

Now & Next

Affordable Housing Alert

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Budget proposes to sunset Section 8 Moderate Rehabilitation and SRO programs

By Deborah VanAmerongen and Kris Antonik

The 2027 president's budget proposes an end to the Moderate Rehabilitation (Mod Rehab) and Moderate Rehabilitation Single Room Occupancy (SRO) programs.



What's the impact?

- If adopted, the fiscal 2027 budget language would sunset (end) Mod Rehab and SRO contract renewals after September 30, 2030.
- The proposal explicitly steers properties toward Rental Assistance Demonstration (RAD) conversions or opt-out/Tenant Protection Vouchers (TPVs).
- If opting for a RAD conversion, owners can pursue a path to long-term Section 8 assistance through Project-Based Rental Assistance (PBRA) or Project-Based Vouchers (PBVs).

The president's fiscal 2027 budget proposal includes a provision that would prohibit Section 8 administering agencies from renewing Mod Rehab and SRO rental assistance contracts after September 30, 2030. The budget proposal frames this as a wind-down that provides time for owners to plan a transition to an alternative rental subsidy platform.

Background

The Mod Rehab and SRO programs are legacy Section 8 programs that are supported today through short-term (year-to-year) contracts. While HUD continues to fund legacy Mod Rehab and SRO renewals, the agency has been encouraging owners to convert to either PBRA or PBV by undertaking a conversion through the Rental Assistance Demonstration (RAD) program. This budget proposal demonstrates an intent to end Mod Rehab and SRO program funding and transition the properties into long-term Section 8 contracts through RAD.

What are transition paths for owners

RAD conversion to long-term Section 8 assistance. Units may convert through RAD to either:

- / PBRA (Project-Based rental assistance), or
- / PBV (Project-Based Vouchers).

In many cases, the conversion can yield a significant increase on the subsidy the project is receiving.

This path is generally intended to support long-term preservation and recapitalization.

Owner opt-out and tenant protection vouchers:

- / HUD indicates that owners may opt out at contract expiration.
- / In that event, eligible families may receive TPVs, shifting assistance from project-based to tenant-based subsidy.

Why this matters for owners

The proposed sunset accelerates the need for stakeholders to decide whether a Mod Rehab/SRO property will:

- / Preserve and recapitalize under a long-term Section 8 contract via RAD; or
- / Exit the legacy program and manage the operational, financial, and resident impacts that can accompany a shift to TPVs.

What owners should do now

Although this is proposed language in the president's fiscal 2027 budget, owners should begin (or accelerate) planning to:

- / Confirm the assistance type (Mod Rehab vs. SRO) and current renewal/expiration timing.
- / Evaluate RAD feasibility (PBRA vs. PBV) early, including Section 8 agency capacity (for PBV) and financing strategy.
- / Assess physical needs and build a scope/budget that supports long-term viability through a RAD conversion.

How we can help

We will continue to monitor developments regarding the 2027 federal budget. In the meantime, Nixon Peabody's [Affordable Housing Team](#) can help you evaluate your Mod Rehab/SRO project for eligibility, set a schedule to reach HUD approval on time, and structure transactions to reduce timing risk.

For more information on the content of this alert, please contact your Nixon Peabody attorney or:

Deborah VanAmerongen

212.940.3054

dvanamerongen@nixonpeabody.com

Kris Antonik

212.224.7604

kantonik@nixoneapbody.com