



Public Housing Repositioning
Wednesday Webinar Series:
Proceeds

October 14th, 2020



Presenters

Jane Hornstein

PIH Office of Public Housing Investments, Special Application Center

Kathy Szybist

PIH Office of Public Housing Investments, Special Application Center

Dan Esterling

PIH Office of Field Operations



Why are we here?

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

Today's call will focus on:

PIH Notice 2020-23

- ✓ What are proceeds?
- ✓ How can PHAs use Proceeds?
- ✓ Eligible uses
- ✓ Local consultations and approvals
- ✓ Monitoring and Enforcement



Webinar Topics	Date
Developing a Repositioning Strategy	May 13, 2020
Options for Scattered-Site Units	June 3, 2020
Options for 50-and-Under PHAs	June 24, 2020
RAD and Section 18 Blends	July 22, 2020
Resident Considerations	August 12, 2020
Streamlined Voluntary Conversion	September 2, 2020
Disposition Proceeds	October 14, 2020
Common PHA Board Questions	October 28, 2020
Public Housing Program Closeout	November 18, 2020
Project-Based Voucher Overview	December 2, 2020



All webinars will be recorded and posted at www.hudexchange.info



Additional Repositioning Materials

Introduction to Public Housing Repositioning (4-part webinar series)

- Previous version of this webinar training were recorded and posted at www.hudexchange.info

Repositioning Public Housing Website

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

- Training Videos
- Links to key Notices and Regulations
- Case studies and additional guidance
- Links to other HUD websites (Rental Assistance Demonstration and Special Application Center)



PIH Notice 2020-23



Clarifies Eligible Uses of Proceeds under Section 18 or Section 22



Clarifies when HUD approval is needed for using proceeds



Clarifies how proceeds must be treated (GDA) until expended



Clarifies Reporting Requirements



Does not include guidance on homeownership proceeds (Section 32, 5(h), or TKIII) or compensation from eminent domain



Applies only to proceeds from SAC applications approved after notice publication



What are Proceeds?

- The result of a disposition transaction (sale, ground lease) under Section 18 or Section 22
- Can be realized even if the disposition is “below FMV” based on commensurate public benefit and a use agreement is recorded
- Generally cash payments (at acquisition or over time as a note or annual lease payments)
- Only a direct result of the disposition transaction— **not** excess cash flow from (PBV) rent, developer fees, or profit sharing in future development



How can PHAs use Proceeds?

- Local Flexibility. No HUD-mandated order of priority
- Gross Proceeds. Reasonable Costs of Disposition and Relocation Costs
- Net Proceeds.
 - provision of “low-income housing” (not “affordable housing”)
 - to benefit the residents of the public housing agency
 - leveraging amounts for securing commercial enterprises



Gross Proceeds: Eligible Uses

- Relocation Costs
 - Moving, Counseling, Hiring Relocation Specialist, Security/Utility Deposits
- Reasonable Costs of Dispositions
 - Costs of SAC application (environmental review, rehab estimates, appraisals, reasonable consultant fees, market analyses)
 - Transactional costs of disposition (brokerage and attorney fees, title fees, closing costs)
- HUD Approval Required for Section 18 (24 CFR 970.19) (describe in SAC application)
- Section 22. Not addressed explicitly in 24 CFR 972



Net Proceeds: Eligible Uses

Modernization and
Development of
Public Housing

PBV Projects (Costs
to PBV Project
Owner)

Operation of Public
Housing

Rental Assistance
Demonstration (RAD)
Conversion

Commercial Uses

Increasing the
Supply, Availability
and Utilization of
Low-income Housing

Other Uses Approved
by HUD



Net Proceeds: Operation, Modernization and Development of PH

- Check a box on SAC Application (52860-A) (no or minimal details!)
- Cannot fund PHA salaries that exceed salary restrictions in HUD Appropriations Acts
- Include in 5-year CFP Plan for capital fund purposes
- Follow 24 CFR 905 or 24 CFR 990 rules on expenditure



Net Proceeds: Rental Assistance Administration (RAD)

- Source of capital to support RAD conversions, including development/rehab costs; transactional costs
- PHA identifies proceeds in the RAD financing plan or other RAD documents as a source of funds in the RAD Conversion Commitment (RCC)



Net Proceeds: Costs to PBV Project Owner

- Plan to develop the housing and attach a PBV HAP
 - Description of the PBV Project, including # of total units (and PBV units)
 - Financing-sources and uses, why contribution of proceeds is reasonable
 - Anticipated date of HAP execution; planning and execution steps taken (ER, notification email to FO, selection letter, PBV in Annual Plan, SLR)
 - Brief description of the ownership structure (name of owner; role of PHA)
 - Name of PHA HCV administrator and if it PHA has established PBV program
- Amount of proceeds and when and how the proceeds will be contributed
 - Cash or loan at closing
 - Property (land) acquisition before financial closing on PBV units
 - Predevelopment expenses
- Use Restriction may be required



Net Proceeds: Increasing the Supply, Availability, Utilization of Low-Income Housing

- Section 8 HCV administrative expenses and activities that increase the number of assisted families
- Examples :
 - Landlord recruitment efforts and other HCV program marketing.
 - Costs to improve PHA's HCV leasing and utilization
 - Housing search assistance, mobility counseling (both pre and post move)
 - Direct financial assistance - costs of application fees; security/utility deposits
 - Administrative costs associated with the PBV program (e.g., running a PBV competition, making selections, carrying out PHA pre-HAP responsibilities)



Let's Review!

Use	Eligible?
Development of PBV or Public Housing Units	Yes
Development of LIHTC or other Units that are NOT PBV or Public Housing Units	No
Modernization of Public Housing Units	Yes
Social Services for Public Housing Residents	Yes
Social Services for Section 8 Residents	It depends (yes, if services will increase voucher utilization)
Funding Security Deposits for Section 8 Residents	Yes (if services will increase voucher utilization)
Costs of RAD Project (transactional and rehab)	Yes
Admin Costs (Salary) of Public Housing	Yes (cannot exceed salary caps)
Admin Costs (Salary) of Section 8 HCV	It depend (yes, if services will increase voucher utilization, supply, or availability such as by hiring a mobility counselor)



Local Consultations and approvals

As part of consultations on the SAC Application, PHA should disclose any anticipated proceeds and its proposed use of those proceeds

- Board of Commissioners
- Residents
- Public (as part of PHA Plan that includes SAC Application)
- Local government officials



Closeout (Section 9/ACC Termination)

PHA must be in compliance with terms, conditions, and obligations of SAC approvals, including proceeds.

If unexpended proceeds, PHA must develop a plan to use proceeds for eligible purposes (e.g., development of PBV units)

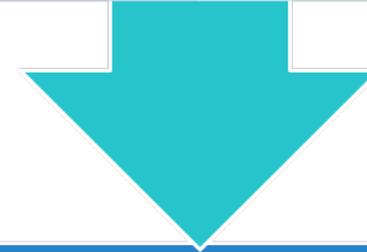
If no eligible uses, PHA may repay proceeds to HUD or transfer Section 9 program (including proceeds) to another PHA (PIH Notice 2014-24)



SAC Application.

Section 18. PHA proposes a use through HUD-52860-A

Section 22. PHA's SVC Plan confirms proceeds will be used in accordance with Section 18(a)(5)



HUD approves proceeds in Section 18 or SVC approval documents



HUD-52860-A

Section 3. Proceeds	
1. Will the PHA realize proceeds from this disposition?	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. If PHA answered yes to question #1, indicate the estimated amount of gross and net proceeds	Gross \$ <input type="text"/> Net \$ <input type="text"/>
3. Is the PHA requesting to use gross proceeds for relocation costs?	<input type="checkbox"/> Yes \$ <input type="text"/> (estimated amount) <input type="checkbox"/> No
4. Is the PHA requesting to use gross proceeds for reasonable costs of disposition?	<input type="checkbox"/> Yes \$ <input type="text"/> (estimated amount) <input type="checkbox"/> No
<i>If yes, attach a brief narrative, budget, or other supporting documentation describing the reasonable costs</i>	
5. If the PHA will realize net proceeds from this disposition, how does the PHA propose to use the proceeds?	<input type="checkbox"/> Public Housing Capital Fund (CFP) Uses <input type="checkbox"/> Loan for development of Public Housing Units <input type="checkbox"/> Section 8 PBV Unit Development <input type="checkbox"/> Loan for development of PBV units <input type="checkbox"/> Supportive Services for Residents <input type="checkbox"/> Costs of Converting Public Housing Units to Project-Based Section 8 under the Rental Assistance Demonstration (RAD) Program <input type="checkbox"/> Section 8 HCV Shortfalls <input type="checkbox"/> Operation of Section 8 program <input type="checkbox"/> Operation of Public Housing program <input type="checkbox"/> Modernization of Section 8 Units <input type="checkbox"/> Loan for modernization of PBV Units <input type="checkbox"/> Other Statutorily Eligible Uses: <input type="text"/> (describe) <input type="checkbox"/> To Be Determined (TBD) (PHA must request approval from HUD when it determines a proposed use)
<i>Attach a brief narrative, budget, or other supporting documentation describing the proposed use of proceeds. If loan is checked, include the loan term, interest rate, and type (i.e. permanent, bridge, construction).</i>	



Follow the Money!

- Disposition--PHA receives cash!
- PHA deposits into account subject to a HUD GDA Account (HUD-51999)
- PHA records RECEIPT of proceeds on Financial Data Schedules (FDS)
- PHA records EXPENDITURE of proceeds on FDS
- HUD may require additional reporting (i.e., based on amount of proceeds, proposed use, or status of PHA—troubled)
 - SAC (as part of approval letter)
 - Field Office as part of monitoring



Monitoring and Enforcement

- Field Office can monitor
- HUD Office of Inspector General and the Government Accountability Office may audit
- Auditors will check! 2 CFR Part 200, Appendix XI Compliance Supplement (published by OMB) includes proceeds
- If HUD determines a PHA failed to properly deposit, use, or report proceeds, HUD may take action as deemed necessary and appropriate. Delegation with DAS OPHI



Resources

PIH Notice 2020-23

<https://www.hud.gov/sites/dfiles/PIH/documents/pih2020-23.pdf>

Part 200 Compliance Supplement (pages 446-447)

[file:///C:/Users/H16014/AppData/Local/Microsoft/Windows/INetCache/Content.Outlook/DIXY3B78/2020-Compliance-Supplement_FINAL_08.06.20%20\(1\).pdf](file:///C:/Users/H16014/AppData/Local/Microsoft/Windows/INetCache/Content.Outlook/DIXY3B78/2020-Compliance-Supplement_FINAL_08.06.20%20(1).pdf)

SAC Webpage www.hud.gov/sac

Repositioning Webpage

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



Still want more?

- **Check out the Public Housing Repositioning Website**

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

We just posted a two new videos that walk through repositioning strategy examples.

- **Contact your Local Public Housing Field Office** – PIH Field Offices can get you in touch with a subject matter expert and request a Repositioning Assistance Panel with program experts from HUD Headquarters.
- **Email Repositioning@hud.gov**



Questions?

