

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
STATEMENT OF REGULATORY PRIORITIES
FOR FISCAL YEAR 2025

INTRODUCTION

The Regulatory Plan for the Department of Housing and Urban Development (HUD) for Fiscal Year (FY) 2025 highlights three significant regulations that HUD seeks to publish during the upcoming fiscal year. As the Federal agency that serves as the nation's housing agency, HUD is committed to ensuring everyone has an affordable, healthy place to live. As a result, HUD plays a significant role in the lives of families and in communities throughout America.

HUD is currently working to meet the goals of its Strategic Plan to: support underserved communities, ensure access to and increase the production of affordable housing, promote homeownership, advance sustainable communities, and strengthen HUD's internal capacity. Under the leadership of the Honorable Adrienne Todman, HUD is dedicated to setting forth initiatives that meet these goals and improve customer experience across all HUD programs.

The rules highlighted in HUD's regulatory plan for FY 2025 reflect HUD's efforts to continue its work in building strong and sustainable communities and addressing the housing needs of all Americans.

PUBLIC HOUSING EVALUATION AND OVERSIGHT: CHANGES TO THE PUBLIC HOUSING ASSESSMENT SYSTEM (PHAS)

Public housing agencies (PHAs) administering public housing are assessed and evaluated by the Public Housing Assessment System (PHAS). HUD is developing a rule to revise the regulations governing PHAS in order to focus evaluation on important key performance indicators such as occupancy, financial, and physical assessments while utilizing data already available to HUD, as well as to allow HUD to intervene more efficiently when agencies underperform.

The PHAS rule would revise HUD's regulations to allow HUD to evaluate PHAs on measurable program outcomes, to respond more quickly and effectively to program deficiencies, and to delay scoring or assessments when appropriate. The PHAS rule also aims to align the evaluation system, to the extent possible, with the Section 8 Management Assessment Program (SEMAP) and to avoid additional administrative burden on PHAs by utilizing data that HUD already collects.

Beginning in fall 2022, HUD held a series of eight listening sessions, both in-person and virtual, with PHAs and stakeholders across the country to understand what they believed were the most important and informative metrics to evaluate performance in managing public housing. Listening sessions were held in Atlanta (10/25/2022), Boston (10/27/2022), Seattle (11/15/2022), and Kansas City (11/17/2022). There were three virtual sessions (12/6, 12/8, and 12/14/2022), and one session for PHA industry groups (2/3/2023). A diverse sample of PHAs were invited, to include large and small PHAs, PHAs with a range of programs, MTW PHAs, and PHAs with a range of recent performance designations under PHAS. 72 distinct PHAs registered for these Public Housing-related listening sessions.

Aggregate Costs and Benefits

Executive Order 12866, as amended, requires the agency to provide its best estimate of the combined aggregate costs and benefits of all regulations included in the agency's Regulatory Plan that will be pursued in fiscal year 2025. HUD expects that neither the total economic costs nor the total efficiency gains will be significant for this rulemaking. HUD already uses a scoring system for the public housing program, and the rule does not require any additional recordkeeping. HUD does expect that this rule will result in positive tenant outcomes such as reduced vacancy rates and higher quality services because PHAs will have greater opportunity to resolve operational difficulties before they compound, due to HUD intervention and corrective actions.

Statement of Need

The current PHAS regulations at 24 CFR part 902 were last updated in February 2011. They lay out four key indicators that are used to determine a score or designation for each PHA. Currently, HUD cannot require a PHA to take corrective action until a full PHAS assessment is complete. However, since PHAS does not assess each component simultaneously, HUD often receives information about poor performance long before it determines a full performance designation. In this rule, HUD aims to provide greater flexibility so that HUD can require corrective action more expeditiously before the PHA receives a full performance designation.

Additionally, the rule would restructure the PHAS performance indicators and revise the weight of such indicators. For example, the rule would limit the Capital Fund program indicator to examining the

time it takes a PHA to obligate funds in relation to statutory deadlines and remove it from the overall PHAS score, instead designating a PHA with a failing evaluation under that indicator as a “Capital Fund troubled performer.”

The rule would result in better measurements of PHA performance with the goal of preserving public housing for the future.

Alternatives:

In developing this rule, HUD sought to ensure its approach would not create additional information collection burdens on PHAs and metrics could be collected reliably and objectively. Another alternative to promulgating this rule would be to maintain HUD’s existing regulations governing PHAS. However, if HUD does not amend its existing regulations it would fail to modernize the assessment system, further align the system with SEMAP, and fail to be responsive to stakeholder concerns about what factors are important to measure and how best to measure such factors.

Risks:

This rule may impose minimal additional costs on PHAs in terms of learning and adjusting to the new assessment system. The rule may also impose minimal additional costs on HUD in the form of technical assistance; however, HUD already provides technical assistance to PHAs for a variety of purposes. Another risk is that due to the changes in the rule more PHAs could be subject to penalties or could be required to establish corrective action plans; however, these could be necessary to ensure greater compliance in HUD programs for the benefit of public housing residents as well as PHAs.

Timetable:

Action	Date	FR Cite
NPRM	11/04/2024	89 FR 87518
NPRM Comment Period End	01/3/2025	
Final Action	06/00/2025	

Regulatory Flexibility Analysis Required: No
Small Entities Affected: No
Government Levels Affected: None
Federalism Affected: No
Energy Affected: No

International Impacts:

No

SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) REVISED PERFORMANCE INDICATORS AND ASSESSMENT

Public housing agencies (PHAs) administering Section 8 voucher programs are assessed and evaluated by the Section 8 Management Assessment Program (SEMAP). HUD is developing a proposed rule to revise the regulations governing SEMAP in order to utilize data already available to HUD, intervene more efficiently when agencies underperform, and focus on important key performance indicators such as occupancy, financial, and physical assessments.

The SEMAP proposed rule would revise HUD's regulations to create a new performance assessment system that would provide a meaningful, easy to understand framework. Specifically, it would reduce the number of performance indicators from 14 to four and create several subindicators within each performance indicator: Utilization, Family Outcomes, Physical Inspections, and Performance Management. The SEMAP proposed rule also aims to align the evaluation system, to the extent possible, with the Public Housing Assessment System (PHAS) and to reduce the administrative burden on PHAs by utilizing data that HUD already collects.

Beginning in fall 2022, HUD held a series of eight listening sessions, both in-person and virtual, with PHAs and stakeholders across the country to understand what they believed were the most important and informative metrics to evaluate performance in managing the Section 8 voucher programs. HUD considered the feedback it received during these listening sessions in developing the proposed rule, balancing what PHAs reported was important to measure, what was reasonably possible to measure, and what was a fair assessment of PHA performance. For example, PHAs expressed concern that they may be held accountable for factors out of their control, and so, HUD took care to ensure that the proposed indicators were within a PHA's power.

Aggregate Costs and Benefits

Executive Order 12866, as amended, requires the agency to provide its best estimate of the combined aggregate costs and benefits of all regulations included in the agency's Regulatory Plan that will be pursued in fiscal year 2025. HUD expects that neither the total economic costs nor the total

efficiency gains will be significant for this proposed rulemaking. HUD already uses scoring systems for Section 8 voucher programs, and the proposed rule does not require any additional recordkeeping.

Statement of Need

The current SEMAP regulations were largely implemented in September 1998 and though they have gone through technical changes they have not been significantly revised since then. However, the Housing Choice Voucher and Project Based Voucher programs have grown significantly since 1998 – from 1.61 million families served to 2.35 million families served. The advancement of technology over the same time period also emphasizes the opportunity for streamlining and automating aspects of program evaluation. Moreover, the current SEMAP regulations largely evaluate PHA compliance based on a PHA’s own review and self-certification. In the proposed rule HUD aims to shift its evaluations to be more data informed.

The SEMAP proposed rule would result in better measurements of PHA performance and would strengthen the Section 8 voucher programs.

Alternatives:

In developing this proposed rule, HUD sought to ensure its approach would not create additional information collection burdens on PHAs and metrics could be collected reliably and objectively. Another alternative to promulgating this rule would be to maintain HUD’s existing regulations governing SEMAP. However, if HUD does not amend its existing regulations it would fail to modernize the assessment system, further align the system with PHAS, and fail to be responsive to stakeholder concerns about what factors are important to measure and how best to measure such factors.

Risks:

This proposed rule may impose minimal additional costs on PHAs in terms of learning and adjusting to the new assessment system. The proposed rule may also impose minimal additional costs on HUD in the form of technical assistance, however, HUD already provides technical assistance to PHAs for a variety of purposes.

Timetable:

Action	Date	FR Cite
NPRM	04/00/2025	

Regulatory Flexibility Analysis Required:	No
Small Entities Affected:	No
Government Levels Affected:	None
Federalism Affected:	No
Energy Affected:	No
International Impacts:	No

CONSOLIDATED REGULATION FOR THE IMPROVEMENT OF THE SECTION 8 PROGRAM (CRISP)

Project-based Rental Assistance (PBRA) is authorized by Section 8 of the United States Housing Act of 1937 and provides housing assistance payments to owners on behalf of eligible low-income families. PBRA is administered through Housing Assistance Payment (HAP) contracts. Historically, HUD maintained Section 8 PBRA authority to provide HAP funds to owners of existing, newly constructed, and substantially rehabilitated housing. In 1983, HUD's authority to provide HAP payments to owners of newly constructed and substantially rehabilitated housing was repealed. Section 8 PBRA program regulations, including its legacy programs, are governed by seven different regulatory parts and the Rental Assistance Demonstration (RAD) PBRA Notice.

This proposed rule would establish a standard program regulation and standard HAP contract for projects with existing PBRA HAP contracts that are renewed under Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) and new PBRA HAP contracts for existing housing entered into after the effective date of the rule. The proposed standard program regulation would incorporate policy changes and bring consistency to regulatory and subregulatory PBRA program requirements.

The proposed standard program regulation would address areas where the various Section 8 PBRA contract types are subject to different requirements. For instance, limitations on surplus cash distributions are currently required by regulation for some owners and are a deterrent to those owners remaining in the PBRA program. The proposed rule would bring consistency to program requirements such as reserve for replacements, annual financial statements, and security deposits. The proposed rule would also apply to HAP contracts issued as a result of transfers of budget authority.

Section 8 PBRA program requirements that are in subregulatory guidance will also be made consistent and incorporated into the standard program regulation. This change is expected to provide

consistency and clarity on issues such as HUD approval requirements, special claims, HUD enforcement tools, property operation requirements, pass-through leases, and waiting list management.

On February 2, 2023, HUD issued an advance notice of proposed rulemaking titled, “Federal Housing Administration (FHA): Section 8 Project-Based Rental Assistance: Standard Program Regulation and Renewal Contract; Advance Notice of Proposed Rulemaking and Request for Public Comment” (ANPR) (88 FR 7044). HUD received public comments that contained several recurring themes, including concerns that the proposed rule would eliminate surplus cash distributions and add duplicative requirements already imposed by lenders and state housing financing agencies (HFA).

HUD acknowledges the commenters’ concerns around duplicative requirements and plans to minimize any duplicative requirements on owners. HUD also recognizes that surplus cash distributions are an important source of capital used by owners to expand or rehabilitate their affordable housing portfolios.

Aggregate Costs and Benefits

Executive Order 12866, as amended, requires the agency to provide its best estimate of the combined aggregate costs and benefits of all regulations included in the agency's Regulatory Plan that will be pursued in fiscal year 2025. HUD expects that neither the total economic costs nor the total efficiency gains will exceed \$200 million for this proposed rulemaking. There are expected to be administrative costs during the transition period to the consolidated program requirements set out in the rule and to a new HAP contract form. Those costs are likely offset by the long-term efficiency of operating under one consistent Section 8 PBRA regulation.

Statement of Need

HUD operates multiple contract types under the Section 8 PBRA program statutory authority. The individual requirements are currently encompassed in seven regulatory parts, the RAD PBRA Notice, and subregulatory guidance. The HAP contracts used to administer the assistance include requirements specific to the program or contract type. To further the complexity, some PBRA programs administer both old and new regulation HAP contracts depending on when the notice of selection or initial application for the project was issued.

The programs at issue, and the related regulatory or notice requirements that govern those programs, are: New Construction (24 CFR part 880) (old and new); Substantial Rehabilitation (24 CFR part 881) (old and new); State Housing Agencies (24 CFR part 883) (old and new); New Construction financed under Section 515 of the Housing Act of 1949 (24 CFR part 884); Loan Management Set-Aside Program (24 CFR part 886, subpart A); Section 202/8 Program (24 CFR part 891, subpart E) (formerly part 885); Disposition of HUD-Owned Projects (24 CFR part 886, subpart C); and RAD PBRA Program (RAD PBRA Notice, Appendix I).

The various Section 8 PBRA regulations that result in different HAP contract terms contribute to complexities that could be reduced by having standard program requirements and a standard HAP contract. The proposed standard program regulation would bring consistency to PBRA requirements and incorporate policy changes and consistent program requirements into regulation. This would reduce the complexity faced by owners and tenants, as well as HUD staff and contractors who are responsible for the administration and oversight of assisted projects. HUD sees a clear benefit to moving toward a consolidated and consistent regulatory structure and a single HAP contract that will be used when property owners renew HAP contracts under Section 524 of MAHRA or enter into new HAP contracts.

Alternatives:

An alternative to promulgating the rule would be to maintain the existing Section 8 requirements for the eight different programs in separate regulatory sections, notices, and subregulatory guidance. This would result in the Section 8 PBRA program continuing to operate under disparate requirements. Doing so would fail to realize the advantages of streamlining, updating, and simplifying the program requirements, and would fail to bring consistency to the Section 8 PBRA program.

Risks:

The rule may result in increased administrative costs as property owners and HUD staff transition to the consolidated program requirements set out in the rule and to a new HAP contract form. That risk is likely offset by the increased efficiency of operating all HAP contracts under more consistent requirements. It is always possible that a change to Section 8 PBRA program requirements could influence an owner's decision to opt out of the program; but HUD expects that many property owners will view the proposed regulatory revisions favorably.

Timetable:

Action	Date	FR Cite
ANPRM	02/20/2023	88 FR 7044
ANPRM Comment Period End	04/03/2023	
NPRM	05/00/2025	

Regulatory Flexibility Analysis Required: No
Small Entities Affected: No
Government Levels Affected: None
Federalism Affected: No
Energy Affected: No
International Impacts: No