

Philadelphia Housing Authority Moving To Work Year 13 Annual Plan Proposed Amendment

The Philadelphia Housing Authority (“PHA”) proposes to amend its approved Moving To Work (“MTW”) Annual Plan for Year 13 – PHA Fiscal Year 2014. The proposed amendment consists of two modifications: 1) Additional narrative added to “Chapter II. General Operating Information” concerning the Rental Assistance Demonstration program as described below: and, 2) Replacement of “Chapter V. Proposed MTW Activities” in its entirety as described below.

Modification #1

Chapter II provides information on PHA’s housing stock including projected new units and projected demolition and disposition activity. PHA proposes to add the following narrative to Chapter II. The narrative will be added immediately following Table 4 of the approved MTW Plan:

Conversion Under Rental Assistance Demonstration Program

As part of its “6 in 5” initiative to develop, acquire and/or preserve affordable rental housing units in Philadelphia, PHA will review the feasibility of converting existing public housing sites to project-based vouchers or contracts under the Rental Assistance Demonstration (RAD) program, subject to a determination that RAD conversion would: a) support the revitalization and long-term preservation of selected RAD sites; b) be financially feasible; and, c) provide adequate protections for current and future tenants. PHA may utilize MTW flexibility and MTW Block Grant funds in its RAD transactions subject to HUD approval. To the extent approvable by HUD on an individual transaction basis, PHA may utilize and combine other MTW funds to support the financial feasibility of RAD transactions including construction and ongoing operating costs. PHA may consider RAD conversion for some of its public housing portfolio based on an analysis of capital needs and financial feasibility.

Modification #2

Chapter V of the approved MTW Plan indicates that “No new MTW activities are proposed this year.” PHA proposes to delete this language, and replace Chapter V with a new Chapter V as follows:

Proposed MTW Activity: Flexible Subsidy Initiative

A. Description of Proposed MTW activity

Through its “6 in 5” initiative, PHA intends to partner with qualified non-profit and for-profit developers to construct, rehabilitate, acquire and/or preserve 6,000 units of affordable rental housing, some of which may be public housing units, over the five year period from 2013 to 2018. PHA has recently issued a Request for Proposals (RFP) to solicit developer proposals for this initiative.

In order to promote the development and preservation of quality, affordable rental units that meet the diverse needs of low-income households including special needs populations, PHA intends to utilize MTW flexibility in limited instances where the current public housing operating subsidy level (combined with projected tenant rental income) is inadequate to ensure the long-term viability of new public housing units to be developed and/or acquired under the “6 in 5” initiative. Under this proposed MTW activity, PHA may elect to combine public housing operating subsidy with other MTW Block Grant funds to establish a local MTW flexible subsidy level higher than the standard public housing operating subsidy amount. PHA will only use such flexibility where the project

otherwise meets PHA's stated development objectives, but is determined to be financially infeasible without the use of higher flexible subsidy funding allowable under MTW. HUD review and approval will be required for each transaction involving MTW flexible subsidies as part of the mixed finance closing process pursuant to 24 CFR 941.

In light of the fact that the current MTW Agreement will expire in 2018 unless extended by HUD, PHA acknowledges that funding from the MTW Block Grant may not be available to support the additional operating subsidy after that date. PHA also acknowledges that the blended subsidy initiative may impact its current and future Replacement Housing Factor funds.

PHA may also request HUD review and approval of additional waivers to current public housing regulations in the interest of increasing housing choice, promoting long-term project viability, and encouraging more affordable housing development. The following waivers do not specifically require MTW authority; however, PHA is providing this information to clarify its intentions with respect to seeking additional waivers. PHA may request the following additional non-MTW waivers from HUD as part of the review and approval process for public housing mixed finance transactions:

- Allowing the owner of public housing units that are to receive flexible subsidy, including PHA if it is the owner, to utilize public housing operating subsidy and other MTW funds, to pay for debt service associated with the project; and
- Allowing for the modification or elimination of the standard ten year affordability "tail" in the Declaration of Restrictive Covenants.

B. Statutory Objectives

The proposed MTW activity is projected to increase housing choice among eligible low-income families by expanding the universe of potential rental projects that are financially feasible.

C. Anticipated Impacts

PHA projects that the majority of projects under the "6 in 5" initiative will not require this flexibility; however, an estimated 5% may require flexible subsidies in order to ensure long-term affordability and financial feasibility. Based on PHA's stated goal of developing, rehabilitating and/or preserving 6000 units, an estimated 300 affordable rental units (i.e. 5% of 6000) are projected to be added through this MTW activity. Actual unit counts may vary.

D. Anticipated Schedule

Based on its five year goal, PHA projects that the 300 additional affordable units that utilize flexible subsidy will be achieved over a five-year period from FY 2014 through FY 2018. PHA has projected that 50% of these units will be new or substantial rehabilitation units, and the remaining 50% will be preservation units.

E. Metric(s) that will be used to quantify the changes that the PHA anticipates as a result of the MTW activity

PHA will use the following standard HUD metrics: HC #1: Additional Units of Housing Made Available; and, HC #2: Units of Housing Preserved

F. Baseline and Benchmarks

The baseline is zero. Projected benchmarks by year are shown on the following table:

HUD Metric	Description	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
HC #1	New housing units made available for households at or below 80% AMI as a result of flexible subsidy activity.	30	30	30	30	30
	HC #1 Cumulative Total	30	60	90	120	150
HC #2	Housing units preserved for households at or below 80% AMI as a result of flexible subsidy activity	30	30	30	30	30
HC #2	HC #2 Cumulative Total	30	60	90	120	150

G. Data source from which metric data will be compiled

PHA will utilize data from its internal ACC unit report.

H. Authorization(s) detailed in Attachment C or D of the Standard MTW Agreement that gives the PHA the flexibility to conduct the activity

Attachment C: Paragraph B.1.b.i. ; Paragraph B.1.b.ii. ; and, Paragraph B.1.b.vi.

I. Explain why the cited authorization from Attachment C or D is needed to engage in this activity

MTW flexibility is required to implement a flexible subsidy program that combines public housing funds with other MTW Block Grant funds.

J. Rent Reform Activity Information

Not applicable.