Public Housing Repositioning Wednesday - Options for 50-and-under PHAs, 6/24/20

CAILA PRENDERGAST: Good afternoon, everybody. Thanks for joining. It's 1:00, so I'll go ahead and open us up with a few logistics of the WebEx system, and then pass it over to Dan to get us started. So thanks for joining today's installment of the Wednesday webinar series, options for housing authorities with 50 or fewer units. My name is Caila Prendergast and I'll be one of your hosts for today along with my – some great folks at HUD who I'll be introducing shortly.

Before I pass it over to them, I have a few housekeeping items. The HUD experts will share their knowledge with us for the first part of the presentation and then we'll reserve any remaining time for questions that you might have. We'll also kind of be pausing throughout the presentation to take questions as they arise.

There's two ways that we ask for you to ask questions. The first way is if you want to ask your question out loud, you'll see a hand shaped icon in the right-hand navigation panel. Just click on that icon to raise your hand. And I will send you a message and ask if you have a question. And then I'll unmute lines in the order of questions received. The second way you can ask questions is if you don't have a microphone, or you don't feel comfortable asking out loud, that's totally fine.

So the second way you can ask questions other than asking out loud is if you type your question in the chat box. That's also in the lower right-hand navigation panel. Just type your question there, and I'll read it aloud to the group, and we'll get it answered in that way. If we're unable to address all questions during the webinar, we'll send an email reply after to everybody with the answers to those questions.

As I'm sure you've noticed, all participants are muted upon entry. If you're having any technical difficulties, if there's anything you kind of want to make us aware of, just send us a message in the chat box. The session will also be recorded today and will be available on HUD Exchange shortly following the webinar.

And then immediately following the webinar, you'll receive kind of a pop up invitation in your browser to complete a survey. And you know this is really helpful to us as we continue to do these Wednesday webinar series and take your feedback into account. So with that, I'll pass it over to Dan to kick us off for the day.

DAN ESTERLING: Thank you, Caila. And welcome everyone to our PHA participants and our HUD participants who have signed up. We really appreciate your time and your interest in our repositioning series. So as Caila mentioned today, we're talking about options for PHAs with 50 or fewer units.

And the presenters today, I'm Dan Esterling. I'm in PIH's office of field operations. We also have with us Jane Hornstein from our special application center, Will Levy from the office of recapitalization, and Jennifer Lavorel from the office of housing voucher management and operations.

So just a brief couple slides on why we're here, where we're going, to orient folks that may be new to this webinar series, whether you joined the first two that we've had or this is your first one. This really is heavily focused, as the title indicates, on options for PHAs with 50 or fewer units, the considerations you're making when deciding which repositioning action is right for your agency, the application requirements whether you've decided to go through Section 18 50 and under option or whether you're pursuing the RAD streamlined application as well.

We're going to talk about a couple case studies. And we're also going to go through some very high level considerations if you're thinking about project basing your vouchers if you decide to go the Section 18 route. And also we're opening it up for questions, as Caila mentioned, happy to take questions during the middle of the presentation or at the end.

So again just a little orientation. We had introductory repositioning strategy earlier, I guess in the spring. And if you want to – so that's a great opportunity if you want to go back and look on HUD Exchange to sort of orient yourself and get a little more general background. That's a great place to start. And these are just some notifications of upcoming webinars that we have coming soon in case any of them are also of interest to you.

So additional repositioning resources, so we have – HUD has set up an external repositioning website where we've tried to have a clearinghouse for anything and everything that you want to know about repositioning opportunities, case studies, links to resources. Hopefully you get the message here that we're really – HUD is really here to help you not only make your decisions, but help you work through your repositioning strategy as you develop it.

In addition we have what's known as our introduction to repositioning webinar series coming up in August. It's going to be a live training, four days, pretty detailed about all the things you might want to know about repositioning. So if you're a PHA new to repositioning or you have staff members that are interested in learning about repositioning from the basics on, that's a great opportunity.

The first couple times that we ran them, they were oversubscribed. So we've continued to put these on because there's been a lot of interest. I know the August webinar has a lot of availability. So feel free to sign up for that if you're interested.

Actually before I go back into this background of 50 and fewer, I just want to say if you're a PHA thinking about repositioning, I really just want to emphasize your field offices are training and trained to help you out, make these decisions, or help you through the repositioning process. The department has technical assistance available to help you make your decision.

And once you've made your decision, we're also available to help you work through your project as well. So just you never want to feel like you're on an island when you're doing repositioning. We're really here; we're putting a lot of resources, time, energy, into helping housing authorities work through these complex projects.

So where were we? There are quite a few public housing authorities that have less than 50 public housing units under their ACC. However even though there's roughly 800 of these housing authorities, that really accounts for a small number of the total public housing stock in the country.

And typically, as you know, if you're working in a small housing authority, it may be just the executive director and one or two other staff members, or sometimes a part time executive director. And running a public housing program is complex and challenging operationally. And so repositioning opens up some opportunities just to kind of streamline some of those activities, and make the administration of your affordable housing in your community easier.

And don't despair if you're a housing authority that's larger than 50 units and you're on this call, this webinar. Some of these 50 and under or 50 or fewer options that we're going to talk about today will be relevant to you as you reposition some of your assets, and you may be thinking ahead about what happens once I get down to under 50.

And so as I mentioned, the earlier webinars talked about some of the major benefits to repositioning. So I'll very briefly run through these here. But if you're moving from public housing to the Section 8 platform, you're going to get the benefit of more stable and predictable contract rents, you're going to get the opportunity to access debt to make improvements to your project or to make – sorry, to raise financing for repairs on your projects. While repositioning you're able to still retain control of the property. And we'll have a whole slide talking about the ownership and control options under both Section 18 and RAD later on in the presentation.

It opens up the opportunity to decide whether you're going to continue to project base the assistance, whether that assistance can remain at the project, or whether it makes most sense to voucher out and provide tenant based vouchers to the residents. And in tighter housing markets, transitioning to this Section 8 platform can ensure that there are units available for voucher holders seeking places to live. I know that's a challenge in some of these markets with very low vacancy rates.

So what are we going to talk about today? The two major topics we're going to have, that Jane and Will are going to discuss, are the Section 18 under 50 provision we'll call for shorthand, and the streamlined RAD 50 and under provision. We'll provide a little background on streamlined voluntary conversion and the RAD Section 18 closeout blend. But stay tuned for later Wednesday webinars where we're going to do deep dives into both of those options.

And so with that, I'm going to turn it over to Jane.

JANE HORNSTEIN: Dan, thank you. So Section 18 is the Section 18 of the US Housing Act of 1937, that authorizes public housing authorities to demolish or dispose of public housing property. We have further delineated how they should go about that in 24 CFR 970, and also PIH 2018-04. 2018-04 probably gives a little more detail right now, and it has among – one of the things that Congress was very clear is there has to be some justification for the demolition or the disposition.

So one of the things that we've put into PIH 2018-04 was that if a PHA owned 50 units or less, the PHA – and the PHA wants to close out their Section 9 program, you can give them vouchers and let them close out. So one of the things that Section 18 does allow is the provision of tenant protection vouchers when we allow a unit for demolition or disposition for any units occupied in the last 24 months. And that's really important. If it hasn't been occupied in the last 24 months, you may not get tenant protection vouchers for that.

The property must be disposed of to another entity. There must be a transfer of title. But we'll talk about that a little bit later because it can go to an instrumentality or an affiliate of the PHA. So if the PHA were to create its own subsidiary or a nonprofit of some kind, they can easily just transfer the title into the new name of the new entity without having to really lose control of the property. If they do sell for fair market value or even below fair market value, there may be proceeds. And those will be limited to use for other low income housing development. So that's essentially what is Section 18.

So there's basically three strategies that you can use Section 18 for. One is to preserve the asset, then you may want to keep the building or buildings as it may be, disposed to a related entity, and then put the vouchers and project base those back on. You can voucher out, which we call voucher out. And that would literally say to the residents, here's your voucher, it's a regular – becomes a regular housing choice voucher, and you can use it anywhere in the community, and you can sell that property at market value or whatever you want to do with it. And you can also do some combination thereof, depending on what you want to do.

We encourage you to be working with your local community to plan what you want to do specifically and what makes the most sense in your community. We can't dictate that from where we sit, but hoping that you're doing that planning well in advance with your partners in your local community.

So just real quickly in terms of the processing steps for this, you would complete the application. And if you go online at hud.gov – (inaudible) – you'll see there's a spot that says this is what our application looks like. You need to fill that out. And more than likely you're going to have to tell us what your disposition or demolition method will be.

The demolition justification almost always is going to be obsolescence. And it could be obsolescence to location, but that's moot in this case. In the 50 and under, all you need to do is to tell us how you're going to be disposing of the property. If you're going to be preserving it, then you want to do it at probably below fair market value, to an instrumentality or an affiliate, or if you're going to voucher it out and sell it at fair market value.

And then once that's – once you've been approved, then you would request the tenant protection vouchers through your field office, at which point you would issue vouchers to your residents if you're vouchering out. If not, you're going to put a HAP contract on that property and allow the residents to remain in place with the HAP contract on. But you do have to go through the sales process through a new entity if you're going to preserve it. And then once it's been sold and title has been transferred, that reports back to the field office, who reports it back to the [inaudible], and we will remove those units from the public housing inventory.

I want to talk a little bit about Section 18 and project basing the vouchers. Again this is if you're going to use it as a preservation tool. The vouchers themselves, you would set the rent at fair market value, at the fair market rent for the units, subject to the PBV cap. And that's under 24 CFR 983.301. Tenant consent is not required under Section 18. And I want to stress that it is required under streamlined voluntary conversations. It is not required here. So the housing authorities can make the decision to project base immediately.

Also there's some HOTMA exceptions that make this a little bit easier. There is under the PBV rules that you cannot mix – you have to have 25 percent of the building as PBV, and the other 75 has to be market. That is not applicable when you're converting public housing. You also do not have to be selected through a previous competition.

And you may be exempt – and you can be exempt from the competitive selection as well. So those are the two big things. You also are not subject to – there's a rule that you only can do 20 percent of your entire portfolio as project base vouchers. And this is exempted out of that rule as well under HOTMA.

So the tenant protection vouchers are identified as possible housing. So because you're not going to be redeveloping public housing, these are not relocation TPVs, these are replacement TPVs. There's no public housing coming back. So these will go into your inventory. If you don't have a partner, you'll need to find a partner who can operate your voucher program.

And again, I want to stress that eligible units are only those units that have been occupied in the past 24 months. And TPVs must be offered to affected families. So if there is someone over income, you may want to think a little differently. So we can talk about that later on. But they would be ineligible to receive vouchers. So I want to make that note.

There's no – because these are affected families, they are treated as special admissions. They don't go to the waiting list. There's no subject to income targeting requirements. 25 percent limit if approved under – oh, well this is not necessarily approved here. Under Section 18 we only limit it to 25 percent of the low if it's approved under efficient and effective. But that's not the case here. You're 50 and under. And if it's public housing only, then you'll need a partner. So – (inaudible) – you know, a nearby housing authority or agency that does run a voucher program to run that for you. Your field office can assist you with that in finding that person.

So just as a quick case study, Racine, Wisconsin had actually converted a good portion of their portfolio under RAD. And they literally had eight units left in two four-plex. And they came to us and they said, really just want to get the vouchers and sell these four-plex. We may keep one of them. One of them we're probably going to get rid of.

But we don't necessarily want to keep them. So they submitted their application and we gave them eight vouchers. And they closed down their program. They're no longer a Section 9 program. They no longer have public housing units. They do have project-based vouchers in one of their buildings. So that was the intent here. I'm going to turn it over now to Will Levy on streamlined RAD conversions.

DAN ESTERLING: I wonder, Jane, if we should take – see if there's any questions from the audience before we jump into the streamlined RAD options.

CAILA PRENDERGAST: Okay, yes. I had two that came in. I think one was – I think it was slide 11 maybe. "You said you could see the application at hud.gov, and we just wanted clarification on where exactly, if you had like a link you could share."

JANE HORNSTEIN: Sure. It's HUD – if I type it in, does that work?

CAILA PRENDERGAST: Yes. You type it in and just send it to all participants. Yeah.

JANE HORNSTEIN: Okay.

CAILA PRENDERGAST: Okay. So while Jane's doing that we'll go to the next question. Thanks, Jane. I see it.

JANE HORNSTEIN: Okay.

CAILA PRENDERGAST: If you have more than – this is a clarifying question – "If you have more than 75 units, but dispose of sufficient scattered site units to an affiliate to get below 50 units, can you use the under 50 provision to convert to TPVs for the remaining units?"

JANE HORNSTEIN: Yes. Absolutely. That was – (inaudible) – yeah. If you did 25 units as under scattered sites, and then the other 50 under 50 and under, you can do it that way. Yep.

CAILA PRENDERGAST: Okay. Perfect. So another one came in. "When transferring title of the property to the housing authority affiliate, is it permissible to sell the property for $1? Or is that seen as, you know, bad?"

JANE HORNSTEIN: As long as you are keeping the property as affordable housing. So if the affiliate says, oh you know what, we're going to make this market rate housing, then we would want fair market value for the property. But if the affiliate's saying, we're going to project base these, and we're going to put the tenant protection vouchers back into the units, and the residents can remain in place with the protection vouchers, then we can do it for $1. That's not a problem. Because what we're looking for is – (inaudible) – public benefit. Yeah.

CAILA PRENDERGAST: Great. One more. "So for preservation an unrelated entity uses contract rents to finance the purchase from a housing authority. Where does the contract with the housing authority come from? Doesn't voucher funding come directly from HUD?"

JANE HORNSTEIN: No. So they may have to find a partner that can – so if it's an affiliate that owns the property, then yes, the housing authority can sign the contract and the affiliate signs the contract. So there's two separate entities, two separate legal entities signing the HAP contract. But it would be from the local housing authority. If there isn't a voucher program, again you'd have to find a partner. But because of the sale, yeah, they can do that, if that's there.

CAILA PRENDERGAST: Okay. Thanks. That's all I'm seeing right now, Dan. So Will, you can take over.

WILL LEVY: Great. So hello, everyone. So we'll now switch gears to another option PHAs have, which is they can convert through the rental assistance demonstration to a long term Section 8 contract, either to project-based vouchers or to project-based rental assistance. Of course RAD has been around for – (inaudible) – years now. 130,000 units have converted. A couple years ago we created an option to make it as easy as possible for the very small PHAs, PHAs of 50 or fewer public housing units, to convert under streamlined procedures.

So this very much married up with the efforts, the special applications center, and Jane's shop has been doing to make it easier for very small PHAs to be approved under Section 18. So it's two nice clean options for such PHAs. So I'll just start with some eligibility issues. So PHAs are eligible for streamlined RAD conversion if they have 50 or fewer public housing units. They have to have some reasonable scores, a PHAS score over 75, a PASS score 30 or higher, and can't be substandard or troubled under PHAS or the capital fund. The vast majority of PHAs meet these thresholds.

The PHA can't be proposing construction, rehab, transfer of assistance, or relocation, as part of the conversion itself. And in many other RAD conversions they are converting the subsidy stream, moving from public housing to Section 8, at the same time performing rehab or taking on one of these other events as part of the conversion. And a requirement of streamlined voluntary conversion is – no, let's not complicate things. All we're doing here is moving from public housing, a public housing funding stream to a Section 8 funding stream.

If down the road the PHA wants to – the property needs rehab and the PHA wants to take out a loan or something to perform that rehab, that is fine. But at the point of conversion we're just looking for very simple plans, changing the – (inaudible) – straight conversion. Just a few other requirements, that the PHA is converting to – the property is going to convert to project-based vouchers, then we require that that voucher administrative must have at least 100 units under their housing choice voucher program, ACC, make sure that – we know that some PHAs struggle with very small voucher programs.

And the finally just like with the Section 18 option, under streamlined RAD conversion the PHA must commit toc losing out their public housing program after they utilize this option. In other words, the most important consequence of this is if they've got available Faircloth units that they are hoping to develop at some point down the line, they would not be able to use the streamlined RAD version option or the Section 18 under 50 units or under option.

So key features. Under RAD, RAD's a preservation program. So the units must be preserved under project-based Section 8 assistance. And this is a key distinction with Section 18 where a PHA could choose to reserve it through project-based vouchers or to replace it just with tenant based assistance.

Under RAD the property may convert to either project-based vouchers, which is a contract between the housing authority and the owner as part of the housing authority's voucher program, or it could convert to a project-based rental assistance, also known as multi-family Section 8 contracts, which are a contract directly between HUD and the owner. One of the benefits here is the PHA that doesn't have a voucher program doesn't need to go find a different partner to administer the vouchers. It would be a contract directly with HUD.

Another key feature, the Section 8 contract rents available through RAD are not your standard Section 8 contract rents which are based on market. They're based instead – through RAD they're based on public housing funding levels. We've posted what they would be for every single property across the country.

So you could look that up right now if you wanted to – (inaudible) – for some help. But they're readily available and published to see what contract rents the property would have after conversion. Once those rents are set they then inflate each year by OCAF. So they go up by a steady amount. And of course this – (inaudible) – contract rents, which under Section 8 means the rent that the owner would get through a combination of HAP subsidy and rents collected.

A few other key features, the PHA can contribute public housing funds to the converting property. So if the PHA has some operating reserves or some unobligated capital funds, it can bring that over with the property as it's converting. It's a special waiver that we have available through RAD, and also not available through Section 18. And finally residents are not rescreened for Section 8 admission criteria.

Usually if a property is leaving public housing, and residents are exiting public housing but entering into the Section 8 program, they would need to be – they're subject to the normal Section 8 screening criteria. But under RAD, no residents can be rescreened regardless of their income, or family status, whatever. They are automatically admitted into the Section 8 program. So again, another consideration if you have properties with – (inaudible) – over income households or – (inaudible) –

So the big package that is submitted in RAD to really provide your proposal to us is called the financing plan. It's a little bit of a misnomer here because there's no financing proposed. But we still use that term financing plan. What it looks like under streamlined RAD conversion is, again we tried to make this as simple as possible, there's a conversion overview where you provide an overview of what you're proposing, a type of – you tell us if you're converting to project-based vouchers or project-based rental assistance.

We don't require a capital needs assessment, which is standard in all other RAD conversions. Instead we're relying on certifications that I'll talk about in the next slide. There's a limited environmental review. And we'll talk about that on the next slide as well. There are – you fill out a fair housing, accessibility, and relocation checklist. But all of the items on the checklist are almost always inapplicable. So you'll just be submitting that to confirm that to us. You'll provide a sources and uses to us. It will really just be a document to memorialize that you are planning to bring over your public housing funds – (inaudible) – establish them as reserves at the new property.

You'll give us an operating pro forma just to show that the property is operationally viable after conversion. We require a minimum $500 per unit per year deposit to the capital replacement reserve that the property must have. You provide us a tool that we've made available just to enter in how the contract will be funded in the year of conversion. It works a little bit differently in RAD. You'll provide us comments that residents provided in resident meetings. And you'll provide a title report. So I hope this doesn't sound like too much, but really the bar is really low. This is the type of documentation a PHA could put together in two to three months if it were focused.

Just to go into this a little bit more, before you submit your financing plan you actually give us a RAD application just to reserve your authority under RAD. It's very simple. Talk about the CAN and environmental review a little bit more. So most RAD conversions involve a third party inspection where they're looking at the age of all physical – all building components, and providing estimates of what needs to be repaired now and what will need to be repaired over time.

That's not required under streamlined RAD conversion. Instead the PHA provides a certification that it itself has assessed the property for exigent healthy and safety hazards, and has completed any necessary repairs, and it has determined that the property can be sustained for 20 years, at least 20 years, with decent safe and sanitary housing at the RAD contract rents.

The PHA has provided or handing over to the owner those conversion – the owner of the property is called the owner, not – even now it may still be the PHA. Any lead related reports and certifying that the site complies with accessibility standards. So the CAN is instead replaced by the certifications. On the environmental review side, depending on if the property is converting to project-based rental assistance or to project-based vouchers. The project-based rental assistance the review is very simple.

Even though most environmental reviews require analysis of 17 different areas, HUD's made program wide compliance determinations so that really only three items need to be assessed. For project-based vouchers this depends on the local responsible entity. He'll be doing the review under – (inaudible). And they often make these reviews very simple – (inaudible).

So just as an example of conversion that's about to happen through streamlined RAD conversion, the housing authority of the city of Amityville in Arkansas, all it has is 24 units in Samson Courts near downtown. For RAD rents and for rents that it could get through the standard project-based voucher program are basically equivalent. Or actually surprisingly by coincidence RAD rents published are $489 contract rent – (inaudible) – a $69 utility allowance for a gross rent of $558. Whereas you look up the fair market rents for this area and they're also $558.

So a key consideration for a PHA when thinking between RAD and Section 18 are would the rents available through Section 18 and subsequent project basing of the vouchers be better than what they can get in RAD. In most cases it actually is better, but not all. And so this PHA determined they're basically the same and they preferred to do RAD.

The units are in good condition as assessed by the housing authority and their board, had strong REAC scores, and so it's converting to RAD project-based voucher contract. In the process it's bringing over $60,000 public housing capital funds and operating reserves. It's given us a pro forma showing that the property is viable going forward. And in that pro forma it's actually going above the minimum we require. They'll be setting aside $550 per unit per year from the project budget towards the capital replacement reserve.

And finally this housing authority doesn't have a voucher program. So it's partnered with another agency, the Pike County Arkansas housing authority, who happens to be managed by the same executive director. And the Pike County housing authority will be the administrator of the project-based voucher contract.

So just to bring back the comparison, why do PHAs choose Section 18? So the biggest reason is if they are choosing to – assuming the PHA is trying to preserve the property, oftentimes the contract rents available through the standard project-based voucher program are better than the RAD rents. So the most basic, the most fundamental reason is it's an opportunity for increasing the revenue of the property. So any PHA with 50 units or less really ought to be giving Section 18 a long hard look. Because there's lots of potential to increase revenue for the property and make the property more sustainable going forward.

Second, there's no requirement to preserve all the units. The PHA of under 50 units, just like the example Jane raised, Racine, some of the units they wanted to preserve and some of the units they didn't. And that's okay under Section 18. Not necessarily a preservation program. All of thee assistance has been replaced through vouchers in one way, shape, or form. But not necessarily the hard units.

The other Section 18 rationale, the PHA can access the disposition proceeds, again assuming that it's vouchering out some or all units. It would subsequently sell of the property and use proceeds for other affordable housing developments. And then the potential availability of some of the public housing phase down funding, what they call demolition disposition transition funds under the capital fund, or asset repositioning fee under the operating fund, assuming if – and that is if the PHA has eligible – (inaudible).

So then why do PHAs choose RAD? Well, we saw in my example, sometimes the RAD rents are equal to or even better than the voucher rents. So that we estimate might happen 20 percent of the time or so. Sometimes even if that's not the case, RAD still makes sense. But certainly in those 20 percent of cases it's definitely giving RAD a long hard look.

Second, the project can convert not only to project-based vouchers, but also to project-based rental assistance. So we know a lot of the very small housing authorities do not have a voucher program, they might find it challenging to find a partner to administer the project-based vouchers. Well, under the project-based rental assistance program, again the contract is directly with HUD. So the PHA does not need to find a different administrator. HUD will be on the other side of the contract and making payments directly to the owner.

Another reason to consider RAD is RAD prohibits the rescreening of residents and preserves the residents' rights, allows for very easy project basing of vouchers. So the – again this is particularly relevant if, A, residents in your community are worried about losing some of the rights they enjoy under the public housing program related to resident – (inaudible) – or grievance and termination procedures. RAD preserves those things. But also if residents – again if you have over income residents or other conditions that the resident would not be eligible for the voucher program, under RAD the resident can't be rescreened and he's automatically admitted.

And then lastly, RAD allow for any public housing funds to transfer with the converting property. Under Section 18, PHA cannot bring any remaining public housing funds with the property after it has left. Those public housing funds cannot transfer over to what would then be a project-based voucher property. Under RAD they can be.

So particularly for PHAs who's managed their funds and have decent reserves, this might be a really compelling reason particularly even if say the RAD rents are lower than the rents available through regular project-based vouchers, the PHA has lots of public housing funds available. They might still consider RAD in order to bring those funds over.

So one of the big questions, and I think I'm covering this slide, right Dan? Please interrupt me if I'm not. One of the big questions we get, "Well, if I do Section 18 or if I do RAD, does that mean I can't be the owner of this property?" And there is – so folks fear about talking with their boards about losing control of the property or other issues around that.

And generally we'd like to be able to tell you that it's not the case, that PHA really retains full control of the property under conversion, under RAD, or through Section 18. So here's a little chart showing a few different options. One, can the – the first option is retaining the property outright. So the Sutton Housing Authority, a made up fictional housing authority, but it probably does exist somewhere, through a RAD conversion in a lot of cases it can continue to be the direct owner of the property.

But Section 18 requires an actual sale. So what they call retention could not occur. However, all these other options are possible. So the PHA can transfer the property to an instrumentality of the housing authority, the Sutton Housing Authority, LLC. This is an entity that is really not in any way distinct from the housing authority, other than it keeps a separate set of books. It's mostly for accounting purposes that this entity is distinct from the housing authority. But it's still run by the same executive director. It's still under the same board. It still employs the same staff. There's no real difference.

A very similar form or basically identical is transferring to what's called a single asset entity that's wholly controlled by the PHA. Alternatively going a little step further, PHAs can create a nonprofit that can own the property. Sometimes for state or local reasons, establishing a nonprofit makes other business sense that we won't go into here and is really not HUD's primary concern.

But some PHAs have found that valuable to have a nonprofit. And again, that nonprofit could be – could have the same executive director, could have the same staff, could be under the same board. Sometimes these nonprofits have the same board, an overlapping board, and sometimes they have only partially overlapping boards. There's different models there. But we see all these varieties under RAD. And Jane – (inaudible) – all these varieties under Section 18.

And then lastly, we see transfers into tax credit partnerships. So selling a property into a tax credit partnership, which for the purposes of streamlined RAD conversion or Section 18 50 and under, really almost never happens. Because we rarely see tax credit transaction occur at the same time as – (inaudible) – in fact in RAD we discourage it. We say just right now we're just dealing with a conversion moment, moving it from public housing to Section 8. You want to do tax credits, do that later. Don't make it part of the conversion. But I've just listed it here just for informational purposes.

Okay. Does it make sense to pause for questions before going into project-based vouchers? I just covered a whole bunch of material. Or folks want to keep – (inaudible).

DAN ESTERLING: Yeah. Let's check in with Caila now.

CAILA PRENDERGAST: Yes. We got a lot of questions in the queue. So I'll go ahead and get started. First question, "I know a few housing authorities that have – (inaudible) – and do not have their own voucher program. This has caused concern that if they do the streamlined conversion, their PHA would be dissolved. Can you speak to this? And is it a legitimate concern?"

JANE HORNSTEIN: Do you want me to take that, Will? Or you want to take it?

WILL LEVY: Sure. (Inaudible) – go ahead.

JANE HORNSTEIN: Okay. So in a situation like that, I don't think that it would – it doesn't mean – keep in mind that PHAs are a state created entity. And so HUD – they can't be dissolved by HUD. They can only be dissolved if the housing authority itself makes that decision. What they can do is, as Will just pointed out, they can create these other entities that has the same board and the same charter, etc.

And then they can hold the property and maintain the property as any private entity would hold property at that point. They would not – it wouldn't necessarily mean the end of the housing authority per se. It would just make them like any other property owner with a project-based voucher program.

WILL LEVY: Right. The key thing is it's not the housing authority that would be – that is affected – that is necessarily affected by this. The only thing that always is affected by this is the PHA's public housing program. If they are – (inaudible) – one of these options, they are agreeing to terminate their public housing program. But the public housing program is not what defines the PHA. PHA is, as Jane said, a state local chartered agency, and continue to exist, and continue to serve multiple purposes, which could be owning and operating a Section 8 property.

There are many PHAs today that own and operate a Section 8 property under the PHA's name, or through an instrumentality, or a single asset entity that's controlled by the public housing authority. So there are many ways to structure these that are really in the PHA's hand, PHA's decision how to do so, that ensure that they're ongoing ownership and control of the property.

CAILA PRENDERGAST: Okay. Thanks. The next question, "For some reason I thought the HUD definition of small is 200 units. Can you confirm that it's 50, and if there's some change as we get down to 200, and then again at 50?"

JANE HORNSTEIN: So there's the 250 units under the streamlined voluntary conversion. And we'll look at that, we can – we'll talk about that in a few minutes. But and then the 50 units is what we're considering very small.

WILL LEVY: HUD uses different definitions for different purposes. But both for Section 18 and RAD, we've gone essentially with the very small definition which is – (inaudible) –

CAILA PRENDERGAST: Okay. "Are the certifications in lieu of the PCNA from an architect? Or are there HUD specific forms to complete?"

WILL LEVY: No. They are completed – so in the context of a RAD conversion, RAD streamlined RAD conversion, the certification in lieu of the capital needs assessment is provided by the PHA themselves.

CAILA PRENDERGAST: Okay.

JANE HORNSTEIN: And there's no PNA from Section 18 for 50 and under. You don't have to – (inaudible) – at all.

CAILA PRENDERGAST: Okay. Thanks, Jane. "To clarify, would a housing authority permanently lose or forfeit its Faircloth authority once it completes the closeout of their public housing program?"

JANE HORNSTEIN: Yeah. And that's the idea here would be to close it down. So I mean it could potentially transfer. Like you could transfer it. So say you partner with another agency through the voucher program, maybe they'd have a larger agency, you could transfer your Faircloth authority as well at that time. So it doesn't necessarily get lost. Or you can consolidate with another agency. So there are ways to maintain it. But that ACC contract will close out.

CAILA PRENDERGAST: Okay. "Under the streamlined RAD conversion case study, did the housing authority retain ownership of the units with public housing funds transferring with the converting property even though it did not have an HPV program?"

WILL LEVY: Yeah, I think you said the Pike County housing authority is the administrator of the contract. And that's all they're doing. The Amityville housing authority who's converting their 24 units, the property is staying in that housing authority's name, under the name of

Amityville housing authority. The funds associated with that housing authority, those 60,000 units or so, are staying with that property. There's no transfer of funds to the voucher administrator and no change of ownership at the property.

CAILA PRENDERGAST: Okay. This is a question that we get a lot, but good to always re-address. But one of the things that I hear or that I often hear is that a housing authority board doesn't want to give up control of their property, and they don't want to lose their property or their staff. There's nothing about repositioning to RAD, Section 18, or SBC, though, that would necessarily change that, right?

JANE HORNSTEIN: I mean they could. There's ways to do it so that they can maintain their current staff and still maintain control of the property. As we went through in the prior slide various examples of how you could do it, an affiliate, or you know –

WILL LEVY: And as an example, the – I only talked about the Amityville housing authority – it turns out maybe I should use this case study as well, the Pike County housing authority is also a very small PHA and is also converting its units through RAD streamlined voluntary conversion. But largely because it's also the voucher administrator, what it's doing is it's setting up a single asset entity to own its public housing – (inaudible) – still going to be under the auspices of the Pike County housing authority, but under a single asset entity structure, fully controlled by that housing authority and still under that board.

And even though it's – the title is changing hands, there's no change to how the property is operated. It still continues to be – the housing authority is still the property manager and the board still has oversight of that property.

CAILA PRENDERGAST: Okay. Thank you. Under Section 18, can units already owned by – (inaudible) – partnership with ACC with a public housing authority be retained by the same entity?

JANE HORNSTEIN: Not under Section 18. There has to be a transfer. So in those situations it may be easier to look at RAD. You can do a retention. There is a way to do that under – (inaudible). It's a little more complicated. So there is a way to do that, but it's complicated. And it doesn't always come with vouchers, but RAD does.

CAILA PRENDERGAST: When does a housing authority forfeit its operating reserve and non-obligated capital funds, when the authority applies the Section 18, when – (inaudible) – approves, or only once the housing authority is completely closed out?

JANE HORNSTEIN: After closeout. Once it's closed out – (inaudible).

CAILA PRENDERGAST: Yes. Thanks.

JANE HORNSTEIN: And we know there's no longer a need for both.

WILL LEVY: And in fact we encourage housing authorities to make sure they're holding on to some of their funds in order to fund some of those closeout costs, say for the accountant to do its final audit, etc. So there are some costs associated with that. Housing authorities should hold on to some funds, make sure they can fund those costs.

CAILA PRENDERGAST: Okay. We got four more questions. I think we have plenty of time. So I'm just going to go ahead and address them now. "Under retained ownership, isn't it only for PBRA? RAD PBV requires that the project owner be a separate entity than the PHA, is that correct?"

WILL LEVY: Was the question under project-based rental assistance or for PBRA?

CAILA PRENDERGAST: Yes.

WILL LEVY: So it is actually not required that it be under a separate ownership. It's strongly encouraged, but it's actually not required. Standard practice, just conventional best practice is for it to be under single asset entity. And so most of the conversions we see do do that. There are a few cases where PHAs have – to keep it directly under the housing authority's name, and that's been permitted.

CAILA PRENDERGAST: Okay. "In either case, if the housing authority's HCV program is in shortfall, could they still reposition via – (inaudible) – 50 and under or RAD?"

WILL LEVY: So maybe Dan, you could speak to this, but generally if when through either conversion option, if they're adding new vouchers and growing a PHA voucher portfolio, the field office generally wants to make sure that we're not making a bad problem worse, adding to the issues with the voucher program. Dan, do you want to speak to that at all?

DAN ESTERLING: It's not going to be a prohibition to conversion. It's just something that the field office – the PHA applying for either RAD or for Section 18 would want to be having a conversation with the field office about prior to conversion to help with planning. That's kind of the best way to approach that. It's not going to be an absolute bar to conversion.

JANE HORNSTEIN: And depending on what they're doing, if they're selling the property for fair market value there may be some value in that. And that's part of the plan – (inaudible) – again you have to get the field office involved to look at it.

CAILA PRENDERGAST: Okay. Thanks. So would closing out – or, "Would the end of public housing either to a subsidiary entity or to vouchers be the end of the need for housing authority staff such as director and other maintenance, etc.?"

JANE HORNSTEIN: No. Not necessarily. If they can transfer over with the property, I'm sure that the property would still need a maintenance man. Depends on – I mean I think that the – in terms of re-staffing, there will be a lot less requirements from HUD. So in terms of doing up the annual plan and doing that kind of activity, there will be less of that. It will still be some, but it will be less. But maintenance of the property will still be necessary if an affiliate is owning it.

WILL LEVY: So again, just to reiterate, staffing just remains a local decision. There's nothing about switching the funding platform for the property that will impact – that requires a change to how the property and any back office functions are staffed.

CAILA PRENDERGAST: Okay. Thanks. The last one before we move on, "Can you talk a little bit about why you discourage conversion to RAD and getting LIHTC at the same time?"

WILL LEVY: Sure. So in a standard RAD conversion, that's what happens. You convert and you – (inaudible) – assessment, you take out financing to address what the capital needs assessment – (inaudible).

And by doing that work certain things get triggered, Davis-Bacon Section 3 requirements, sometimes – (inaudible) – civil rights reviews if certain things are changing, relocation reviews. To make the conversion process as simple as possible for small PHAs, sometimes it's easier to separate the actions. First move over to the Section 8 platform, that be the conversion. And then later if desired to utilize tax credits to go and do that. So PHAs would actually like to have a property using tax credits.

What we'd recommend them do is apply to RAD tomorrow, convert four or five months later, and then in 2021 go apply for tax credits. That's okay, if it can submit its certifications that the property's okay. If it cannot, if the property has greater needs and it just can't say this property's going to be okay, then the property can always use the standard RAD conversion process. There's nothing barring that, but there are just more requirements. So this is an option for PHAs. They want as easy process as we could develop to take care of a conversion of subsidy assistance first, then at a later time if it needed to utilize financing.

CAILA PRENDERGAST: All right. That's all we have in the queue for now. We can go to the next section.

JANE HORNSTEIN: Okay. So is this me? For PBV ownership considerations, things that again and to just reiterate what Will said earlier, you can keep it as a PHA if you choose to. That's really your choice. The PBV HAP contract signatories is a big issue that you do need to work out and make sure that there are two separate entities signing that contract. So you need to work through how that's going to work. And again if it's a public housing only agency, then you'll need to find a partner. And the field offices can assist with that. So that's that.

So just real quickly, one of the things that we have done and created was what we call the RAD Section 18 close out blend. And this is where you would actually take both – any property that you want the last 50 units to be voucher programs to increase your rents or whatever. But it also allows you all the resident protections from RAD, and it allows you to bring public housing funding into the program. So we think that there's real value at looking at these blends.

So you can be more than 50 units based on the fact that we also have a RAD 25/75 percent blend. Usually if you're up over 200 units, you're probably better off looking at that blend because you get more. But with this one you'll get a full 50. So let's say if you have a 75 unit high rise, you can do 25 units under RAD and remove the other 50 units under Section 18. If it's 40 units of townhomes, you have 40 townhouses, you could do 10 units under RAD and 30 units under Section 18.

But what those two examples give you is the right to bring in the resident protection. So if you do have over income families, they are still protected under these blends. So we do think that they are of value and we highly recommend that housing authorities look at this. Know that we are doing the full webinar on this on July 22nd. So we're just putting up a little bit of information now, but we will put up a lot of information at that point in time. So that's basically what the blend is. But you should – we encourage you to look at that.

Another option for housing authorities with 50 units or less would be a streamlined voluntary conversion. Under the streamlined voluntary conversion the one issue is, is the residents have to be issued the vouchers. So if you are going to project base the vouchers, the residents have to consent in writing. You cannot assume that you can project base under streamlined voluntary conversion. So that makes it a little more complicated.

Again on September 2nd we're doing a full webinar on that, but wanted to draw this to everybody's attention as a possibility. It is available particularly if you're looking to get the vouchers into the hands of the residents and get rid of the real estate. There's some real value in streamlined voluntary conversion.

DAN ESTERLING: Jane, I think Will was going to do this one.

JANE HORNSTEIN: Okay. That's what I thought. I was going to say, I don't think I'm doing this one.

WILL LEVY: So just to try to bring this together, if you're a PHA with 50 units or less, figuring out what's the right option, where do I go with all of this information, try to – (inaudible) – it down to a few takeaways. First of all, this is not in this slide, streamlined voluntary conversion is basically never the best option if you have 50 or fewer units. Because it makes it harder to project base.

If what you're trying to do is project-based, Section 18 or RAD are better. And if you're trying to – if you might want to voucher out some or all the units, Section 18 is more tried and true approach than streamlined voluntary conversion. And so you don't even need to look at – you don't even need to worry about streamlined voluntary conversion unless one of the other panelists can think of a reason why it makes sense, but to try to simplify the decision.

If you're going to preserve the asset, that's your goal, then the first thing you should be looking at is which one gets the project more revenue, and how can I put this project on the best possible financial footing for the future so it can continue to serve residents – (inaudible) – be a good community asset. Because through Section 18 the PHA receives vouchers that it can project base, those vouchers, those project-based vouchers of rents based on the reasonable rent, which is basically the market rent, up to capped at 110 percent of the FMR. That's often better than the RAD rent.

So Section 18 might be just far and away a better option than RAD because a PHA can see a 10, 20, 30 percent increase, and sometimes more, on the revenue available [inaudible]. But – (inaudible) – make any assumptions. So check out our RAD rents which we've got available on our website.

And then we'll update it again at the end of the year, and see for yourself, and try to compare what rents you'd get under RAD versus what rents would be available through the project-based voucher program. So that's again by and large the most important consideration a PHA should be considering.

A couple other things to consider, again reiterating if the PHA has large amounts of unobligated capital funds or operating reserves that they can't spend in the short term, and they want to bring over the property once converted, then consider RAD. RAD rents might be less than the regular project-based voucher rents by 10 percent.

But if you've got $2 million sitting in operating reserves, that might outweigh the long term rent difference. – (inaudible) – consideration here is does a PHA have large number of over income residents who wouldn't be eligible for the voucher program. Then again consider RAD. There are ways to work around that in the Section 18 and project-based voucher option. But RAD allows – (inaudible) –

We don't think that the – we recently hear a lot of concerns that are certainly reflected on some of the questions we've got so far, questions about kind of the control of a property or staffing really need to be a key consideration for PHAs. Because again it's really in the PHA's control how they want to handle that going forward. And a PHA can really make the property look, feel, act, and operate the same way it does today just under a different funding platform after going through RAD or Section 18.

DAN ESTERLING: Actually we're going to jump around a little bit. Jennifer Lavorel is going to discuss some voucher considerations. And for that I think she wants to head back to slide 23. So I'm going to toggle us there now. Jennifer?

JENNIFER LAVOREL: So there have been a lot of questions about ownership and changes in ownership. And I just wanted to spend a brief minute on this slide to cover a few small items. I'm going to start in the middle, PBV HAP contract signatories. So if you are a voucher agency, this is maybe particularly relevant to you. If you're a voucher agency and you own public housing, and you're going to go through Section 18 and then project-based the tenant protection vouchers, public housing, former public housing that you own, you can't sign the contract on both sides as the voucher agency and as the owner.

So it's just something to keep in mind. Will gave an example with the – I think it was Pike County was a project – a contract administrator. And they had set up a single asset entity to own one of their PBV properties. That's an option if you're a voucher agency. You can set up a single asset entity for example to own the project, and then sign it as the contract administrator, the voucher agency, and then the single asset entity would sign as the owner.

Now if the same person has signing authority for the voucher agency, the executive director, as for the single asset entity, then the same person can sign that contract as long as those two entities are separate legal entities, and that person has signing authority for each of those separate legal entities. So it's just something to keep in mind as you're structuring the ownership of your property.

Now let's go to the definition of PHA owned on the left here. You're setting up a separate legal entity let's say. And you're the voucher agency. If your ownership of that separate legal entity constitutes a controlling interest, what that means, and this is defined, and I will tell you where, what it means is that for purposes of establishing contract rents, and performing inspections, any kind of function where a conflict of interest could affect the outcome of the function. So an inspection, if you're the owner of the project and you're inspecting it, well let's not assume there are any bad actors out there, but there could be a potential for a conflict of interest where the unit doesn't really pass, but nudge, wink, wink, we're going to say it did.

HUD requires when the voucher agency has a controlling interest in the property, those types of functions have to be performed by an independent entity, inspections, rent setting, etc. You can find a definition of PHA owned, you can find a list of functions that need to be performed by an independent entity in the case of PHA owned units, in the public housing notice.

And I'm going to give you the number right now. It's Notice PIH 2017-21. Attachment A to that notice gives the definition of PHA owned and gives some really helpful examples. My colleague, Amaris Rodriguez, wrote those. And I think they're very helpful. And then attachment B to that notice 2017-21 talks about all the functions that need to be performed by an independent entity for PHA owned units.

So what does all this mean? It just means get your attorney or read attachments A and B when you're thinking about how to structure the ownership of your former public housing project. And then of course for a public housing only agency which we talked about a bit, you're going to have to find a voucher agency to administer your PBV HAP contract. They will apply for the tenant protection vouchers. They're going to have to award the tenant protection vouchers to your property. They have to be authorized under state law to administer voucher assistance in the location in which that project is located. And they either must have or must establish a project-based voucher program.

They have a voucher program, but establishing a project-based voucher program essentially means adopting some policies in the administrative plan where the project-based voucher programs gives the voucher agency some discretion. So one example is whether to offer vacancy payments. A voucher agency has the discretion about whether to do that. Because they have discretion, they have to say in their administrative plan whether they intend to do that.

So I think that's all I wanted to say about slide 23. Dan, if you want to go to 28.

DAN ESTERLING: Yep. Moving there now.

JENNIFER LAVOREL: Okay. So just quickly, I'm going to cover two slides quickly at a high level. Slide 28, we talked about that the agency – let me get this back to a size that I can actually see it.

A contract has to be administered by an agency that operates a project-based voucher program. We just addressed that. Definition of existing housing in the project-based voucher program is important. If you're taking a project through Section 18 for example, and what you would like to do is immediately enter into a project-based voucher HAP contract at the project. So on Monday your public housing, on Tuesday you have a closing, on a Wednesday you want to be a project-based voucher project.

That's fine as long as the project meets the PBV definition of existing housing. And under the PBV program a project is existing housing if it substantially complies with HUD's housing quality standards on the date of proposal selection. Substantially complies with HQS, a kind of fuzzy word. But the bottom line is that the housing authority itself defines what substantial compliance means. So that definition is going to be in the voucher agency's administrative plan. They're going to say substantial compliance means – I will give an example – the project has no life threatening conditions. That's just an example I'm giving just to kind of get this idea across.

That means that before the proposal selection, the voucher agency would go out and inspect the project. They would say, okay, it meets our definition of substantial compliance. If it does, then great. Monday you're public housing, Tuesday you do a transaction, Wednesday you're a project-based voucher project. Boom. If the project does not meet the definition, doesn't substantially comply with HQS, then there's going to have to be some rehabilitation work done.

You can't enter into a PBV HAP contract on Wednesday. You've got to figure out what you need to do to get the project compliant with HQS. And under the project-based voucher program there's an agreement to enter into a HAP contract that governs the type of work you would need to do to get the units into compliance.

Definition of project in the project-based voucher program, this is really only important because you can put several properties under a single project-based voucher HAP contract, only if those properties meet the definition of a contract in the PBV program. And PBV program defines a project as a single building, multiple contiguous buildings, or multiple buildings on contiguous parcels of land. So if you have something that looks like that, sounds like that, you can put it all under one PBV HAP contract.

But if you have multiple buildings on parcels of land that are not contiguous, you can't put them under one PBV HAP contract. You have to do separate contracts. And that definition applies as well if you're doing RAD PBV. The PBV definition applies governing how many contracts you may need.

Over-income families, I will touch on briefly. I think that Jane mentioned this earlier. So if a family is ineligible for the voucher program, so say they have an income that exceeds 80 percent of the area median, they're not going to be eligible for a tenant protection voucher. They're living in this unit, this public housing unit, maybe they were paying a flat rent. Suddenly we're converting to Section 8. Well, they have to be income qualified under the Section 18 program. Will mentioned under RAD there's no rescreening. So this does not apply under RAD. But if you're going Section 18 and the presumption is the family is getting a tenant protection voucher which will then be project-based, the family must be income qualified for that tenant protection voucher.

If they are not, you're going to have to figure out what to do with that family. You can relocate them to another public housing unit, to an unassisted unit. But the Section 18 requirements I believe would apply to the kind of rent that that family would be guaranteed if they're going to an unassisted unit. Or they can stay in the project, but not be part of the PBV HAP contract. They would become an unassisted family in the project. So if you have a 20 unit project, but you have one over income family and they want to stay, it could become a 19 unit assistance contract with one unassisted family living in one of the units.

And then over housed families, so a family is – the subsidy standard for the voucher program are going to apply. If you're the voucher agency, it'll be your subsidy standard. If you're going to have to partner with the voucher agency, it's going to be their subsidy standard will apply. Under the voucher program, the subsidy standards for the voucher program, for the project-based voucher program are the same as the subsidy standards for the voucher program. You can't have two separate standards for the tenant based portion and the project-based.

So a family cannot remain in a unit if they are over housed, which means they have to be moved to an appropriately sized unit, or relocated, or again they can stay in the unit but unassisted. If they're unassisted, then the subsidy standards don't apply to them. Should I finish up, Dan? Or do you think take questions? I have one more slide.

DAN ESTERLING: Yeah. Good question. I think why don't we do this PBV process slide and then take questions on vouchers. And then I know we only have Will for another 15 minutes or so, so after that let's take questions.

JENNIFER LAVOREL: Okay. I'll very quickly go through this PBV process slide. And again, this does not apply to RAD. If you're going through RAD, you're following a different process. This is Section 18. Anything where you're getting a tenant protection voucher, which you're then going to project base under project-based voucher rules.

So the first step is not going to apply in most cases. This voucher agency notifies HUD. This pertains to the PBV program requirement that a voucher agency may not project base generally more than 20 percent of their authorized units. There's a calculation the agency does. They show their numbers to HUD at the start. And most of these units are going to be exempt from that cap. So we're not going to worry about that step.

Vouchers need to be awarded through a competitive process to a project. And that is something that will apply in this case. So that's the first step that will really apply in terms of Section 18 to TPV to PBV. There'll be a preselection inspection. This is to determine whether the project meets the definition of existing housing, and to look at the site as well to make sure that the site and neighborhood standards under the PBV program are – the site is in compliance with those.

The voucher agency then selects the project. There will be an environmental review. If there is going to be rehabilitation work done, there will be a subsidy layering review and an agreement to enter into a HAP which will govern the rehabilitation work. The work will take place. It could be new construction or rehab.

There will be a determination of the contract rent. So if it's an existing housing, obviously that's done earlier. Just do the selection, environmental review, determination of rent. The inspection prior to going under HAP, this is to make sure the project meets HQS following construction. And then you enter into the HAP contract. And occupancy and begin leasing to family. So that's kind of what you would expect in the PBV program.

I want to mention just briefly, when you're doing a Section 18 conversion, and you're getting tenant protection vouchers, and you're project basing them, you're project basing under normal project-based voucher program rules. Nothing special. And many of you may be familiar with the PBV program already. So that would be familiar to you. Under RAD, as you may know, RAD has the authority from congress to waive or specific alternative requirements for Section 8. And for the RAD PBV program, RAD has taken the traditional PBV program requirements, waived some of them, specified alternative requirements in some cases.

So if you're going to do RAD, you need to understand the PBV rules and you need to understand as well how RAD has modified them. And your resource for that is going to be the RAD notice. And there's also a RAD PBV conversion guide that I think should be coming out soon that will also be helpful in understanding the differences between traditional PBV and RAD PBV All right, I'm done. Thank you.

DAN ESTERLING: Thank you, Jennifer. So Caila, let's take some questions. I'm sure there are quite a few.

JANE HORNSTEIN: Let me just interject one quick thing in this process. The environmental review that's done as part of the Section 18 disposition can also be the same one as the PBV process. You don't have to – that environmental review should take in the fact that you're selling the building and converting it to vouchers. So it can be one environmental review. So that makes it a little bit simpler. Okay, go ahead, Caila.

CAILA PRENDERGAST: Okay. First question, "Is there any issue from HUD's perspective with PHA's paying employees out of both Section 8 admin fee and the new nonprofit affiliate funds if the position would be required to work on both programs, for instance recertifications and interim adjustments?"

WILL LEVY: I can't think of a reason why that would be an issue.

JANE HORNSTEIN: I think that's fine.

CAILA PRENDERGAST: "How can a small housing authority with 50 public housing units and 72 housing choice vouchers manage without going out to a third party to manage PBV?"

JANE HORNSTEIN: They're fine. They can as far as I know. Jennifer, do you have other thoughts?

JENNIFER LAVOREL: Well, I think it may depend somewhat on the market. Are they having high turnover? Because one of the features of a PBV program of course is choice mobility, which means if I'm a family and I've lived in a PBV assisted unit for one year, I can raise my hand at the end of the year and say I want the next available tenant based voucher, I want to move out with a voucher. And a family that does that has essentially a super preference. They go to the top of the voucher waiting list.

So think about the condition of your property. It's not unheard of for folks to – where the tenant based waiting list is years long. It's not unheard of for families to try to get into a PBV project as a way of getting a voucher after a year. So just be mindful of your market, the condition of your property, whether there's likely to be any kind of a churning effect. We would hope not, right? It's going to be a great property, need – (inaudible) – right? But just be mindful of that kind of thing.

CAILA PRENDERGAST: Okay. Thanks. Next question, "Would over-income families that remain in unit stay in unit at the – (inaudible) – determined by owner? Or is there a formula such as rent reasonableness to determine the rent for over income families that elect to stay in the unit?"

WILL LEVY: It sounds like this is in the context of a Section 18 and local project-based vouchers.

CAILA PRENDERGAST: Okay. So that's – (inaudible) – in my queue right now – (inaudible) – kind of a last call for questions. Oh, Will, sorry, go ahead.

WILL LEVY: I don't think we fully answered that, just to say that I think maybe Jennifer or Jane were about to say. What happens with if you've got a – if they go through Section 18, and you get vouchers, and project-based vouchers at the site, and some families are over income and can't be admitted to the voucher program. My understanding is the unit wouldn't be covered under the HAP contract at that time. What would they charge the resident? Or is there anything restricting or governing what rent is appropriate for the PHA to charge the resident.

JANE HORNSTEIN: I think they have to be charged comparable rental – (inaudible) – in terms of what the family pays. Then as far as the amount of rent the owner gets, the one thing to keep in mind is that you now have an unassisted unit in your project. And that becomes a comp basically for determining the reasonable rent for your assisted units. So if it's going to be – if you're going to – we've had this happen where housing authority is being generous or private owners being generous have wanted to charge families a lower rent, because the families are now unassisted.

But that, until HUD issues any guidance to the contrary, would become a comparable unit for PBV assisted units. And you don't want to do that. You don't want to say, I'm going to charge a family 100 bucks for a two bedroom unit, when under your PBV contract rent you should be getting 300 bucks.

CAILA PRENDERGAST: Okay. A clarification question about the question we had earlier about the 72 units. "Does 72 unit PBV program allow the housing authority to continue PBV management? Is there not a 100-unit minimum?"

WILL LEVY: Oh, I see. Yeah. So in RAD, for streamlined RAD conversion only, this isn't true for Section 18, for streamlined RAD conversion there's a requirement the PHA has 100 unit voucher program. HUD may make an exception to that in consultation with the field office. So it is not a full barrier, but it's a general rule, and justifies the streamlined RAD conversion. So if you're thinking about RAD, and even if not, I think you should definitely talk with your field office about your capabilities in the voucher program, how you overall plan to manage the growth in your voucher program, and to see if there are any issues.

CAILA PRENDERGAST: All right. I think this is kind of a more overall administrative question. Dan let me know that he was having some connection issues, so I think he dropped off. But for others, do you think it's possible to prepare an FAQ containing the questions that we addressed today? I know on my end, I can easily save those.

JANE HORNSTEIN: Okay.

CAILA PRENDERGAST: And we can pass them around –

JANE HORNSTEIN: Yeah. We can look at those and do that.

CAILA PRENDERGAST: Okay.

JANE HORNSTEIN: Sure.

DAN ESTERLING: Caila, I'm still on audio too, just so you know.

CAILA PRENDERGAST: Okay. There you go, Dan. Nice. Okay. Well, I think that is – those are all the questions that I'm seeing at this time. Yeah. And thanks for joining, everybody. If you have any other questions, there are lots of ways to contact – okay, go ahead.

DAN ESTERLING: Let's go to the next slide just because I think we have a couple closing remarks I wanted to make before we go. So following this slide we should have another one. So anyway, as I mentioned earlier, we have the repositioning website on the HUD landing page. Like I said, it's a compendium of resources for folks.

And just really a reminder for any PHAs on the call, that your field offices are there, ready, willing, and able to assist. Whether you're working on a Section 18 application, we have – (inaudible) – expediters in the field who can help you piece together your Section 18 application and make sure that all the materials are there and complete.

And the RAD program, once you're provided – (inaudible) – you're given technical assistance for the first four months of your process. And we also have some limited technical assistance dollars available for PHAs still working on the repositioning decision – (inaudible).

And of course we have this repositioning@hud.gov email box which is actually staffed by real people. So you'll get a response if you email there, if you prefer to send an email directly there as opposed to your field office, or in conjunction with your field office. And I think we have one more slide.

CAILA PRENDERGAST: All I'm seeing is the still want more and then questions.

DAN ESTERLING: Oh, yeah. So I don't know if there are any post-presentation questions that we have.

CAILA PRENDERGAST: Yeah. So I saw one. Will you be sending a link to the webinar to watch again later? Yes. We have to – it'll probably be posted on HUD Exchange next week sometime. And we'll send out a link to that and some other resources to everyone who attended today's session.

And then another question, "So it seems like there are many reasons for small housing authorities with 50 or fewer units, or even those between 51 and 250 units, to reposition to Section 8. But it seems like there are not a lot that have converted. Why do you think that is? And what needs to happen to encourage this, do you think?"

JANE HORNSTEIN: So we have seen a few housing authorities use this. And we have done quite a few of it. I think that there's – I think there's still a lot unknown about doing – closing out. And I think there's just some concern about it. So I think housing authorities are making that choice when they're ready to. It's not one that they come to readily. There's a lot of discussion around it. But we felt it was important to make sure this was an option and want housing authorities to know that it's available to them.

I mean there are housing authorities that have been making a concerted effort to move to a voucher program only. But it is a choice. And it's not something that HUD is mandating. So hopefully more will take advantage if they learn more.

WILL LEVY: Go ahead, Dan.

DAN ESTERLING: Oh, I was just going to say, piggybacking on what Jane was saying, I mean this is – we're continuing to do education around this and help folks – the small PHAs have less resources to devote to thinking about this. And so they may be catching on later than some of the larger PHAs that had been thinking about repositioning years ago. So there may be a lag in the decision making process because of that.

WILL LEVY: And I think there's probably some misinformation out there. Most PHAs, a lot of PHAs are – they're concerned about the property and they're concerned about whether it requires changes to how they staff or how much control the board has. And I think just what we've seen is, again I hate to beat this horse, but that none of this requires changes to those things. Our goal here is simply to make sure – (inaudible) – on the best financial footing as it can be, and not to require any changes to how the PHAs are managing the property as organizing themselves.

But I think that's been a concern of folks. I hope we've done an adequate job at least in today's session in trying to demystify that. We also hope to be able to raise some more case studies. Amityville and Pike County, one that I spoke about, we're going to be developing a case study for – (inaudible) – review.

Maybe we can get the executive director on a call one of these days with other small PHAs, and other things we can do to show folks it's not that scary, it's manageable, and it's worth it.

CAILA PRENDERGAST: All right. I think that's a great note to end on, Will. Dan or Jane, any other close out comments? I'm not seeing any other questions in my queue.

JANE HORNSTEIN: I think that's good. Thanks everybody for joining. I appreciate it.

CAILA PRENDERGAST: All right. Yeah. Thanks for joining. Enjoy the rest of your Wednesdays. Bye.

(END)