

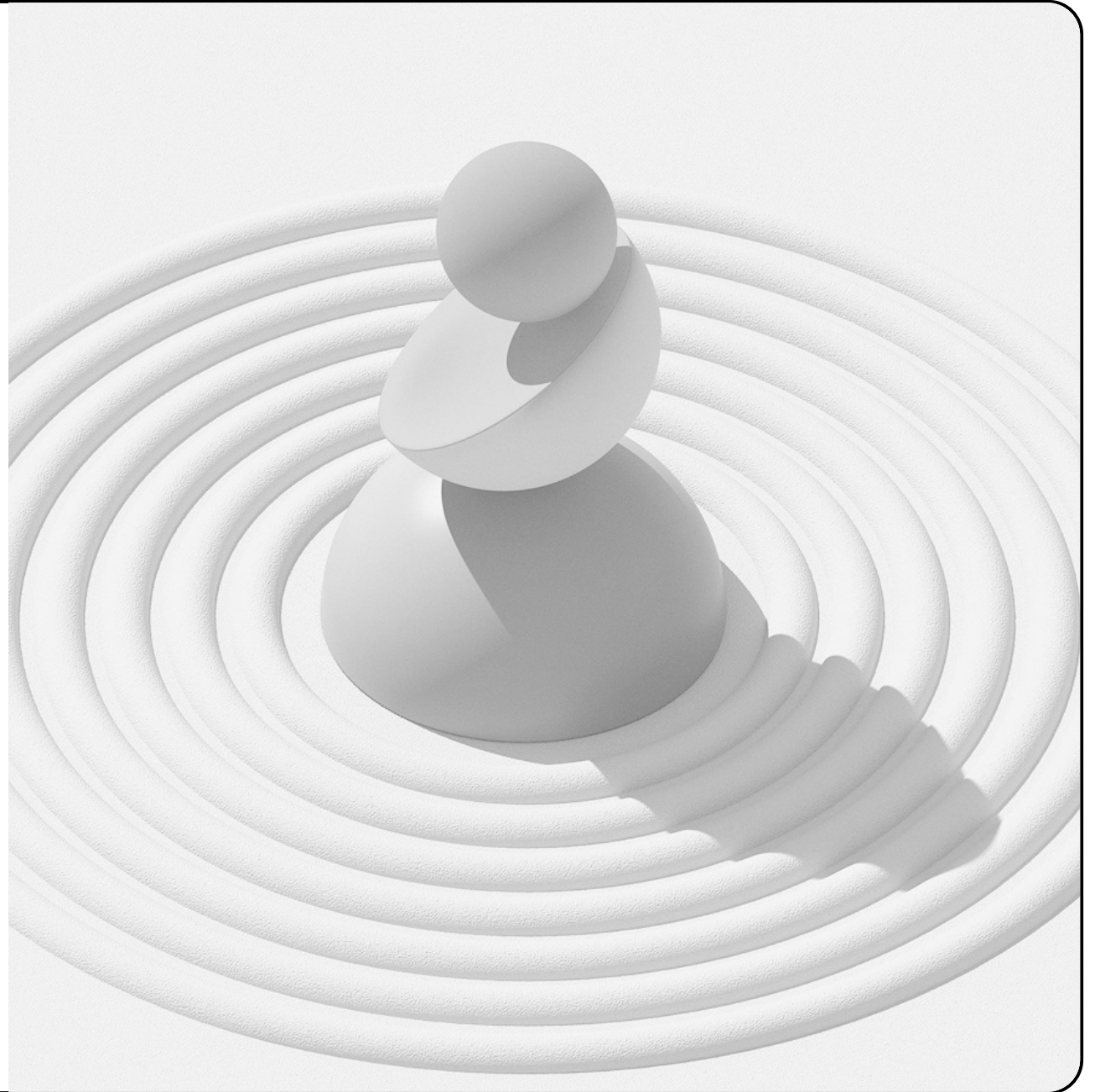
Presented by Jill A. Keppers, MPH
Executive Director, HRA of Duluth, Minnesota

READY ... SET ...
REPOSITION!!

WELCOME

SO...you might be interested in exiting public housing.

- Introductions
 - Name
 - Title
 - Agency
 - Size
 - Public Housing and/or Section 8





WHY REPOSITION?

Reasons to Consider Repositioning Out of Public Housing

- Operate Like a Business
- Historically Stable Funding
- Relieve Administrative Burden
- Tenant Benefits
- Take on Debt
- Potential Increase in Administrative Fees (under PBV)



WHAT ARE MY OPTIONS?

REPOSITIONING OPTIONS

- Section 22
 - Project Based Vouchers (*)
 - Tenant Based Vouchers
- RAD
 - RAD-PBV
 - RAD-PBRA
- Section 18
 - Project Based Vouchers
 - Tenant Based Vouchers
- RAD/Section 18 Blend
 - RAD-PBV
 - RAD-PBRA

SECTION 22

Voluntary Conversion Under Section 22 of the 1937 Housing Act.

- Voluntary Conversion Checklist:
https://www.hud.gov/sites/dfiles/PIH/documents/SAC_VoluntaryConversionsChecklist.pdf
- PIH Notices: 2008-35 and 2009-42.
- Streamlined option no longer exists.
- Must pass the "cost test." Downloadable Excel Workbook.
<https://www.hud.gov/helping-americans/public-indian-housing-sac/library#:~:text=PHA%20Repositioning%20Guides%20and%20Handouts>
- Tenant Based Vouchers UNLESS you receive the tenant's permission to project base.
- Must be closing out your public housing to use this option.



RENTAL ASSISTANCE DEMONSTRATION (RAD)

RAD – PBRA

- HAP Contract with HUD
- OCAF Annual Rent Increases
- Monitored by Minnesota Housing (Management and Occupancy Reviews)
- NSPIRE
- Follow HUD Handbook 4350 – replaces your ACOP

RAD-PBV

- HAP Contract with local PHA (or set up an LLC to sign the HAP Contract if you administer your own vouchers)
- HQS (or NSPIRE-V) will require an outside entity if PHA retains ownership either wholly or through an LLC/non-profit
- PHA earns Administrative Fees on the vouchers
- OCAF Annual Rent Increases



RENTAL ASSISTANCE DEMONSTRATION (RAD)

RAD PBRA vs. PBV Pros and Cons

- Break into groups – what would your group decide?
- Overview:

https://www.hud.gov/sites/dfiles/Housing/documents/RAD_PBV_vs_PBRA_Comparison_Guide_2025.04.09.pdf



SECTION 18

Section 18 Demolition/Disposition - Section 18 of the Housing Act of 1937

Checklist:

<https://www.hud.gov/sites/dfiles/PIH/documents/Section18ApplicationChecklist.pdf>

PIH Notice: 2024-40

<https://www.hud.gov/sites/dfiles/OCHCO/documents/2024-40pihn.pdf>

Disposition Justification:

- Surrounding Area – conditions in the area surrounding the project adversely affect the health or safety of the residents of the feasible operation of the project.
- Unit Obsolescence - due to physical condition (demolition).
- Efficient and Effective – Dispose and redevelop or construct either on-site or off-site.
- Scattered Sites – distance between units, lack of uniformity, etc. make them challenging to operate.
- 50 Units or Less – Very Small PHAs (or this is all you have left).



SECTION 18

Things to Note:

- May choose project-based or tenant-based vouchers (up to the PHA not the tenant).
- Receive the payment standard for your rents.
- Request rent increases from the contract administrator.
- Easier budgeting.
- You become a Section 8 landlord.
- HQS or NSPIRE-V conducted by approved entity.
- HUD is no longer involved except on the voucher side.



RAD/SECTION 18 BLEND

Essentially three types of blends:

Process:

<https://www.radresource.net/output.cfm?id=blendprcs>

1. Construction blend

https://www.radresource.net/webinar_show.cfm?vid=244

2. Small PHA (250 units or less) RAD/Section 18 Blend

https://www.radresource.net/webinar_show.cfm?vid=245

3. Very Small (50 units or less) PHA RAD/Section 18 Blend (Streamlined)

https://www.radresource.net/webinar_show.cfm?vid=246



RAD/SECTION 18 BLEND

What are my rents? RAD Rents Look-Up Tool:

<https://www.radresource.net/output.cfm?id=fy22rents>

What about my POHP Loan?

- With a RAD/Section 18 blend disposition to another entity is not required – you may retain ownership (per Jill’s email from HUD).
- HOWEVER, you will need to cover your initial deposit to replacement reserves (IDRR) with capital funds, operating funds, reserves, and/or other funds.



RAD/SECTION 18 BLEND

Items to Note:

- RAD PBV or PBRA – Single HAP contract, effective at start of construction.
 - Subsidy payments for occupied units or rehab assistance payments for units under construction.
- Residents are NOT re-screened and are automatically admitted into the Section 8 program.
- OCAF – rent adjustment each year.
- Cash flow from the property is UNRESTRICTED!
- If you have less than 50 units there is a streamlined process for the RAD/Section 18 Blend.



RAD/SECTION 18 BLEND

Process:

- RAD Application.
- HUD assigns Technical Assistance.
- PHA Plan and Consult with Residents.
- Property Due Diligence (CNA, ER).
- Concept Call and Submit Financing Plan (include Capital funds and operating reserves in plan).
- NO SEPARATE S18 APPLICATION!
- HUD issues the RAD Conversion Commitment and SAC issues S18 approval letter.
- Prepare Closing Package.
- HUD coordinates TPV funding.
- At Closing: Execution of Single HAP Contract, Removal of Public Housing Units from PIC, Release of DOT, Record the RAD Use Agreement.
- First year repairs (12-13 months to complete), then update information with final costs in the RAD Resource Desk (Completion Certification).



DECISIONS?

Anytown, MN PHA has 48 1-bedroom units

- 1-bedroom FMR is \$975.00
- Payment standard is \$1,043.25
- RAD/Section 18 Blend rent is \$1,006
- RAD-PBRA rent cap is \$1,073
- RAD-PBV rent cap is \$1,042
- DDTF rent boost \$55

Current budget (97% occupancy):

Op sub:	\$182,000
Tenant Rent:	\$129,000
Other Income:	\$ 12,000
TOTAL REVENUE:	\$323,200
TOTAL EXPENSES:	\$351,900
Income (Loss):	(\$28,700)
Capital Funds:	\$124,800
Bottom Line:	\$96,100

DECISIONS?

Compare RAD/S18 Blends with Section 18 Only – High Level

RAD-PBRA Rent with DDTF: \$1,061

Rental income: \$611,136
Other Income: \$ 12,200
TOTAL REVENUE: \$623,336

Vacancy 3%: (\$18,700)

TOTAL EXPENSES: (\$351,900)

Income (Loss): \$252,736

R for R Deposit: (\$28,800)

Bottom Line: \$223,936

Admin Fees: \$0

RAD-PBV Rent with DDTF: \$1,042

Rental income: \$600,192
Other Income: \$ 12,200
TOTAL REVENUE: \$612,392

Vacancy 3%: (\$18,372)

TOTAL EXPENSES: (\$351,900)

Income (Loss): \$242,120

R for R Deposit: (\$28,800)

Bottom Line: \$213,320

Admin Fees: \$ 40,320

Section 18 Rent: \$1,043.25

Rental income: \$600,912
Other Income: \$ 12,200
TOTAL REVENUE: \$613,112

Vacancy 3%: (\$18,393)

TOTAL EXPENSES: (\$351,900)

Income (Loss): \$242,819

R for R Deposit: (\$28,800)

Bottom Line: \$214,019

Admin Fees: \$ 40,320

CASE STUDY – DULUTH EXAMPLE

CONVERSION TYPE	REVENUE AND NET CASH FLOW BEFORE CONVERSION <i>(AFTER DEBT SERVICE AND CAPITAL FUND OPERATIONAL DEPOSITS)</i>		REVENUE AND NET CASH FLOW AFTER CONVERSION <i>(AFTER REPLACEMENT RESERVE DEPOSITS AND DEBT SERVICE)</i>	
Section 18 (250 units)	\$1,651,024	-\$608,900 (typically \$200K-\$300K in the red)	\$3,988,052	\$402,793
RAD PBRA (387 units)	\$2,777,383	\$15,836	\$3,904,819	\$418,785
RAD PBV (365 units)	\$2,881,787	\$130,444	\$4,214,031	\$1,076,651
RAD/S18 Blend (46 units) <i>Anticipated if using FY25 budget numbers</i>	\$404,165	\$16,178	\$776,455	\$340,168

DON'T FORGET ABOUT THE TENANTS!!!

- Resident meetings are required!
 - More than one.
 - Timing is important, there is an order to things (resident meeting, mayor letter, board approval – see the notice/checklist), if you don't do them in the right order – you must get it done AGAIN.
 - See fact sheet.
- Choice mobility!
 - Excellent benefit for the tenants.
 - First Available Voucher:
 - PBRA – after 2 years.
 - PBV – after 1 year.
- HUD has sample resident meeting slides – so do we!
 - <https://www.radresource.net/output.cfm?id=sampleradresmtg>

WHERE DO WE GO
FROM HERE?

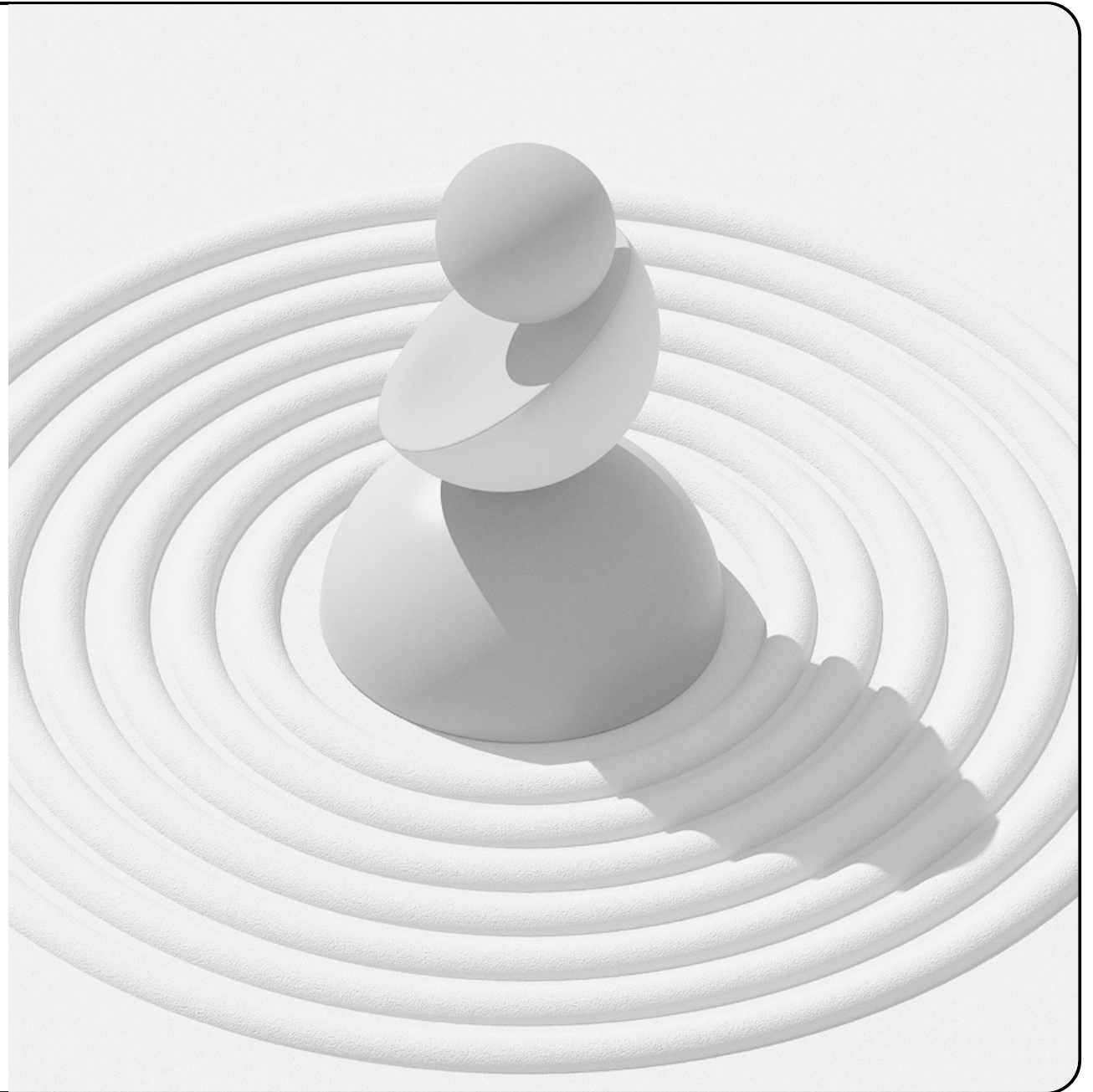
RESOURCES

- HUD Special Applications Center Document Library:

<https://www.hud.gov/helping-americans/public-indian-housing-sac/library>

- RAD Resource Desk – RAD Knowledge Base

<https://www.radresource.net/search.cfm?xid=22>



“STRIVE NOT TO BE A
SUCCESS, BUT RATHER TO BE
OF VALUE.”

Albert Einstein

Q & A

Thank you!

Jill Keppers

jkeppers@duluthhousing.com