



# Small Agency Streamlined Voluntary Conversion? What to Ask

The opportunity presented to small Public Housing Authorities (PHAs) to Voluntarily Convert their last remaining public housing properties to Section 8 Housing Choice Voucher Program assistance (PIH Notice 2019-5) is worth considering. With the removal of the cost test and other conversion assessment requirements, rents received may be significantly higher and justification is easier. See PHADA's article "HUD Pushes Public Housing Repositioning; Streamlines Conversions for Small Agencies" published in the April 17, 2019 issue of the *Advocate* for additional background.

PHADA appreciates HUD's efforts to provide additional repositioning tools, as PHAs need every possible avenue to finance housing modernization. PHADA encourages PHAs to investigate their options, and to get all of the information needed to make an informed decision on the best approach for their unique circumstances. Voluntary Conversion, like any other repositioning approach, presents many questions that must be

carefully considered in determining if it is right for any specific situation. Some of those questions are listed below.

Although the Voluntary Conversion for small agencies process is streamlined, there are still multiple steps and substantial documentation required. PHADA staff is available to assist you if you have any questions regarding the process or HUD's intent.

## If you plan to continue operating the property as housing:

### 1. Does the property have significant and immediate capital needs? If so,

- a. What are the potential sources of financing available to you?
- b. Do those mechanisms maintain affordability, and your control of the property, in the short and long term?
- c. Does that financing lead to self-sustaining operations and the ability to build adequate replacement reserves for the long term?

### 2. Who will own the property?

- a. PHAs can retain the property under provisions of PIH 2016-20 and 2 CFR 200.311, which require additional information submissions and either (a) compensation to HUD for the value of the property or (b) request for an exception to compensation rules in exchange for new housing use restrictions to households at or below 80% of AMI.
- b. PHAs can dispose of the property through sale or ground lease, requested via their Conversion Application. Use of any revenues generated by the sale or lease are subject to HUD approval.

### 3. Do you intend to project-base the vouchers?

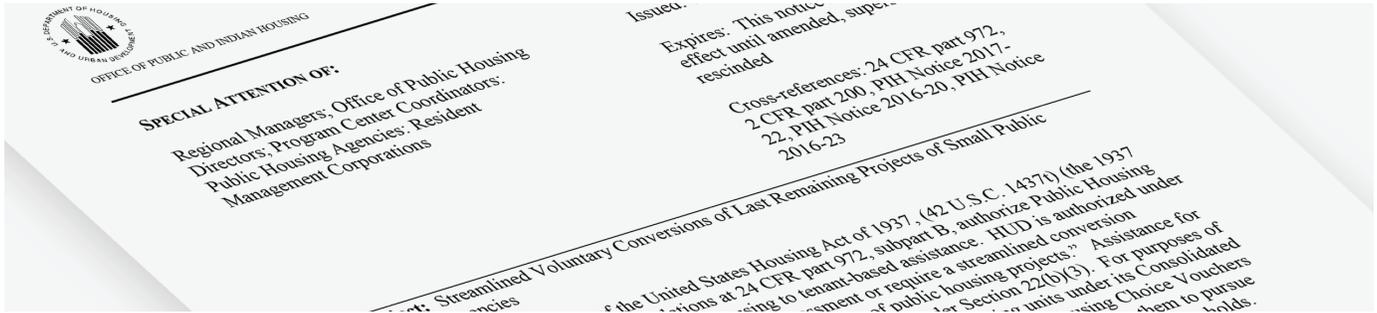
- a. Under law, tenants have a right to tenant-based assistance, so will all or most tenants voluntarily relinquish their tenant-based assistance in exchange for project-based assistance?
- b. Are you prepared to work with households to fully explain their options and document those efforts prior to requesting their written consent to accept project-based assistance?

### 4. If voucher tenants move out, will you be able to lease the property at adequate rent levels to sustain the property, and continue compliance with any remaining use restriction?

### 5. Do you have tenants who are over-income for the HCV Program? If so, how will you ensure they continue to have comparable housing that is affordable to them?

### 6. Do you have significant Operating Reserves and what are your plans for them?

- a. Under Public Housing close-out rules, Operating Reserves must be returned to HUD (unlike RAD conversions where operating reserves can be retained as project reserves). Can you expend the reserves prior to close-out? (See "HUD Issues Revised Public Housing Closeout Notice," *Advocate*, July 3, 2019).



---

## If you plan to dispose of the property through demolition and/or disposition:

1. Will the elimination of the public housing units have a significant impact on the availability of affordable housing or the poverty rates in your community?
2. Are their adequate housing options in the community where current tenants can utilize their Housing Choice Voucher?
3. Are you able to support resident relocation as required by HUD and the Uniform Relocation Act?
4. What are the future plans for the property?
  - a. If continued use as residential under new ownership is planned, will tenants be able to stay in their units using their HCV (as required)?
  - b. If other use is planned, will it benefit low income residents? If not, what is your plan for use of the funds (subject to HUD approval) or are you prepared to return Fair Market Value revenues to HUD as per PIH Notice 2016-20 and/or 2019-13?

---

## Under either retention or disposition of the existing housing, the following additional questions are important to consider:

1. Do you have a voucher program? If not, is there another agency you are comfortable with administering the vouchers you will receive?
2. Will your action have a positive impact on your PHA, the affected residents, and the community including the surrounding neighborhood?
3. Do you, or will you be able to secure, support of your tenants, Board, and local elected officials?
4. Are you able to complete the required environmental reviews required under Parts 50 or 58?
5. Are you able to meet all existing financial commitments (CFFP, OFFP, EPCs, Repayment agreements, etc.)?
6. Will your plan face any obstacles in a civil rights review by HUD's office of Fair Housing and Equal Opportunity?
7. Are there any state laws that might restrict future operations or use of the property or disposition proceeds?
8. How does Voluntary Conversion compare to conversion via RAD or Section 18 disposition? When comparing options, factors to consider include:
  - Rent levels
  - Use of reserves
  - Declarations of trust and/or restrictive use covenant terms
  - Possibilities for third party investments
  - Property control post-conversion
  - Ability to establish adequate replacement reserves for future improvements