

Public Housing Repositioning Wednesday Webinar Series:

Options for PHAs with 50 or Fewer Units

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Why are we here?

The goal of this webinar series is to help explain and discuss common issues in the repositioning process.

Today's call will focus on:

Options for PHAs with 50 or Fewer Units

- ✓ Key considerations when choosing an <50 repositioning option
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- ✓ Section 18 and RAD Application Requirements
- ✓ Using the Units for Project Based Vouchers
- ✓ Common Questions and Considerations
- ✓ Case studies





Webinar Topics	Date	
Developing a Repositioning Strategy	May 13, 2020	
Options for Scattered-Site Units	June 3, 2020	
Options for 50-and-Under PHAs	June 24, 2020	
RAD and Section 18 Blends	July 22, 2020	
Resident Considerations	August 12, 2020	
Streamlined Voluntary Conversion	September 2, 2020	
Options for Obsolete Units	September 30, 2020	
Common PHA Board Questions	October 28, 2020	
PHA Closeout	November 11, 2020	





Need additional Repositioning resources?



 Additional repositioning handouts and training materials are available on the HUD Repositioning Website: https://www.hud.gov/program offices/public indian housing/repositioning

 Introduction to Repositioning Webinar series is available on HUD Exchange, and a live version is planned for August. (Registration is now available)

Background on 50 or Fewer unit options

- More than 800 of the nation's 3,000 Public Housing Authorities have 50 or fewer public housing units under public housing ACC.
- These agencies own approximately 27,000 units or about 2.5% of the total public housing stock.
- Typically not staffed to operate or undertake complex HUD programs.
- Larger agencies should consider these options as they develop repositioning strategy.



Benefits of moving to Section 8 platform

- Long-term, "extendable" contract, with funding based on contract rents predictability stabilizes project revenue
- Places property under less-restrictive requirements (Section 8 versus public housing), allowing for access to debt or Low-Income Housing Tax Credit (LIHTC) equity, if needed, to raise financing for repairs
- Allows the PHA to retain full control of the property
- Allows preservation of the property with "project-based" assistance or to issue "tenant-based" vouchers to residents
- In tight markets, assures voucher-eligible families have access to units (i.e., helps with utilization)



Repositioning options for PHAs with 50 or fewer units

- •Section 18 970.17 (c) Best Interest of the PHA, Residents and Community Small PHA
- •Streamlined RAD 50 and Under
- Streamlined Voluntary Conversion
- RAD/Section 18 Close Out Blend

Look for future Public Housing Repositioning Wednesday Webinars:

- July 22nd we will focus on RAD/Section 18 Closeout Blends
- September 2nd we will focus on Streamlined Voluntary Conversion



What is Section 18?

- Processed through the Special Applications Center
- Section 18 of the Housing Act of 1937 authorizes the demolition and/or disposition of public housing
- •Requirements outlined in **PIH 2018-04**. Among other potential justification, HUD will now generally approve a property under Section 18 if it is owned by a PHA with 50 units or less and PHA commits to closing out its public housing program
- •Following Section 18 approval HUD issues new vouchers (**Tenant Protection Vouchers**) to PHAs for units *occupied within the last 24 months*
- •The property must be disposed to another entity, but the entity may be an instrumentality or affiliate of the PHA
- PHA can access Disposition proceeds to be used for other low-income development



What can a PHA do through Section 18?

Preservation: PHA can dispose of the property to a related instrumentality or affiliate and project-base the vouchers, received following Section 18 approval, at the property. If project-basing vouchers, it usually results in higher property revenue.

"Voucher-out": PHA can give residents tenant-based voucher. Dispose of property at market value. Use proceeds for other Section 8 purposes.

Combination: Preserve some units, voucher-out others.



Section 18 and Project Based Vouchers

Section 18 can be used with the Project-Based Voucher (PBV) program as a preservation and redevelopment tool

PHA may attach PBV assistance to former public housing project:

- Market-based rent-setting, subject to PBV program caps (24 CFR 983.301)
- Tenant consent not required
- If property meets criteria:
 - May be exempt from PBV "income-mixing" requirement and program cap (Notice PIH 2017–21, Att. F)
 - May be able to select based on previous competition (24 CFR 983.51(b)(2))
 - May be exempt from competitive selection (Notice PIH 2017–21, Att. L)



Tenant Protection Vouchers (TPVs)

- Affected families treated as special admissions (no waiting list)
- Public housing—only agency considerations
- Eligible units occupied by assisted family within previous 24 months
- TPVs must be offered to affected families;
 over-income families ineligible
- No relocation TPVs property cannot be redeveloped as Public Housing

More information on TPVs:

https://www.hud.gov/prog

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Section 18: Processing Steps

- Complete application, which includes...
- 2. Select disposition method
 - a) If preserving, likely selling at below fair market value to an instrumentality/affiliate
 - b) If vouchering out, likely selling at fair market value
- 3. Following approval, request tenant protection vouchers (TPVs) through field office
- 4. If vouchering-out, issue tenant-based vouchers to residents
- 5. Sell property to new Ownership Entity. If preserving, PHA establishes a PBV Housing Assistance Payment Contract with New Ownership Entity
- 6. Remove units from inventory





Case study – Section 18 "Under 50"

RACINE, WISCONSIN

The PHA previously repositioned all their portfolio under RAD except for 2 four-plex buildings (8 units). They operated a significant HCV program, so were able to convert the 8 units to TPVs. They sold both buildings to an unrelated third party for FMV, as residents had already chosen to leave those units.



Streamlined RAD Conversion for Small PHAs

Processed through the Office of Recapitalization

Eligibility:

- PHAs with 50 or fewer public housing units
- •PHAS score = 75 or higher, PASS = 30 or higher, & not PHAS substandard or Capital Fund troubled
- Not proposing construction, rehab, transfer of assistance, or relocation
- •If converting to PBV, PHA voucher administrator must have at least 100 units under HCV ACC
- •PHA must commit to closing out their public housing program



Streamlined RAD Conversion for Small PHAs

Key Features

- Units must be preserved under project-based Section 8 assistance
- Property may convert to Section 8 Project-Based Vouchers (PBV) or to Project-Based Rental Assistance (PBRA)
- Section 8 Contract rents are set based on public housing funding levels (available here:
 https://www.hud.gov/sites/dfiles/Housing/documents/2018 RAD Rents.xlsx) and inflate each year by OCAF
- PHA may contribute public housing funds to converting property
- Residents are not rescreened for Section 8 admission criteria



"Financing Plan" Under Streamlined RAD Conversion for Small PHAs

- Conversion Overview
- Type of conversion
- Certifications in lieu of CNA
- Limited Environmental Review
- Fair Housing, Accessibility, and Relocation Checklist (confirming inapplicability)
- Sources & Uses carrying over PH funds
- Operating pro forma (with \$500 per unit Annual Deposit to Replacement Reserve)
- Estimated public housing funds available for HAP subsidy
- Resident Comments
- •Title Report



Processing Steps: Streamlined RAD Conversion for Small PHAs

RAD Application simplified

Exempt from CNA. Instead, certifications needed that:

- The PHA has assessed the property for any exigent health and safety hazards and, if applicable, has completed any necessary repairs
- The property can be sustained for 20 years as decent, safe, and sanitary housing at the published RAD contract rents
- PHA has provided the Owner the lead-related records and the Owner has agreed to evaluate and control lead-based paint hazards
- Site complies with accessibility standards

Environmental Review: "Tiered review"

 HUD will make program-wide compliance determinations and complete only a site-specific compliance review for limited set of laws and authorities



Case Study: Streamlined RAD Conversion

- Housing Authority of the City of Amityville in Arkansas
- 24 units in Samson Courts
- RAD Rents and rent allowable through standard PBV are equivalent
 - RAD Rents = \$489 Contract Rent + \$69 utility allowance = \$558 Gross Rent
 - Fair Market Rent for area = \$558
- Units are in good condition as assessed by PHA and board and has had strong REAC scores. PHA is completing streamlined RAD conversion to convert property to RAD PBV
- PHA is bringing over \$60k in public housing Capital Funds and Operating Reserves to the Section 8
 property
- PHA is setting aside \$550 per unit per year from project budget towards capital replacement reserve
- PBV contract will be administered by Pike County HA (managed by the same executive director)



RAD vs. Sec 18 Comparison

Why PHAs choose Section 18?

- •If preservation is the goal, the contract rents available through standard Project-based vouchers is often better than the RAD rent
- No requirement to preserve all units
- PHA can access Disposition proceeds to be used for other affordable development
- Availability of DDTF/ARF (if there are eligible expenses)

Why PHAs choose RAD?

- Sometimes RAD rents are equal or better than voucher rents
- Project can convert to PBV or to PBRA
- •RAD <u>prohibits rescreening</u> of residents and preserves <u>residents' rights</u> and allows for ease of project basing of vouchers
- •RAD allows for any <u>public housing funds</u> to transfer with the converting property



Ownership Options under RAD and Sec. 18

Ownership Structure	RAD	Section 18 Disposition
Retain outright ("Sutton Housing Authority")	✓	
Transfer to PHA instrumentality ("Sutton Housing Authority LLC")	✓	✓
Transfer to single asset entity whole controlled by the PHA ("Sutton Housing Authority LLC")	✓	✓
Transfer to PHA non-profit ("Sutton Affordable Housing Development Corp")	✓	✓
Transfer to LIHTC partnership ("Edgewood LP")	✓	✓



PBV Ownership Considerations

Definition of PHA-owned

PBV HAP contract signatories

Public housing—only agency



RAD and Section 18 Close-out Blend

HUD Allows for joint processing of RAD + Section 18 disposition of last 50 units

- The PHA must be converting sufficient units under RAD that would result in the PHA having 50 or fewer units and the units being converted through RAD must be in the same project (e.g., a high-rise or group or properties that are managed as one project) as units being removed through Section 18.
- Examples:
 - A PHA with a 75 unit high-rise, could simultaneously convert 25 units through RAD and remove 50 units through Section 18
 - A PHA with 40 units of town-homes could simultaneously convert 10 units through RAD and remove 30 units through Section 18

Why might a PHA Utilize the RAD/Section 18 Close-out Blend?

- •Allows PHA with more than 50 units to benefit from revenue of regular PBV contract
- •All residents would receive the RAD tenant protections, prohibiting re-screening + relocation rights
- PHA could contribute remaining public housing funds in the conversion





Streamlined Voluntary Conversion

Through Streamlined Voluntary Conversion, a PHA can choose replace its public housing assistance with vouchers, but the vouchers must be issued to residents as tenant-based assistance. Residents may voluntarily consent to project-base the vouchers.

Note: For a PHA with 50 or fewer units, Section 18 or RAD or a combination of the two is generally a better route than Streamlined Voluntary Conversion because under a Section 18 or RAD it is the PHA's choice whether to replace the public housing assistance with project-based vouchers or tenant-based vouchers.



* Wednesday Webinar September 2nd will focus on RAD and Streamlined Voluntary Conversion

Key Questions

What do I want to do with the asset?

Preserve -> Section 18 or RAD

Convert to tenant-based assistance and dispose of asset → Section 18

If goal is to preserve the asset, which option maximizes project revenue?

- Through Section 18, PHA receives new vouchers that it can project-based on site. PBV rents based on rent reasonableness standard up to 110% of local Fair Market Rent
- RAD rents are based on public housing funding levels, and can be looked up for every public housing property here: https://www.hud.gov/sites/dfiles/Housing/documents/2018_RAD_Rents.xlsx (which will be updated again in 2020)

Other considerations

- Does PHA have large amounts of unobligated Capital funds of Operating Reserves that won't be spent prior to conversion → consider RAD
- Does PHA have large number of over-income residents that would not be eligible for the voucher program →
 consider RAD



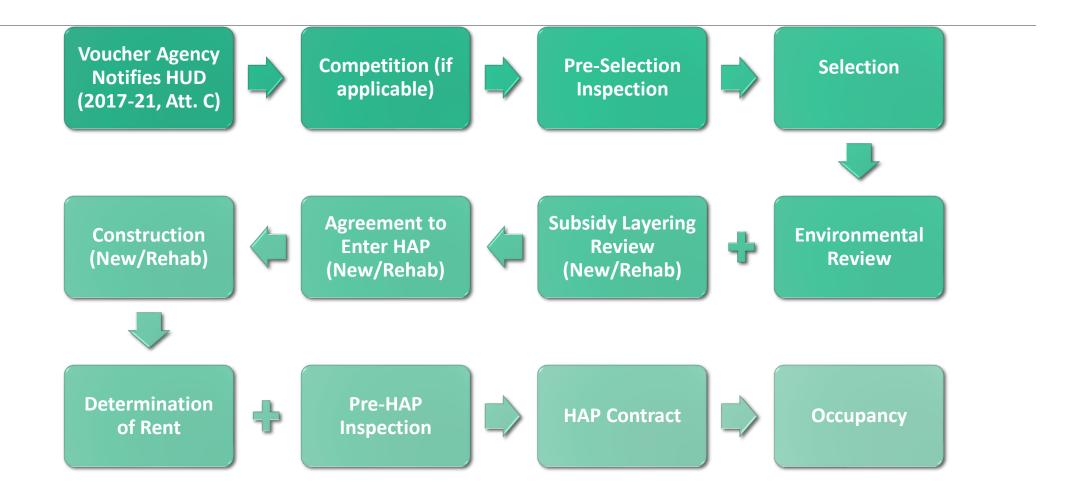
PBV Considerations

- Contract must be administered by agency that operates an HCV/PBV program
- Definition of "existing housing"
- Definition of "project"
- Over-income families
- Over-housed families

More information on PBVs: https://www.hud.gov/sites/dfiles/PIH/documents/PBV FAQs 05 27 2020 V ERSION.pdf



PBV Process (Simplified)





June 2020 27

Still want more?

- Check out the Public Housing Repositioning Website
 https://www.hud.gov/program_offices/public_indian_housing/repositioning
- Contact your Local Public Housing Field Office PIH Field Offices can help you complete your RAD or Section 18 application, and provide additional assistance explaining the conversion options

Email <u>Repositioning@hud.gov</u>



Questions?



