



# Future of Public Housing

September 11, 2018

PHADA

Legislative Forum



# Repositioning Public Housing: Context

- Public Housing Capital Needs:
  - \$26+ billion      Current backlog
  - \$3.5 billion      Annual portfolio-wide needs
  - \$2 billion      Annual Congressional funding
  - \$1.5 billion      Annual increase in backlog
- Result: Substantial number of units in the portfolio is at risk of permanent loss
- To avoid permanent loss, HUD believes PHAs should assess their affordable housing needs and take action

# Repositioning Public Housing: Goal

- Departmental Goal
  - Reposition 105K units of public housing by the end of FY 2019
- PIH leading effort & organizing work into three broad areas:
  - Policy: Bob Mulderig
  - Internal Capacity: Shy Ferry
  - Building the Pipeline: DJ Lavoy
- Partnering with other offices as appropriate
  - Recap, Office of General Counsel, etc.

# Repositioning Options

## Other Sources of Capital within Public Housing:

Mixed-Finance  
Capital Fund  
OF Financing Program  
CF Financing Program  
Energy Performance Contracts  
Consolidation, Consortium, Transfer

## Recapitalizing by Exiting Public Housing:

1. RAD
2. Section 18
3. Voluntary Conversion
4. DOT release

# Recent Changes

## Section 18 (PIH Notice 2018-4)

### Demolition

- Clarifies/broadens demolition criteria

### Disposition

- New: scattered sites unsustainable to operate
- New: units owned by PHA with 50 or fewer units
- New: RAD/Section 18 blend
- New: Creation of more Efficient/Effective units

## RAD Notices

(see links on last page)

- Permits conversion of 455,000 public housing units
- Establishes RAD rents for 2018 and 2019
- Allows “rent-bundling” between RAD and local PBV projects
- Site-based utility allowances for PBVs
- Incentive developer fee for projects with homeless preference
- Streamlined conversion for very-small PHAs
- Applies RAD relocation protections to RAD/Section 18 “blended” projects

# RAD 2018 and 2019 Rents

## Public Housing Conversions Rent Setting

	FY 16 Operating Fund
+	FY 16 Tenant Rents
+	FY 18 Capital Fund
=	<b>Modified FY 16 RAD Rent</b>

Applies to all awards issued prior to 1/1/2019

	FY 18 Operating Fund
+	FY 18 Tenant Rents
+	FY 18 Capital Fund
=	<b>FY 18 RAD Rent</b>

Applies to all awards issued beginning on 1/1/2019

Prior to closing, a PHA may withdraw and request new RAD authority without submitting a new application. It is treated like a CHAP amendment. The CHAP will retain the original issue date.

# RAD-Section 18 Blend

To encourage PHAs who are undertaking major repairs/construction under RAD, 25% of the total units to be issued Section 8 (TPVs) via Section 18, which can be project-based. To qualify, project can not be financed with 9% credits and construction costs must meet 60% of Hard Construction Cost (HCC) limits.

Note: PHA will make Section 18 application via RAD (simultaneous processing)

# More Efficient or Effective Units

Allows for disposition of units where on or off-site replacement units (public housing or Section 8) will be more efficient or effective;

NOTE: PHA will only receive TPVs for 25% of **occupied** units. No obsolescence test. PHA determines number of replacement units.

# Voluntary Conversion

- **Vouchers Cost Less than Public Housing (24 CFR 972)**
  - Conversion assessment must show:
    - Vouchers cost less than public housing for useful life (Excel Cost-test Spreadsheet)
    - Residents will succeed in using tenant-based assistance (Rental Market Analysis)
    - No Negative Neighborhood Impact (affordable housing supply, poverty concentration)
    - Plan for conversion implementation (including planned future use)
  - Residents may remain if project used as housing after conversion
  - PHA eligible to receive TPVs
- **Streamlined Voluntary Conversion Notice (expected Fall 2018)**
  - Builds upon PIH 2014-14 (minimal take-up; no longer available)
  - Targets small PHAs
  - HUD conducts cost test



# Retention: Release of DOT

- PIH Notice 2016-20: Allows HUD to release the Declaration of Trust on non-residential public housing property under 2 CFR part 200 authority

## **New PIH Notice (expected Fall 2018)**

- PHA will retain title of residential buildings
- Compensation for what HUD has contributed
  - Or “Good Cause” exception– PHA must show it will use the property for some function that supports the residents.

# Key Program Characteristics



## Section 18

- ✓ Justifications:
  - Unsafe/unhealthy location and infeasibility
  - Scattered Sites
  - 50 or fewer units remaining in PH inventory
  - Efficient and Effective
  - Physical obsolescence
- ✓ TPVs for Occupied Units (note: “Efficient and Effective” only eligible for 25% of occupied units)
- ✓ Eligible for DDTF and ARF
- ✓ Can project-base TPVs
- ✓ No replacement housing required

## RAD

- ✓ RAD Contract Rents = Current Public Housing Funding
- ✓ PBRA or PBV
- ✓ Preserve FSS
- ✓ Can use PH \$\$ in development budget to support conversion
- ✓ Long-Term Use Agreement
- ✓ Resident Right to Return
- ✓ Replacement Housing Requirement
- ✓ Not eligible for DDTF or ARF
- ✓ Must submit Financing Plan

## RAD/Section 18 “Blend”

- ✓ Eligible properties include those whose rehab or construction costs are at least 60% of Hard Construction Cost (HCC) limits, provided not using 9% credits
- ✓ 75% of the units convert through RAD and 25% disposed through Section 18 w/ PBV replacement
- ✓ Project will receive TPVs for 25% of all occupied units

## Voluntary Conversion

- ✓ Must demonstrate that vouchers cost less than cost of public housing
- ✓ Eligible for ARF if action involves demo or dispo
- ✓ Not eligible for DDTF

# PBVs and HOTMA

Three HOTMA exceptions apply to Project-Based Vouchers (PBV) in properties built with 1937 Act Funding.

1. Units not subject to PBV program unit limitation (PHA-wide);
2. Units not subject to income-mixing requirement (at a particular property); and
3. Competitive process exception: PHA can attach PBVs where it has an ownership interest or control, without following a competitive process.

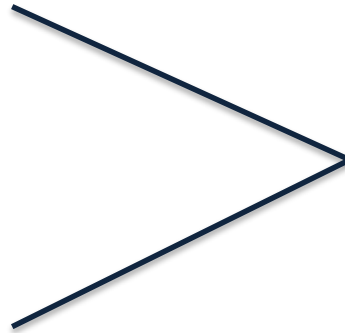
See PIH Notice 2017-21. PHAs consult their Field Office for technical assistance.

# Technical Assistance

- Technical Assistance and Capacity Building Program
- Focus on needs of small/very small PHAs
- Scope of Work – 4 Tasks (Preliminary)
  1. Training materials
  2. In-person trainings and webcast for PHAs
  3. Online training for PHA Boards and staff
    - Modeled after “Lead The Way”
  4. Needs-based On-call training
    - Field office identification of PHAs

# Building the Pipeline

- RAD
- Section 18
- Voluntary Conversion
- DOT release



Which option works best for your property?

- Broad communication to all PHAs about effort
- Individual outreach to PHAs
- Building internal capacity, both in field and on specific teams (e.g., Special Applications Center and PBV team)

# Discussion and Questions

# Learn More

- Rental Assistance Demonstration (RAD): <https://www.hud.gov/RAD>
- Mixed Finance:  
[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/programs/ph/hope6/mfph](https://www.hud.gov/program_offices/public_indian_housing/programs/ph/hope6/mfph)
- Declaration of Trust:  
[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/centers/sac/retentions](https://www.hud.gov/program_offices/public_indian_housing/centers/sac/retentions)
- Demolition & Disposition (Section 18):  
[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/centers/sac/demo\\_dispo](https://www.hud.gov/program_offices/public_indian_housing/centers/sac/demo_dispo)
- Voluntary Conversion:  
[https://www.hud.gov/program\\_offices/public\\_indian\\_housing/centers/sac/vc](https://www.hud.gov/program_offices/public_indian_housing/centers/sac/vc)