***This document provides information** on establishing a separate legal entity (owner entity) to further a PHA's repositioning goals. An owner entity means an entity recognized under state law, that owns public housing units or other affordable housing and may be legally separate from the PHA.*

Why create an owner entity? There are several reasons why a PHA may create an owner entity:

- **To meet disposition requirements**. The disposition process (Section 18) requires the transfer of a public housing asset to a separate entity recognized under state law. A PHA can satisfy this requirement, but still control the property, by transferring the property to a PHA-controlled owner entity.
- **To secure a HAP contract.** A PHA cannot enter into a Housing Assistant Payment (HAP) contract with itself. If a PHA seeks to project-base its vouchers at a project it owns, the prohibition is resolved by establishing an owner entity to serve as the project owner for contract purposes. Or, instead, the PHA could retain ownership and contract with a new entity for management without creating an ownership enity.[1]
- **To leverage LIHTC equity or raise debt.** Projects that are awarded the Low-Income Housing Tax Credit (LIHTC) must be owned by a "single-asset entity," typically made up of a general partner (who manages the project day to day) and a limited partner who provides equity for project development in exchange for tax credits. PHAs or other PHA entities can serve in the general partner role. Also, PHAs may choose to establish a separate legal entity in order to borrow funds for development. In other cases, a lender (either private, non-profit or governmental) may require this.
- **PHA preference and local laws**. Some PHAs simply prefer to own a former public housing asset under an owner entity. In some jurisdictions, not-for-profit corporations are eligible to for certain local property tax exemptions. A PHA-created entity could buy other properties, provide management to other owners and seek foundation-based or other forms of funding assistance.

What types of owner entities do PHAs set up?

PHAs usually create a For-Profit Corporation, Non-Profit Corporation, Limited Liability Corporation (LLC), or Limited Partnership (LP), but this is not an exhaustive list and other types of owner entities may be permissible under state law. PHAs consult with their legal counsel when determining which type of legal entity is best given their specific situation.

[1] See Notice PIH 2017–21, Att. A.

What is the impact on agency staff?

This depends on the relationship between the PHA and the owner entity. Some PHAs transfer existing staff to the new entity to continue providing program administration and property management functions. However, this transfer ends the use of Public Housing Operating Funds to cover staff salaries. Other PHAs may decide to keep staff under the PHA (with salaries for management functions prorated under Public Housing Operating Funds) and have the owner entity contract with the PHA for property management functions. Sometimes there are existing staff contracts, personnel policies and benefit requirements that influence a PHA's decision on staffing.

What is the impact on the existing PHA board?

This really depends on the structure of the owner entity. If a PHA Board wants to maintain control over an assest that is transferred to an owner entity, then the PHA should establish terms and bylaws that largely mirror the current PHA Public Housing Board structure.