Public Housing Agencies are encouraged to analyze their pension and administrative costs as part of their repositioning strategy. This document provides some tips for things to consider. **PHAs are strongly encouraged to seek their own legal and financial counsel when developing and implementing a repositioning strategy.** PHAs using public housing grant funds for payment of benefits must follow OMB regulations at 2 CFR part 200. PHAs should also review Financial Reporting for Pensions and Other Post-Employment Benefits – Accounting Brief #24. PHAs with additional HUD program questions should contact their Local Field Office or Repositioning@hud.gov.

1. **Consider pension program eligibility requirements when repositioning.** Some pension programs (particularly State-sponsored programs) have eligibility requirements that limit participation to employees of local governments—including PHA staff. As part of the repositioning process, PHAs often establish a separate ownership entity for purposes of receiving the former public housing property. PHAs may decide to transfer employees who work on the asset management/maintenance of the property to the ownership entity. However, in some cases, these transfers may restrict the employee from the PHA pension program. Negotiation of employee benefits with the new entity should always be part of the repositioning efforts.

2. **Plan for changes in Central Office Cost Center (COCC)/administration funding.** PHAs should be aware of potential impacts of repositioning on their COCC/Administration funds. Although repositioning generally allows for greater administrative flexibilities for the PHA and often higher subsidy amounts, the structure of the repositioning may increase or decrease the availability of funds for COCC purposes. PHAs may see a decrease in funds available for COCC purposes when:
   a) Development partners require their own asset managers at repositioned sites (as is often required for tax credit partnerships); or
   b) A PHA replaces public housing units with tenant-based vouchers assistance. (In this case, the PHA replaces any public housing administrative funds with the Section 8 Administrative Fee.)

   Any decrease in COCC/Administration funds may pose a problem for PHAs with accrued pension liability, where downsizing or transferring staff will not reduce the annual contribution related to the pension liability. PHAs may consider several options to offset a potential decrease in COCC funds, such as collecting developer fees, requesting ARF that they may be eligible for as a result of a Section 18 removal[1], utilizing available Public Housing Capital Funds for Operating Fund purposes if eligible (see Notice PIH 2016-18), establishing a management fee with development partners, seller take-back financing, or establishing a ground lease.

[1] ARF (Asset Repositioning Fees) are an add-on of the Operating Subsidy. For more information See 24 CFR 990.190(h)(1).

3. **Plan for the end of the Public Housing COCC and Public Housing Operations**. If a PHA plans to remove all their public housing units, it will no longer operate a COCC under the public housing asset management regulations.[2] HUD has no responsibility for public housing liabilities, including accrued pension benefits. These liabilities are the sole responsibility of the PHA and in some cases their local government. Please see Notice PIH 2019-13 for more information on ACC termination requirements.

4. **Consider options to use current assets to reduce accrued Public Housing program legacy costs (i.e., Other Post-Employment Benefits (OPEBs)).** PHAs that are in the process of repositioning their entire public housing portfolio and terminating their Public Housing program [3] may consider investing in an annuit, or other eligible benefit arrangement in accordance with 2 CFR Part 200. Eligible assets for this investment activity may include non-restricted program funds, proceeds from the disposition of Public Housing property, or Public Housing program proceeds. Please contact repositioning@hud.gov for assistance identifying eligible uses of Public Housing funds.

5. **Identify a source(s) of revenue to address OPEB and other accrued Public Housing legacy costs.** As part of their repositioning strategy, PHAs should consider a source of revenue to dedicate to Public Housing Program legacy costs. This source of revenue may include:
   - Repayments of Public Housing program funds loaned to an Ownership Entity as part of a repositioning;
   - Proceeds from a ground lease of Public Housing land;
   - Proceeds from a cell tower or other equipment on a Public Housing site;
   - A portion of program administrative fees;
   - Property deposition proceeds; or
   - Other state and local funds.

6. **Make sure pension benefit obligations are allocated to Federal awards in accordance with benefits received.** In situations where a PHA is repositioning units from Public Housing program funding to Section 8, (Project-Based Vouchers or Project-Based Rental Assistance) the PHA must pay attention to their cost allocation methodology to ensure Federal Award funds are used properly[4]. If a Public Housing program asset is transferred to Section 8 as part of a PHAs repositioning strategy, any associated proceeds, (following repositioning) may not be used for Public Housing program legacy costs. Similarly, a PHA may not use Public Housing Program funds to pay for benefits associated with operating a Section 8 program.

[2] See Notice PIH 2019-13
[3] See Notice PIH 2019-13
[4] See 2 CFR 200.405 and PIH-REAC Accounting Brief #24