

Preservation Rent Increases Explainer: Improving Senior Housing Preservation Through the Rental Assistance Demonstration



Appropriations for preservation rent increases (PRI) are critical to the success of the Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration (RAD) program, which is vital for preservation of America's affordable housing supply.

RAD for Section 202 PRAC (Project Rental Assistance Contracts) Properties

Housing preservation is a critical part of addressing the critical shortage of affordable housing for older adults with low incomes in the United States. Preserving existing affordable housing means making sure the units retain affordability, usually through rental subsidy and use agreements, while making sure the physical asset remains in good repair.

Attracting Private Investment in Property Upgrades

HUD is an important partner in affordable senior housing preservation through the agency's RAD program. RAD allows existing subsidized properties (including public housing and properties assisted through HUD's PRACs), which cannot access private financing for property upgrades, to convert to HUD's more flexible Section 8 program. Properties can then take on private debt, allowing housing providers to invest in property improvements.

Protecting Residents, Promoting Quality

RAD has two components. The first component encompasses public housing converting their subsidy stream to the Section 8 subsidy platform. The second component of RAD is dedicated to preserving PRAC properties ("RAD for PRAC"), including Section 202 Supportive Housing for the Elderly, HUD's flagship housing program for older adults with low incomes. Using RAD's conversion process, Section 202 PRACs retain long-term project-based rental assistance contracts and attract investment, including rehabilitation funding through the Low-Income Housing Tax Credit (LIHTC), as well as additional capital for critical property upgrades paid for in part through debt service out of the Section 8 subsidized property operating budget. The conversion process maintains the property's elderly designated status, tenant protections, and deep rental assistance, ensuring sustainable, long-term affordability for current and future residents.

Preservation Rent Increases (PRIs)

For HUD to approve a PRAC conversion under RAD, the property must demonstrate that it can continue to meet its operating expenses and new debt service needs. Properties converted under RAD can leverage private capital for building upgrades; however, annual operating budget increases through the post-conversion Section 8 subsidy platform may be insufficient to meet both operating and debt service needs. Therefore, owners strive to raise their HUD subsidy levels to appropriate market levels prior to conversion.

Enacting a Moderate Budget Boost

Starting in 2022, Congress appropriated funding for the LeadingAge-championed PRI, which aligns property operating budgets closer to the market area before the RAD conversion. While the property operating budget increases, the tenant rent remains affordable at 30% of the household's adjusted income.

In essence, the PRI acts as a plus-up above normally available PRAC subsidy funds to ensure the RAD conversion is financially achievable by attracting significant private investment in property upgrades and leading to long-lasting housing preservation while ensuring tenant affordability.

Leveraging PRI for Property Investment

PRI funds are provided by Congress for preservation transactions within the Section 202 account in HUD’s annual appropriations bill. Following enactment of the appropriations bill, PRI funding is distributed by HUD through a process that incentivizes owners to leverage additional investment in building upgrades and repairs, as well as some resident services. Therefore, a relatively small investment by Congress in PRI funding ensures a significant property investment to maintain high-quality affordable housing for older adults over the long term.

Congressional Appropriations for Preservation Rent Increases

Because of the effectiveness of these preservation investments, PRI funds are heavily oversubscribed by housing providers nationwide, limiting access to critical preservation transactions for Section 202 properties in need of recapitalization. The lack of preservation funding impacts approximately 118,000 Section 202 homes serving households with an average income of less than \$20,000 per year.

The table below shows the dollar amounts appropriated for the PRI by fiscal years, starting with its establishment in fiscal year (FY) 2022.

Fiscal Year	PRI Appropriations
2022	\$6 million
2023	\$6 million
2024	\$0
2025	\$0
2026	\$4 million
2027	\$0 proposed by the House appropriations bill; the Senate bill is still being drafted (as of September 2026)

Source: *LeadingAge*

Beginning in FY 2027, LeadingAge requests that preservation activities be an eligible use of Section 202 funding, which is expected to result in an investment of \$5 million to \$10 million annually. This investment will unlock housing stability for tens of thousands of older adults nationwide who are currently housed in units that may need critical property upgrades with very limited options to recapitalize.

LeadingAge will continue to advocate for substantial, consistent funding for PRIs, as they make RAD for PRAC an even more viable strategy for preserving affordable housing for older adults.