



Repositioning Public Housing

Jane Hornstein, Special Applications Center, Public and Indian Housing

Greg Byrne, Office of Recapitalization, Office of Housing

Chad Ruppel, Office of Field Operations, Public and Indian Housing



What do we mean by “reposition”?

- Facilitate the preservation, rehabilitation, or demolition and new construction of units by increasing access to financing to address capital needs
- Preserve the availability of affordable housing assistance, either through a physical unit or voucher

Why reposition public housing?

- Large and growing backlog of capital needs in public housing, conservatively estimated at \$26 billion in 2010
- Conversion to long-term, Section 8 rental assistance contracts:
 - Stabilizes project revenue
 - Provides access to debt and equity to finance capital needs
 - Simplifies program administration



What does this mean for residents?

- Units that are in better physical condition
- Long-term availability of affordable housing and rental assistance in their local communities
- Additional flexibility to move to better housing and/or places of opportunity

Will there still be public housing?

- Yes. Many PHAs operate successful public housing programs with well-maintained units.
- PHAs operating public housing units will still have access to Capital Fund Financing, Operating Fund Financing, Energy Performance Contracts, etc.





What is HUD's role?

- Make sure PHAs are aware of all available repositioning strategies
- Provide technical assistance to help communities weigh their options

The decision to reposition is voluntary & entirely up to PHAs & local stakeholders.





What is the Field Office's role?

Field Offices are ready to assist you

- Staff have begun conversations with many PHAs to let you know about options
- You can decide whether or not any repositioning options make sense for your local community
- If you are interested in considering repositioning, there are Repositioning Subject Matter Experts (SMEs) available to answer more questions
- Once you have decided on a course of action, the Field Office has Expeditors or RAD SMEs available to help you assemble applications



What are my options?

Section 9 (Public Housing) Options

- Mixed-Finance Rehabilitation & Development
- Choice Neighborhoods
- Operating Fund Financing Program
- Capital Fund Financing Program
- Energy Performance Contracts
- Section 30 Mortgaging

Section 8 (Voucher or Project-based) Options

- Rental Assistance Demonstration (RAD)
- Demolition & Disposition (Section 18)
- RAD/Section 18 Blends
- Voluntary Conversion (Section 22)



Key Considerations

Are your properties financially sustainable?

- What are the capital needs of the property?
- How much does it cost to operate?
- What does future HUD funding look like?
- What is the market demand?
- Does the property have existing debt or other obligations?





Key Considerations

How is your PHA doing?

- Do you have sufficient program reserves?
- What do your administration costs look like?
- Do you operate a Housing Choice Voucher (HCV) program?
- Do you have any staffing concerns or significant liabilities?





Key Considerations

What is best for your community?

- What are the affordable housing needs in your area?
- Is the property in a good location for resident opportunities?
- What types of HUD programs do you want to administer?
- Could you replace units in other areas of opportunity and leverage the property's value ?
- Who will own and manage the property?





PHA Objectives

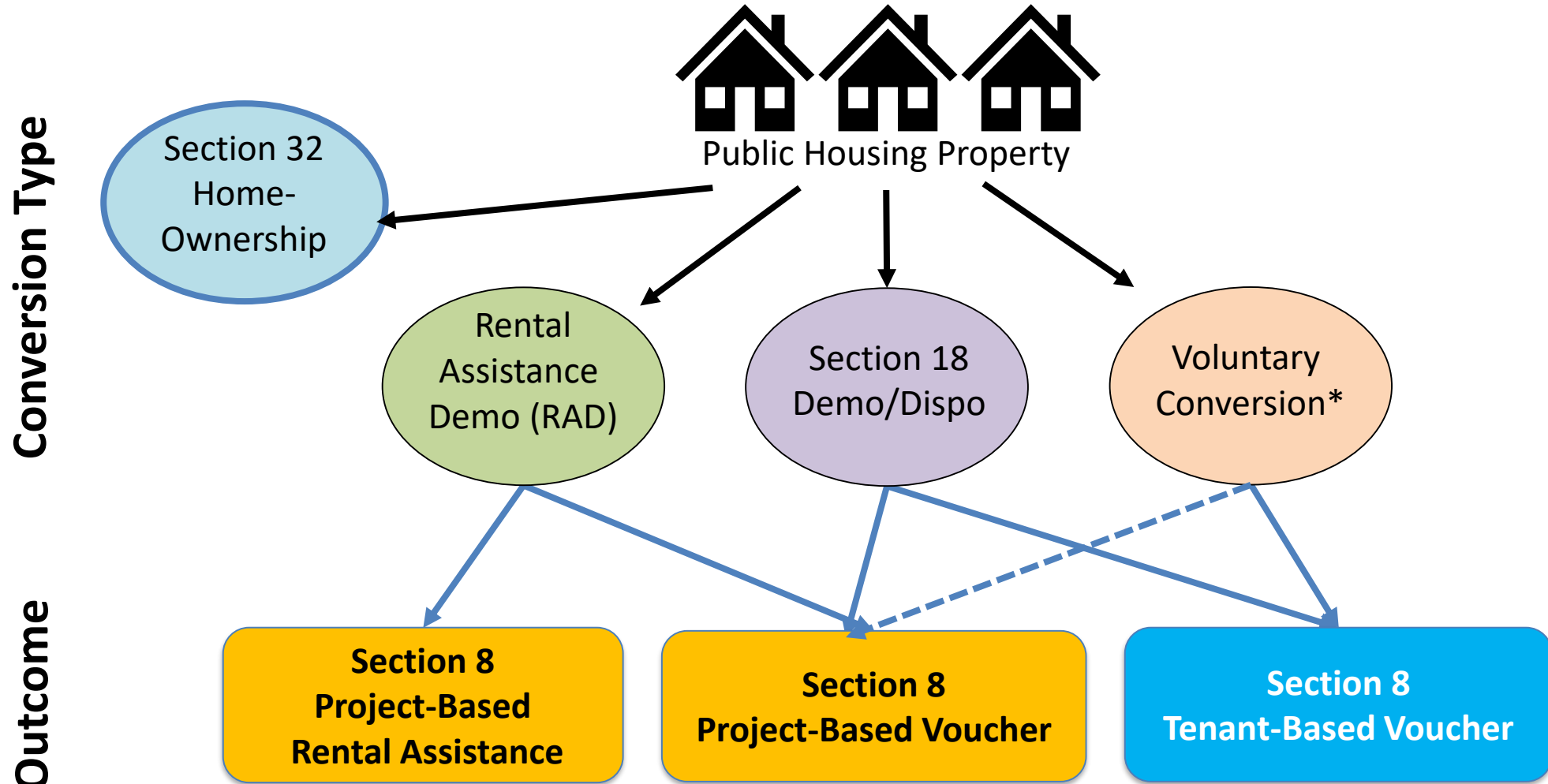
Conversion to Section 8 programs has allowed PHAs to:

- Modernize aging family & elderly properties
- Stabilize property revenue
- Complete substantial rehab of deteriorated properties
- Demolish and redevelop distressed/obsolete properties
- Transfer assistance to better neighborhoods
- Thin densities and mix-incomes
- Streamline operations



What is your PHA's repositioning goal?

Public Housing Repositioning Options

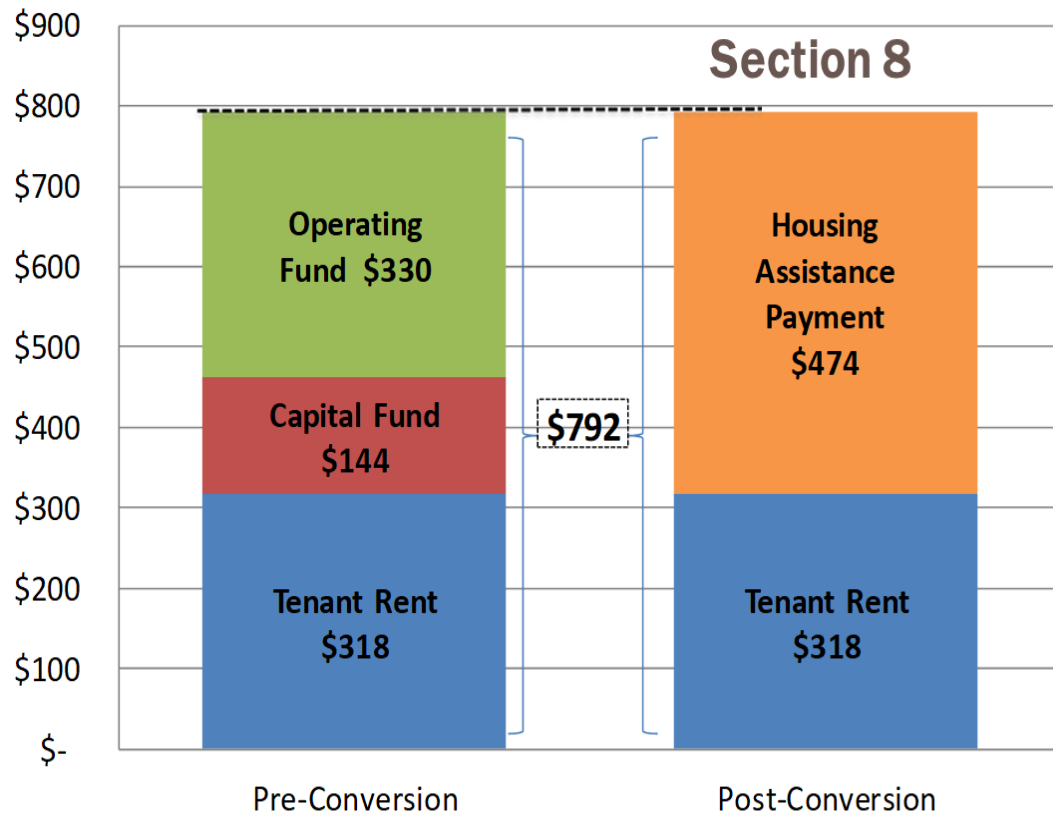


*Tenant Protection Vouchers may be project-based with tenant consent.



Rental Assistance Demonstration (RAD)

Sample Public Housing Conversion
Per Unit Monthly (PUM)



- Allows PHAs to convert their existing public housing subsidy into a project-based Section 8 subsidy: either Section 8 Project-Based Voucher (PBV) or Project-Based Rental Assistance (PBRA)
- Up to 455,000 public housing units authorized to convert (currently, no waiting list)
- Section 8 contract rents based on current public housing funding ([2019 RAD Rents now available](#)) with certain flexibilities available

[Notice PIH 2012-32 \(HA\), H 2017-03 REV-3](#)



RAD Key Features

Rents

- Predictable initial contract rents based on public housing funding
- Rents adjusted by Operating Cost Adjustment Factor (OCAF)
- Long-term Section 8 contract allows access to private capital

Capital Needs

- Capital Needs Assessment completed
- PHA must secure financing and fund Replacement Reserve to address needs

Tenant Rights

- Resident right of return + prohibition against rescreening
- Public housing organizing and procedural rights continue
- “Choice-mobility” allowing moves with tenant-based voucher

Public Stewardship

- Ownership or control by a public or non-profit
- Long-term Housing Assistant Payment (HAP) contract renews at each expiration
- RAD Use Agreement recorded on land



What is Section 18?

- Section 18 of the Housing Act of 1937 authorizes the demolition or disposition of public housing
- HUD will generally approve a property to undergo a demolition or disposition under Section 18 if it is:
 - Physically obsolete
 - Scattered site (non-contiguous) with operational challenges
 - Owned by a PHA with 50 units or less
 - More efficient or effective units
- Residents in units approved for Section 18 receive Tenant Protection Vouchers (TPVs)
 - Fair Housing review to make sure vouchers can be used in market

[Notice PIH 2018-04 \(HA\)](#)



Section 18 & Project Based Vouchers

- While Section 18 can be used for the demolition and disposition of assets, it is often also used as a preservation and redevelopment tool
- The Housing Opportunity Through Modernization Act (HOTMA) allows TPVs to be project-based through the Project Based Voucher (PBV) program
 - Units at site receive standard PBV rents
 - Property is exempt from PBV “income-mixing” requirement
 - Property does not count against PHA’s PBV program cap (20%)
 - Competitive selection of a PBV administrator is not required if former public housing property will be owned at least in part by the PHA that administers the contract and property will be improved



What is Voluntary Conversion?

- Voluntary Conversion authorizes conversion to vouchers where PHAs can demonstrate that it costs less to operate the property with vouchers than under public housing (24 CFR 972)
- The recently published Streamlined Voluntary Conversion (SVC) Notice waives the cost test for PHAs with 250 units or less that wish to close-out their public housing program
- Residents in units approved for Section 18 receive Tenant Protection Vouchers (TPVs)
 - Fair Housing review to make sure vouchers can be used in market
- Residents have a right to remain in the property with tenant-based voucher if the property will continue to be used for residential purposes

[Streamlined Voluntary Conversion Notice PIH 2019-05 \(HA\)](#)



Can PHAs use SVC as Preservation Tool?

Scenario	Outcome	Conclusions
1. All or substantially all residents consent to allow voucher to be project-based	Property under PBV contract	Effective preservation tool; PHA can secure financing
2. Some or few tenants consent to allow PBV; tenants remain in property with tenant-based voucher	Property filled with tenant-based voucher holders; more challenging to finance	Good option if property doesn't need financing
3. Some or few tenants consent to allow PBV; tenants leave property with tenant-based voucher	PHA may operate property as mixed-income property or backfill property with additional PBV	Unique challenges to operate mixed-income property; backfilling requires greater use of PHA's existing vouchers



Small & Very Small PHAs

Tool	Unit Threshold	Key Features
Streamlined Voluntary Conversion (Section 22)	250 units	<ul style="list-style-type: none">• TPVs issued• Tenant consent required to project-base
Section 18	50 units	<ul style="list-style-type: none">• TPVs issued• PHA may project-base without tenant consent• Requires sale to third party
Streamlined RAD Conversion	50 units	<ul style="list-style-type: none">• Does not require a Capital Needs Assessment; streamlined “Financing Plan”

Under each of these options for small PHAs, the PHA must commit to terminating, transferring, or consolidating their public housing program.



Did you know?

- RAD's transfer of assistance authority allows PHAs to move project-based assistance to neighborhoods of opportunity
- PHAs without a HCV program can still convert properties to Section 8 PBRA through RAD, or partner with a PHA with an HCV program to receive TPVs based on the SAC approval
- New authority to voucher up to 25% of assistance through a Section 18/RAD blend can increase the potential revenue of a RAD conversion
 - PHAs begin a Section 18/RAD blend conversion by submitting a regular RAD application



Where do I Start?

Step 1: Consider your local needs

Step 2: Consider your repositioning options

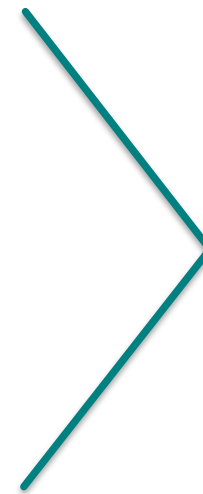
Step 3: Talk to your Board

Step 4: Talk to your residents and local stakeholders



Repositioning Strategies

1. Rental Assistance Demonstration (RAD)
2. Section 18 Demolition or Disposition
3. RAD/Section 18 blend
4. Voluntary Conversion



Which works best for your properties?



Program Characteristics

Section 18

- ✓ Justifications:
 - Unsafe/unhealthy location and infeasibility
 - Scattered Sites
 - 50 or fewer units remaining in PH inventory
 - Efficient and effective low-income housing
 - Physical obsolescence
- ✓ Replacement TPVs for any occupied units in past 24 months
- ✓ Can project-base TPVs
- ✓ No replacement housing required
- ✓ Eligible for Demolition or Disposition Transitional Funding (DDTF) and Asset Repositioning Fee (ARF)

RAD

- ✓ RAD Contract Rents = Current Public Housing Funding
- ✓ PBRA or PBV
- ✓ Preserve FSS Participation
- ✓ Can use PH \$\$ in development budget to support conversion
- ✓ Long-Term Use Agreement
- ✓ Resident Right to Return
- ✓ Replacement Housing Requirement
- ✓ Not eligible for DDTF or ARF

RAD/Section 18 “Blend”

- ✓ Eligible properties include those whose rehab or construction costs are at least 60% of Hard Construction Cost (HCC) limits, provided not using 9% credits
- ✓ 75% of the units convert through RAD and 25% disposed through Section 18 w/ PBV replacement
- ✓ Project will receive TPVs for 25% of all occupied units
- ✓ Residents receive all relocation and other protections of RAD

Voluntary Conversion

- ✓ Must demonstrate that vouchers cost less than cost of public housing or **have 250 or fewer public housing units and will close-out**
- ✓ Not eligible for ARF or DDTF
- ✓ PHA can project-base the TPVs, *but needs voluntary consent of residents*



Tools to Assess your Portfolio

Go to www.hud.gov/RAD/library/notices

- [2019 RAD Rents](#): The table includes HUD's calculations of RAD Contract Rents for each public housing property based on the latest appropriated levels, with a comparison of local Fair Market Rent (FMR) rates. These rents will form the basis of the conversion rents for properties awarded CHAPs or with amended CHAPs on or after January 1, 2019. For additional information on the process of revising RAD rents for existing CHAPs, the [FAQs on Securing RAD Rents](#) document is also available.
- [RAD Conversion Guide for Public Housing Agencies](#)
- [RAD Inventory Assessment Tool](#)



Local Public Housing Field Office

- Field Office staff will help you with applications for RAD, Section 18, and Streamlined Voluntary Conversion
- Field Offices may set up a Repositioning Panel call, where you can talk directly with program experts from the Special Application Center and Office of Recapitalization
- Field Offices will provide you the latest guidance, tip sheets, and inventory assessment tools to help you make the right decision for your community



Resources

Reading

- RAD Notice: [Notice PIH 2012-32 \(HA\), H 2017-03 REV-3](#)
- Section 18 Notice: [Notice PIH 2018-04 \(HA\)](#)
- Streamlined Voluntary Conversion Notice: [Notice PIH 2019-05 \(HA\)](#)
- Repositioning website coming soon

Talking

- Local field office
- Repositioning Panel discussions or Small PHA TA: sign up with your field office

Acting

- RAD Application: www.hud.gov/rad and www.radresource.net
- Section 18/Voluntary Conversion application: www.hud.gov/SAC and PIC