



# Repositioning

## WI003 Madison CDA

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# Why reposition public housing?

- Large and growing backlog of capital needs in public housing, 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 do we mean by “reposition”?

- Facilitate the 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.

## 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 are my options?

## Section 9 (Public Housing) Options

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

## Repositioning Options

- Section 32 Homeownership
- Rental Assistance Demonstration (RAD)
- Section 18 Demolition & Disposition
- RAD/Section 18 Blends
- Voluntary Conversion (including Streamlined Voluntary Conversion), i.e., Section 22

# PHA Objectives

## Conversion to PBRA or PBV has allowed PHAs to:

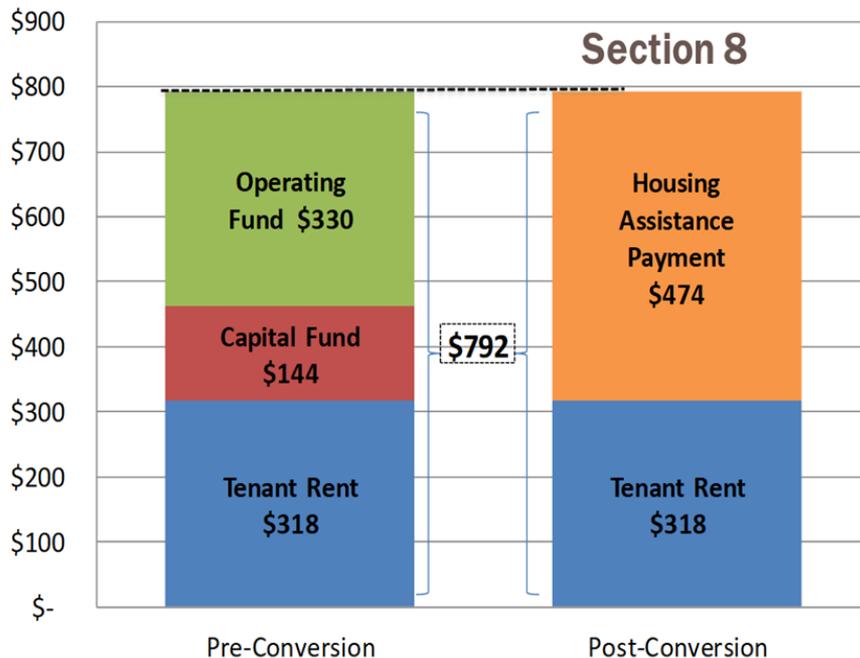
- Modernize aging family & elderly properties
- Stabilize property revenue
- Substantial rehab of deteriorated properties
- Demolish and redevelop distressed/obsolete properties
- Transfer assistance to better neighborhoods
- Thin densities and mix-incomes
- Streamline operations



**Key: What is the PHA's goal?**

# 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 ([“2018 RAD Rents” now available](#)) with certain flexibilities available

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

# RAD: Key Features

## Rents

- Predictable initial contract rents based on public housing funding
- Rents adjusted by Operating Cost Adjustment Factor (OCAF)

## 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” requirement

## Public Stewardship

- Ownership or control by a public or non-profit
- Long-term HAP contract must renew at each expiration
- RAD Use Agreement recorded on land

# RAD Considerations

- Capital Needs Assessment (CNA) identifies immediate and long-term needs
- Long-term Section 8 contract allows access to private sources of capital (e.g., tax credits, debt)
- Existing public housing funds can 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
- Streamlined conversion for very-small PHAs (50 units or less)

# Special RAD Flexibilities

- PHAs can use DDTF funds to increase RAD Contract Rents.
- PHAs can use RAD to transfer assistance to other sites.
- PHAs can use RAD to add non-HUD subsidized units to a site.
- The RAD/Sec 18 blend option allows PHAs to convert 25% of a project through Sec 18 (capture the higher FMR rents) provided the PHA is planning substantial rehab without 9% tax credits

# What is Section 18?

Section 18 of the Housing Act of 1937 authorizes the demolition or disposition of public housing.

- Requirements outlined in PIH 2018-04. HUD will generally approve a property under Section 18

Disposition if it is:

- Unsustainable scattered site units (4 units or less) on non-contiguous sites
- Units owned by PHA with 50 or fewer units
- Physically Obsolete
- More efficient or effective low-income housing

[Notice PIH 2018-04](#)

# Section 18 and PBV

- While Section 18 can be used for “pure” demo/dispo of assets, it is often also used as a preservation and redevelopment tool
- HUD issues new vouchers (Tenant Protection Vouchers) to PHAs following Section 18 approval
- Per HOTMA, vouchers can be project-based (i.e., PBV) at the former public housing site at standard PBV rents
  - Property is exempt from PBV “income-mixing” requirement
  - Property does not count against PHA’s PBV program cap (20%)
  - Competitive selection not required if former public housing property will be owned at least in part by that PHA that administers the contract and property will be improved

HUD will now provide replacement TPV assistance to any unit that was occupied within **24 months** of the Section 18 application approval.

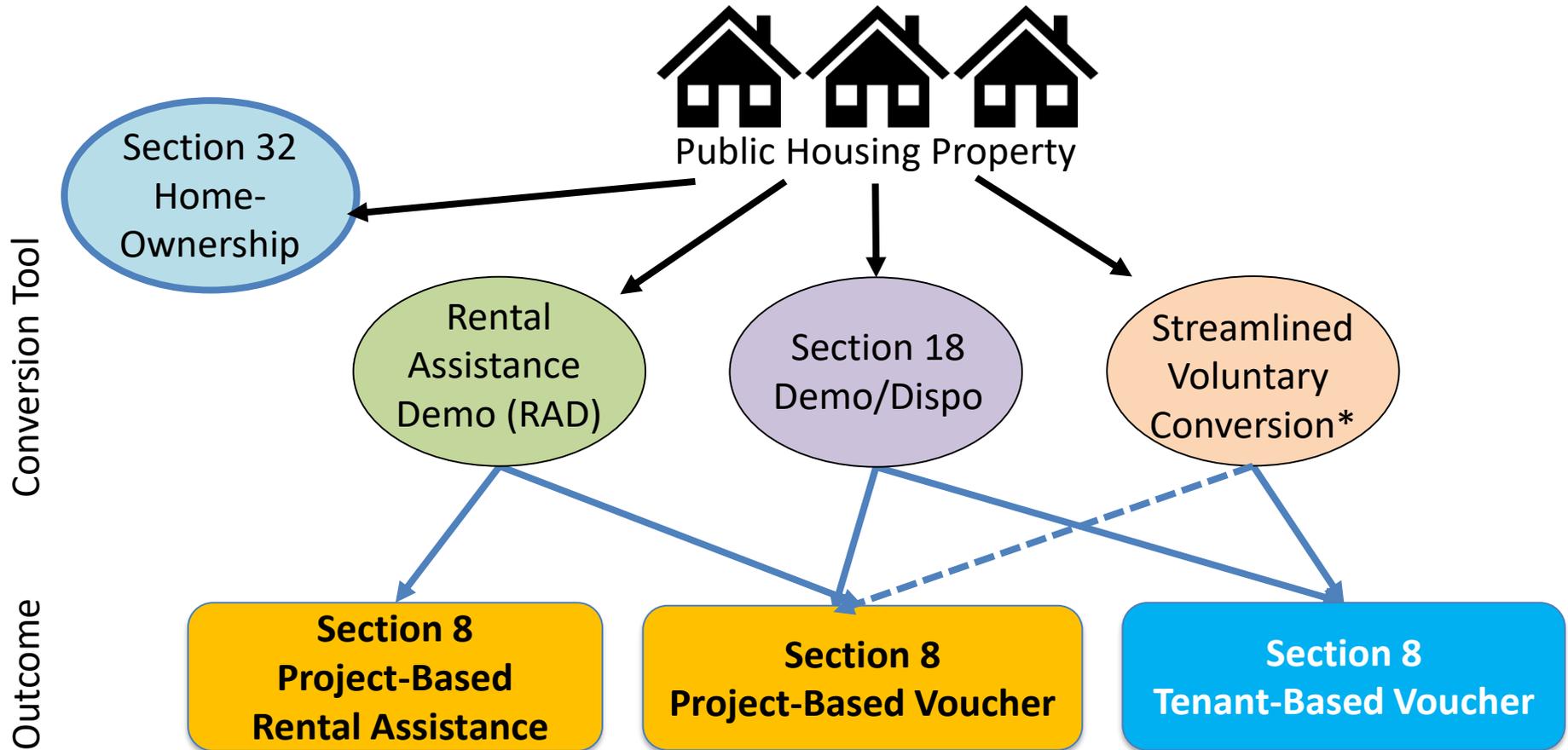
# What is Disposition?

- The additional flexibilities allowed for Section 18 by notice 2018-04 require a Disposition
- Disposition means a sale of the property – there must be a transfer of ownership to a new entity
- Creating an Owner Entity, which can be wholly owned and controlled by the PHA meets this requirement
- Need a separate entity to create a HAP contract for the Tenant Protection Vouchers if Project Based
  - A PHA cannot enter into a contract with itself
- See [Ownership Entities for Repositioning](#) handout for further guidance

# What is Voluntary Conversion?

- Section 22 (Voluntary Conversion) authorizes conversion to vouchers where demonstrates that it costs less to operate the property with vouchers than under public housing – 24 CFR 972
- **Streamlined Voluntary Conversion (SVC) Notice 2019 – 05** waives the cost test for PHAs with 250 units or less that wish to close-out their public housing program
- Tenant Protection Vouchers are tenant-based; residents may provide written consent to permit project-basing
- Residents have a right to remain in the property with tenant-based voucher if the property will continue to be used for residential
- FHEO Review to ensure vouchers can be used in market

# How to identify the best tool



\* Under Voluntary Conversion tenant protection vouchers must first be offered to residents as tenant-based assistance but may be project-based with tenant consent.

# Madison CDA

PHA Code: **WI003**



PHA Names: Madison Community Development Authority

● Latest ○ Historic Trend

## Public Housing Unit Data

ACC Units	<u>774</u>	Vacant - Vacant	<u>23</u>	Uninhabitable	<u>0</u>
APG Occupancy Rate Including RAD and Non-RAD Units	<u>96.64%</u>	Vacant-Vacant 60+ Days	<u>15</u>	Demo/Dispo Approved	<u>0</u>
Assisted Tenants Occupied	<u>743</u>	Vacant-Vacant 180+ Days	<u>6</u>	Other Vacant HUD Approved (not Mod)	<u>0</u>
Unassisted Tenants Occupied	<u>0</u>	Vacant for Modernization	<u>0</u>	Non-Dwelling	<u>8</u>
APG Occupancy Rate Excluding RAD CHAP Units	<u>96.6%</u>	Vacant for Mod 730+ Days	<u>0</u>		

## PHAS Scores

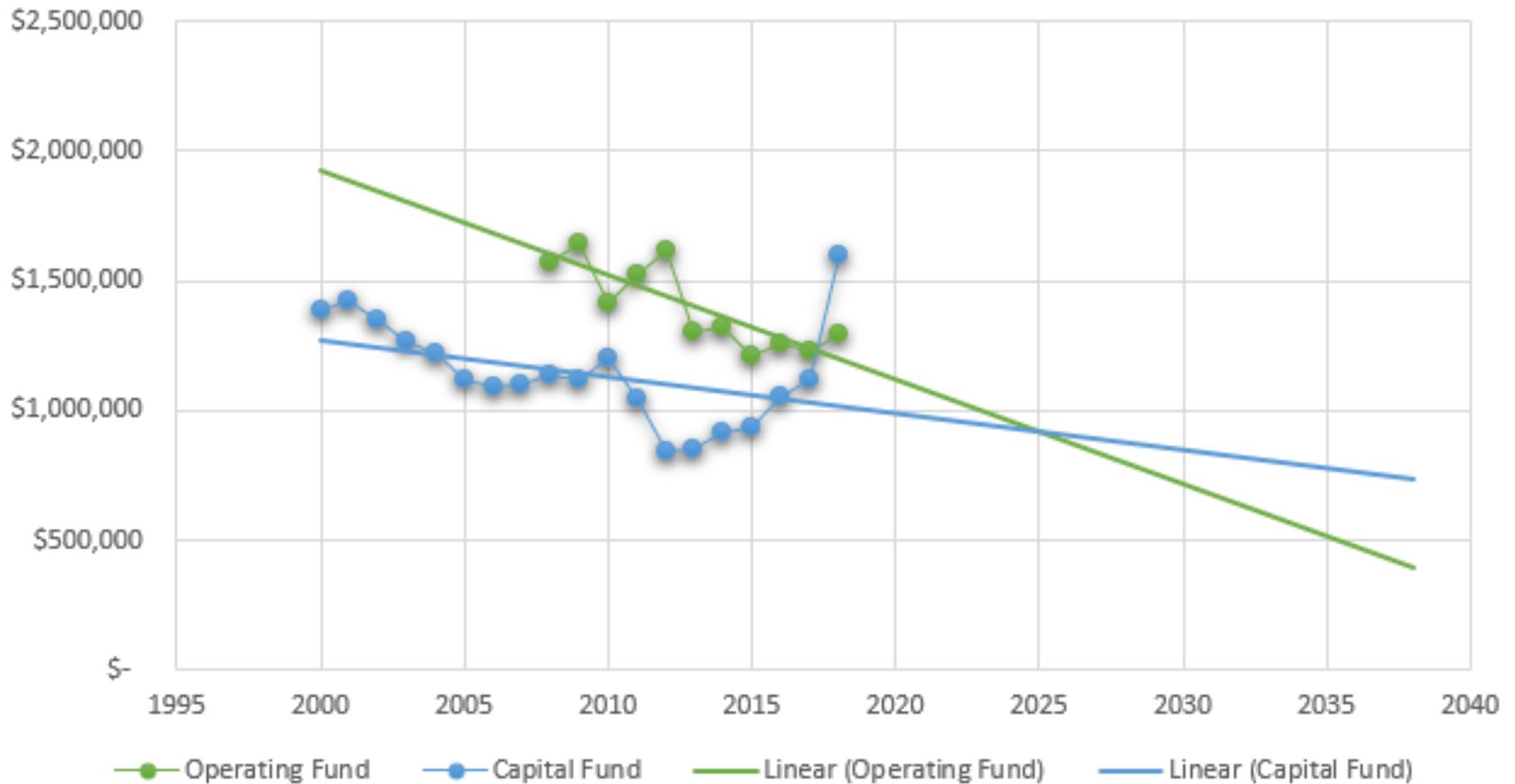
FYE	PHA Code	PHAS Designation & Detail Reports	Published DT	FASS Submission Type	PHAS Score	PASS Score	FASS Score	MASS Score	CFP Score
12/31/2018	WI003	Standard Performer	11/5/2019	Unaudited/Single Audit	78	31	23	17	7
12/31/2017	WI003	Standard Performer	3/7/2019	Audited/Single Audit	77	32	23	17	5
12/31/2016	WI003	Standard Performer	3/15/2018	Audited/Single Audit	72	31	20	16	5
12/31/2015	WI003	Substandard Management	3/7/2017	Audited/Single Audit	80	36	20	14	10

## Development Level Details

Physical Development	ACC Units	Assisted Units	APG Vacant Units	APG Vacancy Rate	0 Bedroom Units	1 Bedroom Units	2 Bedroom Units	3 Bedroom Units	4 Bedroom Units	5+ Bedroom Units
<a href="#">WI003000200</a>	166	157	<u>6</u>	3.61%		51	63	36	12	4
<a href="#">WI003000300</a>	297	280	<u>17</u>	5.72%	1	171	64	50	9	2
<a href="#">WI003000400</a>	224	220	<u>2</u>	0.89%	32	187	5			
<a href="#">WI003000500</a>	47	47	<u>0</u>	0.00%			47			
<a href="#">WI003000600</a>	40	39	<u>1</u>	2.50%		16		16	4	4

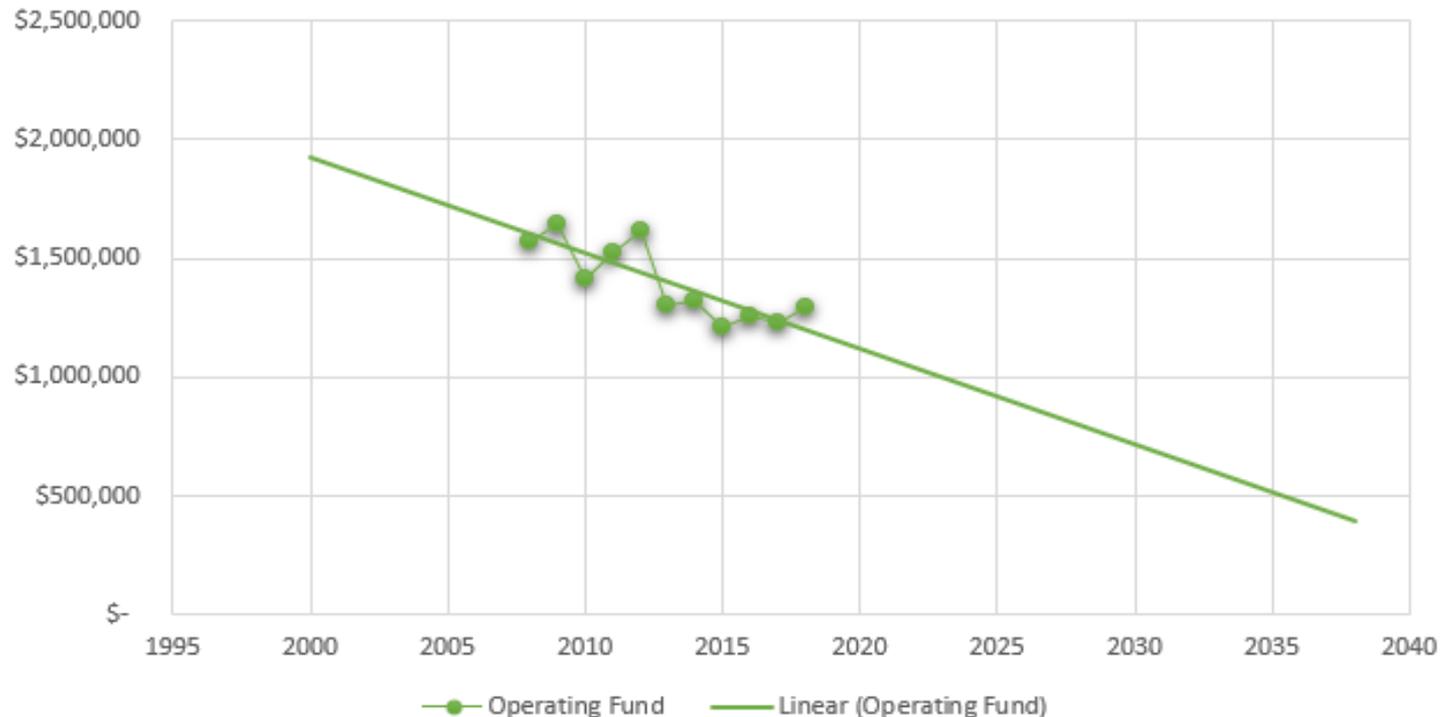
# Madison CDA

## Public Housing Funding Trend



# Madison CDA

## Operating Funding Trend

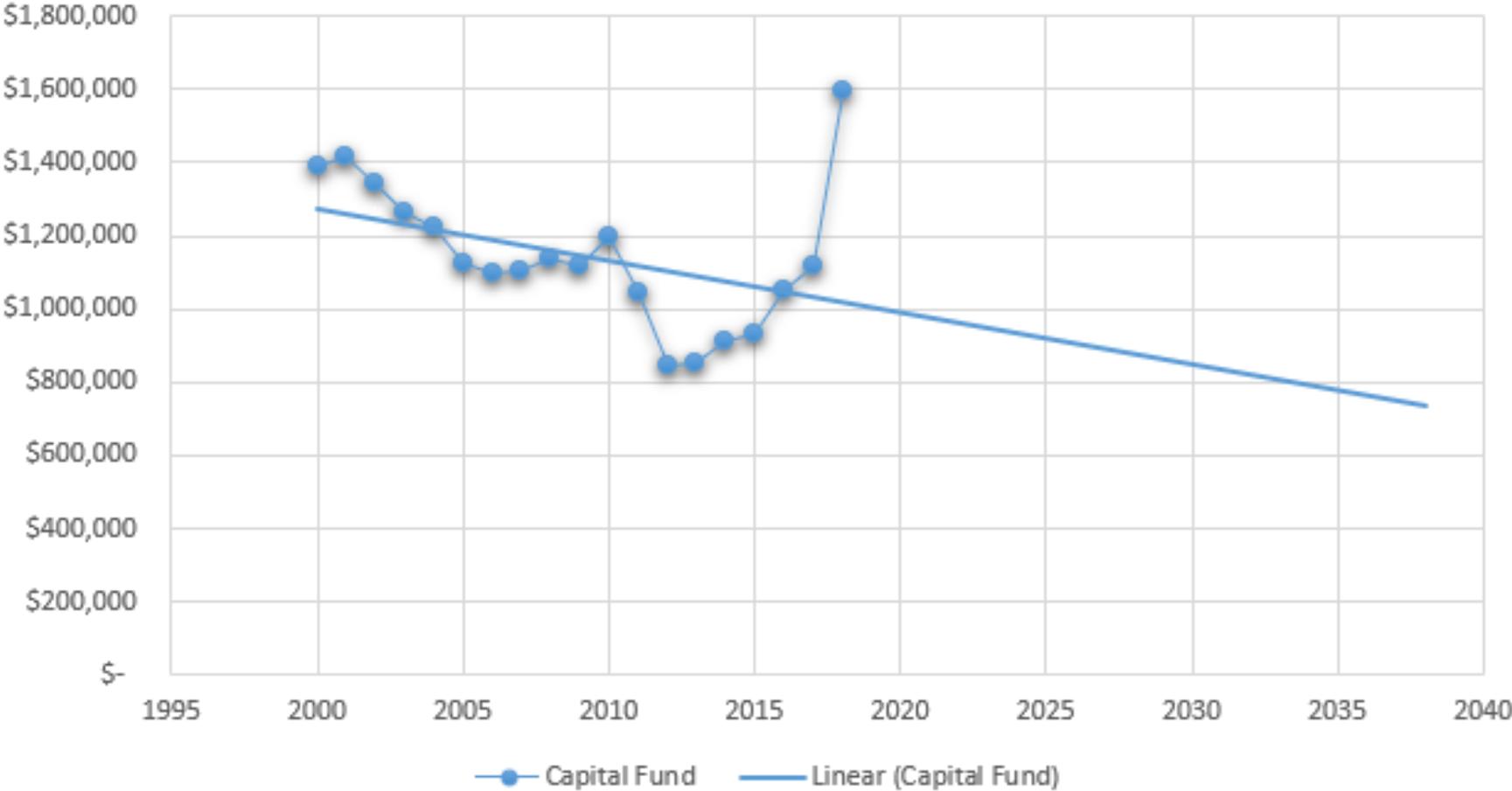


## Three important variables to consider

- Annual Appropriation amount
  - Eligibility Proration
  - Total Tenant Rent

# Madison CDA

## Capital Funding Trend



# Repositioning Timeline

## 2020 Reposition **36 Units** Section 18

- Section 18 Disposition of 32 Scattered Site Units  
AMP 200 Scattered Site & AMP 300 Bjanes Romnes
- Section 18 Disposition of 4 Units at Theresa Terrace Duplexes

## 2021 Reposition **60 Units**

- Section 18 Disposition or Participant Homeownership of  
12 Units SFH Scattered Site
- Section 18 Obsolescence or RAD Repositioning of 48 Units at  
Straubel Court

## 2022

- New Public Housing Development at Triangle

## 2023/2024

- Replacement of Gay Braxton at Triangle through RAD

# Scattered Site Units

- 48 Units eligible as Scattered Site under 2018-04 notice
- Reduces Faircloth Units to solve over-Faircloth issue
- Conversion to PBV provides increased cashflow of \$405,000 to \$490,000 annually
- Protected by 20 Year Project Based Voucher Contract
- Eligible to current HCV Homeownership program
- Allows DDTF for 48 converted units for up to 5 years
  - Continued Capital Grant Funding for removed units
  - Must be used for remaining PH portfolio including new development
  - Current Capital Funding = \$102,528 (2018)

# Scattered Sites 32 Units Section 18 Example @ 100% of FMRs



PH vs. HCV @ 100% FMR Comparison			
<b>Annual Public Housing Funding</b>			
Capital Fund:	\$		68,330
Operating Fund	\$		47,362
Tenant Rents	\$		120,803
<b>Annual Public Housing Total:</b>			<b>\$ 236,494</b>
<b>Annual Voucher Estimate</b>			
	No. Units	100% FMR	Expected Revenue
0 Bedroom Units	0	\$ 769	\$ -
1 Bedroom Units	0	\$ 924	\$ -
2 Bedroom Units	12	\$ 1,091	\$ 157,104
3 Bedroom Units	20	\$ 1,522	\$ 365,280
4 Bedroom Units	0	\$ 1,817	\$ -
5 Bedroom Units	0	\$ 2,726	\$ -
<b>Total Voucher Revenue</b>			<b>\$ 522,384</b>

100% of FMR	
Potential Annual PBV Funding	\$ 522,384
Annual Utility Allowance	\$ 16,928
Annual Public Housing Revenue	\$ 236,494
<b>Potential Increase in Annual Cashflow</b>	<b>\$ 268,962</b>

# Straubel Apartments

- Potential to qualify under Section 18 Obsolescence Standard
- Conversion to PBV through Section 18 provides increased cashflow of \$162,500 to \$224,000 annually
- Protected by 20 Year Project Based Voucher Contract
- Project Base VASH Vouchers to portion of Property
- Allows DDTF for 48 converted units for up to 5 years
  - Continued Capital Grant Funding for removed units
  - Must be used for remaining PH portfolio including new development
  - Current Capital Funding \$107,712 (2018)

# Straubel Court 48 Units Section 18 Example @ 100% of FMRs



PH vs. HCV @ 100% FMR Comparison			
<b>Annual Public Housing Funding</b>			
Capital Fund:		\$	107,712
Operating Fund		\$	93,312
Tenant Rents		\$	196,992
<b>Annual Public Housing Total:</b>			<b>\$ 398,016</b>
<b>Annual Voucher Estimate</b>			
	No. Units	100% FMR	Expected Revenue
1 Bedroom Units	8	\$ 924	\$ 88,704
2 Bedroom Units	40	\$ 1,091	\$ 523,680
3 Bedroom Units	0	\$ 1,522	\$ -
4 Bedroom Units	0	\$ 1,817	\$ -
<b>Total Voucher Revenue</b>			<b>\$ 612,384</b>

## 100% of FMR

Potential Annual PBV Funding	\$	612,384
Annual Utility Allowance	\$	51,840
Annual Public Housing Revenue	\$	398,016

**Potential Increase in Annual Cashflow \$ 162,528**

# Obsolescence – Physical Condition

- Scope of Work: Rehab Needs
  - Captures Immediate Needs (Repairs or Replacement needed in 3 years or less)
  - Third-party report (structural, environmental)
  - International Building Code (IBC)
- Cost-estimates
  - R.S. Means Cost-Index
  - Total cost estimates (TDC) published annually
  - 57.14% of TDC for non-elevator (62.5% for elevator)

# Section 18 Obsolescence

## Did you know?

- HUD will consider accessibility improvements for persons with mobility, vision, hearing or other impairments, if triggered by substantial rehabilitation;
- Mitigation costs of asbestos, lead-based paint, or other environmental issues; and
- HUD will consider Local code compliance if triggered by the Substantial rehabilitation/repair.
- Must Rehab property in order to Project Base Tenant Protection Vouchers after Obsolescence removal

# Public Housing New Development at Triangle

- 88 ACC units under Faircloth limit
  - 48 Units from Scattered Site
  - 48 Units from Truax Park
  - Currently over Faircloth by 8 units
- Able to use LIHTC / HOME / or other Mixed Finance options for Public Housing Development
- Increases Density at Triangle
- Can be component of current development plans for Triangle
- Eligible to reposition under RAD after completion

# Section 18 Application Requirements

- Consultation (Resident, Local Government)
- Board Resolution
- PHA Plan or PHA Plan Amendment
- Environmental Review
- Property Valuation (Tax Assessor Report, or Zillow) – If the property is going to be used for affordable housing purposes, the PHA doesn't need a formal property appraisal.
- Disposition Plan (PHAs can dispose of the units for affordable housing purposes, in which case HUD will require a 30 year use restriction, or PHAs can sell the units at Fair Market Value.)

# Tools to Assess Your Portfolio

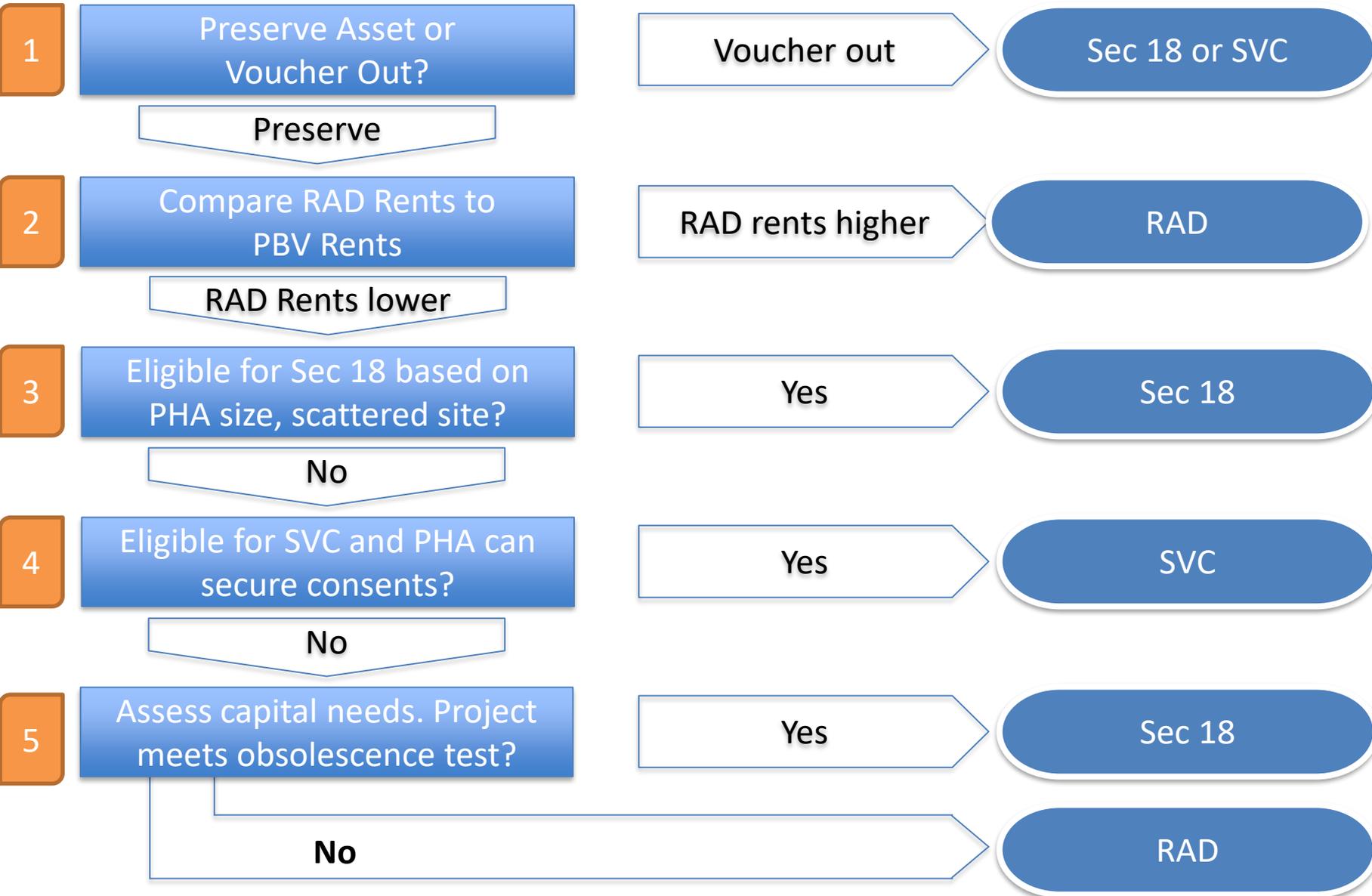
- Go to [www.hud.gov/RAD/library/notices](http://www.hud.gov/RAD/library/notices)
- [2018 RAD Rents](#): The table includes HUD's calculations of RAD Contract Rents for each public housing property based on the latest appropriated levels, with a comparison of local Fair Market Rent (FMR) rates. These 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](#)

# Appendix: Learn More

- Rental Assistance Demonstration (RAD):  
<https://www.hud.gov/RAD>
- Demolition & Disposition (Section 18):  
[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/centers/sac/demo\\_dispo](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](https://www.hud.gov/program_offices/public_indian_housing/centers/sac/vc)
- Mixed Finance:  
[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/ph/hope6/mfph](https://www.hud.gov/program_offices/public_indian_housing/programs/ph/hope6/mfph)

# Additional Resources

- Your Field Office Point of Contact: ME!!!
- Field Office Section 18 Expeditors
- Repositioning Panels
- Small PHA Technical Assistance



# Options for PH Conversion Actions

PHA Category (based on application date)	RAD	Section 18	Voluntary Conversion
Very Small PHAs (50 or fewer units)	Streamlined RAD	Section 18 for PHAs with 50 or fewer units	Streamlined Voluntary Conversion ( <i>tenant consent required to PBV</i> )
Small PHAs (51-250 units)	RAD and RAD/Section 18 Blend	Section 18 – Obsolescence, Scattered Sites, Efficient/Effective, Health and Safety	Streamlined Voluntary Conversion ( <i>tenant consent required to PBV</i> )
All Other	RAD and RAD/Section 18 Blend	Section 18 – Obsolescence, Scattered Sites, Efficient/Effective, Health and Safety	Voluntary Conversion ( <i>tenant consent required to PBV</i> )