

A Guide to Public Housing Repositioning

Very Small Public Housing Authorities (PHAs)

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**U.S. Department of Housing and Urban
Development**

Produced by:

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Section 1: Introduction

This Guide to Public Housing Repositioning reviews the different options, and associated planning considerations, available to Public Housing Agencies (PHAs) with 50 or fewer Public Housing units as they consider the long-term future of their portfolios. The focus of this Guide is on converting properties currently assisted under the Public Housing Program platform to the Section 8 Program platform, i.e., to “reposition” their Public Housing. The Section 8 platform, which is more fully described in Section 2, shares many of the same tenant eligibility requirements, resident protections, and rent computations as Public Housing but is generally considered to be a more stable financial platform and, because of this stability, provides a more reliable income stream for operations and maintenance and better attracts private investment for capital needs of the property.

This Guide is not a comprehensive step by step handbook about how to convert properties, nor is it a checklist of required documents and timelines. Rather, the goal of this Guide is to present all the repositioning options specific to the PHA size in an accessible format to PHAs, their staff, residents, and community members.

In addition to this Guide for Very Small PHAs, the Department has prepared separate Guides for small PHAs (51-250 units) and medium and large PHAs (more than 250 units). Each Guide addresses the unique characteristics and opportunities most appropriate to PHAs of the respective size grouping.

CHOOSING THE RIGHT GUIDE				
 Choose the Guide that matches your agency size.				
The Public Housing Inventory (January 19, 2021)				
PHA Size	Number of PHAs	Number of Units	Share of PHAs	Share of Units
Very Small (1-50 units)	838	26,433	29.44%	2.73%
Small (51-250 units)	1,360	167,821	47.79%	17.30%
Medium/Large (250+ units)	648	775,668	22.77%	79.97%
Totals	2,846	969,922	100.00%	100.00%

The repositioning options to be addressed in this document include:

- Rental Assistance Demonstration (RAD) Program;
- Section 18 Demolition/Disposition;
- Streamlined Voluntary Conversion Program; and
- Section 32 Homeownership Program

A very small PHA is most likely to select just one of the above options to convert its Public Housing whereas a larger PHA will often use combinations of options to achieve varied repositioning objectives.

Moreover, HUD has streamlined many of the requirements under each program for very small PHAs, as described in this Guide.

Audience

This Guide is intended primarily for PHA staff and Board members; however, resident groups, local governments, and other stakeholders may also find it a helpful guide on Public Housing repositioning.

Why Reposition?

Through repositioning, a PHA evaluates what regulatory platform is best suited for the PHA to meet the long-term affordable housing challenges in its specific community, considering the needs of the residents, the condition of the real estate portfolio, and the objectives of the PHA and other community leaders. There are four main reasons PHAs seek to reposition their Public Housing:

1. **Local Control and Flexibility to Meet Local Needs.** Repositioning leads to more local control over the use of a PHA's Public Housing assets to reconfigure and finance as needed.
2. **Administrative Relief.** Converting Public Housing to a Section 8 Program, e.g., Housing Choice Vouchers, Project-Based Vouchers, or Project-Based Rental Assistance, can offer significant regulatory and administrative relief, especially for very small PHAs.¹
3. **Predictable and Stable Funding Platform.** Historically, Section 8 Programs have offered a more reliable and constant funding stream than the traditional Public Housing Program. In some instances, conversion to Section 8 can also result in higher funding.
4. **Ability to Leverage.** The Section 8 Programs are more conducive to raising debt and equity to help an agency achieve strategic goals, from addressing backlogged capital needs and building long-term reserves necessary for preservation-oriented life cycle improvements to constructing or acquiring new housing.

Changing Platforms – Not Changing Missions

PHAs are local organizations serving the low-income housing needs of their communities. Repositioning does not change that core mission. Repositioning simply offers new tools for PHAs to better meet local needs. While differences in program reporting and other requirements may

¹ Among the program requirements that are unique to public housing are: the Public Housing Assessment System (PHAS), Community Service, Annual/Five Year Plans, HUD-Determined Maintenance Wage Rates, and the need to administer two separate subsidy programs (Operating Fund and Capital Fund). Additionally, for PH-PHAs that convert to PBVs, the PBV administrator will be responsible for all determinations of applicant eligibility and on-going tenant recertifications.

necessitate retraining staff or changing agency software programs, there is no change to the legal structure of the PHA as a result of the change in subsidy platform.

In most cases, PHAs look to repositioning to preserve long-term project-based assistance in the community, which could involve recapitalizing the existing structures, building replacement housing on-site, or acquiring/developing off-site replacement housing. However, where eligible and in the best interests of both the agency and its residents, repositioning can also mean a conversion to tenant-based assistance (assistance that follows the tenant) or the sale of units to low-income homebuyers. These decisions are inherently local and should be shaped by the goals and objectives of each agency, informed by the program requirements.

Repositioning vs Recapitalization

To reposition a Public Housing project means to convert its assistance under HUD's Public Housing Program to HUD's Section 8 Programs. In most cases, this conversion is intended to preserve the assets as long-term affordable housing although, in some instances, repositioning can also mean the conversion to tenant-based assistance or the sale of Public Housing units to low-income homebuyers and the award of replacement vouchers. To recapitalize a Public Housing project means to complete the physical improvements necessary for long-term viability, whether through agency funds or third-party sources, including debt or equity. Public Housing Recapitalization could also include the acquisition or new construction of buildings. In both cases, the PHA can decide whether to retain control of the property (in some cases directly, in others through an affiliated organization) or whether to joint venture with non-PHA actors.

REPOSITIONING VS. RECAPITALIZATION

Repositioning is the removal of a property from the Public Housing Program and replacing it with Section 8 assistance.

Recapitalization is the use of current agency funds or third-party sources to complete necessary physical improvements to a Public Housing property, often by leveraging the Section 8 rental assistance.

As will be discussed in this Guide, some repositioning options do not require the full recapitalization of the project at time of conversion. In those cases, the PHA can implement the recapitalization at a later time.

The Special Challenge of Very Small PHAs

Although they represent under 2% of Public Housing units nationwide, very small PHAs account for over 25% of all PHAs. More than 99% of these very small PHAs operate just one project². These very

² The term "project" used here is synonymous with the term "asset management project", or AMP, which is a grouping of units for reporting purposes in HUD's Public Housing Information Center/Inventory Management System (PIC/IMS). Nearly all very small PHAs treat their units as a single AMP, even when they were initially developed as separate sites.

small PHAs, which also tend to be located in rural areas, have generally found it difficult to keep up with the many requirements of the Public Housing Program. Both HUD and the Congress have therefore provided flexibilities specific to very small PHAs to make it easier for them to convert to Section 8. This Guide explains the approaches available for moving very small PHAs to Section 8 and offers guidance to help these PHAs navigate the decision-making process.

PHA Examples

To better illustrate the varied repositioning tools and strategies, the Guide contains examples of different PHA repositioning efforts from around the country, with a focus on very small PHAs.

Additional Information

The Guide provides a general overview of the different program requirements under repositioning. For more detailed information on Public Housing repositioning, please visit the repositioning website at https://www.hud.gov/program_offices/public_indian_housing/repositioning or email repositioning@hud.gov. At the end of the Guide, in Appendix II, readers can find a list of Key Terms and Acronyms that will be a helpful reference throughout the different sections.

Section 2: Background

This section provides background on the Public Housing and Section 8 Programs, focusing specifically on how the funding structures affect the ability to leverage private debt and equity. The key difference is that, under a long-term, project-based Section 8 subsidy contract, the rents are predictable and adjust annually for inflation. This predictability, which is absent in the Public Housing Program, is invaluable for securing financing.

Public Housing

The Public Housing Program was established by the *United States Housing Act of 1937*. Its purpose was to enable local PHAs, created pursuant to state law, to provide decent, safe, and sanitary housing for low-income families. Today, there are about 1 million Public Housing units across the country, administered by approximately 2,850 local PHAs.

Each PHA enters into an Annual Contributions Contract (ACC) with HUD. The ACC requires the PHA to abide by all HUD-established program requirements in exchange for HUD assistance. PHAs also enter into a Cooperation Agreement with local government, establishing a Payment in Lieu of Taxes (PILOT) where, in exchange for the Federal government agreeing to pay for the construction of the Public Housing, the local government agrees to a substantial reduction in traditional property taxes. PHAs also execute a Declaration of Trust (DOT) that restricts the use of any property to low-income housing (for 40 years after the last subsidy has been received for development purposes; 20 years after the last subsidy used for modernization purposes; and for 10 years after the last receipt of Operating Funds) and prohibits the PHA from placing any lien or security interest on the property without HUD approval.³

Initially, Congress authorized the Federal government to issue bonds to finance the development of new Public Housing and PHAs were required to set rents at levels necessary to meet basic operating costs, i.e., no Federal subsidies were provided for operations or capital improvements.

By the 1950s and 1960s, as properties were aging and as the predominant incomes of new residents were lower, PHAs were no longer able to meet operating needs solely based on the rents that residents could afford. To protect these families from high rent burdens, the “*Brooke Amendment*” to *The Housing and Urban Development Act of 1968* capped tenant rents at 25% of a family’s adjusted income. (The cap has subsequently gone up to 30% of the family’s adjusted income.) Although essential to reducing tenant rent burdens, the *Brooke Amendment* accelerated the financial strain on

³ The DOT is also sometimes referred to as a Declaration of Restrictive Covenant, or DORC, in the case of mixed-finance ownership.

Public Housing by reducing revenues.⁴ To offset the impact of these reduced rental incomes, Congress, over the next several decades, incrementally introduced a series of programs to provide operating and capital subsidies. Today, as these efforts have evolved, PHAs receive funding to operate and improve Public Housing through two separate funding formulas - the Operating Fund and the Capital Fund – which takes the funding appropriated by Congress in any given year and divides it by a regulatory formula across eligible Public Housing properties. The ratio between what HUD believes is necessary to operating Public Housing and the amount Congress appropriates is called the “Operating Fund Pro-Ration.” Over the past several years, it has fluctuated between 82% and 112% of the nationwide portfolio’s needs. The Capital Fund, intended for repairs and modernization of the buildings themselves, has also fluctuated, as one can see in Figure 1.

One consequence of this funding and regulatory system is that it is difficult for PHAs to engage in long-term planning, given the uncertainty of future funding levels. However, even more importantly, it is difficult under the Public Housing funding structure to seek long-term mortgage capital, which is essential to the construction and preservation of multifamily housing. In fact, the Public Housing program, as enacted, was not conceived to rely on private financing. It was not until the mid-1990s that PHAs were even permitted to develop Public Housing using other forms of financing (including Low-Income Housing Tax Credits).⁵

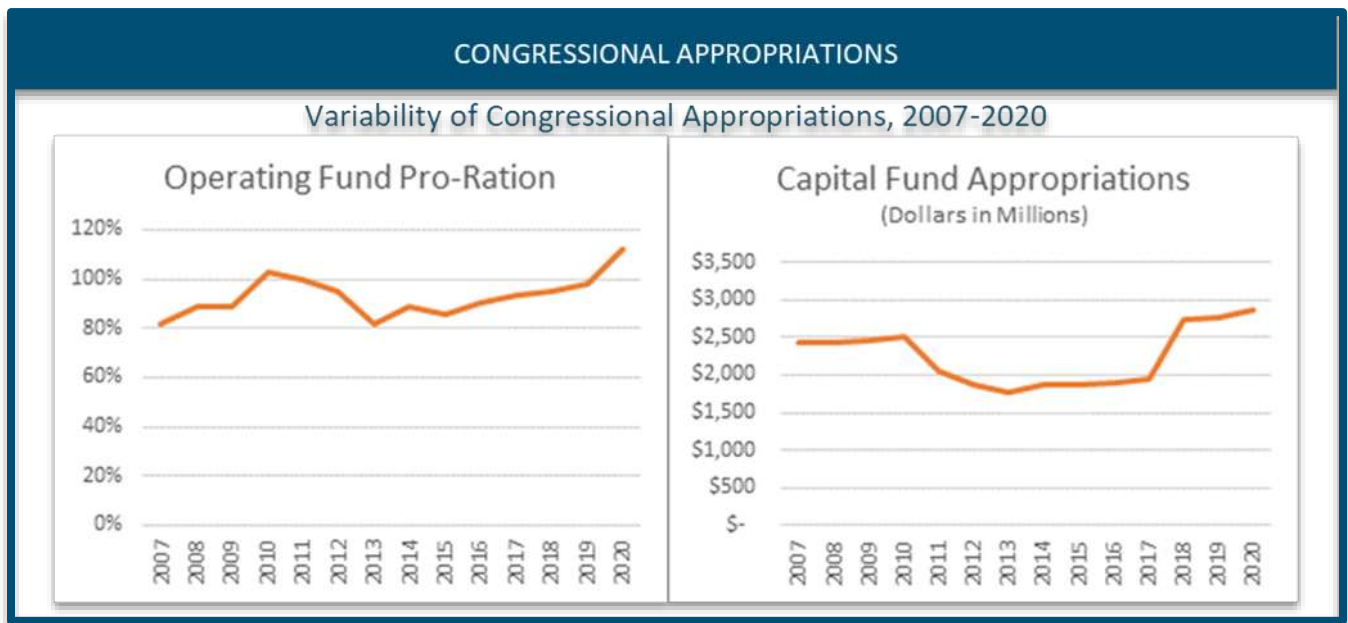


Figure 1: Congressional Appropriations

⁴ McCarty, Maggie. 2014. Introduction to Public Housing, Congressional Research Service, January 3.

⁵ Diaz, Nelson. 1994. Use of Public Housing Funds to Leverage Private Financing. Internal memorandum, U.S. Department of Housing and Urban Development, April 8.

The Section 8 Project-Based Rental Assistance (PBRA) Program

In 1974, the Congress introduced the Section 8 Project-Based Rental Assistance (PBRA) Program as the first truly “deep-subsidy” private rental assistance program. Like Public Housing, the Federal government would make up the difference between the rent that low-income households could afford to pay and the rental revenue the property needed to operate. Because the Federal government was dealing with private owners in the PBRA context, Congress knew that the Public Housing appropriations model would not work and agreed to a contract rent for each unit.

The Section 8 Program is similarly authorized under the *United States Housing Act of 1937* and shares many of the same tenant eligibility requirements, resident protections, and tenant- paid rent computations as Public Housing. However, it differs dramatically in the structure of the subsidy contract, called the Housing Assistance Payment (HAP) contract. As compared with the Public Housing ACC, the Section 8 HAP contract:

- Specifies a “contract rent” for each unit type;
- Is long-term (generally, 15-40 years), with renewal provisions; and
- Includes a mechanism to make annual adjustments to the contract rents to account for inflation.

These three conditions were at the heart of the PBRA Section 8 Program. Only with this predictability could Congress get private real estate developers and their lenders to finance, build, and operate low-income housing. In contrast, in the Public Housing Program, there is no equivalent to a contract rent and the revenue a PHA receives is based on the Operating Fund Pro-Ration and the Capital Fund Appropriation. In Public Housing, there is no long-term subsidy contract and there are no guaranteed or automatic annual adjustments for inflation. The Public Housing Program was never designed to rely on private financing. The expectation was that PHAs would look exclusively to the Federal government for needed funding beyond tenant rents. Today, about 1.2 million affordable housing units are subsidized through the PBRA Section 8 Program.

PBV vs. PBRA

One of the biggest conversion decisions for any PHA that wishes to preserve a former Public Housing property as affordable housing is the choice over which form of project-based Section 8 assistance to use. Under RAD, PHAs have two options – Project-Based Vouchers (PBVs) or Project-Based Rental Assistance (PBRA). Under Section 18 or SVC conversions, a PHA can only convert to PBVs.

For more information about the two options, see [“Guide To Choosing Between Project-Based Vouchers \(PBVs\) And Project-Based Rental Assistance \(PBRA\) For Public Housing Conversions” on the RAD website.](#)

The Section 8 Project Based Voucher (PBV) Program

When Congress enacted the Section 8 Program in 1974, it created both the PBRA program (above) and a Section 8 tenant-based assistance program, known today as the Housing Choice Voucher Program (HCVP or vouchers). This voucher program provides subsidies on behalf of low-income households in rental housing they choose in the rental market. Today, there are about 2.2 million vouchers in circulation nationally

In 1998, the Congress amended the voucher program to allow PHAs to use a percentage (originally 20%) of their voucher budget authority for project-based vouchers (PBVs).

When Section 8 PBVs are used, the property owner agrees to reserve some or all of the units in a building for occupancy by PBV-eligible families. In other words, the PHA and the owner sign a Housing Assistance Payments (HAP) contract to attach PBV rental assistance to the structure. During the term of the HAP contract, the PHA makes housing assistance payments to the owner for units leased and occupied by eligible families. Projects are typically selected for PBVs through a competitive process managed by the PHA, although in certain cases projects may be selected non-competitively.

Significant changes to the program were enacted in 2000, by the Fiscal Year 2001 Appropriations Act, and, in 2008, by the Housing and Economic Recovery Act of 2008. The latest statutory changes to the

PBVS AND REPOSITIONING

The Section 8 Project-Based Voucher (PBV) program has become an increasingly important tool for PHAs who are attempting to convert their Public Housing to Section 8 for long-term preservation purposes.

In response to this increased interest in the PBV program as a repositioning tool among PHAs and other stakeholders, the Office of Public and Indian Housing (PIH) recently issued the following FAQs -- [PBVs and Public Housing Repositioning](#) (September 2020) and [TPVs for Public Housing Actions](#) (June 2020). These FAQs address a number of important questions, including

- Under what conditions does the PHA need an Independent Entity (IE) to perform rent reasonableness determinations and Housing Quality Standards (HQS) inspections?
- What if the PHA wants to convert to PBVs and does not operate a voucher program today? How does the PHA find a voucher administrator partner?
- How is the voucher funding calculated and what if the projected costs (under the PBV program) are higher than the PHA's per-unit-costs (PUC) under the regular voucher program? When the PHA receives its increment of new budget authority, will it be based on the PUC or on projected costs?
- When does the new funding begin?

In addition to these valuable FAQs, the Department also expects to publish a Section 8 PBV guidebook.

PBV program were enacted by the Housing Opportunity Through Modernization Act of 2016 (HOTMA).⁶

As currently in effect, some of the key features of the PBV program are:

1. PBVs can be used for existing, rehabilitated, or newly constructed housing, with different requirements and procedures being applicable.
2. While generally no more than the greater of 25 units or 25% of the units in any project can be assisted with PBVs, projects recently repositioned from the Public Housing program are often exempt from this requirement; and
3. After one year, all PBV households have a right to move with the next available voucher for tenant-based assistance, or what has become known more commonly as ‘Choice-Mobility.’

Today, there are about 250,000 PBV units, or around 11% of the voucher program.

Summary

The Public Housing Program is the oldest Federal housing program. It was designed to enable local independent public bodies to own and manage housing for low-income households that would be constructed with Federal funds and operated, initially, with tenant rents. Over time, this basic financial model broke down. As Congress attempted to remedy these problems it was also developing new forms of Federal housing assistance that would better leverage private capital, eventually leading to Section 8. While the design of the Public Housing financial model has been modified to permit some forms of debt, the Section 8 Program is much more aligned with the full range of available types of long-term mortgage financing. As a result, HUD’s focus on providing the information in this Guide represents its continued effort to assist PHAs to convert from the Public Housing platform to the Section 8 platform to better meet the low-income housing needs in their communities and to leverage their assets in ways enjoyed by other operators of Federally-assisted housing.

⁶ A detailed account of the HOTMA changes, and further guidance, is provided under [PIH Notice 2017-21](#), *Implementation Guidance: Housing Opportunity Through Modernization Act of 2016 – Housing Choice Voucher and Project-Based Voucher Provisions*, published October 30, 2017.

LEVERAGING SECTION 8 CONTRACT RENTS

How does converting the Public Housing funding to a Section 8 contract rent allow a PHA to leverage private debt?

A property under a Section 8 contract approaches the repair and replacement of capital needs in fundamentally different ways from a property under Public Housing. In the Public Housing program, PHAs rely on direct federal grants through the Public Housing Capital Fund and allocate that pot of funds across their Public Housing stock through capital planning across a portfolio.

An owner of property under a Section 8 contract analyzes the capital needs of the property, establishes and funds a capital replacement reserve from project revenue, and draws down from these funds for routine repairs and replacements. Periodically, the owner also accesses debt, equity, and other conventionally available capital sources to make more significant improvements to the property, modernizing it for the next 10-20 years. Debt is tied to the specific property and repayment of the debt is supported by the property's revenue.

The HAP contract establishes a "contract rent" that is the revenue the owner will receive through a combination of tenant rents and housing assistance payments. The contract rent remains constant: If tenant rents go down in any year, the HAP subsidy goes up. If tenant rents rise, the HAP subsidy goes down. The Section 8 contract provides a reliable, consistent source of revenue for the property to support its expenses, replacement reserve deposits, and debt service.

These contract rents form a reliable and steady source of revenue that affordable housing lenders and investors can underwrite when financing capital investments. Combined with significantly fewer restrictions on third party liens than in the Public Housing Program, properties under a Section 8 contract have readily and safely accessed commonly available debt and equity products for decades.

The fundamental question for any PHA assessing repositioning options and attempting to preserve or redevelop a property is whether the Section 8 contract rents are enough for the property to cover operating expenses, make deposits to a replacement reserve and support any upfront financing needed to bring the property into good physical condition.

Section 3: Repositioning Options

The four main options for converting Public Housing to Section 8 are:

- The Rental Assistance Demonstration Program (RAD);
- Section 18 Demolition or Disposition;
- The Streamlined Voluntary Conversion Program (SVC); and
- The Section 32 Homeownership Program.

This section introduces the main elements and requirements of each program as applicable to very small PHAs. Unlike larger PHAs, a very small PHA will likely choose just one option to remove its entire inventory (as opposed to combining options).⁷

PROGRAM BASICS

Rental Assistance Demonstration (RAD) allows PHAs to convert Public Housing to Section 8 PBV or PBRA at contract rent levels based on the property's public housing funding. As a preservation program, RAD requires one-for-one replacement of the public housing units, with certain limited ("de minimis") exceptions. All residents have an absolute right to return (no re-screening). To convert, a PHA must submit a financing plan that demonstrates long-term feasibility. **Very small PHAs are eligible for Streamlined RAD (streamlined processing).**

Section 18 Demolition or Disposition allows PHAs to demolish or dispose of Public Housing units under certain criteria and entitles the PHA to request Section 8 Tenant Protection Vouchers (TPVs) for any vacant unit occupied by an assisted household within the past 24 months. The PHA can elect to project-base these TPVs, provided the assisted units are offered to the impacted families. In many communities (but not all) the TPVs result in rents that are higher than the RAD rents. In the case of disposition, the units must actually be disposed of, which can be accomplished by transferring the asset to a PHA-related entity for nominal value in order to support affordable housing. Section 18 also qualifies the PHA for certain phase-out funding under the Public Housing operating and capital programs.

Streamlined Voluntary Conversion (SVC) allows a PHA to convert Public Housing assistance to Section 8 vouchers (TPVs), which a PHA must offer to residents as tenant-based vouchers. The TPVs can only be project-based with tenant consent. As with Section 18, TPVs may be requested to protect assisted households and for all units occupied by an assisted household within the past 24 months. To be eligible, the PHA must be down to its last 250 Public Housing units and it must agree to closeout its Public Housing Program.

The Section 32 Homeownership Program allows PHAs to dispose of Public Housing to create homeownership opportunities for low-income households. As with Section 18 and SVC, a PHA may request Section 8 vouchers (TPVs) to protect assisted households and for all vacant units occupied by an assisted household within the past 24 months. A PHA must develop a HUD-approved Homeownership Plan.

⁷ For very distressed public housing projects that are also in struggling neighborhoods, PHAs should also consider the Choice Neighborhoods Initiative (CNI) Program. Although, based on recent appropriations, generally only about four implementation awards are made annually, the CNI Program helps communities revitalize severely distressed public and/or assisted housing and catalyzing improvements in the neighborhood. Choice requires hard replacement units, but the replacement units can be RAD (PBV or PBRA) or non-RAD PBV units (in addition to ACC units), so can be used in conjunction with RAD, Section 18 and Section 22 repositioning tools. Depending on the repositioning tool and replacement units proposed, Choice can also authorize a new award of TPVs. For more on CNI, [click here](#).

RAD

In 2011, Congress authorized the RAD program, which allows PHAs to convert their Public Housing to Section 8 assistance. With subsequent Congressional authorizations, HUD now has the authority to convert 455,000 Public Housing units to Section 8 under RAD. As of March 2021, 142,688 units have already converted.

Under RAD, a PHA has the option of converting to two forms of long-term project-based Section 8 assistance:

- Project-Based Rental Assistance (PBRA).** This program is administered by HUD’s Office of Multifamily Housing. As mentioned earlier, it was the first Section 8 project-based program created by the Congress. It is also by far the largest.
- Project-Based Vouchers (PBVs).** This form of project-based Section 8 is administered by a local voucher agency. HUD’s PIH Office oversees the voucher agency but is not a direct administrator of the PBV contract. If a PHA does not operate a voucher program but wants to participate in the PBV program, it will need to partner with a current voucher agency to administer the PBVs.

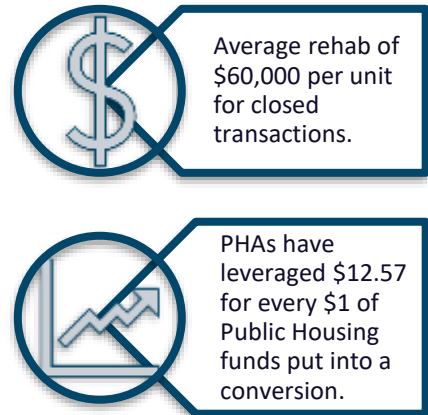


Figure 2: RAD at a Glance (January 2021)

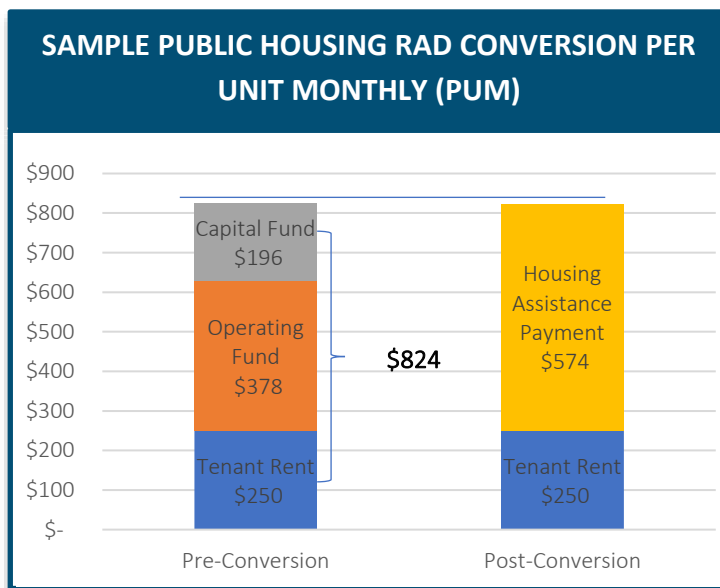


Figure 3: Sample Public Housing RAD Conversion

(by project) and adds this combined subsidy (Housing Assistance Payment) to the tenant rents to create the Section 8 contract rent.

For example, as shown in Figure 3, assume that a Public Housing project has tenant rents of \$250 per unit monthly (PUM). Also assume that it receives Operating Subsidies of \$378 PUM and Capital Funds of \$196 PUM. Combined, these amounts add up to \$824 PUM. Under RAD, the project will leave (or be

2020 RAD Rents

This file contains the RAD contract rents for all Public Housing properties. It also includes information on local fair market rents (FMRs) so that PHAs can compare the rent levels under different repositioning options.

http://www.hud.gov/sites/dfiles/Housing/documents/2020_RAD_Rents_web.xlsx

removed from) the Public Housing program and will have an initial Section 8 contract rent of the same amount, \$824 PUM. The Operating Fund and Capital Fund are replaced with Section 8 Housing Assistance Payments. The project will be subject to a long-term HAP contract, which provides annual rent adjustments, and the PHA will execute a *RAD Use Agreement*, which ensures that the property is maintained as low-income housing.

In addition to RAD being a “revenue neutral” program with no new funding, there are six features underpinning the program.

1. **Preservation.** RAD is a “preservation” program, meaning that the intent is to preserve as many “hard” units (physical units with project-based rental assistance) as possible. Consequently, under RAD, a PHA must retain or replace units on a one-for-one basis, with limited exceptions.⁸
2. **Resident Rights and Protections.** If the conversion results in no relocation, residents have a right to remain at the property without rescreening. If there is need for relocation due to construction, they have a right to return, again with no rescreening. Residents are also entitled to other rights and protections, including consultation, enhanced relocation protections, lease and grievance protections, and the right to organize.
3. **Public or Non-Profit Stewardship.** To ensure long-term, mission-based oversight of the property as affordable housing, all RAD transactions must be owned or controlled by a public or non-profit body. The majority of RAD-converted properties remain owned by the PHA. A PHA can create a joint-venture with a private entity provided this mission-based oversight is in place. For example, the PHA can choose to transfer ownership to a partnership accessing federal low-income housing tax credits if the PHA has an interest in the project (often satisfied by entering into a long-term ground lease or by the PHA or a non-profit holding a majority percentage of the general partnership entity).
4. **Long-term Affordability.** All RAD conversions are subject to long-term contracts and use agreements. While documented as 20-year contracts, both HUD and the owners of the property

⁸ These “de minimis” exceptions include: (1) an allowance for a reduction in units equal to the greater of 5% or 5 units, (2) when combining efficiencies into larger units, and (3) for units vacant longer than 24 months at time of application.

(for example, the PHA or its joint venture partnership) contractually agree to renew the contract over and over again, essentially creating a contract in perpetuity.

5. **Resident Mobility Options.** Residents of converted projects can request (after 1 year for RAD PBV conversions and 2 years for conversion to RAD PBRA) a tenant-based voucher – a provision known as Choice Mobility. The voucher administering agency will place them at the top of the waiting list for the next available HCV. Limited waivers are available for PHAs that do not have a voucher program and have converted to RAD PBRA, among other limited exceptions.

6. **Statutory Flexibility, Including Use of Public Housing Funds.** To facilitate the preservation of Public Housing properties, Congress gave HUD broad authority to waive or modify statute for properties converting under RAD. The RAD Notice details the flexibilities HUD has adopted including provisions that permit PHAs to contribute or bring over Public Housing funds to the Section 8 property as part of the conversion.

For PHAs with 50 or fewer Public Housing units, the RAD program offers a streamlined conversion process.⁹ This streamlined process eliminates the need for an independent Capital Needs Assessment (CNA). In lieu of the CNA, the PHA’s Board must certify that the PHA has assessed the property for any exigent health and safety hazards and, if applicable, has completed any necessary repairs and that the property can be sustained for 20 years as decent, safe, and sanitary housing at the published RAD rents. This streamlined process also simplifies the documentation needed for the Environmental Review and eliminates the need for a detailed Development Budget or Operating Pro-Forma, among other items.

To be eligible for this streamlined conversion, the PHA must:

- Agree to close out its Public Housing program;
- Have an overall Public Housing Assessment System (PHAS) score of 75 or higher, have a Physical Assessment Sub-System (PASS) score of 30 or higher, and not have a PHAS substandard designation or a PHAS Capital Fund “troubled” designation;
- Not propose *as part of the conversion* to perform any construction or rehabilitation on the property, to undertake relocation, or to transfer the assistance to a separate project; and
- For PBV conversions, select a Contract Administrator that has at least 100 units under its HCV ACC.

RAD is administered by the Office of Recapitalization.

BASIC RAD PROGRAM RESOURCES

Program Guidance

[PIH Notice 2019-23, REV-4, issued 09/05/2019](#)

Helpful Links

RADresource.net

RADApplications@HUD.gov

www.hud.gov/rad

⁹ See Section 1.15 of the RAD Notice, [H-2019-09/PIH-2019-23](#), published September 5, 2019.

The Section 18 Demolition/Disposition

The Section 18 program refers to [Section 18 of the United States Housing Act of 1937](#), which governs HUD approvals for demolition and disposition of Public Housing.¹⁰ Prior to 1998, a PHA had to replace every Public Housing unit that was demolished or disposed with another hard Public Housing unit. This one-for-one replacement requirement proved challenging for PHAs, particularly given the limited funding that has been available for new Public Housing.¹¹ As a result, many severely distressed properties were frozen in a state of limbo, with no funds to adequately restore or replace the project but without permission to remove the project from HUD's inventory. The 1998 Quality Housing and Work Responsibility Act (QHWRA) amended Section 18 to eliminate the one-for-one requirement, provided that a project meets certain criteria.

Approval under Section 18 makes the PHA eligible to receive Section 8 TPVs to protect HUD-assisted families and for all vacant units in the project that were occupied by an assisted family within 24 months prior to approval.¹² These TPVs are intended to make the PHA "whole" in terms of the number of households who can be assisted (replacing the Public Housing units with TPVs/vouchers). A PHA has the option, under Section 18, of either issuing these TPVs to affected households so that they can find housing on the private market or project-basing those TPVs back on the project to preserve the project as long-term affordable housing. Hence, Section 18 is a way to change the form of HUD assistance to Section 8, which can result in either project-based Section 8 or tenant-based Section 8.

In some cases, PHAs may be able to preserve a property approved under Section 18 by project-basing the TPVs and securing other outside funding, including tax credits. In some situations, PBV rents may be higher than what the PHA was receiving under the Public Housing Program because the rents are based on what the PHA would pay the owner under the voucher program

[PIH Notice 2021-07](#), describes seven separate ways that a Public Housing project can qualify for disposition under Section 18.¹³ However, very small PHAs are automatically eligible under the criterion of "50 or Fewer" Public Housing units and, as such, only this option is discussed in this Guide.

¹⁰ As indicated, Section 18 governs both the demolition and disposition of Public Housing, for which the associated requirements are slightly different. For purposes of this guide, we are concerned with the requirements for disposition, which is the most common to repositioning.

¹¹ In 1999, Congress also enacted the Faircloth Limit, which placed constraints on new and replacement public housing units with Federal funds. See [Faircloth Limit FAQs](#), issued June 2020.

¹² In this Guide, the standards referenced are for replacement TPVs, which are awarded when the Public Housing units will not be replaced. Alternately, "Relocation TPVs" are provided in cases where the PHA is replacing the Public Housing units removed through the repositioning action with other Public Housing units. Relocation TPVs are subject to different requirements not covered here.

¹³ PIH Notice 2021-07, *Demolition and/or disposition of Public Housing property, eligibility for tenant-protection vouchers, and associated requirements*, January 19, 2021

As a condition of utilizing the 50 or Fewer provision, a PHA is required to close out from the Public Housing program. As with all other Section 18 options, the PHA may request Tenant Protection Vouchers (TPVs) that it can project-base, or provide to the tenants directly, to protect HUD-assisted families and for vacant units in the project that were occupied by an assisted family in the 24 months prior to Section 18 approval.

The Section 18 program is operated by HUD’s [Special Application Center](#) (SAC), based in Chicago, with expeditors in HUD Field Offices. SAC staff will review each application to make sure it fits at least one of the Section 18 criteria.

A key feature of Section 18 is the eligibility for phase-out funding under the Operating Fund and Capital Fund programs, called, respectively, Asset Repositioning Fees (ARF) and Demolition Disposition Transitional Funds (DDTF). ARF funds provide for a declining phase-out of operating subsidies over two years (if disposition) or three years (if demolition). Under DDTF, the Capital Fund Grant is continued for 5 years without any phase down. RAD and SVC are not eligible for ARF or DDTF funding.

The PHA also retains its [“Faircloth Authority”](#) for all units removed through Section 18 and Section 22. In 1999, Congress added a provision to the *United States Housing Act of 1937* that prohibits a PHA from using Public Housing funds to maintain or operate Public Housing units in excess of then-current levels, named after the legislation’s sponsor, Senator Lauch Faircloth of North Carolina. When a PHA removes units from Public Housing through Section 18, it retains that Faircloth Authority, meaning that it has the authority to return those units to the Public Housing Program if it finds a way to acquire or build replacement units. A PHA does not keep the Faircloth Authority corresponding to any unit converted under RAD based on the reasoning that these units have already been replaced within the Section 8 program. If a PHA uses the 50 or Fewer option under Section 18 to convert its last remaining units, although the PHA retains its Faircloth Authority, it is required to close out its Public Housing Program and therefore must transfer the Faircloth Authority to another PHA or relinquish that authority.

Section 18 is a “disposition” program, meaning that the property, in addition to being removed from the Public Housing program, must actually be disposed of to a separate legal entity under state law, which can be a non-profit related to the PHA. Sometimes it is in the best interests of the PHA simply to sell the property at Fair Market Value (FMV), in which case the proceeds must be used to support the provision of low-income housing as described in the *United States Housing Act of 1937*. However, a PHA can also dispose of the property for less than fair market value if the disposition results in “commensurate public benefit”, such as affordable housing (housing for families at or below 80% of Area Median Income, or AMI). In these less-than-FMV

BASIC SECTION 18 PROGRAM RESOURCES
Program Guidance PIH Notice 2021-07
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transactions, it is common for a PHA to sell the property for \$1 to a non-profit arm of the PHA and then to redevelop the property as affordable housing.

Section 18 differs from the RAD program in a few important ways. Unlike RAD, a PHA cannot transfer any Public Housing program funds – including Public Housing operating reserves – to a project that is being disposed of under Section 18. Public Housing funds can only be used for Public Housing purposes and cannot be used on a Section 8 property. Under certain circumstances, Public Housing funds can be used at a project that is planned for Section 18 or SVC conversion, prior to the sale (transfer of title) under Section 18 or SVC conversion.

Similarly, under Section 18 there is no provision to protect, as a legacy recipient of rental assistance, current tenants who might be over-income or otherwise ineligible as a new admission to the Section 8 program. For Section 18, all existing Public Housing tenants must be rescreened for Section 8 eligibility in order to receive a TPV or benefit from a PBV. If a PHA has a household that is over-income, the PHA must find a way other than Section 8 to provide comparable assisted housing. Typically, PHAs will allow such households to remain in the unit, if the project is to be preserved as rental housing, at a rental rate comparable to that paid by the family under the Public Housing Program.¹⁴

There is also no required Capital Needs Assessment or submission of a ‘financing plan’ to HUD for the future use of the property converting under Section 18. Once a property is approved for Section 18, the primary interest of HUD is to make sure that:

1. Eligible tenants continue to be assisted and are appropriately relocated, if applicable; and
2. The property is disposed of in accordance with program procedures (either for FMV or for less than FMV for commensurate public benefit).

Provided the PHA satisfies the basic requirements, any redevelopment of the project, including any project-basing of vouchers, is determined by the PHA. The PHA sets the terms for what the project will be used for, the number of units to be assisted, income-mixing, and income-mixing.

¹⁴ See [PIH Notice 2020-19](#), *Rent Reasonableness – Defining Assisted Units for the Housing Choice Voucher and Project-Based Voucher Programs*, Issued August 21, 2020

STREAMLINED RAD IN BLUE RIDGE, GA

The Housing Authority of Blue Ridge, GA, (HABR), converted all 48 of their Public Housing units to Section 8 PBRA under Streamlined RAD in June 2020.

“We originally applied for RAD in 2015” said Traver Aiken, Executive Director. “However, at the time, we couldn’t make the RAD rents work for us. But when the 2018 RAD Rents came out, those numbers were a lot better.” Additionally, by 2019, HUD had implemented the streamlined RAD process for very small PHAs, “which eliminated the Needs Assessment and reduced the scope of our Environmental Review, making all the difference for our agency.”

As a very small PHA, HABR could have also converted using Section 18 or Streamlined Voluntary Conversion. However, HABR had about \$300,000 in operating reserves and it was important to be able to transfer those funds to the converted project, which was only possible under RAD. “Also, RAD allowed us to choose PBRA over PBV, which was important in our agency.”

“Under Streamlined RAD, we did not undertake any work at conversion. Our units are in stable condition and there was really no need for a recapitalization event at the time of conversion; however, now that we have converted, and now that we are learning how to operate under “Multi-Family” housing, we will be looking in the next few years to upgrade all our units, likely with traditional mortgage financing or through the 4% Low-Income Housing Tax Credit program. We are also exploring possible redevelopment options, including transfers of assistance. The beauty of RAD is that it allows us to envision ways to leverage our assets and prepare for the future. It leaves us in control of the assets, which helps us maintain our current relationships with our residents.”

Streamlined Voluntary Conversion (SVC)

The third major repositioning option is Streamlined Voluntary Conversion (SVC), which is also administered by HUD’s *Special Application Center* (SAC) based in Chicago. In 1998, Congress added [Section 22 of the United States Housing Act of 1937](#), allowing any PHA to replace Public Housing with vouchers whenever it can demonstrate that it is no more expensive to the government to provide each family with a voucher, i.e., Voluntary Conversion. However, the associated methodology and cost test have proven extremely challenging for PHAs to execute, especially for small and very small PHAs. Therefore, in early 2019, PIH issued a [PIH Notice 2019-05](#) providing for a streamlined approval for Voluntary Conversion, applicable to PHAs with 250 or fewer units, which waived the cost test.¹⁵

As with Section 18, under SVC a PHA may request a TPV to protect HUD-assisted families and for each vacant unit occupied by an assisted family during the 24 months prior to HUD’s approval of a PHA’s

¹⁵ See [PIH Notice 2019-05](#), *Streamlined Voluntary Conversions of Last Remaining Projects of Small Public Housing Agencies*, Issued March 21, 2019.

Section 22 application. The vouchers must be offered to the residents in the form of tenant-based assistance. If the subject property, following conversion, will continue as rental housing, the PHA must give the residents the choice to move with tenant-based assistance (with the PHA paying for the moving expenses), to stay in their units using tenant-based assistance, or to provide their voluntary written consent to stay in their units using PBV assistance.

Since Section 18 (50 or fewer) does not require tenant consent in order to project-based the voucher and because a very small PHA qualifies under both Section 18 (50 and under) and SVC, a PHA that is attempting to preserve the property is typically better off utilizing Section 18.

As with Section 18, if a property is sold under SVC for less than Fair Market Value (FMV), use restrictions must be placed on the property, and there are limitations on the use of the disposition (sales) proceeds.

Other key features of SVC include:

- PHAs without their own HCV program must partner with a voucher agency that can administer the TPVs, as HUD will not establish new HCV programs based on the TPV award.
- SVC requires a commitment of the PHA to close out its Public Housing program, following the guidance in [PIH Notice 2019-13](#).¹⁶
- Since a PHA may only spend Public Housing funds to support Public Housing units that are under a (DOT/DORC, PHAs may not spend Public Housing funds to rehabilitate, maintain or operate any units that have been removed from the Public Housing inventory, including through SVC.¹⁷ Therefore, a PHA should either plan to use those funds on any eligible Public Housing activity prior to conversion or the PHA should consider transferring such funds to another PHA prior to closeout.¹⁸
- Unlike Section 18, a PHA is not eligible for either Asset Repositioning Fees (ARF) or Demolition/Disposition Transition Funding (DDTF) funds under SVC.

BASIC SVC PROGRAM RESOURCES

Program Guidance
[Notice PIH-2019-05](#)

Helpful Links
[SVC Landing Page](#)

¹⁶ [PIH Notice 2019-13](#), *Public Housing ACC Termination and PHA Closeout*, Issued May 24, 2019.

¹⁷ See FAQ: [Public Housing Funds and Repositioning](#), Issued February 2021.

¹⁸ [PIH Notice 2014-24](#), *Process for Public Housing Agency Voluntary Transfers and Consolidations of the Public Housing Program*, Issued September 23, 2014.

A CONSORTIUM IN TEXAS CONVERTING 19 PHAS VIA SECTION 18 AND SVC

The Texoma Housing Partnership (THP) was the nation's first "Public Housing consortium." Formed in 2000, it includes 19 PHAs in the north Texas (north of Dallas), representing a total of 522 units. The participating cities include: Bells, Bonham, Celeste, Ector, Farmersville, Gunter, Honey Grove, Howe, Ladonia, Leonard, Pottsboro, Princeton, Savoy, Tioga, Tom Bean, Trenton, Van Alstyne, Whitewright, and Windom. The cities have a combination of small (50-249) and very small (0-49) housing authorities. Under the terms of the consortium, each PHA elects a member to the THP Board, which then maintains full control over the management of all units in the consortium. Although each PHA is still recognized by HUD as a separate agency in terms of calculation of operating and capital subsidies, the consortium operates as one agency, with responsibility over all units.

"Within THP, 17 of the agencies have 50 or fewer Public Housing units and the remaining two have just 91 and 70 units," said Allison Reider, THP Executive Director. "We looked at asset repositioning as a way both to simplify our operations and to achieve greater financial independence and feasibility. We applied (and have been approved) for Section 18 50 and Fewer for the 17 PHAs that qualify. But it did not make any sense to convert only those agencies. Hence, we applied and were approved to reposition the remaining two under Streamlined Voluntary Conversion (SVC). Our goal is to project-base the TPVs that come with an approved Section 18 or SVC application."

"Because the Section 18 program requires an actual 'disposition', we created what, under Texas law, is called a 'Public Facility Corporation', or PFC. We call it the Texoma Housing Partners PFC, and we will sell the assets of each PHA to the PFC for \$1. The PFC is a separate non-profit with 19 Board members, again one from each member PHA. Although the SVC program does not require a disposition, we decided to put all assets under the PFC. This PFC will be a fully-functioning non-profit affordable housing organization, just like any other."

Because none of the 19 member agencies operates a voucher program, THP needed to find a voucher administrator. "We actually did quite a bit of research trying to find a voucher administrator that we felt best met our needs, which was the Housing Authority of Plano. As the voucher administrator, they will be responsible for the administration of the waiting lists, for determining applicant eligibility, and for tenant re-certifications. However, because we have such strong relationships with our residents, and because we have staff on-the-ground, we will serve as a bridge between the residents and Plano."

Under both Section 18 and SVC, a PHA is not able to carry over their existing Public Housing operating reserves. "We've been carefully planning for the full expenditure of our reserves on various capital projects prior to conversion. As a result, when we convert, all the units are expected to be in good physical condition."

"We also looked at Streamlined RAD but the rents under Section 18 and SVC were significantly higher. One of the things that we are so excited about is that we can now use the cash flow from our properties to create new affordable housing opportunities throughout our communities. It's really a game-changer."

All units have been approved by the SAC for conversion, which is expected to occur in the spring of 2021.

Section 32 Homeownership

The fourth main repositioning option for PHAs is the Section 32 *Public Housing Homeownership Program*, which refers to [Section 32 of the United States Housing Act of 1937](#). As with Section 18 and SVC, Section 32 is administered by HUD's Special Applications Center (SAC). This option allows a PHA to sell Public Housing units to low-income households, based on a PHA-adopted, and HUD-approved Homeownership Plan. This program was established by the Quality Housing and Work Responsibility Act of 1998 (QHWRA) and replaces the Public Housing homeownership program that was previously authorized by Section 5(h) of the *United States Housing Act of 1937*. Units sold under a Section 32 homeownership plan are not subject to the disposition requirements of Section 18. It is an alternative disposition program to allow for affordable homeownership.

Section 32 offers PHAs a flexible way to sell Public Housing units to low-income families, with preference given to current residents of the unit(s) being sold. PHA can choose to sell directly to a purchaser or through a third-party Purchase and Resale Entity (PRE). The basic program requirements are that the purchasers must be low-income (80% or below AMI) and have received HUD approved homeownership training, and that all units be at a standard that meets local code or, if there is no code, meet HQS. Any other requirements and program eligibility are largely determined by the local PHA. Any sales proceeds generated must be used for Public Housing, Section 8 or other low-income housing needs, which could include buying and selling more units under the approved Section 32 homeownership plan. Also, for any units sold that were occupied by assisted families in the prior 24 months, the PHA will receive a Section 8 TPV.

Of course, not all Public Housing properties make good homeownership projects. A PHA, for example, is not likely to convert a mid-rise family project to homeownership. Scattered sites, on the other hand, are worth considering if a PHA has interest in a homeownership program.

Although Section 32 is a path to Section 8 TPVs, it is not a path to project-base the current Public Housing units because the units have been sold to low-income families for homeownership. However, the TPVs can be added to the PHA's HCV program and can then be project-based to support rental units. A PHA is eligible for ARF but not DDTF under Section 32; however, a PHA does still retain its Faircloth Authority.

BASIC SECTION 32 PROGRAM RESOURCES

Program Guidance

https://www.hud.gov/sites/documents/DOC_8104.PDF

Helpful Links

[Section 32 Landing Page](#)

https://www.hud.gov/program_offices/public_indian_housing/centers/sac/homeownership/

CONVERSION OPTIONS SUMMARY

Each of the four main repositioning tools described in this section come with its own requirements, owing largely to different legislative and programmatic histories. A summary of these key program characteristics, from the ability to use of Public Housing Program funds to support conversion to eligibility for ARF or DDTF funds, can be found on the Public Housing Repositioning website at:

https://www.hud.gov/sites/dfiles/PIH/documents/Asset_Repositioning_Overview%283-21%29.pdf

HOW TO APPLY

RAD. You can access, and submit, the RAD electronic application through the RAD Resource Desk at www.radresource.net. In addition to the on-line two-page application form, the PHA will need to submit: a summary of resident comments at meetings and PHA's responses; the PIC profile of Development; documentation of the PHA's capacity to administer PBV (if applicable); a Mixed Finance Affidavit (if applicable); and a Portfolio Application and/or Many to One Request (if applicable). The same application and requirements apply to RAD/Section 18 blends. Applications are generally reviewed within 60 days. As of March 2021, there are about 125,000 unreserved units, which means that there is no waiting list and applications are processed on a first-come, first-served basis. Upon award, a PHA is issued a Commitment to Enter into a Housing Assistance Payments, or "CHAP." The PHA then has 9 months to submit a financing plan, with extensions for good cause. HUD provides technical assistance to all PHAs during the first 4 months of award to assist with the initial launch of the project, and thereafter as requested. PHAs can apply for individual projects or they can also submit a "portfolio application." Under a portfolio application, the PHA can reserve authority under the RAD statutory cap for future projects if they are undertaking several conversions over a period of time. If the PHA has a threshold level of conversions underway, the PHA need only provide the total number of units they wish to convert to secure the portfolio reservation.

Section 18, SVC, or Section 32 Homeownership. All Section 18, SVC, and Section 32 applications are processed by the Special Applications Center (SAC) through its Chicago Office and are initiated by an electronic "removal application" in the Public Housing Information Center/Inventory Management System (PIC/IMS). Unlike RAD, where the application gets you "in the door" (and requires submission of a financing plan within 9 months), there is no two-stage SAC application and removal process. The application must meet all the requirements, and provide all the justifications requested, for HUD to make its determination. As with RAD, there are certain resident and public notification requirements prior to submitting an application. For a full list of the required submissions, see the SAC's landing page at [this link](#). SAC applications are generally processed within 60 days. Note: all RAD/Section 18 Blend applications begin with a RAD application.

Section 4: Choosing the Right Options for Your Community

Converting projects from Public Housing to Section 8 can offer many advantages – more stable funding, program simplification, greater ability to leverage private debt and equity, and, at times, even higher funding. However, advantages can differ between communities, and choosing the best option is up to each PHA. Although these decisions are inherently local, this section provides a framework in which to undertake that analysis.

For the vast majority of very small PHAs, the primary conversion goal is likely simply to preserve the asset as long-term subsidized housing, in which case one of the major decision factors will be the rent levels under each option. But secondary considerations, in terms of choosing the most appropriate conversion option, could include: streamlining operations (see text-box on Uvalde, TX), changes in ownership, or the impact of conversion on households who may now be over-income, among other factors. Still, there will be some agencies that will want to convert to homeownership or to tenant-based assistance. The key is that these decisions should really flow from the goals and mission of the PHA, which will vary from one community to the next.

Thinking Strategically

Which repositioning option (or options) make the most sense for your community? Repositioning planning is really an exercise of balancing the goals and vision of the agency against both the available options and the resources available to make that happen. For any repositioning effort, there are three possible outcomes: convert to homeownership, convert to tenant-based assistance, or convert to long-term project-based assistance (whether on the original site or on an alternative site). For each outcome, there are different repositioning options and, for each repositioning option, there are

AGENCY GOALS

The decision about which repositioning option or strategy to choose for each project should flow from the overall vision of the PHA and its Board with respect to:

- the quality of housing desired;
- the preferred mix of incomes;
- the location of housing and the de-concentration of poverty or race;
- the distribution of hard vs soft units (project-based vs tenant-based);
- the need for rental vs homeownership;
- the impact on neighborhood redevelopment; and
- the goals for resident mobility or self-sufficiency.

For most projects, PHAs are simply looking to find the repositioning option that best preserves the asset as long-term assisted housing. But for projects that might be more physically distressed or socially impacted, plans and decisions will be shaped not only by resources (financial feasibility) but by larger issues such as mobility, neighborhood revitalization, and other factors. Moreover, different communities are likely to come to different decisions about what constitutes the best outcome, i.e., that these are inherently local decisions.

various financial and non-financial considerations, e.g., contract rent levels, eligibility for DDTF or ARF, use of Public Housing funds to support conversion, and treatment of over-income households. PHAs must weigh the financial and non-financial considerations alongside the goals and mission of the PHA.

Figure 5 illustrates this property-level decision process.

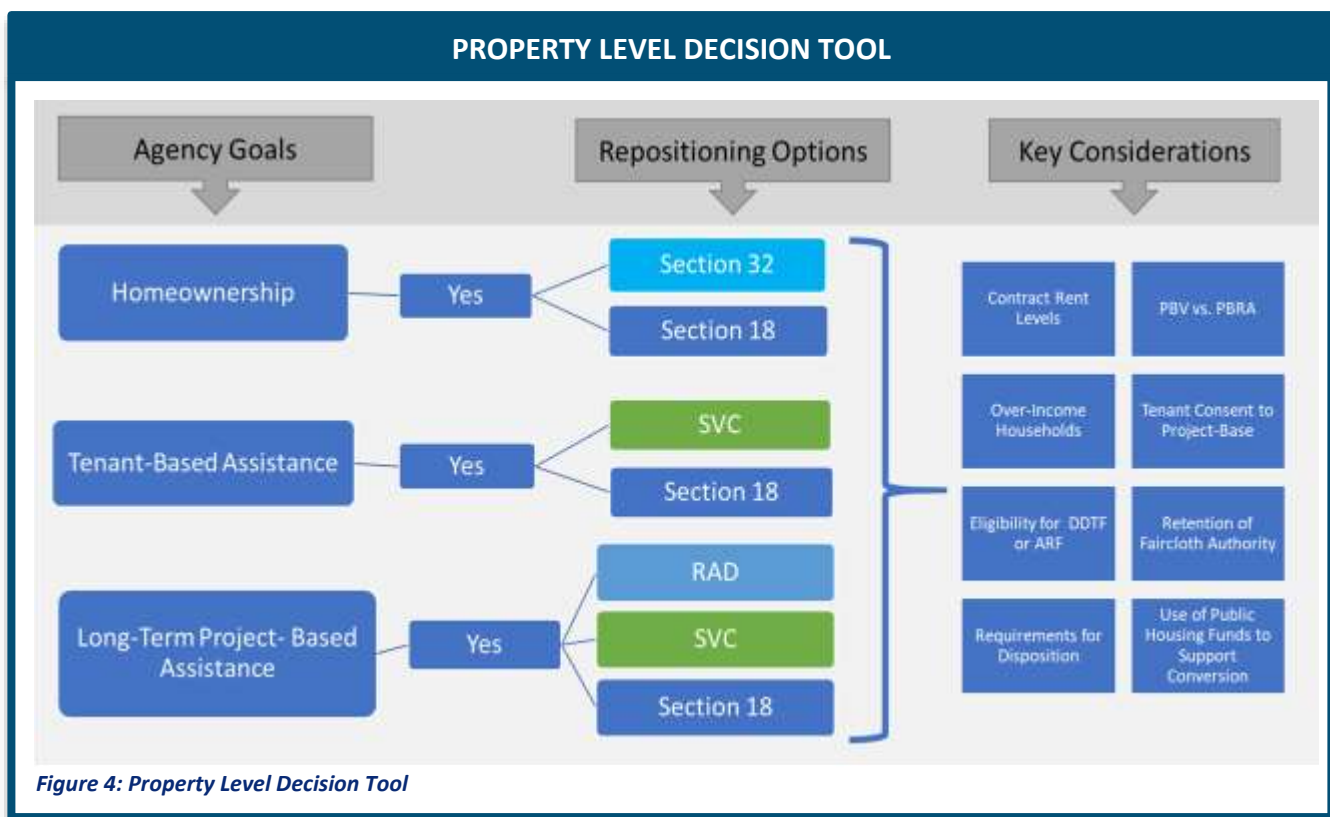


Figure 4: Property Level Decision Tool

- **If the goal is to make the units available for homeownership to low-income families (families earning 80% and below AMI),** a PHA should generally apply through Section 32. Under Section 32, there is a structure in place for a flexible homeownership program, with protections and requirements for both the PHA and the purchasing family. Under Section 32, a PHA is eligible to receive TPVs for units that were occupied by an assisted family in the previous 24 months (including for units where families choose to purchase the unit for homeownership), provided the impacted families is offered the TPV. It is possible that a PHA might sell units under the Section 18 50 or Fewer option for purchase by low-income families as homeownership units, but this would generally not be through a homeownership program but by the family simply purchasing the unit at fair market value.
- **If the goal is to convert to tenant-based assistance,** a PHA can (1) convert via SVC or (2) convert via Section 18 and then issue each household a TPV to find housing on the private market. The

main differences between these two options are that, under SVC, there is no requirement to dispose of the asset, but also no eligibility for ARF or DDTF or to retain Faircloth Authority.¹⁹ Additionally, under SVC, if a property continues to operate as rental housing, the PHA (or subsequent owner) must allow the families to remain in their units.

- **If goal is to convert to long-term project-based assistance (although not necessarily to preserve the current asset),** which is likely to be the case for the overwhelming majority of projects, a very small PHA can (1) convert under Streamlined RAD; (2) convert under Section 18 50 or Fewer and project-base the Section 8 TPVs; or (3) convert under SVC and project-base the TPVs, but with tenant consent. Within these options, a PHA would generally:

- **Choose RAD** if the RAD rents are higher than, or substantially equivalent to, the non-RAD rents; if the project had over-income tenants for which it wanted to extend the right to return; the PHA had significant Public Housing funds that it wanted to contribute to the project at conversion; or the PHA wanted to convert to PBRA which allows for a contract directly with HUD rather than with a PHA voucher program. (RAD is the only conversion option available if the PHA wants to end up on the PBRA platform).
- **Choose Section 18** if the rents are higher than under RAD; the PHA does not have concerns about over-income households; the PHA is not interested in converting to PBRA and either the PHA administers a voucher program or is readily able to identify a voucher administrator; and the PHA is comfortable with the requirement to dispose of the asset (such as to a related non-profit). The PHA would generate DDTF or ARF funds, as well as Faircloth Authority, but the

ASSESSING THE CONTRACT RENTS UNDER DIFFERENT OPTIONS

One of the most important financial considerations in any conversion planning effort is to determine the contract rent under each option (see Appendix I for more details).

Under RAD, maximum rents are generally set based on the property's public housing funding levels. In contrast, if a PHA project-bases the TPVs associated with either a Section 18 or SVC action, the rents are based on standard PBV rules, which is based on the FMR. (In both cases, there are standard program caps. For example, PBV rents set under any of these mechanisms cannot exceed the lowest of the rent requested by the owner, the reasonable rent, or 110% of the FMR).

For many Public Housing projects, the non-RAD PBV rents will be higher, and sometimes substantially higher, than the RAD rents. Non-RAD conversions tend to result in the highest rents, but not always, so it is important to check the numbers for each property.

¹⁹ Under Section 18 for Very Small PHAs, a PHA would be required to closeout its Public Housing Program and, as a result, could only transfer these DDTF and ARF funds, as well as its Faircloth Authority, to another PHA.

PHA would not only be able to transfer those funds/authority at conversion. Also, the PHA would not be permitted to use any Public Housing funds to support a Section 18 conversion.

- **Choose SVC** if the rents are higher than under RAD; the PHA does not have concerns about over-income households; the PHA is not interested in converting to PBRA and either the PHA administers a voucher program or is readily able to identify a voucher administrator; and the PHA is not comfortable with the requirement to dispose of the asset (such as to a related non-profit). The PHA would not, though, generate DDTF or ARF funds, and would lose its Faircloth Authority for this number of units, and the PHA would not be permitted to use any Public Housing funds to support an SVC conversion.

STREAMLINING OPERATIONS BY CONVERTING TO PBV IN UVALDE COUNTY, TX

The Uvalde Housing Authority (UHA) was established in 1971 and serves residents of Uvalde County, which has a population of about 16,000 people and is located about 90 miles west of San Antonio, TX.

UHA was one of the first very small housing authorities to complete a RAD conversion. UHA chose to convert their only Public Housing property, El Cenizo Apartments, closing in March 2017. The property, constructed in 1984, includes 48 units with a combination of 1 to 4-bedroom units. At the time, the agency operated a voucher program of about 200 units. “Although we felt that the RAD conversion would help us better preserve the asset long-term, particularly by setting up a replacement reserve account, we were also very excited about the opportunity to consolidate under one rental assistance program,” said Virginia Limon, Executive Director. “Since we also operated a voucher program, it seemed like a “no-brainer” to convert to PBV.”

Now over three years since the conversion, the agency is pleased to see things work out as planned. “We are on track with our 10-year capital plan; our cash flow is stable; and we’ve seen real savings in having to operate only one rental assistance program,” said Limon.

The ownership of the property was transferred to an affiliated entity, Garner Field Property Management Public Facility Corporation and UHA still manages the units. As part of the conversion to PBV, UHA offered the Choice Mobility option to residents one year following the conversion. Only one resident has opted to move using the tenant-based voucher option. “What made so much sense for us was that we now have only one subsidy program to administer,” said Virginia Limon. “By converting the 48 units to vouchers, we were able to streamline our operations. Our voucher office now handles all of annual recerts and resident paperwork.”

COMMON VERY SMALL PHA QUESTIONS

Although by no means an exhaustive list, the following are six of the more common repositioning questions/issues of very small PHAs:

- 1. What can the PHA do with its current Public Housing operating reserves?** RAD is the only conversion option that allows a PHA to use Public Housing funds (Operating Reserves, Capital Funds, and other program income) to support a conversion. Therefore, any PHA that converts via Section 18 or SVC will need to spend down those funds prior to the release of the units from the DOT/DORC or units that are in Removed From Inventory (RMI) status in IMS/PIC say, to make roof repairs or to upgrade kitchens. (A PHA could transfer those funds to another PHA prior to close-out, but that is not a very practical option for most PHAs.) In cases where the rents, post-conversion, will increase, the PHA may have the opportunity to build back those reserves quickly. Or, the PHA might consider refinancing the property to capitalize a new reserve account. Small PHAs with multiple conversion options may want to include a RAD conversion, even if rents are nearly equal to a contract rent based on PBV rules to make use of current Public Housing reserves.
- 2. What can the PHA do with its Faircloth Authority?** If a PHA converts via Section 18 50 or Fewer or SVC, the PHA must close out its Public Housing program, meaning that it cannot use its Faircloth Authority. However, it could choose to transfer that authority to another PHA prior to closeout. (RAD conversions do not generate Faircloth Authority.)
- 3. What happens with ARF or DDTF Funds?** If a PHA converts any units via Section 18 (but not via RAD or SVC), these units will be eligible for ARF and DDTF. However, if the PHA utilizes the RAD/Section 18 Blends, the PHA will need to close out its Public Housing program and will not be able to utilize these phase-down funds following closeout. As with Faircloth Authority, a PHA could choose to transfer that DDTF or ARF authority to another PHA prior to closeout.
- 4. What happens to the PHA's Board?** Conversion has no direct impact on a PHA's Board. Even when a PHA closes-out its Public Housing program (RAD, Section 18, or SVC), the legal status of the PHA remains. The PHA just will not administer a Public Housing program anymore. It may simply administer a housing voucher program (if applicable) or it may simply own real estate that now has PBV units attached to it but another agency administers those vouchers (see Section 6, *Changing Roles*, for more discussion on this topic).
- 5. What happens to the PHA's staff?** Repositioning, per-se, has no impact on staffing. There is no direct impact on staffing as a result of converting to Section 8. Conversion simply changes the nature of the subsidy received. Changes in staffing would only occur if the PHA, independent of repositioning, chooses to make changes in the organization or, if changes in staffing are undertaken as part of recapitalizing the project. Also, if there is a recapitalization and associated substantial rehabilitation or development of replacement housing, there would likely be appreciably less maintenance activity, especially in the early years post conversion.
- 6. What if the PHA does not operate a voucher program and wants to convert to PBV?** If the PHA does not operate a voucher program – and about 80% of very small PHAs do not operate a voucher program – it will need to find a voucher agency that will administer the vouchers. Usually, there will be multiple agencies willing to perform this function (and who will receive a new administrative fee for these units). But from time to time a small PHA may be in such a remote area where it might be difficult to find a local voucher agency willing to administer the voucher. In those situations, contact your local Field Office of Public Housing, which can help in identifying other potential voucher administrators.

Section 5: Resident Engagement

Regardless of each repositioning program's requirements for resident engagement, on-going and meaningful communication with residents during the planning and implementation phase of any repositioning project is important to its success. From a project management perspective, involving residents early in the process can lead to greater participation in the process, and help identify important considerations to include in a recapitalization plan. Frequent and regular consultation with residents is key to the success of any repositioning plan.

Communication with residents early is also needed to ensure that residents understand the impact on their daily life and their rights related to repositioning.

Under all repositioning options, the PHA must discuss the activity in the PHA Annual Plan or Moving to Work (MTW) Plan. As such, the regular requirements for resident consultation and public hearings during the annual plan process should be considered when designing the overall resident engagement strategy.

The specific program requirements for resident engagement under each repositioning option are summarized below.

RAD

RAD requires resident consultation and engagement throughout the RAD conversion process. This consultation is in addition to the consultation required with the public as part of the Annual PHA Plan. Prior to submission of a RAD application, the PHA provides residents with a *RAD Information Notice* (RIN) which serves as the PHA's first RAD communication with the Residents and provides an overview of the PHA's plans and a summary of resident rights. At this stage the PHA will typically also issue a *General Information Notice* (GIN) under the Uniform Relocation Act if there is any possibility of relocation. Two meetings with residents must then be held before the RAD application is submitted. After the CHAP is issued, the PHA must hold at least another meeting with residents prior to holding a Concept Call with HUD. However, if there are delays the PHA will be required to hold an additional resident meeting. Depending on the complexity of the conversion, a PHA may hold a higher frequency of meetings with residents. After the Concept Call but before the Financing Plan, the PHA is required to hold another meeting with resident to discuss the more specific plans of the conversion. The PHA must notify all residents when the Financing Plan is approved by HUD and then will start meeting with residents individually to manage new leases and/or to discuss any relocation if needed.

Section 18

Section 18 requires resident involvement prior to submitting the application to HUD. This is in addition to the consultation required with the public as part of the Annual PHA Plan. Under certain circumstances, the PHA may need to offer the property for sale to the resident organization. PHAs must provide the resident notice 90 days prior to the date of the sale of their unit, counseling, relocation expenses, and comparable replacement housing options.

SVC

SVC requires significant resident involvement in the planning process prior to the application to HUD. This is in addition to the consultation required with the public as part of the Annual PHA Plan. PHAs must provide the resident with relocation notices under the URA, if triggered, or notice 90 days prior to the date of the conversion of their unit.

Section 32

Section 32 requires resident involvement in the planning process prior to submitting the application to HUD. This is in addition to the consultation required with the public as part of the Annual PHA Plan. The current residents of the Public Housing units have the option of applying to purchase their unit or receiving tenant-based assistance or another comparable unit. PHAs must provide the resident with notice 90 days prior to the date of the sale of their unit, counseling, relocation expenses, and comparable replacement housing options. The right of first refusal does not extend to residents in non-Public Housing units.

Section 6: Changing Roles

While repositioning does not change the legal structure of a PHA, the role of a PHA in the direct provision of housing may change, particularly for projects requiring a major recapitalization and, thus, the need for new development partners. It is likely that the vast majority of very small PHAs will undertake the conversion to Section 8 as a straightforward change of subsidy platform. Neither a RAD nor an SVC conversion would require any structural change to the PHA's organization, and Section 18 would simply require the disposition of the asset to another legal entity, which will likely be an affiliate or instrumentality of the PHA. Those very small PHAs that are interested in a recapitalization will likely undertake it at a later time, and some organizational changes may need to occur at that time.

This section looks at these possible changing roles, how a Section 8 conversion may impact ownership and control of the properties, and how PHAs have addressed those challenges. The distinction is made between changes that are program-driven versus changes that are driven by the need to seek and secure sources of outside funding necessary to recapitalize the property.

Changes in Ownership and Control that are HUD Program-Driven

While under Section 18 the asset must be disposed to a separate legal entity, under RAD or SVC there is no program requirement for any change in ownership. In fact, RAD has very strong requirements for continued public or non-profit ownership or control.

- **RAD.** For any conversion action, RAD requires public or non-profit control of the asset, except in the case of tax credits projects, where the PHA must maintain an "interest" in the project, often achieved either by the PHA serving as the controlling member of the ownership entity (where the PHA has sufficient prior experience) or by the PHA maintaining a long-term ground lease. Therefore, RAD itself does not require any change in ownership. A PHA can continue to own the converted property, which is typically the case for all RAD no-debt transactions and some debt-only transactions. Changes in ownership come about mostly because of the need or desire to recapitalize the property (see below).
- **Section 18.** Section 18 requires a disposition of the property to a separate legal entity. That disposition can be for Fair Market Value or for less than FMV provided there is commensurate public benefit, which generally means the provision of affordable housing (with long-term use restrictions). Hence, Section 18 does not govern the type of organization that will own the asset, only that the asset is appropriately disposed. To whom the asset is sold, and what type of on-going control the PHA will exercise, is entirely up to the PHA. In most cases, PHAs will dispose of the asset to a non-profit arm of the PHA for a nominal amount, as the property is repurposed/redeveloped as affordable housing.

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- **SVC.** There is no requirement under SVC to dispose of the asset. A PHA can continue to own the asset under the legal entity of the PHA. But if the PHA chooses to dispose of the asset, or if a change in ownership is required as a result of the recapitalization of the property, then the PHA must follow the same disposition guidelines as in Section 18, i.e., sale for FMV, or for less than FMV with commensurate public benefit.

Changes in Ownership and Control that are Driven by the Need to Recapitalize the Property

In many debt transactions and all tax credit transactions, a PHA will need to create a legally separate “single-purpose entity” as a condition of attracting private capital.²⁰ The use of a single-purpose entity is common throughout both the private and non-profit housing community and serves to protect lenders and investors from risk, particularly from lawsuits or claims related to other activities of the owner (the PHA). In many cases, this single purpose entity would be wholly controlled by the PHA (often owned by the PHA’s related non-profit), resulting in no real impact on the operations and management of the property.

In most debt-only transactions (i.e., not involving tax credits), it is common for the PHA to transfer ownership of the asset to a non-profit arm of the PHA, sometimes called an instrumentality or affiliate of the PHA or to a limited liability company. In the non-profit case, the Boards of the non-profit are often, by definition, the members of the PHA’s Board of Commissioners and thus the work of the PHA and the non-profit are aligned. In the limited liability company structure, the sole member – the sole entity with an ownership interest in the LLC – is the PHA itself so the PHA directs the activities of the LLC.

In tax credit transactions, the PHA, or its related entity, may serve as the controlling member of the ownership entity (typically a limited partnership or limited liability company). Should the PHA not have enough development experience and need to bring in additional development partners (see below), PHAs often seek to maintain ownership or control through one or more of the following methods:²¹

- Leasing the land through a long-term ground lease (typically 70-99 years);
- Holding the option and right of first refusal to purchase the property at the end of tax-credit compliance period;

²⁰ Occasionally, a lender may agree to make a loan to the “agency” without requiring the establishment of a separate, single-purpose asset. This situation tends to occur with small agencies who have only one asset and where there is a long-standing relationship between the agency and the lender.

²¹ In RAD, where there is a requirement for on-going public or non-profit ownership or control, seller take-back financing and right of first refusal are alone not sufficient to satisfy these ownership/control requirements.

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- Extending seller take-back financing for the building(s);
 - Serving as a non-managing general partner or special limited partner in the ownership entity;
or
 - Establishing a “control agreement” that exercises certain control rights, e.g., approval of the management agent, control of the waiting list, or approval of operating budgets.

A key consideration in structuring these ownership arrangements is preserving the project’s preferred treatment for real estate taxes.²² In some states, the fact that a PHA maintains a long-term ground lease may be sufficient to preserve the PILOT (or may otherwise make the project exempt from taxes). In others, the transfer of property to an LLC required by LIHTC financing may void the PILOT. In many states, property held by a non-profit is exempt from real estate tax. PHAs should seek appropriate legal counsel on the property tax considerations for any conversion.

²² Another key consideration is how the ownership structure impacts program administration under the Section 8 PBV/HCV program, execution of the HAP contract, and noncompetitive selection. If PHA-owned (see PIH 2017-21, Attachment A for definition of PHA-owned), the PHA must secure an independent entity to perform certain administrative tasks (e.g., inspections or rent reasonableness determinations.). See also questions 14-21, 27, 28, and 35 of PBV Repositioning FAQ.

TRANSFERRING OWNERSHIP TO A PHA-CONTROLLED NON-PROFIT IN ARKANSAS

Since 2013, Russ Swint has served as the Executive Director of four very small PHAs in Arkansas: Amity (24 units), Mount Ida (24 units), Booneville (40 units), and Pike County (28 units). All four agencies converted to Section 8 PBVs under Streamlined RAD in fall 2020. Amity, Mount Ida and Booneville closed in October and November 2020 and Pike County closed on December 1, 2020. “RAD made a lot of sense for us, particularly as we were converting to PBVs and the voucher agency would then be responsible for all subsidy administration,” said Mr. Swint. “Although we were eligible for Section 8 “50 or Fewer,” the FMRs are pretty low in our area and we were better off under RAD.”

At the time, only Pike County operated a voucher program. “Because of their locations, we decided that we would work with the Logan County Housing Authority to act as PBV contract administrator for Booneville. Pike County already operated a voucher program and we agreed it would serve as the contract administrator for Amity, Mount Ida and the Pike County RAD units.” Thus, for Amity, Mount Ida, and Booneville, there was no change in ownership as a result of conversion. Those PHAs continued to own the former Public Housing units (now RAD PBVs). But in the case of Pike County, the agency could not be both the owner of the property and the contract administrator, i.e., the PHA could not be on “both sides of the HAP contract.”

“The solution for Pike County was actually pretty simple,” said Mr. Swint. One minor hiccup in the conversion process happened at the closing table. Swint recalls that the HUD Field Office notified them that Pike County would need a non-profit entity. All told, it took just two weeks to establish the non-profit and the RAD conversion moved forward smoothly. “The Board of Pike County created a wholly-owned non-profit called Murfreesboro/Glenwood Housing, Inc., and transferred the Public Housing units to this entity at conversion. Essentially, the Pike County Housing Authority still controls the asset. And, because the asset remains owned by a non-profit, we continued to obtain our exemption from real estate taxes.”

All 116 units were in good condition and no repairs or relocation were undertaken at any of the properties. Each PHA used their remaining Capital Funds and Operating Reserves with no outside financing to meet conversion financing requirements. No properties carried existing debt or sought debt to enable the conversion. Each of the four housing authorities still operate and have their own boards, and now have a stable financial foundation for the 116 homes across their community.

Section 7: Key Data Needed for Repositioning Planning

Under the streamlined conversion options for very small PHAs, the HUD-required application and award process is more about confirming program eligibility and local approvals than it is about demonstrating long-term financial feasibility. Consequently, although not required as part of the application, PHAs are strongly encouraged to consider gathering and reviewing the following data elements in their conversion planning efforts, particularly if the PHA is planning to preserve the asset as long-term affordable housing (and may eventually seek to recapitalize the property following conversion).

- 1. Capital Needs Assessment (CNA)/Physical Needs Assessment (PNA).** Although no physical needs assessment is required if the PHA converts via Streamlined RAD, Section 18 50 or Fewer, or Streamlined Voluntary Conversion (SVC), a PHA would be well-advised to obtain a third-party analysis of the physical condition of the property, even if not undertaken according to the standards of the RAD Physical Condition Assessment (PCA).
- 2. Environmental Review.** Although all conversion options for very small PHAs involve streamlined environmental reviews, the PHA will want to know if there are any environmental concerns that may affect the health of residents and future viability of the property.²³
- 3. Real Estate Taxes.** The PHA will want to confirm the tax status of the property following conversion. Under the Public Housing program, PHAs pay an alternative to real estate taxes, called Payment in Lieu of Taxes (PILOT), which is typically based on a percentage of the rent paid by the tenants. This

RAD INVENTORY ASSESSMENT TOOL

The [RAD Inventory Assessment Tool](#) was designed to help PHAs and other stakeholders make a first-level assessment of properties in their inventory for potential conversion to Section 8. This tool uses each property's 2020 RAD rents and other pre-loaded property data to construct an Income and Expense Statement (or Operating Budget) as well as a Development Budget (or Sources and Uses of Funds) for each project in the PHA's portfolio. The user needs only to enter minimal data to generate initial results for each property. The user can then modify any of the information, or any of the assumptions or formulas used, to perform more "what if" analyses.

²³ PHAs should also be aware of the requirements under 24 CFR Part 35, Lead-Based Paint Poisoning Prevention in Certain Residential Structures, for on-going lead-based paint risk assessments under both the PBRA and PBV program. Conversion is an opportunity to make sure that PHAs and owners are completing the risk assessments to make sure that any remediation and Operations and Maintenance plans are incorporated into the development budget.

arrangement is set by the Cooperation Agreement between the PHA and the local taxing jurisdiction. In many states, any property owned by a public body is exempt from taxes and some states allow for reduced taxes for properties owned by non-profits or that serve as “affordable housing.” As such, all very small PHAs should seek appropriate legal counsel to better understand the tax treatment of the former Public Housing property following conversion.

- 4. Review of Current Legal Documents.** PHAs will want to review the various legal documents impacting the property to ensure a smooth conversion. The current DOT will be released and, in most cases, replaced with an alternative use restriction. The Cooperation Agreement will also likely be terminated when the when the project leaves the Public Housing Program. The PHA should gather any State enabling legislation to ensure that any contemplated repositioning, along with proposed legal entities, are allowable activities and organizations under applicable enabling legislation. Lastly, the PHA By-laws should be reviewed to ensure the repositioning plan and any proposed legal entities are allowable activities, or whether amendments to the By-Laws will be needed. For more complex financing structures, the PHA will eventually need to do a title report to review what legal contracts impacting the property are recorded in the local (often the County) land records.
- 5. Analysis of Existing Indebtedness.** To inform finance decisions related to repositioning, the PHA should gather and review any current loan agreements (and repayment obligations, e.g., those as a result of program audits) of the properties being considered. This may include outstanding mortgage(s) incurred in connection with previous construction or purchase of property, and any other recorded indebtedness such as a mechanic's lien. The PHA should also review any instances

ENVIRONMENTAL REVIEW INFORMATION

An environmental review is the process of reviewing a project and its potential environmental impacts to determine whether it complies with the National Environmental Policy Act (NEPA) and related laws and authorities. All HUD-assisted projects are required to undergo an environmental review to evaluate environmental impacts. Part 58 and Part 50 are the sections of HUD regulations that implement that National Environmental Policy Act (NEPA). Part 50 applies to programs where HUD performs the environmental reviews, and Part 58 applies to programs that allow a responsible entity to perform the environmental reviews. Part 50 applies when program legislation does not delegate the authority to assume responsibility to the local government, such as FHA or HUD Multifamily housing programs. Part 58 applies when legislation for a program allows local governments to assume authority.

For more background on environmental reviews, please see: [Environmental Review Requirements for RAD Conversions - Quick Reference Guide](#) (January 2020).

of unrecorded debt. Energy Performance Contracts (EPC) constitute existing indebtedness that is repaid by energy savings on identified properties. Note that any inventory-wide debt, such as Capital Fund or Operating Fund Financing (CFFP and OFFP), will need to be addressed. Because these debt instruments are collateralized at the PHA level, a particular project may be impacted even if the funds generated by the CFFP or OFFP were not used to perform repairs on that particular property. PHAs should contact their lenders to negotiate prepayment to allow partial or full release of specific properties proposed for conversion. All existing debt affecting a particular repositioning must be paid off by the closing of conversion.

6. **Collective Bargaining Agreements.** Although most very small PHAs do not have collective bargaining agreements, where applicable, PHAs should review these agreements to determine if there are any provisions that may impact conversion.
7. **Voucher Administration.** Most very small PHAs do not operate a voucher agency and, as such, will need to partner with a voucher administrator if they plan to convert to PBVs.²⁴
8. **Need for Independent Entity.** A PHA will need to secure an independent entity to perform rent reasonableness and HQS inspections if it will have an ownership interest in the converted project as described in [PIH 2017-21](#).²⁵
9. **Analysis of Operating Expenses and Development of an Operating Pro-Forma.** Fundamental to any analysis of feasibility will be an estimate of the projected operating expenses following conversion. Essentially, a PHA will want to estimate the expected operating costs following conversion, which should be informed both by past expenses and by any planned capital improvements. Although only the RAD program requires submission of an Operating Pro Forma as part of the RAD Financing Plan, the RAD Notice provides guidance on many elements of the Pro Forma, which can be found in the RAD Notice, Attachment 1A, Section I. This guidance is by and large applicable to any project-based repositioning option. Key topics covered include: vacancy and collection loss percentage; reserves; insurance (which will likely be increased if or when the property is renovated); stabilized cash flow (for non-financial transactions); and debt service coverage ratios (for transactions involving debt and/or equity). An Operating Pro-Forma should also include the creation of a reserve for replacement account (set at \$500 per unit per year for Streamlined RAD, unless otherwise approved by HUD).

²⁴ More detail about this partnership may be found in 2018-09, Section 6.C.3 and in the TPV FAQs (Q.16).

²⁵ The requirement for an independent entity comes into play if the project is PHA-owned under the HOTMA definition as explained in PIH 2017-21, Att A. Also, while HQS and rent reasonableness are the most notable tasks the independent entity would perform, there are others as well (as listed in PIH 2017-21, Att B).

10. Estimate of the “Market” or “Reasonable Rents.” For all repositioning options, the “market” or “reasonable” rent plays an important consideration in the calculation of contract rents. Hence, for project-planning purposes, it is essential for PHAs to understand the potential market or reasonable rent for each unit type. In the case of RAD, this market rent serves as a cap on “current funding.” But in Section 18 or SVC, where the PHA is planning to project-base the TPVs, rents could be higher than Public Housing funding, but never more than “market” – so, again, understanding the market rent is key. Also, it is important to estimate the rent following whatever repairs are made to the project. In other words, it is not necessarily the market rent today, but the market rent at time of repositioning. (If the PHA is expecting to recapitalize the property with private financing or tax credits, the lender or investor might require a formal market study; however, for initial planning purposes, a more informal means of estimating the market rents, including simply contacting other landlords, is often sufficient.)

11. Eligibility for Leveraging. The greater the amount of physical work needed, the more likely that the project will need to attract outside funding. In such instances, early in the planning process, therefore, it is essential for the PHA to consider the availability of outside funding and the associated requirements of those lenders, investors, or other funders. See an overview of [Common Repositioning Financing Sources](#) for more information.

- **Tax Credits.** If a PHA wants to rebuild an existing property, an award of 9% Federal Low Income Housing Tax Credits (LIHTC) is often necessary to leverage the high cost of new construction. State Housing Finance Agencies allocate LIHTC according to an Annual Qualified Allocation Plan (QAP), which outlines a scoring system. Good location and neighborhood amenities typically are major scoring items, though some states will also award points if a project will be part of a major area revitalization. Either way, it is critical to understand whether a property can score well on the state’s QAP before making major recapitalization decisions. Tax -exempt bonds with 4% LIHTC are more widely available but yield less equity for investment in the property and are therefore generally used for rehabilitation efforts, rather than new construction.
- **Mortgage Financing.** Be aware of rates, terms, and other lender requirements, and also consider eligibility for FHA-insured financing, which are often at highly competitive rates.
- **Gap Financing.** The PHA needs to be aware of other soft mortgage or grant financing available from state and local sources and whether a proposed project is likely to meet the program qualifications.

12. Amount and Use of Remaining Public Housing Funds. How much does the PHA have in unspent Public Housing funds (mostly, Operating Reserves and Capital Funds)? If the PHA is converting via Streamlined RAD, these Public Housing funds can be used to support the conversion (and really the only reason why the RAD program requires submission of a Sources and Uses). But if the PHA is

converting via Section 18 or SVC, the PHA will need to spend down these funds prior to the release of units from the DOT/DORC or units that are in Removed From Inventory Status (RMI) in IMS/PIC.²⁶

²⁶ If PHA submits a Section 18 demolition and/or disposition application that is supported by evidence of the physical obsolescence of the project, the PHA may not modernize the project after submitting the application to the degree that the project is no longer physically obsolete, or is substantially different from the evidence submitted with the Section 18 application.

Appendix I: Determining Contract Rents

One of the most important considerations in any repositioning planning effort is to compare the Section 8 contract rents that the project would receive under each repositioning option.

This section examines the specific methods for determining rent under each option.

Non-RAD PBV Rents

If the PHA plans to project-base the TPVs following Section 18 or SVC approval, the contract rents will be based on the normal PBV rent requirements, which set rents at the lowest of²⁷:

- The rent requested by the owner;
- A PHA determined amount, not to exceed 110% of the FMR (or any HUD-approved exception payment standard) less any tenant-paid utility allowance; or
- The Reasonable Rent.

RAD Contract Rents

Generally speaking, the RAD contract rents are based on the PHA's funding under the Operating and Capital Fund programs. Every two years HUD publishes these contract rents for each Public Housing project, by bedroom size.²⁸ These rents are then subject to the following rent caps:

- If the project is converting to PBRA and the RAD rents exceed 120% of the FMR (which is very rare), the PHA must provide a Rent Comparability Study to support those rents, up to 150% of FMR.
- If the project is converting to PBV, the RAD rents can never exceed the lower of the reasonable rent or 110% of the FMR less any tenant-paid utility allowance, which are the basic rent rules under the PBV program.

²⁷ Gross Rents less any utility allowance for the project equals the Contract Rent. Contract rents are the amount the building owner assumes as revenue for each unit in their HAP contract.

²⁸ As with non-RAD PBV rents, Gross Rents less Utility Allowances equals the Contract Rent. In the RAD program however, HUD publishes the Contract Rent and the gross rent is achieved by adding the utility allowance. With FMR -based rents, basis for the rent results in the Gross Rent amount which needs to be reduced by the Utility Allowance to achieve the Contract Rent.

There are, however, numerous methods by which a PHA can boost or augment the RAD rents. Rent caps will still apply, so if any boost or combination of boosts pushes the new rent over the cap, it will be limited to the capped level when HUD issues a CHAP amendment.

Refer to the [Rent Flexibility Guide](#) for more information.

Illustrative Examples

The hypothetical Patrick Homes is a 100-unit Public Housing project. Current Public Housing funding is \$650 per unit month (PUM). The project pays all utilities and, as such, there is no tenant utility allowance. The Section 8 Fair Market Rent (FMR) is \$700 and the “reasonable rent”, or what someone would pay walking off the street, is \$750 PUM.

- Under a RAD PBRA conversion, the contract rent would be \$650 because it is the lower of the RAD rent or 120% of the FMR.
- Under a RAD PBV conversion, the contract rent would also be \$650 because it is the lower of the RAD rent, 110% of the FMR, or the reasonable rent.
- Under a non-RAD PBV conversion, the contract rent would be \$750, which is the lower of the reasonable rent (\$750) or 110% of the FMR ($\$700 \times 1.1$, or \$770).

The RAD contract rents, whether PBRA or PBV, would be \$650 PUM. However, the non-RAD PBV rent (the rent that the project would command if it were approved under Section 18 or SVC and subsequently project-based the TPVs) would be \$750 PUM, which is higher than the current Public Housing funding (\$650) but lower than 110% of the FMR (\$770). (Because the RAD rents are below 120% of the FMR they would not be capped under RAD PBRA; similarly, because they are both less than the reasonable rent and 110% of the FMR, they would not be capped under RAD PBV.)

However, the hypothetical Patricia Homes is also a 100-unit Public Housing project. Current Public Housing funding is \$780 per unit month (PUM). The project pays all utilities and, as such, there is no tenant utility allowance. The Section 8 Fair Market Rent (FMR) is \$700 and the “reasonable rent”, or what someone would pay walking off the street, is \$800 PUM.

- Under a RAD PBRA conversion, the contract rent would be \$780 because it is the lower of the RAD rent or 120% of the FMR.
- Under a RAD PBV conversion, the contract rent would also be \$770 because it is the lower of the RAD rent, 110% of the FMR, or the reasonable rent.
- Under a non-RAD PBV conversion, the contract rent would be \$770, which is the lower of the reasonable rent (\$800) or 110% of the FMR ($\$700 \times 1.1$, or \$770).

The RAD contract rents would be \$780 if the property converts to PBRA or \$770 if the property converts to PBV. The non-RAD PBV rent (the rent that the project would command if it were approved under Section 18 or SVC and subsequently project-based the TPVs) would also be \$770. In this second hypothetical, the choice between RAD and another repositioning option could be influenced by the rent level if the PHA is interested in the PBRA option. If the PHA is only interested in PBV, then the choice would likely turn on other factors such as the ability to invest Public Housing resources in the transaction.

Differential Impacts

The Public Housing funding programs (Operating, Capital) are formula-determined and are not market-determined. The amounts (when combined) could be higher or lower than the actual market rent for the unit. For roughly half of the Public Housing portfolio nationwide, the Public Housing funding levels –the RAD contract rent levels – are substantially below the rents that would be authorized under the normal PBV program, which means that these PHAs would find it beneficial financially to convert through Section 18 or through RAD/Section 18 Blends where possible, at least until they have less than 250 units and become a small PHA.²⁹ However, for other projects, the RAD and non-RAD rents are much more comparable, or in some cases the RAD rents are higher. It is critical for a PHA to examine the actual rent levels when weighing repositioning options. And of course, as mentioned previously, rents alone are not the only important consideration in any conversion decision.

²⁹ Please see the companion guide for Small PHAs.

Appendix II: Acronyms and Key Terms

ACC	Annual Contributions Contract , a grant agreement between the owner and the PHA, which governs the development of PBV units and commits the PHA to execute a PBV HAP contract upon timely completion of such development in accordance with the terms of the Agreement.
ACS	American Community Survey , an annual survey conducted by the U.S. Census Bureau that provides statistical insight into the lives of U.S. citizens.
AHAP	Agreement to Enter a Housing Assistance Payment Contract between the owner and the PHA. The HAP contract was entered into following new construction or rehabilitation of the contract units by the owner pursuant to an Agreement.
AHP	Affordable Housing Program grants are awarded by Federal Home Loan Banks through a competitive application process to bank members working with housing developers or community organizations to create rental or homeownership opportunities for lower-income households.
AMP	Asset Management Project , a group of Public Housing projects designated by a Public Housing authority as an operating affinity group.
ARF	Asset Repositioning Fee is a form of Operation Subsidy paid following triggering event that progressively decreases over a period of two (disposition) to three (demolition) years.
Capital Fund	Program administered by HUD's Office of Public and Indian Housing that provides annual grants via formula to all Public Housing authorities for Public Housing development, financing, modernization, and management improvements. High-performing Public Housing authorities receive a bonus under the formula.
CDBG	Community Development Block Grant program, a flexible program administered by HUD that provides communities with resources to address a wide range of unique community development needs.
CFFP	Capital Fund Financing Program , an initiative of HUD's Office of Public and Indian Housing that allows a Public Housing authority to borrow private capital (through a bond or conventional bank loan) to make improvements to its Public Housing in return for pledging, subject to appropriations, a portion of its future-year annual capital funds for debt-service payments.
CHAP	Commitment to Enter into a Housing Assistance Payment Contract , a document executed by HUD and the Public Housing authority or owner for projects that have been selected during the Rental Assistance Demonstration competition under the first component of the Demonstration. The CHAP describes the terms under which HUD will enter into a housing assistance payment (contract). This could also be understood as HUD's authorization to the Public Housing authority to continue with their plan to convert one or more projects or asset management projects from Public Housing to project-based Section 8 assisted housing.
Closing	The step in the transaction during which any converting units are released from legacy contracts (e.g., the Public Housing Annual Contributions Contract), the new project-based rental

	assistance (PBRA) or project-based voucher (PBV) contract and RAD Use Agreement are executed, any debt and/or equity financing agreement is entered into, and the terms and conditions are recorded. The closing is the event at which conversion of subsidy takes place; “conversion” has not occurred until the completion of closing.
CNA	Capital Needs Assessment , an instrument that HUD uses to capture data on the physical condition of Public Housing properties to project a project’s future capital investment needs in the short and long terms. Submitting a CNA is required for the Rental Assistance Demonstration, except where new construction is proposed. See PNA. A CNA and PNA are quite similar but vary based on the format and on the requirements of each program.
CNI	Choice Neighborhoods Initiative , a program administered by HUD to fund local collaborative initiatives to transform high-poverty areas into mixed-income neighborhoods.
Contract Rent	The total amount of rent specified in the Housing Assistance Payment contract as payable to the owner for a unit occupied by an eligible family.
Declaration of Trust	The restrictive covenant on projects assisted through a Public Housing Annual Contributions Contract (ACC) that obligates Public Housing authorities to operate public housing projects in accordance with the ACC, the <i>United States Housing Act of 1937</i> , and HUD regulations and requirements
DDTF	Demolition and Disposition Transitional Funding , a program administered by HUD to replace the RHF program that provides 5 years of funding for units removed from a PHA’s inventory due to demolition or disposition on or after October 1, 2013. This funding is included in the PHA’s annual Capital Fund grant and follows the same obligation and expenditure requirements as that program. Also, see RHF.
DSC	Debt Service Coverage , a measure of the cashflow available to pay current debt obligations, measured as the ratio of net operating income to total debt service.
Environmental Review	An environmental review is the process of reviewing a project and its potential environmental impacts to determine whether it complies with the National Environmental Policy Act (NEPA) and related laws and authorities. All HUD-assisted projects are required to undergo an environmental review to evaluate environmental impacts. Part 58 and Part 50 are the sections of HUD regulations that implement that National Environmental Policy Act (NEPA). Part 50 applies to programs where HUD performs the environmental reviews, and Part 58 applies to programs that allow a responsible entity to perform the environmental reviews. Part 50 applies when program legislation does not delegate the authority to assume responsibility to the local government, such as FHA or HUD Multifamily housing programs. Part 58 applies when legislation for a program allows local governments to assume authority.
EPC	Energy Performance Contract , a HUD financing technique that allows Public Housing authorities to contract with performance contractors to fund the installation of energy conservation measures in Public Housing in return for future cost-savings from reduced energy consumption,

	in lieu of the Public Housing authority incurring upfront capital expenses for energy improvements. The savings in future operating costs becomes available to repay the loan.
FASS	Financial Assessment Subsystem , the information management system used by HUD to collect and report data from Public Housing authorities on their performance, including the physical and financing performance of Public Housing projects collected by the Real Estate Assessment Center.
FHA	Federal Housing Administration , a HUD agency that insures single-family, health care, and multifamily mortgage loans originated by FHA-approved lenders. Multifamily loans can be used for construction, rehabilitation, acquisition, and refinancing of non-luxury apartments.
FHEO	Office of Fair Housing and Equal Opportunity , tasked with responding to and eliminating housing discrimination.
FHLB	Federal Home Loan Bank ; the FHLB system consists of 11 FHLBs, which are government-sponsored enterprises involved in housing and community economic development.
FMR	<p>Fair Market Rent, the rent, including the cost of utilities (except telephone), as established by HUD, pursuant to this subpart, for units of varying sizes (by number of bedrooms), that must be paid in the market area to rent privately owned, existing, decent, safe and sanitary rental housing of modest (non-luxury) nature with suitable amenities.</p> <p>The fair market rents (FMRs) for existing housing are determined by HUD and are used in the Section 8 Housing Choice Voucher program (HCV program) (part 982 of this title), Section 8 project-based assistance programs and other programs requiring their use. In the HCV program, the FMRs are used to determine payment standard schedules. In the Section 8 project-based assistance programs, the FMRs are used to determine the maximum initial rent (at the beginning of the term of a housing assistance payments contract).</p>
FONSI	Finding of No Significant Impact is a determination by the Responsible Entity that the project is not an action that will result in a significant impact on the quality of the human environment.
Green Building	An approach to building, rehabilitation, repairs, maintenance, and property operations that is more sustainable than traditional approaches to such activities and results in a project that is more energy efficient, costs less to operate, has better indoor air quality, and reduces its overall impact on the environment.
Gross Rent	The value equal to the Contract Rent plus Utility Allowance. This amount is not paid to the owner, but an amount used to determine the Contract Rent.
HAP	Housing Assistance Payment contract, which is used in the Section 8 voucher program and constitutes the legal agreement between a Section 8 project's ownership entity and either HUD or the Public Housing authority that manages the Section 8 vouchers to provide housing assistance payments on behalf of eligible tenant households. The HAP contract specifies the covered units as well as the terms and procedures by which HUD subsidy payments are made to the property.

HOME	Home Investment Partnership Program , administered by HUD’s Office of Community Planning and Development to provide housing funds to units of general local governments and states for new construction, rehabilitation, acquisition of standard housing, assistance to homebuyers, and tenant-based rental assistance.
HFA	Housing Finance Agency , a state or local organization that provides housing assistance through low-interest mortgage loans, financed by the issuance of tax-exempt agency bonds, or Low-Income Housing Tax Credits, based on their allocation by the U.S. Department of the Treasury.
HOPE VI	HUD program administered by the Office of Public and Indian Housing to provide HOPE VI Revitalization grants to Public Housing authorities to fund capital costs of major rehabilitation, new construction, and other physical improvements; demolition of severely distressed Public Housing; acquisition of sites for offsite construction; and community and supportive-service programs for residents, including those relocated as a result of revitalization efforts. The Office of Public and Indian Housing is no longer providing new HOPE VI grants.
HCC	Housing Construction Cost is the sum of the following HUD-approved costs related to the development of a Public Housing project: dwelling unit hard costs (including construction and equipment), builder's overhead and profit, the cost of extending utilities from the street to the Public Housing project, finish landscaping, and the payment of Davis-Bacon wage rates. HCC is used as an eligibility threshold in determining RAD rents.
HCV	Housing Choice Voucher , a program of the Office of Public and Indian Housing through which Public Housing authorities (PHAs) receive Federal funds from HUD to administer HCVs locally. A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family’s choice where the owner agrees to rent under the program. This unit may include the family’s present residence. Subsidy in the HCV program is based on local payment standards that reflects the cost to lease a unit in the local housing market. If the rent is less than the payment standard, the family generally pays 30 percent of adjusted income for rent.
HQS	Housing Quality Standards is the HUD minimum quality standards for dwelling units occupied by families receiving project-based voucher program assistance.
HUD	U.S. Department of Housing and Urban Development , the primary Federal agency responsible for administering programs to support affordable housing, fair housing, homeownership, and community development nationally and on Native American lands, as well as research on housing and development issues.
LIHTC	Low-Income Housing Tax Credit , a program established in Section 42 of the IRS Code that allows projects to receive a credit against Federal tax owed. Project owners bring in investors as limited partners in return for the investor(s) providing funds to the owners to help build or renovate housing that will be rented to lower income households for a minimum period of years. There are two types of credits, both of which are available over a 10-year period: a 9-percent credit on construction and rehabilitation costs, and a 4-percent credit on acquisition costs and all development costs partially using below-market financing.

LTV	Loan to Value , calculated as the ratio of the balance of a loan divided by the value of the collateral, which is usually the appraised fair market value of the property for an acquisition loan, the improved value of the property for a rehabilitation loan, and the total cost of construction for a new construction loan.
Mixed-Finance Project	A Public Housing project that has been developed with a combination of private financing and Public Housing development funds in accordance with 24 CFR Part 905 (Subpart F).
Mod Rehab	Section 8 Moderate Rehabilitation program , administered by Public Housing authorities to provide project-based rental assistance to low-income families living in privately owned rental properties previously rehabilitated pursuant to a Housing Assistance Payment contract between the owner and the Public Housing authority. The conversion of Mod Rehab projects to the Rental Assistance Demonstration is part of the second component of the program and is not part of this study.
MTW	Moving to Work , a demonstration program administered by the Office of Public and Indian Housing that provides Public Housing authorities (PHAs) the opportunity to design and test innovative, locally designed strategies that use Federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families. MTW gives PHAs exemptions from many existing Public Housing and voucher rules and more flexibility with how they use their Federal funds. MTW PHAs are expected to use the opportunities presented by MTW to inform HUD about ways to better address local community needs.
NOI	Net Operating Income , which equals all revenue from the property minus all reasonably necessary operating expenses.
NSP	Neighborhood Stabilization Program , a grant program administered by HUD's Office of Community Planning and Development for the purpose of stabilizing communities that have suffered from housing foreclosures and residential property abandonment. The program works by purchasing and redeveloping foreclosed and abandoned homes and residential properties.
OCAF	Operating Cost Adjustment Factor , established by HUD and applied to the existing contract rent, less the portion of the rent paid for debt service. The OCAF may not be negative. This is also known as the annual rate of increase in Section 8 housing contract rents as determined and published by HUD.
OFFP	Operating Fund Financing Program , administered by the Office of Public and Indian Housing to allow Public Housing authorities to borrow private capital to finance development and modernization of Public Housing communities by using a portion of their Operating Fund reserve balances to collateralize financing and pay debt service and customary financing costs where the financing is used for Public Housing development or modernization (including Public Housing mixed-finance developments).
OMB	U.S. Office of Management and Budget , which oversees the management of the Federal budget.

Operating Fund	Established for the purposes of the operation and management of Public Housing. Additionally, all maintenance activities specifically listed in Section 9(e) of the 1937 Act are eligible Operating Fund activities. Public Housing authorities (PHAs) also may use operating funds for unforeseeable and unpreventable emergencies that include damage to the physical structure of the PHA's housing stock, such as damage as a result of a natural occurrence such as a windstorm or flood. Although damages caused by unforeseen emergencies may eventually be covered under a warranty, with insurance proceeds, or through disaster funds, PHAs may use operating funds to cover the expenses incurred prior to receipt of warranty, insurance, or disaster proceeds. After receipt of warranty, insurance, or disaster proceeds, the PHA must reimburse their operating account for any expenses that were initially covered with operating funds up to the amount received.
Operating Fund Reserves	Consist of the balance of surplus funds accumulated through operation of Public Housing, assistance from the Operating Fund, and operating receipts as defined in the Annual Contributions Contract.
PBRA	Project-Based Rental Assistance , a Section 8 Program administered by HUD's Office of Multifamily Housing. Under the terms of a PBRA contract between HUD and a project owner, HUD provides a housing assistance subsidy that makes up the difference between what an eligible tenant household can afford and the approved contract rent for an adequate housing unit in a multifamily project. Eligible tenants must pay the highest of 30 percent of adjusted income, 10 percent of gross income, the portion of welfare assistance designated for housing, or the minimum rent established by HUD. PBRA contracts are attached to specific housing units and are not portable for the tenant. Public Housing authorities are not party to a PBRA contract unless the authority is a project owner.
Payment Standard	The maximum monthly assistance payment for a family assisted in the HCV program (before deducting the total tenant payment). Payment Standards must be within 80% to 110% of the FMR.
PBV	Project-Based Vouchers , Section 8 vouchers that are attached to specific housing units and administered as part of a Public Housing authority's (PHA) Housing Choice Voucher program. Under the PBV program, a PHA enters into an assistance contract with the project owner for a specified number of units and for a specified length of time. The PHA refers families to the project owner to fill project vacancies. Because PBV assistance is tied to the unit, when a family moves from the PBV unit, the assistance remains with the unit.
PHA	Public Housing Authority , a Public Housing agency (which can be any state, county, municipality, or other governmental entity or public body) that administers programs under the Act, which could include Public Housing and Housing Choice Vouchers. It should be noted that many PHAs also act as local Redevelopment Authorities and are then referred to as Redevelopment and Housing Authorities.
PHAS	Public Housing Assessment System , the HUD system to measure the performance of all Public Housing authorities administering the Public Housing program, per 24 CFR Part 902. It includes

	components for assessing the physical, financial, and management performance of each Public Housing authority.
PIC	PIH Information Center , an online data-tracking system.
PIH	Office of Public and Indian Housing , a HUD office responsible for the development and maintenance of Public Housing and Native American housing programs.
PMT	PHA Mortgaged Transactions occur when Public Housing authorities' mortgage or otherwise encumber their Public Housing real estate and other property to secure financing transactions, as allowed under Section 30 of the <i>United States Housing Act of 1937</i> .
PNA	Physical Needs Assessment , an instrument that HUD uses to capture data on the physical condition of Public Housing properties in order to project a project's future capital investment needs in the short and long terms, typically used for Section 18 dispositions. See CNA. A CNA and PNA are quite similar but vary based on the format and on the requirements of each program.
Public Housing	A type of housing assistance administered by the Office of Public and Indian Housing that was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. Public Housing comes in all sizes and types, from scattered single-family houses to high rise apartments for elderly families. Approximately 1.2 million households live in Public Housing units, managed by some 3,300 Public Housing authorities that manage the housing for low-income residents at rents they can afford. HUD furnishes technical and professional assistance in planning, developing, and managing these projects.
RAD	Rental Assistance Demonstration was established under the Consolidated and Further Continuing Appropriations Act of 2012 to stem the potential loss of Public Housing and other subsidized housing units due to the growing backlog of unfunded capital needs. The program has two components: the first component focuses on the conversion of existing Public Housing to project-based Section 8 assistance, and the second component focuses on existing Section 8 projects that are being phased out.
RAD Use Agreement	The document specifying the affordability and use restrictions on the covered project, which will be coterminous with the HAP contract and will be recorded prior to the lien of the first mortgage and structured to survive foreclosure. The RAD Use Agreement is used only in connection with Public Housing conversions under RAD.
RAP	Rental Assistance Payment , a housing assistance program that preceded and is similar to the Section 8 housing assistance program and the Rent Supp program. The conversion of RAP projects to the Rental Assistance Demonstration is part of the second component of the program and is not part of this study.
RCC	RAD Conversion Commitment , a commitment provided by HUD to an active RAD project to officially convert the Public Housing to Section 8 under the RAD program. The RCC is provided

	when HUD completes its underwriting of the project and approves the conversion’s financing plan.
Rent Supp	Rent Supplement , a program similar to Rental Assistance Payment and Section 8 in which HUD makes payments to owners of private housing on behalf of qualified low-income tenants. The conversion of Rent Supp projects to the Rental Assistance Demonstration is part of the second component of the program and is not part of this study.
Responsible Entity	The responsible entity that assumes the responsibility for environmental review, also assumes the decision-making and action that would otherwise apply to HUD under NEPA and other provisions of law that further the purposes of NEPA, as specified at Part 58.
RHF	Replacement Housing Factor funds are Capital Fund grants in two 5-year increments that are awarded by HUD to Public Housing authorities that have removed units from inventory for the sole purpose of developing new Public Housing units. RHF is being replaced by the Demolition and Disposition Transitional Funding (DDTF) program. Also, see DDTF.
REAC	Real Estate Assessment Center , a HUD office that conducts inspections of properties that are owned, insured, or subsidized by HUD, including Public Housing and multifamily assisted housing, to determine whether the affordable housing stock is meeting the standard of being decent, safe, sanitary, and in good repair. REAC Inspection Scores range from 0 to 100 points. REAC also reviews the financial performance of the projects and provides Financial Assessment Subsystem scores.
SEMAP	Section Eight Management Assessment Program , the system used to measure the performance of PHAs administering the Section 8 Housing Choice Voucher Program, per 24 CFR Part 985.
Section 8 Housing Assistance	The “Section 8” Housing Choice Voucher and Project-Based Rental Assistance Program is the Federal Government’s major program for assisting very-low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. In both types of Section 8 Programs, rental units must meet minimum standards of health and safety. A housing subsidy is paid directly to the landlord on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program. (See HCV and PBRA.)
Section 18 Demolition/Disposition	A management strategy option for Public Housing projects that have difficulties associated with physical deterioration or the overall deterioration of the surrounding community, or that were built to a standard that is no longer acceptable for the general public.
TDC	Total Development Cost , generally the total development cost per a development project’s sources and uses budget. In the case of HUD-funded development projects, HUD determines the TDC for a Public Housing project based on unit construction costs (as listed in nationally recognized residential construction cost indices), bedroom size, and structure types for all of the Public Housing units in the project. HUD also sets a maximum TDC that restricts the amount

	of HUD funding that can be contributed to a unit (but other funding can be added from private sources). HUD publishes annual TDC limits. More information about HUD's TDC calculations, including procedures HUD uses for establishing TDC limits can be found at 24 CFR 905. and procedures for the Annual posting of TDC limits on HUD's webpages, can be found in PIH Notice 2011-38 . See also HUD's TDC Limits Workbook and TDC costs limits from 2020 , 2019 , 2018 , 2017 , 2016 and 2015 .
Tenant Rent	The amount payable monthly by the family as rent to the owner.
TTP	Total Tenant Payment , the minimum amount a family must contribute toward rent and utilities.
UPCS	Uniform Physical Condition Standards , Public Housing Assessment System standards used to measure the physical condition of public and assisted housing.
URA	Uniform Relocation Assistance and Real Property Acquisition Act (URA) , is a Federal law that establishes minimum standards for federally funded programs and projects that require the acquisition of real property (real estate) or displace persons from their homes, businesses, or farms. The URA's protections and assistance apply to the acquisition, rehabilitation, or demolition of real property for Federal or federally funded projects.
Utility Allowance	HUD's or the Contract Administrator's estimate of the average monthly utility bills (except telephone) for an energy-conscious household. This estimate considers only utilities paid directly by the tenant. If all utilities are included in the rent, there is not a utility allowance. The HAP contract (and the PBV tenancy addendum) lists the utilities provided to the contract units, by bedroom type, including a listing of the utilities covered by the owner and those to be covered by the tenant.