

Housing Authority of the City of Milwaukee



HACM Portfolio Repositioning

As of 2/1/2020

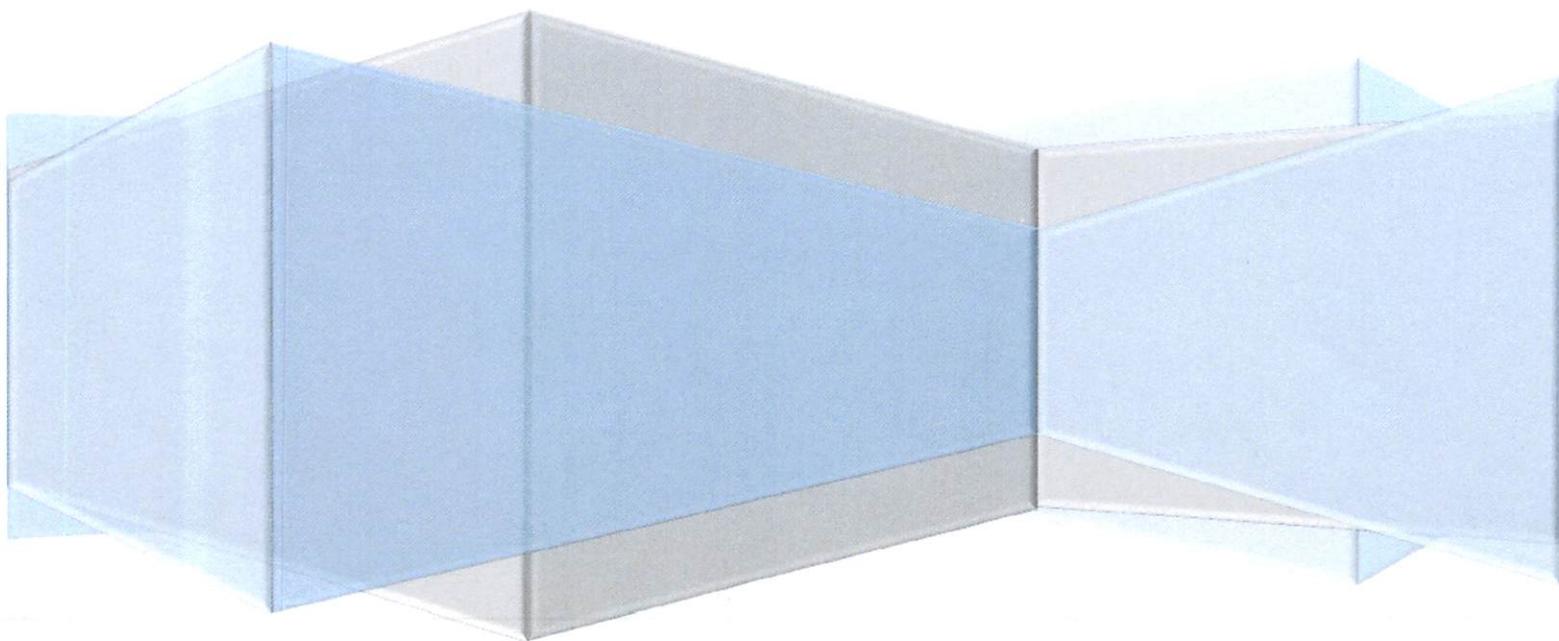


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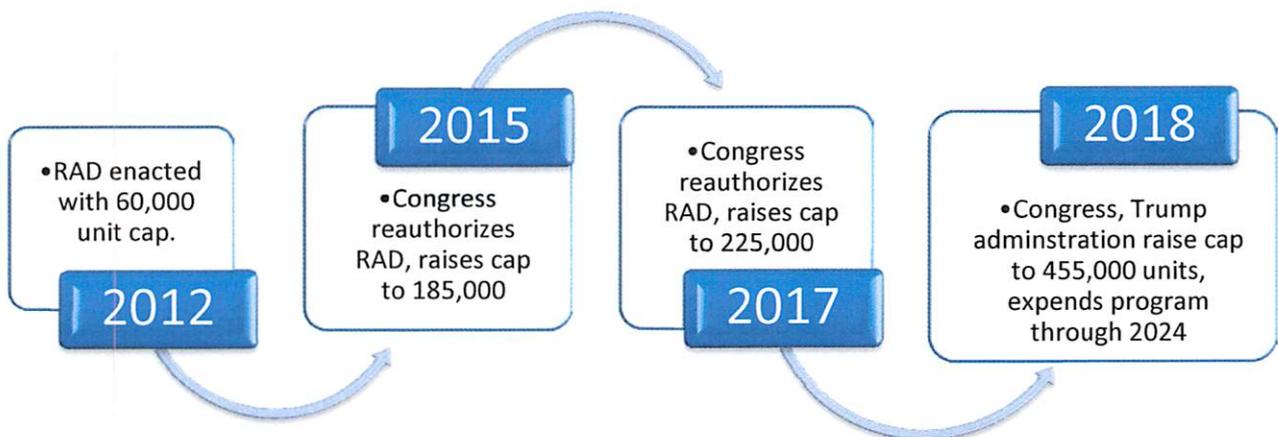
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Rental Assistance Demonstration (RAD) History

RAD was created in order to give public housing authorities (PHAs) a powerful tool to preserve and improve public housing properties and address the \$26 billion dollar nationwide backlog of deferred maintenance identified in 2010. RAD also gives owners of three HUD "legacy" programs (Rent Supplement, Rental Assistance Payment, and Section 8 Moderate Rehabilitation) the opportunity to enter into long-term contracts that facilitate the financing of improvements.

Five Things You Should Know About Public Housing Conversions

1. RAD allows public housing agencies to **leverage public and private debt and equity in order to reinvest in the public housing stock**. This is critical given the backlog of public housing capital needs - estimated at over \$35 billion.
2. In RAD, units move to a Section 8 platform with a long-term contract that, by law, must be renewed in perpetuity. A Use Agreement is also recorded under RAD further enforcing HUD's long-term interest. **This ensures that the units remain permanently affordable to low-income households.**
3. Residents benefit from a right of return, a prohibition against re-screening, and robust notification and relocation rights. Residents continue to pay 30% of their adjusted income towards the rent, **maintain the same basic rights** as they possess in the public housing program, and gain a new option to request tenant-based assistance if they wish to subsequently move from the property.
4. RAD **maintains the ongoing public stewardship** of the converted property through clear rules requiring ongoing ownership or control by a public or non-profit entity.
5. RAD is highly cost-effective, **relying on shifting existing levels of public housing funds to the Section 8 accounts** as properties convert.



Highlights from HUD’s RAD Final Evaluation Report

The Rental Assistance Demonstration (RAD) Final Report analyzes whether RAD preserves affordable housing by improving physical conditions and stabilizing the financial footing of properties. The report also examines how tenants and PHAs are impacted by the program. This evaluation meets Congress’s requirement to report on the early observable impacts of RAD on (1) *the preservation and improvement of former public housing units; (2) the amount of private capital leveraged as a result of such conversion; and (3) the effect of conversion on residents.*

Statistics as of October 2018.

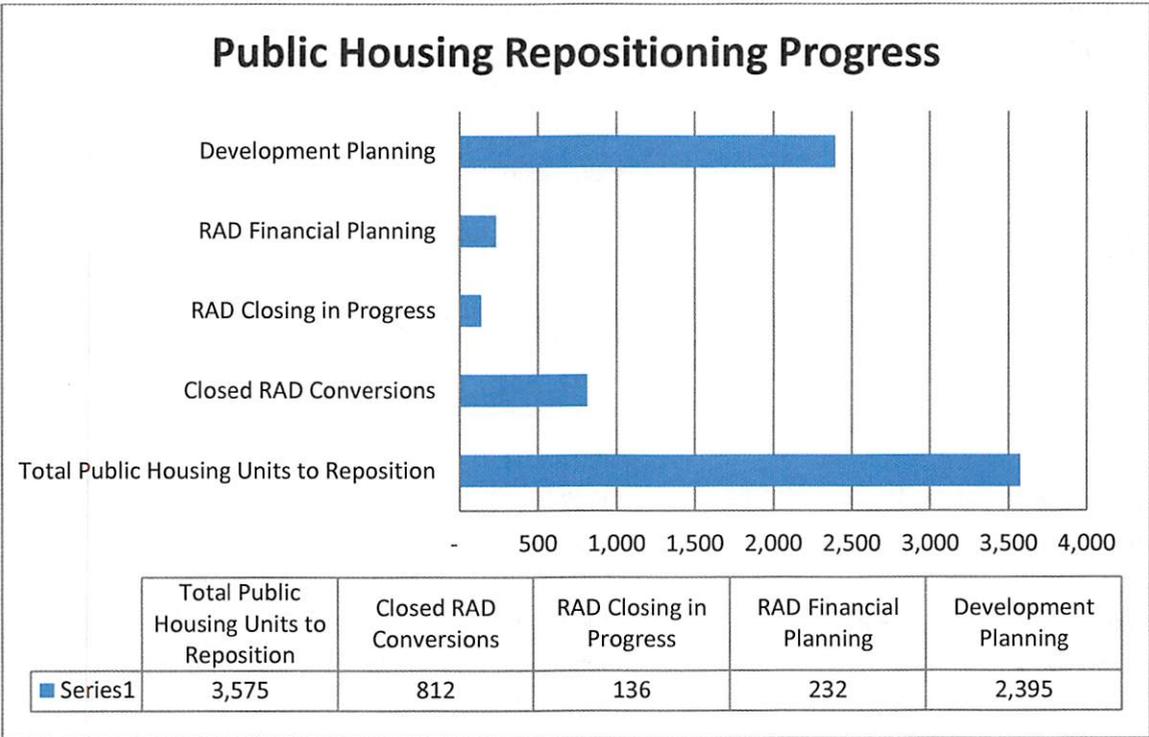


\$12.6 Billion	Funds raised in RAD
38.6%	Percent funded by investor equity (mostly LIHTC)
\$9.66	Amount of funding leveraged by each \$1 of public housing funds
409	Number of Public Housing Authorities in RAD

To view the full report, please view HUD’s website.

<https://www.huduser.gov/portal/publications/RAD-Evaluation-Final-Report.html>

HACM Portfolio Conversion Status



Development Name	AMP #	Units	RAD Stage
Cherry Court	WI002000064	70	Closed
Convent Hill	WI002000065	42	Closed
Highland Gardens	WI002000049	46	Closed
Holton Terrace	WI002000008	120	Closed
Lapham Park	WI002000075	131	Closed
Merrill Park	WI002000091	120	Closed
Olga Village	WI002000068	37	Closed
Scattered Sites Tax Credit I	WI002000066	24	Closed
Scattered Sites Tax Credit II	WI002000067	12	Closed
Westlawn Gardens (East)	WI002000071	64	Closed
Westlawn West Phase 2A - Victory Manor	WI002000070	44	Closed
Westlawn West Phase 2B - WRIII	WI002000070	84	Closed
Westlawn West Phase I - WRII	WI002000070	18	Closed
Westlawn West Phase 4B - WRVI	WI002000070	136	Closing in Progress
Becher Court	WI002000018	120	Financial Planning
Westlawn West Phase 3 - WRIV	WI002000070	16	Financial Planning
Westlawn West Phase 4A - WRV	WI002000070	54	Financial Planning
Westlawn West Phase 4C - WRVII	WI002000070	42	Financial Planning
Arlington Court	WI002000013	230	Development Planning
College Court	WI002000011	249	Development Planning
Highland Homes	WI002000060	56	Development Planning
Hillside Terrace	WI002000001	470	Development Planning
Lincoln Court	WI002000019	110	Development Planning
Locust Court	WI002000015	230	Development Planning
Mitchell Court	WI002000017	100	Development Planning
Parklawn	WI002000007	380	Development Planning
Riverview	WI002000062	180	Development Planning
Scattered Sites - Cherry Court	WI002000063	70	Development Planning
Scattered Sites - Milwaukee	WI002000010	61	Development Planning
Scattered Sites - North/West	WI002000016	144	Development Planning
Scattered Sites - South	WI002000061	64	Development Planning
Townhomes at Carver Park	WI002000046	51	Development Planning

Active Project Update

Holton Terrace

Located at 2825 N. Holton Street Milwaukee, WI 53212, Holton Terrace is a nine-story building with 120 apartments with a preference for senior and adults with disabilities. The building is conveniently located on public transportation lines in Milwaukee's Riverwest neighborhood.



Holton Terrace closed with the Equity Investor RBC and debt provider WHEDA in July 2019. Construction started July 2019 and is estimated to be complete in June 2020. Travaux is the General Contractor coordinating the renovations.

Scope of work includes modernization to 24 units to be fully ADA accessible, renovations to 96 standard units, first floor common area remodel, parking lot repaving, elevator modernization and a new monument sign.

Below are photos of completed standard unit.



Merrill Park

Located at 222 N. 33rd Street Milwaukee, WI 53208, Merrill Park is a nine-story building with 120 apartments with a preference for senior and adults with disabilities. The building is nestled in Milwaukee's near west side neighborhood with easy access to the freeway.



Merrill Park closed with the Equity Investor RBC and debt provider WHEDA in December 2020. Construction is estimated to start in April 2020 and is estimated to be complete in August 2021. Travaux is the General Contractor coordinating the renovations.

Scope of work includes modernization to 24 units to be fully ADA accessible, renovations to 96 standard units, first floor common area remodel, elevator modernization, parking lot repaving, roof replacement, façade repair and a new monument sign.

Westlawn Gardens

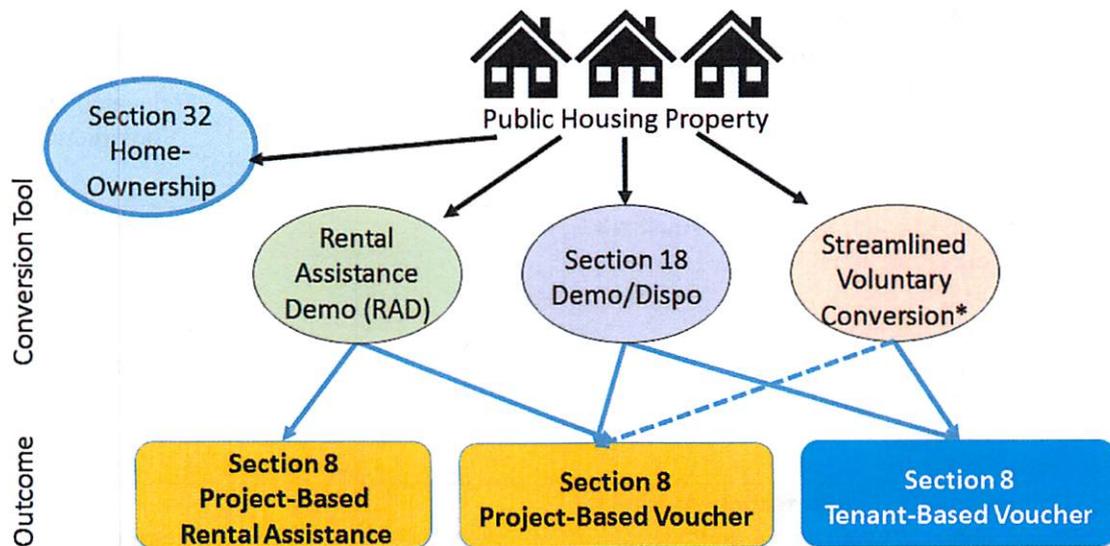
Phase	Development Name	Current Status	Start Date	Finish Date	RAD Units	Other Aff. Units	Market Units	Total Units
1	Westlawn Renaissance II	Fully Leased	03/01/17	12/31/18	18	12	0	30
2A	Victory Manor	Fully Leased	03/01/17	12/31/18	44	10	6	60
2B	Westlawn Renaissance III	Leasing in Progress	10/01/18	03/01/20	84	10	0	94
3	Westlawn Renaissance IV	9% LIHTC Application Pending	11/30/21	09/30/22	16	44	0	60
4A	Westlawn Renaissance V	4% LIHTC Application Pending	10/31/20	03/31/22	54	25	0	79
4B	Westlawn Renaissance VI	Closing in Progress	02/28/20	06/01/21	136	2	0	138
4C	Westlawn Renaissance VII	Financial Planning	3/15/2022	9/30/2022	42	20	0	62
5	Market Rental		03/31/21	09/30/22	0	0	135	135
6	Market Ownership		06/30/20	09/30/22	0	0	50	50
Total					394	123	191	708

HUD Public Housing Repositioning Tools

HUD has various repositioning strategies available to public housing agencies (PHAs) to provide thousands of families across the country with better-maintained units while creating opportunities to leverage public and private resources, easing administration, and preserving affordable housing. Repositioning from a public housing platform to other forms of HUD rental assistance can help PHAs address rehabilitation and physical needs, as well as place properties on a more stable financial foundation. The Department's repositioning efforts will provide communities with additional flexibilities to better meet local needs and funding options to achieve long-term viability for their affordable housing.

HUD is encouraging PHAs and communities to consider repositioning. Below are options available:

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.

Staff from HUD Office of Recapitalization were onsite in May 2019 to meet with HACM Staff to discuss public housing repositioning and what options may serve our portfolio best.



HACM Portfolio Repositioning Overview

As of 2/1/2020 HACM has a total of 2,763 units left to reposition. Below is a tentative plan for repositioning which is subject to change.

Disposition Type	Financing Type/Structure	# Units	Conversion Model
Rental Assistance Demonstration [RAD] •Becher Court (120 units)	9% LIHTC & Debt	120	Preservation
Rental Assistance Demonstration [RAD] & Choice Neighborhood Initiative [CNI] •Westlawn West – Phase 3 WRIV (16 units)	9% LIHTC & Debt	16	Redevelop - New Construction
Rental Assistance Demonstration [RAD] •Cherry Court Scattered Sites (70 units) •Highland Homes (56 units) •Townhomes at Carver Park (51 units)	4% LIHTC & Debt	177	Preservation
Rental Assistance Demonstration [RAD] & Choice Neighborhood Initiative [CNI] •Westlawn West – Phase 4A WRV (54 units) •Westlawn West – Phase 4B WRVI (136 units) •Westlawn West – Phase 4C WRVII (42 units)	4% LIHTC & Debt	232	Redevelop - New Construction
Section 18 Disposition – Tenant Protection Vouchers •Arlington Court (230 units) •College Court (249 units) •Lincoln Court (110 units) •Locust Court (230 units) •Mitchell Court (100 units) •Parklawn (380 units) •Riverview (180 units)	Debt	1,479	Released from HUD Contract
Section 18 Disposition – Tenant Protection Vouchers •Scattered Sites – Milwaukee (61 units) •Scattered Sites – North/West (144 units) •Scattered Sites – South (64 units)	Debt	269	Released from HUD Contract
RAD/Sec 18 Disposition –Tenant Protection Vouchers •Hillside Family – RAD (421 units) •Hillside Midrise - Section 18 Disposition (49 units)	LIHTC & Debt	470	Redevelop - New Construction
		2,763	

Attachments

HUD Repositioning 101 PowerPoint

Asset Reposition Overview Matrix



Repositioning Public Housing

Jane Hornstein, Special Applications Center, Public and Indian Housing

Greg Byrne, Office of Recapitalization, Office of Housing

Chad Ruppel, Office of Field Operations, Public and Indian Housing



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?

- Large and growing backlog of capital needs in public housing, conservatively estimated at \$26 billion in 2010
- 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



What does this mean for residents?

- Units that are in better physical condition
- Long-term availability of affordable housing and rental assistance in their local communities
- Additional flexibility to move to better housing and/or places of opportunity

Will there still be public housing?

- Yes. Many PHAs operate successful public housing programs with well-maintained units.
- PHAs operating public housing units will still have access to Capital Fund Financing, Operating Fund Financing, Energy Performance Contracts, etc.





What is HUD's role?

- Make sure PHAs are aware of all available repositioning strategies
- Provide technical assistance to help communities weigh their options

The decision to reposition is voluntary & entirely up to PHAs & local stakeholders.





What is the Field Office's role?

Field Offices are ready to assist you

- Staff have begun conversations with many PHAs to let you know about options
- You can decide whether or not any repositioning options make sense for your local community
- If you are interested in considering repositioning, there are Repositioning Subject Matter Experts (SMEs) available to answer more questions
- Once you have decided on a course of action, the Field Office has Expeditors or RAD SMEs available to help you assemble applications



What are my options?

Section 9 (Public Housing) Options

- Mixed-Finance Rehabilitation & Development
- Choice Neighborhoods
- Operating Fund Financing Program
- Capital Fund Financing Program
- Energy Performance Contracts
- Section 30 Mortgaging

Section 8 (Voucher or Project-based) Options

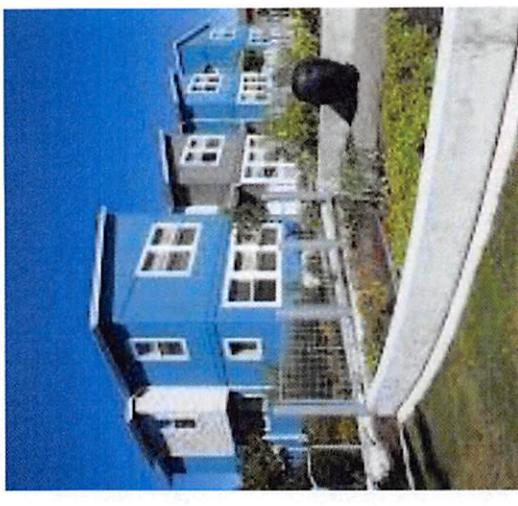
- Rental Assistance Demonstration (RAD)
- Demolition & Disposition (Section 18)
- RAD/Section 18 Blends
- Voluntary Conversion (Section 22)



Key Considerations

Are your properties financially sustainable?

- What are the capital needs of the property?
- How much does it cost to operate?
- What does future HUD funding look like?
- What is the market demand?
- Does the property have existing debt or other obligations?





Key Considerations

How is your PHA doing?

- Do you have sufficient program reserves?
- What do your administration costs look like?
- Do you operate a Housing Choice Voucher (HCV) program?
- Do you have any staffing concerns or significant liabilities?





Key Considerations

What is best for your community?

- What are the affordable housing needs in your area?
- Is the property in a good location for resident opportunities?
- What types of HUD programs do you want to administer?
- Could you replace units in other areas of opportunity and leverage the property's value ?
- Who will own and manage the property?





PHA Objectives

Conversion to Section 8 programs has allowed PHAs to:

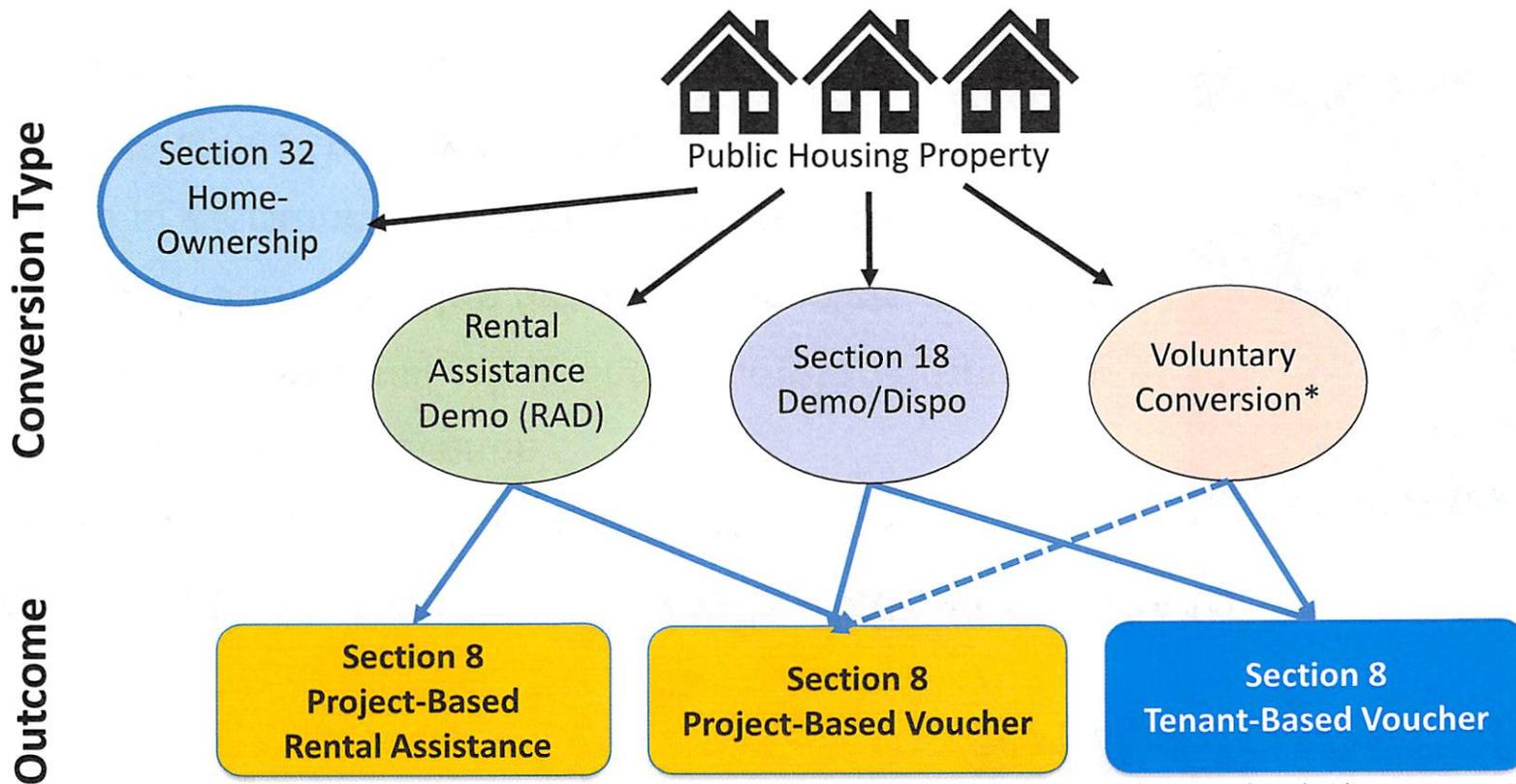
- Modernize aging family & elderly properties
- Stabilize property revenue
- Complete substantial rehab of deteriorated properties
- Demolish and redevelop distressed/obsolete properties
- Transfer assistance to better neighborhoods
- Thin densities and mix-incomes
- Streamline operations



What is your PHA's repositioning goal?



Public Housing Repositioning Options

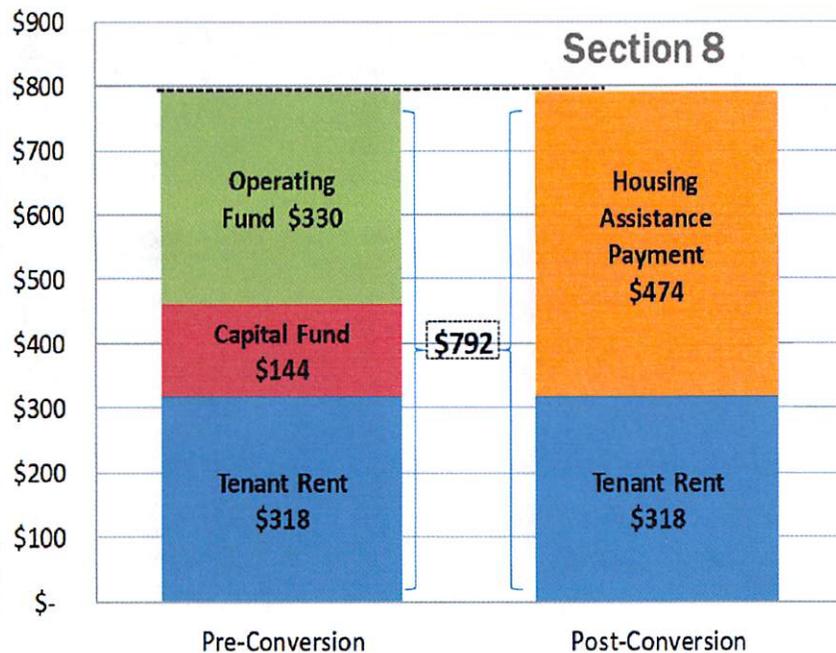


*Tenant Protection Vouchers may be project-based with tenant consent.



Rental Assistance Demonstration (RAD)

Sample Public Housing Conversion
Per Unit Monthly (PUM)



- Allows PHAs to convert their existing public housing subsidy into a project-based Section 8 subsidy: either Section 8 Project-Based Voucher (PBV) or Project-Based Rental Assistance (PBRA)
- Up to 455,000 public housing units authorized to convert (currently, no waiting list)
- Section 8 contract rents based on current public housing funding ([2019 RAD Rents now available](#)) with certain flexibilities available

[Notice PIH 2012-32 \(HA\), H 2017-03 REV-3](#)



RAD Key Features

Rents

- Predictable initial contract rents based on public housing funding
- Rents adjusted by Operating Cost Adjustment Factor (OCAF)
- Long-term Section 8 contract allows access to private capital

Capital Needs

- Capital Needs Assessment completed
- PHA must secure financing and fund Replacement Reserve to address needs

Tenant Rights

- Resident right of return + prohibition against rescreening
- Public housing organizing and procedural rights continue
- “Choice-mobility” allowing moves with tenant-based voucher

Public Stewardship

- Ownership or control by a public or non-profit
- Long-term Housing Assistant Payment (HAP) contract renews at each expiration
- RAD Use Agreement recorded on land



What is Section 18?

- Section 18 of the Housing Act of 1937 authorizes the demolition or disposition of public housing
- HUD will generally approve a property to undergo a demolition or disposition under Section 18 if it is:
 - Physically obsolete
 - Scattered site (non-contiguous) with operational challenges
 - Owned by a PHA with 50 units or less
 - More efficient or effective units
- Residents in units approved for Section 18 receive Tenant Protection Vouchers (TPVs)
 - Fair Housing review to make sure vouchers can be used in market

[Notice PIH 2018-04 \(HA\)](#)



Section 18 & Project Based Vouchers

- While Section 18 can be used for the demolition and disposition of assets, it is often also used as a preservation and redevelopment tool
- The Housing Opportunity Through Modernization Act (HOTMA) allows TPVs to be project-based through the Project Based Voucher (PBV) program
 - Units at site receive standard PBV rents
 - Property is exempt from PBV “income-mixing” requirement
 - Property does not count against PHA’s PBV program cap (20%)
 - Competitive selection of a PBV administrator is not required if former public housing property will be owned at least in part by the PHA that administers the contract and property will be improved



What is Voluntary Conversion?

- Voluntary Conversion authorizes conversion to vouchers where PHAs can demonstrate that it costs less to operate the property with vouchers than under public housing (24 CFR 972)
- The recently published Streamlined Voluntary Conversion (SVC) Notice waives the cost test for PHAs with 250 units or less that wish to close-out their public housing program
- Residents in units approved for Section 18 receive Tenant Protection Vouchers (TPVs)
 - Fair Housing review to make sure vouchers can be used in market
- Residents have a right to remain in the property with tenant-based voucher if the property will continue to be used for residential purposes

[Streamlined Voluntary Conversion Notice PIH 2019-05 \(HA\)](#)



Can PHAs use SVC as Preservation Tool?

Scenario	Outcome	Conclusions
1. All or substantially all residents consent to allow voucher to be project-based	Property under PBV contract	Effective preservation tool; PHA can secure financing
2. Some or few tenants consent to allow PBV; tenants remain in property with tenant-based voucher	Property filled with tenant-based voucher holders; more challenging to finance	Good option if property doesn't need financing
3. Some or few tenants consent to allow PBV; tenants leave property with tenant-based voucher	PHA may operate property as mixed-income property or backfill property with additional PBV	Unique challenges to operate mixed-income property; backfilling requires greater use of PHA's existing vouchers



Small & Very Small PHAs

Tool	Unit Threshold	Key Features
Streamlined Voluntary Conversion (Section 22)	250 units	<ul style="list-style-type: none">• TPVs issued• Tenant consent required to project-base
Section 18	50 units	<ul style="list-style-type: none">• TPVs issued• PHA may project-base without tenant consent• Requires sale to third party
Streamlined RAD Conversion	50 units	<ul style="list-style-type: none">• Does not require a Capital Needs Assessment; streamlined "Financing Plan"

Under each of these options for small PHAs, the PHA must commit to terminating, transferring, or consolidating their public housing program.



Did you know?

- RAD's transfer of assistance authority allows PHAs to move project-based assistance to neighborhoods of opportunity
- PHAs without a HCV program can still convert properties to Section 8 PBRA through RAD, or partner with a PHA with an HCV program to receive TPVs based on the SAC approval
- New authority to voucher up to 25% of assistance through a Section 18/RAD blend can increase the potential revenue of a RAD conversion
 - PHAs begin a Section 18/RAD blend conversion by submitting a regular RAD application



Where do I Start?

Step 1: Consider your local needs

Step 2: Consider your repositioning options

Step 3: Talk to your Board

Step 4: Talk to your residents and local stakeholders



Repositioning Strategies

1. Rental Assistance Demonstration (RAD)
2. Section 18 Demolition or Disposition
3. RAD/Section 18 blend
4. Voluntary Conversion

Which works
best for your
properties?



Program Characteristics

Section 18

- ✓ Justifications:
 - Unsafe/unhealthy location and infeasibility
 - Scattered Sites
 - 50 or fewer units remaining in PH inventory
 - Efficient and effective low-income housing
 - Physical obsolescence
- ✓ Replacement TPVs for any occupied units in past 24 months
- ✓ Can project-base TPVs
- ✓ No replacement housing required
- ✓ Eligible for Demolition or Disposition Transitional Funding (DDTF) and Asset Repositioning Fee (ARF)

RAD

- ✓ RAD Contract Rents = Current Public Housing Funding
- ✓ PBRA or PBV
- ✓ Preserve FSS Participation
- ✓ 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

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
- ✓ Residents receive all relocation and other protections of RAD

Voluntary Conversion

- ✓ Must demonstrate that vouchers cost less than cost of public housing or **have 250 or fewer public housing units and will close-out**
- ✓ Not eligible for ARF or DDTF
- ✓ PHA can project-base the TPVs, *but needs voluntary consent of residents*



Tools to Assess your Portfolio

Go to www.hud.gov/RAD/library/notices

- [2019 RAD Rents](#): The table includes HUD's calculations of RAD Contract Rents for each public housing property based on the latest appropriated levels, with a comparison of local Fair Market Rent (FMR) rates. These rents will form the basis of the conversion rents for properties awarded CHAPs or with amended CHAPs on or after January 1, 2019. For additional information on the process of revising RAD rents for existing CHAPs, the [FAQs on Securing RAD Rents](#) document is also available.
- [RAD Conversion Guide for Public Housing Agencies](#)
- [RAD Inventory Assessment Tool](#)



Local Public Housing Field Office

- Field Office staff will help you with applications for RAD, Section 18, and Streamlined Voluntary Conversion
- Field Offices may set up a Repositioning Panel call, where you can talk directly with program experts from the Special Application Center and Office of Recapitalization
- Field Offices will provide you the latest guidance, tip sheets, and inventory assessment tools to help you make the right decision for your community



Resources

Reading

- RAD Notice: [Notice PIH 2012-32 \(HA\), H 2017-03 REV-3](#)
- Section 18 Notice: [Notice PIH 2018-04 \(HA\)](#)
- Streamlined Voluntary Conversion Notice: [Notice PIH 2019-05 \(HA\)](#)
- Repositioning website coming soon

Talking

- Local field office
- Repositioning Panel discussions or Small PHA TA: sign up with your field office

Acting

- RAD Application: www.hud.gov/rad and www.radresource.net
- Section 18/Voluntary Conversion application: www.hud.gov/SAC and PIC

Asset Repositioning Overview

This chart highlights key differences in programs to help PHAs reposition public housing to a Section 8 platform and remove the Declaration of Trust (DOT). Refer to statutes, regulations, and HUD Notices for guidance. If anything in this chart conflicts with a statute, regulation, or HUD Notice, that authority supersedes this chart.

Program	Eligible for TPVs?	Eligible for DDTF?	Eligible for ARF?	Resident Right to Return?	Replacement Housing Required?	Disposition Required?	Use of Sales Proceeds	Use of PH Program Funds	Tenant Consent to PBV?	Close-out required? ¹	Reduces Faircloth?
RAD	No	No	No	Yes	Yes	No	Affordable housing per RAD Notice ²	Yes	No	No	Yes
Streamlined RAD (50 or Less Units)	No	No	No	Yes	Yes	No	Affordable housing per RAD Notice	Yes	No	Yes	Yes
Section 18 Disposition – • Obsolescence • Health and Safety • Scattered Sites	Yes	Yes	Yes	No	No	Yes	See footnote 3	No	No	No	No
Section 18 Disposition – • 50 or Less Units	Yes	Yes	Yes	No	No	Yes	See footnote 3	No	No	Yes	No
Section 18 Disposition – • Efficient and Effective	Partial	Yes	Yes	No	No	Yes	See footnote 3	No	No	No	No
Section 18 Disposition – • RAD/Section 18 Blend	Yes	Yes	Yes ³	No	No	Yes	See footnote 3	No	No	No	No
Voluntary Conversion	Yes	No	No	No ⁴	No	No ⁵	Low-income housing per 1937 Act	No	Yes	No	No
Streamlined Voluntary Conversion (250 or Less Units)	Yes	No	No	No	No	No	Low-income housing per 1937 Act	No	Yes	Yes	No
Required Conversion	Yes	No	No	No	No	No	Low-income housing per 1937 Act	No	N/A ⁶	No	No
Section 32 Homeownership	Yes	No	Yes	No	No	Yes	Low-income housing per 1937 Act	No	N/A	No	No

¹ Close-out refers to the requirement for a PHA to end their public housing program through ACC termination, transfer or consolidation. See PIH Notice 2019-13

² A PHA is prohibited from receiving excess sales proceeds if public housing funds are part of the development budget, except when it is the PHA's last remaining units.

³ PHAs are eligible for ARF for units with Section 18 approval for an entire project or entire building in a project. If some units in a building are being converted under RAD, the PHA is not eligible for ARF for the units in that building approved under Section 18.

⁴ PHAs can "voucher-out" families using tenant-based assistance. No hard unit replacement is required. However, if the project is used as rental housing after conversion, the PHA must ensure that each resident may choose to remain in the housing, using tenant-based assistance towards rent.

⁵ Section 22 does not require a disposition—a PHA may retain the property after a conversion. However, if the PHA plans to use the project as rental housing after conversion, since families have the right to remain in the unit using tenant-based assistance, and the PHA can't sign two sides of the Section 8 contract, it may need to dispose to another entity (including one it wholly controls) or otherwise ensure compliance with Section 8 HAP separate entity requirements.

⁶ If the project is used as rental housing after conversion, the PHA must ensure that each resident may choose to remain in the housing, using tenant-based assistance towards rent. However, the units cannot be project-based. See PIH Notice 2019-10.