



Public Housing Repositioning Strategies

2021 GAHRA Annual Conference
September 20, 2021

* Content from HUD & Enterprise Community Partners

What does “repositioning” mean?

Unit is taken out of the federal public housing inventory and converted from Public Housing Section 9 to Section 8

Preserve affordable housing availability,
using a project-based unit or a portable voucher

Public Housing Repositioning has allowed PHAs to:

- Modernize aging properties
- Stabilize property revenues
- Conduct substantial rehabilitation
- Demolish/redevelop distressed/obsolete properties
- Support neighborhoods of opportunities
- Thin densities and mix incomes
- Streamline operations

HUD and PHA shared goals

- Improve physical conditions
- Stabilize financial performance & long-term operations
- Secure improved access to affordable housing

Why reposition public housing?

- Backlog of capital needs 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

Better physical conditions

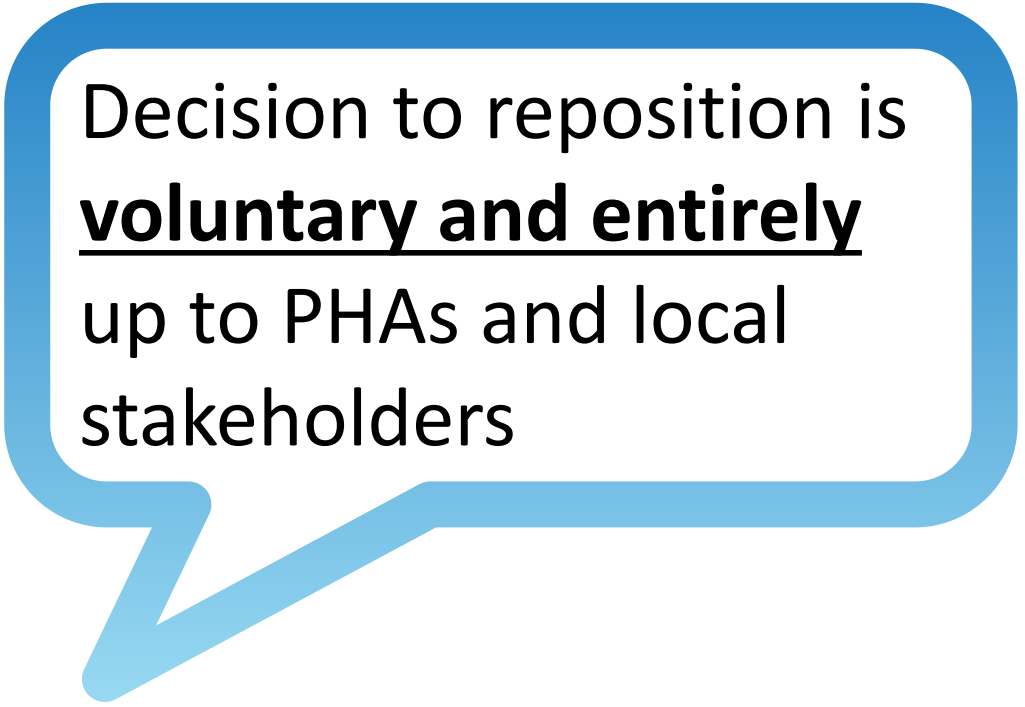
**Long-term affordable rental
assistance**

**Flexibility to move through
HCV program requirements**

**What do
residents
gain?**

This is ENTIRELY Voluntary

- HUD is not planning to end the Public Housing program.
- PHAs still have access to Capital Fund Financing, Operating Fund Financing, Energy Performance Contracts, etc.



Decision to reposition is **voluntary and entirely** up to PHAs and local stakeholders

Will my PHA continue to exist if I reposition?

- Yes! “Repositioning” gives PHAs options to elect to subsidize housing outside of the public housing model.
- Repositioning does **not** reduce local control of the existing units. (In fact, there is MORE local control and flexibility to meet the community’s needs.)

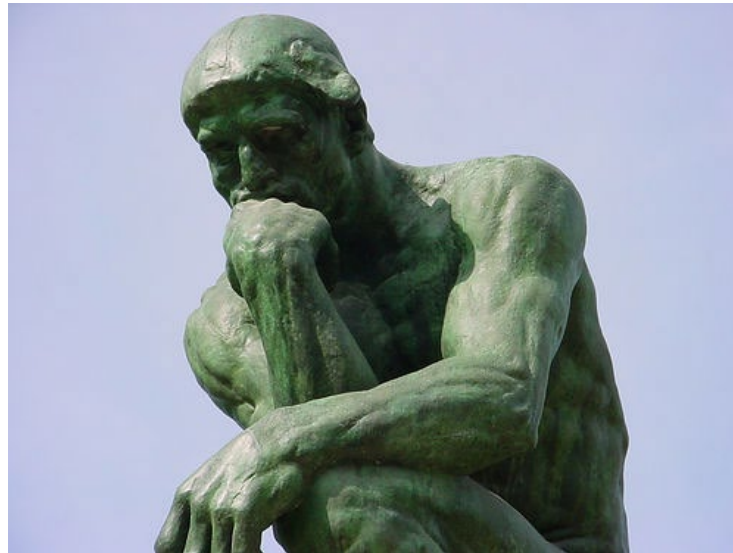
Repositioning Considerations

How many households do you want to serve?

Do you want to own and operate housing?

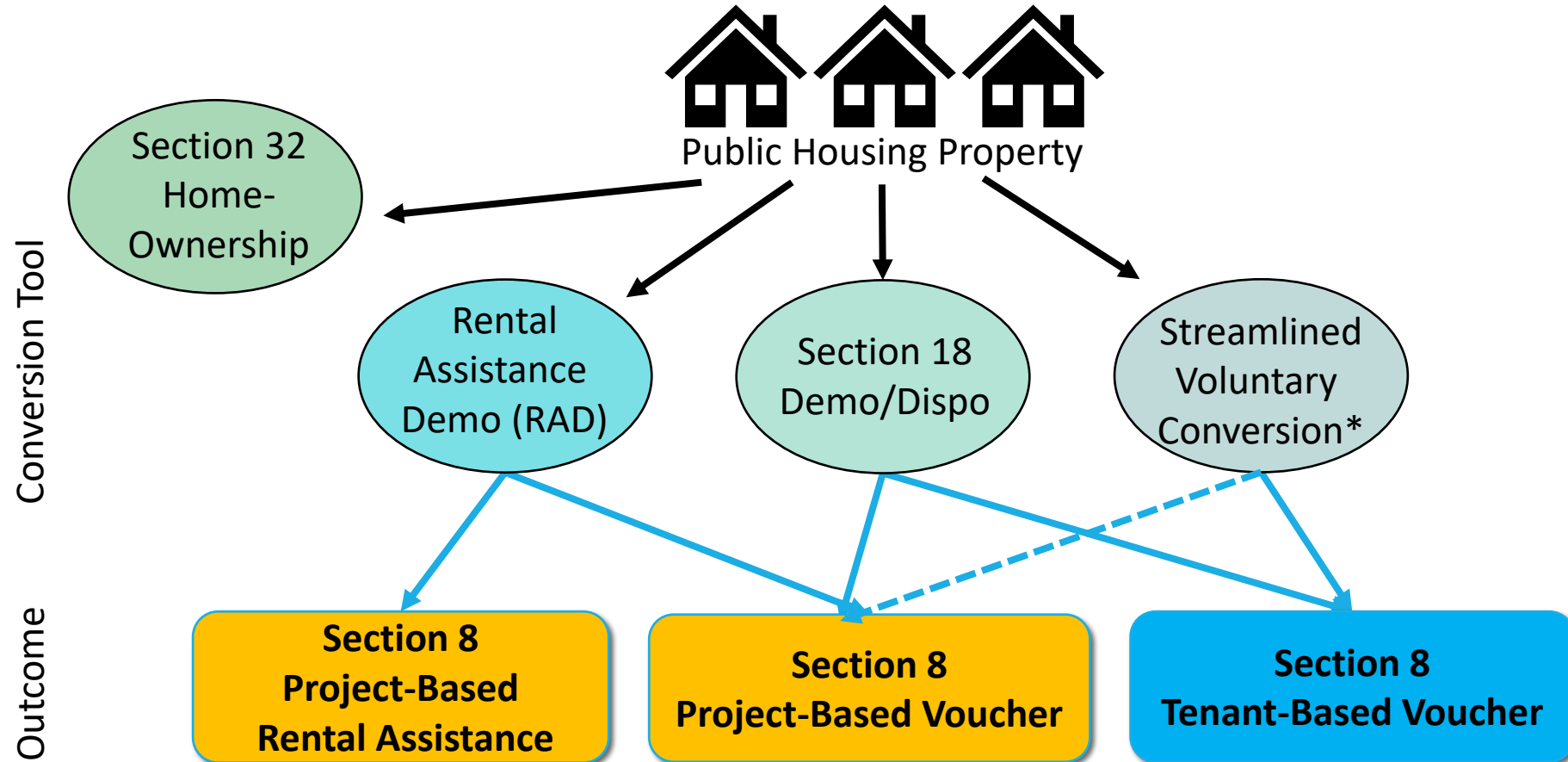
Where should housing in your community exist?

Who are you serving?
(elderly, families, homeless)



What income levels are you serving?

Public Housing Repositioning Options



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

Key Considerations

1. Consider the whole portfolio;
2. The tools/process is going to be different depending on the PHA size;
3. This is iterative (revise your plan as you go);
4. Develop a timeline/sequence (i.e., all at once or multi-phase);
5. Identify financing sources; and
6. Consider conversion types (i.e., no debt, debt, tax credits).

Important Resources

To learn about repositioning options, visit the new
Repositioning webpage at:

https://www.hud.gov/program_offices/public_indian_housing/repositioning

Here you can find:

- Training Videos (Repositioning 101, Sec 18 Overview, and Streamlined Voluntary Conversion Overview)
- Case Studies
- Links to other key sites (RAD and Special Application Center)



Rental Assistance Demonstration (RAD) Overview

What is RAD?

- RAD designed to address growing backlog of capital needs, estimated at \$26 billion in 2010
- Authorized in 2011, RAD now allows 455,000 public housing units to convert to long-term, Section 8 rental assistance contracts, allowing:
 - Better access to debt and equity to finance capital needs
 - Stronger platform for long-term preservation
 - Program simplification
 - Robust resident rights

RAD: Key Features



Rents

Predictable contract rents to start and adjusted by Operating Cost Adjustment Factor (OCAF)



Capital Needs

PHA secures financing, funds Replacement Reserve and completes capital needs assessment



Tenant Rights

Right of return, choice mobility and no rescreening
Retain organizing & procedural rights



Public Stewardship

Ownership/control by public or non-profit with use agreement
Long-term HAP contract renewable at expirations

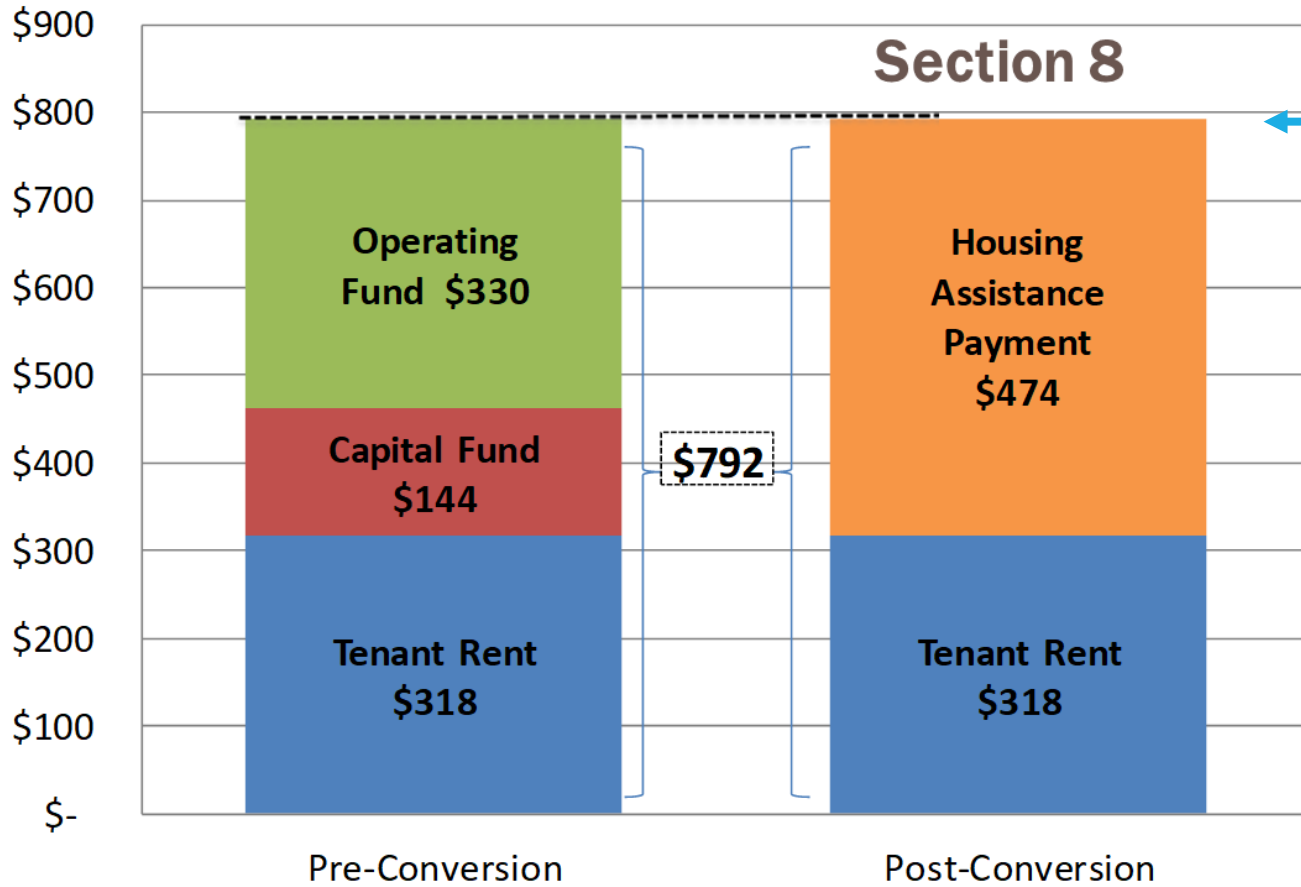
RAD Key Features

- *RAD is the only repositioning option that allows public housing funds/reserves to be used to directly support conversion to Section 8 (i.e., Public Housing funds can be used towards development budget, relocation, Replacement Reserves, etc.).*
- *RAD is the only repositioning option that allows conversion to PBV or PBRA.*

Contracts and Rents

- Predictable initial contract rent setting – rents based on public housing funding levels with certain flexibilities
- Automatic annual adjustment of rents based on Annual Operating Cost Adjustment Factor (OCAF), subject to certain rent caps.
- RAD HAP funding begins at construction closing – “Rehab Assistance Payments”
- No limitation on use of project cash flow

Sample Public Housing Conversion Per Unit Monthly (PUM)



This \$792 becomes a **Contract Rent** which becomes a dependable revenue source that can be used to plan for the future (i.e., leverage debt).

This is BIG

HUD posts the RAD Rents for EVERY Public Housing Project Online.

The table below includes HUD's calculations of RAD Contract Rents for each public housing property based on 2018 Operating Fund, Tenant Rent, and Capital Fund levels. These rents will form the basis of the conversion rents for properties awarded CHAPs or with amended CHAPs starting on Jan 1, 2019. *RAD contract rents listed are net of any tenant-paid utilities. Converting properties utilize the utility allowance in effect at the public housing property at the time of conversion. Average utility allowances presented in this table are estimates derived from tenant files in order to estimate the "Gross Rent" that can be compared to the PBV or PBRA rent caps. The PHA is the definitive source of data for the current utility allowances at each property.

| Project Identifier | | | | Public Housing Units | | | | | | | Rent Calculation | | | 2018 Contract Rent | | | | |
|--------------------|-------------|--|--------------|--------------------------|------|------|------|------|------|-------|-----------------------|-----------------------|------------------|-----------------------------------|--------------------------------------|-----------------------|-------------------------------|-----|
| PIC Number | PHA Name | PHA Code | PROJECT NAME | Public Housing Units | 0-BR | 1-BR | 2-BR | 3-BR | 4-BR | 5+-BR | 2018 PUM Capital Fund | 2018 PUM Tenant Rents | 2018 PUM Op Fund | 2018 PUM Contract Rent (weighted) | Estimated Average Utility Allowance* | Estimated Gross Rent* | RAD Rents as a percent of FMR | |
| 4 | AK001000213 | Alaska Housing Finance Corporation | AK001 | Wrangell | 20 | 0 | 4 | 4 | 12 | 0 | \$224 | \$416 | \$788 | \$1,428 | \$36 | \$1,464 | 137% | |
| 5 | AK001000216 | Alaska Housing Finance Corporation | AK001 | Cordova | 16 | 0 | 0 | 0 | 16 | 0 | \$235 | \$705 | \$605 | \$1,544 | \$36 | \$1,581 | 106% | |
| 6 | AK001000244 | Alaska Housing Finance Corporation | AK001 | Wasilla | 32 | 0 | 32 | 0 | 0 | 0 | \$203 | \$418 | \$515 | \$1,136 | \$73 | \$1,209 | 145% | |
| 7 | AK001000247 | Alaska Housing Finance Corporation | AK001 | Anchorage Central | 120 | 0 | 120 | 0 | 0 | 0 | \$202 | \$466 | \$566 | \$1,234 | \$0 | \$1,234 | 119% | |
| 8 | AK001000257 | Alaska Housing Finance Corporation | AK001 | Bethel | 117 | 0 | 0 | 0 | 92 | 20 | \$137 | \$750 | \$713 | \$1,633 | \$29 | \$1,662 | 86% | |
| 9 | AK001000260 | Alaska Housing Finance Corporation | AK001 | Nome | 33 | 0 | 0 | 8 | 20 | 5 | \$129 | \$902 | \$482 | \$1,512 | \$29 | \$1,541 | 84% | |
| 10 | AK001000263 | Alaska Housing Finance Corporation | AK001 | Valdez | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$53 | \$1,304 | 99% | |
| 11 | AK001000265 | Alaska Housing Finance Corporation | AK001 | Kodiak | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$20 | \$1,335 | 111% | |
| 12 | AK001000271 | Alaska Housing Finance Corporation | AK001 | ANCHORAGE SOUTH | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | \$41 | \$1,405 | 91% | |
| 13 | AK001000274 | Alaska Housing Finance Corporation | AK001 | ANCHORAGE EAST | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$35 | \$1,359 | 90% | |
| 14 | AK001000275 | Alaska Housing Finance Corporation | AK001 | FAIRBANKS | 0 | 0 | 0 | 0 | 0 | 4 | 0 | 0 | 0 | 0 | \$29 | \$1,403 | 81% | |
| 15 | AK001000277 | Alaska Housing Finance Corporation | AK001 | JUNEAU | 207 | 0 | 85 | 53 | 50 | 17 | 2 | 0 | 0 | 0 | \$15 | \$1,245 | 81% | |
| 16 | AK001000279 | Alaska Housing Finance Corporation | AK001 | KETCHIKAN | 73 | 0 | 57 | 0 | 16 | 0 | 0 | 0 | 0 | 0 | \$6 | \$1,265 | 115% | |
| 17 | AK001000280 | Alaska Housing Finance Corporation | AK001 | SITKA | 44 | 0 | 24 | 8 | 10 | 2 | 0 | 0 | 0 | 0 | \$46 | \$1,265 | 99% | |
| 18 | AL001000001 | Housing Authority of the Birmingham District | AL001 | ELYTON VILLAGE | 478 | 0 | 38 | 382 | 58 | 0 | \$186 | \$126 | \$444 | \$756 | \$103 | \$859 | 95% | |
| 19 | AL001000004 | Housing Authority of the Birmingham District | AL001 | SOUTHTOWN | 455 | 0 | 164 | 199 | 92 | 0 | \$180 | \$48 | \$476 | \$756 | \$103 | \$859 | 95% | |
| 20 | AL001000006 | Housing Authority of the Birmingham District | AL001 | CHARLES P MARKS VILLAGE | 500 | 0 | 50 | 201 | 201 | 40 | 8 | 0 | 0 | 0 | \$201 | \$87 | \$501 | 9% |
| 21 | AL001000007 | Housing Authority of the Birmingham District | AL001 | JOSEPH H LOVEMAN VILLAGE | 280 | 0 | 18 | 101 | 101 | 50 | 10 | 0 | 0 | 0 | \$204 | \$52 | \$639 | 3% |
| 22 | AL001000009 | Housing Authority of the Birmingham District | AL001 | SMITHFIELD COURT | 456 | 16 | 300 | 100 | 40 | 0 | \$172 | \$124 | \$363 | \$756 | \$103 | \$859 | 10% | |
| 23 | AL001000010 | Housing Authority of the Birmingham District | AL001 | TOM BROWN VILLAGE | 248 | 0 | 32 | 20 | 42 | 108 | 46 | 0 | 0 | 0 | \$221 | \$97 | \$572 | 9% |
| 24 | AL001000011 | Housing Authority of the Birmingham District | AL001 | MORTON SIMPSON VILLAGE | 456 | 0 | 64 | 163 | 181 | 48 | 0 | 0 | 0 | 0 | \$202 | \$41 | \$626 | 8% |
| 25 | AL001000013 | Housing Authority of the Birmingham District | AL001 | COLLEGEVILLE CENTER | 394 | 0 | 54 | 114 | 126 | 64 | 36 | 0 | 0 | 0 | \$210 | \$30 | \$728 | 7% |
| 26 | AL001000014 | Housing Authority of the Birmingham District | AL001 | RUSSELL B HARRIS HOMES | 188 | 0 | 52 | 59 | 57 | 10 | 10 | 0 | 0 | 0 | \$202 | \$212 | \$388 | 89% |
| 27 | AL001000016 | Housing Authority of the Birmingham District | AL001 | NORTH BIRMINGHAM HOMES | 271 | 0 | 39 | 62 | 94 | 45 | 31 | 0 | 0 | 0 | \$215 | \$55 | \$626 | 88% |
| 28 | AL001000017 | Housing Authority of the Birmingham District | AL001 | COOPER GREEN HOMES | 227 | 0 | 50 | 69 | 67 | 36 | 5 | 0 | 0 | 0 | \$212 | \$160 | \$447 | 88% |
| 29 | AL001000018 | Housing Authority of the Birmingham District | AL001 | RALPH KIMBROUGH HOMES | 231 | 0 | 68 | 64 | 66 | 20 | 13 | 0 | 0 | 0 | \$206 | \$90 | \$506 | 89% |
| 30 | AL001000023 | Housing Authority of the Birmingham District | AL001 | ROOSEVELT CITY | 118 | 0 | 4 | 12 | 55 | 39 | 8 | 0 | 0 | 0 | \$231 | \$0 | \$595 | 90% |

Sort for you PHA and Project Name

Here is your current funding data

Here is your Per Unit Month RAD Contract Rent

Here is how your RAD Rent Compares to local Fair Market Rent (FMR)

Development Requirements

Capital Needs Assessment

- Identifies all immediate and long-term capital needs
- Financing Plan must cover all capital needs through upfront capitalization and/or ongoing capital “replacement reserve” deposits

Environmental Review

- PBRA or FHA-insured conversion
 - Part 50
 - HUD performs review
- All other PBV
 - Part 58
 - Responsible Entity performs review

Substantial Conversion of Assistance

- Conversion may not result in a reduction of assisted units (greater of 5% or five units)
- Exceptions for consolidation of efficiencies or supportive services units

Note: RAD Streamlined process for very small PHAs (50 or fewer units).

Development Requirements (cont.)

Site and Neighborhood Standards

- All new construction subject to HUD FHEO review when site is in an area of minority concentration.

Ownership and Control

- Property must be owned or controlled by a public or non-profit entity, except in the case of tax credits, where PHA must maintain an “interest” in the project (often satisfied by PHA entering a long-term ground lease).

Davis Bacon and Section 3

- Davis Bacon prevailing wage requirements and Section 3 low-income hiring requirements apply to any construction activity.

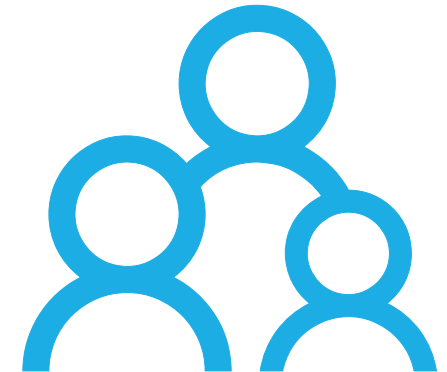
Transfer of Assistance

- Transfer of assistance refers to a change in the geographic site of the assistance. It has the potential to improve the location and quality of housing.
- HUD will assess:
 - that the transfer does not place housing in neighborhoods with highly concentrated poverty
 - whether conversion on-site is economically non-viable (physically obsolete or severely distressed)

Resident Rights and Requirements:

Current Residents

- Residents have an absolute **right to return** post-rehab
- **Prohibition of re-screening** residents upon “move-in” to the Section 8 property
- A **“phase-in” of resident rents** if residents were paying less than 30% of adjusted income prior to conversion, e.g. “flat-renters”
- Continued participation in **ROSS and FSS**
- “Grandfathered” **Earned Income Disregard**



Relocation

- RAD provides residents with relocation protections: HUD PIH Notice 2016-17
 - Uniform Relocation Act (URA) applies (in some cases RAD requirements are in excess of URA)
 - Residents have a right to return post-rehab
 - No relocation activities can occur until the execution of the RAD Conversion Commitment

RAD Conversion Process



Strategic Planning

RAD Application

Financing Plan

RAD Conversion Commitment

Closing & Conversion

Rehabilitation/Construction

What do you want to do with your asset and what tools are available?

Confirms project eligibility

Ensure residents and Board consulted

CHAP Award

Reserves conversion authority under the cap

Sets forth the contract rents

Demonstrate physical and financial viability and compliance with program requirements

(Note PHAs below 50 units, may submit a streamlined financing plan and avoid a physical needs assessment.)

HUD approval of the Financing Plan

Sets out terms of closing and construction

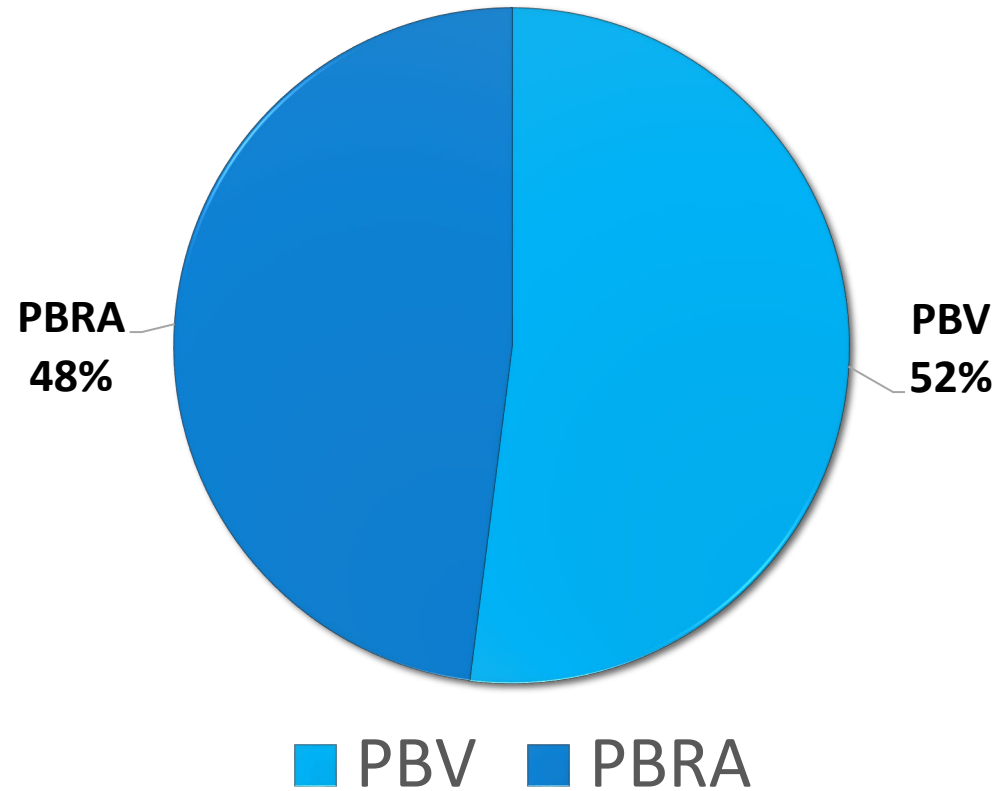
Removal of public housing ACC and DOT

Entry into Section 8 HAP Contract & RAD Use Agreement

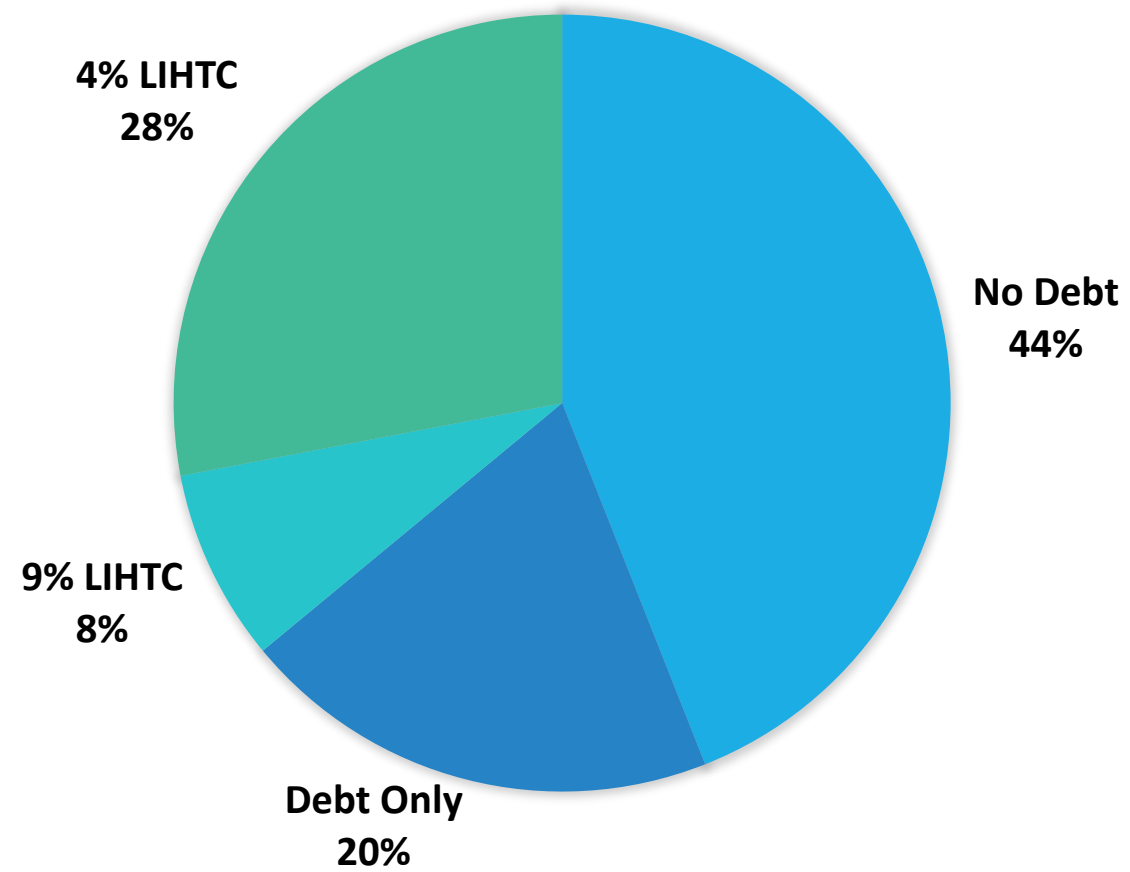
If applicable, work completed in accordance with RCC

Getting Started: RAD Application

- Application recently streamlined and available at www.RADresource.net
 - Check out RAD Resource Desk for recorded webcast on how to submit a RAD application
- Must include:
 - Board Approval
 - Resident Comments
- For PHAs that have multiple properties, additional application flexibilities available through:
 - Portfolio Award
- An approved RAD application is not a binding commitment on behalf of the PHA. A PHA can withdraw from RAD at any point up until final closing, and there is absolutely no penalty from HUD.



Closed Conversions: PBV vs. PBRA



Conversion Financing

RAD – Key Takeaways

- **More Stable Funding Platform** - The Section 8 program is a much more stable and reliable funding platform for the long-term preservation of low-income housing, with long-term subsidy contracts and automatic annual rent adjustment factors.
- **More Rational Regulatory Environment** - By converting to Section 8, PHAs leave behind a much more complicated regulatory environment, including such requirements as Annual Plans, Community Service, and the Public Housing Assessment System.
- **Better Able to Leverage Debt and Equity** - Section 8 is a much more reliable tool for leveraging private capital (mostly due to the long-term housing assistance payments contracts that have annual adjustments in contract rents).

RAD – Key Takeaways (continued)

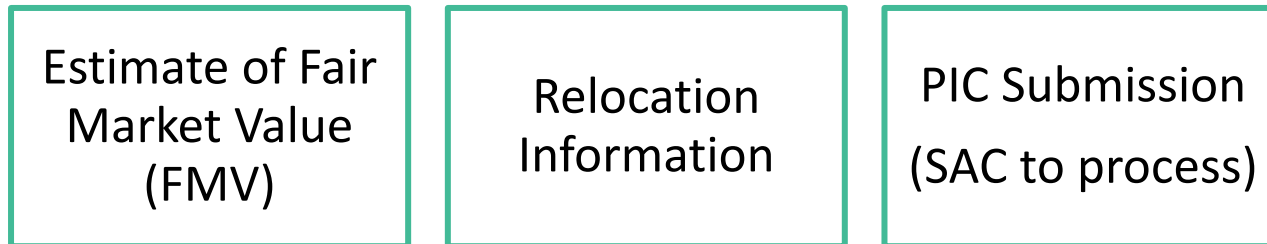
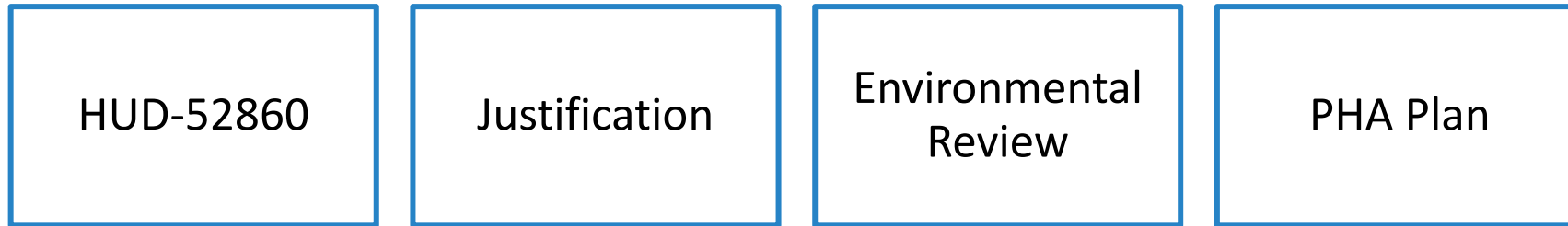
- **Long-term Public/Non-Profit Ownership or Control and Affordability Restrictions -** The RAD statute requires converting projects to be owned or controlled by a public or non-profit entity, enforced through perpetual use agreements that get recorded with local land records.
- **Strong Resident Rights and Protections -** All residents of converting projects have an absolute right to return and any temporary relocation is covered by the Uniform Relocation Act. RAD also requires significant resident input. When the project converts to Section 8, tenants pay 30% of their income.
- **Utilization of Public Housing Funds -** RAD is the ONLY repositioning tool that allows a PHA's public housing funds (including any public housing reserves) to be broadly utilized for conversion related expenses such as pre-development costs, construction costs, establishing a project reserve, etc.

Section 18: Demolition/Disposition Overview?

What is Section 18?

- Section 18 of the Housing Act of 1937 authorizes demolition or disposition of public housing
- Requirements outlined in PIH 2018-04
- HUD generally approves under Section 18 if property is:
 - Physically obsolete
 - Scattered site (non-contiguous) with operational challenges
 - Owned by a PHA with 50 units or less
 - Efficient and Effective operations achieved elsewhere
- FHEO Review to ensure vouchers are feasible in the open market

SAC Application Requirements



Justifications

Demolition

- Obsolescence: physical, location or other factors
- De Minimis

Disposition

- Physical obsolescence
- Surrounding Area
 - Health and safety
 - Infeasible operation
- Scattered-site
- Non-dwelling property
- RAD and Section 18 repositioning
- More efficient/effective repositioning
- 50 units or less total inventory

Tenant Protection Vouchers (TPVs)

- Separate Application Process (HUD-52515 to Field Office)
- PHA must offer to (qualifying) families as relocation resource
- Normal HCV requirements apply
- PHA can offer as tenant-based or project-based assistance
- Replacement TPVs added to PHA's HCV Baseline
- Currently, PHAs receive TPVs for units occupied within previous 24 months of SAC approval date?
- Public Housing Only PHAs partner with Voucher PHAs
- Appropriations (HUD may establish priority order if needed)

Obsolescence – Physical Condition (Demo or Dispo Based on this Justification)

- Scope of work: rehab needs
 - Capture immediate needs; repairs or replacement within next 3 years
 - 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 building (62.5% for elevator building)

Disposition: Scattered Site Units

- Buildings are non-contiguous with 4 or fewer units
- Unsustainable to operate and/or maintain
- Must have a Relocation Plan with option for residents to remain using PBV or voucher out
- Flexibility in structuring disposition
 - Sell at FMV on the open market with proceeds generated
 - Partner with related entity to sell at below FMV so units can be used as affordable rental housing, including PBV
 - Create local homeownership program

Disposition: Very Small PHA

- 50 or fewer public housing units
- Must close-out Public Housing program via Consolidation/Transfer or ACC Termination
- Flexibility in structuring disposition
 - Sell at FMV (generate proceeds)
 - Partner with related entity to sell at below FMV, to retain affordable rental housing (including PBV)
- Must have a Relocation Plan with option for residents to remain using PBV or voucher out
- Find Voucher PHA to administer TPVs If Public Housing-Only PHA

Creation of more efficient or effective units

Disposition where replacement units are more efficient/effective

- PHA receives TPVs for only 25% of occupied units
- No obsolescence test
- Replace on or off-site as public housing or Section 8
- PHA determines number of replacement units

Example: Fully occupied 40-unit project located in undesirable area and in need of rehab, but does not meet the standard Section 18 “obsolescence” test

- PHA proposes to sell the land and use proceeds to build elsewhere
- PHA is eligible for 10 TPVs (25%)
- Using 4% LIHTC, PHA proposes a mixed-income property with 10 PBV units and 10 as standard tax credits

Disposition to Whom?

- Separate legal entity under state law
- PHA may retain ownership or control (consider property taxes, PBV requirements—including competition and independent entity triggers)
- May be a non-profit of PHA
- Options:
 - Open market at FMV (public bid/auction)
 - Negotiated disposition at FMV (identified buyer)
 - Negotiated disposition at below FMV (commensurate public benefit)
 - Sale or ground lease

Impact on Public Housing Funds

- PHA may only spend Cap Funds for modernization activities PRIOR to submitting a Section 18 application
- PHA may spend Op Funds for maintenance up until ACC termination (“RMI” in PIC)
- Operating Fund phases to Asset Repositioning Fee (ARF):
Change triggered on relocation start date in PIC
- Demolition Disposition Transition Funding (DDTF):
Supplement to Cap funds, triggered at RMI status in PIC

Important Resources

Visit the Special Applications Center at:

www.hud.gov/sac



Local Field Office has Expeditors to help with applications.

Training videos on HUD Repositioning Website.

Section 18 – Key Takeaways

- **What do you want to do?** PHA has discretion to structure the disposition. Section 18 options can preserve, reposition same units to Section 8 platform, acquire more/better units, or provide tenant-based mobility assistance.
- **Transfer required, but not loss of control** - A Section 18 disposition requires PHA to transfer to a separate legal entity, but PHAs can structure the new entity as independent but still wholly controlled non-profit or single-asset LLC, retaining fee title and long-term ground lease.
- **Future Affordable Housing** - If project continues as affordable housing, HUD generally approves disposition below FMV (i.e., \$1) based on “commensurate public benefit”. To release DOT, record a 30-year first-priority use restriction.

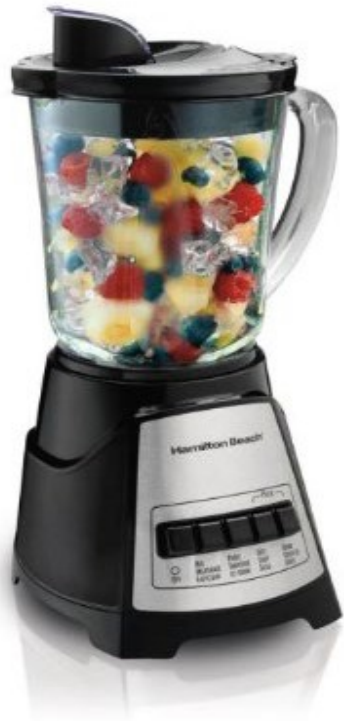
Section 18 – Key Takeaways (continued)

- **Section 18 requirements** - A complete application has:
 - board approval
 - PHA Annual Plan inclusion
 - resident consultation
 - environmental review
 - local government consultation
 - disposition description (to whom, for how much, future use)
 - valuation of property
 - relocation plan and timetable
 - use of proceeds (if applicable)
- **Tenant-Protection Vouchers (TPVs)** - TPVs are Section 8 assistance authorized and funded by Congress. TPVs are permanently added to a PHA's HCV baseline, renewed, and available then to new families. PHAs are eligible for TPVs for all Section 18 units occupied within previous 24-months. See TPV allocation methodology in [Notice PIH 2018-09](#). PHA must have an HCV program or partner with Voucher PHA.

RAD/Section 18 Blends

Overview

What is a RAD and Section 18 Blend?



PHAs can use RAD and Section 18 together. Notice PIH 2021-07 expands on PIH 2018-04 to create **RAD/Section 18 Blends**, which bring the best of both tools:

- Higher contract rents support greater financing
- Robust resident rights
- RAD one-for-one replacement reqs apply (w/ de minimis)
- Public housing funds can be used in project conversion
- HUD underwriting of entire project to ensure project viability

RAD/Section 18 Construction Blend

Replaces former RAD/Section 18 “75/25” Blend

HUD approves a portion of units under Section 18, to be replaced with Project-Based Voucher, based on level of rehab/construction achieved. Percentage of units eligible for Sec 18 disposition within the Converting Project is based on the hard construction costs proposed for the new construction or rehabilitation of the Covered Project compared with HUD’s published Housing Construction Costs for the market

| Required HCC Threshold | RAD / Section 18 Blend Percent |
|--------------------------|--------------------------------|
| >30% | 80% RAD / 20% Section 18 |
| >60% | 60% RAD / 40% Section 18 |
| >90% | 40% RAD / 60% Section 18 |
| >90% + in high-cost area | 20% RAD / 80% Section 18 |

RAD/Section 18 Construction Blend (Cont'd)

Notes

- Units must be either newly constructed or rehabilitated **without** the use of 9% Low Income Housing Tax Credit (LIHTC).
- Hard construction costs in the approved financing plan includes general requirements, overhead and profit, and payment and performance bonds
- High-cost areas defined as those where the HUD-published HCC exceeds 120% of the national average – nationally, 43 out of 416 areas are high-cost areas

Resources:

- [Workbook to Test HCC Threshold: For RAD Section 18 Blends and Opportunity Zone Rent Increases](#)
- [List of High Cost Areas - for Calculating RAD/Section 18 Construction Blend Eligibility.](#)

RAD/Section 18 Small PHA Blend

Replaces former RAD/Section 18 Close-out Blend

For any PHA with 250 or fewer public housing units under its ACC, at the PHA's discretion up to eighty percent (80%) of the units in a Converting Project may be disposed under Section 18.

- Blend is applied at the project level
- PHA must submit a repositioning plan to HUD showing how it will remove all of its public housing units
- Any PBV contract must be administered by a PHA operating at least 250 HCV units

Processing Blends

- PHA applies for RAD for the entire project (through the RAD Resource Desk)
- Front-end civil rights reviews should reflect the entire project
- PHA includes both Section 18 and RAD in PHA Plan and in resident consultation
- PHA identifies blend in Concept Call and requests the use of a RAD & Section 18 blend in the RAD Financing Plan
- Financing Plan must reflect the entire project (e.g., CNA, operating pro forma, Environmental)

Processing Blends (Cont..)

- No separate Section 18 application needed from PHA. Instead, certain additional items needed in the Financing Plan (See FAQs for needed items)
- Recap will revise the CHAP and SAC will create the Section 18 application (using materials provided in the Financing Plan)
- Upon approval of the Financing Plan, HUD will issue the RCC and PIH's SAC will issue the Section 18 approval letter
- PHA applies for tenant protection voucher funding

Processing RAD/Section 18 Blends

Closing will be done under RAD process and involve:

- Disposition of property
- Closing of any financing
- Release of DOT from entire project
- Recordation of RAD Use Agreement with RAD/Section 18 Blend rider on entire project
- Execution of RAD HAP contract and non-RAD PBV HAP (or AHAP, if applicable)

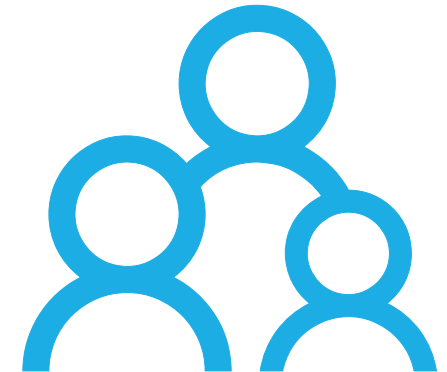
Streamlined Voluntary Conversion (SVC)

Eligibility

- Small PHA
 - 250 or fewer Section 9 public housing units under a Consolidated Annual Contributions Contract (CACC)
 - Public Housing Only PHAs (no HCV Program) can partner with an HCV PHA that has jurisdiction
- Convert all remaining units
- Close-out public housing program after all units are converted
By transfer, consolidation, or ACC termination. See PIH Notices 2014-24 and 2016-23

Resident Protections

- Conversion Plan developed with “significant participation” by residents
- **Civil Rights Review** by HUD’s Office of Fair Housing and Equal Opportunity (FHEO)
- **Resident Mobility**; must be given the option of tenant-based HCV assistance
- **Right to Remain.** If a property is used as rental housing after conversion, residents who qualify for HCV cannot be required to move.



Impact on Public Housing Funds

- PHA may spend Cap Funds for modernization activities up until removal from PIC (i.e., Unlike Section 18, PHAs can continue spending Cap Funds for SVC properties after submitting a PIC application.)
- Properties removed under SVC are NOT eligible for Asset Repositioning Fee (ARF), or Demolition Disposition Transition Funding (DDTF)

Future Use of Property

- Retain or Dispose?
- Method of Disposition?
- Fair Market Value? Or below?
- Attach PBV assistance?
 - Permissible, but separate process
 - All applicable PBV requirements apply; See PIH Notice 2017-21
 - Mandatory written consent by families for PBV assistance, followed by mandatory briefing attended by HUD staff

HUD Processing

Special Applications Center processes complete applications with inputs from Field Office and FHEO

Timing: Initial SAC findings within 90 days.
Longer to resolve 24 CFR 972.236 requirements.

HUD Approval Required. Do not start implementation. TPVs approvals are separate.

Tenant Protection Vouchers (TPVs)

- **Eligibility:** Replacement TPVs for units occupied within the previous 24 months. (subject to change)
- **Timing:** PHAs apply for TPVs:
 - After written SAC approval of conversion plan; and
 - PHA is ready to provide TPVs to residents

Important Resource

- PIH Notice 2019-05
- Visit SAC webpage at:
www.hud.gov/sac



SVC– Key Takeaways

- **HUD issues TPVs for Units Occupied within the Past 24 Months of SAC Approval -** Tenants have the right to relocate to a private unit or remain in place. If the tenant decides to relocate, PHA pays moving expenses. SVC does not require replacement with new hard low-income housing units. Provided there are sufficient units in the private market available for tenant-based assistance, the PHA does not have to re-use the public housing asset as affordable rental.
- **Public Housing Only PHAs must Partner with HCV Administrating Agency -** If the PHA applying for SVC does not operate its own HCV program, it must partner with an HCV PHA to administer TPVs. HUD will not establish new HCV PHAs based on the TPV award.

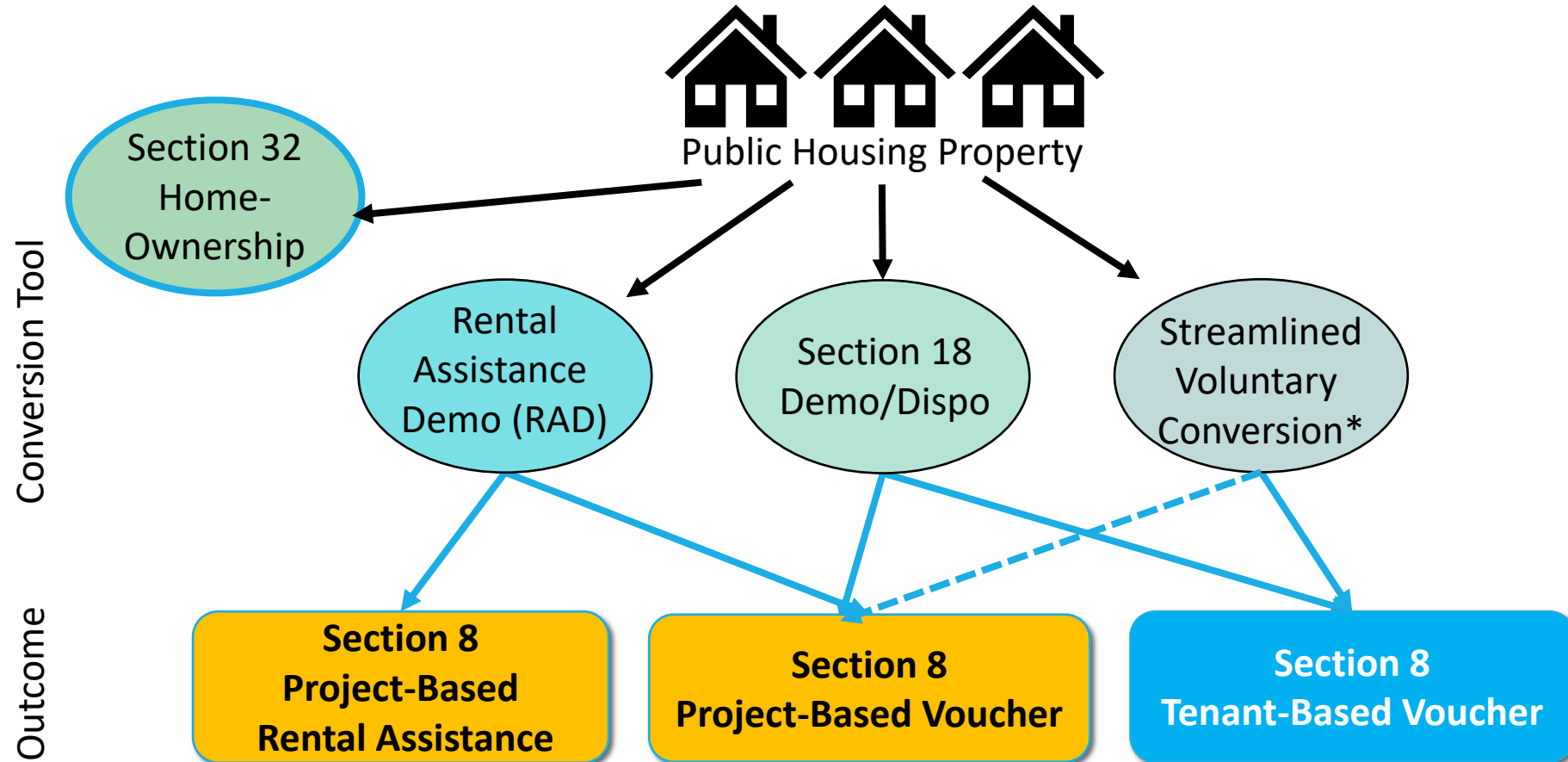
SVC– Key Takeaways (continued)

- **Project-basing assistance is permissible with tenant consent** - If the PHA wants to use TPVs to project-base the former public housing units, the PHA must receive tenant's informed written consent. If a tenant decides to stay without tenant-based assistance, the PHA must exclude that unit from the a PBV Housing Assistance Payment (HAP) Contract. The PHA may later amend PBV HAP Contract to add that unit using its voucher authority from existing HCV resources once the existing tenant voluntarily leaves or consents to project-basing the family's assistance. If a tenant leaves with tenant-based assistance at the time of the conversion, the PHA can project-base that unit using its existing HCV resources.
- **Plan for the Use of Remaining Public Housing Funds** - A PHA may only spend public housing funds to support public housing units under a Declaration of Trust (DOT). PHAs may not spend public housing funds to rehabilitate/maintain/operate any units once removed from public housing inventory, including through SVC. PHAs either plan to use those funds prior to conversion on an eligible public housing activity or transfer funds prior to close-out to another PHA (see PIH Notice 2014-24 on public housing transfers and consolidations).

SVC– Key Takeaways (continued)

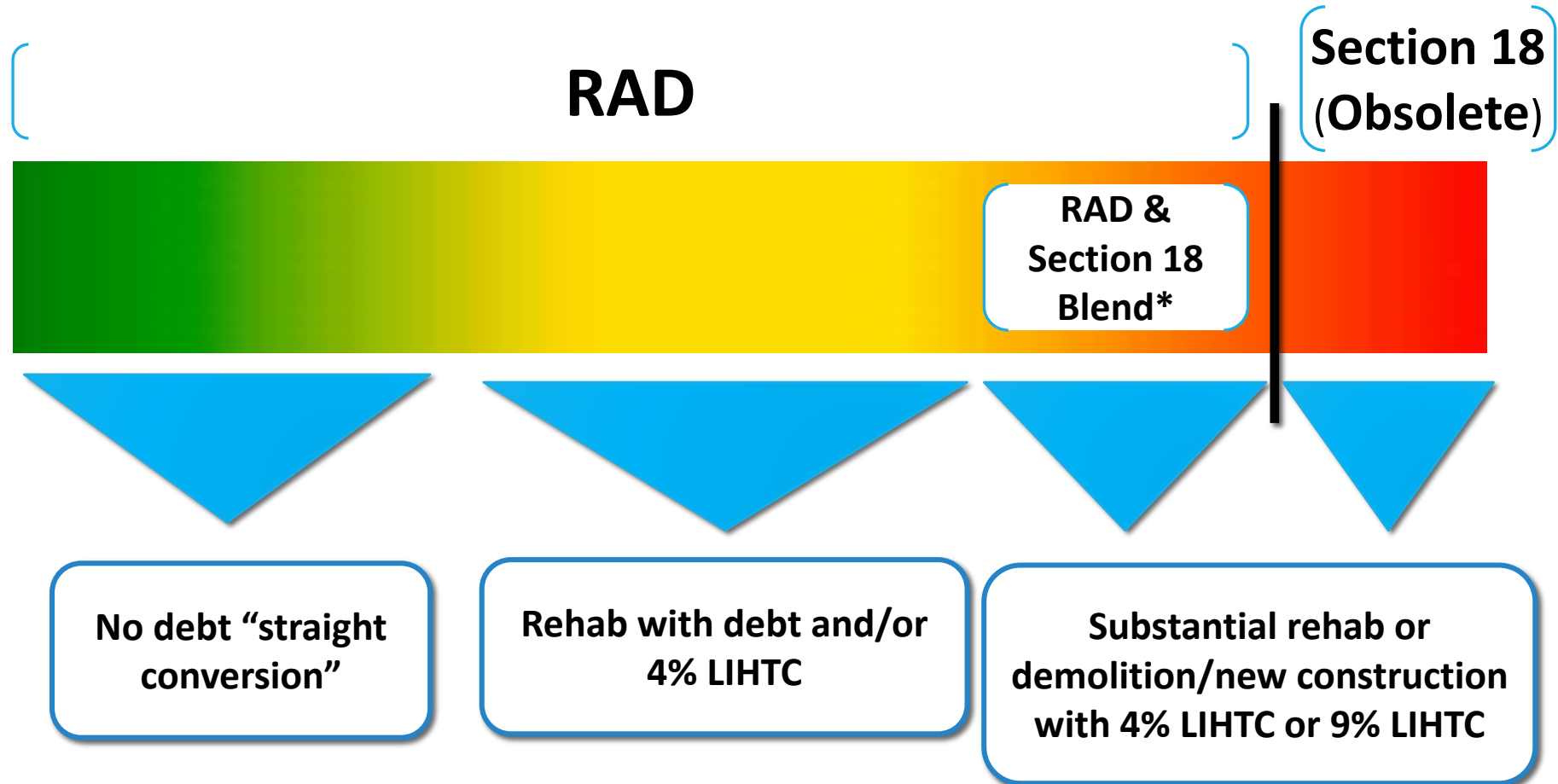
- **SVC requires a commitment to close-out the PHA's public housing program** - HUD approves SVC applications only when all remaining public housing units (up to 250 units) are included. As part of the approval, the PHA commits to closing out their public housing program pursuant to PIH Notice 2019-13. Guidance on TPV allocations in Notice PIH 2018-09. The allocation methodology is subject to change based on available funding.

How to Identify the Best Tool

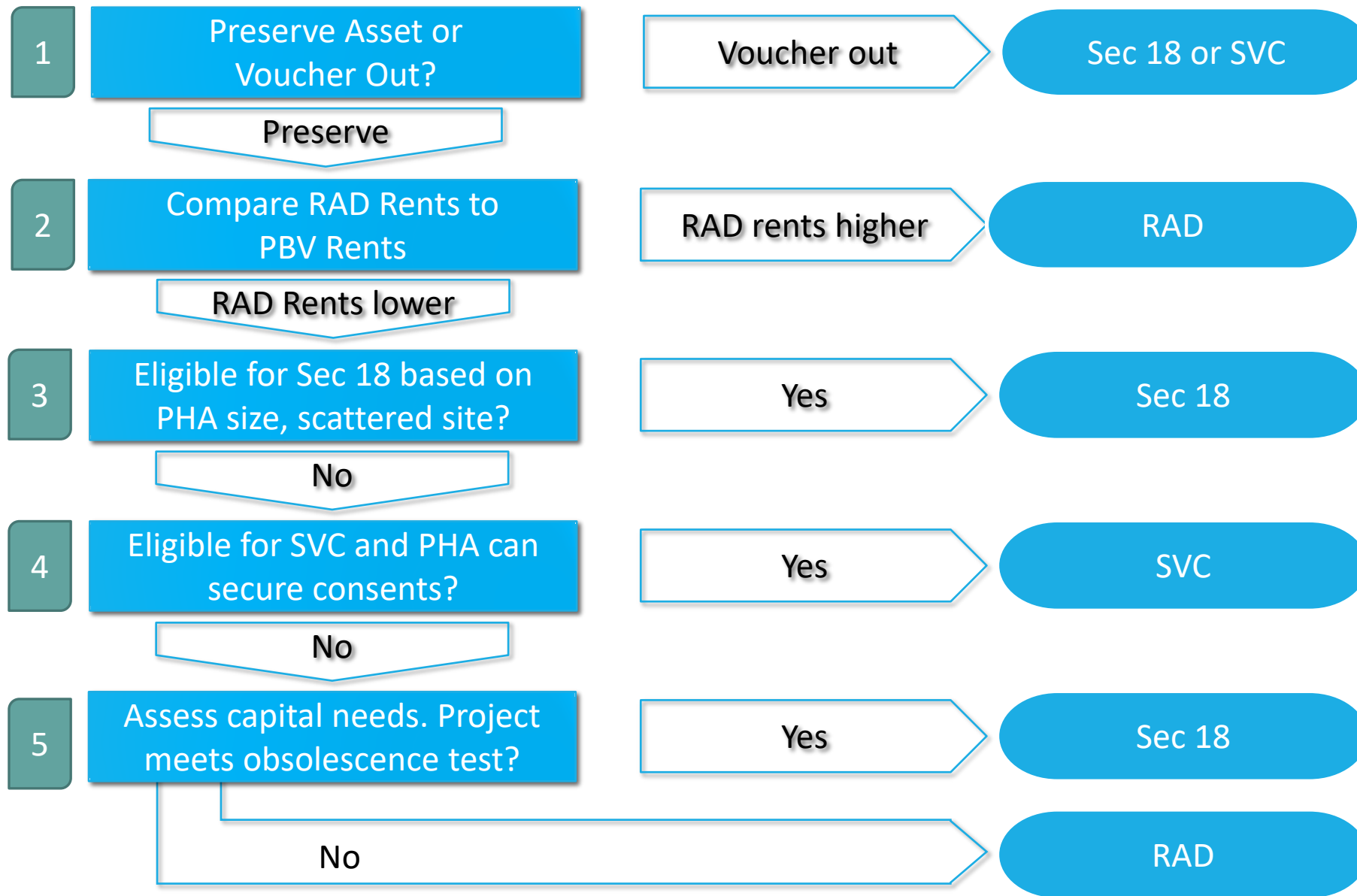


* Under Voluntary Conversion tenant protection vouchers must first be offered to residents as tenant-based assistance but may be project-based with tenant consent.

Assess Capital Needs



*Under the RAD/Section 18 blend, a RAD conversion undergoing new construction or sub rehab with 4% LIHTC gets approved for 25% of units under Section 18. The vouchers are subsequently project-based, typically at higher rents.



Compare RAD Rents to Section 18 PBV Rents

- Compare the RAD Rents vs. the regular PBV rents (lesser of 110% of FMR, less utility allowance, or reasonable rent)
- If RAD rents higher (~20% of all public housing), stick with RAD (unless wish to voucher out)
- If RAD rents lower, consider Section 18 where eligible

| RAD Rent | PBV Rent |
|----------|--|
| \$600 | $110\% \text{ of FMR} = \$800$ $\underline{- \text{UA} = \$100}$ $110\% \text{ of FMR, Less UA} = \700 $\text{Reasonable Rent} = \900 $\textbf{PBV Rent} = \textbf{\$700}$ |

Wondering what your rents are? Find them at:

https://www.hud.gov/sites/dfiles/Housing/documents/2018_RAD_Rents.xlsx

Financing Sources

1st Mortgage Debt

- **FHA-insured debt:**
 - **223(f)** (light/mod rehab) or
 - **221(d)(4)** (sub rehab/new construction)
- **Conventional debt**

Public Housing Funds

(RAD only)

- **Operating Reserves**
- **Capital Funds, DDTF, RHF**
- **Sales Proceeds**

Equity

- **4% LIHTC**
- **9% LIHTC**
- **Historic Tax Credits**
- **Opportunity Zones**

Other Secondary Financing

- **HOME**
- **CDBG**
- **Housing Trust Fund**
- **Federal Home Loan Bank AHP**
- **Deferred Developer Fee**
- **Seller takeback financing**

RAD vs Section 18 Considerations

- When a property qualifies for Section 18 (obsolete, scattered site, PHA under 50), RAD might still make sense if:
 - RAD rents are comparable or higher to PBV rents
 - PHA wishes to convert to PBRA
 - PHA has no voucher program and cannot find partnering agency
 - PHA has large amount of public housing Capital funds & Operating Reserves
 - PHA seeks to adopt RAD resident protections

Important Resources

- Rental Assistance Demonstration – Final Implementation, Revision 4: H-2019-09
PIH-2019- 23 (HA)
- Section 18 Notice – PIH 2018-04
- Streamlined Voluntary Conversion Notice – PIH 2019-05
- Repositioning Panel discussions – sign up with your field office
- For more information visit the webpage at: www.hud.gov/rad
- New Repositioning Public Housing webpage at:



https://www.hud.gov/program_offices/public_indian_housing/repositioning

What does closeout
mean?

What does close-out mean?

- No more public housing program (end of Section 9 ACC); **NOT the end of the PHA**
- PHAs are locally established government entities; They should continue to focus on providing housing
- HUD accepts ACC Transfers and Consolidations in lieu of an ACC Closeout

When is close-out required?

- Section 18 disposition (50 units and under justification)
- Section 22 Streamlined Voluntary Conversion (250 units and under)
- RAD (streamlined processing for 50 units and under)
- RAD (where all public housing units are converted and the PHA has no authority to develop new units under Faircloth)

Close-out is OPTIONAL when a PHA removes all of its current public housing under other repositioning tools and has Faircloth Authority to develop new public housing units.

Close-out Options

ACC Closeout – PIH Notice 2019-13

PHA Transfer – PIH Notice 2014-24

PHA Consolidation – PIH Notice 2014-24

Public Housing Closeout – Key takeaways

- **This isn't the end of your PHA** - PHAs are locally-established government entities. “Public Housing Closeout” just means the PHA will no longer participate in the public housing program.
- **Plan for your remaining public housing funds** - Public housing funds may only be used to support public housing program related costs. Once a unit converts to Section 8 subsidy, the PHA must not spend public housing funds (including any remaining public housing reserves) to support the Section 8 unit.
- **Consider transferring assets/liabilities during repositioning** - PHAs may be able transfer their public housing program assets and liabilities as part of the public housing conversion actions. For instance, if a PHA has Public Housing maintenance equipment at a building they may want to convert those assets as part of the public housing conversion.

Public Housing Closeout – Key takeaways (continued)

- **PHAs must announce their plans on the HUD 5837** - This form must be submitted with the PHA's last PIC Removal Application. On the HUD 5837, the PHA will indicate if they plan to develop new public housing, transfer/consolidate, or terminate their Public Housing ACC.
- **Consider a Transfer/Consolidation** - With HUD approval, a PHA may transfer public housing assets (including public housing program funds and Faircloth Authority) to a local PHA rather than returning any remaining public housing grant funds to HUD.

Menu of Repositioning Tools

RAD

- Standard
- Streamlined RAD for 50 and under

Section 18

- Obsolescence
- Scattered Site
- 50 and Under
- Health/Safety; Infeasible Operation

RAD/Section 18 Construction Blend

RAD/Section 18 Small PHA Blend

Streamlined Voluntary Conversion

Homeownership

Choice Neighborhoods

Common Tools for Small PHAs

Very Small PHAs 1-50 Units

- Section 18 (50 or less)
- Streamlined RAD
- RAD/Section 18 "Small PHA" Blend
- Streamlined Voluntary Conversion

Small PHAs 51-250 Units

- RAD/Section 18 "Small PHA" Blend
- Streamlined Voluntary Conversion
- RAD
- Section 18 (scattered sites)

Tools for Medium & Large PHAs

| Scattered Sites | Moderate Rehab | Substantial Rehab | Redevelopment (demolish and rebuild) | Disposition (discontinue as affordable housing) |
|--|--|--|---|---|
| <ul style="list-style-type: none"> • Section 18 • RAD • RAD/Sec 18 Construction Blend | <ul style="list-style-type: none"> • RAD • RAD/Sec 18 Construction Blend | <ul style="list-style-type: none"> • RAD/Sec 18 Construction Blend • RAD | <ul style="list-style-type: none"> • RAD/Sec 18 Construction Blend w/4% LIHTC • RAD w/ 9% LIHTC • Section 18 • Choice Neighborhoods | <ul style="list-style-type: none"> • Section 18 • RAD/Sec 18 Construction Blend with transfer of assistance |

Additionally, as a PHA repositions public housing assistance and falls below 250 or 50 units, Small and Very Small PHA options available

Another Reminder of the Available Resources



- **HUD Repositioning Website** - check out new training videos, helpful links and other resources
https://www.hud.gov/program_offices/public_indian_housing/repositioning
- **HUD RAD Website** - find additional guidance on RAD, fact sheets for residents, a table to compare a projects RAD Rents with FMR
<https://www.hud.gov/rad>
- **RAD Resource Desk** - even more RAD-related resources, training videos, and the place you go to submit a RAD application
- **Local PIH Field Offices** - Field Offices can help you submit a RAD or Section 18 application. They can also set up a Repositioning Assistance Panel to speak directly with HUD program experts

Case Study Conversion Analysis

Case Study A



The Byrnesville Housing Authority (BHA) has an inventory of 2,000 units, of which 200 are scattered site units and 100 are in an elderly high-rise with significant capital needs. What public housing repositioning options should BHA consider?

Case Study A



Scattered Sites – If the units meet the Section 18 definition of Scattered Site, (4 units or less on a non-contiguous site) then they would qualify for removal through a Section 18 PIC Removal Application. BHA could then decide to maintain units with PBV assistance or provide tenant-based voucher assistance instead.

Obsolete Units – If the units meet the Section 18 definition of Obsolete, then BHA would qualify for removal through a Section 18 PIC Removal Application. BHA could then decide to rehab and maintain the units with PBV assistance, demolish and rebuild the units with PBV or public housing, or provide tenant-based voucher assistance instead.

RAD - Once BHA completes Sec 18 actions identified above, they will be eligible for DDTF, which can be used to increase RAD rents for a future RAD development. BHA could also use any proceeds from a Sec 18 disposition as a source in a RAD conversion.

Case Study B



The Esterling Town Housing Authority (ETHA) has an inventory of 90 units, they want to maintain the same hard units in their community. What public housing repositioning options should ETHA consider?

Case Study B

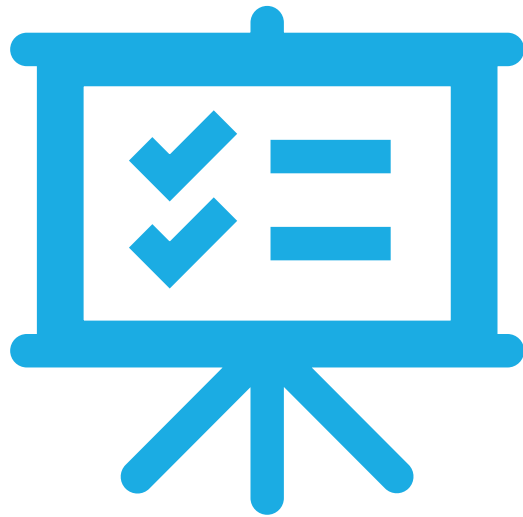


Small PHA RAD/Section 18 Blend – ETHA could apply for RAD for all 90 units. Then, move up to 72 units to a Sec 18 PIC removal application. This way, ETHA could take advantage of the typically higher Section 18 PBV rents for some units, while still maintaining the resident rights associated with RAD, and the ability to utilize public housing funds as part of the conversion. ETHA must have a voucher program of 250 units or more to utilize this option or partner with another agency that does .

If ETHA doesn't have a HCV program, they will need to partner with an HCV Agency in order to provide PBVs.

If ETHA doesn't have a HCV program and can't find an HCV partner, they could convert to RAD PBRA, but they would be limited to conversion 100% of the units under RAD.

Case Study C



The Szybist Co Housing Authority (SCHA) has an inventory of 240 public housing and an HCV program with 1,000 vouchers. They want to maintain the same hard units in their community. What public housing repositioning options should SCHA consider?

Case Study C



RAD – SCHA should first compare their RAD Rents with the potential PBV program rents. If higher rents than Section 18, consider 100% RAD conversion.

Section 18 – SCHA may look for options that allow Section 18 dispo such as scattered site units and 50 and under. This would allow SCHA to receive DDTF/ARF and automatically PBV the replacement HCV subsidy (TPV).

Small PHA RAD/Section 18 Blend – SCHA could convert 192 units to Section 18 PBVs and 48 units to RAD.

Streamlined Voluntary Conversion (SVC) -- If PBV rents are higher, SCHA may want to consider SVC. SCHA needs to beware that tenants may decide to leave with their portable voucher, then SCHA could backfill the unit by PBV-ing an unused voucher from their regular HCV program or keep unit unassisted (market-rate).

Questions?



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