Redeveloping Public Housing
Educational Workshop

Solving problems, guiding decision – worldwide

S. Rhae Parkes
Abt Associates Inc.
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Affordable Housing – What does it Mean?

• **A range of housing types to serve the needs of a mix of families at different income levels**

• **Types of Affordable Housing**
  - Public Housing (PH): Rental units owned and operated by ARHA; targeted at low and very-low-income families; families pay 30% of household income (if zero income, zero rent), HUD provides ARHA with operating subsidy
  - Low Income Housing Tax Credit Units: Units financed with funding from state finance agency; income restricted
  - Workforce housing: Rental or for-sale units targeted to families earning 80% of Area Median Income (AMI), or for-sale units targeted to families earning between 100% and 120% of AMI.
  - Affordable For-Sale: Income-restricted units that may include construction write-downs, down payment assistance, silent second mortgages and other types of supports to the buyer. Typically targeted to families at or below 80% of AMI. Restrictive covenants govern resale of units

• **Key Definitions**
  - Mixed-finance Development: ability to make use of private and/or public sources for the purpose of developing public and other types of affordable housing that may be owned by an entity other than a PHA
  - Mixed-income Development: a mixed-finance development that includes a combination of PH units and non-PH units (e.g., LIHTC, market-rate, workforce, and homeownership units)
Role of PHAs in Development

• Prior to 1980 - PHAs build and own traditional public housing projects, usually debt-free

• 1986 - LIHTC program created to raise equity for affordable housing

• 1992 - HOPE VI program created to redevelop distressed public housing

• Mid 1990’s – Mixed Finance (MF) regulations created to allow PHAs to leverage public housing funding

• Today - budget restrictions require PHAs to be creative, leveraging public funds with non-traditional sources (LIHTC, tax exempt debt, sales proceeds)
The Development Puzzle – Understanding the Development Process

- Pre-Development
- Construction
- Lease-up
- Stabilization
The Development Process - Getting from Here to There

- Strategic Planning
- Pre-development
- Development
- Construction
- Occupancy and Operations
Strategic Planning

- Clarify goals, roles, and expectations – PHA, City, residents
- Assess stock-wide needs and opportunities; identify sites with revitalization potential
- Establish broad-based participatory planning process; meet with residents and other key stakeholders
- Establish project concept
- Identify potential public and private-sector financial resources
Predevelopment - Early Activities

- Begin human services activities
- Procure development partners and consultants, if appropriate
- Develop site plan, building program and design options
- Undertake market study/feasibility analysis
- Prepare preliminary development schedule and budget
- Secure financial commitments
- Outline development and management structure
- Identify relocation resources; prepare relocation plan
Pre-Development - Later Activities

- Submit disposition and acquisition plans to HUD for review and approval
- Begin relocation activities, remediation, demolition, and acquisition (after plans are approved by HUD)
- Finalize design drawings and construction estimates
- Secure additional financing
- Secure regulatory approvals and permits
- Negotiate construction contracts
- Submit Mixed-Finance Proposal and/or Homeownership Plan to HUD for review and approval
Development and Construction Activities

• Complete relocation and demolition

• Prepare and negotiate legal documents with developer, LIHTC syndicator, and other public and private-sector financing sources

• Submit evidentiary materials to HUD for review and approval

• HUD and financial closing - execute all documents

• Commence construction

• Develop and implement marketing plan

• Undertake homeownership-related activities, if applicable (counseling, marketing, sales)
Occupancy/Operations

• Complete unit lease-up and/or sales

• Commence management activities

• HUD provide ARHA with operating subsidy for public housing units; ARHA provides subsidy to management agent (if appropriate)

• Continue provision of human services (if HOPE VI, at least during the grant period; if LIHTC, for compliance period)
The Development Process Timeline

- Pre-development: 6 - 12 months
- Construction: 18 - 24 months
- Pre-leasing: 2 to 12 months
Sources of Financing

- Low Income Housing Tax Credits (9% or 4%)
- Tax Exempt Bonds
- City and Local Funds (Housing Trust Fund, HOME, CDBG, 108, Voluntary Contribution, etc)
- HOPE VI
- Federal Home Loan Bank
- Public Housing Authority Funds (Capital funds, reserves, Replacement Housing Factor Funds, etc)
- Private (foundation support, local leverage)
- Debt (not allowed for public housing units)
# Mixed-Finance Development Models

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<th>Model</th>
<th>PHA Responsibility</th>
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| **PRIVATE DEVELOPER**                      | Development: Developer  
Ownership: Developer  
Property Management: Developer’s Agent  
Developer responsible for all development services including design, construction, and construction/permanent financing |
| **FEE-BASED DEVELOPER**                    | Development: Developer  
Ownership: PHA (after occupancy)  
Property Management: PHA |
| **PHA PARTNERS w/ PRIVATE DEVELOPER**      | Development: Developer is Managing General Partner  
Ownership: Partnership  
Property Management: Partnership’s Agent |
| **PHA AS DEVELOPER**                       | Development: PHA Affiliate  
Ownership: PHA Affiliate  
Property Management: PHA Affiliate (or Agent)  
PHA in capacity-building role learning from private developer and/or program manager |
Opportunities for Redevelopment

• ARHA owns very valuable real estate/asset

• Resident and community support

• Mixed-finance development approach is well-tested with successful examples across the country and locally (Alexandria, Norfolk, Baltimore, DC)

• Strong demand for affordable, mixed-income housing

• Key stakeholders at the table, including the City and ARHA

• HOPE VI application to HUD in November 2007 (seeks funding for both construction and supportive services)
Challenges to Redeveloping Public Housing into Mixed-Income Housing

• Relocation
  – Uniform Relocation Act mandates certain relocation benefits that must be provided (replacement housing payments, moving cost assistance, relocation counseling, etc)
  – Where will families move (temporary and permanent, hard units vs. Section 8 voucher)?

• Every unit demolished must be replaced somewhere (Resolution 830)
  – Density vs “Fair share” considerations

• Appropriate site plan (balancing the needs of current and future residents)
  – Mix and type of housing (rental vs. for-sale; market rate vs affordable vs PH units; family vs senior)
  – Market demand; attracting a range of incomes

• Creating successful mixed-income communities
  – Wrap around supportive services for PH residents to encourage and increase economic independence
  – New re-occupancy criteria for new mixed-income community
  – High quality design that changes the physical shape of PH; all units design the same way
  – Strong property management to establish and enforce high standards

• Financing – Highly competitive grants, dwindling resources, limited sources for services; numerous financing and development partnerships are necessary

• Managing Expectations and Balancing Diverse Needs!
Public Housing and Replacement Units (Resolution 830)
Percentage of Assisted Rental Housing

Legend
- Assisted Rental Housing
- Census Tracts
- Percent Assisted
  - 0%
  - 0.1 - 1.0
  - 1.1 - 3.0
  - 3.1 - 10.0
  - 10.1 +

Note: Assisted rental information for Census Tract 12.03 does not include the Anahita-Chinaleague Cooperative, which is a low-income home-ownership project. Adding these 294 units to the assisted rental figure results in a revised figure of 22.9% assisted rental housing.
Examples from Other Cities

• Norfolk + DC – Mixed finance, mixed income using HOPE VI
• Boston – Mixed-income rental (PH, LIHTC, market rate), created new non-profit entity to raise financing for human services
• Lakeland – Mixed-income rental (PH, LIHTC), created a PHA-affiliate to access restricted local funding to build affordable for-sale
• Nashville – PHA acting as own developer (PH, market rate, LIHTC, for-sale); 100% of developer fees returned to the project
• Chester – Mixed income (PH, LIHTC, market rate), disposed of PHA-owned property to private entity to build new retail