

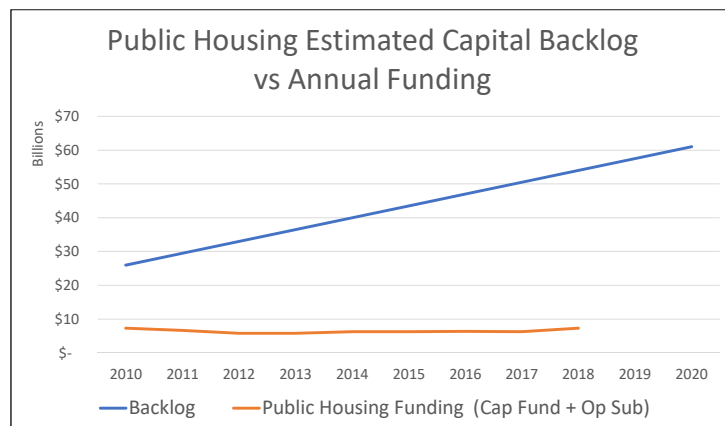


Repositioning Public Housing



Public Housing Background

- Significant capital backlog
- Funding uncertainty
- High regulatory and bureaucratic constraints
- Limited access to private capital



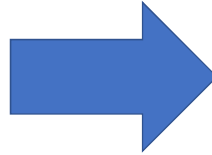


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HUD Response

- Leverage the repositioning success of the Rental Assistance Demonstration Program; and
- Utilize new program flexibilities (in Section 18 Demo/Dispo process and HOTMA).



GOAL:
Reposition public housing units to a more sustainable platform.

Public housing and associated programs (i.e., Capital Fund Financing, Operating Fund Financing, Energy Performance Contracts, etc.) will still be available for PHAs.

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What do we mean by “reposition”?

- We want to preserve availability of assistance (housing unit or voucher).
- Ensure that physical units are sustainable.
 - Major capital needs have been addressed;
 - Positive operating outlook for the foreseeable future (i.e., reliable program funding, operating income, and replacement reserve.)
- This usually involves a conversion from Section 9 (public housing assistance) to Section 8 assistance.

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What does this mean for residents?

- Continued availability of assistance.
No one should ever lose housing because of repositioning.
- More flexibility to move to better housing and/or places of opportunity.
- Physical units that are more sustainable.



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What is the role of HUD?

- We want to make sure PHAs are aware of their Repositioning options (many of the tools/policies are new); and
- We will help communities weigh their options.
- We want to provide technical assistance.

Decision to reposition 100% up to the PHA & PHA Governance.



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Key Considerations for a PHA: Are your properties 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?



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Key Considerations for a PHA: How is your PHA doing?

- Do you have sufficient program reserves?
- What do your administration costs look like?
- Do you run an HCV program?
- Do you have any staffing concerns, or significant liabilities?



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Key Considerations for a PHA: What is best for your community?

- Is the property in a good location for resident opportunities?
- Could you leverage the property's value and replace units somewhere else?
- What types of HUD programs do you want to administer?
- Who will own the property?
- Who will manage the property?



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The Repositioning Tool Box



Section 9 (Public Housing) Options

- Mixed-Finance Development
- Choice Neighborhoods
- Operating Fund Financing Program
- Capital Fund Financing Program
- Energy Performance Contracts

Conversion to Section 8 Options

- Section 18 Demo/Dispo
- Rental Assistance Demonstration (RAD)
- RAD/Section 18 Blends
- Voluntary Conversion



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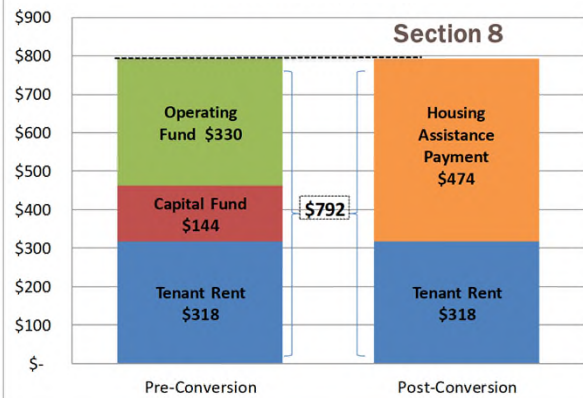


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RAD Converts Public Housing Operating and Capital Funds into a long-term Section 8 Project-based Assistance Contract



Program Highlights:

- RAD allows PHAs to convert their existing public housing subsidy into a project-based Section 8 subsidy – either Section 8 PBV or PBRA;
- Up to 455,000 public housing units authorized to convert (currently, no waiting list)
- Section 8 Contract Rents set based on current public housing funding (“2018 RAD Rents” coming soon) with certain flexibilities available

[Notice PIH-2012-32 \(HA\), H2017-03 REV-3](#)

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RAD



Program Highlights

- Converting property undergoes a Capital Needs Assessment (CNA) to identify immediate and long-term needs
- Long-term Section 8 contract allows access to private sources of capital (LIHTC, debt);
- PHAs can use existing public housing funds to support conversion (i.e., pre-development costs, rehab, establish property reserves, etc);
- PHAs can rehab existing site, demolish & rebuild, or transfer assistance to a new location;
- Resident right of return and prohibition against re-screening; and
- Streamlined conversion for very-small PHAs (50 units or less).

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Section 18 Enhancements

Demolition: Clarifies/broadens demolition criteria to include costs required by local building codes and federal accessibility requirements

Disposition: New eligibility

- Unsustainable scattered site units (4 units or less) on non-contiguous sites
- Units owned by PHA with 50 or fewer units (including former large PHAs with only 50 units left)
- RAD/Section 18 blend
 - All units must be project-based, but up to 25% can be project-based under Section 18 + TPVs, with remaining 75% project-based under RAD
 - Project cannot be financed with 9% tax credits
 - Construction costs must meet 60% of Hard Construction Cost (HCC) limits
- More Efficient or Effective
 - Allows for disposition where replacement units (Public Housing or Section 8) will be more **efficient or effective**
 - TPVs for 25% of **occupied** units
 - No minimum number of replacement units required, but PHA must have sufficient relocation resources for residents
 - No obsolescence test

[Notice PIH 2018-04](#)

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Voluntary Conversion

Vouchers Cost Less than Public Housing (24 CFR 972)

- Conversion assessment must show:
 - Vouchers cost less than public housing for useful life (Excel Cost-test Spreadsheet)
 - Residents will succeed in using tenant-based assistance (Rental Market Analysis)
 - No Negative Neighborhood Impact (affordable housing supply, poverty concentration)
 - Plan for conversion implementation (including planned future use)
- Residents may remain if project used as housing after conversion
- PHA eligible to receive TPVs

[Notice PIH 2014-14](#)

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Key Program Characteristics

Section 18	RAD	RAD/Section 18 "Blend"	Voluntary Conversion
<ul style="list-style-type: none"> ✓ Justifications: <ul style="list-style-type: none"> • Unsafe/unhealthy location and infeasibility • Scattered Sites • 50 or fewer units remaining in PH inventory • Efficient and Effective • Physical obsolescence ✓ TPVs for any occupied units in past 24 months (note: "Efficient and Effective" only eligible for 25% of occupied units) ✓ Eligible for DDTF and ARF ✓ Can project-base TPVs ✓ No replacement housing required 	<ul style="list-style-type: none"> ✓ RAD Contract Rents = Current Public Housing Funding ✓ PBRA or PBV ✓ Preserve FSS ✓ 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 ✓ Must submit Financing Plan 	<ul style="list-style-type: none"> ✓ 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 	<ul style="list-style-type: none"> ✓ Must demonstrate that vouchers cost less than cost of public housing ✓ Eligible for ARF if action involves demo or dispo ✓ Not eligible for DDTF

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Did you know?

- The Transfer of Assistance Authority of RAD allows PHAs to move project-based assistance to neighborhoods of opportunity;
- Through Transfers of Assistance, PHAs may also leverage high-value public housing properties;
- If a PHA doesn't operate a Housing Choice Voucher program, they can still convert to Section 8 Project Based Rental Assistance through RAD, or partner with a PHA that operates HCV;
- New authority to remove up to 25 percent of a RAD project through a Section 18/RAD Blend can significantly increase the potential revenue of a RAD conversion; or
- To request a Section 18/RAD Blend, the PHA starts by submitting a regular RAD application.

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Or, did you know?

- Small PHAs (50 units and under) with public housing units can reposition through streamlined RAD approval or Section 18 disposition;
- RAD allows the PHA to retain title to property or partner with a third party; Section 18 requires a transfer to a third-party (i.e., sale or ground lease);
- In both cases, PHAs must close-out their public housing Annual Contributions Contract (ACC);
- PHAs that want to reposition through Section 18 (but no voucher program), need to find a Voucher Agency to administer TPVs;
- PHA must decide what to do with assets and liabilities; and
- Possible to consolidate, join a consortium, transfer, or close down all together.

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Or, did you know?

HOTMA makes it easier for PHAs to use Project-Based Vouchers (PBVs) in former public housing properties on the same or contiguous site.

1. Units not subject to PBV program unit limitation (PHA-wide);
2. Units not subject to income-mixing requirement (at a particular property); and
3. PHA can attach PBVs where it has an ownership interest or control, without following a competitive process.

AND, HUD will now provide replacement TPV assistance to any unit that is occupied within **24 months** of HUD Demo Dispo Application approval.

[Notice PIH 2017-21](#)

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Where do I start?

- Step 1: Consider your options
- Step 2: Talk to your PHA Board
- Step 3: Talk to your residents and community stake holders



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Repositioning Tools

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?



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HUD Tools to Help You Assess Your Portfolio

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

RAD TOOLS

The below guides and resources may be useful for PHAs that may be considering applying or are planning for a RAD 1 Conversion.

- **Modified 2016 Rents:** The table includes HUD's calculations of RAD Contract Rents for each public housing property based on 2016 Operating Fund and Tenant Rent levels and 2018 Capital Fund levels. These rents will form the basis of the conversion rents for properties awarded CHAPs or with amended CHAPs before January 1, 2019.
- **2016 RAD Rents:** The table includes HUD's calculations of RAD Contract Rents for each public housing property based on 2016 Appropriation levels.
- **2014 RAD Rents:** The table includes HUD's calculations of RAD Contract Rents for each public housing property based on 2014 Appropriation levels
- **RAD Conversion Guide for Public Housing Agencies**
- **RAD Inventory Assessment Tool** (Save to your computer and enable macros. [Get instructions here.](#)) *Updated 10/21/2013*
- **RAD Maximum Supportable First Mortgage Summary Tool** (*Updated 3/17/2015*)



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Learn More

- Rental Assistance Demonstration (RAD): <https://www.hud.gov/RAD>
- Mixed Finance:
https://www.hud.gov/program_offices/public_indian_housing/programs/ph/hope6/mfph
- Demolition & Disposition (Section 18):
https://www.hud.gov/program_offices/public_indian_housing/centers/sac/demo_dispo
- Voluntary Conversion:
https://www.hud.gov/program_offices/public_indian_housing/centers/sac/vc