



---

**Crosby HRA Board Meeting**  
**Tuesday, June 11, 2019**  
**11:00 a.m.**  
**300 Third Ave. NE, Crosby, MN**

**AGENDA**

- 1. Call to Order**
- 2. Roll Call**
- 3. Reading and Approval of Minutes** (*Attachment 1*)
- 4. Bills and Communications**
  - a. Financial Report (*Attachment 2*)
  - b. Housing Manager Report (*Attachment 3*)
- 5. Unfinished Business**
- 6. New Business**
  - a. Discussion on Repositioning Public Housing (*Attachment 4*)
- 7. Adjournment**  
Next Meeting: Tuesday, July 9, 2019

This page intentionally left blank.



## Minutes of the May 14, 2019, Board Meeting

The regular meeting of the commissioners of the Housing and Redevelopment Authority of Crosby was held at 11:00 a.m., Tuesday, May 14<sup>th</sup>, 2019, at 300 3rd Ave NE in Crosby, Minnesota.

1. **CALL TO ORDER:** Chair Peeples called the meeting to order at 11:07 a.m.
2. **ROLL CALL:** Present at the meeting were Chair Peeples and Commissioners Renae Marsh, Julie McGinnis, and Bill Small. Also present were Executive Director Jennifer Bergman, Housing Manager Shannon Fortune, Assistant Director Deanna Heglund, and Executive Assistant LeAnn Goltz. Absent: Buzz Neprud.

### 3. **READING AND APPROVAL OF MINUTES FROM PREVIOUS MEETING:**

**Commissioner McGinnis made a motion to approve the minutes from the April 9, 2019, board meeting. Commissioner Marsh seconded the motion. All commissioners voted in favor of the motion and none were opposed. The minutes were approved.**

### 4. **BILLS AND COMMUNICATIONS:**

- a. **Financial Report:** The financial report for April 2019 was provided to the Board. The 2019 audit has been scheduled with CliftonLarsonAllen (CLA) during the week of June 10<sup>th</sup>. The unaudited REAC information is required to be submitted by May 31<sup>st</sup> and audited by December 31<sup>st</sup>.

Crosby HRA received its 2019 Capital Fund Program obligation from HUD. The award of \$94,916 is approximately (\$3,000) less than the 2018 grant but still significantly higher than prior years.

We also received our 2019 preliminary Operating Subsidy Grant eligibility from HUD. The eligibility amount is \$92,782 and is subject to proration. This award is significantly higher than we have been funded in several years.

**Commissioner McGinnis made a motion to approve April checks numbered 117229 through 117259. Commissioner Small seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion was approved.**

- b. **Housing Manager Report:** Mallory Smith was hired as the housing specialist and her first day was April 29<sup>th</sup>. She will be working with staff in both the Crosby and Brainerd offices for her initial training. In June, she will be attending a Public Housing Specialist training, hosted by Nan McKay in Minneapolis. This week-long training covers HUD regulations as well as best practices related to public housing management and includes the PHS certification exam.

Tony has been conducting annual inspections and has completed most of 1<sup>st</sup> floor of Edgewood so far. There is a Management Occupancy Review scheduled for Edgewood on June 5<sup>th</sup>. Six tenant files, one rejected application, and one move-out file will be thoroughly inspected for compliance with internal policies as well as HUD regulations. Two apartments will undergo a thorough physical inspection as will any units that had findings in the last REAC inspection. The visit will conclude with a review of housing management documentation related to specific HUD requirements.

For April, there were two vacancies at Edgewood, three at Dellwood, and one family unit.

Three bids for the POHP Dellwood Apartments project were received and staff would like to select the lowest bidder, Baratto Brothers. Upon approval, a contract will be executed and the remaining required forms and documents will be collected so that we may proceed with the loan closing.

5. **UNFINISHED BUSINESS:** Nothing to report.

6. **NEW BUSINESS:**

- a. **Approval of Contract Between Crosby HRA and Baratto Brothers:** The Crosby HRA received three bids for the Dellwood Apartments POHP project at the April 30<sup>th</sup> bid opening. Baratto Brothers was the lowest bidder. Our architect, TKDA, and Maintenance Supervisor Terry Quick had a few follow-up questions for them and were satisfied with their response.

Bergman reported to the Board that staff is ready to proceed with the contract documents for the entire base bid amount of \$ 475,000.00. Per the Crosby HRA Procurement Policy, Board approval for any contracts over the amount of \$175,000 is required.

The Board had a discussion and expressed concern over hiring Baratto Brothers due to the several issues with the last scattered sites project. While staff initially shared their concerns, Bergman explained that they were optimistic this project would go more smoothly.

**Commissioner Marsh moved to approve the contract between Baratto Brothers and the Crosby HRA for the Dellwood Apartments POHP project in the amount of \$475,000 allowing Executive Director Bergman to sign the contract. Commissioner McGinnis seconded the motion. By roll call vote, Commissioners Marsh, McGinnis, and Peoples were in favor of the motion and Commissioner Small was opposed. The motion passed with a 3:1 vote.**

- b. **Authorization of Bank Account Signator Update:** With the upcoming staffing changes, Deanna Heglund shall be removed as a signator of the Crosby HRA bank accounts with Unity Bank and Mallory Smith will need to be added as a signator. This transaction requires the Board's authorization.

**Commissioner McGinnis made a motion to remove Deanna Heglund as a signator on the Crosby HRA bank accounts with Unity Bank and authorize Mallory Smith to be added as a signator effective June 1<sup>st</sup>, upon Heglund's retirement. Commissioner Marsh seconded the motion. All commissioners were in favor of the motion and none were opposed. The motion passed.**

7. **NEXT MEETING:** Tuesday, June 11<sup>th</sup>, 2019.

8. **ADJOURNMENT:**

**Commissioner Marsh made a motion to adjourn the meeting. Commissioner McGinnis seconded the motion. All commissioners voted in favor of the motion and none were opposed. The motion was approved and meeting was adjourned at 11:43 a.m.**

This page intentionally left blank.



---

To: Crosby HRA Board Members  
From: Karen Young, Finance Director  
Date: May 30, 2019  
Re: June Financial Report

---

Please find attached the financial information for May 2019.

**2019 Audit**

The 2019 audit has been scheduled with CliftonLarsonAllen (CLA) during the week of June 10<sup>th</sup>. The unaudited REAC information has been submitted by the May 31<sup>st</sup> due date.

**Action Requested: Approval of May checks numbered 117260 through 117293.**

This page intentionally left blank.



## Crosby Housing & Redevelopment Authority 2019 Ratios

FASS Ratios	Max Pts	Scoring	Apr	May
Quick Ratio	12	QR <1 =0, QR >2 =12	12.00	12.00
Months Expendable Net Assets	11	MENA <1.0= 0, ME >4 =11	11.00	11.00
Debt Svc Coverage	2	DSC < 1 = 0, DSC >1.25 =2	2.00	2.00
<b>Total Points</b>	<b>25</b>		<b>25.00</b>	<b>25.00</b>

MASS Ratios	Max Pts	Scoring	Apr	May
Occupancy	16	O <90% =0, O >98% =16	4.00	12.00
Tenant Accounts Receivable	5	TAR <1.5%=5, TAR >2.5% =0	0.00	5.00
Accounts Payable	4	AP < .75 = 4, AP >1.5 =0	4.00	4.00
<b>Total Points</b>	<b>25</b>		<b>8.00</b>	<b>21.00</b>

<b>Total of Above Ratios</b>	<b>50</b>		<b>33</b>	<b>46</b>
------------------------------	-----------	--	-----------	-----------

MASS Ratios	Max Pts	Scoring	Apr	May
Timeliness of Obligation	5	>90% at OED = 5 <90% at OED = 0	5.00	5.00
Occupancy Rate	5	OR <93% = 0, OR >96% =5 Must have 5 points or	5.00	5.00
<b>Total Points</b>	<b>10</b>	Capital Fund Troubled	<b>10.0</b>	<b>10.0</b>

This page intentionally left blank.

**PH Operating - Board  
 Public Housing Operating - Board  
 May, 2019**

	<b>Current Period</b>	<b>Current Year</b>	<b>Year To Date Budget</b>	<b>Variance</b>
<b>Income</b>				
100-000-3110.000 Dwelling Rental	-16,378.00	-33,863.00	-33,246.84	-616.16
100-000-3120.000 Excess Utilities	0.00	0.00	-108.34	108.34
100-000-3401.000 Operating Subsidy	-4,706.00	-9,413.00	-10,670.84	1,257.84
100-000-3610.000 Interest Revenue	-0.65	-1.77	0.00	-1.77
100-000-3690.000 Other Income	-38.28	-279.35	-2,808.34	2,528.99
100-000-3691.000 Other Tenant Revenue	-381.88	-2,250.88	-1,666.66	-584.22
100-000-3695.000 Laundry Revenue	-184.00	-387.00	-383.34	-3.66
100-000-3699.000 POHP Grant Revenue	-2,236.57	-2,236.57	0.00	-2,236.57
<b>Total Income</b>	<b>-23,925.38</b>	<b>-48,431.57</b>	<b>-48,884.36</b>	<b>452.79</b>
<b>Expense</b>				
100-000-4110.000 Administration Salaries	2,780.46	4,604.22	3,615.00	989.22
100-000-4130.000 Legal	86.00	86.00	250.00	-164.00
100-000-4140.000 Staff Training	0.00	0.00	100.00	-100.00
100-000-4150.000 Travel	37.12	37.12	135.00	-97.88
100-000-4190.000 Sundry-Other Admin	10.00	30.00	40.00	-10.00
100-000-4191.000 Management Fees	2,167.00	4,334.00	4,333.34	0.66
100-000-4194.000 Office Supplies	11.92	380.49	108.34	272.15
100-000-4195.000 Membership Dues	0.00	0.00	45.00	-45.00
100-000-4196.000 Telephone	82.00	163.03	183.34	-20.31
100-000-4198.000 Advertising	0.00	0.00	20.84	-20.84
100-000-4199.000 Postage	0.00	0.00	50.00	-50.00
100-000-4210.000 Tenant Svcs Salaries	331.04	650.39	699.16	-48.77
100-000-4230.000 Tenant Services Other	16.09	32.18	33.34	-1.16
100-000-4310.000 Water	1,055.44	1,055.44	1,961.66	-906.22
100-000-4315.000 Sewer	1,807.00	1,807.00	3,225.00	-1,418.00
100-000-4320.000 Electricity	0.00	0.00	3,402.50	-3,402.50
100-000-4330.000 Gas	0.00	0.00	1,565.00	-1,565.00
100-000-4431.000 Garbage & Trash	574.78	642.78	1,316.66	-673.88
100-000-4410.000 Maintenance Labor	3,163.20	6,385.96	6,820.00	-434.04
100-000-4420.000 Materials	1,095.23	1,095.23	2,166.66	-1,071.43
100-000-4430.000 Contracts Costs	652.19	881.86	2,700.00	-1,818.14
100-000-4432.000 Decorating Contract	4,120.72	5,188.88	1,500.00	3,688.88
100-000-4435.000 Grounds Contract	21.42	21.42	166.66	-145.24
100-000-4440.000 Repairs Contract	0.00	0.00	41.66	-41.66
100-000-4445.000 Elevator Maintenance	0.00	0.00	490.00	-490.00
100-000-4450.000 Plumbing/Heating	135.00	254.50	833.34	-578.84
100-000-4455.000 Snow Removal	91.00	91.00	308.34	-217.34
100-000-4456.000 Exterminating	20.00	20.00	206.66	-186.66
100-000-4457.000 Janitor/Cleaning	886.45	886.45	1,133.34	-246.89
100-000-4510.000 Insurance	1,545.26	3,090.52	3,340.82	-250.30
100-000-4520.000 Property Tax	1,882.68	2,624.12	1,308.34	1,315.78
100-000-4540.000 Employee Benefits	2,526.08	4,795.75	5,137.52	-341.77
<b>Total Expense</b>	<b>25,098.11</b>	<b>39,158.34</b>	<b>47,237.52</b>	<b>-8,079.18</b>
<b>Net Income(-) or Loss</b>	<b>1,172.73</b>	<b>-9,273.23</b>	<b>-1,646.84</b>	<b>-7,626.39</b>

**Crosby HRA**  
**Edgewood Operating Stmt - Board**  
**May, 2019**

	Current Period	Current Year	Year To Date Budget	Variance
<b>Income</b>				
700-000-3110.000 Dwelling Rental	-19,002.00	-37,315.00	-37,689.00	374.00
700-000-3120.000 Excess Utilities	-15.00	-30.00	-316.66	286.66
700-000-3404.000 Other Government Grant	-8,280.00	-16,111.00	-17,026.66	915.66
700-000-3610.000 Interest Revenue	14.37	-710.89	-250.00	-460.89
700-000-3690.000 Other Income	-38.28	-299.33	-16.66	-282.67
700-000-3691.000 Other Tenant Revenue	-682.60	-1,996.92	-1,000.00	-996.92
700-000-3695.000 Laundry Revenue	-733.50	-1,361.50	-1,383.34	21.84
<b>Total Income</b>	<b>-28,737.01</b>	<b>-57,824.64</b>	<b>-57,682.32</b>	<b>-142.32</b>
<b>Expense</b>				
700-000-4110.000 Administration Salaries	4,370.69	7,306.33	5,880.00	1,426.33
700-000-4130.000 Legal	0.00	0.00	166.66	-166.66
700-000-4140.000 Staff Training	0.00	0.00	150.00	-150.00
700-000-4150.000 Travel	37.12	37.12	125.00	-87.88
700-000-4190.000 Sundry-Other Admin	10.00	30.00	43.34	-13.34
700-000-4191.000 Management Fees	5,333.00	10,666.00	10,666.66	-0.66
700-000-4194.000 Office Supplies	17.50	386.07	141.66	244.41
700-000-4195.000 Membership Dues	0.00	0.00	33.34	-33.34
700-000-4196.000 Telephone	82.04	163.05	183.34	-20.29
700-000-4198.000 Advertising	0.00	0.00	16.66	-16.66
700-000-4199.000 Postage	0.00	0.00	50.00	-50.00
700-000-4210.000 Tenant Svcs Salaries	496.54	975.57	1,048.34	-72.77
700-000-4230.000 Tenant Services Other	16.09	32.19	33.34	-1.15
700-000-4310.000 Water	505.94	505.94	1,112.50	-606.56
700-000-4315.000 Sewer	939.56	939.56	1,961.66	-1,022.10
700-000-4320.000 Electricity	0.00	0.00	4,589.16	-4,589.16
700-000-4330.000 Gas	0.00	0.00	1,685.00	-1,685.00
700-000-4431.000 Garbage & Trash	148.59	148.59	333.34	-184.75
700-000-4410.000 Maintenance Labor	3,265.20	6,589.94	7,023.34	-433.40
700-000-4420.000 Materials	105.67	105.67	1,433.34	-1,327.67
700-000-4430.000 Contracts Costs	900.80	1,178.33	2,166.66	-988.33
700-000-4432.000 Decorating Contract	1,760.49	1,760.49	1,833.34	-72.85
700-000-4435.000 Grounds Contract	32.13	32.13	100.00	-67.87
700-000-4440.000 Repairs Contract	0.00	0.00	25.00	-25.00
700-000-4445.000 Elevator Maintenance	0.00	0.00	490.00	-490.00
700-000-4450.000 Plumbing/Heating	0.00	0.00	2,416.66	-2,416.66
700-000-4455.000 Snow Removal	136.50	136.50	461.66	-325.16
700-000-4456.000 Exterminating	30.00	30.00	250.00	-220.00
700-000-4457.000 Janitor/Cleaning	681.88	681.88	1,366.66	-684.78
700-000-4510.000 Insurance	1,735.26	3,470.52	3,339.16	131.36
700-000-4520.000 Property Tax	567.94	1,419.42	1,383.34	36.08
700-000-4540.000 Employee Benefits	2,922.59	5,455.77	5,922.52	-466.75
<b>Total Expense</b>	<b>24,095.53</b>	<b>42,051.07</b>	<b>56,431.68</b>	<b>-14,380.61</b>
<b>Net Income(-) or Loss</b>	<b>-4,641.48</b>	<b>-15,773.57</b>	<b>-1,250.64</b>	<b>-14,522.93</b>

**Housing and Redevelopment Authority of Crosby**  
**Payment Summary Report**  
**May 2019**

Payment Date	Payment Number	Remit to Vendor	Total Check Amt
5/15/2019	83	Devon Bernstrom	\$43.00
5/15/2019	84	John Schommer	\$19.72
5/15/2019	85	Nancy Thull	\$24.36
5/15/2019	86	Shannon Fortune	\$74.24
5/9/2019	1289	Lincoln Financial Group	\$1,028.95
5/9/2019	1290	Lincoln Financial Group	\$50.00
5/9/2019	1291	Electronic Federal Tax Payment System	\$1,549.59
5/3/2019	1292	Minnesota Dept Of Revenue	\$236.00
5/23/2019	1293	Lincoln Financial Group	\$50.00
5/23/2019	1294	Lincoln Financial Group	\$1,028.95
5/23/2019	1295	Electronic Federal Tax Payment System	\$1,797.26
5/23/2019	1296	Minnesota Dept Of Revenue	\$271.67
5/9/2019	117260	Crosby-Ironton Courier	\$21.83
5/9/2019	117261	Minnesota Energy Resources	\$2,117.80
5/9/2019	117262	Minnesota Power	\$3,630.11
5/9/2019	117263	Verizon Wireless	\$130.46
5/14/2019	117264	Adams Pest Control	\$50.00
5/14/2019	117265	Atlas Abstract & Title, Inc.	\$75.00
5/14/2019	117266	Borden Steinbauer And Kruger	\$86.00
5/14/2019	117267	City Of Crosby	\$4,736.34
5/14/2019	117268	Climate Makers	\$135.00
5/14/2019	117269	Crosby Ace Hardware	\$461.33
5/14/2019	117270	Crow Wing County Treasurer	\$8,788.55
5/14/2019	117271	Ctcit	\$200.00
5/14/2019	117272	Dacotah Paper Co.	\$153.79
5/14/2019	117273	HDS	\$611.71
5/14/2019	117274	Healthpartners	\$3,476.41
5/14/2019	117275	Holden Electric Co. Inc.	\$101.70
5/14/2019	117276	Hudrlik Carpet Service	\$5,817.25
5/14/2019	117277	Judy Robinson	\$1,350.00
5/14/2019	117278	Majestic Creations Landscape	\$227.50
5/14/2019	117279	Midwest Machinery Co	\$53.55
5/14/2019	117280	Minnesota Power	\$380.00
5/14/2019	117281	Nisswa Sanitation Inc	\$226.09
5/14/2019	117282	Paper Storm	\$25.88
5/14/2019	117283	ShofCorp LLC	\$150.96
5/14/2019	117284	Terry Quick	\$65.54
5/14/2019	117285	The Office Shop	\$23.84
5/14/2019	117286	Timber Building Supply	\$221.87
5/14/2019	117287	Tkda	\$2,236.57
5/14/2019	117288	Visa-Unity	\$651.78
5/14/2019	117289	Void	\$0.00
5/14/2019	117290	Wells Fargo Credit Card	\$18.46

**Housing and Redevelopment Authority of Crosby  
 Payment Summary Report  
 May 2019**

Payment Date	Payment Number	Remit to Vendor	Total Check Amt
5/23/2019	117291	Ctc	\$426.33
5/23/2019	117292	Handyman's Inc.	\$121.85
5/23/2019	117293	Healthpartners	\$476.03
		<b>Report Total</b>	<b>\$43,423.27</b>



---

To: Crosby HRA Board Members  
From: Shannon Fortune, Housing Manager  
Date: June 4, 2019  
Re: Housing Manager Report

---

Mallory began her first week solo in the office on Monday, June 3<sup>rd</sup>. Her schedule is Monday to Thursday, 7AM–4:30PM, with open/walk-in office hours from 9AM–12PM daily. Tenants were made aware of this change via a memo posted on the door and the phone message has been changed to reflect this information as well.

Mallory and Shannon have been preparing for the Management & Occupancy Review (MOR), scheduled for June 6<sup>th</sup> by reviewing tenant files, updating the waiting list, and collecting requested policies and administrative documents for review. We are eager to learn from the reviewer and look forward to implementing her recommendations. The full report won't be available by the board meeting, but a preliminary update will be provided.

Mallory will be out of the office the week of June 24<sup>th</sup> for her Public Housing Occupancy training and certification test. Shannon will provide office coverage during this time.

Tony has been steadily completing annual inspections and typically gets through about 12 units per month. For the most part, tenants have been turning in necessary maintenance requests as they arise throughout the year, which means that the inspections typically don't generate a lot of unexpected repair work.

**May Vacancies**

Edgewood – 1  
Dellwood – 0  
Family Units – 0

**No Action Requested; Discussion Items**

This page intentionally left blank.





---

To: Crosby HRA Board Members  
From: Jennifer Bergman, Executive Director  
Date: June 6, 2019  
Re: Discussion on Repositioning of Public Housing

---

HUD staff from the Minneapolis Field Office has been reaching out to housing authorities across Minnesota asking if we have considered repositioning our public housing. It appears from what I am hearing and learning, HUD's initiative is to eliminate public housing and transition into another form of subsidy.

Several of our staff attended a repositioning public housing training at the Minnesota NAHRO conference the week of May 20<sup>th</sup> (see Attachment 4a). There are several options and each one is complicated in its own way. We are still in researching mode and trying to learn it. At this point it's optional, but I could see this becoming mandatory at some point. Right now it's not mandatory but strongly encouraged.

I would like to spend some time at the board meeting to discuss these options and see if there is any interest from the Board to continue to explore this from the Crosby HRA's perspective.

**No Action Requested; Discussion Item**

This page intentionally left blank.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT



# A Framework for Applying HUD Repositioning Tools to A Public Housing Portfolio

May 15, 2019  
Office of Recapitalization

## Why reposition public housing?

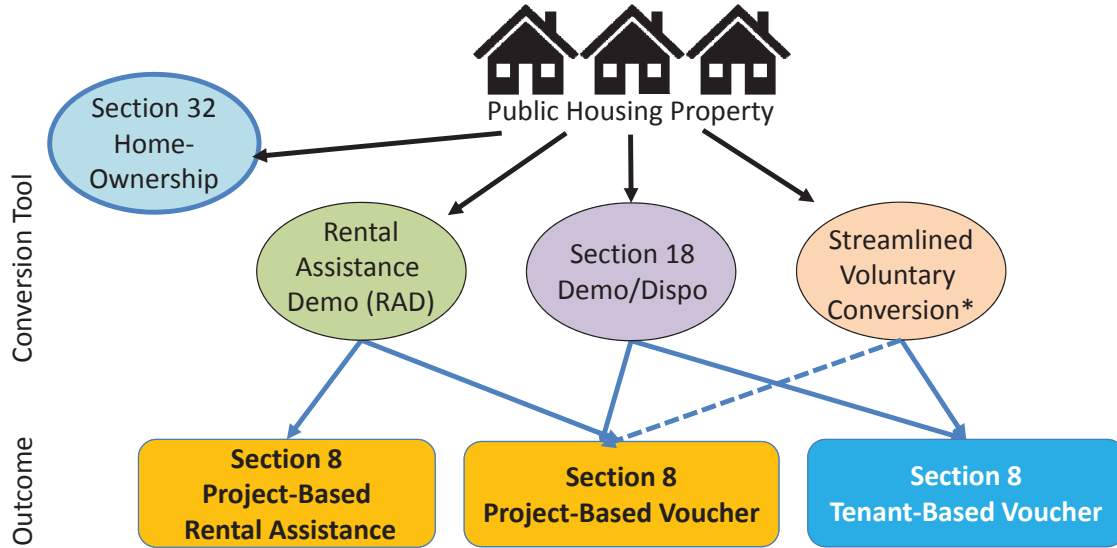
**Large and growing backlog of capital needs in public housing, estimated at \$26 billion in 2010**

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



# 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.



## PHA Objectives

### Conversion to PBRA or PBV has allowed PHAs to:

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



# RAD: Key Features

Rents	<ul style="list-style-type: none"><li>• Predictable initial contract rents based on public housing funding</li><li>• Rents adjusted by Operating Cost Adjustment Factor (OCAF)</li></ul>
Capital Needs	<ul style="list-style-type: none"><li>• Capital Needs Assessment completed</li><li>• PHA must fund Replacement Reserve to address 20-year physical needs –often by securing debt</li></ul>
Tenant Rights	<ul style="list-style-type: none"><li>• Resident right of return + prohibition against rescreening</li><li>• Public housing organizing and procedural rights continue</li><li>• “Choice-mobility” requirement</li></ul>
Public Stewardship	<ul style="list-style-type: none"><li>• Ownership or control by a public or non-profit</li><li>• Long-term HAP contract must renew at each expiration</li><li>• RAD Use Agreement recorded on land</li></ul>



## What is Section 18?

- Section 18 of the Housing Act of 1937 authorizes the demolition or disposition of public housing.
- Requirements outlined in PIH 2018-04. HUD will generally approve a property under Section 18 if it is:
  - Physically obsolete
  - Scattered site (non-contiguous) with operational challenges
  - Owned by a PHA with 50 units or less
- FHEO Review to make sure vouchers can be used in market



## Section 18 and PBV

- While Section 18 can be used for “pure” demo/dispo of assets, it is often also used as a preservation and redevelopment tool
- HUD issues new vouchers (Tenant Protection Vouchers) to PHAs following Section 18 approval
- Per HOTMA, vouchers can be project-based (i.e., PBV) at the former public housing site at standard PBV rents
  - Property is exempt from PBV “income-mixing” requirement
  - Property does not count against PHA’s PBV program cap (20%)
  - Competitive selection not required if former public housing property will be owned at least in part by that PHA that administers the contract and property will be improved



## What is Voluntary Conversion?

- Section 22 (Voluntary Conversion) authorizes conversion to vouchers where demonstration that it costs less to operate the property with vouchers than under public housing
- **Streamlined Voluntary Conversion (SVC)** waives the cost test for PHAs with 250 units or less
- Tenant Protection Vouchers are tenant-based; residents may provide written consent to permit project-basing
- Residents have a right to remain in the property with tenant-based voucher if the property will continue to be used for residential
- FHEO Review to ensure vouchers can be used in market

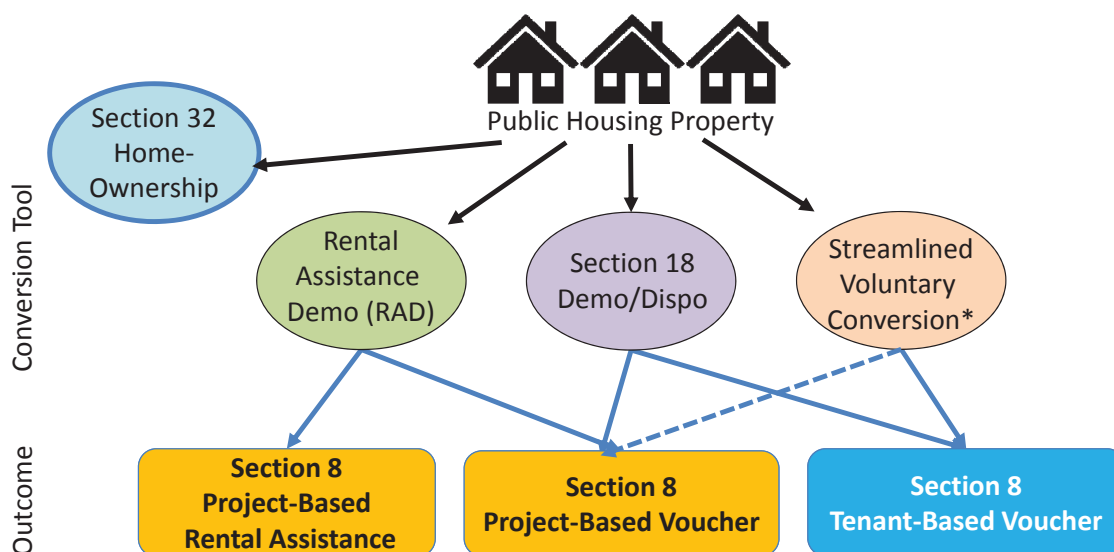


# Can PHA use SVC as Preservation Tool?

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

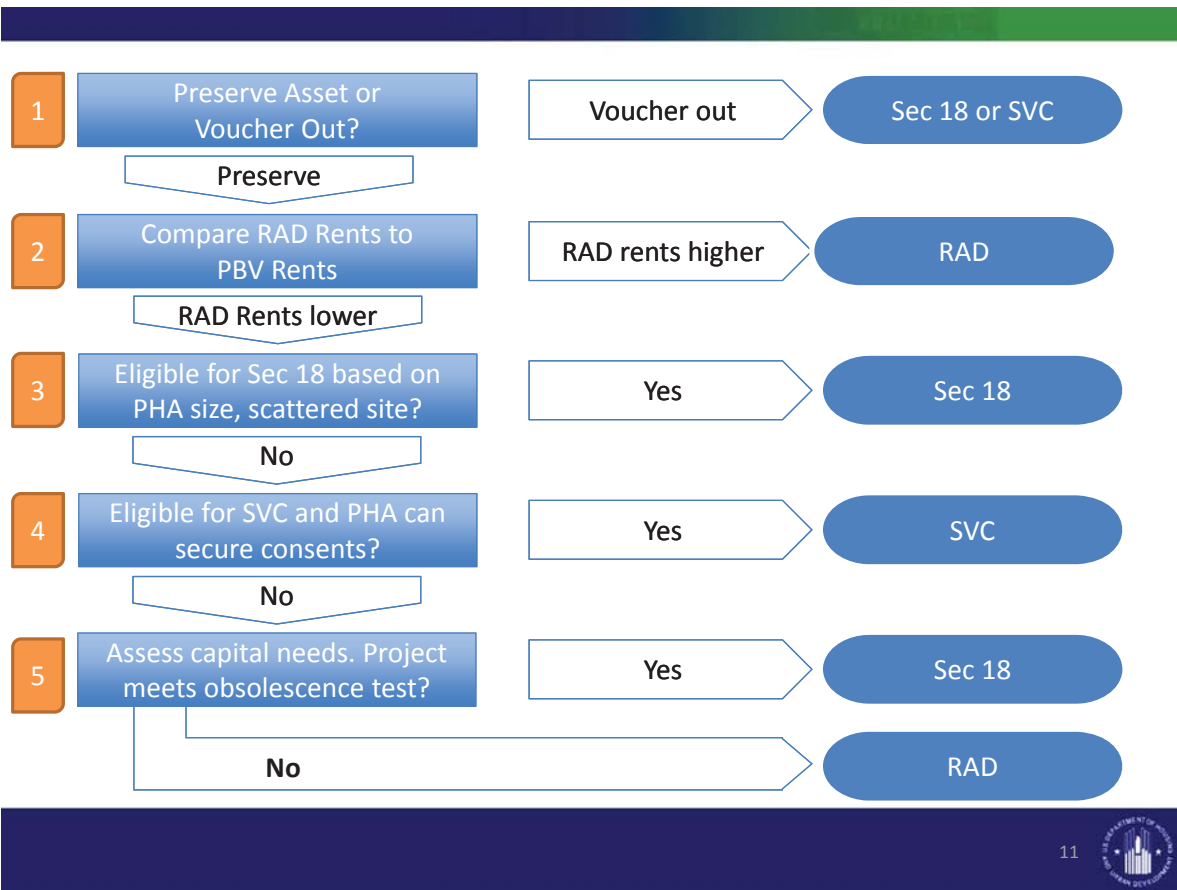


## How to identify the best tool



\* Under Voluntary Conversion tenant protection vouchers must first be offered to residents as tenant-based assistance but may be project-based with tenant consent.





## #1 Preserve vs Voucher out

- Some sites are poor locations for affordable housing, are too expensive to maintain, or are in markets with excess supply of housing, poor physical condition, ER issues.
  - Voucher out (Section 18 or SVC)
  - Or, if does not qualify for Sec 18 or SVC → RAD Transfer of Assistance
- Original property can be sold and proceeds can be used to support RAD rehabilitation or redevelopment





## #2 Compare RAD to PBV Rents

- Compare the RAD Rents vs. the regular PBV rents (lesser of 110% of FMR, less utility allowance, or reasonable rent)
- If RAD rents higher (~20% of all public housing), stick with RAD (unless wish to voucher out)
- If RAD rents lower, consider Section 18 where eligible

### Data Sources

RAD Rents: [hud.gov/rad](http://hud.gov/rad)

FMRs: [HUDUser.gov](http://HUDUser.gov)

Reasonable Rent: PHA

RAD Rent	PBV Rent
\$600	110% of FMR = \$800 - UA = \$100
	110% of FMR, Less UA = \$700
	Reasonable Rent = \$900
	<b>PBV Rent = \$700</b>



## #3 Eligible for Section 18 based on PHA Size or Scattered Site?

- Scattered site (non-contiguous) with operational challenges can qualify under Section 18 without demonstrating “obsolescence”
- PHAs with 50 or fewer units (including last 50 units of a larger portfolio) can qualify under Section 18 without demonstrating obsolescence
  - Note: HUD has also created a streamlined RAD conversion for PHAs with 50 or fewer units
- If property is eligible for Section 18 or SVC, Section 18 generally better tool
  - PHA’s choice to PBV or give tenants vouchers



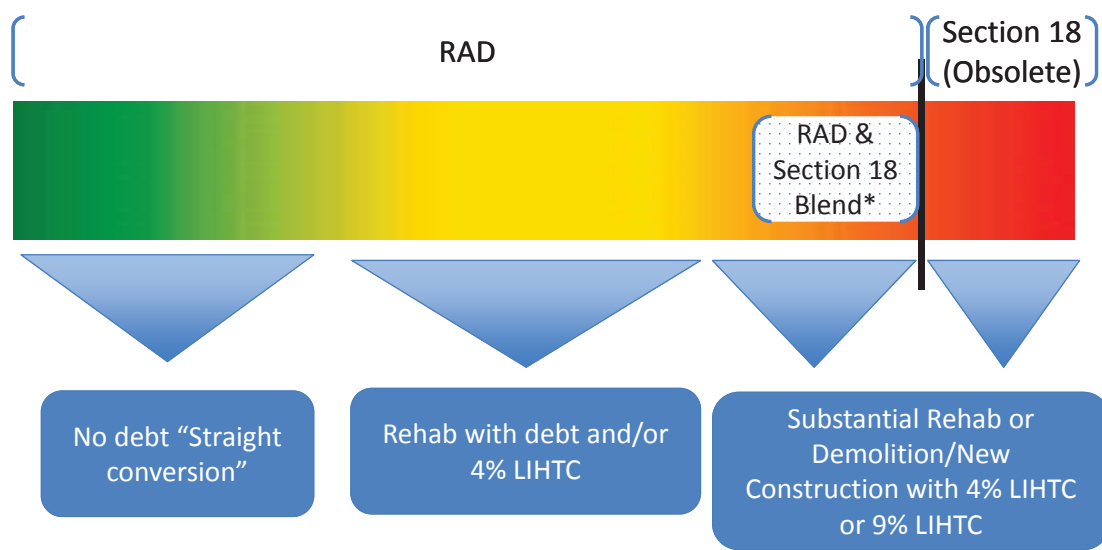
## #4 Eligible for SVC and PHA can secure consents?

- PHAs with 250 or fewer units (including last 250 units of a larger portfolio) can qualify under Streamlined Voluntary Conversion without demonstrating cost-effectiveness
- SVC a good option if:
  - PHA wants to voucher out dispose of the property for non-rental use
  - PHA can secure consents
  - Property doesn't need financing or PHA wants to manage a mixed-income property (see Scenarios on slide #9)

15



## #5 Assess Capital Needs



\*Under the RAD/Section 18 blend, a RAD conversion undergoing new construction or sub rehab with 4% LIHTC gets approved for 25% of units under Section 18. The vouchers are subsequently project-based, typically at higher rents

16



# Financing Sources

## 1<sup>st</sup> Mortgage Debt

- FHA-Insured debt:
  - 223(f) (light/mod rehab) or
  - 221(d)(4) (sub rehab/new construction)
- Conventional debt

## Equity

- 4% LIHTC
- 9% LIHTC
- Historic Tax Credits
- Opportunity Zone

## Public Housing Funds (*RAD only*)

- Operating Reserves
- Capital Funds, DDTF, RHF
- Sales Proceeds

## Other Secondary Financing

- HOME
- CDBG
- Housing Trust Fund
- Federal Home Loan Bank AHP
- Deferred Developer Fee
- Seller takeback financing



# RAD vs Sec 18 Considerations

- When a property qualifies for Section 18 (obsolete, scattered site, PHA under 50), RAD might still make sense if:
  - RAD rents are comparable or higher to PBV rents
  - PHA wishes to convert to PBRA
  - PHA has no voucher program and cannot find partnering agency
  - PHA has large amount of public housing Capital funds & Operating Reserves
  - PHA seeks to adopt RAD resident protections



## RAD vs SVC Considerations

- Under SVC, first you apply and receive approval, then the PHA receives vouchers and begins tenant consent process if desired
- Project/PHA cannot be approved under SVC and retain RAD CHAP
- Therefore, PHA cannot begin/test consents while under a RAD CHAP



## Other Considerations

What if a PHA wants to transition a property to PBV, but does not have a voucher program?

- Partner up!
- Convert to PBRA under RAD

What if nothing seems to work?

- Reposition Panels
- Section 18 “More efficient and more effective”



# One Size Doesn't Fit All

Many PHAs will need a combination of repositioning tools to meet their community's housing goals. Don't be afraid to mix and match!



## PHA Case Study

AMP	Units	Description
1	150	1960s garden style with significant capital needs. Well maintained over the years, but outdated and significant design issues
2	60	1960s family walk-ups. Significant capital needs. Located in 100 year floodplain
3	40	Senior high-rise with high capital needs
4	76	Scattered site. High operating costs. Scattered through a variety of neighborhoods
5	120	Family site built in in 1976. Moderate capital needs.
6	16	Townhomes built in 2010 with RHF funds
	<b>462</b>	

# PHA Case Study

AMP	Units	Description	Outcome/Recommendation
1	150	1960s garden style with significant high capital needs. Well maintained over the years, but outdated and significant design issues	
2	120	1960s family walk-ups. Overly dense	
3	40	Senior high-rise with high capital needs	
4	76	Scattered site. High operating costs. Scattered through a variety of neighborhoods	
5	120	Family site built in in 1976. Moderate capital needs.	
6	16	Townhomes built in 2010 with RHF funds	



# PHA Case Study

AMP	Units	Description	Possible Outcome
1	150	1960s garden style with significant capital needs. Well maintained over the years, but outdated and significant design issues	RAD/Section 18 blend. Demo/NC. Supported with sales proceeds from scattered site
2	120	1960s family walk-ups. Overly dense	Section 18 Obsolescence. Redevelop with non-RAD PBV.
3	40	Senior high-rise with high capital needs	Section 18 Under 50. Rehab with non-RAD PBV
4	76	Scattered site. High operating costs. Scattered through a variety of neighborhoods	Section 18 scattered site. Preserve 30 units in good neighborhoods with non-RAD PBV. Sell 46 units.
5	120	Family site built in in 1976. Moderate capital needs.	RAD. Rehab with debt.
6	16	Townhomes built in 2010 with RHF funds	RAD. Straight conversion



# Resources

## Reading

- RAD Notice – H 2017-03/PIH 2012-32 Rev 3
- Section 18 Notice – PIH 2018-04
- Streamlined Voluntary Conversion Notice – PIH 2019-05

## Talking

- Repositioning Panel discussions – sign up with your field office

## Acting

- RAD Application – RADresource.net
- Section 18/ Voluntary Conversion application - PIC



# Thank You.

For more information and case studies visit  
[www.hud.gov/rad](http://www.hud.gov/rad)



# Appendix: Project-Based Voucher vs. Project Based Rental Assistance

Item	PBV	PBRA
Appropriations	“Tenant-Based Rental Assistance” account	“Project-Based Rental Assistance” account
Rent Setting	“current funding,” not to exceed reasonable rent 110% FMR minus utilities	“current funding,” not to exceed 120% FMR minus utilities (higher with RCS)
Contract Administration	Sec 8 Contract and funding administered by PHA (component of PHA’s Housing Choice Voucher program), with Admin Fees	Sec 8 Contract and funding administered by HUD Multifamily
Contract Term	15-20 years, required to renew	20 years, required to renew
Inspections	Housing Quality Standards (performed by PHA or Independent Entity)	UPCS (performed by REAC)
Choice Mobility	Household may request voucher after one year	Household may request voucher after two years, additional constraints allowed
Other	Under RAD, PBV competitive selection, income- mixing, and PBV program cap requirements do not apply	

