



# SERC

June 14-15, 2021

# Public Housing Repositioning Strategies

---



Joyce Floyd  
[jfloyd@recapadvisors.com](mailto:jfloyd@recapadvisors.com)

# Welcome!

---

## Introduction to Recap

- Consulting
- Technical Assistance

## Housekeeping Items

- Lots of content – will adjust to your information level
- Power Point can be circulated to you as a PDF after the training
- **KNOW THE AUDIENCE!**
  - Very small (50 or less) – 2 PHAs
  - Small (51 – 250) – 4 PHAs
  - Medium to Large (251 and higher) – 5 PHAs
  - Housing Choice Voucher Program
  - Own/manage LIHTC properties
  - Some have State Housing Programs
  - Already started repositioning
  - Just beginning the education process---thinking about your options

# Why are we here?

---

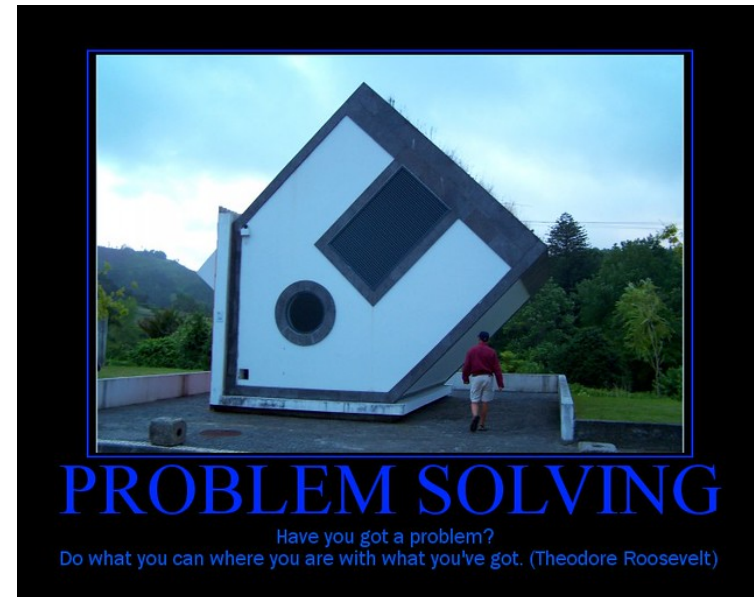
The nation's Public Housing stock is struggling and has significant capital repair needs.

The Public Housing program has remained underfunded for more than 30 years, leading to \$26 billion capital backlog.

HUD has developed LOTS repositioning tools to address this problem.

It is confusing!!

Hoping to provide some clarity.



# Know Your Audience

---

## WHAT ARE YOU EAGER TO LEARN ABOUT?

- Step by step process - overview
- Financial benefits for the property
- Differences between the repositioning options
- Understanding Section 18
- Review the new options under Section 18 notice
- No experience – so everything

## WHAT TURNS YOU OFF ABOUT REPOSITIONING?

- Unclear about the benefits
- Confused about the steps
- Loss of control of the waiting list and ability to serve 30% median income residents and current residents
- RAD rents
- Loss of reserves under SVC
- Use of reserves and cap funds prior to conversion
- Nothing – don't know enough yet
- Future funding projections

# Public Housing and Section 8



# What is Public Housing?

Established with the Housing Act of 1937

- 1.0 million public housing units
- Administered by 3,000 local PHAs

PHAs entered into an ACC with HUD – but no minimum funding guarantee

Initially, the Federal Gov't paid the debt service on the bonds that financed construction and tenant rents covered operating expenses

Over time, Congress introduced operating subsidies to assist with the modernization or capital repairs of public housing

- Operating Fund Program
- Capital Fund Program
  - Awarded based on formulas, subject to annual Congressional appropriations, and can go up or down each year

# What is Public Housing?

PHAs execute a use restriction– DOT or Declaration of Trust

Ensures the project is used for low-income housing

The DOT restricts a PHA from placing any encumbrance or debt on a property without HUD approval

- DOT does not prevent a PHA from leveraging a public housing property BUT
- Public housing program was never conceived to rely on private debt and equity
- Therefore, the public housing program structures aren't conducive to private financing – will touch on this later

# What is Section 8?

Created in 1974, the Section 8 program became the first true “deep subsidy” program, wherein HUD would make up the difference between the approved contract rent to the owner and the rent that low-income households would pay.

- **Contract rent less tenant rent = subsidy**

## HCV Program

“tenant-based” -  
Subsidy attached to the family and tenant finds housing in private market

2.2 million vouchers in circulation nationally



## PBRA Program

“project-based” -  
Subsidy attached to the unit in specific buildings or projects

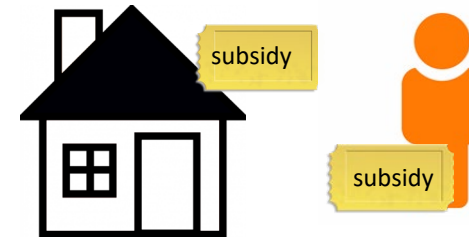
1.2 million PBRA units nationally



## PBV Program\*

“project-based” and “tenant-based” -  
Subsidy attached to the unit in specific buildings or projects -

200K PBV units nationally



After one year, tenants have the option to move with the first available voucher – called Choice Mobility.

Unit continues to be subsidized for next resident



Why reposition public  
housing?

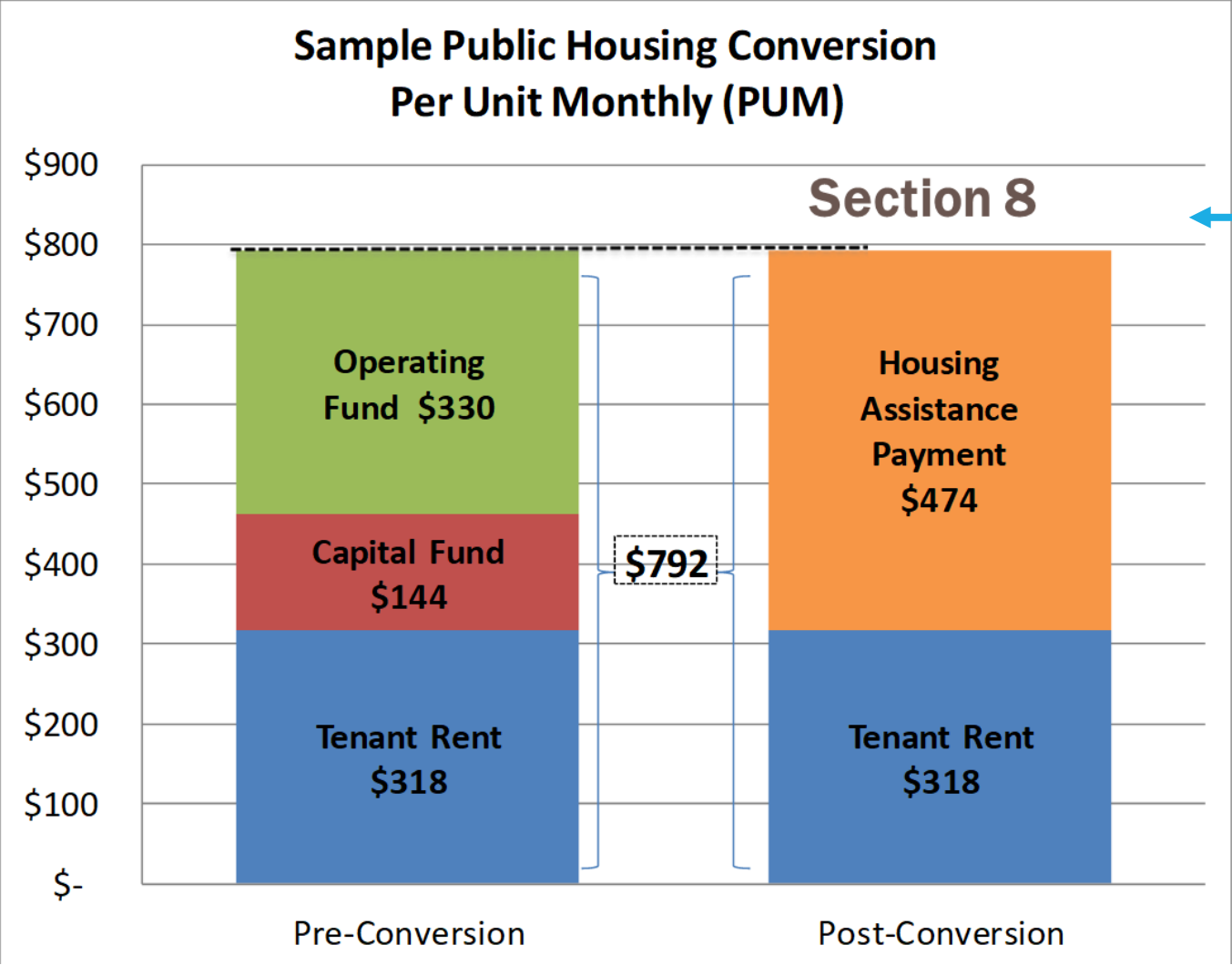
# Why reposition public housing?

---

## Benefits of moving to a Section 8 Platform

- Places property under less-restrictive requirements (Section 8 versus public housing), allowing for access to debt or Low-Income Housing Tax Credit (LIHTC) equity, if needed, to raise financing for repairs
- Allows the PHA to retain full control of the property (instead of HUD)
- Allows the PHA to preserve the property with “project-based” assistance or to issue “tenant-based” vouchers to residents
- Long-term, “extendable” contract, with funding based on contract rents – predictability stabilizes project revenue – essential to leverage debt
- Rent adjustments built in (typically up)
- Unrestricted cash flow

# Pre-Conversion and Post-Conversion Per Unit Monthly Income



This \$792 becomes a **Contract Rent** which becomes a dependable revenue source that can be used to plan for the future (i.e., leverage debt).

**This is BIG**

## Why reposition public housing?

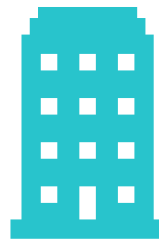
- Converting to Section 8 has allowed PHAs to:
  - ✓ Modernize aging properties
  - ✓ Stabilize property revenues
  - ✓ Conduct substantial rehabilitation
  - ✓ Demolish/redevelop distressed/obsolete properties
  - ✓ Support neighborhoods of opportunities
  - ✓ Thin densities and mix incomes
  - ✓ Streamline operations

# What do residents gain?

---



**Better physical conditions**



**Long-term affordable rental assistance**

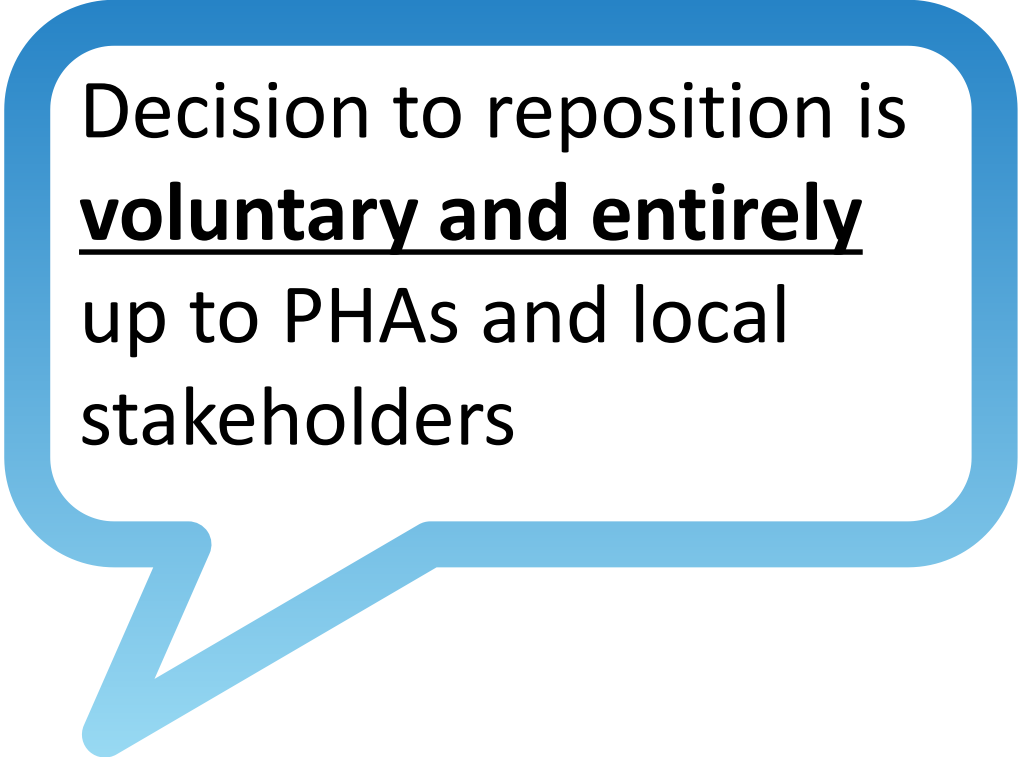


**Flexibility to move through HCV program requirements**

# This is ENTIRELY Voluntary

---

- HUD is not planning to end the Public Housing program.
- PHAs still have access to Capital Fund Financing, Operating Fund Financing, Energy Performance Contracts, etc.



Decision to reposition is **voluntary and entirely** up to PHAs and local stakeholders

Will my PHA  
continue to  
exist if I  
reposition?

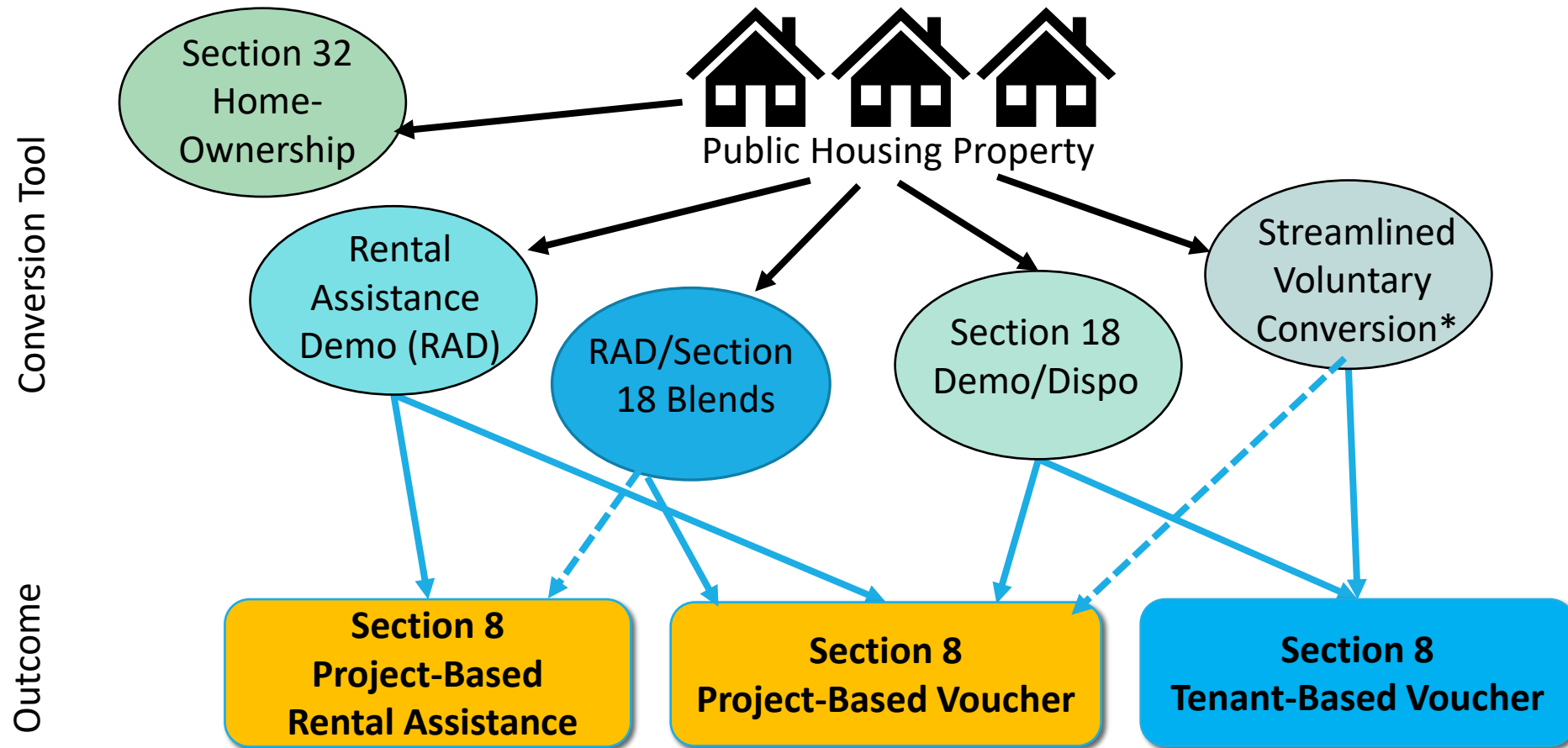
Yes! “Repositioning” gives PHAs options to elect to subsidize housing outside of the public housing model.

- Repositioning does **not** reduce local control of the existing units. (In fact, there is MORE local control and flexibility to meet the community’s needs.)

What are the  
Repositioning Options?



# Public Housing Repositioning Options



\* Under Voluntary Conversion tenant protection vouchers must first be offered to residents as tenant-based assistance but may be project-based with tenant consent.

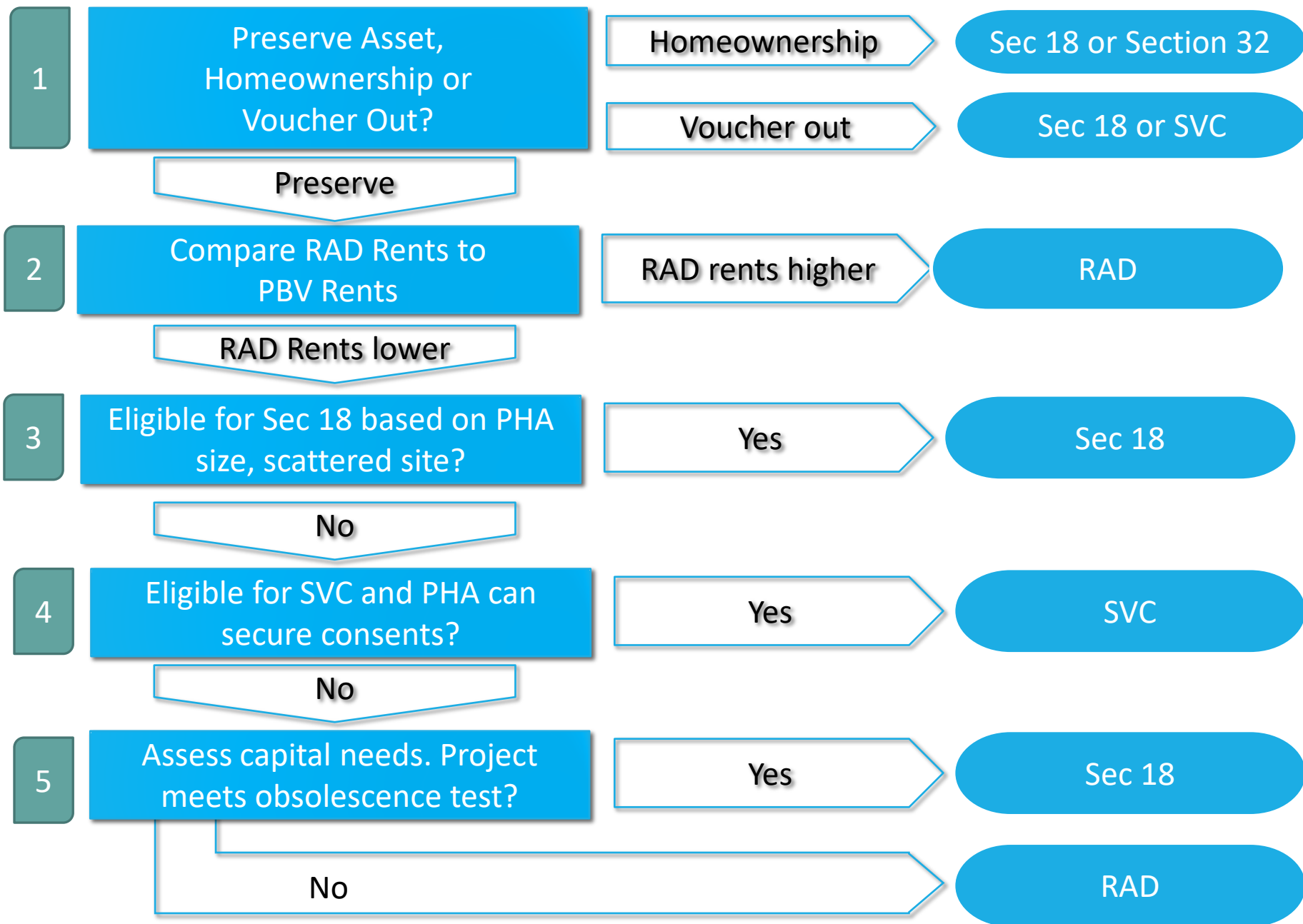
# Developing a Repositioning Strategy



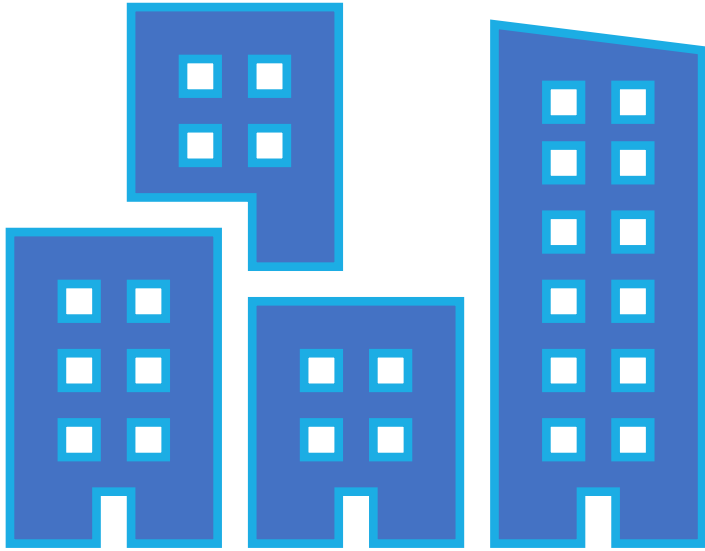
# Things to Consider When Developing a Repositioning Strategy

---

1. **What is the long-term goal of your PHA?** (i.e., preserve a physical property, develop new units, issue tenant-based assistance, etc.)
2. **What conversion programs are you eligible for?** (i.e., RAD, Section 18, Streamlined Voluntary Conversion.)\*\*
3. **What conversion programs will generate the most potential project rent?**
4. **What are the capital needs of your properties?**
5. **How will this impact the residents?**
6. **What is the PHA's internal capacity to handle conversion?**



# Preserve vs Voucher Out



- 
- Some sites are poor locations for affordable housing, are too expensive to maintain, or are in markets with excess supply of housing
    - Voucher out (Section 18 or Streamlined Voluntary Conversion)
    - If the site does not qualify for Section 18 or Streamlined Voluntary Conversion, consider RAD Transfer of Assistance
  - Original property can be sold, and proceeds can be used to support RAD rehabilitation or redevelopment
  - Homeownership also an option in lieu of preservation as affordable rental

# Compare RAD Rents to PBV Rents

- Compare the RAD Rents vs. the regular PBV rents (lesser of 110% of FMR, less utility allowance, or reasonable rent)
- If RAD rents higher (~20% of all public housing), stick with RAD (unless wish to voucher out)
- If RAD rents lower, consider Section 18 where eligible

RAD Rent	PBV Rent
\$600	$110\% \text{ of FMR} = \$800$ $\underline{- \text{UA} = \$100}$ $110\% \text{ of FMR, Less UA} = \$700$ $\text{Reasonable Rent} = \$900$ <b>PBV Rent = \$700</b>

# HUD posts the RAD Rents for EVERY Public Housing Project Online.

---

- Just go to the HUD RAD Website (<https://www.hud.gov/RAD/library/notices>)
- Click on “[2020 RAD Rents](#)” or the most current RAD Rent Table

## **RAD TOOLS**

The below guides and resources may be useful for PHAs that may be considering applying or are planning for a RAD 1 Conversion.

### **RAD Rents for Public Housing Conversions**

- ▶ [2020 RAD Rents](#): The table includes HUD's calculations of RAD Contract Rents for each public housing property based on 2020 Appropriation levels. These rents will form the basis of the conversion rents for properties awarded CHAPS or with amended CHAPs on or after January 1, 2021. *(Published 12/15/2020, Revised 1/6/2021)*

# HUD posts the RAD Rents for EVERY Public Housing Project Online.

The table below includes HUD's calculations of RAD Contract Rents for each public housing property based on 2020 Operating Fund, Tenant Rent, and Capital Fund levels. The contract rents have been adjusted by the 2021 OCAF. These rents will form the basis of the conversion rents for properties awarded CHAPs or with amended CHAPs starting on January 1, 2021.

\*RAD contract rents listed are net of any tenant-paid utilities. Converting properties utilize the utility allowance in effect at the public housing property at the time of conversion. Average utility allowances presented in this table are estimates derived from tenant files and are shown here in order to estimate the "Gross Rent" that can be compared to the PBV or PBRA rent caps. The PHA is the definitive source of data for the current utility allowances at each property.

Project Identifier				Public Housing Units							Rent Calculation			2020 Contract Rents					
PIC Number	PHA Name	PHA Code	PROJECT NAME	Public Housing Units	0-BR	1-BR	2-BR	3-BR	4-BR	5+-BR	2020 PUM Capital Fund	2020 PUM Tenant Rents	2020 PUM Op Fund	2020 PUM Contract Rent (weighted)	2021 OCAF	2020 PUM Contract Rent Inflated by 2021 OCAF	Estimated Average Utility Allowance*	Estimated Gross Rent*	RAD Rents as a percent of FMR
MA002107119	Boston Housing Authority	MA002	Mildred C. Hailey Apartments	779	0	135	300	250	69	25	\$269	\$416	\$857	\$1,541	2.30%	\$1,576	\$0	\$1,541	60%
MA003000303	Cambridge Housing Authority	MA003	PURNAM GARDENS	96	37	59	0	0	0	0	\$148	\$16	\$1,456	\$1,621	2.30%	\$1,658	\$0	\$1,621	87%
MA003000307	Cambridge Housing Authority	MA003	DANIEL F BURNS APTS	40	29	11	0	0	0	0	\$221	\$82	\$1,456	\$1,759	2.30%	\$1,799	\$0	\$1,759	98%
MA003000342	Cambridge Housing Authority	MA003	ROOSEVELT TOWERS	12	0	0	12	0	0	0	\$113	\$5	\$1,456	\$1,594	2.30%	\$1,631	\$0	\$1,594	68%
MA005000001	Holyoke Housing Authority	MA005	LYMAN TERRACE	116	0	116	0	0	0	0	\$203	\$253	\$428	\$884	2.30%	\$904	\$49	\$932	105%
MA005000002	Holyoke Housing Authority	MA005	ROSARY TOWERS	321	0	216	58	38	7	2	\$215	\$300	\$490	\$1,004	2.30%	\$1,027	\$76	\$1,081	106%
MA005000003	Holyoke Housing Authority	MA005	Churchill Homes	50	0	0	8	34	8	0	\$149	\$503	\$449	\$1,101	2.30%	\$1,127	\$82	\$1,183	85%
MA005000004	Holyoke Housing Authority	MA005	Churchill Home II	50	0	13	20	17	0	0	\$132	\$370	\$446	\$948	2.30%	\$970	\$65	\$1,013	87%
MA005000006	Holyoke Housing Authority	MA005	Beaudoin Village	217	0	0	109	92	16	0	\$147	\$330	\$491	\$968	2.30%	\$990	\$85	\$1,053	82%
MA006000001	Fall River Housing Authority	MA006	SUNSET HILL	355	0	119	178	56	2	0	\$202	\$333	\$519	\$1,055	2.30%				93%
MA006000002		MA006	HERITAGE HEIGHTS	127	0	39	58	25	5	0	\$204	\$368	\$489	\$1,061	2.30%				91%
MA006000003		MA006	Father Diafrio Village	224	0	4	118				\$207	\$403	\$403	\$1,037	2.30%				80%

Search for your

Here is how your

Here is your  
Per Unit Month  
RAD Contract  
Rent

Search for your  
PHA name and  
Project Name

Here is your  
current  
funding data

Here is how your  
RAD Rent Compares  
to local Fair Market  
Rent (FMR)



# HUD posts the RAD Rents for EVERY Public Housing Project Online

Project Identifier		2020 Contract Rents								
PIC Number	PHA Name	Estimated Average Utility Allowance*	Estimated Gross Rent*	RAD Rents as a percent of FMR	0-BR RAD Rents	1-BR RAD Rents	2-BR RAD Rents	3-BR RAD Rents	4-BR RAD Rents	5-BR RAD Rents
VA002002141	Boston Housing Authority	\$0	\$905	48%	\$860	\$950	\$1,153	\$1,435	\$1,564	\$1,798
VA002002142	Boston Housing Authority	\$0	\$778	41%	\$737	\$814	\$988	\$1,229	\$1,340	\$1,540
VA002002143	Boston Housing Authority	\$101	\$1,212	47%	\$770	\$851	\$1,033	\$1,285	\$1,401	\$1,611
VA002107119	Boston Housing Authority	\$0	\$1,541	60%	\$1,071	\$1,183	\$1,437	\$1,787	\$1,948	\$2,241
VA003000303	Cambridge Housing Authority	\$0	\$1,621	87%	\$1,558	\$1,721	\$2,089	\$2,599	\$2,833	\$3,258
VA003000307	Cambridge Housing Authority	\$0	\$1,759	98%	\$1,749	\$1,932	\$2,346	\$2,918	\$3,181	\$3,658
VA003000342	Cambridge Housing Authority	\$0	\$1,594	68%	\$1,216	\$1,343	\$1,631	\$2,029	\$2,212	\$2,543
VA005000001	Holyoke Housing Authority	\$49	\$932	105%	\$756	\$904	\$1,146	\$1,425	\$1,672	\$1,923
VA005000002	Holyoke Housing Authority	\$76	\$1,081	106%	\$752	\$900	\$1,140	\$1,417	\$1,664	\$1,913
VA005000003	Holyoke Housing Authority	\$82	\$1,183	85%	\$600	\$717	\$909	\$1,131	\$1,327	\$1,526
VA005000004	Holyoke Housing Authority	\$65	\$1,013	87%	\$623	\$745	\$944	\$1,173	\$1,377	\$1,584
VA005000006	Holyoke Housing Authority	\$85	\$1,053	82%	\$575	\$687	\$871	\$1,083	\$1,271	\$1,462
VA006000001	Fall River Housing Authority	\$0	\$1,055	93%	\$809	\$911	\$1,096	\$1,363	\$1,636	\$1,881
VA006000002	Fall River Housing Authority	\$0	\$1,061	91%	\$789	\$888	\$1,068	\$1,329	\$1,595	\$1,834
VA006000003	Fall River Housing Authority	\$0	\$1,037	80%	\$691	\$778	\$935	\$1,163	\$1,396	\$1,605

# Eligible for Section 18 Based on PHA Size or Scattered- Site?



Scattered-site (non-contiguous) with operational challenges can qualify under Section 18 without demonstrating “obsolescence”



PHAs with 50 or fewer units (including last 50 units of a larger portfolio) can qualify under Section 18 without demonstrating obsolescence

Note: HUD has also created a streamlined RAD conversion for PHAs with 50 or fewer units



If property is eligible for Section 18 or SVC, Section 18 generally better tool

PHA’s choice to PBV or give tenants vouchers

# Eligible for SVC and PHA can Secure Consents?

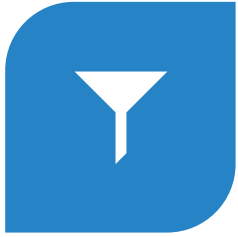
---

- PHAs with 250 or fewer units (including last 250 units of a larger portfolio) can qualify under Streamlined Voluntary Conversion, without demonstrating cost-effectiveness
- SVC a good option if:
  - PHA wants to voucher out and dispose of the property for non-rental use
  - PHA can secure consents or has excess voucher capacity to backfill
  - Property doesn't need financing or PHA wants to manage a mixed-income property

# RAD vs Section 18 Considerations

---

- When a property qualifies for Section 18 (obsolete, scattered site, PHA under 50), RAD might still make sense if:
  - RAD rents are comparable or higher to PBV rents
  - PHA wishes to convert to PBRA
  - PHA has no voucher program and cannot find partnering agency
  - PHA has large amount of public housing Capital funds & Operating Reserves
  - PHA seeks to adopt RAD resident protections



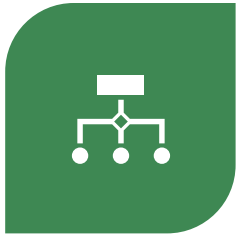
1. CONSIDER THE WHOLE PORTFOLIO;



2. THE TOOLS/PROCESS IS GOING TO BE DIFFERENT DEPENDING ON THE PHA SIZE;



3. THIS IS ITERATIVE (REVISE YOUR PLAN AS YOU GO);



4. DEVELOP A TIMELINE/SEQUENCE (I.E., ALL AT ONCE OR MULTI-PHASE);



5. IDENTIFY FINANCING SOURCES; AND



6. CONSIDER CONVERSION TYPES (I.E., NO DEBT, DEBT, TAX CREDITS).

# Key Considerations

# Still want more?

---

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

[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/repositioning](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](mailto:Repositioning@hud.gov)

# Rental Assistance Demonstration (RAD) Overview

Wildly popular with Congress because it is “funding neutral”. Revision 4 of the RAD Notice was issued 9/5/2019.

Authorized in 2011 to address the huge capital backlog of capital needs, RAD now allows 455,000 public housing units to convert to long-term, Section 8 rental assistance contracts:

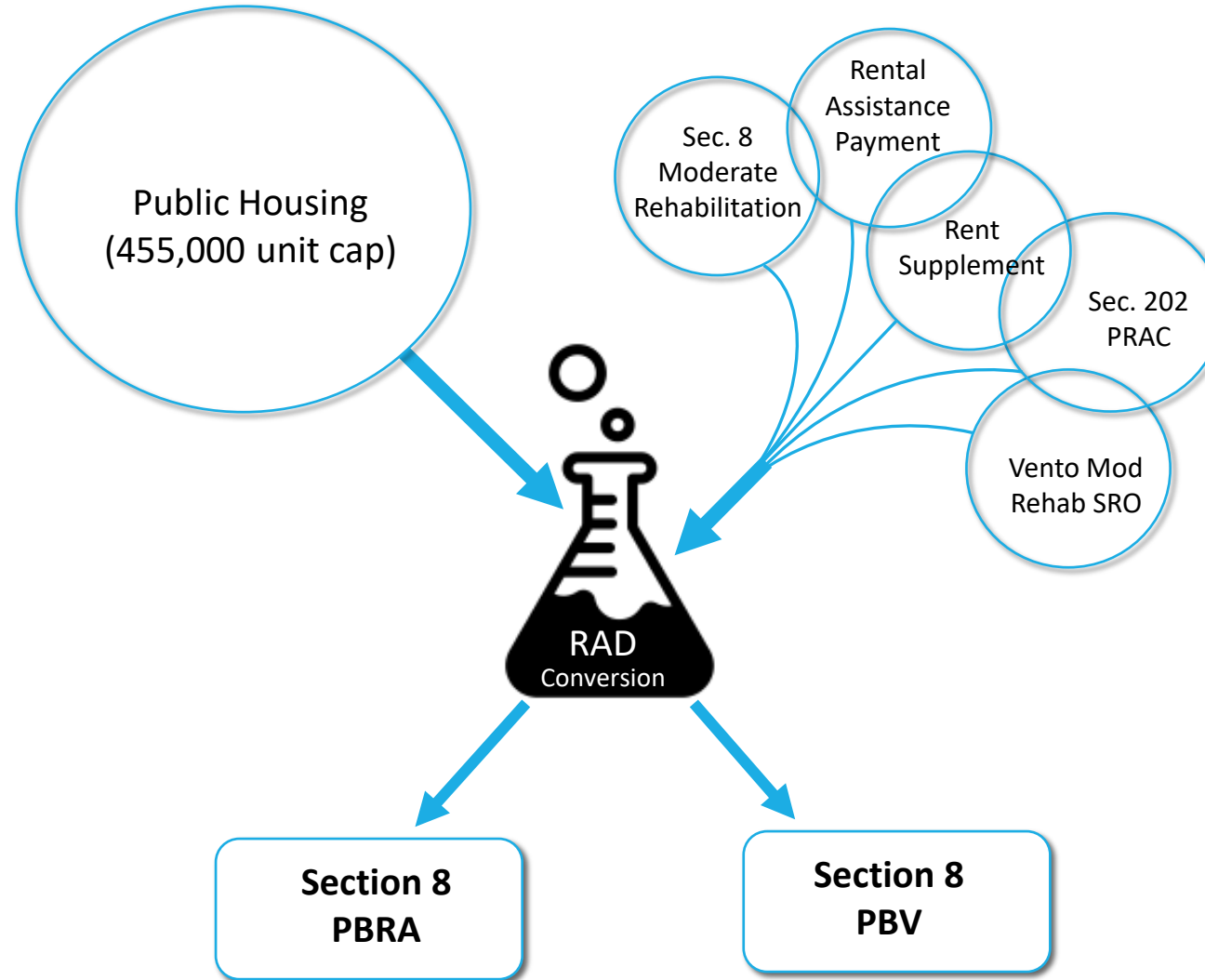
- 324,000 units closed, reserved, or in process now
- 146,000 units closed to date
- \$60,000 average per unit construction cost

# What is RAD?



# RAD Conversion Types

**RAD for Public Housing**  
also known as the  
“1<sup>st</sup> Component”



**RAD for Other Multifamily Housing**  
also known as the  
“2<sup>nd</sup> Component”

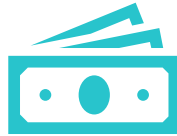
# RAD: Key Features

---



## **Permanent Affordability**

RAD Use Agreement requires renewal of HAP Contract for both HUD and PHA/Owner



## **Capital Needs\***

PHA completes capital needs assessment (with some exceptions), secures financing, and funds Replacement Reserve



## **Tenant Rights\***

Robust set of Resident Rights.  
Right of return, choice mobility, and no rescreening  
Retain organizing & procedural rights



## **Public Stewardship**

Ownership/control by public or non-profit entity (except to facilitate tax credits)  
PHA direct ownership or long-term ground lease with tax credit partnership

# RAD: Key Features

---



## **Transfer of Assistance**

A PHA can transfer the Section 8 PBV or PBRA contract to a new site as part of the conversion



## **RAP**

Rehab Assistance Payments: allows subsidy to begin flowing during construction on vacant or non-existent units



## **Rent Bundling**

A PHA can bundle rents across properties to facilitate conversion. Donor property must close first or simultaneously.

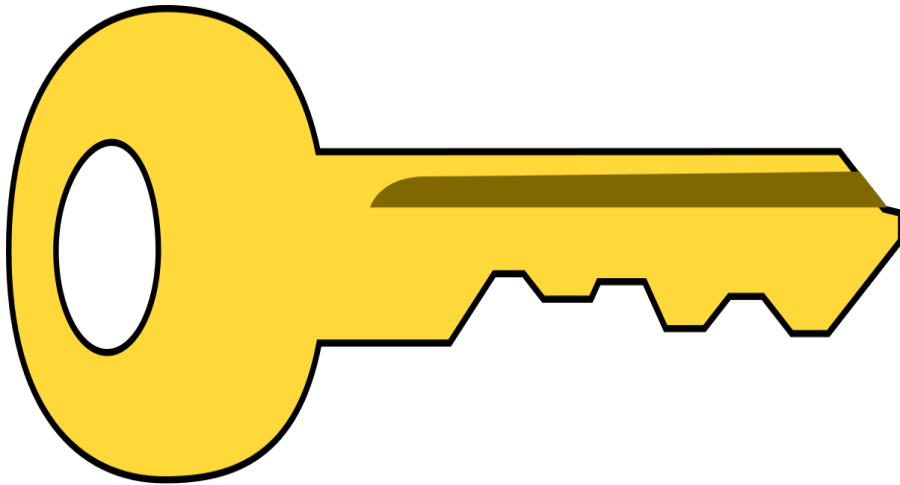


## **Preservation Program**

Required one-for-one replacement with exceptions for certain de minimis reductions

# RAD Key Features

---



- *RAD is the only repositioning option that allows public housing funds/reserves to be used to directly support conversion to Section 8 (i.e., Public Housing funds can be used towards development budget, relocation, Replacement Reserves, etc.).*
- *RAD is the only repositioning option that allows conversion to PBV or PBRA.*

- Predictable initial contract rent setting based on public housing funding levels with automatic annual adjustment of rents based on Annual Operating Cost Adjustment Factor (OCAF), subject to certain rent caps.
- Rent Boosts
  - Utility Allowance Savings - increase PUPM rent by 75% of savings
  - Tenant-Paid Excess Utilities
  - Opportunity Zone Boost – up to \$100 PUPM to cover funding gaps
  - DDTF Funding

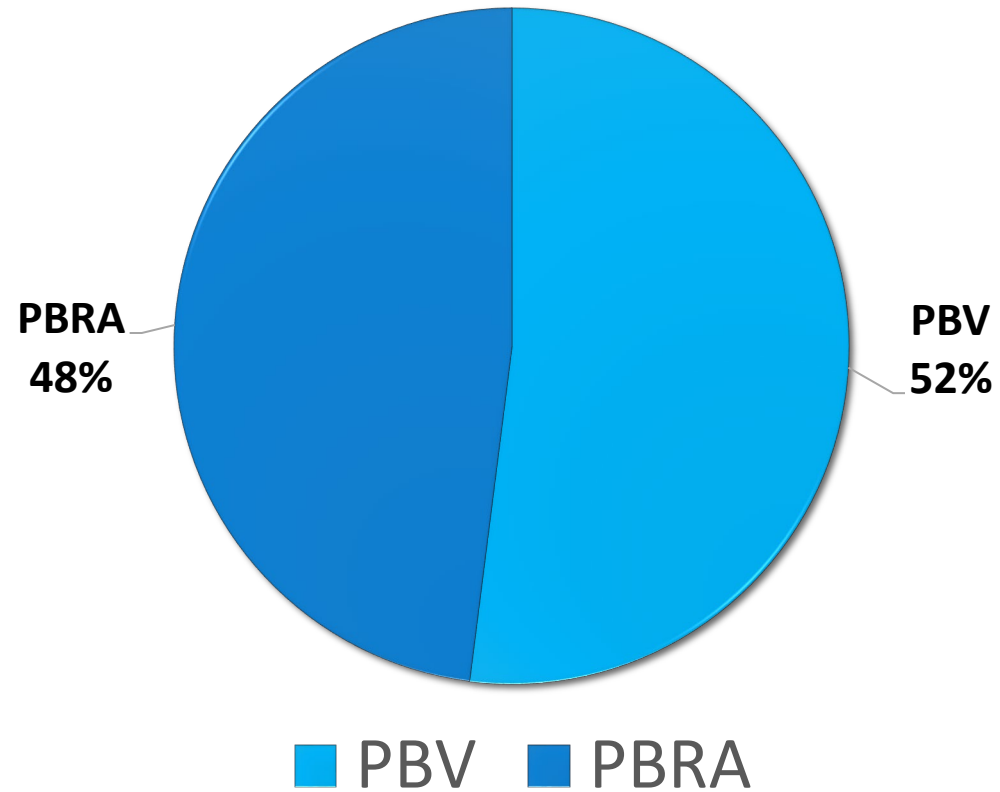
## RAD Rents

ITEM	PBV	PBRA
Regulations	• 24 CFR Part 983 with some waivers	• 24 CFR Part 880 Section 8 NC with some stricken
Appropriations	• Tenant-Based Rental Assistance account: subject to proration and HAP based on estimate.	• Project-Based Rental Assistance account: considered a more stable funding source.
Rent Setting	• Lesser of RAD Rents, Rent Reasonableness, and 110% of FMR less utility allowance.	• Lesser of RAD Rents and 120% of FMR. If RAD rents exceed 120% of FMR, less utility allowance, and is supported by a Rent Comparability Study, up to 150% of FMR.
Contract Administrator	• PHA with an HCV Program	• HUD Office of Multifamily Housing
Contract Term	• 15-20 years • Required renewal	• 20 years • Required renewal
Inspections	• HQS (performed by PHA or Independent Entity)	• UPCS (performed by REAC)

# Project-Based Voucher vs. Project-Based Rental Assistance

ITEM	PBV	PBRA
Choice Mobility	<ul style="list-style-type: none"> <li>Household may request voucher after one year</li> </ul>	<ul style="list-style-type: none"> <li>Household may request voucher after two years: there is a project turnover cap.</li> </ul>
Management and Occupancy	<ul style="list-style-type: none"> <li>Most PHAs have an HCV program and are familiar with rules and regs or partner with a PHA who does</li> </ul>	<ul style="list-style-type: none"> <li>Switching from PIH to Multifamily Housing is a significant commitment of time and resources and involves a greater level of organizational change.</li> </ul>
Administrative Fees	<ul style="list-style-type: none"> <li>Yes – the PHA administering the contract</li> </ul>	<ul style="list-style-type: none"> <li>No</li> </ul>
Software	<ul style="list-style-type: none"> <li>Already set up in HUD’s systems</li> </ul>	<ul style="list-style-type: none"> <li>Onboarding to Multifamily Secure Systems, particularly converting from PIC to TRACS – Tenant Rental Assistance Certification System can be challenging.</li> </ul>
Waitlist Management	<ul style="list-style-type: none"> <li>The PHA who is the Contract Administrator</li> </ul>	<ul style="list-style-type: none"> <li>On-site Management Staff</li> </ul>

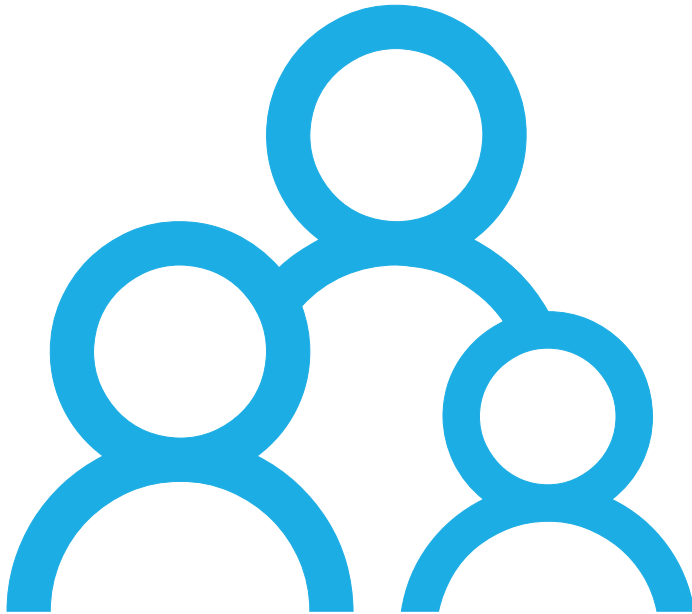
# Project-Based Voucher vs. Project-Based Rental Assistance



## Closed Conversions: PBV vs. PBRA



# Resident Rights and Requirements: Prior to Conversion



- 
- **Resident meetings** required prior to application, prior to Concept Call, prior to Financing Plan submission
  - **Resident notices:**
    - RAD Information Notice (RIN)
    - General Information Notices (GIN)
  - RAD conversion is a **Significant Amendment to the PHA plan**
  - No relocation activities can occur until the execution of the RAD Conversion Commitment (RCC)

# Resident Rights During Conversion

## Right to Return – No permanent involuntary relocation

- No new eligibility screening, including for “over-income” households under LIHTC or other programs
- May be housed in an oversized unit initially if necessary, to preserve the right to return

## Choice Mobility

## Relocation assistance beyond URA requirements

## Phase-in of any tenant rent increase

## Termination Notification and Grievance Procedures

## Ability to form a resident organization and funding

# RAD Conversion Process

# RAD Conversion Process

---

RAD Application

---

Commitment to Enter into Housing Assistance Payment “CHAP”

---

Fair Housing Approvals

---

Resident Meetings

---

Concept Call

---

Resident Meetings

---

Financing Plan Submission

---

RAD Conversion Commitment “RCC”

---

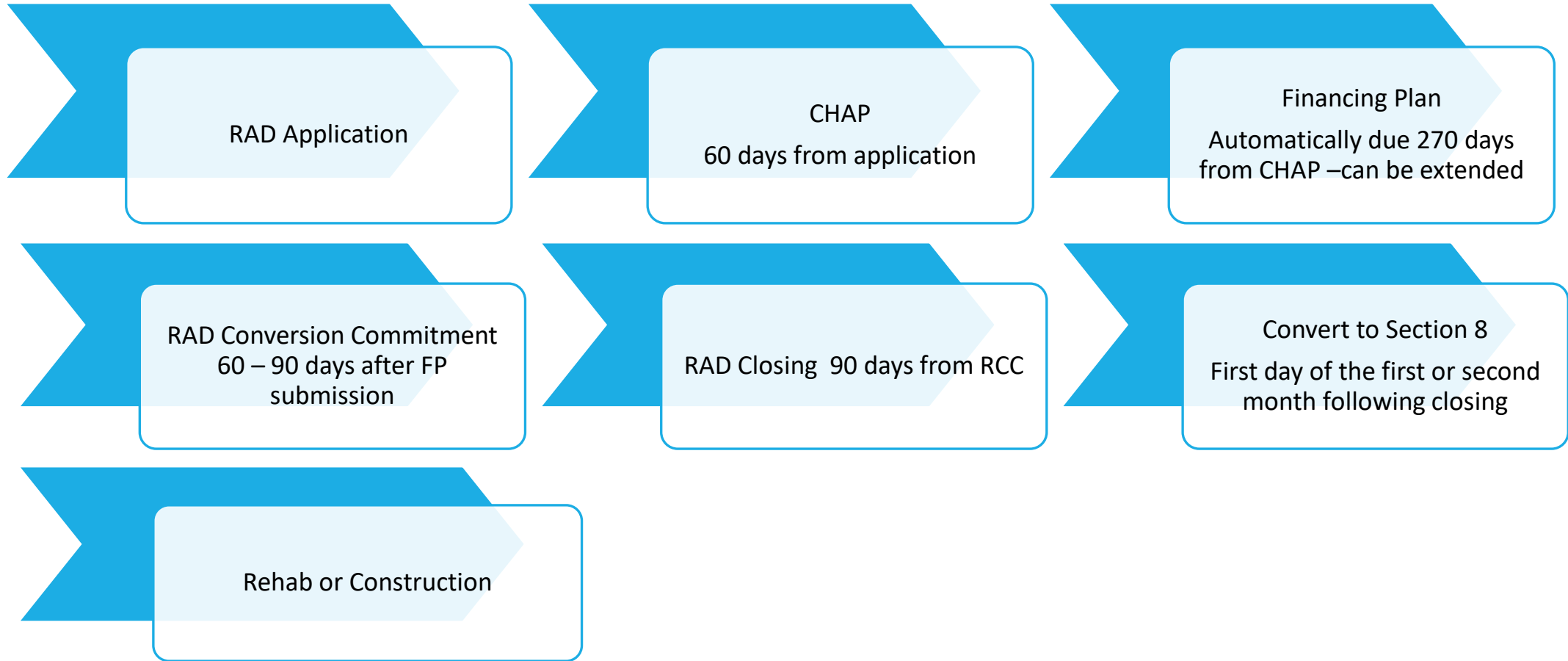
Closing and Conversion

---

Rehabilitation/Construction

# RAD Conversion Timeline

---



# Financial Feasibility of a RAD Conversion

---



- ❑ Primary goal of RAD
  - The long-term physical preservation of the public housing portfolio
- ❑ Cap funds vs. Reserve for Replacement Account
- ❑ Financial Feasibility of a RAD Transaction
  - The determination as to whether a PHA currently has or can secure the financial resources needed to cover the next 20-years of physical needs of the property.
  - PCNA/E-Tool – new web-based program that PHAs must initiate through HUD’s Secure Systems unless using FHA Financing.
    - Rehab Scope: transaction dependent
    - IDRR – Initial Deposit to the R4R
      - A one-time lump sum deposited into the R4R at closing
    - ADRR – Annual Deposit to the R4R
      - Yearly ongoing deposits made to the R4R that are part of the operating budget

# Financing Mechanisms

## No-Debt Conversion ("Straight")

- The only source of capital used to close a Straight Conversion is PHA reserves, cap funds, operating subsidy.
- The Project does not take on new debt, and therefore the closing costs are significantly less than on a debt closing
- PHA funds the R4R with existing PHA funds

## Debt – Only

- Project has more capital needs than in a Straight Conversion
- The transaction requires loan proceeds in order to fund the 20-year needs of the Project
- The Project has sufficient NOI (Net Operating Income) to support new debt

## Low-Income Housing Tax Credit ("LIHTC") – 9% or 4%

- More complicated than a Debt-Only deal
- Requires a change in ownership structure and investment partners
- Project typically needs between \$35,000 and \$75,000 of rehab per unit or is new construction
- Transaction has higher closing costs, strict regulatory compliance monitoring, and takes longer to reach the closing table
- However, investor partner contributes a significant amount of equity towards rehab



# Financial Feasibility – Two Financial Tests

---

## Net Operating Income (“NOI”)

- Determine rental/property income – we know how to do this
- Prepare property level expense budget
  - Public Housing per unit expense levels run much higher than in Section 8
  - Legacy costs, COCC, Scattered Sites
- Rent minus expenses equals NOI
- NOI allows the PHA to borrow money from a lender if needed
- Since rent levels are set, the only way to increase NOI is to reduce expenses

## Sources and Uses

- At the RAD closing, there must be enough funds available to pay for all of the closing costs including the 20-year physical needs.
- Sources and Uses must match



# Common Financing Sources

---

## 1<sup>st</sup> Mortgage Debt

- FHA-insured debt:
  - 223(f) (light/mod rehab) or
  - 221(d)(4) (sub rehab/new construction)

## Equity

- 4% LIHTC
- 9% LIHTC
- Historic Tax Credits

Note: RAD Inventory Assessment Tool can help better assess project feasibility and the ability to leverage debt and equity.

## Public Housing Funds

- Operating Reserves
- Capital Funds
- Demo/Dispo Transition Funding (DDTF)
- Sales Proceeds

## Other Secondary Financing

- HOME
- CDBG
- CDBG-R and FEMA
- Housing Trust Fund
- Federal Home Loan Bank AHP

# Common Uses of Funds

## Payoff Existing PHA Debt

- Energy Performance Contract
- Capital Fund Financing Program

## Rehab/Construction

- Materials
- Contingency
- Labor

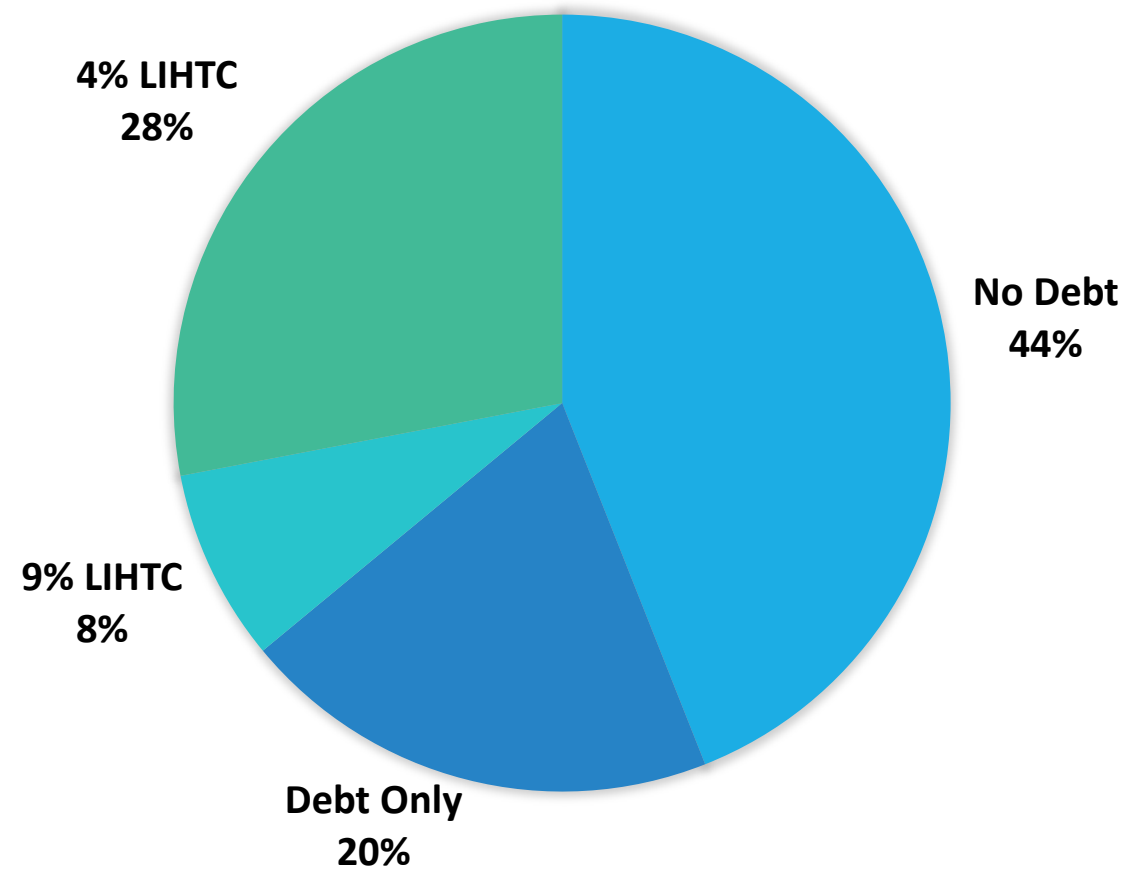
## Soft Costs

- Legal
- Architect
- Third Party Reports
- Lender/LIHTC Fees
- Predevelopment Expenses – up to \$100,000 in cap funds can be used

## Reserves

- Replacement Reserve
- Operating Reserve
- Lease-up Reserve

## Developer Fee



# Conversion Financing



# RAD Financing Plan Components



# Relocation

---

- RAD provides residents with relocation protections
  - PIH 2016-17: RAD Notice Regarding Fair Housing and Civil Rights Requirements and Relocation Requirements
  - Uniform Relocation Act (URA) applies (in some cases RAD requirements are in excess of URA)
  - Residents have a right to return post-rehab
  - No relocation activities can occur until the execution of the RAD Conversion Commitment

# Common Relocation Options

---

On-site

Other public  
housing owned by  
the PHA

Other affordable  
housing owned by  
the PHA

Private Housing

Using housing  
vouchers  
administered by  
the PHA



HUD will help you  
identify your  
options

# RAD Closing and Conversion Process

# RCC to Closing

---

PHA has 90 days to close from RCC issuance

---

PHA should have RAD experienced counsel on board

---

HUD assigns a HUD closing attorney and Closing Coordinator

---

PHA's attorney and Consultant draft Closing documents and Section 8 program documents

---

Draft Closing package is submitted to HUD closing attorney

---

Once approved, HUD attorney sends approval letter to Office of Recap

---

Office of Recap signs Release of DOT, HAP, Use Agreement and any other docs ONLY on Thursdays

---

Escrow Instructions and executed HUD docs are Fed Exed to Escrow Agent

---

Documents are recorded and returned to HUD

---



# Conversion to Section 8

---

- Do not wait until closing to prepare for a conversion to Section 8!!
- This process runs parallel with Concept Call through Closing.
- Initial Year of Funding: for the remainder of the year in which a transaction closes, the project will continue to be funded from current cap funds and operating subsidy. On January 1 of the following year, the Section 8 subsidy flows to the project.
- PBRA and PBV Quick Reference Guides
- What to prepare for:
  - Lease execution
  - End of Participation
  - Waiting List
  - Software
  - PBV or PBRA training
  - New operating accounts





# Questions?

---





# Public Housing Repositioning Strategies

---

Section 18, RAD/Section 18 Blends, and  
Streamlined Voluntary Conversion

# Section 18: Demolition/Disposition Overview

# What is Section 18?

- Section 18 of the Housing Act of 1937 authorizes the **demolition and/or disposition** of public housing and removes the Declaration of Trust (“DOT”)
- Processed through the Special Applications Center (the “SAC”)
- Following Section 18 approval HUD issues **Tenant Protection Vouchers** to PHAs for units *occupied within the last 24 months*
- The asset is often disposed to an instrumentality or affiliate of the PHA
- PHA often receives Asset Repositioning Fee (phase-out Op Funding)
- PHA often receives Demolition Disposition Transition Funds (Cap Fund)
- Faircloth is preserved (develop new public housing)
- Controlling guidance: 24 CFR 970, PIH Notice 2021-07.

# PHA Objectives in Using Section 18

---

PHAs can use Section 18 Disposition to:

Reposition the asset (Preservation) (Negotiated Disposition):

- Rehab with other financing (LIHTCs)
- Project-Based Vouchers (PBVs)

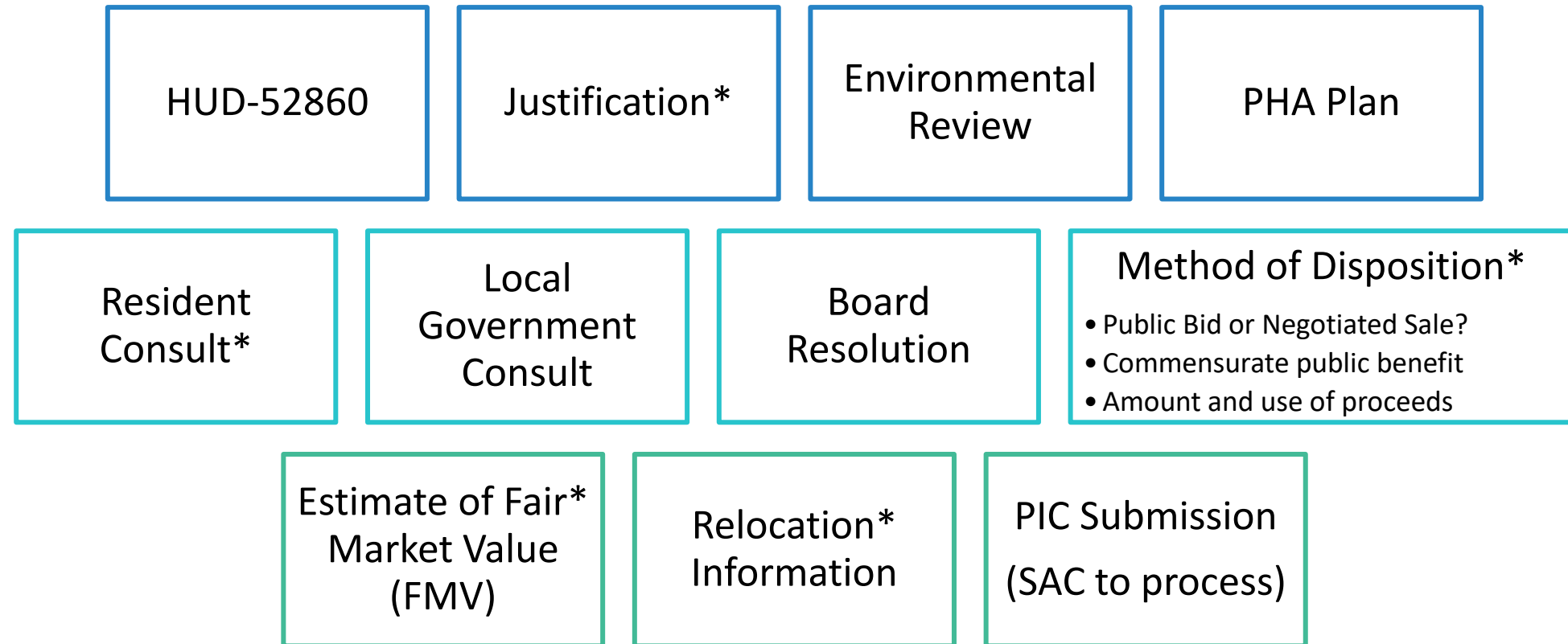
Dispose the asset in open market: asset beyond repair.

- Asset in undesirable location
- Generate proceeds to develop other low-income housing
- Voucher-out residents to open market (tenant-based assistance)

Other objectives: Exit public housing program (streamline operations)

# SAC Application Requirements

---



# Section 18 Justification Criteria

---



OBSOLESCENCE



HEALTH AND SAFETY



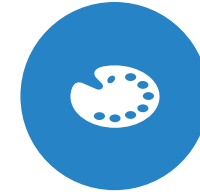
INFEASIBLE OPERATION



SCATTERED SITES



50 OR FEWER UNITS



RAD/SECTION 18  
BLENDS



MORE EFFICIENT AND  
EFFECTIVE



- Scope of work: rehab needs
  - Must demonstrate substantial physical issues of the buildings/units that cannot be corrected in a cost-effective manner
  - Submit a special PNA and/or independent architect or engineer's reports
    - Capture immediate needs; repairs or replacement within next 3 years of building systems, internal and external amenities within 5 feet of exterior walls
    - Underground utilities regardless of distance
    - Mitigation costs
    - Structural defects
    - Accessibility improvements
  - Scope of Work based on International Building Code (IBC) and local codes
  - R.S. Means Cost-Index
- Physical Needs must exceed 57.14% of HUD's annual published Total Development Cost "TDC" for non-elevator building (62.5% for elevator building)

## Obsolescence – Physical Condition (Demo or Dispo)

# HUD Published HCC and TDC

## 2019 UNIT TOTAL DEVELOPMENT COST (TDC) LIM

### Number of Bedrooms

0		1		2		3		4	
HCC	TDC	HCC	TDC	HCC	TDC	HCC	TDC	HCC	TDC
500 sqft		700 sqft		900 sqft		1200 sqft		1500 sqft	

### Region I - Northeast

#### NEW HAMPSHIRE

##### CONCORD

Detached/Semi-Detached	95,286	166,750	123,277	215,735	147,507	258,138	175,863	307,760	207,229	362,650
Row House	81,989	143,481	107,065	187,364	129,753	227,068	158,374	277,155	187,870	328,773
Walkup	72,024	126,042	98,343	172,099	124,474	217,829	164,006	287,011	203,279	355,738
Elevator	81,254	130,007	113,756	182,010	146,258	234,012	195,010	312,017	243,763	390,021

##### KEENE

Detached/Semi-Detached	93,786	164,126	121,411	212,470	145,325	254,318	173,337	303,340	204,324	357,568
Row House	80,354	140,619	105,034	183,809	127,389	222,932	155,670	272,422	184,769	323,345
Walkup	70,304	123,033	95,910	167,842	121,326	212,321	159,789	279,631	197,990	346,483
Elevator	79,957	127,930	111,939	179,103	143,922	230,275	191,896	307,033	239,870	383,791

-----

# HUD Form 52860-B

The total TDC for this 48-unit property exceeds 57.14% of HUD published TDC

2 - Bdr elevator		X	\$	-	\$	-
3 - Bdr Detached and Semi detached		X	\$	-	\$	-
3 - Bdr Row Dwelling	25	X	\$	302,582.00	\$	7,564,550.00
3 - Bdr Walk-Up		X	\$	-	\$	-
3 - Bdr Elevator		X	\$	-	\$	-
4 - Bdr Detached and Semi detached		X	\$	-	\$	-
4 - Bdr Row Dwelling	19	X	\$	359,561.00	\$	6,831,659.00
4 - Bdr Walk-Up		X	\$	-	\$	-
4 - Bdr Elevator		X	\$	-	\$	-
5 - Bdr Detached and Semi detached		X	\$	-	\$	-
5 - Bdr Row Dwelling	4	X	\$	395,843.00	\$	1,583,372.00
5 - Bdr Walk-Up		X	\$	-	\$	-
5 - Bdr Elevator		X	\$	-	\$	-
6 - Bdr Detached and Semi detached		X	\$	-	\$	-
6 - Bdr Row Dwelling		X	\$	-	\$	-
6 - Bdr Walk-Up		X	\$	-	\$	-
6 - Bdr Elevator		X	\$	-	\$	-
TOTAL					\$	15,979,581.00

## 3. Estimated Cost of Rehabilitation

\$ 9,720,438.10

Provide an attachment showing cost breakdown and reference it as Addendum to 52860-B – Rehabilitation Cost Breakdown

## 4. Rehabilitation Cost % (estimated cost of Rehabilitation/Total TDC) x 100 =

60.83%

# Disposition-Health or Safety

---

- Conditions in the area (density, industrial/commercial uses, flooding, contaminated soil) adversely affect the health or safety of the residents
- Serious obstacles in maintaining units as healthy or safe (third-party documentation)
- PHA cannot cure or mitigate cost effectively
- PHAs generally sell property at Fair Market Value (FMV)

# Disposition: Scattered Site Units

---

- Buildings are non-contiguous with 4 or fewer units
- Unsustainable to operate and/or maintain
- Must have a Relocation Plan with option for residents to remain using PBV or voucher out
- Flexibility in structuring disposition
  - Sell at FMV on the open market with proceeds generated
  - Partner with related entity to sell at below FMV so units can be used as affordable rental housing, including PBV
  - Create local homeownership program

# Disposition: Very Small PHA

---

- 50 or fewer public housing units
- Must close-out Public Housing program via Consolidation/Transfer or ACC Termination
- Flexibility in structuring disposition
  - Sell at FMV (generate proceeds)
  - Partner with related entity to sell at below FMV, to retain affordable rental housing (including PBV)
- Must have a Relocation Plan with option for residents to remain using PBV or voucher out
- Find Voucher PHA to administer TPVs If Public Housing-Only PHA

Separate legal entity under state law

PHA may retain ownership or control through nonprofit affiliate

Options:

- Open market at FMV (public bid/auction)
- Negotiated disposition at FMV (identified buyer)
- Negotiated disposition at below FMV (commensurate public benefit)
- Sale or ground lease

# Disposition to Whom?

# Commensurate Public Benefit

---

- Required for below FMV dispositions
- HUD determines on a case-by-case basis  
Property houses or benefits low-income families (i.e. community center)
- Use restriction required  
Generally 30-years, but PHA can propose preferred form of use restriction
- Limitations/Restriction: Not for general public benefits,  
i.e., cannot be transferred to the City for a park



# Property Valuation

---

- Appraisal required if property disposed at FMV  
Dated within the year application is submitted
- Tax Assessor Opinion or alternative method of valuation required if sold below FMV as commensurate public benefit (i.e. development of affordable housing)

# Proceeds

---

PIH 2020-23 outlines Eligible Uses of Proceeds for S18 and SVC:

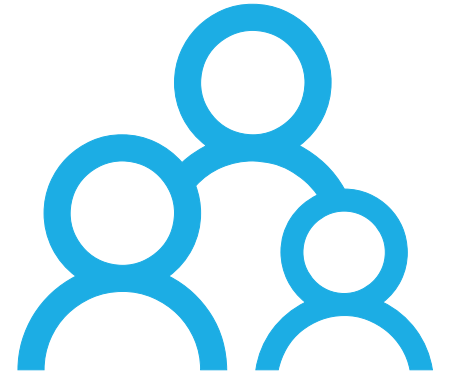
- Relocation and reasonable closing costs (gross proceeds)
- Modernization or development of public housing (Cap Fund)
- Operation of public housing (Op Fund)
- RAD conversion costs
- Modernization or development of PBV units
- Section 8 HAP shortages (if confirmed by HUD)

SAC approval required as part of approval

Deposit under HUD-51999 (General Depository Agreement)

# Resident Consultation

- In addition to consulting residents on the PHA Plan, PHAs must consult the following groups on the S18 application:
  - Residents of the development(s)
  - Group representing resident(s) of the development(s)
  - Group representing all residents served by the PHA
  - Resident Advisory Board (RAB)
- Residents submit written comments; PHA must provide those comments to HUD in application



# Tenant Protection Vouchers (TPVs)

---

- Currently, PHAs receive TPVs for units occupied within previous 24 months of SAC approval date
- Separate Application Process (HUD-52515 to Field Office)
- PHA can offer to (qualifying) families as a relocation resource
- Normal HCV requirements apply
- PHA can offer as tenant-based or project-based assistance
- Replacement TPVs added to PHA's HCV Baseline
- Public Housing Only PHAs partner with Voucher PHAs
- Appropriations (HUD may establish priority order if needed)

# Comparable Housing Under S18

A PHA must offer each family displaced by demolition or disposition comparable housing that meets housing quality standards (HQS) and is located in an area that is generally not less desirable than the location of the displaced persons.

Such housing may include:

1. Tenant-Based Assistance
  - Tenant Protection Voucher received as a result of the S18 action
2. Project-Based Assistance
  - PHA can project-base the TPV funding back on the project as a preservation strategy
  - Tenant Consent not required
  - Contract rents are the “reasonable rent” not to exceed 110% of FMR
  - HOTMA allows a PHA to do this without being subject to Program Cap or Project Cap
  - HOTMA may also allow the PHA to select the project/owner non-competitively
3. Occupancy in a unit operated or assisted by the PHA at a rental rate paid by the family that is comparable to the rental rate applicable to the unit from which the family is vacated

# Relocation

---

- Governed by Section 18 and 24 CFR part 970
- Not subject to URA (unless new project financing includes HOME or CDBG)
- Requirements:
  - Offer all residents comparable housing (PH, S8 voucher, PBV)
  - 90-day notice to residents
  - Counseling/advising services
  - Pay actual and reasonable moving costs
  - Compliance with fair housing (accessible units)
  - Cannot begin relocation (issue 90-day notice) until HUD approval
  - Cannot begin demolition/complete disposition until residents relocated



# Public Housing-Only PHAs

---

- Apply under Section 18 Demolition/Disposition
- Must find HCV PHA to administer TPVs
- HCV PHA must have jurisdiction
- Field Office can assist finding HCV PHA
- Field Office must approve administering HCV PHA

# Public Housing Funds and Repositioning

- Capital Funds
  - PHA may only spend Cap Funds for modernization activities PRIOR to submitting a Section 18 application
  - For capital improvements to Public Housing units prior to completing a Section 22 (Voluntary Conversion) removal
  - Demolition Costs approved by HUD
  - Resident Relocation and mobility counseling
  - Pre-decisional Expenses related to repositioning
    - Third-party reports, consulting fees, resident engagement
  - To increase RAD Rents
  - As a “Use” in a RAD conversion
- Operating Fund Grants and Formula/Program Income
  - Pre-decisional Expenses related to repositioning
    - Third-party reports, consulting fees, resident engagement
  - Pre-development costs associated with RAD
  - As a “Use” in a RAD conversion
  - PHA may spend Op Funds for general maintenance and operations up until ACC termination (“RMI” in PIC)



# Public Housing Funds and Repositioning

- ❑ Public Housing Fund Uses once all units have been removed from PIC
  - Costs for MTW agencies as approved in MTW plan
  - Administrative closeout costs (e.g., staff, operations, security, disposing of non-dwelling property, liquidation of equipment/supplies);
  - Final program audits, legal reviews, and final PHA Board Resolution;
  - Resolution of all outstanding legal matters;
  - PHA public housing liabilities and requirements related to benefits (e.g., pensions);
  - Staff transitions, such as severance packages required by a pre-existing employment contract or PHA employment policy;
  - Record keeping for three years;
  - Maintenance or site remediation of any remaining public housing property (real or personal) prior to DOT removal and disposition;
  - Development of new Public Housing units as identified in Form HUD-5837

# Public Housing Funds and Repositioning

**What happens if a PHA still has Public Housing Funds remaining after addressing everything?**

PHAs have the following options:

- A. Transfer funds to another PHA in order to support their RAD conversion in accordance with the “PHA Partnerships” provision (Section 1.5.L.) of the RAD Notice (Rev 4);
- B. Transfer or consolidate the entire remaining public housing program (assets and liabilities) to a different PHA by following Notice PIH 2014–24; or
- C. Return unused funds to HUD/Treasury according to Notice PIH 2019–13.

# After HUD Approval

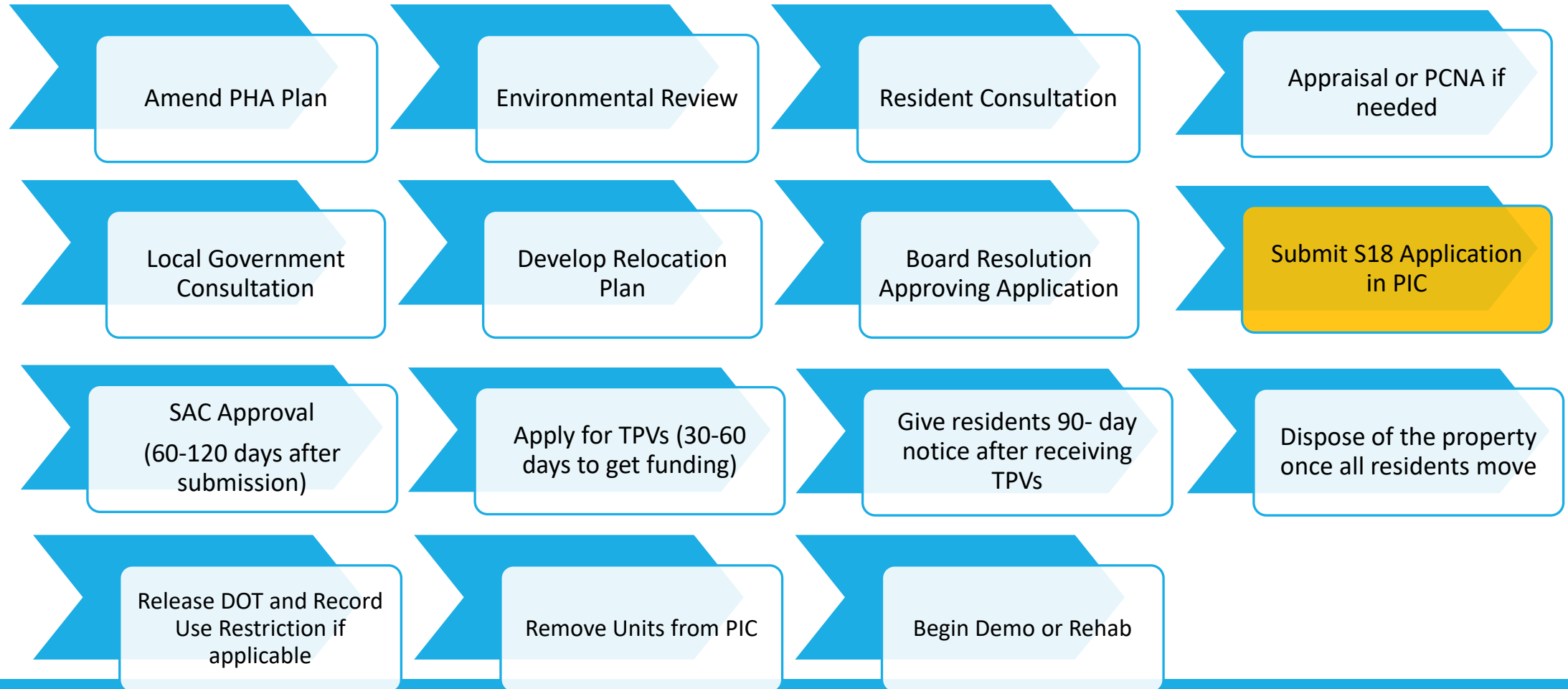
## PHA Responsibilities

- Update relocation timeline changes to FO for Op Funds
- Apply for TPVs
- Prepare release of DOT
- Prepare Use Agreement and/or deposit proceeds under GDA HUD-51999
- Request removal from PIC within 7 days of demo/dispo
- Comply with SAC conditions outlined in approval letter
- Complete PBV steps as required by Part 983 and PIHN 2017-21 (if project basing)

## Local HUD Field Office Responsibilities

- Process requests for TPVs
- Facilitate partnerships with HCV PHAs
- Release DOT and approve use agreement
- Change to RMI status in IMS/PIC after demo/dispo at PHA's request
- Provide technical assistance

# Section 18 Conversion Timeline



# RAD and Section 18 Blends



# Background: RAD/Section 18 Blends

---

- Under [PIH Notice 2018-04](#) – HUD allowed RAD and Section 18 to be “blended” for the first time – allowing 75% of the units in a covered transaction to convert under RAD and while the remaining 25% converted under Section 18. The net result was a higher income stream for the project.
- Under [PIH Notice 2021-07](#) – HUD has now expanded on the blends to include more options for how PHA’s can combine the two programs.

**Goal:** Preserve and recapitalize more public housing assets and provide robust resident rights.

# What is a RAD and Section 18 Blend?

---



PHAs can use RAD and Section 18 together. [Notice PIH 2021-07](#) expands on [PIH 2018-04](#) to create **RAD/Section 18 Blends**, which bring the best of both tools:

- Higher contract rents support greater financing
- Robust resident rights
- RAD one-for-one replacement reqs apply (w/ de minimis)
- Public housing funds can be used in project conversion
- HUD underwriting of entire project to ensure project viability

# RAD/Section 18 Construction Blend

Replaces former RAD/Section 18 “75/25” Blend

---

HUD approves a portion of units under Section 18, to be replaced with Project-Based Voucher, based on level of rehab/construction achieved. Percentage of units eligible for Sec 18 disposition within the Converting Project is based on the hard construction costs proposed for the new construction or rehabilitation of the Covered Project compared with HUD’s published Housing Construction Costs for the market

Required HCC Threshold	RAD / Section 18 Blend Percent
>30%	80% RAD / 20% Section 18
>60%	60% RAD / 40% Section 18
>90%	40% RAD / 60% Section 18
>90% + in high-cost area	20% RAD / 80% Section 18



# RAD/Section 18 Construction Blend

---

**Example:** Project completing \$50,000 per unit in rehabilitation which equates to 46% of HUD's published Housing Construction Costs for their market area. HUD will approve 20% of the public housing units at the project under Section 18 Disposition.

Required HCC Threshold	RAD / Section 18 Blend Percent
>30%	80% RAD / 20% Section 18
>60%	60% RAD / 40% Section 18
>90%	40% RAD / 60% Section 18
>90% + in high-cost area	20% RAD / 80% Section 18

# RAD/Section 18 Construction Blend

---

## Notes

- Units must be either newly constructed or rehabilitated without the use of 9% Low Income Housing Tax Credit (LIHTC).
- Hard construction costs in the approved financing plan includes general requirements, overhead and profit, and payment and performance bonds
- High-cost areas defined as those where the HUD-published HCC exceeds 120% of the national average – nationally, 43 out of 416 areas are high-cost areas

### Resources:

- Workbook to Test HCC Threshold: For RAD Section 18 Blends and Opportunity Zone Rent Increases
- List of High Cost Areas - for Calculating RAD/Section 18 Construction Blend Eligibility.

# RAD/Section 18 Small PHA Blend

Replaces former RAD/Section 18 Close-out Blend

---

For any PHA with 250 or fewer public housing units under its ACC, at the PHA's discretion up to eighty percent (80%) of the units in a Converting Project may be disposed under Section 18.

- Blend is applied at the project level
- PHA must submit a repositioning plan to HUD showing how it will remove all of its public housing units
- Any PBV contract must be administered by a PHA operating at least 250 HCV units

# Recap: RAD/ Section Blends

- Two kinds of Blends: Construction Blend, Small PHA Blend
- Section 18 units must be replaced with project-based voucher (PBV) assistance. RAD one-for-one replacement requirements apply
- All residents receive the same robust RAD rights and protections
- PHA can contribute public housing funds into the development budget
- Blends are analyzed at the project level – % eligible for Sec 18, construction/rehab costs

# Processing Blends

PHA applies for RAD for the entire project (through the RAD Resource Desk)

Front-end civil rights reviews should reflect the entire project

PHA includes both Section 18 and RAD in PHA Plan and in resident consultation

PHA identifies blend in Concept Call and requests the use of a RAD & Section 18 blend in the RAD Financing Plan

Financing Plan must reflect the entire project (e.g., CNA, operating pro forma, Environmental)

# Processing Blends (Cont..)

No separate Section 18 application needed from PHA. Instead, certain additional items needed in the Financing Plan (See FAQs for needed items)

Recap will revise the CHAP and SAC will create the Section 18 application (using materials provided in the Financing Plan)

Upon approval of the Financing Plan, HUD will issue the RCC and PIH's SAC will issue the Section 18 approval letter

PHA applies for tenant protection voucher funding

# Processing RAD/ Section 18 Blends

Closing will be done under RAD process and involve:

- Disposition of property
- Closing of any financing
- Release of DOT from entire project
- Recordation of RAD Use Agreement with RAD/Section 18 Blend rider on entire project
- Execution of RAD HAP contract and non-RAD PBV HAP (or AHAP, if applicable)

# Streamlined Voluntary Conversion (SVC)



# Streamlined Voluntary Conversion

---

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

- *HUD will issue TPVs for all units occupied in past 24 months*
- *No “disposition” required*
- *Applicable for PHAs with 250 or fewer units*
- *PHA **must close out** its public housing program*

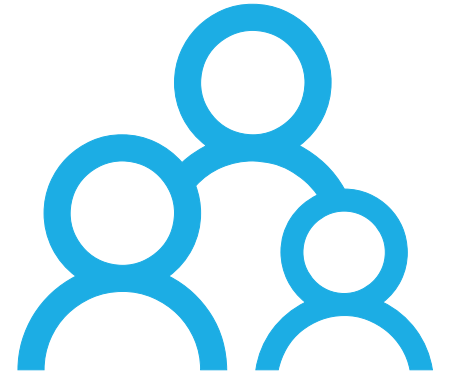
# Threshold Requirements

---

- Conversion benefits residents, the PHA and the community
- Conversion has no adverse impact on affordable housing in the community
- PHA's Conversion Plan demonstrates:
  - Proposed future use of property
  - Location of property and mobility options to families
  - Availability of housing for HCV tenant-based assistance
  - Family access to schools, jobs, and transportation

# Resident Protections

- Conversion Plan developed with “significant participation” by residents
- **Civil Rights Review** by HUD’s Office of Fair Housing and Equal Opportunity (FHEO)
- **Resident Mobility**; must be given the option of tenant-based HCV assistance
- **Right to Remain.** If a property is used as rental housing after conversion, residents who qualify for HCV cannot be required to move.



# Relocation and Comparable Housing Resources

---

Governed by Section 22 and 24 CFR part 972

- URA generally does not apply
- PHA pays for moving costs

Comparable Housing Resources (including through TPVs)

- Tenant-based vouchers (in current of off-site units)
- Project-based vouchers (PBV) in current units (with tenant consent)
- Occupancy in a unit operated or assisted by PHA at comparable rental rate (i.e. if family is over-income)



# Impact on Public Housing Funds

---

- PHA may spend Cap Funds for modernization activities up until removal from PIC (i.e., Unlike Section 18, PHAs can continue spending Cap Funds for SVC properties after submitting a PIC application.)
- Properties removed under SVC are NOT eligible for Asset Repositioning Fee (ARF), or Demolition Disposition Transition Funding (DDTF)

# Future Use of Property

---

- Retain or Dispose?
- Method of Disposition?
- Fair Market Value? Or below?
- Attach PBV assistance?
  - Permissible, but separate process
  - All applicable PBV requirements apply; See PIH Notice 2017-21
  - Mandatory written consent by families for PBV assistance, followed by mandatory briefing attended by HUD staff

# Application to HUD

---

- Submit Conversion Plan in the Inventory Removals Submodule of the IMS/PIC under “Streamlined VC”
- Upload completed Forms HUD-52860 and HUD-52860-E Voluntary Conversion Addendum (question 2 only related to future use)

# Sufficiency of Conversion Plan

---

- PHA Plan: Include in PHA Annual or Moving To Work (MTW) Plan
- Significant resident participation
- Resident meeting
- Board approval
- Local government review
- Future use description
- Environmental Review
- Impact analysis: availability of housing and concentration of poverty
- Relocation activities: summary of relocation plan
- Close-out information: include Form HUD-5837
- HCV administrator agency: must obtain Field Office for a partner HCV PHA



# Tenant Protection Vouchers (TPVs)

---

- **Eligibility:** Replacement TPVs for units occupied within the previous 24 months. (subject to change)
- **Timing:** PHAs apply for TPVs:
  - After written SAC approval of conversion plan; and
  - PHA is ready to provide TPVs to residents

# Important Resource

---

- PIH Notice 2019-05
- Visit SAC webpage at:  
[www.hud.gov/sac](http://www.hud.gov/sac)



# SVC— Key Takeaways

---

- **HUD issues TPVs for Units Occupied within the Past 24 Months of SAC Approval -** Tenants have the right to relocate to a private unit or remain in place. If the tenant decides to relocate, PHA pays moving expenses. SVC does not require replacement with new hard low-income housing units. Provided there are sufficient units in the private market available for tenant-based assistance, the PHA does not have to re-use the public housing asset as affordable rental.
- **Public Housing Only PHAs must Partner with HCV Administrating Agency -** If the PHA applying for SVC does not operate its own HCV program, it must partner with an HCV PHA to administer TPVs. HUD will not establish new HCV PHAs based on the TPV award.

# SVC– Key Takeaways (continued)

---

- **Project-basing assistance is permissible with tenant consent** - If the PHA wants to use TPVs to project-base the former public housing units, the PHA must receive tenant's informed written consent. If a tenant decides to stay without tenant-based assistance, the PHA must exclude that unit from the a PBV Housing Assistance Payment (HAP) Contract. The PHA may later amend PBV HAP Contract to add that unit using its voucher authority from existing HCV resources once the existing tenant voluntary leaves or consents to project-basing the family's assistance. If a tenant leaves with tenant-based assistance at the time of the conversion, the PHA can project-base that unit using its existing HCV resources.
- **Plan for the Use of Remaining Public Housing Funds** - A PHA may only spend public housing funds to support public housing units under a Declaration of Trust (DOT). PHAs may not spend public housing funds to rehabilitate/maintain/operate any units once removed from public housing inventory, including through SVC. PHAs either plan to use those funds prior to conversion on an eligible public housing activity or transfer funds prior to close-out to another PHA (see PIH Notice 2014-24 on public housing transfers and consolidations).

# SVC— Key Takeaways (continued)

---

- **SVC requires a commitment to close-out the PHA's public housing program** - HUD approves SVC applications only when all remaining public housing units (up to 250 units) are included. As part of the approval, the PHA commits to closing out their public housing program pursuant to PIH Notice 2019-13. Guidance on TPV allocations in Notice PIH 2021-07. The allocation methodology is subject to change based on available funding.

# Recap of Repositioning Tools

---

# Menu of Repositioning Tools

---

## RAD

- Standard
- Streamlined RAD for 50 and under

## Section 18

- Obsolescence
- Scattered Site
- 50 and Under
- Health/Safety; Infeasible Operation

RAD/Section 18 Construction Blend

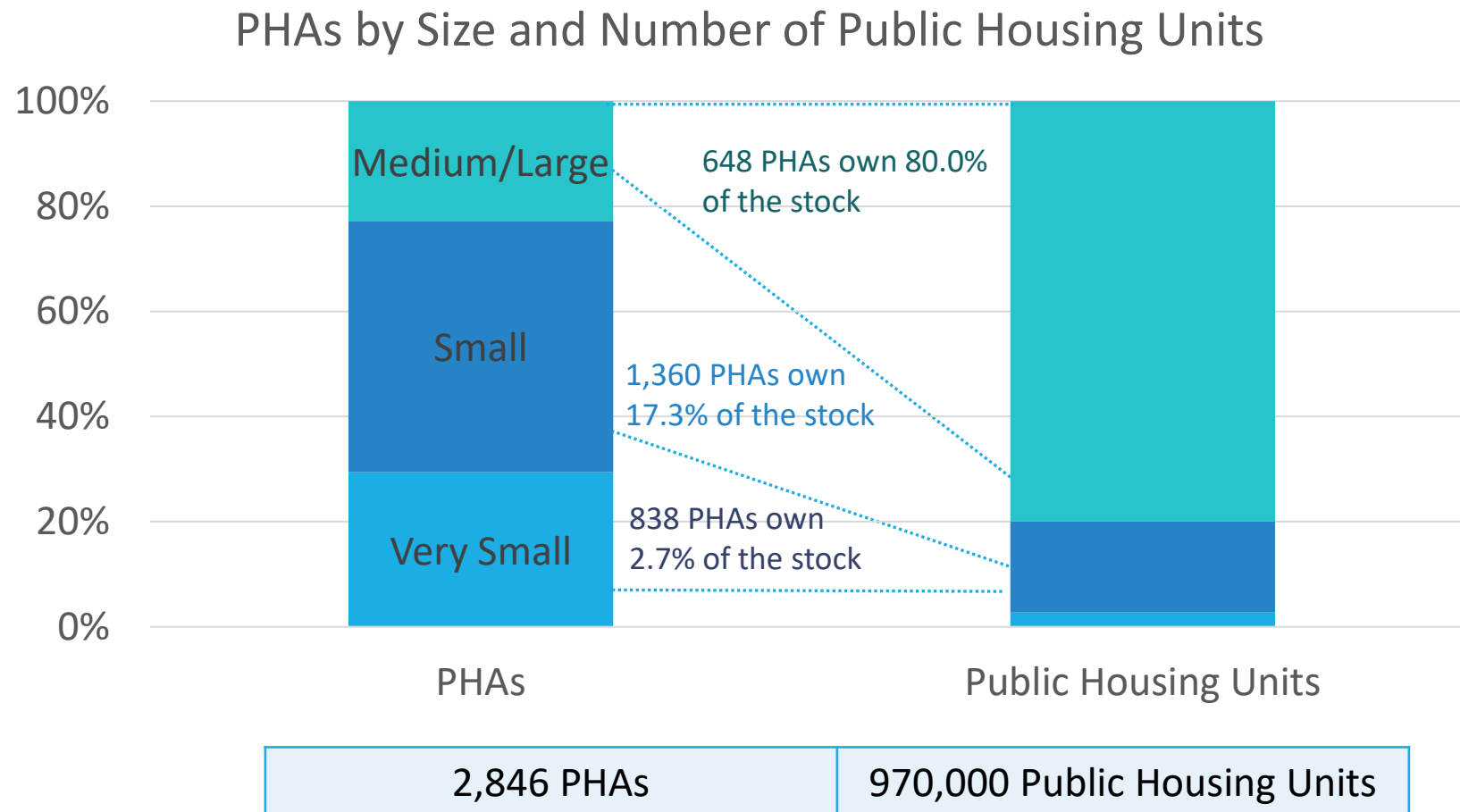
RAD/Section 18 Small PHA Blend

Streamlined Voluntary Conversion

Homeownership

Choice Neighborhoods

# Public Housing Stock and PHA Size





# Common Tools for Small PHAs

---

## Very Small PHAs 1-50 Units

- Section 18 (50 or less)
- Streamlined RAD
- RAD/Section 18 "Small PHA" Blend
- Streamlined Voluntary Conversion

## Small PHAs 51-250 Units

- RAD/Section 18 "Small PHA" Blend
- Streamlined Voluntary Conversion
- RAD
- Section 18 (scattered sites)

# Tools for Medium & Large PHAs

Scattered Sites	Moderate Rehab	Substantial Rehab	Redevelopment (demolish and rebuild)	Disposition (discontinue as affordable housing)
<ul style="list-style-type: none"> <li>➤ Section 18</li> <li>➤ RAD</li> <li>➤ RAD/Sec 18 Construction Blend</li> </ul>	<ul style="list-style-type: none"> <li>➤ RAD</li> <li>➤ RAD/Sec 18 Construction Blend</li> </ul>	<ul style="list-style-type: none"> <li>➤ RAD/Sec 18 Construction Blend</li> <li>➤ RAD</li> </ul>	<ul style="list-style-type: none"> <li>➤ RAD/Sec 18 Construction Blend w/4% LIHTC</li> <li>➤ RAD w/ 9% LIHTC</li> <li>➤ Section 18</li> <li>➤ Choice Neighborhoods</li> </ul>	<ul style="list-style-type: none"> <li>➤ Section 18</li> <li>➤ RAD/Sec 18 Construction Blend with transfer of assistance</li> </ul>

Additionally, as a PHA repositions public housing assistance and falls below 250 or 50 units, Small and Very Small PHA options available

# Questions?

---

