

Public Housing Repositioning Wednesday - Public Housing Program Closeout, 11/18/20

Caila Prendergast: Hi, Dan. Can you hear me now?

Dan: I can hear you Caila.

Caila Prendergast: Okay.

Dan: Yep. We got you.

Caila Prendergast: Okay. Great. I was doing my whole thing, but I guess nobody could hear me. I'll start again. So good afternoon, everybody, and thanks for joining today. Today is one of the installments of the Wednesday webinar series, and today we'll be talking about the Public Housing Program Closeout.

My name is Caila Prendergast, and I'm one of your hosts today along with some great folks from HUD. Before I pass it over to them to have a second to the content, I just want to quickly review some housekeeping items. If you've joined us before, this is the same that has been in the past. Just want to review for those who might be joining us for the first time today.

So the speakers from HUD will share their knowledge for the first part of the presentation, and all remaining time will be reserved for questions. There are generally two ways that we have folks ask questions. The first way is to just simply type your question in the chat box, and I will read it out loud to the presenters, and they'll answer it that way.

It looks like someone is having their video on. Okay. And the second way is you can raise your hand. There's a little hand shaped icon in the right hand navigation panel, and I'll be monitoring all the participants to see if anyone has their hand raised, and if you use that function, I can unmute your line and ask, and you can have -- ask your question out loud.

Just a few minutes before this session, the WebEx system let me know that there is some question going on, and that some of the participants might not enter un-muted. So just be aware of that and try to make sure you're muted at all times, so that we can avoid any feedback. But generally all participants are muted upon entry.

And if you're having any technical difficulties, just send me a little note in the chat box, and then we can get that resolved. As usual, this session is being recorded and will be posted on HUD Exchange, usually it takes about a week or so, and that PowerPoint presentation will also be posted on HUD Exchange.

And lastly, we have a little survey that pops up on your -- in your browser, once you close out of today's session, and we really appreciate any feedback that you have for us, so we could be take a few minutes to fill that out, that would be great. And with that, I'll pass it over to Dan.

Dan: Thanks, Caila. Welcome everybody. As Caila mentioned, this is our Public Housing Program Closeout Webinar. Next slide please. Chad, I think you're driving. Okay. So we have

listed [inaudible] as the sole presenter Chad Ruppel, a friend and colleague of mine. And we also have quite a few HUD folks on the line to answer any of the tough questions that folks may have at the end of the presentation.

We have folks representing SAC and the Public Housing Program office, as well as the operating fund program office. So all your questions will have a qualified individual [distorted audio] those at the end. Right. So why are we [distorted audio] about? First, [distorted audio] Public Housing Closeout mean? What is the -- the HUD definition of closeout?

How is that different than converting your last units or closing your last units? Which of the public health and repositioning options require that housing authority close out their Public Housing Program? Some considerations that your agency might want to make before you decide to utilize those repositioning options, and before you complete the closeout process, and then the nuts and bolts mechanics of how to complete the closeout.

And that's [inaudible] we have all these previous webinar topics posted on the HUD Exchange available for your view any time. In two weeks or so, we're going to have a Project-Based Voucher Overview, so make sure to register for that one, I think there's going to be a lot of great material there.

As well as, we are going to continue this webinar series in January, and throughout 2021, we have a couple webinar topics in mind that we're planning. But certainly when Caila sent out the survey, if you want to flag any particular issues that you think your housing authority, or if your HUD staff member or housing authorities in your portfolio are interested in, in the coming year, let us know, and we can design a webinar for that.

So thank you very much for that, those requests in advance. And then lastly, as always, we have this growing public housing repositioning website on the HUD website, which has all the resources you can imagine if your housing authority is thinking about repositioning. And if you're new to this and you want to go back and have an in-depth overall repositioning training, we have this introduction to repositioning webinar series. And with that, I'm going to turn it over to Chad.

Chad Ruppel: All right. Thanks a lot, Dan. And as Dan mentioned, so there's a number of excellent HUD contacts also serving as panelists here. So I'll be leading the presentation, but if others want to join in, if you hear other voices that should -- don't be alarmed, I should say. So first of all, what does Public Housing Program Closeup mean?

So in this case, what we're talking about is really closing out the Public Housing Program. It does -- it has nothing to do with the actual Public Housing Authority itself, right? So this is sometimes a source of confusion. We just want to start the presentation by making this absolutely clear, right? Like local Public Housing Authorities, PHAs they're established local government entities.

There are a lot of PHAs that do not operate a Public Housing Program, and as part of repositioning, what we're really doing is moving housing units, public housing units to the

section eight platform. And at the end of the day, you would have presumably no more public housing units if you're going through the repositioning process.

And so this webinar today has really focused on that process of closing out the Public Housing Program. It is not -- it would have no impact on the existence of the Housing Authority itself. There are two main things to consider when we say closing out the Public Housing Program. So the first is your Faircloth Limit.

So for those of you who aren't as familiar, basically, the Faircloth Limit is an amount of units that HUD has determined that you would -- if you built up to that number, so you have 100 for a Faircloth Limit, HUD would give you funding to maintain those units as public housing, and every housing authority that has a Public Housing Program has some Faircloth Limit.

If you check out these Faircloth FAQ's that are referenced at the bottom of the presentation here, you can get more information. We publish the Faircloth Limit for each housing authority. And by closing out your Public Housing Program, what you're really doing is saying, okay, whatever my Faircloth Limit is, I'm not going to use those units. I'm not -- never going to take the opportunity to develop those units and get funding from HUD.

Again, there is a FAQ on the repositioning website to give you more information. The other thing that we're talking about is really closing out any other assets of the Public Housing Program. So these are Public Housing Program grants, the general program assets, the properties, and the Public Housing Central Office Cost Center, so the COCC.

A lot of PHAs have set these up, and that is an element of the Public Housing Program. And we'll get into more of these assets shortly. Okay. So when is Public Housing Program Closeout required? This is required in a number of instances. One is when there's section 18 disposition, so if you did the 50 and under option for section 18 disposition, one element of that 50 and under approval is that you're committing to close out your Public Housing Program, and so that's when this process is required.

Another option is if you're doing section 22, Streamlined Voluntary Conversion, and under those, if you take that Streamlined Voluntary Conversion option, this is also required. If you do a RAD streamlined processing for 50 and under, then this process is required. And if you do RAD where the public housing units converted to the PHA, there's no Faircloth authority left. So if you're converting units under different platforms, sometimes you maintain Faircloth authority.

When you convert under RAD, you lose that Faircloth authority. So in some cases, if you're doing all RAD conversions, you would move your Faircloth authority limit all the way down to zero. And in those cases, there would be zero Faircloth authority left, and again, those would be required.

For all other cases, closeout is optional. When a PHA removes all of the -- these units, and there's still some Faircloth authority left, you still could maintain the Public Housing Program. You can opt to develop new units. You do have to be mindful of the period of performance for the grants, and we'll get into what that means shortly.

But just as a general context, as long as you have Faircloth authority as a housing authority, you can still -- and you didn't take one of these other options, you can generally still maintain your program. You don't have to close it up. All right. So there are things to consider before going into the Public Housing Program Closeout process, and they really fall into two broad categories.

The first is personal property and equipment. So these are the things that you used as a housing authority to run your Public Housing Program. So it could be any kind of equipment like lawnmowers, things that were purchased to maintain those different properties. Any kind of real estate that that's associated or purchased with public housing funds. These are all, we would consider like elements of the Public Housing Program.

And for the most part, you should be thinking about this stuff as you're doing your repositioning itself. So if you're converting a property, say through RAD or through section 18, we allow you to take whatever assets and equipment that are part of maintaining that property or associated with that property.

You can convert that at the same time as you do your repositioning, but we expect that you would negotiate that and document it as part of the conversion process. So let's say there's like a tool shed or maintenance equipment at a site, those we would expect would stay with that site during the conversion process, but you should negotiate it as you go.

So that as you're repositioning your inventory, you're also repositioning the personal property and equipment that's associated with that inventory you're also converting over. The next big thing to think about is your public housing funds, and public housing funds are a little bit different. RAD is the only tool that allows housing authorities to move public housing funds directly into the section eight program.

So no other -- it's just not allowed statutorily under section 18 or section 22, or any other conversion. Like you -- when Congress appropriates funds for public housing, they must be used for public housing. When they appropriate funds for section eight, they can be used for that, but there's no mixing, and RAD is the only tool that allows that.

And for RAD mixing, it still has to occur as part of the RAD conversion. So if you have public housing funds, you can do a RAD conversion and identify those funds prior to the conversion, and then at the conversion, they would switch over and they can be used for section eight purposes.

So if you want to establish a reserve, that's how you do it. You can't move public housing funds to a RAD property after conversion. That has to be done at the conversion process. And obviously, there's a lot more RAD materials on this. The other thing to consider is there is a unique provision in the latest RAD notice called the PHA Partnerships provision.

We're not going to get into it a bunch here, but if you check out that section of the RAD notice, you can -- there's options there where you could still convert public housing funds in order to help with a different RAD conversion. So you could maybe transfer funds to another PHA that

way, but it's those two options really through RAD, it's the only way you can convert these public housing funds.

The other thing to think about is non-dwelling property. So as a housing authority is running different properties -- running different Public Housing Program properties, there's inevitably going to be some level of non-dwelling property that's associated with the properties through the program.

RAD allows the conversion provided that they support that property. So if it's a building with a lot next door, or maybe that the lot supports that RAD property, then RAD allows you to convert that non-dwelling property over through RAD. Otherwise, if you don't have that RAD option, section 18 is the primary way that PHAs would be able to transfer this non-dwelling property out of the Public Housing Program.

That's typically through the section 18 disposition process, you would apply to the SAC [ph] in order to go through that process, and depending on what your plans are, there may be some repayment back to HUD, or there might be a use agreement put on the site. But in either case, you would go through the section 18 disposition process which is basically a transfer. You do need to have a separate entity identified by the state in order to receive that property.

And then, through Streamlined Voluntary Conversion, you would also -- if your PHA was going through a Streamlined Voluntary Conversion process, you could also include non-dwelling property as part of the Streamlined Voluntary Conversion application. And that would allow the PHA to retain it, again, there would be some restrictions potentially or dispose, and transfer the property.

In either case, as you're getting out of the Public Housing Program, you must consider, what I mentioned earlier. Like the equipment, any funds, and any non-dwelling property that could have been purchased with public housing funds. So another thing to consider before entering this Public Housing Program Closeout process is that, because of the requirements associated with some of our programs, you may still get more funds, public housing funds after conversion.

So if you -- housing authority is doing a section 18 removal, they'll generally be eligible for asset repositioning fee which is an element of the operating subsidy funding, or Demolition/Disposition, Transition Funding, DDTF, which is an element of the capital funding. And both of those are eligible even if the PHA is removing the last of their units. So if it's a 50 and under conversion, and the PHA is going to have zero public housing units left, you may still be eligible to receive this ARF and DDTF funds.

And so housing authorities should think about that. If there's an eligible use, you may want to use that -- those funds or at least be mindful that they would be available if there was going to be some PHA transfer consolidation which we'll get into. But the main thing to think about is the funds, the public housing funds that you have, as well as the public housing funds that you may have.

And to learn more, we have a link here to the DDTF and ARF summary. Again, this is on the public housing repositioning website. The other thing to think about is the cost associated with the closeout. So we know that closeout requires a bit of legal fees. There's audits, accounting fees, and there's also going to be some requirement for record retention. Like those requirements don't go away, and that's going to cost the PHA money.

Those are all eligible sources or uses for public housing funds. And so, as the PHA is planning to do this public housing closeout process, you should also think about, how much are these going to cost and make sure that it's budgeted somewhere in the process. Like you don't want to convert all of your public housing funds, or spend all your public housing funds, try to do the closeout, and then realize you don't have any public housing funds available to pay for the final program audit or the legal reviews that are necessary.

So again, something to think about before really engaging in the Public Housing Closeout process. So there's a couple more things to think about, and this is really, gets into the financing of the how you're running your Public Housing Program. So, as I mentioned at the very beginning of this presentation, the Central Office Cost Center, the COCC is an element of the Public Housing Program.

And so if a PHA is taking advantage of that for running their different properties, you should be aware that that is going to go away. When the Public Housing Program has gone, the COCC must also go away. And oftentimes, the COCC is the source of funding for things like OPEB Other Post-Employment Benefits like pensions, other Public Housing Program legacy costs.

A lot of times that comes out of the COCC, and when that goes away, obviously the source of funds for those costs go away. And if it's directly related to the Public Housing Program, then you can't really use section eight funds for it either. So you have to work to try to identify those costs that you may have, and look for a source of revenue for those.

To help with this, we have a Pension Administrative Considerations handout it's on the repositioning website, and you'll see there, there's some things to consider as well as some tips, and obviously you can always talk to your field office for assistance or email repositioning@hud.gov.

So some of you may be asking, or a common question we get is, so let's say you're going through this closeout process and you have zero public housing units, but you still have some leftover public housing funds. So you still want to use these funds, you want to -- you know you have some expenses.

And so here's just a few things that you may want to spend those public housing funds on when you have zero units, and you've decided already I think not to develop new units because obviously that would be a source or use of those funds. So as I mentioned earlier, there's accounting and legal costs associated with Public Housing Program.

That's a great way to spend those funds. Any remaining Public Housing Program liabilities, you can use it, those funds for. If you have any property that requires -- public housing property that

requires maintenance or site remediation prior to disposition, so let's say you have some access to non-dwelling property you want to be able to get rid of, you need to do some upkeep on it. In the meantime, this is a use of those funds.

And then finally the record retention requirements. So we have -- it's generally three years, but there's other requirements that are spelled out in 2 CFR 200 that you should be aware of, and again, we know that it's going to cost money to maintain those records, and so we would expect PHAs to use their -- whatever public housing funds they have available, or budget the funds necessary to meet those requirements.

All right. And a final thing to consider is the period of performance of the grant. So every grant or at least our two main funding sources for public housing have their own separate requirements as it relates to period of performance. And this is the period in which a grantee is allowed to use those funds.

It's not -- they all have some kind of expiration date, and in the case of operating fund grants, it's based on the last date of removal of the last ACC unit. And so you can find out more by going to the Repositioning and Public Housing Funds handout here, but just be aware. As soon as you get down to zero ACC units, a clock starts ticking on how long you'll be able to use your operating fund grants or any related operating funds.

Similarly, capital funds also have their own period of performance. Capital funds in some ways, it's a little easier because it's dictated by Congress, and it's based on the day you get the grant. So it's a fixed period based on the grant award date. But as a housing authority is thinking about, what are they going to do? They've gotten down to zero ACC units, I think it's important to keep in mind at this period of performance because at some point you may have zero ACC units.

You may have Faircloth authority, but those grant funds are going to go away, so you're on the clock in order to decide what you're going to do with your program, or at least if you want to use those funds, you're on the clock. So once you get through all that, like we've talked about when you have to closeout your program things to consider, the use of funds.

Now, finally, you're at the point where, all right, you've taken care of all that, you're going to do a Public Housing Program Closeout. You have two options to do this. The first option is, you could transfer what's left of your Public Housing Program to a neighboring housing authority. So maybe you're next to a larger housing authority or there's a state agency, some agency that's nearby, you could just take your -- whatever's left of your Public Housing Program and say, hey, you can now have what's left.

And we allow this through the transfer and consolidations notice. It's PIH notice 2014-24. There's more information there, and I'll dive into it a little bit more in this presentation. Or the other option is to say, you know what, I'm not going to transfer, I just want to be done. I'm going to do an ACC termination.

And so in this case, you would really -- you would plan on whatever's left of the housing authority -- whatever's left of the Public Housing Program, not the housing authority, sorry,

whatever's left of the Public Housing Program, you would have to account for. And there's instructions in this notice 2019-13, where in most cases, you would have to send some funds back to HUD, depending on the situation.

If there's any program funds, you would definitely send those back to HUD, but it's just another approach here. So option one, you would transfer or consolidate with another housing authority, really give them your Public Housing Program, or option two, you would just pull the plug and really send what's left back to HUD.

And we have a notice or a form that helps with this. So we have this HUD form, 5837. I've got a snapshot of it here, and there's really not much more to it than what you see on the screen. It's really like one page form. We expect this as part of any PIC removal application that includes the last of your public housing units.

So anytime you submit a PIC application and it would in effect zero out your ACC units, we would expect to see this HUD form 5837 attached. And this form really, like I said, it's a short form. What you're really doing in this form is telling HUD what your intention is with your Public Housing Program.

You're either going to develop new units provided you didn't do one of these options that I mentioned earlier, which would prohibit you from developing new units, or you are going to closeout your program.

There's a couple of other details there, but just be mindful. This is a form that is required when you remove the last of your ACC units. You can always change your mind, so it's not like it's -- you're not necessarily going to be stuck with this option, but we do require that you at least tell us what your plans are initially at the point of that unit removal.

Okay. So I'm going to dive a little bit more into how these options work out. So the first option is transfer your Public Housing Program. So again, this is in PIH notice 2014-24 is what we're following. The key requirements there are that your board for both the PHA board that is leaving the Public Housing Program and the PHA board that's receiving, has to accept it. That's pretty a no brainer.

Both the governing bodies have to say, I'm good with giving up my Public Housing Program, and the other one says, I'm accepting it. There has to be a legal opinion from the receiving PHA that says they can claim jurisdiction. So this is based on the local requirements, different jurisdictions have different requirements, but what we want to be able to say here is, if you're a PHA that's in that metro area or nearby, that you can manage -- you can claim jurisdiction in that new area like the receiving PHAs, or the donating PHAs area.

We still require a final program closeout audit, and we require a resolution of claims. Now, there's some other requirements in there. If you go through that notice, you'll see it's a pretty lengthy list. But most of the time when this transfer is happening, we would expect that there's no property remaining.

We would expect that you would as a PHA that's leaving the Public Housing Program, you would have already done all the removal of property and taken an accounting of what's left of your program. And at the end here, what you're left with is more of a shell of a Public Housing Program with some Faircloth authority, maybe some HUD funds, and some -- perhaps some other program assets.

But this option, I think, a big benefit of it, is that it allows those assets whatever's left of that program to stay at the local level. HUD won't come asking for those funds back if they're transferred to another program, and they can be used to maintain additional public housing. The other benefit is that it preserves that Faircloth authority. So if a housing authority, as I mentioned early on, RAD is the only real repositioning tool that pulls down a PHAs Faircloth authority.

Every unit removed through RAD reduces the Faircloth authority, but under just the way our requirements work out, under a section 18 removal, you would maintain that Faircloth authority. And so you may do a removal through section 18 end up pulling out all of your units, but you would still have Faircloth authority remaining, and you may be restricted by how that approval was done.

So like I said earlier, if you do a 50 and under removal or justified by 50 and under, you may -- you have to commit to HUD to basically say, I'm not going to develop any new Faircloth units, but you could transfer your program to a neighboring jurisdiction and they could develop the Faircloth authority.

So we don't hold that commitment in perpetuity associated with those Faircloth units. And this is again another way where housing authorities can preserve this ability to develop new units, to receive funding from HUD as well as to preserve these funds. And in many cases, I think you'll see it, it's maybe a good solution for PHAs that are already getting out of the Public Housing Program.

Maybe they've made a commitment that they have to get out of the Public Housing Program and this transfer or consolidation is an easy way to get to that final box where you're transferring whatever's left to someone else, a neighboring housing authority, and you would meet your requirements for closing out your program.

The other way you can do it, as I said, this is option two. You can follow PIH notice 2019-13, and you could just terminate your ACC. The requirements are sort of the same. You still need a board resolution; you need a legal opinion. You need an SF425, so this is again a really short government form, basically telling HUD you have zero Public Housing Program funds remaining.

So in order to get to that, what we would expect is that, if you did have funds remaining, you would send it back to HUD. So I guess that's not entirely spelled out here, but unlike the other option where you're doing a transfer and say you have 50,000 public housing funds remaining in some account, the transfer would allow you to transfer those funds to the neighboring PHA.

The closeout or termination of ACC allows you to transfer those funds right back to HUD, and that's a requirement in order to complete the termination process. Again, you need a public housing final public program, closeout audit similar to the transfer. Again, we're expecting it to show zero in public housing assets because everything would be gone.

You need to remove all of the public housing real property, so anything that's left, and you also have to follow the disposition and removal requirements of 2 CFR 200. Again, a lot of this is all spelled out in PIH notice 2019-13. I think in broad strokes, what the two options are -- they're very similar in terms of the work you have to do from a housing authority perspective. It's whether you want to be able to transfer those assets to a neighboring jurisdiction or send them back to HUD.

And just to reinforce this a little bit more, we have an example here of when a transfer would be good. So let's say you have PHA A and PHA B, in many cases, PHA, let's say they're serving as a (PBV) HCV administrator for PHA B, so oftentimes if there's a smaller PHA, they may not have their own HCV program.

And so a larger PHA in the area or a state PHA may come in and administer those project based vouchers, and that's great. That's very helpful that they're doing that. It's serving those units, and in return, rather than PHA B just terminating their ACC, and sending whatever's left to their authority, their program back to HUD, they may say, hey, let's -- I'll do a transfer. I'll give you whatever's left of my Public Housing Program.

So this would include, again, the Public Housing Program assets, the Faircloth Limit. It does include any liabilities, so we would assume that the housing authority would cover any of their Public Housing Program liabilities first, before they do this transfer. But when you do the transfer, you get the whole program, the good and the bad, but overall, I think most housing authorities would see this as advantageous.

Rather than sending money back to HUD, you would do this type of a transfer, and it would allow PHA A to maybe serve more people. To at least improve the financial sustainability of their Public Housing Program, potentially develop new public housing units and extend their mission.

And I think everyone prefers that to sending money back to HUD sometimes. So I think it's a good option when -- if this works out, or if you have a PHA in this type of situation to really consider doing a transfer rather than a straight ACC termination.

So I've gone through a lot here, and if you want more we have more. So first, we have a Public Housing Program Closeout website; there's a link here. You can also get to it from the repositioning website. We have the general public housing repositioning website, and there's a lot of -- throughout this presentation, I've been referencing different handouts, they're all available there.

There's even more available, and I think by reading through those, hopefully, you'll get a good understanding of what you can do with your public housing funds, how DDTF and ARF factor in. And again, some administrative considerations when removing your Public Housing Program.

And finally, you can always talk to your local field office. They'll be able to help you, or put you in contact with others who can, and you can email repositioning@hud.gov. In some cases, especially if it's a question of whether you can -- what the funds could be used for, or if you have specific requirements, questions around the funds, we're happy to help, and hopefully point you in the right direction. So that's my presentation. I'm assuming there are a number of questions or comments out there, and so Caila, if you want to dive in?

Caila Prendergast: Yeah, let's do it. Just -- Chad, can you hear me okay, just to make sure?

Chad Ruppel: Yeah, I can hear you.

Caila Prendergast: Okay. Cool. Just before I -- don't want to get all started again and then have no one hear me. Okay. So first question that came in is, if the PHA is closing out completely without a "receiving PHA" what is required for the legal opinion?

Chad Ruppel: So there's more information in that notice, but what the legal opinion is really saying too, so first I would say, please review 2019-13 for the official HUD answer. But the legal opinion is really saying that you have met all the requirements of that notice, and so that's what the board approval is saying as well.

So the notice in a nutshell, that's saying, that your Public Housing Program, all the liabilities have been taken care of, that there's no more -- the Public Housing Program liabilities are taken care of, all the funds have been accounted for, all the assets have been accounted for, and you're ready to terminate your Public Housing Program.

And so that's what the board resolution generally says, and that's the legal opinion is just again reaffirming that. And so what we're talking about in that case is that there should be no more property remaining under a public housing declaration of trust. That there is no other Public Housing Program remaining requirements on either the properties or any of the assets or funds of the housing authority that the housing authority needs to maintain. So the legal opinion is basically reinforcing the board resolution.

Caila Prendergast: Okay. Thanks. Got a few questions about the presentation if there'll be available. I sent around when I sent the log on instructions the second time around 12:30 Eastern. The five were attached there, and then I'll also, I can send them around again, when I'm letting people know that they have been posted on HUD Exchange.

But if you need them before that, just feel free to send me an email and I can make sure that those get to you. Okay. Next question. "Would you do an SF425 for each PH program, or for example CAT fund draft, etc., or just list all the programs on the form and do one form."

Chad Ruppel: So where we really care about this is for the public housing funds. Kevin Gallagher, the director of the financial management division is on as well. But so Kevin feel free to jump in, but I think where we really care about this is how the public housing subsidy funds, because we don't have as good of insight into how those funds are being spent down.

For the capital fund side, we can see in locks [ph] when a program has spent down those funds, when they've gone through their final audit, and so that's what we look at when we're terminating the ACC with regard to those funds. But again, we -- where we really need the insight is when it's the Public Housing Program funds, we don't have as good of a picture, and so that's where the SF425 comes in. I don't think you need it for as many other fund areas.

Caila Prendergast: Okay. Next question. Do you have a standard format for the board resolution and legal opinion?

Chad Ruppel: So we don't. I think you can pull language out of 2019-13. That should help you. So that's what I would recommend.

Caila Prendergast: Okay. Cool. When you say we can do maintenance or site remediation with funds/reserves prior to disposition, can we use those funds to demolish some of the buildings before we dispose of the land, such under a section 18 disposition action.

Chad Ruppel: So I think Kathy Chivas from the SAC is on as well, so Kathy, feel free to chime in. But I think the rule is that, if you have HUD approval as part of the section 18 disposition action to do a demolition, that -- and you say that you're using public housing funds to do that demolition, then yes, you can use public housing funds to do that demolition.

Kathy, you. I don't know if you're still listening. I would say also we spell this out in more detail that. So I referenced this in the handout or in the presentation, but there's a handout called public housing funds and repositioning, and it's on the repositioning website, and it spells this out in more detail.

Caila Prendergast: Okay. Thanks. Next question. "Can you transfer capital fund grant money through to a RAD -- to RAD as a contribution to reserve, or do we actually need to send them first?"

Chad Ruppel: No. That's the benefit of RAD. If you have any capital fund grant money, as long as you identify it in your RAD sources and uses, and you'll work with your transaction manager, you can put -- you can definitely put your capital fund grant money into your RAD project.

And once it's in a sources and uses, it can be used for any part of the conversion process, and so it blends it all together. So at the end of the day, it's fungible, and you would say, yeah, I want to have a higher reserve, or maybe there's reserve requirements because of the underwriting, you -- that would be okay.

Caila Prendergast: Great. And so this is the last one that I'm seeing in my queue, so just I want to let people know that there are -- we do have a lot more time for questions, so feel free to send them in. "But if there is no longer a remaining board, i.e. PHA totally out of the public housing business, what do we do for the board resolution?"

Chad Ruppel: Good question. So first, I would say just as a general statement, we're not getting rid of the boards like that. In many cases, these PHAs -- and maybe I'm sure the person who's asking this question maybe understands this already, but I just want to make -- reinforce this. We're not -- local control is a key element I think to all of our repositioning strategies still, and I don't want to have any indication that this is, we're going to get rid of the boards.

A housing authority repositions, the board should still be there. The housing authority itself will still be there. It's just their Public Housing Program which is one element of a lot of different things that they do that will go away. And so hopefully, we're not seeing situations where the Public Housing Program goes away, and the local jurisdiction just stops doing any of the mission of the housing authority.

That's not what we want. In fact, I think repositioning helps further that mission. But anyways, so hopefully the board is there, but in cases where the board has dissolved, we have an opportunity or a way to address that. Again, it's spelled out in 2019-13, but what we say is, you need the local appointing official, so that's generally like a mayor. They can also do the certification.

Caila Prendergast: Okay. And the person who asked that question sent a clarifying statement while you were answering, so I'll just read that out now. I'm referring to the old public housing dispositions where PHA may have public housing, and they dispose of it -- and they dispose of all the public housing. Not sure if that changes your answer, but I just wanted to read that.

Chad Ruppel: No. I think it's still the same case. If you're a public housing only housing authority, I think the way that we are looking at this is that you are a locally established entity that runs affordable housing in your community. And you are -- the only funding you're getting from HUD is from the Public Housing Program. And now you're repositioning, you may get funding from HUD maybe you don't, maybe you have a contract, a HUD contract with a neighboring housing authority.

In either case, you're still that same locally established government entity serving affordable housing in your community. That's the mission the housing authority itself shouldn't go away. But in either case, we do have a solution. We know that in some cases maybe, the board may disband, and we want to still have an option to terminate that ACC, and we just would look to the appointing official.

Caila Prendergast: Okay. Thanks. So next one. "What does the housing authority do when it has extensive OPEB liabilities to transfer before closing out its public housing program?"

Chad Ruppel: So that's a struggle. I mean, I think just speaking frankly, I like housing authorities. I like lots of local government entities, and depending on the situation they've gotten in with tensions, they could have significant OPEB liabilities. Again, I would point people to that handout that provides a couple options.

And I would say, HUD doesn't necessarily have a straight answer. We would say, look to options to continue funding that, and I think our -- the local field office can help you maybe not come up

with ideas, but tell you ideas that are not legal. So we can definitely help, and I would encourage if you're a PHA in this situation to check out that handout. We tried some options there.

I think, this is an area where hopefully we'll continue to produce more guidance as we can, and in the meantime, if you have specific questions, you can always email repositioning@hud.gov, and we can loop you in with our accounting experts, or program experts and try to give you the best guidance we can.

I mean, I think as I mentioned earlier, this is in a situation, in many cases, that's unique to housing authorities. It's an issue for government entities all over the place, but we can definitely help you figure out some options, or figure out what you can and can't do, and I think that handout is a good starting spot.

Caila Prendergast: All right. Awesome. Thanks. So next question. Okay. So this came in in three parts, [inaudible] just bear with me. "Can a PHA use capital funds after ACC removal for relocation costs as a result of rehab if these funds were budgeted during closeout, and to clarify the relocation would be temporary. The residents would be able to return to their original unit if they choose."

Chad Ruppel: So I know it seems Kathy maybe had to jump off, but if Kathy Chivas is on? I don't know if she is. I think --

Kathy Chivas: Yeah. I'm actually still here. So yeah, I think I understand that. So is the question, can you use -- I guess the relocation costs. So you can use -- is the question again -- could you repeat the question one more time?

Caila Prendergast: Sure. Go ahead, Chad.

Chad Ruppel: No. No. You -- I think it's better you say it than my paraphrasing.

Caila Prendergast: Okay. Can a PHA use capital funds after ACC removal for relocation costs as a result of rehab if these funds were budgeted during closeup. And to clarify the relocation would be temporary, the residents would be able to return to their original unit if they so choose.

Kathy Chivas: So I think I understand and I think the answer's no. So you can definitely use capital funds to pay for relocation as a result of a section 18 or section 22 conversion, and relocating the families from the public housing units. But once they are relocated, and move to the HCV program, capital funds can't be used at that point to do any temporary relocation that would involve maybe moving the families from the HCV onsite lease [ph] off site temporarily, and then back say to a PBV unit that's redeveloped on the site.

Once the families move to public housing, or from public housing and on the [inaudible], and that unit is in RMI and PIC from the Public Housing Program, then it's not an eligible use of capital funds. That's the latest guidance from OGC on that issue if I understand it correctly. If I didn't understand the question, please chat back, or clarify, or Chad if you have anything else to add.

Chad Ruppel: I guess I would just say, as those of you who have been doing this repositioning for a while probably know, we run into new situations, and we -- our guidance has been evolving and hopefully finding spots that are more practical for you all as administrators of the program, and makes sense to meet our federal requirements.

And so, if you have an example, and you want us to run it down like this site, it seems like there may be some option there where we don't have clear guidance, please feel free to either raise this or your field office, or email repositioning at hud.gov. And if we have a real life example, you say, this is what I want to do, and the funds that I want to do, we can make sure to help address the specifics a little bit better and work with our general counsel to make sure that we're following all the federal rules at the same time.

Kathy Chivas: Right. Chad, that's a great point. A lot of this is case by case and situation by situation. So I think generally what I said is correct that, once the family is removed from public housing, the Public Housing Program, capital funds can't be used, but of course we should look at everything on a case by case individual basis.

Caila Prendergast: Okay. Thanks both of you. The next question. And that person who asked that question said, thank you, so thank you guys; you guys answered the question. Next one. "So getting back to governing boards, once conversion to affordable housing, are we required to have five board members appointed by the mayor and two resident members elected by residents? We often have a problem finding residents willing to serve on the board, but do have an advisory board of residents."

Chad Ruppel: So I would say, just this, we don't have any control over whether the Housing Authority Board is terminated, that's local government. That's how those boards are set up and maintained. That's all local government. A lot of times that's written in state statute, and so I think you would have to look there.

Caila Prendergast: Okay. Thanks. So those are all the questions that I'm seeing in my queue at the moment. Give it a few more seconds and see if anyone else has a last minute question they want to drop in.

Okay. So another one came in. "If it's Section 22, since the temporary relocation, and then moving tenants back are a consequence, Section 22 conversion and it's required by it." I think we might -- does that make sense to you Chad, or do we maybe need a little bit more detail?

Kathy Chivas: Could you repeat that?

Caila Prendergast: Yeah. It's a little confusing. So if it's Section 22, since the temporary relocation and then moving tenants back are a consequence of Section 22 and it's required by the use of capital funds for relocation -- I'm not really understanding that one. Maybe if you could write it [inaudible].

Kathy Chivas: [Talking over each other] this question about the use of funds to move the families back to the site in conjunction with the Section 22 conversion that involves redevelopment perhaps, but yeah, we might need more clarification to get that.

Caila Prendergast: Okay. We got a yes. And I don't know what you were saying, Kathy?

Kathy Chivas: Okay. So I think, again, these are complicated issues when a Streamlined Voluntary Conversion or a Section 18 disposition involve redevelopment, and when a housing authority wants to give families the right to return to the site post redevelopment, and it's looking for sources of funds to facilitate that.

Again, it gets tricky once the families are removed from the public housing program to be able to use capital funds to move them back to the redeveloped units. So I think generally, it's not allowed after the families are relocated with HCV including relocating them HCV onsite at the time of the conversion of a disposition.

But I think Chad made a great point that, we're willing to look at these and consider these on an individual basis based on the facts presented. And in Section 18, Section 22 both require housing authorities to pay for the actual unreasonable relocation costs. Again, generally that's moving, and capital funds are eligible for that.

But again, that's generally considered just moving the public housing families to comparable housing at the initial stage, and not necessarily any post public [inaudible] relocations. But again, I think we can look at these on a case by case basis.

Caila Prendergast: Okay. Great. So that's still the only question that I have in my queue. Chad or Dan, I don't know if you see anything in yours that I'm not seeing, but I think that's all we have right now.

Chad Ruppel: Right. Well, I appreciate everyone listening in. I think, we -- I know there's a lot of things PHAs are considering as part of the repositioning process, and there's all these webinars we've created, and things to -- a lot of tough decisions PHAs have to make, and think about, and plan for, and I appreciate folks listening in on this.

I think that it sometimes maybe doesn't get as much of attention because it comes at the end. But I think the more PHAs think about their closeout strategy early on in the process, would help them just make sure that they're using their funds efficiently. And again, our goal, I think is the same as yours to hopefully help PHAs utilize these funds as best as possible. Not send things back to HUD.

And so, I appreciate folks listening to this, and again, I would say, we have a lot of resources if you need some follow-up questions, or need help, your local field office is there. We have this repositioning email box, and there's a lot of stuff on the repositioning website, so thanks everyone.

Caila Prendergast: So Chad, we actually did have one more comment, and I just want to make sure we get everybody. Sorry, that was just your closing remarks. But can you just talk a little bit about what happened to the public housing employees after a RAD conversion, and if there's anything that's different?

Chad Ruppel: So we don't specify that. We don't -- y'all see the RAD notice? We don't really -- we don't dictate to the housing authority what happens I think in most of the cases that we would expect those employees. The housing authority is maintaining these buildings. You still need the same people for the asset management for the -- for the maintenance of the buildings.

And so they would presumably transfer over to this new entity that's now going to manage the building. Otherwise housing authorities sometimes set up a contractual relationship where they would still serve as the employer and they would contract with the entity. But it really varies on a case by case basis, and we don't really dictate one way or the other.

Caila Prendergast: Okay. Great. Thanks. That really is the last one. So thanks everybody for joining, and Dan, I don't know if you have any closing words?

Dan: No, that's it. Thanks so much. Just one more resource for some of these tough questions for PHAs to think through if you're not one to send an email to the email box. We also have what's known as repositioning panel calls, and those are a good opportunity to have an audience of HUD experts on the phone.

So if you're not familiar with those, just send a note to your field office and say that, I have a particular question, or repositioning strategy I'd like to talk through, and they can set you up with that repositioning panel call. But other than that, thanks -- thank you, Chad, and thank you, Caila and Kathy for your presentations today.

Caila Prendergast: Thanks everybody. Enjoy the rest of your Wednesday.

Chad Ruppel: [Inaudible] thanks.

(END)