

**National Association of Housing and Redevelopment Officials (NAHRO)  
Public Housing Conversion Proposal**

**Problem:**

The present method of funding the operating and capital needs of public housing has left much of the public housing inventory in an unsustainable position. Public housing operating funding has been unpredictable and in recent years appropriated at a prorated fraction of acknowledged need. Although the infusion of \$4 billion of capital funding through the American Recovery and Reinvestment Act helped to address some of the most urgent needs, it will not come close to addressing either accrued capital backlog needs, which are estimated to exceed \$30 billion, or the systemic problems with sustainability that flow from the present program design. NAHRO suggests that PHAs be afforded a variety of financial options for preserving their public housing and creating a sustainable operating environment, including the following option:

**Proposed Program - Basic Features:**

The proposed program would allow PHAs the option to convert voluntarily their public housing projects to project-based rental assistance (PBRA) under Section 8, with transfer of federal oversight to HUD's Office of Housing. Projects would be converted in the same manner as Section 8 project-based renewals occur under section 524 of the Multifamily Assisted Reform and Affordability Act of 1997 (MAHRA). Conversions would occur with or without rehabilitation. Funds for rehabilitation would be generated through grant funding, tax credits, debt or some combination of them. Projects would be structured in the Office of Housing. Structuring would be permitted to address both physical and market obsolescence. Greening of projects in the course of rehabilitation would be incentivized. Optionally, an FHA guarantee or loan product could be made available to reduce borrower costs and allay lender fear of appropriations risk.

Once converted, each project would be funded through a minimum 20-year HAP contract and subject to the same program structure and regulatory oversight scheme as the existing Section 8 project based multifamily inventory. No new program would be created for operating the properties, and HUD would utilize its existing contractors to carry out oversight responsibilities.

Existing tenants remain in occupancy. Any tenant temporarily displaced by rehabilitation activities would be able to return to the property. Income targeting requirements would be the same as in public housing.