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Asset Repositioning, New Initiatives, Latest Guidance

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Field Offices Role

Field Offices stand ready to assist you

- Someone in the Field Office will call to begin a conversation regarding would it make sense for you to consider repositioning.
- If you both agree that it does, there are Subject Matter Experts available to answer more questions.
- Once you have decided on a course of action, the Field Office has Expeditors or RAD subject matter experts available to help you assemble applications.



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BIRMINGHAM PUBLIC HOUSING TEAM

Program Assistant	Program Analyst	Engineer	Financial Analysts	Portfolio Management Specialist
Michelle Green	Debra Bean	Shauniqua Thomas (Section 18 Expeditor)	Carol Fleck	Tiffany Brown
			Angela Davis-Foster	Andrea Cooper
			Joe Przybyzewski	Vicky Gill
				Karen Morris (RAD)
				Henry Nelson
				Paul Romano
				Jim Walker (Section 18 Expeditor)



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Our Goal

- HUD will work with PHAs to voluntarily reposition public housing units to preserve their local affordable housing resources.
- HUD will work with PHAs to improve performance
 - ✓ PHAS
 - ✓ PHARS
 - ✓ SEMAP
 - ✓ Part 58 Environmental Reviews in HEROS
 - ✓ Technical Assistance Contracts



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BIRMINGHAM OFFICE GOAL FOR FYE 2019

- Assist PHAs who are interested in Repositioning Public Housing units

- Decrease the identified high-risk PHAs by 9
 - As of December 14, 2018 16 high-risk PHAs
 - ✓ 11 PHAS Substandard
 - ✓ 1 PHAS Troubled
 - ✓ 4 SEMAP Troubled



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Our Responsibility

HUD, PHAs, and other local stakeholders are collectively responsible for being the best stewards of incredibly important and limited affordable housing resources.



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- **How will it happen:** HUD has focused PIH staff on this effort and are increasing staff and PHA capacity (knowledge) through training and technical assistance.
- **When will it happen: NOW!** This effort is already underway and will be a major focus of HUD staff in 2019.
- **Impact on Residents and Communities:** This effort will preserve and improve the quality of affordable housing units available to families in need, not displace families & improve PHA performance.
- **Long Term Impact:** This effort will help set public housing on a more financially sustainable path to serve the greatest number of families with limited federal funding and preserve affordable housing resources for decades to come.



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Repositioning Public Housing

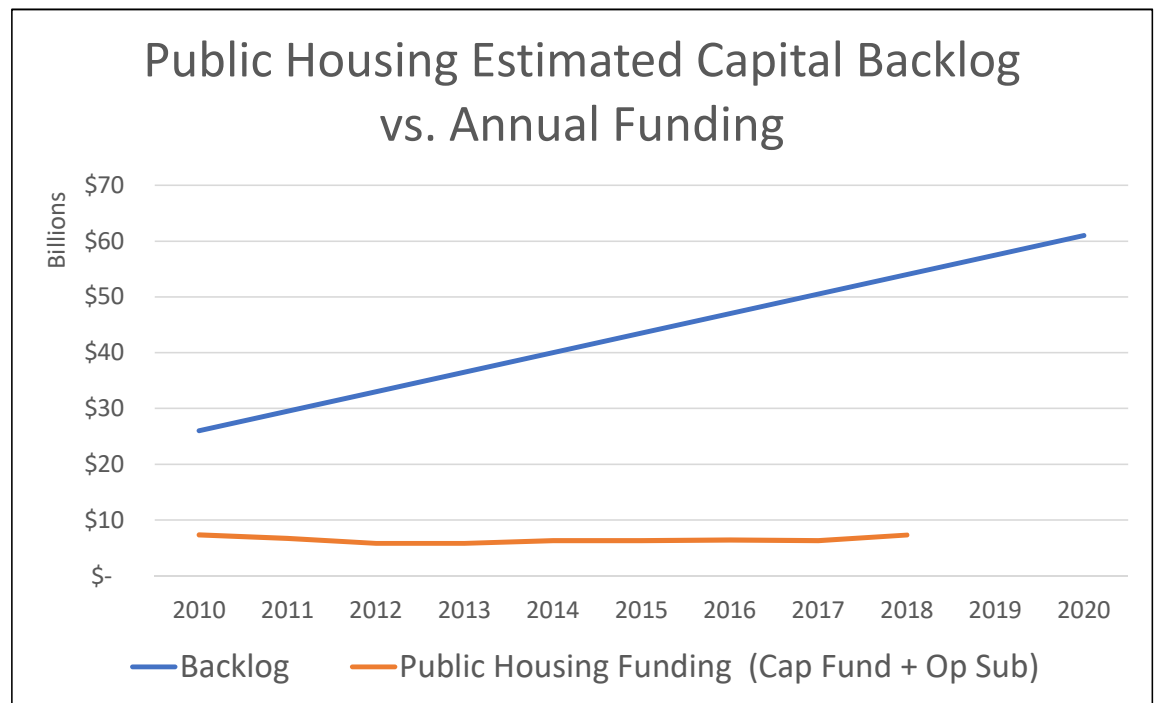


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The Need

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

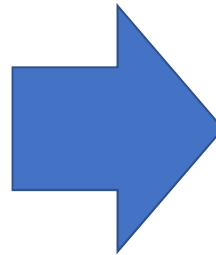




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- Leverage repositioning success of Rental Assistance Demonstration (RAD)
- Utilize new program flexibilities in Section 18 Demolition & Disposition process
- Develop guidance on additional repositioning strategies



HUD Response

GOAL:

Reposition public housing units to a more financially sustainable platform



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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.



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What does this mean for residents?

- Units that are in better physical condition
- Continued availability of affordable housing and rental assistance in their local communities
- Additional flexibility to move to better housing and/or places of opportunity





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What is HUD's role?

- Make sure PHAs are aware of all available repositioning strategies
- Provide technical assistance to help communities weigh their options

The decision to reposition is voluntary & entirely up to PHAs & local stakeholders.





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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

- Rental Assistance Demonstration (RAD)
- Section 18 Demolition & Disposition
- RAD/Section 18 Blends
- Voluntary Conversion



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Key Considerations

Are your properties financially 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

How is your PHA doing?

- Do you have sufficient program reserves?
- What do your administration costs look like?
- Do you operate a Housing Choice Voucher (HCV) program?
- Do you have any staffing concerns or significant liabilities?





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Key Considerations

What is best for your community?

- What are the affordable housing needs in your area?
- Is the property in a good location for resident opportunities?
- What types of HUD programs do you want to administer?
- Could you replace units in other areas of opportunity and leverage the property's value ?
- Who will own and manage the property?

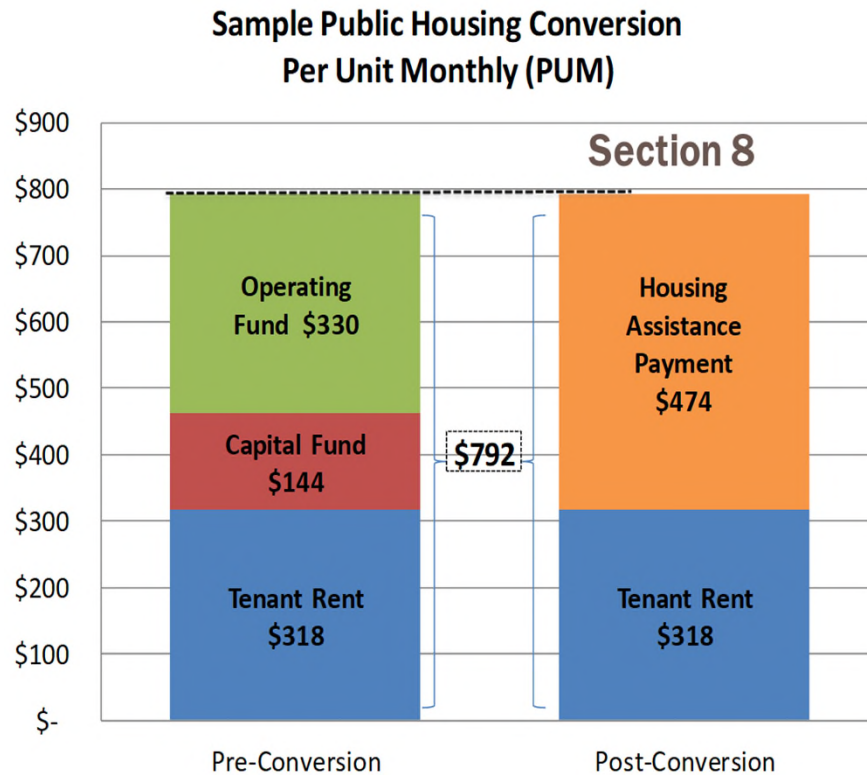




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RAD



- 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](#)



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RAD Highlights

- 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)



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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
- RAD/Section 18 blend
- More efficient or effective low-income housing

[Notice PIH 2018-04](#)



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Voluntary Conversion

- Must show it costs less to provide the families with Section 8 vouchers than operate the property as public housing;
- Residents may remain using voucher assistance if property used as housing after conversion;
- PHA eligible to receive Tenant Protection Vouchers (TPV);
- See 24 CFR 972
- *Pending: Reg Revision & New Cost-Test*



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STREAMLINED VOLUNTARY CONVERSION – New Guidance

- PIH Notice 2019-05 released on March 21, 2019
- Waives the Cost-Test – still need to prove no adverse impact to community and that there are rentals available.
- Available for PHAs with 250 units or less that wish to close-out their public housing program through consolidation/transfer or ACC termination
- Tenant Protection Vouchers (TPVs) available
- TPVs must be offered to families in the form of tenant-based assistance.
- If building remains residential, families have the right to remain using tenant-based assistance. Families can voluntarily agree (in writing) to have their units project-based.



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Retention with DOT Release

- For non-residential properties or residential properties that do not receive HUD public housing subsidy. (i.e. assistance was transferred through RAD, Section 22 Voluntary Conversion, or Section 33 Required Conversion.)
- PHA must repay HUD the pro-rata share HUD initially invested of the fair market value. (HUD may waive this requirement if the PHA provides a “Good Cause Exception”, such as continuing to serve low income families.)



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Small and Very Small PHAs

- PHAs operating **250 or fewer** public housing units are eligible for a streamlined Section 22 voluntary conversion
- PHAs operating **50 or fewer** public housing units are eligible for a streamlined RAD approval or Section 18 disposition
 - Streamlined RAD approval does not require a Financing Plan or a physical needs assessment
 - PHA may also keep title to property under RAD and Section 22
 - PHAs approved under Section 18 or Section 22 qualify for TPVs
 - PHAs must commit to terminating, transferring, or consolidating their public housing program
 - If approved under Section 18 or 22, possible to attach PBV to project after conversion/disposition (tenant-consent required for Section 22)



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New HOTMA Authorities

- Easier for PHAs to use Project-Based Vouchers (PBVs) in former public housing properties
 - Units are not subject to PBV program unit limitation (PHA-wide)
 - Units also not subject to income-mixing requirement (property unit limitation)
 - PHA can attach PBVs where it has an ownership interest or control, without going through a competitive award process

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

[Notice PIH 2017-21](#)



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Did you know?

- RAD's transfer of assistance authority allows PHAs to move project-based assistance to neighborhoods of opportunity
- PHAs without a HCV program can still convert properties to Section 8 PBRA through RAD, or partner with a PHA with an HCV program to receive TPVs based on the SAC approval
- New authority to voucher up to 25% of assistance through a Section 18/RAD blend can increase the potential revenue of a RAD conversion
 - PHAs begin a Section 18/RAD blend conversion by submitting a regular RAD application



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Where do I Start?

Step 1: Consider your local needs

Step 2: Consider your repositioning options

Step 3: Talk to your Board

Step 4: Talk to your residents and local stakeholders




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Repositioning Strategies

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?

Field Offices stand ready to assist you.



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Tools to Assess your Portfolio

Go to 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](#)



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Appendix: Learn More

- Rental Assistance Demonstration (RAD): <https://www.hud.gov/RAD>
- Special Applications Center (SAC): www.hud.gov/SAC
- Close-out:
 - Voluntary Transfer/Consolidation. PIH Notice 2014-24
 - ACC Termination. PIH Notice 2016-23.



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Technical Assistance (TA)
Where to go from here?

The Birmingham Field Office is available to provide TA on repositioning options. Contact your assigned specialist.

All emails should be sent to birpihmailbox@hud.gov.



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Appendix: Program Characteristics

Section 18

- ✓ Justifications:
 - Unsafe/unhealthy location and infeasibility
 - Scattered Sites
 - 50 or fewer units remaining in PH inventory
 - Efficient and effective low-income housing
 - Physical obsolescence
- ✓ Replacement TPVs for any occupied units in past 24 months
- ✓ Can project-base TPVs
- ✓ No replacement housing required
- ✓ Eligible for DDTF and ARF

RAD

- ✓ RAD Contract Rents = Current Public Housing Funding
- ✓ PBRA or PBV
- ✓ Preserve FSS Participation
- ✓ 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

RAD/Section 18 “Blend”

- ✓ 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
- ✓ Residents receive all relocation and other protections of RAD

Voluntary Conversion

- ✓ Must demonstrate that vouchers cost less than cost of public housing or have 250 or fewer public housing units and will close-out
- ✓ Eligible for ARF if action involves demo or dispo
- ✓ Not eligible for DDTF
- ✓ PHA can project-base the TPVs, but need voluntary consent of residents



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XYZ Housing Authority XYZ, Alabama

PHA Repositioning Analysis:



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Project Information and Funding

- PHA Code: ALXYZ
- Units: 240
- Voucher Agency: No
- Bedroom distribution:
 - 12 Zero Bedrooms; 71 One Bedrooms; 63 Three Bedrooms; 16 Four Bedrooms; 2 Five Bedrooms



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XYZ Public Housing Photos





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**Rent/Operating Subsidy/Capital
Fund Grant (Based on 2018
Unaudited Submission)**

Total Revenue - \$1,231,221

Total Expenses - \$1,312,910

Excess Operating Revenue

-\$81,689

2019 RAD Rents

RAD Rents - \$1,621,056

Total Expenses - \$1,312,910

Excess Operating Revenue

\$308,146



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Best Options:

1. RAD

- Long-term section 8 contract under PBRA, with annual OCAF adjustments
- RAD rents likely to support rehab in first mortgage proceeds.
- Could put multiple sites under one 4% LIHTC transaction

2. Streamlined Voluntary Conversion (PIH Notice 2019-05)

- Must show no adverse impact on community
- Must partner with Voucher Agency to get TPVs
- If want to PBV (locally), must meet all HOTMA/983 requirements



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Unlikely Options

1. Section 18 Obsolescence

- Not likely to qualify based on physical condition.

2. Section 18 for Very Small PHAs (50 or fewer units)

- Too many units to qualify

3. Section 18 “Efficient/Effective”

- HUD will only provide 25% replacement TPVs and substantial rehab required

5. RAD/Section 18 Blend

- Not likely to qualify since rehabilitation costs need to exceed 60% of HCC

6. Section 18 Scattered Site

- Does not qualify as scattered site