

# Section 18 Demolition/Disposition

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**Overview:** Section 18 of the U.S. Housing Act of 1937 authorizes PHAs to demolish and/or dispose of certain public housing units and other property. HUD approval from the Special Applications Center (SAC) is required. A Section 18 approval will result in units being permanently removed from a PHA's public housing inventory (and from Declaration of Trust for dispositions). After units are removed under Section 18, public housing reporting and inspection requirements do not apply and future cash flow (that exceeds the operations of the project) is unrestricted local funds. HUD generally provides new permanent and renewable Section 8 tenant-based assistance for all units removed under Section 18. Impacted families receive relocation assistance (generally Section 8 tenant-based assistance). Section 18 is a voluntary.

## 5 Key Takeaways:

- 1. What do you want to do with the property?** If a property is eligible for Section 18 (see PIH Notice 2018-04), the PHA has local discretion to structure the disposition. Section 18 can be a preservation tool (to put the same units on a more sustainable funding platform), a tool to acquire more or better hard units, or used to provide families tenant-based mobility assistance. PHAs should consider how to use Section 18 to meet local goals and best serve the housing needs of low-income families in their communities.
- 2. Transfer required, but not loss of control.** A Section 18 disposition requires the PHA to transfer property to a separate legal entity. PHAs have local discretion in who they transfer to and how they structure the transfer. The entity can be independent or wholly controlled by the PHA (i.e., a non-profit or single-asset LLC entity). A PHA may retain fee title and transfer through a long-term ground lease.
- 3. Future Affordable Housing (and Use Restriction).** If a project will continue to serve as affordable housing, HUD will generally approve a PHA to dispose at below Fair Market Value (i.e., \$1) based on "commensurate public benefit". In conjunction with the DOT release, HUD will generally require the recordation of a 30-year first priority use restriction. PHAs should consider the project's current and projected physical needs to ensure the project can be operated and maintained as affordable housing for the long-term.
- 4. Section 18 application requirements.** A complete Section 18 application includes the following key requirements: board approval, inclusion in PHA Annual Plan; resident consultation; environmental review; local government consultation; description of disposition (to whom, for how much money, future use of property), valuation of property; relocation plan and timetable; and use of proceeds (if applicable).
- 5. Eligibility for Tenant-Protection Vouchers (TPVs).** TPVs are Section 8 assistance that are authorized and funded annually by Congress. PHAs are generally eligible to receive replacement TPVs (permanently added to a PHA's HCV baseline, renewed, and can be issued to new families) for all units approved under Section 18 that have been occupied within the previous 24-months of SAC's approval. The TPV allocation methodology is provided in [Notice PIH 2018-09](#) and is subject to change based on available funding. HUD will not issue TPVs to a PHA that does not already have an HCV program, so these agencies need to partner with Voucher agency (approved by the local PIH Field Office) to administer the TPVs.

### **Where to go for more information:**

- Contact your local PIH Field Office;
- Check out [Notice PIH 2018-04](#) for more information on Section 18 Demolition/Disposition; and
- Check out [www.hud.gov/sac](http://www.hud.gov/sac)