EJP CONSULTING GROUP

RAD/ SECTION 18 BLEND FOR SMALL PHAS

REPOSITIONING FOR THE FUTURE

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What do we mean by "reposition"?

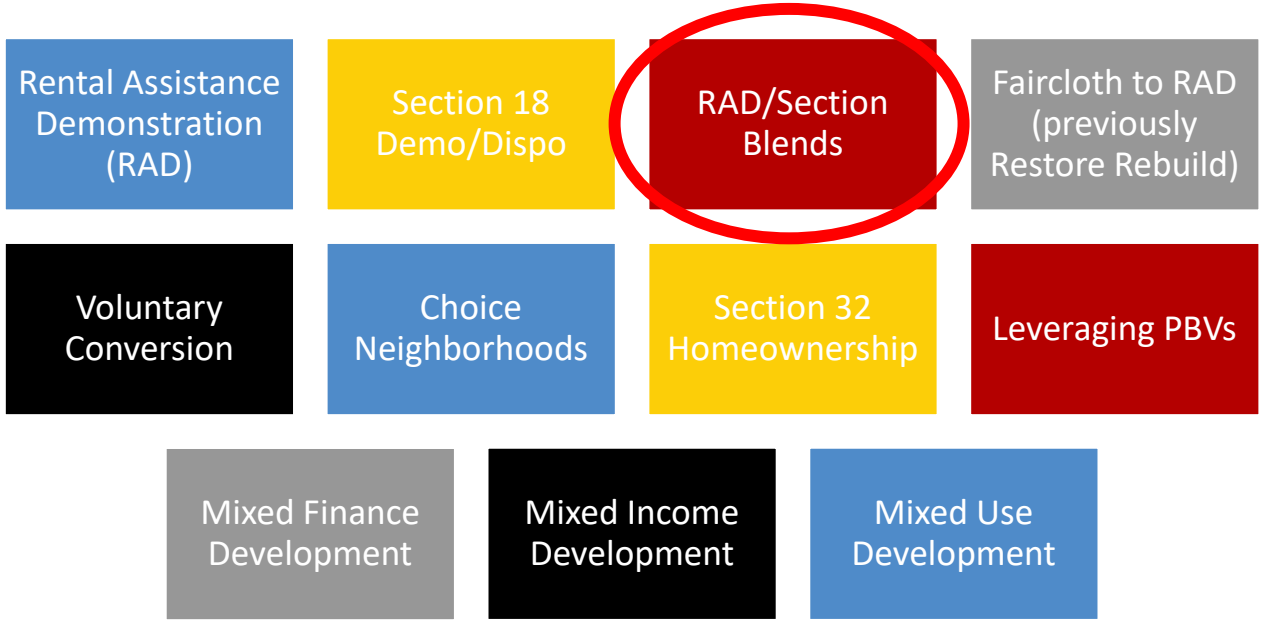
- Facilitate the preservation, rehabilitation, or demolition and new construction of units by increasing access to financing to address capital needs
- Preserve the availability of affordable housing assistance, either through a physical unit or voucher

Why reposition public housing?

- Conversion to long-term, Section 8 rental assistance contracts means:
  - More revenue for the same unit
  - Local ownership and control
  - No more public housing programs (CFP, community service, etc.)

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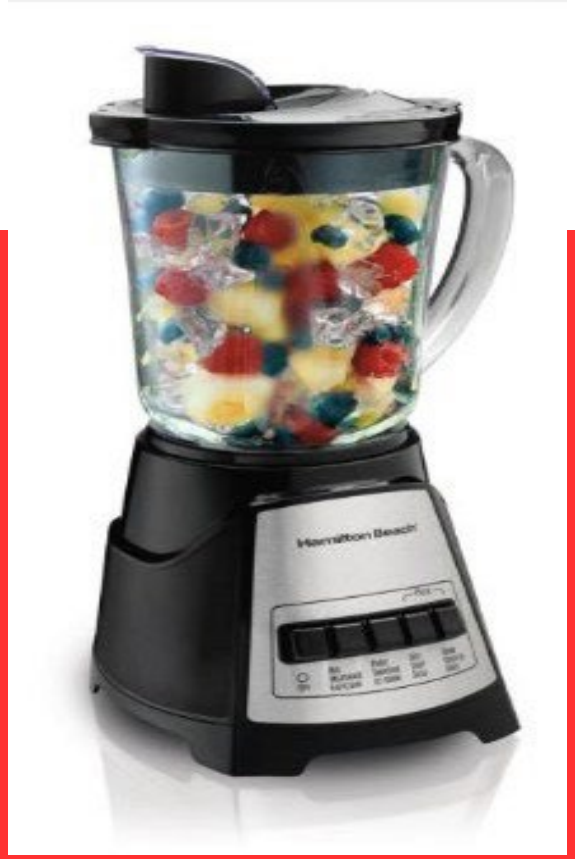
HUD Repositioning Toolkit



WHAT IS A RAD/ SECTION 18 BLEND?

- Combines the Rental Assistance Demonstration (RAD) and Section 18 programs to allow PHAs to convert public housing to the Housing Choice Voucher (HCV) program

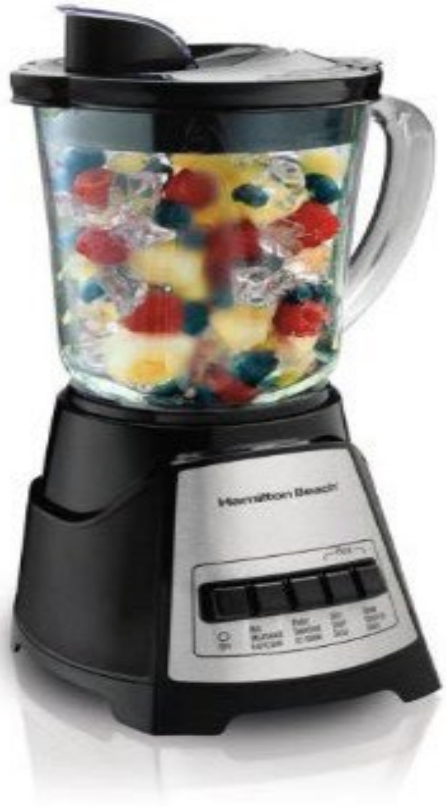
  - Higher per unit rents
  - Robust resident rights
  - RAD one-for-one replacement
  - Public housing funds can be used pre-, during and post-conversion
  - HUD review and underwriting of entire project to ensure project viability



RAD/ SECTION 18 BLEND FOR SMALL PHAS

For any PHA with <=250 public housing units, up to 90% of the units may be disposed under Section 18 (S18) and qualify for rents up to 110% of the FMR

- Units under S18 had to have been occupied within the last 12 months (used to be 24)
- Rents are averaged between S18 and RAD rents
- PHA must submit a repositioning plan 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 or one approved with a HUD waiver



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DID YOU KNOW?

- Texas has approximately 400 PHAs
  - Approximately 348 have/ had Public Housing
    - 30 have more than 250 units
    - 318 have 250 units or less
      - 315 of the 318 would see a revenue increase from 1% to 153% under a RAD/ Section 18 Blend for Small PHAs
        - **The average rent revenue increase for a small PHA in Texas would be 51%**



SO – WHAT DOES THIS REALLY MEAN?



01

Today, you operate as public housing and rely on tenant rents, operating subsidy, and capital fund subsidy to operate your units

02

Congress gives you on average $0.90 of every dollar you request in funding through the public housing program

03

Repositioning means changing your funding source from public housing to the Housing Choice Voucher program (HAP) and changing the overall ownership structure to put YOU in the driver's seat

04

After repositioning, the property now operates more like a private property in the HCV program: your owner entity receives HAP and tenant rent like a private landlord, and the revenue your owner entity generates is unrestricted

05

The PHA can make local decisions on how to use your funds, what do to with the property, and how to sustain your agency going forward

AND – WHAT ELSE??



06

You remain a PHA – just without any public housing. You still have a Board and Board meetings, you still have to follow state procurement rules, you still provide safe, decent and sanitary affordable housing under your mission.

07

If you have your own HCV program, you can serve as your own contract administrator and receive administrative fees to manage your own vouchers.

08

If you don't have your own HCV program, you need to find a partner PHA with an HCV program to manager your vouchers. This is a long-term relationship so choose wisely!

09

There are a LOT of ways to go about repositioning, even under a blend. Decide what your PHA wants to be at the end of the process and develop a plan to get you to the goal.

10

BE FLEXIBLE AND PATIENT.
There will be lots of stops and starts, and changes in direction if something better pops up. Think long-term and don't shoot yourself in the foot by making decisions today without understanding the consequences.

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CASE STUDY – ROUND ROCK HOUSING AUTHORITY

Current Average Total Revenue Received Per Unit

(Operating Subsidy, Capital Fund Subsidy, & Tenant Rent)

1BR = $725
2BR = $860
3BR = $1,089

Projected Rents Received under RAD/ S18 Blend for Small PHAs

(HAP + Tenant Rents)

1BR = $1,609
2BR = $1,907
3BR = $2,417

Annual Gross Potential Rent Revenue increases from $1,006,000 to $2,233,000 ANNUALLY



And what does this mean for residents?

- PHA can use additional revenue to improve conditions of existing units or build new units
- Long-term availability of affordable housing through 20-year HAP contracts
- Absolute right to return to new/ rehabbed unit (no rescreening)
- Additional flexibility to move to better housing and/or places of opportunity

BUT LET'S BE HONEST –
IT'S NOT EASY AND IT TAKES TIME AND MONEY

The RAD/ Section 18 Blend process can take on average 12 – 24 months



Due Diligence

You need to get a third party capital needs assessment, radon tests, environmental review – then fix things that show up in your reports



Residents

You need to have lots of meetings with residents to explain the changes and how it will impact them and their rent



HUD Paperwork

There are multiple stages of applying, waiting, submitting more stuff, waiting, submitting more stuff, waiting, and then finally getting attorneys involved for closing and conversion

BUT WHEN ALL IS SAID AND DONE…….

More revenue means more money for your properties

No more public housing rules (though you still need to follow HCV/ PBV program rules)

Your PHA still exists as a PHA, but now you have more flexibility to use your funds the way YOU see fit

Your tenants still get long-term affordable housing through the HCV program and can even transfer under Choice Mobility

You have LESS to do with HUD and operate more independently

And now the fun can REALLY begin…

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THANK YOU!

Questions & Discussion