



A real estate company with a social mission.

HACM Portfolio Repositioning

Travaux Board Meeting

July 13, 2023

Agenda



- HACM Portfolio
- HUD Public Housing - Portfolio Repositioning
- HACM Modernization and Development Services (MDS)
Evolution to Travaux
- Travaux Opportunity

HACM Housing Portfolio

- 22 Total Developments Throughout the City of Milwaukee
- 5,009 Total Housing Units
- Average Age of Developments: 50 Years
(Excluding Scattered Site Units)

Public Housing

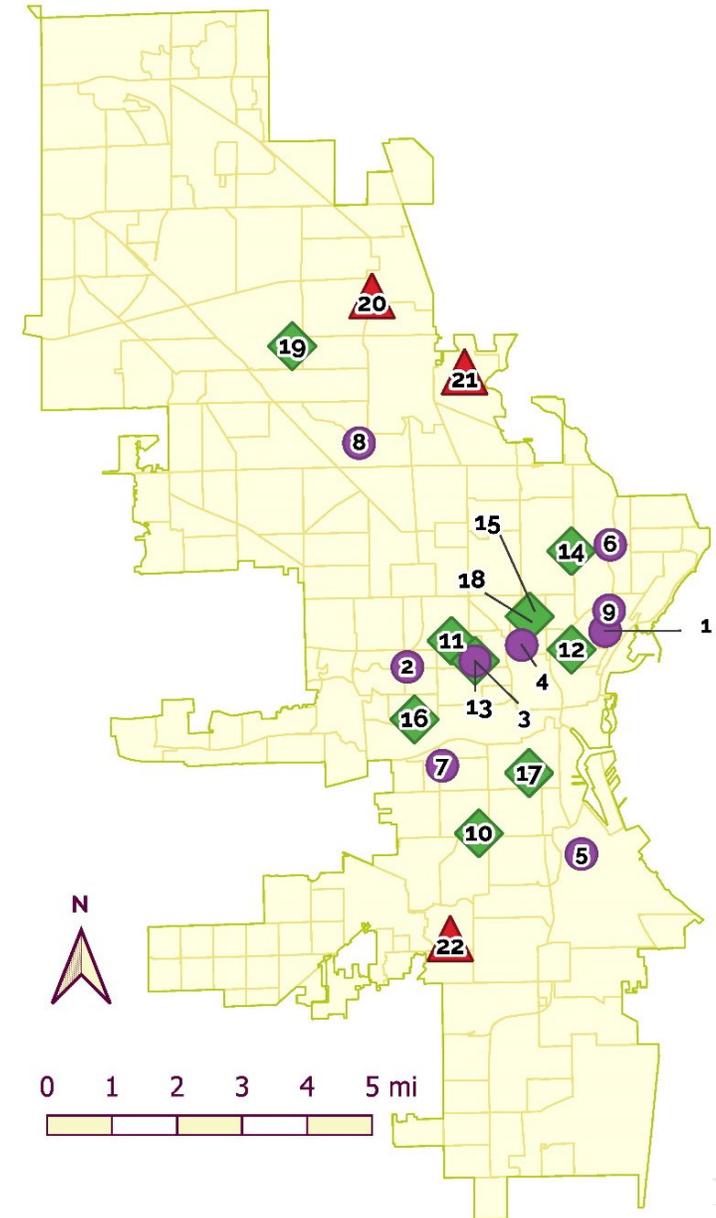
1. Arlington Court
 2. College Court
 3. Highland Homes
 4. Hillside Terrace
 5. Lincoln Court
 6. Locust Court
 7. Mitchell Court
 8. Parklawn
 9. Riverview
- Scattered Sites are not shown

LIHTC

10. Becher Court
11. Cherry Court
12. Convent Hill
13. Highland Gardens
14. Holton Terrace
15. Lapham Park
16. Merrill Park
17. Olga Village
18. Townhomes at Carver Park*
19. Westlawn Gardens*

Market Rate

20. Berryland
21. Northlawn
22. Southlawn



*Mixed-Income Developments

Why reposition public housing?



Public Housing Repositioning has allowed Public Housing Agencies (PHAs) to:

- Modernize aging properties
- Stabilize property revenues
- Conduct substantial rehabilitation
- Demolish/redevelop distressed/obsolete properties
- Support neighborhoods of opportunities
- Create mixed-income communities
- Streamline operations

HUD and PHA shared goals

- Improve physical conditions
- Stabilize financial performance & long-term operations
- Secure improved access to affordable housing

What does “repositioning” mean?

Unit is taken out of the federal public housing inventory and converted from Public Housing Section 9 to Section 8

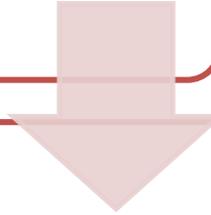
Preserve affordable housing availability,
using a project-based unit or voucher

Why reposition public housing?

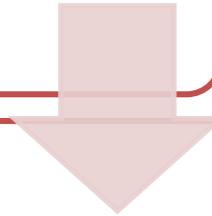


- Backlog of capital needs estimated at \$26 billion in 2010
 - During the last decade, capital fund appropriations have dwindled, while ongoing accrual needs have increased dramatically. Currently, Capital Fund appropriations average less than \$2 billion annually, while annual capital accrual needs are estimated at \$3.4 billion. HUD estimated the capital needs backlog in 2010 as at least \$26 billion. CLPHA estimates that the backlog is, in fact, \$70 billion -- and growing.
- Conversion to long-term, Section 8 rental assistance contracts:
 - Stabilizes project revenue
 - Provides access to debt and equity to finance capital needs
 - Simplifies program administration

Better physical conditions



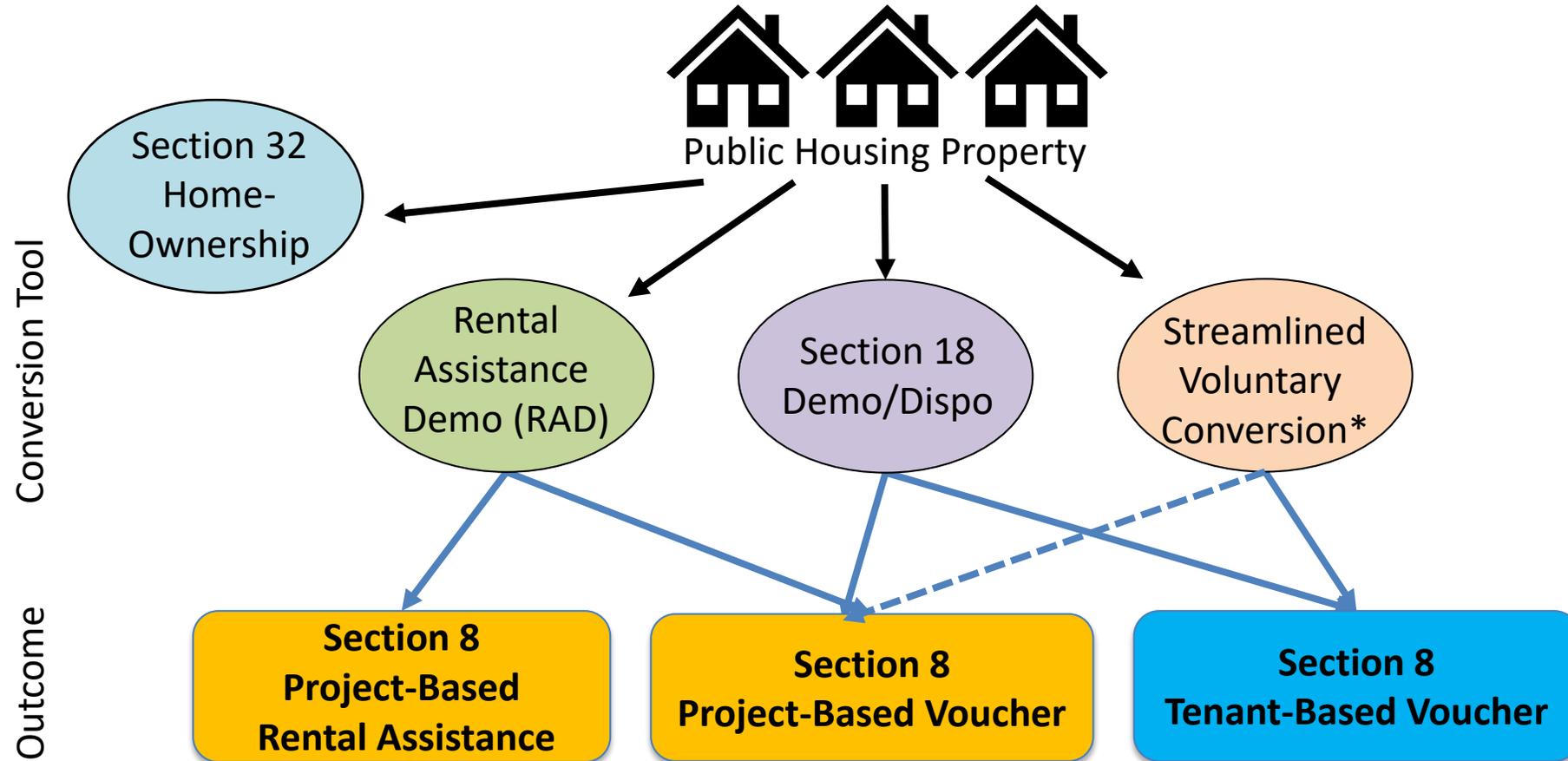
Long-term affordable rental assistance



Flexibility to move through Housing Choice Voucher (HCV) program requirements

What do residents gain?

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.

Rental Assistance Demonstration (RAD) Overview

What is RAD?



- RAD designed to address growing backlog of capital needs, estimated at \$26 billion in 2010
- Authorized in 2011, RAD now allows 455,000 public housing units to convert to long-term, Section 8 rental assistance contracts, allowing:
 - Better access to debt and equity to finance capital needs
 - Stronger platform for long-term preservation
 - Program simplification
 - Robust resident rights

RAD: Key Features



Rents

Predictable contract rents to start and adjusted by Operating Cost Adjustment Factor (OCAF)



Capital Needs

PHA secures financing, funds Replacement Reserve and completes capital needs assessment



Tenant Rights

Right of return, choice mobility and no rescreening
Retain organizing & procedural rights



Public Stewardship

Ownership/control by public or non-profit with use agreement
Long-term Housing Assistance Payment (HAP) contract renewable at expirations

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 Project Based Voucher (PBV) or Project Based Rental Assistance (PBRA).*

RAD – Key Takeaways



- **More Stable Funding Platform** - The Section 8 program is a much more stable and reliable funding platform for the long-term preservation of low-income housing, with long-term subsidy contracts and automatic annual rent adjustment factors.
- **More Rational Regulatory Environment** - By converting to Section 8, PHAs leave behind a much more complicated regulatory environment, including such requirements as Annual Plans, Community Service, and the Public Housing Assessment System.
- **Better Able to Leverage Debt and Equity** - Section 8 is a much more reliable tool for leveraging private capital (mostly due to the long-term housing assistance payments contracts that have annual adjustments in contract rents).

RAD – Key Takeaways (continued)



- **Long-term Public/Non-Profit Ownership or Control and Affordability Restrictions -** The RAD statute requires converting projects to be owned or controlled by a public or non-profit entity, enforced through perpetual use agreements that get recorded with local land records.
- **Strong Resident Rights and Protections -** All residents of converting projects have an absolute right to return and any temporary relocation is covered by the Uniform Relocation Act. RAD also requires significant resident input. When the project converts to Section 8, tenants pay 30% of their income.
- **Utilization of Public Housing Funds -** RAD is the ONLY repositioning tool that allows a PHA's public housing funds (including any public housing reserves) to be broadly utilized for conversion related expenses such as pre-development costs, construction costs, establishing a project reserve, etc.

RAD Public Housing Status

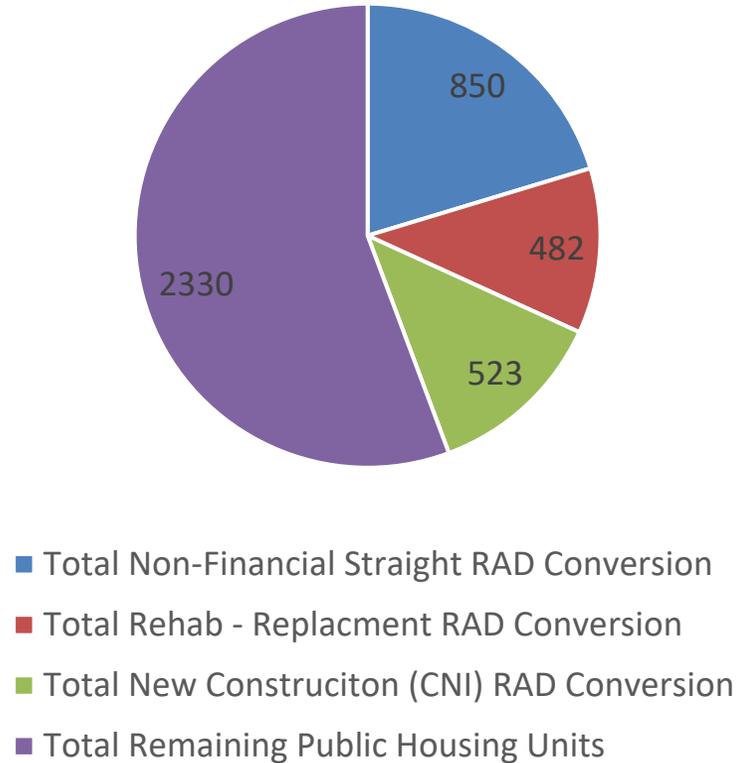


- 169,369 public housing units converted
176,698 units are in the pipeline, leaving 108,933 available under the statutory cap
- \$16.7 Billion in construction investments
- Over 315,000 jobs created
- Over 90% of residents remain in or return to the property after conversion
- Almost 10,000 units moved to neighborhoods with lower poverty and better amenities
- Over \$15 in other funds leveraged for every \$1 of public housing appropriated funds used



HACM Conversion Status

Converted = 1,855 units



Public Housing = 2,330 units

Arlington Court	WI002000013	230
College Court	WI002000011	251
Hillside Terrace	WI002000001	470
Lincoln Court	WI002000019	110
Locust Court	WI002000015	230
Mitchell Court	WI002000017	100
Parklawn	WI002000007	380
Riverview	WI002000062	180
Scattered Sites - Cherry Court	WI002000063	69
Scattered Sites - Highland Homes	WI002000060	56
Scattered Sites - Milwaukee	WI002000010	54
Scattered Sites - North/West	WI002000016	137
Scattered Sites - South	WI002000061	63

HACM estimates the non-emergency backlog of capital needs at public housing developments to be in excess of \$198 million.

Converting Public Housing to Project Based Section 8



Public Housing
Property

RAD is designed to convert public housing properties to project-based Section 8 in a single step.

“Section 18” authorizes a sale of the property and generates tenant protection vouchers which the PHA can attach to the property (making them “project-based”).

PHAs can use both Section 18 and RAD together - referred to as a “RAD-Section 18 Blend.”



Project-Based
Section 8 Property

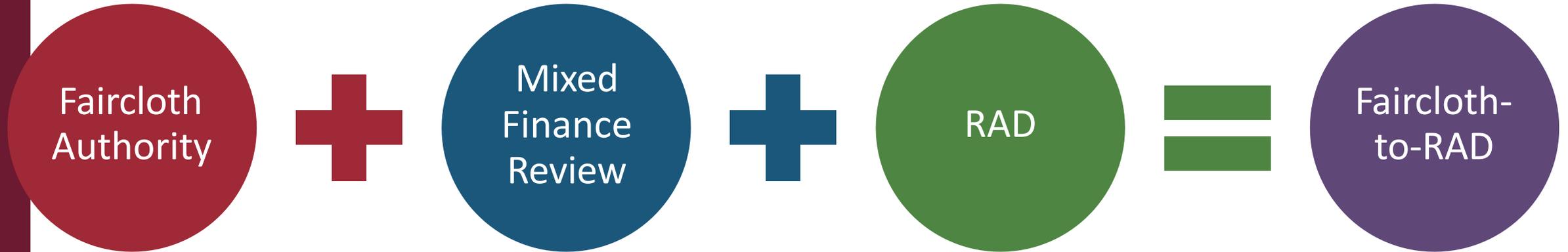
(HUD also has conversion tools which result in tenant-based vouchers.)

Two Types of RAD-Section 18 Blends

- Construction Blends - Based on proposed construction costs for new construction or rehabilitation relative to HUD-published “Housing Construction Cost” (HCC) thresholds

Required HCC Threshold	RAD / Section 18 Blend Percentage
>30%	80% RAD / 20% Section 18
>60%	60% RAD / 40% Section 18
>90%	40% RAD / 60% Section 18
>90% + in high-cost area (Local HCC > 120% of national average HCC)	20% RAD / 80% Section 18

Faircloth-to-RAD



- Opportunity to create new deeply affordable housing with new rental assistance
- Units are developed as public housing but underwritten anticipating the Section 8 contract and Section 8 rents
- Merged and streamlined underwriting and approval process
- Once property is developed, it can immediately convert under RAD

MODERNIZATION & DEVELOPMENT SERVICES

HACM acts as the developer for its own projects and those of others.
Developer's fees are put back into HACM operations.

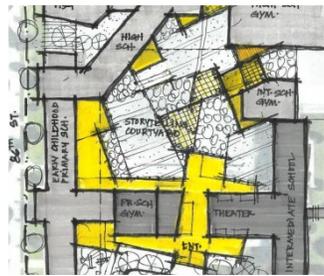
HACM created Travaux to deliver these services.





An instrumentality* of the HACM that designs, develops, constructs, and manages a continuum of housing and mixed-use options for the affordable and market rate real estate market throughout Wisconsin.

SERVICE AREAS



Real Estate
Development



Real Estate
Construction



Real Estate
Finance
Consulting



Asset
Management

*Many PHAs are establishing “**Affiliates and Instrumentalities**” to provide services and own developments. These entities are nonprofit organizations established by Public Housing Authorities (PHAs) and governed by state and local laws. If they use HUD funding, they are subject to HUD regulations as defined in PIH Notice 2011-47 (See Attachment). The distinction between Affiliates and Instrumentalities relates to the PHA’s level of control. For purposes of this report, the term Affiliate will be used to refer to both types of entities unless further clarification is provided.

Development & Construction



Development	Units	Conversion Type	Total Development Cost
Becher Court	120	Rehab	\$ 13,504,760
Holton Terrace	120	Rehab	\$ 12,807,437
Merrill Park	120	Rehab	\$ 16,435,480
Townhomes at Carver Park	122	Rehab	\$ 24,468,872
Victory Manor	60	New Construction	\$ 16,962,793
Westlawn Gardens Scattered Sites	30	New Construction	\$ 8,458,850
Westlawn Renaissance III	94	New Construction	\$ 41,747,805
Westlawn Renaissance IV	60	New Construction	\$ 18,125,407
Westlawn Renaissance VI	138	New Construction	\$ 61,247,379
Westlawn Renaissance VI	44	New Construction	\$ 16,323,987
Westlawn Renaissance VII	97	New Construction	\$ 49,794,269
TOTAL	1,005		\$ 42,747,677



Development & Construction



The Caroline

32-story tower would be a mix of high-end market-rate units and affordable housing for a total of up to 350 units (this mix is yet to be determined). The development will also contain up to 13 townhomes, over 40,000 square feet of office space, a 425-space parking structure, swimming pool, fitness center, and outdoor courtyards.



Preservation of Affordable Housing at Hillside Terrace

Current Housing Stock

1 BD	2 BD	3 BD	4 BD	5 BD	TOTAL
69 units	237 units	120 units	36 units	8 units	470

Current Challenges

- Deteriorating quality of housing.
- Declining financial resources.
- The buildings are over 60 years old and some need major rehab. Ongoing maintenance costs are estimated at \$4,000,000 annually.
- The high-rise alone needs an estimated \$10 million for exterior repairs. This estimate does not include interior rehab needs.

Current Opportunities

- The Housing Authority would like to work with Hillside residents to leverage the **Rental Assistance Demonstration (RAD)** conversion to develop a more comprehensive and sustainable plan for Hillside Terrace.
- Maintain integration amidst changes occurring in the surrounding neighborhood.
- Located within a federally designated Opportunity Zone.

Asset Management



- Properties Managed under HACM-Travaux Cooperation Agreement = 1,698 units
 - 120 units @ Becher Court
 - 120 units @ Cherry Court
 - 80 units @ Convent Hill
 - 114 units @ Highland Park
 - 120 units @ Holton Terrace
 - 201 units @ Lapham Park
 - 48 units @ Scattered Site Tax Credit 1 & 2
 - 122 units @ Townhomes at Carver Park
 - 60 units @ Victory Manor
 - 30 units @ Westlawn Gardens Scattered Sites
 - 250 units @ Westlawn Renaissance
 - 94 units @ Oak & Walnut @ Westlawn Gardens
 - 60 units @ Beech & Chestnut @ Westlawn Gardens
 - 138 units @ Westlawn Renaissance VI – Townhomes
 - 44 units @ Maple @ Westlawn Gardens
 - 18 units @ Hickory @ Westlawn Gardens
 - 79 units @ Westlawn Renaissance VII – Townhomes
- Travaux Property Management Agreement – Market Rate Properties
 - 390 @ Berryland
 - 247 @ Northlawn
 - 341 @ Southlawn
- Highland Gardens resyndication identified Travaux as Management Agent – Estimated Closing Summer 2024
- Contract potential with HACM wholly owned sites (Investor Exit)



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Thank You!