

This document provides answers to frequently asked questions regarding the use of Public Housing Funds for repositioning. Please contact your local PIH Field Office or email Repositioning@hud.gov if you have additional questions.

(1) How can Public Housing Operating Fund grants and Formula/Program Income be used to support repositioning?

PHAs may use Public Housing Operating Fund grants and Formula/Program Income (rental and nonrental income generated by PHAs through the public housing program including but not limited to vending, laundry, real or personal property rental income and fees for services) for the following repositioning activities:

- **Predecisional expenses.** Predecisional expenses are expenses incurred by a PHA prior to making a decision regarding a repositioning strategy. These could include: appraisal of a Public Housing property's fair market value, costs associated with community or resident engagement, and consulting fees associated with assessing the PHA's public housing portfolio for potential repositioning or planning for public housing redevelopment.¹
- **Predevelopment costs associated with a RAD project.** The RAD Notice allows up to \$100,000 per CHAP for predevelopment costs without HUD approval.² The PHA may exceed that amount with approval from the local HUD Field Office in accordance with 24 CFR 905.612. (See question 3.)
- **As a "Use" on the RAD Sources and Uses.** Through a RAD conversion, a PHA may use Operating Funds or Operating Funds Program Income for any eligible project cost. (This would include things like construction costs, tenant relocation costs, funding a replacement reserve.)³
- **A portion of Operating Fund grants can be used for Capital Fund–eligible activities.** PHAs with fewer than 250 units may use up to 100% of their Operating Subsidy allocation for Capital Fund–eligible purposes (see Notice PIH 2016–18). PHAs with 250 or more units may use up to 20% of their Operating Subsidy allocation for Capital Fund–eligible purposes (see Notice PIH 2018–03). (See question 2.)

Note: Further guidance regarding eligible uses of Formula/Program Income is forthcoming in the Calendar Year (CY) 2020 Public Housing Operating Fund Grant Eligibility Calculations and Processsing Notice.

¹ Predecisional expenses are different from predevelopment expenses, which is a Capital Fund activity outlined in 24 CFR 905.

² Notice H-2019-09 PIH-2019-23 (HA), Section 1.5, A.

³ Notice H-2019-09 PIH-2019-23 (HA), Section 1.5, A.

(2) How can Capital Funds be used to support repositioning?⁴

PHAs may use Capital Fund Grants only for the following repositioning activities:

- **For capital improvements to Public Housing units prior to submitting a Section 18 Removal from Inventory application.** PHAs may continue to expend Capital Funds for eligible Public Housing capital activities up until the point of submitting a Section 18 PIC removal application. Once a unit is included in a Section 18 PIC removal application, the PHA may only expend Capital Funds for emergency repairs or for repairs necessary and reasonable to keep the units safe, decent, and sanitary.⁵
- **For capital improvements to Public Housing units prior to completing a Section 22 (Vuntary Conversion) removal.** For units that will remain as housing, PHAs may continue to expend Capital Funds for eligible Public Housing capital activities up until the point where conversion occurs (i.e., the sooner of the effective date of the PIC removal or the DOT release).
- **Demolition costs.** PHAs may use Capital Funds for the demolition of dwelling and non-dwelling public housing property provided the removal is approved by HUD as part of a PIC removal application. The amount of Capital Funds contributed to the demolition is subject to HUD review. (Please email OCI@hud.gov with additional questions.)
- **Resident relocation and mobility counseling.** This includes moving costs, temporary housing costs, and funds necessary to offset increases in tenant rent/utility costs associated with Public Housing disposition.⁶
- **For predevelopment costs that support the property as public housing.** PHAs may use Capital Funds for predevelopment costs⁷ up until the point when a PHA formally decides to develop or rehab a property as Section 8. These could include a Physical Needs Assessment (to help determine obsolescence), costs associated with an Environmental Review, and/or planning costs, such as engineering and architectural fees for work that could be used to support the property as Public Housing.
- **To increase RAD rents.** Per the RAD Notice, PHAs may request HUD approval to exchange previously-awarded but unobligated Capital Funds, including DDTF and Replacement Housing Factor (RHF) grants, as well as estimated future DDTF eligibility from prior Section 18 (non-RAD removals) for higher RAD rents.
- **As a “Use” on the RAD Sources and Uses.** Through a RAD conversion, a PHA may use Capital Funds for any eligible RAD Section 8 project cost. (This would include expenses like construction costs, tenant relocation costs, and funding a replacement reserve)

⁴ Please note any use of Capital Funds require HUD approval in a CFP 5-Year Action Plan. Furthermore, a PHA’s Capital Fund Grant includes any Demolition Disposition Transition Fees (DDTF) that a PHA may be eligible to receive.

⁵ See 24 CFR 905.314(g)

⁶ See 24 CFR 905.200(b)(10)

⁷ See 24 CFR 905.612

- **A portion of Capital Fund grants can be used for Operating Fund Eligible activities.** PHAs with fewer than 250 units may use up to 100% their Capital Fund allocation for Operating Fund eligible purposes (see Notice PIH 2016–18). PHAs with 250 or more units may use up to 20% of their Capital Fund allocation for Operating Fund purposes (see Notice PIH 2018–03). (See question 1.)

(3) What is the approval process for PHAs that want to exceed \$100,000 in predevelopment for a RAD transaction?

PIH Field Offices must review and approve all pre-development requests over the threshold set in Section 1.5, A. of [RAD Notice \(Rev 4\)](#).

(4) When must a PHA stop spending Public Housing Operating Funds for general building maintenance and operations?

A PHA must stop spending any Public Housing Operating Funds for general maintenance and operations for any Public Housing unit after it has been removed from inventory (i.e., the sooner of the effective date of the PIC removal or the DOT release). Before that date, any general maintenance or operation expenses is an eligible use of such funds.

(5) Can Public Housing Funds be expended after all the public housing units have been removed (i.e., after all units are in Removed from Inventory (RMI) status in PIC)?

PHAs cannot spend Public Housing funds on units or properties after RMI removal, but PHAs can still expend funds on eligible program costs which must be reasonable under 2 CFR Part 200, and within the Grant Period of Performance⁸. Eligible program costs may include⁹:

- Costs for Moving to Work (MTW) agencies (as approved in an MTW plan);
- Administrative closeout costs (e.g., staff, operations, security, disposing of non-dwelling property, liquidation of equipment/supplies);
- Final program audits, legal reviews, and final PHA Board Resolution (e.g., auditor fees, Board costs, legal fees);
- Resolution of all outstanding legal matters (subject to the OGC Litigation Handbook (OGC Handbook 1530.1 REV-5));
- PHA public housing liabilities and if consistent with 2 CFR Part 200 requirements related to benefits (e.g., pensions);
- Staff transitions, such as severance packages required by a pre-existing employment contract or PHA employment policy consistent with state/local law and 2 CFR Part 200;

⁸ The Grant Period of Performance means the time during which a PHA may incur new obligations to carry out the work authorized by HUD under a federal award, including the Operating Fund and the Capital Fund (see 2 CFR 200.77 and 200.309, 24 CFR 905.306 and Notice PIH 2019-13).

⁹ These activities are subject to applicable Capital Fund or Operating Subsidy requirements; however a PHA with no public housing units would be eligible for full flexibility of Capital Funds and Operating Funds per Notice PIH 2016-18.

- Record keeping for three years or otherwise in compliance with 2 CFR section 200.333 on recordkeeping, but not outside of the Grant Period of Performance¹⁰;
- Maintenance or site remediation of any remaining public housing property (real or personal) prior to DOT removal and disposition;
- Development of new Public Housing units as identified in [Form HUD-5837](#), provided the PHA has the authority¹¹ and complies with 24 CFR Part 905.

(6) When is a PHA no longer permitted to obligate or expend Public Housing Funds? PHAs cannot obligate or expend grant funds after the end of the Grant Period of Performance (see 2 CFR 200.77, 2 CFR 200.309, and Notice PIH 2019–13).

1. The Period of Performance for Operating Fund grants terminates at the end of the Funding Year that is 12 months after the later of: 1) the date of the removal of the last Public Housing unit from the ACC; or, 2) if the PHA plans to develop additional public housing units, the date on which Asset Relocation Fee (ARF) eligibility ends (i.e., if ARF eligibility ended on 9/30/20, the period of performance would terminate on 12/31/21; if ARF eligibility ended on 12/31/20, the period of performance would terminate on 12/31/21) (see [Notice PIH 2019–13](#), section 6.E.)
2. For Capital Fund grants, the period of performance ends at the Expenditure End Date (EED) (24 CFR 905.306(f)). Grant extensions for Capital Fund awards require prior HUD approval and must comply with Section 9(j) of the 1937 Act and 24 CFR 905.306. For Capital Fund extensions, see Guidebook at www.hud.gov/program_offices/public_indian_housing/programs/ph/capfund) and here: <https://www.hud.gov/sites/documents/CAPITALFUNDGUIDEBOOKFINAL.PDF>

(7) What happens if a PHA still has Public Housing Funds remaining after addressing the items in question 5?

PHAs have the following options:

- a. Transfer funds to another PHA in order to support their RAD conversion in accordance with the “PHA Partnerships” provision (Section 1.5.L.) of the RAD Notice (Rev 4);
- b. Transfer or consolidate the entire remaining public housing program (assets and liabilities) to a different PHA by following Notice [PIH 2014–24](#); or
- c. Return unused funds to HUD/Treasury according to Notice [PIH 2019–13](#).

(8) Can a PHA transfer remaining Public Housing Funds to a post-conversion project (i.e., a project that is in RMI status in PIC)?

NO! Public Housing Funds can support only existing public housing units.

¹⁰ See footnote 4

¹¹ Note there are certain repositioning tools such as Streamlined RAD Approval (for 50 and under PHAs), Section 18 approval for 50 and under PHAs, and Streamlined Voluntary Conversion prevent the PHA from developing additional public housing units.

(9) What other PIH program funds should a PHA consider when repositioning?

- **MTW PHAs.** If a PHA has MTW Authority, it may spend public housing funds for voucher program activity, which may include an operating reserve at a PBV property following conversion. This activity must be in an approved MTW plan.
- **Section 8 Administrative Fee Reserves.** Administrative fee reserves shall be used only for activities related to the HCV Program, which includes costs associated with PBV development.¹²
- **Disposition Proceeds.** The HUD Special Application Center (SAC) may approve a PHA's request to use disposition proceeds for repositioning expenses¹³. A PHA must request and receive written approval from the SAC in a disposition approval letter (or amendment) from the SAC. PHAs should contact SACTA@hud.gov for more information.

(10) What should a PHA do with any tangible/personal property (e.g., maintenance trucks, lawn mowers, and computers) associated with its public housing program following PIC removal?

It depends if the tangible/personal property supports the real property being repositioned:

1. If the tangible/personal property directly supports the real property that is being repositioned (i.e., under Section 18, Section 22, or RAD), the PHA can transfer the personal property with the real property (as part of DOT release). The PHA must describe the personal property in its Inventory Removal application or RAD conversion.
2. If the tangible/personal property does NOT directly support the real property that is being repositioned (for example, because it is central PHA property that supports all its projects/units), AND the repositioning will remove ALL of the PHA's remaining public housing units and the PHA will close-out its public housing program, then the PHA has the following options:
 - a. Follow the instructions in Notice PIH 2019–13 about personal property (equipment and supplies) (i.e., can retain without HUD approval or compensation if valued under \$5,000; must obtain HUD approval and either compensate HUD or request Part 200 exception if valued over \$5,000); or
 - b. Transfer all personal property to a Receiving PHA's public housing program under Notice PIH 2014–24.

¹² See Notice PIH 2015–17

¹³ See 24 CFR 970.19(e)(2).

(11) What are some examples where a PHA could or could not use Public Housing funds for repositioning?

Example 1	A PHA is considering repositioning so they invest in a physical needs assessment and pay a consultant to help them consider potential repositioning OR public housing redevelopment options.	YES. A PHA may spend Public Housing Operating Funds or Capital Funds for the consultant, and Capital Funds for the physical needs assessment. In both instances this is a “predecisional” expense that supports the units as public housing.
Example 2	A public housing project is approved for disposition under the Section 18 obsolescence criteria. The PHA plans to improve the units using Public Housing Capital Funds so that they will meet HUD’s Housing Quality Standards (HQS) so the PHA can place Project-Based Voucher (PBV) assistance on the site.	NO. A PHA may only spend Public Housing Capital Funds on capital improvements to keep the units safe for public housing tenants. Public Housing Capital Funds may not be used to prepare the units for PBV assistance. (See 24 CFR 905.202(g) and 24 CFR 905.314(g))
Example 3	A public housing project is approved for removal under the Section 22 criteria for Streamlined Voluntary Conversion. The PHA wants to complete capital improvements at the project prior to removal from inventory.	YES. A PHA may use Capital Funds for modernization activities prior to the removal from inventory (i.e., the sooner of the effective date of the PIC removal or the DOT release). ¹⁴
Example 4	A PHA plans to reposition its entire inventory to Section 8 with Streamlined Voluntary Conversion (SVC) and plans to use a portion of their Public Housing Operating Reserve to establish a reserve for the property following conversion.	NO. A PHA may support the units with Public Housing funds only prior to removal from the Public Housing inventory.
Example 5	A PHA wants to use Operating and Capital Funds to establish a replacement reserve for a property that is converting to Section 8 assistance through RAD.	YES. RAD is the only repositioning tool that allows a PHA to establish a reserve using Operating and Capital Funds provided the funds are identified as part of the RAD conversion.

¹⁴ Please note any use of Capital Funds requires HUD approval in a CFP 5-Year Plan.