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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 questions.

(1) How can Public Housing Operating Fund grants and Formula/Program Income be used to support repositioning¹?

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:

- **Pre-decisional expenses.** Pre-decisional expenses are expenses incurred by a PHA prior to making a decision regarding a repositioning strategy, including expenses in consideration for and in submission of a Section 18 or Section 22 application. These could include: appraisal of a Public Housing property's fair market value, costs associated with community or resident engagement, market study, survey, environmental review, and legal and consulting fees associated with assessing the PHA's public housing portfolio for potential repositioning or planning for public housing redevelopment. When a PHA is considering developing new public housing units in conjunction with a repositioning strategy, pre-decisional costs are counted toward pre-development cost limits. See 24 CFR 905.612.
- **Predevelopment costs associated with a RAD project.** The RAD Notice allows up to \$100,000 per CHAP for predevelopment costs without HUD approval.² HUD shall determine on a case-by-case basis that an amount greater than \$100,000 may be drawn down by a PHA to pay for necessary and reasonable predevelopment costs, based upon a consideration of the nature and scope of activities proposed to be carried out by the PHA. Before a request for predevelopment assistance in excess of 100k may be approved, the PHA must provide to HUD information and documentation supporting the reasonableness of such request, as HUD deems appropriate. Such documentation might include cost comparisons to other similarly-sized projects, or other industry standards. (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 24 CFR 905.314(l); Notice PIH 2018–03). (See question 2.)

(2) How can Capital Funds be used to support repositioning? PHAs may use Capital Fund Grants only for the following repositioning activities:

¹ See https://www.hud.gov/program_offices/public_indian_housing/programs/ph/am/opfnd2020

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

³ See footnote #1.



- **For capital improvements to Public Housing units prior to completing a Section 18 or Section 22 (Voluntary Conversion) removal.** PHAs may continue to expend Capital Funds for eligible Public Housing capital activities up until the point where the demolition, disposition, or conversion occurs (i.e., the sooner of the effective date of the PIC removal or the DOT release). PHAs must ensure Capital Funds expended at the property are necessary, reasonable, and allocable to public housing units. See 2 CFR 905.202(d), 24 CFR 905.202(g), 2 CFR 200.403, 2 CFR 200.405. Notwithstanding this, if a 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.
- **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.
- **For predevelopment costs that support the property as public housing.** PHAs may use Capital Funds for predevelopment and other costs⁴ up until the point when a PHA formally decides to remove a property from public housing, including to develop or rehab a property as Section 8. These could include costs in consideration for and in submission of a SAC application, including a Physical Needs Assessment (to determine obsolescence), costs associated with an Environmental Review, legal/consulting fees, and/or planning costs, such as engineering and architectural fees for work that could be used to support the property as Public Housing, but Capital Funds cannot be used for costs in excess of the amount directly attributable to the public housing units nor can Capital Funds be used for planning or predevelopment costs related to future non-public housing work.
- **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)
- **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 24 CFR 905.314(l); 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.)

⁴ See 24 CFR 905.612



(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 in accordance with 24 CFR 905.612 for 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 Performance⁵. Eligible program costs may include⁶:

- 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;
- 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 Performance⁷;
- 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 authority⁸ and complies with 24 CFR part 905.

(6) What happens if after removal of all public housing units, the PHA does not have any eligible program costs (see question (5))?

⁵ 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).

⁶ These activities are subject to applicable Capital Fund or Operating Fund 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.

⁷ See footnote 4

⁸ 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. Also, the PHA must comply with program requirements and Faircloth limits in order to develop additional public housing units. See 24 CFR 905.602.



- a. Transfer funds to another PHA in support of 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 following Notice PIH 2010-24; or
- c. Return unused funds to HUD/Treasury according to Notice PIH 2019-13.

(7) When is a PHA (including an MTW agency) 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). 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 Repositioning 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.) 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>

(8) What happens if a PHA still has Public Housing Funds remaining after the period of performance ends?

PHAs must return unused funds to HUD/Treasury according to Notice [PIH 2019–13](#).

(9) 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) 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.⁹
- **Disposition Proceeds.** The HUD Special Application Center (SAC) may approve a PHA’s request to use disposition proceeds for repositioning expenses¹⁰. 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.

⁹ See Notice PIH 2015–17

¹⁰ See 24 CFR 970.19(e)(2)



(11) 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 the removal action). 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.



(11) What are some examples where a PHA could 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. Can the PHA use Operating and Capital Funds in this way?	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” and “predevelopment” expense that supports the units as public housing.
Example 2	A public housing project is approved for Section 18 disposition. The disposition approval reflects that the PHA and its partners will rehab the property so it can be used as Section 8 PBV housing. Prior to the disposition (DOT release), the PHA plans to spend Public Housing Capital Funds at the project. Can the PHA use Capital Funds in this way?	It depends. Although PHAs may continue to expend Capital Funds for eligible Public Housing capital activities up until the point where the demolition, disposition, or conversion occurs (i.e., the sooner of the effective date of the PIC removal or the DOT release), PHAs must also ensure Capital Funds expended at the property are necessary, reasonable, and allocable to public housing units. See 2 CFR 905.202(d), 24 CFR 905.202(g), 2 CFR 200.403, 2 CFR 200.405. In this instance, a PHA could continue to spend Capital Funds to keep the units safe for public housing tenants. However, 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 18 or Section 22 criteria. The PHA wants to complete capital improvements at the project prior to removal from inventory. Can the PHA use Capital Funds in this way?	It depends. A PHA may use Capital Funds for modernization activities prior to the DOT release or removal from inventory, if the costs are necessary, reasonable, and allocable to public housing units. See question #2
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. Can the PHA use Operating Reserves in this way?	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. Can the PHA use Operating and Capital Funds in this way?	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 in the RAD Sources and Uses as part of the RAD conversion.