,494	0	717,581
1984	39,642	0	757,223
1985	55,485	0	812,708
1986	51,044	0	863,752
1987	0	0	863,752
1988	0	205,139	658,613
1989	0	205,139	453,474
1990	0	216,203	237,271
1991	0	237,271	0
Total	<u>863,752</u>	<u>863,752</u>	

Source: HUD Section 8 Management Information System (see table 2.1) and GAO analysis of HUD data (see table 2.3).

Figure 1.2

Section 8 Tenant-Based Inventory
During Fiscal Years 1975-2001,
Assuming Maximum Contract Terms



Source: GAO analysis of HUD data (see table 1.2).

Table 1.2

Section 8 Tenant-Based Inventory
During Fiscal Years 1975-2001,
Assuming Maximum Contract Terms

<u>Year</u>	<u>Units completed</u>	<u>Units reduced</u>	<u>Cumulative section 8 inventory</u>
1975	993	0	993
1976	154,839	0	155,832
1977	141,882	0	297,714
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1982	38,311	0	689,087
1983	28,494	0	717,581
1984	39,642	0	757,223
1985	55,485	0	812,708
1986	51,044	0	863,752
1987	0	0	863,752
1988	0	0	863,752
1989	0	0	863,752
1990	0	12,056	851,696
1991	0	186,970	664,726
1992	0	141,882	522,844
1993	0	136,027	386,817
1994	0	90,848	295,969
1995	0	68,328	227,641
1996	0	57,859	169,782
1997	0	38,311	131,471
1998	0	28,494	102,977
1999	0	39,642	63,335
2000	0	44,422	18,913
2001	0	18,913	0
Total	<u>863,752</u>	<u>863,752</u>	

Source: HUD Section 8 Management Information System (see table 2.1) and GAO analysis of HUD data (see table 2.4).

SECTION 2

DETAILED ANALYSIS OF THE SECTION 8
TENANT-BASED INVENTORY AND THE
POTENTIAL REDUCTION FROM EXPIRING
SECTION 8 CONTRACTS

Table 2.1

Section 8 Units Completed
During Fiscal Years 1975-86

<u>Year completed</u>	<u>Existing housing units</u>	<u>Housing voucher units</u>	<u>Total section 8 inventory</u>	<u>Cumulative inventory</u>
1975	993	0	993	993
1976	154,839	0	154,839	155,832
1977	141,882	0	141,882	297,714
1978	136,027	0	136,027	433,741
1979	90,848	0	90,848	524,589
1980	68,328	0	68,328	592,917
1981	57,859	0	57,859	650,776
1982	38,311	0	38,311	689,087
1983	28,494	0	28,494	717,581
1984	39,642	0	39,642	757,223
1985	44,422	11,063	55,485	812,708
1986 ^a	<u>18,913</u>	<u>32,131</u>	<u>51,044</u>	863,752
Total	<u>820,558</u>	<u>43,194</u>	<u>863,752</u>	

^aAs of July 31, 1986.

Source: HUD Section 8 Management Information System.

Table 2.2

Section 8 Contract Terms Used
for Units Completed During
Fiscal Years 1975-86

<u>Program</u>	<u>Minimum</u> <u>contract</u> <u>term^a</u>	<u>Maximum</u> <u>contract</u> <u>term^b</u>
Existing housing	5	15
Housing voucher	5	5

^aExisting housing program has an initial contract term of 5 years but may be extended at 2- to 5-year renewal periods depending on available funding. Housing voucher program has an initial contract term of 5 years and cannot be extended.

^bAssumes that funding is provided to renew contracts for the total contract term allowable.

^cSince contracts are currently in place to continue funding these units until fiscal year 1988, the contracts had to have been renewed. We assumed that contracts are not renewed at the next renewal period, which would occur between fiscal years 1988 and 1991. However, information on specific contract renewal periods was not available to determine contract expirations for each fiscal year. Therefore, we assumed that the current existing housing inventory would be reduced by an equal number of units each year between fiscal years 1988 and 1991. Because of the relatively short period in which contracts are due to expire, we believe that this averaging approach objectively presents potential reductions to the existing housing inventory.

Source: HUD Office of Elderly and Assisted Housing;
HUD Section 8 Management Information System;
24 C.F.R. part 882; and Section 207 of the
Housing and Urban-Rural Recovery Act of 1983.

Table 2.3

Potential Reduction in Section 8 Inventory From
Expiring Contracts, Assuming Minimum Contract Terms

<u>Year expires</u>	<u>Existing housing units</u>	<u>Housing voucher units</u>	<u>Total section 8 reductions</u>	<u>Cumulative reductions</u>
1988	205,139	0	205,139	205,139
1989	205,139	0	205,139	410,278
1990	205,140	11,063	216,203	626,481
1991	<u>205,140</u>	<u>32,131</u>	<u>237,271</u>	863,752
Total	<u>820,558</u>	<u>43,194</u>	<u>863,752</u>	

Source: GAO analysis of HUD data. The appropriate minimum contract terms shown in table 2.2 were added to the year completed for the section 8 units shown in table 2.1 to estimate the year that contracts expire for these units.

Table 2.4

Potential Reduction in Section 8 Inventory From
Expiring Contracts, Assuming Maximum Contract Terms

<u>Year expires</u>	<u>Existing housing units</u>	<u>Housing voucher units</u>	<u>Total section 8 reductions</u>	<u>Cumulative reductions</u>
1985	0	0	0	0
1986	0	0	0	0
1987	0	0	0	0
1988	0	0	0	0
1989	0	0	0	0
1990	993	11,063	12,056	12,056
1991	154,839	32,131	186,970	199,026
1992	141,882	0	141,882	340,908
1993	136,027	0	136,027	476,935
1994	90,848	0	90,848	567,783
1995	68,328	0	68,328	636,111
1996	57,859	0	57,859	693,970
1997	38,311	0	38,311	732,281
1998	28,494	0	28,494	760,775
1999	39,642	0	39,642	800,417
2000	44,422	0	44,422	844,839
2001	18,913	0	18,913	863,752
Total	<u>820,558</u>	<u>43,194</u>	<u>863,752</u>	

Source: GAO analysis of HUD data. The appropriate maximum contract terms shown in table 2.2 were added to the year completed for the section 8 units shown in table 2.1 to estimate the year that contracts expire for these units.

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