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Public and Affordable Housing Corporation

BEYOND PUBLIC HOUSING:

How Public Housing Authorities Are Transforming the Way They Preserve and Expand Their Housing Stock

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INTRODUCTION

Public Housing Authorities (PHAs) have traditionally provided housing assistance to low-income families through the administration of public housing and Housing Choice Vouchers (HCVs). Over the past few decades, some PHAs began transforming their operations to own, manage, and develop affordable properties outside of the public housing program. In 2013, researchers estimated that 919 PHAs owned more than 150,000 homes outside of the traditional public housing stock.[1] The number of PHAs owning housing assisted by programs other than public housing accelerated with the expansion of the Rental Assistance Demonstration (RAD) program. RAD allows PHAs to transfer their public housing to a more stable funding source and permits them to acquire private capital to rehabilitate the property.

In light of growing PHA involvement in development through RAD, this report describes the tools available to PHAs that want to build and preserve affordable housing in their communities, estimates the latest extent of PHA involvement in development efforts in the private market, and describes how Congress can support PHA development efforts. Based on our analysis, we find that:

- The role of PHAs in the private rental market has expanded as Congress disinvested in public housing and created new preservation programs. These programs encourage PHAs to leverage private market development tools to finance their public housing redevelopment efforts and expand their affordable housing stock.
    - At least 15% of homes assisted by tax credits allocated between 2010 and 2014 were owned or sponsored by PHAs, up from 2% between 1987 and 1989.
    - The number of PHAs project-basing their vouchers has increased 39% since 2016.
- PHAs have a significant stake in federally assisted homes funded by programs other than public housing.
    - At least 1,664 PHAs own or manage 384,592 homes assisted by programs other than public housing.
    - PHAs own or manage 9% of homes assisted by federal housing programs other than public housing, such as Low Income Housing Tax Credits (LIHTC), Section 8 Project Based Rental Assistance (PBRA), and HOME. Including public housing, PHAs own or manage over a quarter of all federally assisted homes.
    - Forty percent of all PHAs own or manage homes assisted by federal subsidies other than public housing. Among these PHAs, 957 (58%) own or manage properties assisted by Section 8 PBRA, 764 (46%) assisted by LIHTC, and 529 (32%) assisted by HOME.
- The depth and length of experience PHAs have owning and managing properties assisted by programs other than public housing varies.
    - Most PHAs are small and own or manage less than 250 homes.
    - Nearly half of PHAs that own or manage properties assisted by programs other than public housing only own or manage one property with non-traditional funding sources. Most of these PHAs are small and manage less than 250 homes. Larger PHAs own more properties assisted by programs other than public housing at higher rates.
    - Over half of PHAs with properties assisted by programs other than public housing have owned or managed these properties for decades.
- Additional funding and flexibility are needed to support PHAs' development efforts.

PROGRAMS BEYOND PUBLIC HOUSING

As the nation's oldest providers of affordable housing, PHAs have long been committed to making affordable homes available to low-income families. The Fair Housing Act of 1937 permitted states to establish PHAs across the country to address a shortage of safe and affordable housing options. PHAs are state, county, or municipal governmental entities that are authorized to assist in the operation of public housing and Housing Choice Vouchers (HCVs). Up until the 1980s, PHAs primarily constructed, managed, and maintained public housing with federal support.[2]

Beginning in the 1960s, Congress began shifting away from funding public housing toward programs that privatized the operation and development of affordable rental housing.[3] These programs included project-based housing subsidy programs such as Section 8 Project Based Rental Assistance (PBRA), the Low Income Housing Tax Credit (LIHTC), Section 515, and HOME. These programs provide a tax credit, low interest loan, capital or operating grant to private owners, including PHAs, in exchange for keeping the property affordable for a set period of time. Congress also created new tenant-based subsidy programs, which provide PHAs with funding to administer vouchers to families to subsidize their rent at a private-market rental home.

As a result of these shifts, funding for the operation and maintenance of public housing was drastically reduced and new programs were created that put pressure on PHAs to leverage private capital to build new affordable housing and preserve public housing in their communities. Figure 1 describes the programs that expanded the role of PHAs in the development and management of affordable housing in the private market.[4]

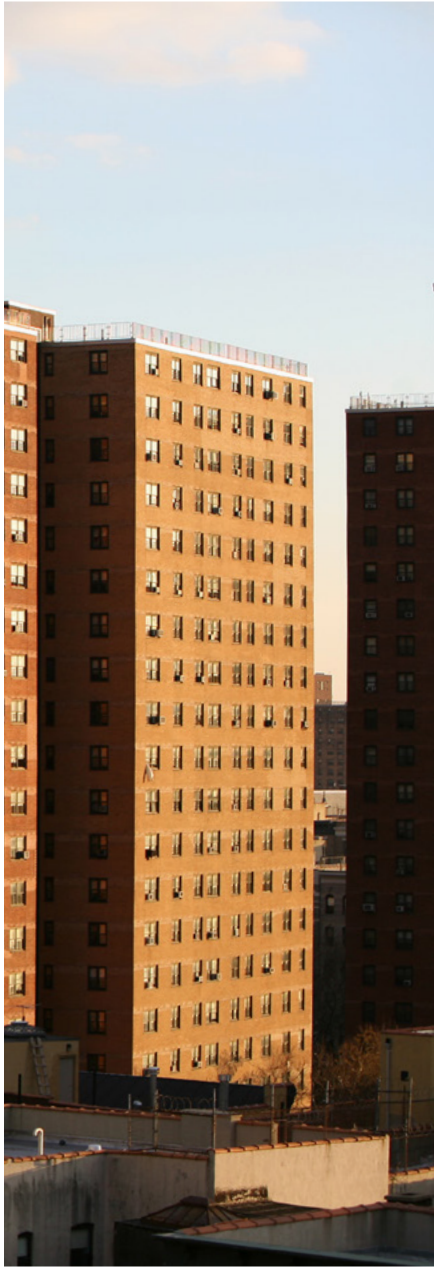
As these programs were created and public housing funding shortfalls put financial pressure on PHAs, many began owning and managing affordable housing assisted by programs other than public housing. PHAs that were engaged in these development efforts reported diversifying their affordable housing funding streams so that that they could weather public housing funding shortfalls and more effectively maintain and expand affordable housing options for families in their community.[5] To do this, some PHAs hybridized their operations and worked with partners to build, manage, and provide services outside of the public housing program.[6] They also began developing new skills to apply for and coordinate mixed-finance developments and manage the partnerships resulting from these development efforts.[7] This section describes programs that expanded the PHA's role in the development and management of affordable housing in the private market.

Figure 1: Programs that Expanded the PHA's Role in Affordable Housing Development in the Private Market

Program	How Program Spurred Private Development	Years Active
Voluntary Conversion	Allows PHAs to convert public housing to tenant-based assistance if certain conditions are met.	1937-current
Housing Choice Vouchers	Funds PHAs to administer vouchers to low-income families to subsidize their rent in the private rental market.	1974-current
Low Income Housing Tax Credit (LIHTC)	Permits developers, including PHAs, to build and preserve affordable housing.	1986-current
HOPE VI	Provided funding to 211 PHAs to redevelop distressed public housing. Encouraged PHAs to produced mixed- financed developments.	1993-2011
Moving to Work (MTW)	Permits 80 PHAs to waive administrative rules and procedures to enhance self-sufficiency, housing choice, and cost-effectiveness.	1996-current
The Quality Housing and Work Responsibility Act (QHWRA)	Enables PHAs to leverage their public housing capital fund to acquire private funding, such as LIHTC. Requires PHAs to adopt asset-based management practices. Permits PHAs to request the demolition or disposition of public housing.	1998-current
Project Based Vouchers	Permits PHAs to project-base a portion of their HCVs.	2001-current
Choice Neighborhoods	Provides funding to redevelop neighborhoods with distressed public and affordable housing.	2010-current
Rental Assistance Demonstration	Allows PHAs to move public housing to Section 8 funding streams. Permits PHAs to leverage public and private debt and equity to preserve public housing converted through RAD.	2012-current
Faircloth-to-RAD	Allows PHAs to develop public housing using HUD's public housing mixed-finance program on a temporary basis and grants them pre-approval to convert the property to Section 8 through RAD once construction is complete.	2021-current

Voluntary Conversion

The Fair Housing Act of 1937 permits PHAs to convert their public housing to tenant-based assistance if it is not more expensive to administer compared to operating public housing, if it benefits the residents and doesn't negatively impact the availability of affordable housing in the community. If the request to convert public housing is approved by the U.S. Department of Housing and Urban Development (HUD), the PHA can choose to sell the property to another organization or continue to operate the property as affordable housing and apply for private financing to operate and maintain the property. In 2019, HUD streamlined this process to make it easier for smaller PHAs to convert their public housing to tenant-based vouchers by waiving the cost-test requirement. Through 2009, 16,000 public housing homes have been converted to vouchers through voluntary conversion.[8]



Housing Choice Vouchers (HCVs)

PHA involvement in the private rental market expanded with the creation of the HCV program in 1974. HCV is a demand-side subsidy allocated by PHAs to tenants to subsidize their rent in the private market. In 2021, 2,160 PHAs administered 2.7 million vouchers to low-income families.[9] Through the program, PHAs award vouchers to families who are responsible for finding a home that meets the program requirements and a landlord willing to accept the voucher. To help families, PHAs develop relationships with landlords to encourage them to accept the vouchers. Once a family finds a landlord willing to accept the voucher, the PHA enters into a contract with the landlord to accept the subsidy on behalf of the family.

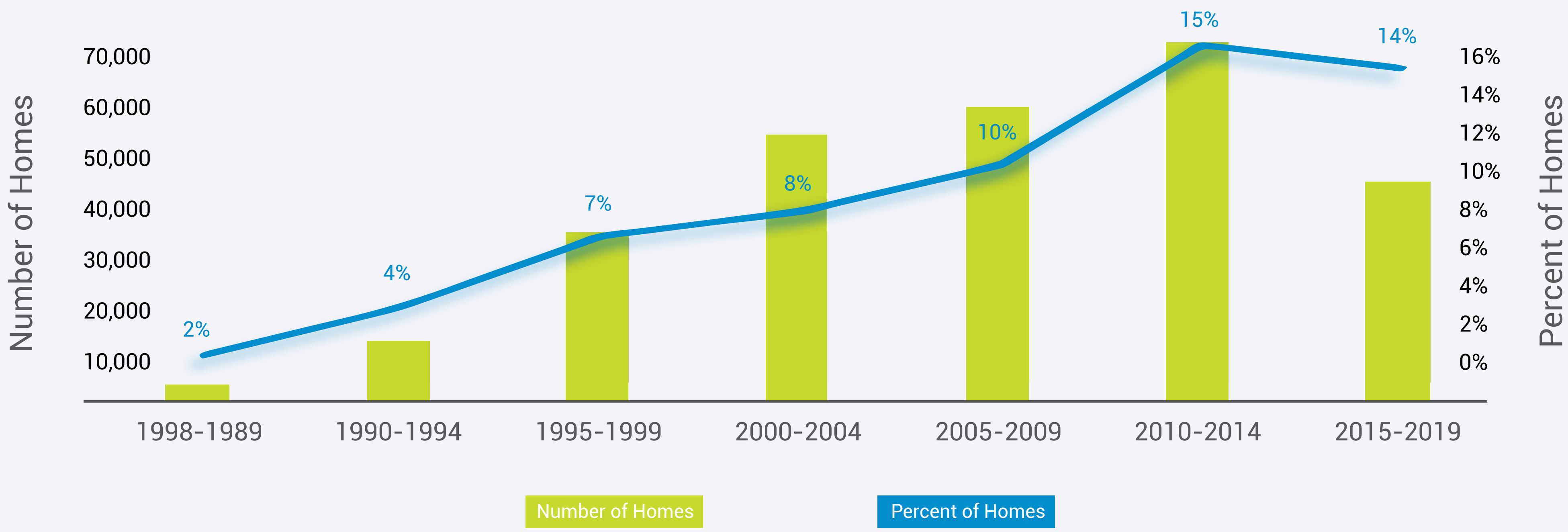
While HCVs positions PHAs to expand housing affordability in their community through demand-side subsidies, supply-side subsidies that finance the construction and preservation of designated affordable homes are still needed. Many voucher holders have trouble locating a landlord willing to accept the voucher, particularly in tight rental markets.[10] Indeed, only 48% of households awarded vouchers between 1996 and 2010 used their voucher. Voucher use rates were lower for households with higher rents, lower incomes, children, and Black or elderly headed households.[11] Another study found that voucher holders needed to screen 39 apartment advertisements to find one potentially eligible unit. From there, many landlords of these potentially eligible units denied accepting vouchers outright or applied conditions to their acceptance.[12] While some states, cities, and counties have adopted source-of-income protection laws to prevent landlords from denying vouchers outright, these protections aren't in place nationwide.[13] Additionally, HCVs can be vulnerable to abrupt funding cuts from Congress. In 2013, 100,000 families lost their voucher due to funding cuts.[14] As a result of these challenges, many PHAs continue to expand the physical supply of affordable homes in their community.

Low Income Housing Tax Credit (LIHTC)

Affordable housing development and preservation tools expanded in 1986 and 1990 when the Low Income Housing Tax Credit (LIHTC) and HOME Investment Partnerships programs were created. These programs made funding available to developers, including PHAs, to build and preserve affordable housing. Initially, few PHAs leveraged LIHTC to create new affordable housing.[15] Only 8,504 (3%) of assisted homes that were allocated tax credits before 1993 had PHA sponsors.[16] More PHAs began using the LIHTC program in the mid- to late-1990s, when new programs, like HOPE VI and QHWRA, were created to permit and encourage PHAs to use LIHTC to preserve their public housing stock. By 2015, at least 15% of homes assisted by tax credits allocated between 2010 and 2014 were sponsored by PHAs (Figure 2).

Figure 2: **The portion of tax credits allocated to PHA-sponsored homes has steadily grown**

Number and Percent of Homes Assisted by Tax Credits Allocated Between 1987-2019 Sponsored by PHAs



PAHRC tabulation of National Housing Preservation Database, retrieved October 2021. See Appendix A for methodology identifying properties sponsored by PHAs. Excludes tax credit assisted units missing allocation year.

PHA-sponsored LIHTC properties can have a variety of ownership structures. PHAs with the experience and capacity to manage LIHTC construction and compliance can become their own LIHTC developer. Being a LIHTC developer can help PHAs diversify their revenue streams, increase their control of the housing that is built, and fill gaps in the community. PHAs without the experience or capacity, however, can pay a fee to a developer to facilitate the construction and compliance of a LIHTC-funded property. PHAs that guarantee long-term operating deficits for the property generally remain the sole general partner and owner of the property through a wholly owned and controlled instrumentality or affiliate. In other cases, PHAs can partner with a developer to facilitate the LIHTC construction, compliance, and long-term guarantees in exchange for becoming co-general partners and sharing in property ownership.

HOPE VI

PHAs began using LIHTC in 1993 to redevelop distressed public housing through the HOPE VI program. HOPE VI provided funding to 211 PHAs between 1993 and 2011 to redevelop public housing and permitted them to leverage private and other federally funded programs, such as LIHTC, to do so.[17] Of the 97,389 mixed-income homes funded by HOPE VI, 30% were affordable housing homes financed with LIHTC.[18] HOPE VI encouraged participating PHAs to develop new skills to apply, coordinate, and manage partnerships for mixed-finance developments.[19] While HOPE VI resulted in the creation of mixed-income communities to address historic income and racial segregation in public housing, it contributed to the loss of deeply affordable homes. A full 13,092 public housing homes were converted to market-rate housing and 28,973 were converted to homes intended to be affordable to low- and moderate-income households.[20] Additionally, to obtain funding supplemental to HOPE VI, some PHAs sold ownership stakes of these properties to private developers who agreed to follow certain public housing program rules.

Quality Housing and Work Responsibility Act (QHWRA)

In 1998, QHWRA further expanded PHA's ability to use LIHTC and other federally funded sources to redevelop their public housing. QHWRA gave all PHAs the discretion to leverage their public housing capital fund to acquire funding from private and other federally funded programs to preserve public housing.

Controversially, QHWRA allowed PHAs to request permission to demolish or sell public housing where the cost of rehabilitation exceeded the cost to provide tenants with vouchers.[21] It also limited funding for the construction or operation of new public housing. The Faircloth Amendment in QHWRA capped the amount of public housing that HUD could fund at the number of public housing homes owned by the PHA as of October 1999. Therefore, PHAs looking to grow their affordable housing stock must build or acquire housing assisted by programs other than public housing.

Choice Neighborhoods Initiative (CNI)

The Choice Neighborhoods Initiative (CNI) was created in 2010 to succeed and address shortcomings of the HOPE VI program. Similar to HOPE VI, CNI provides funding to redevelop distressed public housing and permits PHA grantees to leverage other HUD programs and private funding sources to supplement these efforts. HUD-assisted private housing owners, local governments, nonprofits, and for-profit developers are also eligible to apply for CNI funds, however. The CNI program also requires grantees to focus on redeveloping entire neighborhoods and incorporates additional safeguards to protect residents and the loss of affordable housing. The program offers grantees, which can include PHAs, implementation grants to redevelop distressed housing, and planning grants, which help communities develop a neighborhood transformation plan. Between 2010 and 2021, CNI awarded implementation grants to 35 cities or PHAs to redevelop distressed public housing.[22] Funding for CNI, however, has been lower than funding for HOPE VI, limiting the program's impact on preserving affordable housing.[23]

Rental Assistance Demonstration

In 2012, the Rental Assistance Demonstration (RAD) program gave PHAs additional discretion to redevelop their public housing properties using private capital and other federally funded sources. RAD allows PHAs to transfer their public housing to more stable Section 8 funding streams. It also allows PHAs to leverage public and private debt and equity to preserve public housing converted through RAD. Since RAD is still a demonstration program, the number of units that can convert through it is currently capped at 455,000 units. Since February 2022, 452 PHAs converted 157,305 public housing homes through RAD. An additional 131 PHAs are in the process of converting 58,387 homes through RAD (Figure 3).[24]

Figure 3: Many PHAs are converting their public housing through RAD

Number of Homes and PHAs Converting Public Housing Through RAD

157,305	58,387	452	131
Public housing homes converted through RAD	Public housing homes in the process of converting through RAD	PHAs converted public housing through RAD	PHAs in the process of converting through RAD

PAHRC tabulation of RAD Resource Desk, retrieved February 3, 2022.

While properties converting under RAD can change ownership, research suggests that most PHAs continue to retain an ownership stake. A sample of 20 PHAs engaged in RAD deals suggests that most PHAs continue to manage properties converted through RAD rather than hire a private management company.[25] HUD estimates that approximately 56% of homes converted through RAD are owned and managed by a PHA or PHA subsidiary. An additional 24% of homes are owned and managed by a PHA with a passive LIHTC partner. Only 20% of homes converted through RAD have been completely transferred to another nonprofit owner.[26]

Many RAD properties rely on funding from LIHTC to make the conversion pencil out. By 2020, 44% of public housing that converted through RAD was also funded by LIHTC, accounting for a quarter of all 4% tax credits and 10% of 9% tax credits.[27] If these trends continue, researchers project that 26% of 4% tax credits and 7% of 9% tax credits could be used by PHAs converting their public housing through RAD until the program reaches its 455,000-unit limit.

Programs like RAD, HOPE VI, and QHWRA increase PHAs' experience applying for and managing properties with funding sources other than public housing. As more PHAs convert their public housing stock through RAD and gain experience with LIHTC, it could further catalyze other PHAs toto follow suit.

Faircloth-to-RAD

While the Faircloth Amendment effectively stopped the construction of new public housing, PHAs that demolished or disposed of public housing since the amendment was adopted are eligible to receive funding to build or operate replacement public housing. Historically, however, a lack of federal funding for the construction of new public housing has prevented these PHAs from building replacement public housing. In 2021, HUD launched a Faircloth-to-RAD option to better enable PHAs with Faircloth authority to build new deeply affordable homes in their communities. The new option will allow PHAs to develop public housing using HUD's public housing mixed-finance program on a temporary basis and grant them pre-approval to convert the property to Section 8 through RAD once construction is complete. This program is expected to catalyze the construction of new deeply affordable homes by giving these properties more revenue certainty and by leveraging programs that are more familiar to the HUD lenders and investors underwriting their construction.[28] As of 2021, up to 235,000 new deeply affordable homes could be built by PHAs through the Faircloth-to-RAD option.[29] The first property funded using the Faircloth-to-RAD option broke ground in October 2021.[30]

Project Based Vouchers

In 2001, PHAs were given the ability to project-base a portion of their HCVs to expand housing options and more effectively provide housing assistance to families in need. Initially PHAs were allowed to use 20% of their voucher funding for projecting-base vouchers to specific homes rather than to tenants. The Housing Opportunity Through Modernization Act (HOTMA) increased the portion of vouchers that can be project-based to 20% of a PHA's authorized vouchers. HOTMA also permits PHAs to project-base an additional 10% of their vouchers if they are used to serve households that are homeless, include a veteran, provide supportive services to older adults or persons with a disability, or are awarded to a property in a census tract with a poverty rate of 20% or less. The portion of vouchers that PHAs can project-base can also be higher if the PHA participates in the MTW program or RAD. PBVs can enable PHAs to make rents more affordable in tight housing markets, expand affordable housing options in opportunity neighborhoods and for higher-need households, and to catalyze the development and preservation of affordable homes by supplementing other funding sources.[31]

A growing number of PHAs are project-basing their vouchers. As of September 2021, 782 (37%) PHAs with vouchers have project-based at least one voucher, up from 562 (26%) in December 2016 (Figure 4).[32] While some of these PHAs are awarding project-based vouchers through the RAD program, approximately 697 (32%) leased project-based vouchers outside of RAD. Excluding project-based vouchers leased through RAD, these PHAs project-based and leased an average of 9.2% of their Housing Choice Vouchers in September 2021.

Figure 4: A growing number of PHAs are project-basing their vouchers

Number of PHAs Project-Basing Vouchers 2016-2021

PAHRC tabulation of Voucher Management System December 2016-2021. Includes PHAs with at least one voucher unit month leased. PHAs with PBVs includes vouchers under Housing Assistance Payments Contracts (HAP) and Agreement to Enter into Housing Assistance Payments Contract (AHAP).

	PHA with PBVs		PHAs with Leased PBVs (Excluding RAD)	
	Number	Percent	Number	Percent
2016	562	26%	494	22%
2017	635	29%	561	26%
2018	672	31%	586	27%
2019	713	33%	618	29%
2020	751	35%	657	31%
2021	782	37%	679	32%

PHAs are also project-basing more of their vouchers. As of September 2021, PHAs project-based 294,784 vouchers, accounting for 13% of total vouchers.[33] This is up from 159,941 vouchers, representing only 7% of all vouchers in December 2016 (Figure 5).[34] While some of this increase is driven by PHAs converting their public housing to PBVs through RAD, it is not the sole driver. In September 2021, PHAs leased 159,888 project-based vouchers outside of RAD, up from 102,832 in December 2016. Research suggests that PHAs use PBVs at higher rates if they participate in the Moving to Work (MTW) program, had more distressed public housing in 2008, and are located in a city with higher rent.[35]

Table 5: PHAs are project-basing more of their vouchers

Number of Project-Basing Vouchers 2016-2021

	PBVs Under HAP and AHAP (Including RAD)		Leased PBVs (Excluding RAD)	
	Number	Percent	Number	Percent
2016	159,941	7%	102,832	5%
2017	183,163	8%	114,564	5%
2018	212,763	10%	123,493	6%
2019	247,040	11%	136,797	6%
2020	278,949	12%	152,794	7%
2021	294,784	13%	159,888	7%

PAHRC tabulation of Voucher Management System December 2016-2021. Includes PHAs with at least one voucher unit month leased.

PHA OWNERSHIP AND MANAGEMENT OF AFFORDABLE HOUSING OTHER THAN PUBLIC HOUSING

In 2013, researchers estimated that 919 PHAs owned more than 150,000 homes outside of the traditional public housing stock.[36] As more PHAs convert their public housing to Section 8 funding streams through RAD, the number of PHAs that own homes assisted by programs outside of the traditional public housing stock has grown. This section estimates the number of homes assisted by programs other than public housing that are likely owned or managed by PHAs as of 2021 using data from the National Housing Preservation Database (NHPD).

PHA's Stake in the Private Market

As of 2021, at least 1,664 PHAs own, sponsor, or manage 384,592 homes assisted by programs other than public housing (Figure 6). Homes assisted by non-traditional programs, including any programs other than public housing, represent 30% of the homes owned or managed by PHAs. The number of PHAs that own or manage homes assisted by programs other than public housing is likely higher since ownership information on federally assisted properties can be missing, incomplete, or out of date.[1] For instance, HUD data on federally assisted properties generally only lists one owner name and address, even though properties can have multiple owners. Additionally, the owner of the property is often listed as the limited partner name which can obscure who the managing owner of the property is. To identify properties likely owned and managed by PHAs, the owner and manager name and contact information was matched against PHA names and contact information (for more information see Appendix A).

About the National Housing Preservation Database (NHPD)

The NHPD is a de-duplicated address level database of 80,000 federally assisted rental housing properties across the U.S. It tracks properties assisted by both large and small project-based housing subsidy programs, including LIHTC, HOME Assistance, Section 8 PBRA, public housing, PBVs, Section 515 and 538. Many of these properties rely on multiple subsidy allocations to make the cost of affordable housing construction and preservation efforts pencil out. The NHPD allows each of these subsidy allocations to be tracked and includes detailed information about the owner name, owner type, start date, and affordability restriction end date affiliated to each subsidy.

The NHPD is available at
www.preservationdatabase.org

1 While data on LIHTC-assisted properties reflects the owner information as of the time the tax credit was allocated, this report assumes that PHAs have long-term interest in ownership of the property and continue to own the property after the tax credit compliance period ends.

Figure 6: At least 1,664 PHAs own or manage 384,592 homes assisted by programs other than public housing

384,592	1,664
Homes assisted by programs other than public housing are owned, sponsored, or managed by PHAs	PHAs own, sponsor, or manage properties outside of public housing

PAHRC tabulation of National Housing Preservation Database, retrieved October 2021. See Appendix A for methodology identifying properties owned or managed by PHAs.

Nearly two-thirds of federally assisted homes owned or managed by PHAs with non-traditional funding sources are assisted by LIHTC. PHAs also own, develop, or manage homes assisted by Section 8 (36%), Project Based Vouchers (11%), Section 515 (6%), HOME (6%), and HUD-insured mortgages (3%). Thirty-eight percent of these homes were formerly a part of the public housing program and have been repositioned through RAD or redeveloped through HOPE VI or LIHTC.[37] The remaining majority of homes were acquired, developed, or managed by PHAs from other means.

PHAs have a significant ownership and management stake in many affordable housing programs other than public housing. PHAs own or manage at least a third of homes assisted by project-based vouchers[2], 10% of homes assisted by Section 8 PBRA and LIHTC, 9% of homes assisted by HOME, and 6% of homes assisted by Section 515 (Figure 7). Overall, PHAs own or manage 9% of the federally assisted housing stock excluding the public housing program. Including public housing, PHAs own or manage over a quarter of the federally assisted housing stock.

2 This is likely underestimated since address data is only available for buildings with 11 or more PBVs as of December 2019, representing two-thirds of PBVs awarded at the time.

Figure 7: PHAs have a significant stake in homes assisted by programs other than public housing

Number and Percent of Federally Assisted Homes Owned or Managed by PHAs by Program

*Property level data is only available for two-thirds of homes assisted by PBVs. As a result, this likely under estimates PBV assisted homes owned or managed by PHAs.

PAHRC tabulation of National Housing Preservation Database, retrieved October 2021. See Appendix A for methodology identifying properties owned by PHAs.

	Homes Owned or Managed by PHAs	Percent of Homes Owned or Managed by PHAs
Project Based Vouchers*	43,775	34%
Section 8 PBRA	139,450	10%
LIHTC	249,493	10%
HOME	22,242	9%
HUD Insured	13,134	9%
Section 515	21,506	6%
Section 538	2,436	4%
Section 202	799	3%
Total (Other than Public Housing)	**384,592**	**9%**
Total (Including Public Housing)	**1,286,820**	**26%**

Overall, 40% of all PHAs own or manage homes assisted by federally funded programs other than public housing.[3] Among these PHAs, 957 (58%) own or manage properties assisted by Section 8 PBRA, 764 (46%) by LIHTC, and 529 (32%) by HOME. A smaller amount of PHAs own or manage homes assisted by Section 515 (29%), project based vouchers (18%), HUD insured mortgages (17%), Section 202 (2%), and Section 538 (2%).

PHAs own or manage an average of 231 non-traditional homes.[4] Non-traditional homes include properties assisted by programs other than public housing. One hundred sixty-five PHAs own, developed, or manage more than 500 non-traditional homes. Previous research found that PHAs are more likely to own non-traditional housing if they are independent of their local government offices, are larger, or have experience managing public housing. Additionally, PHAs with non-traditional housing are more likely to own a greater number of non-traditional homes if they are operating in a region with a progressive political climate, greater shares of very low-income renters, and a racially diversifying population. PHAs also own a greater number of non-traditional homes if they are based in a state with a housing trust fund.[38]

3 This includes PHAs that administer public housing or HCVs. It also includes 437 state or locally funded PHAs that do not administer HCVs or public housing that were identified in the NHPD. It excludes PHAs located in U.S. territories.

4 Excludes PHAs that do not manage any non-traditional homes.

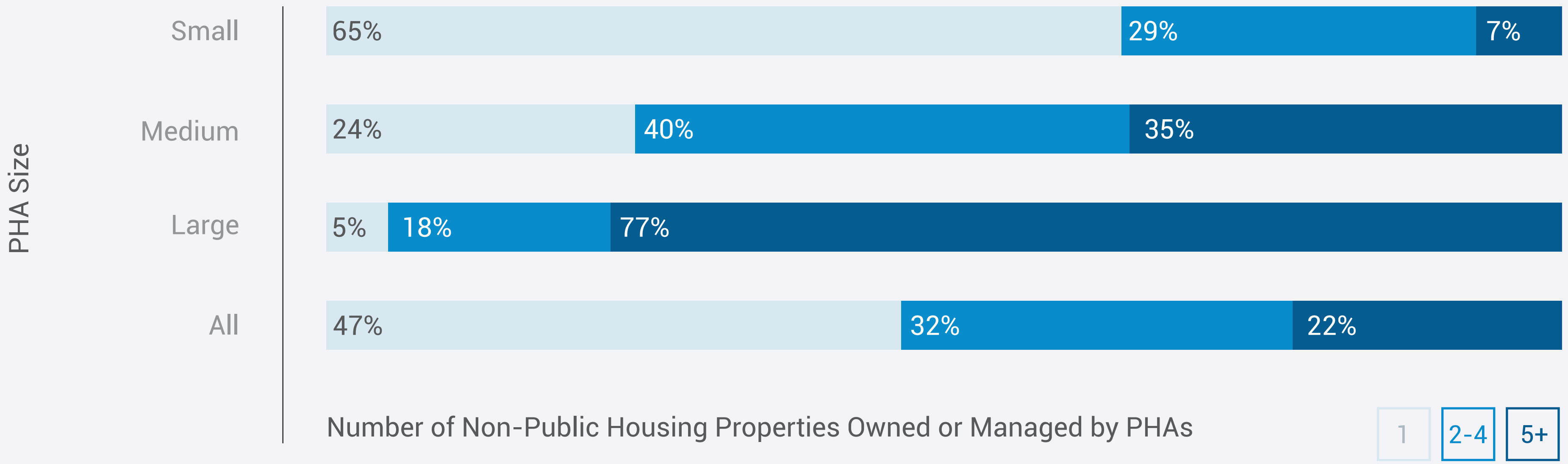
PHA's Development Experience

While many PHAs own or manage properties outside of the public housing program, their length and depth of experience varies. Fifteen percent of PHAs do not own or manage any affordable homes and solely administer HCVs. Nearly two-thirds of PHAs are small and own or manage between one and 250 homes overall, suggesting their capacity for development is limited. Eighteen percent of PHAs are medium-sized and own or manage between 250 and 1,249 homes. The remaining 4% of PHAs are large and own or manage over 1,250 homes.

Overall, 47% of PHAs that own or manage housing assisted by programs other than public housing only own or manage one property with a non-traditional funding source (Figure 8). Most of these PHAs are small and own or manage less than 250 homes. Meanwhile, 32% own or manage two to four properties funded by non-public housing funding sources. The remaining 22% of PHAs own or manage five or more properties with non-traditional funding sources. Most PHAs that own or manage multiple properties with non-traditional funding sources are larger PHAs that own or manage over 1,250 homes.

Figure 8: **PHAs are at different levels of their development journey.**

Number of Non-Public Housing Properties that PHAs Own or Manage by PHA Size



PAHRC tabulation of National Housing Preservation Database, retrieved October 2021. See Appendix A for methodology identifying properties owned by PHAs. Excludes PHAs that do not own or manage any homes assisted by non-traditional funding sources.

Among PHAs engaged in ownership or management of non-traditional housing, 938 (56%) owned or managed at least one property funded by a non-public housing program before HOPE VI was created in 1993 (Figure 9). Most of these PHAs owned or managed properties assisted by Section 8 PBRA and Section 515 early on. During the period HOPE VI was active, between 1993 and 1999, an additional 146 PHAs (9%) began owning or managing properties outside of the traditional public housing stock. The number of PHAs owning and managing properties funded by programs other than public housing continued to climb after the last HOPE VI grant was awarded and before RAD was adopted between 2000 and 2012. During this period, 349 (21%) PHAs owned or managed their first property outside of the public housing program. The remaining 205 (12%) began owning and managing housing outside of the public housing program as RAD was rolled out after 2012.

Figure 9: Over half of PHAs have owned or managed properties assisted by programs other than public housing for decades.

Earliest Year PHAs Owned or Managed Properties Assisted by Program Other than Public Housing

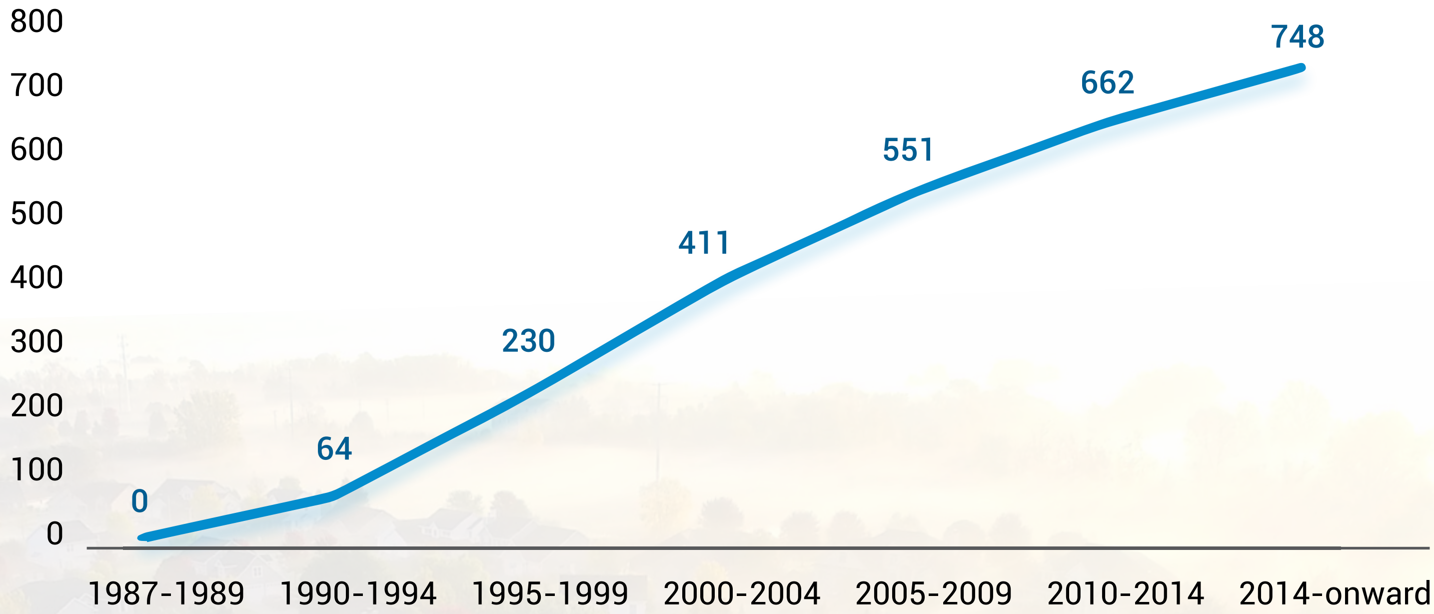
	Number	Percent
Before HOPE VI (pre-1992)	938	56%
During HOPE VI (1993-1999)	146	9%
In Between HOPE VI and RAD (2000-2013)	349	21%
During RAD (2013-present)	205	12%

PAHRC tabulation of National Housing Preservation Database, retrieved October 2021. See Appendix A for methodology identifying properties owned by PHAs. Excludes 24 PHAs that own or manage public housing funded by programs outside of public housing that are missing subsidy start dates.

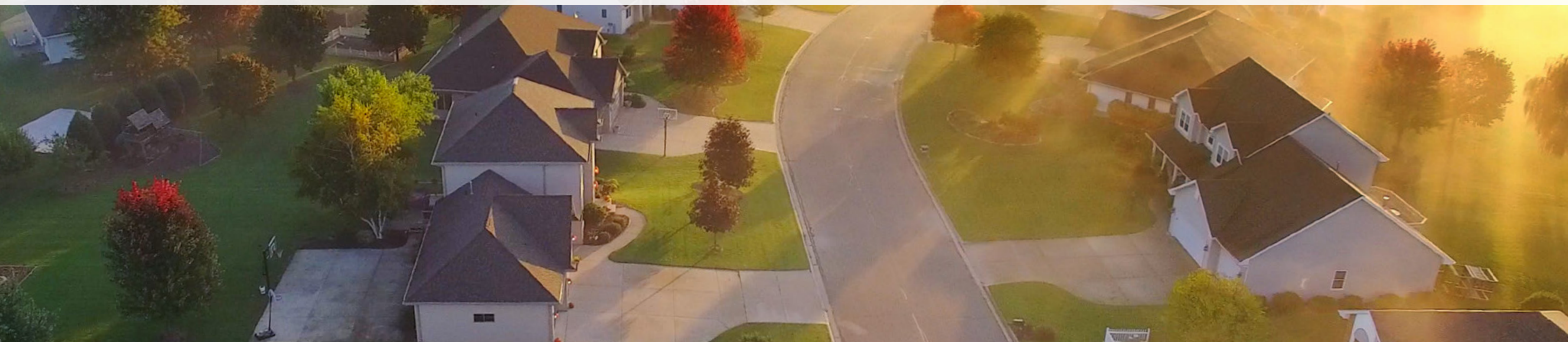
While many PHAs have owned or managed properties assisted by Section 8 PBRA and Section 515 for decades, PHAs began leveraging LIHTC to redevelop or expand their housing stock after in the 1990s after HOPE VI began. The number of PHAs leveraging LIHTC for the first time rose steadily during the period between HOPE VI and RAD and has continued to rise since the rollout of RAD (Figure 10). At least 302 PHAs (7%) have leveraged LIHTC to redevelop their public housing through HOPE VI, Choice Neighborhoods, or RAD. Meanwhile 623 PHAs (15%) have used LIHTC to expand their affordable housing stock.

Figure 10: The number of PHAs owning or managing a LIHTC-assisted property continues to rise

Cumulative Number of PHAs Owning or Managing a LIHTC-assisted Property



PAHRC tabulation of National Housing Preservation Database, retrieved October 2021. See Appendix A for methodology identifying properties owned and managed by PHAs. Excludes PHAs owning LIHTC assisted properties missing allocation year.



SUPPORTING PHA DEVELOPMENT EFFORTS

PHAs are key stakeholders responsible for maintaining and expanding access to affordable housing in their communities. This section describes policy actions Congress can make to further support these efforts.

Adequately Fund Public Housing

PHAs need adequate capital and operating funding to maintain their existing public housing homes.[39] The public housing capital needs backlog is estimated to be between $35 and $70 billion.[40] As a result of these funding shortfalls, 233,000 public housing homes were lost due to disrepair and were not replaced between 1996 and 2020.[41] While RAD positions PHAs to convert their existing public housing to other funding sources to obtain more funding stability, RAD conversions may not be feasible for public housing properties with substantial capital needs in high-cost markets.[42] An estimated 44% of public housing homes may be unable to convert through RAD due to their capital needs.[43] As a result, PHAs still need continued support from Congress to operate and maintain their public housing stock, particularly for public housing properties that can't feasibly convert through RAD.

Increase Affordable Housing Development and Preservation Funds

Limited resources prevent affordable housing providers from securing adequate funding to build and preserve affordable housing.[44] Rental subsidy programs do not cover 100% of construction or preservation costs, which means that funding from multiple programs is often needed to make affordable housing pencil out.[45] Additionally, some affordable housing providers report that Capital Needs Assessments (CNAs) do not take into account the infrastructure investments made in conjunction with building and preserving affordable housing, which can also complicate development efforts. Further compounding these challenges is that the same programs financing the construction of new affordable housing are also key to preserving existing federally assisted homes and keeping them affordable and habitable for residents. Competition for these funds increases as the federally assisted housing stock ages and requires new funding to address their capital needs. Competition could also increase as more properties convert their public housing under RAD.

Researchers project that 26% of 4% tax credits and 7% of 9% tax credits will be used by PHAs converting their public housing through RAD until the program reaches its 455,000-unit limit. If the RAD cap is lifted and all public housing homes convert through the program, RAD could account for two-fifths of 4% tax credits and one-fifth of 9% tax credits over a ten-year period.[46] Increasing affordable housing development and preservation funds can help PHAs acquire the funding they need to preserve their public housing stock through RAD while ensuring funding is also available to build new affordable homes.

Make it Easier to Build New Public Housing

The Faircloth Amendment included in QHWRA limited the construction of new public housing homes in 1998. Repealing this amendment could make it easier for PHAs to expand deeply subsidized affordable housing options for low-income families. Public housing is more deeply subsidized compared to other housing production programs, like LIHTC. This could make it easier for PHAs to more effectively assist the lowest income families. This is especially important for PHAs in tight housing markets where housing options for voucher holders are limited.[47]

Provide Technical Assistance to PHAs

Affordable housing preservation and development is complex.[48] Affordable housing providers often collaborate with numerous partners and must acquire funding from multiple sources with different application and reporting requirements.[49] While all affordable housing stakeholders can benefit from technical assistance to boost their capacity, this training could be particularly important to smaller agencies and those new to these funding sources. While many PHAs are engaged in development outside of the public housing program, some are just starting out or have yet to begin. Training on how to apply for project loans, manage debt obligations, and monitor compliance for LIHTC and Section 8 could encourage more PHAs to participate in RAD or LIHTC development.[50]

Update Qualified Action Plans to Make it More Feasible for PHAs to Acquire 9% Tax Credits

Qualified Action Plans (QAP) establish the requirements and scoring criteria state housing finance agencies use to award tax credits. Examples of these criteria can include whether the proposed property is located in a certain area, implements deeper income-targeting, or whether the property will target certain tenant populations. LIHTC proposals that score the highest based on the criteria established in the QAP are more likely to receive the larger 9% tax credits, which fund a larger portion of development costs. PHAs can be at a disadvantage when applying for 9% tax credits if the state doesn't strongly incentivize deep income targeting, public housing conversions through RAD, or redevelopment projects.[51] Revisiting the criteria housing finance agencies use to award competitive 9% tax credits could make it more feasible for PHAs to acquire funding to recapitalize their public housing properties.

CONCLUSION

In the wake of continued disinvestment from Congress and the creation of new programs, many PHAs have adapted their operating models to preserve and expand affordable housing options in their community. Traditionally, PHAs relied on their public housing capital and operating funds to maintain affordable housing in their community. Increasingly, however, more PHAs are leveraging private-market programs, like LIHTC, HOME, and Section 8, to preserve and expand their portfolio of affordable housing properties. As of 2021, at least 1,664 PHAs own or manage 384,592 homes assisted by programs other than public housing. In total, PHAs own or manage over a quarter of the federally assisted housing stock, making them key stakeholders in expanding access to affordable housing in their communities. However, the length and depth of experience PHAs have owning or managing properties outside of the public housing program varies. While over half of PHAs that own or manage properties assisted by programs other than public housing have done so for decades, nearly half only own or manage one of these properties.

PHAs need additional funding and support from Congress to continue maintaining and expanding affordable housing access in their community. Specifically, Congress must adequately fund the maintenance and operation of public housing, increase access to preservation funding, make it easier for PHAs to build new deeply affordable properties, make it more feasible for PHAs to acquire existing preservation funds, and provide technical assistance to PHAs new to development programs other than public housing. These strategies are essential to ensure PHAs have the resources required to close the affordable housing gap in their community.

APPENDIX A – METHODOLOGY

Federally assisted homes were identified in the National Housing Preservation Database retrieved in October 2021. The number of federally assisted homes was determined using methods described in Appendix B 1a of 2021 Picture of Preservation Report.

Properties owned or managed by PHAs were identified if one of the following conditions were met:

Condition	Programs Available For
Property owner address matches PHA mailing address	Section 8, LIHTC, Section 515, and HOME
Property manager address matches PHA mailing address	Section 8
Property owner email matches PHA or executive director email	Section 8
Property manager e-mail matches PHA or executive director email	Section 8
Property owner phone number matches PHA phone number	Section 8 and LIHTC
Property manager phone number matches PHA phone number	Section 8
Property address matched to address owned by a PHA and insured by HAI Group	All
Property name, owner name, or manager name contains any of the following phrases: housing authority, HA of, housing commission, HRA, housing agency, re-development authority, redevelopment commission, housing department, public housing, RAD, CDA, or H/A	All

In most cases, the owner and manager listed for properties in the NHPD is the owner and manager at the time the subsidy was awarded. These methods assume that PHAs are committed to long-term ownership of these properties and did not sell the property.

All properties in the NHPD were also matched against HUD's public housing building level data as of 2016, RAD Resource Desk data as of February 3, 2022, and LIHTC data as of April 2021 to identify former public housing properties. Properties were classified as formerly public housing if any of the following conditions were met:

Condition	Programs Available For
Property has a Section 8 contract type of "RAD PH Conv"	Section 8
Property has an inactive public housing subsidy	All
Property matches to a public housing building address from 2016	All
Property matches to closed public housing RAD conversion data	All
Property has tax credit that is flagged as also being assisted by HOPE VI or RAD	LIHTC
Property matches to HOPE VI award data	All

If a property was identified as formerly public housing, but not listed as having a PHA owner or manager as described above, its current ownership was manually reviewed to identify if the property is still owned or managed by the PHA. Properties were considered owned or managed by a PHA if the property was listed on the PHA's website or annual plan.

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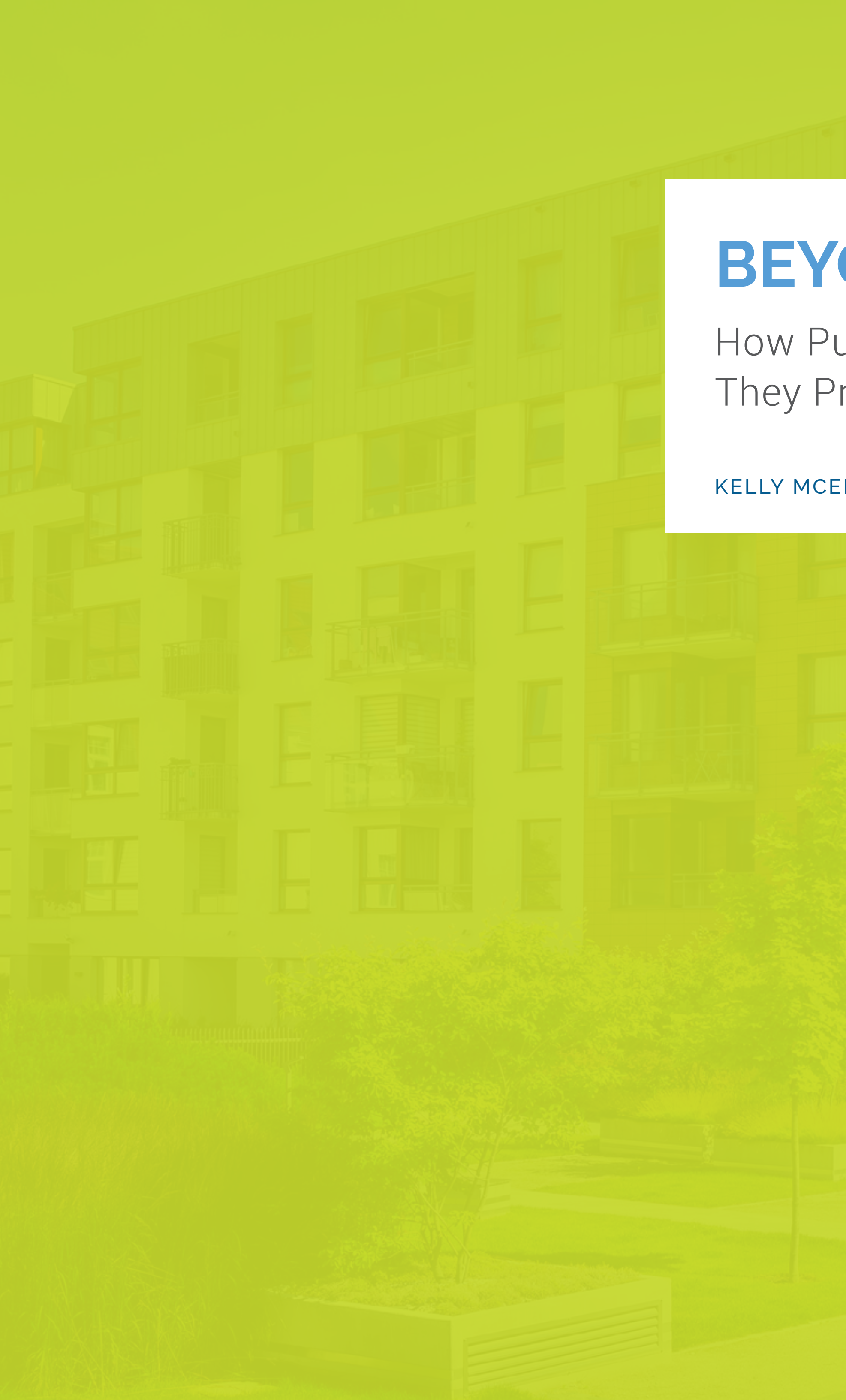

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