

Transitional Housing Conversion:

A BUILDING OWNER'S TOOLKIT



National Alliance to
END HOMELESSNESS

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The National Alliance to End Homelessness is a leading national voice on the issue of homelessness that accomplishes its mission through research and education, policy analysis and advocacy, and capacity building.

The Melville Charitable Trust is the largest foundation in the U.S. that is exclusively devoted to supporting solutions to prevent and end homelessness.

CSH is an organization dedicated to advancing solutions that use housing as a platform for services to improve the lives of the most vulnerable people, maximize public resources and build healthy communities.

I. INTRODUCTION

This toolkit assumes you and your Continuum of Care (CoC) have already answered the question “why convert?” and offers a step-by-step guide to answer question “how to convert?” If you are still deciding whether or not a conversion is for you; if you and your CoC are looking for assistance with reallocation; or if you want more information about operating high-quality rapid re-housing programs or supportive housing, you will find useful guidance in the Conversion And Reallocation Resource Guide at the end of this toolkit.

Transitional housing providers across the country are increasingly converting their transitional housing projects to create additional rapid re-housing subsidies and new units of permanent housing. Providers who own buildings in which they operate transitional housing face a unique set of conversion challenges due to their myriad of fund sources and long-term use restrictions. If you are a transitional housing building owner that has decided to convert your transitional housing project, and you need assistance addressing funding and use restrictions, this toolkit is for you!

Converting transitional housing in a building that you own has a lot to do with converting the resources attached to your building. Taking on this work requires communicating clearly and thoroughly with your funders. To do so, you'll want to have a basic understanding of the fund sources that paid for the acquisition, construction, or rehabilitation of your building and any operating dollars and/or project-based rental assistance that are tied to the building itself. This toolkit explains what you, the owner, need to know about these fund sources and provides strategies for approaching your funders. The toolkit will also be helpful for your partners in conversion, including your CoC.

The funders who invested in your building did so because they wanted to create and preserve affordability or serve a specific population in that physical location for as long as possible.

As the owner of a building in which you plan to stop providing transitional housing, you will need to determine how to manage changes to two types of resources, “project resources” and “building resources.”

Project resources pay for transitional housing leasing, tenant-based rental assistance, sponsor-based rental assistance, and/or supportive services. They do not contain use restrictions directly related to the building in which your project operates. If you intend to stop running a transitional housing project in a building you own that uses only *project resources*, you will need the permission of your project funders, but you will not need the permission of your building funders. In the case of HUD CoC funds, this change will require CoC reallocation. Your new project might take place in the same building, or it might take place in a new location. Changing project resources in buildings that your agency owns requires the same considerations as converting projects in buildings that your agency does not own. If you are converting project resources, the following sections of this toolkit will be most helpful to you:

- [Mind the gap between your current project and your new one \(if applicable\)](#)
- [Conversion And Reallocation Resource Guide](#)

Building resources are different than project resources in that they are tied directly to the financing of your building. Building resources include funding that paid for the acquisition, construction, or rehabilitation of your building or that pay for ongoing operating and/or project-based rental assistance. Your ability to convert building resources will require the support of many funders who literally have a vested interest in your building. Before you have conversations with these funders, you'll need to be very clear about your current commitments and your requests to change them.

II. SIX STEPS TO APPROACHING YOUR BUILDING FUNDERS

Following are the six steps to successfully approach your funders about converting the use of your building to something other than transitional housing.

1 ASSEMBLE YOUR TEAM

① ASSEMBLE YOUR TEAM

The work of converting building resources will require a dedicated internal team. At a minimum, you'll need involvement from your Board, Executive Director, Finance Director, and Program Director. If none were involved in executing the agreements made with funders about your building, it would be ideal to bring in the person who was (even if they are off to their next adventure). If that person is not accessible to you and you don't have internal expertise related to housing finance, a development consultant or attorney is the best professional to seek for assistance.

2 LOCATE YOUR WRITTEN AGREEMENTS

② LOCATE YOUR WRITTEN AGREEMENTS

Your written agreement with each funder will tell you several key pieces of information: the funding priorities at the time your award was made; your use restrictions; and the nature and duration of your commitments. Common legal documents that spell out these requirements are:

- | | |
|---|---|
| <input type="checkbox"/> Loan documents | <input type="checkbox"/> Covenants |
| <input type="checkbox"/> Contracts | <input type="checkbox"/> Use Restrictions |
| <input type="checkbox"/> Grant agreements | <input type="checkbox"/> Tax credit compliance agreements |
| <input type="checkbox"/> Deeds of Trust | <input type="checkbox"/> Titles |
| <input type="checkbox"/> Initial applications for funding, and subsequent applications ¹ | <input type="checkbox"/> Equity Investor Contracts |
| <input type="checkbox"/> Housing Assistance Payments Contracts | |

3 PREPARE YOUR RATIONALE & DOCUMENTATION

4 KNOW YOUR AUDIENCE AND PLAN YOUR APPROACH

5 KNOW THE BASICS ABOUT YOUR BUILDING'S FUND SOURCES

6 MIND THE GAP BETWEEN YOUR CURRENT PROJECT AND YOUR NEW ONE (IF APPLICABLE)

Now that you have located all those old, dusty documents, it's time to read them. Yes, you are going to have to read them. But here's how you can make this task a little easier-skip to the parts that talk about use restrictions, sale or transfer (if applicable), and penalties. Section III of this toolkit provides detailed information about these aspects of your written agreements.

Your written agreements will answer these important questions:

- To what exactly did we commit?
- For how long are we committed?
- What are the requirements regarding sale or transfer? (If you are selling or transferring your building, the parameters for changing your project and the information in this toolkit will apply to the new owner.)
- What is the penalty for not fulfilling our commitments?

¹ HUD Grant Agreements are often less specific and may contain boilerplate language. Your initial application for HUD funding, and subsequent applications where you may have made any changes to your population and services, will contain more detail regarding your commitments.

3 PREPARE YOUR RATIONALE & DOCUMENTATION

You have spent a lot of time and energy coming to the conclusion that conversion is best for the people you serve, but the idea will be new to your funders. It can be very helpful to write down your rationale in order to be clear when you meet with them why this is in the best interest of your community and the people you serve. You may decide to give this write-up to them or simply use it as a reference in your conversations to ensure you cover all the key points you want to make.

Consider including these elements in your written rationale:

- A clearly articulated explanation of why you and your CoC believe this is the best option for enhancing your system's ability to serve people in need.
- The results of a system analysis showing that the funds in your transitional housing project are better used for rapid re-housing, supportive housing, or another intervention.
- Demonstration of your CoC's support, ideally in the form of a support letter.
- Demonstration of your board's support, ideally in the form of a resolution or letter from the board chair.
- The backing of any funders who are already onboard with the idea.
- Language from HUD regulations and other policies that permit and/or encourage this type of change.
- Your plans for ensuring no current tenants will become homeless in the conversion of your project.

If you really want to move the conversation forward and save time, prepare these documents for your meetings with funders:

- A copy of the language in your written agreement that specifies the commitment to which you originally agreed and conditions for changing that agreement.
- A reference to the policies under which each funder was operating at the time they allocated your funding. Funding direction changes over the years so today's policies are not likely those that were in place when your project received its award.
- A copy of your original application for funding.

4 KNOW YOUR AUDIENCE

Each funder you talk with will have different questions, concerns, and levels of excitement and understanding about what will need to go into making a change to your project. This is an unusual proposition you are bringing to them. Funders of affordable housing capital, operating, and project-based rental subsidies are in the game of making very long-term commitments, and they don't generally have a line of business or staff dedicated to making changes to those commitments. They will need time to review your paperwork and the policies that were in place at the time you made commitments to each other. They will consider the use restrictions on your building to be very important. They will view these restrictions not only as commitments to your agency but as commitments to the public and the decision-makers or lawmakers who made the resources available to fund your project. Until you explain how conversion will benefit people with low-incomes, they will not be inclined to make changes to those commitments.

Keep in mind that funders of buildings generally rank the importance of serving specific populations as follows:

- Serve people with low-incomes. (*Often prioritized and stated.*)
- Serve people who are homeless. (*Sometimes prioritized yet not often stated.*)
- Serve people in time-limited transitional housing with program rules. (*Not often prioritized or stated.*)

Is there a funder with whom you have a particularly good relationship? If so, start there. The first funder you ask could be helpful in asking the second and so-on. If the funders in your community work together, you might consider bringing them together when you make your request. Be prepared that they will each have different conditions you will need to meet, but having them in the same room could help them see that they are part of important community planning.

5 LEARN THE BASICS ABOUT YOUR BUILDING'S FUND SOURCES

To feel confident when approaching your building's funders, you don't need to know everything about the fund sources they administer. Having a general sense of how housing finance works and the basics of each fund source in your project will show your funders your dedication to making conversion happen as smoothly as possible.

Section III of this toolkit details the common use restrictions associated with building resources, and Section IV explains what you'll need to know about converting the four most common types of funding in transitional housing buildings. We recommend becoming familiar with this information prior to meeting with funders.

⑥ MIND THE GAP BETWEEN YOUR CURRENT PROJECT AND YOUR NEW ONE (IF APPLICABLE)

When you end your transitional housing project, you might encounter two key issues during the process of change. One is a financing gap that will occur if you are ending one HUD-funded project and starting another through the reallocation process. The second is the need to transition tenants from your project when it ends.

A. The Financing Gap

A financing gap can occur in projects that use only project resources as well as those changing from transitional housing to permanent supportive housing in projects funded with building resources.

In the case of a transitional housing project that receives only project resources, the gap will affect how you pay your staff during the reallocation period if you intend to use the same staff to administer the new project. For example, if you end a transitional housing project and your CoC intends to reallocate those funds to a rapid re-housing project for which you intend to apply, there will be a gap between the time your transitional project ends and your rapid re-housing program begins.

In the case of a transitional housing project that receives building resources, the gap can affect how you pay your staff and your housing operations. For example, if you end a transitional housing project in a building you own, and your CoC intends to reallocate those funds to a supportive housing project for which you intend to apply to run in the same building, there will be a gap between the time your transitional project ends and your supportive housing program begins. The gap might be longer if you decide to rehabilitate your building before starting the new project.

On average, projects experience a six-to-nine month gap between funding sources, but it is possible that no gap will occur if the change happens late in the year. You will need to create a transition plan to cover the costs of your staff and potentially your building operations during this time. HUD will not allow you to use new project dollars to support your former project or invoice for costs prior to the start of the new grant agreement. Your CoC lead can be a helpful resource in estimating the length of the gap and helping to manage it. Additional financing may also be needed to support people in moving and paying rent in their new housing. The best source of funding to pay for this transition is private or philanthropic money because it can cover a short-term need while leveraging public resources for a long-term strategy.

B. Relocation

Ending a transitional housing project using building resources, project resources, or both, requires careful planning to ensure tenants are supported in the transition and when applicable receive any benefits to which they are entitled under the Uniform Relocation Act (URA). URA requirements are triggered when tenants are displaced in order to demolish or rehabilitate federally-assisted buildings, regardless of whether tenants have leases. HUD Regional Relocation Specialists can help you determine whether residents are entitled to benefits and walk you through these requirements.

The Puget Sound region of Washington State has a significant amount of transitional housing. To educate and engage funders on the need for conversion, CoCs worked with technical assistance providers to convene 50 funders to discuss why conversion is important and walk through mock conversion scenarios. Funders saw quickly how interrelated their dollars were and how important it would be for them to work together to convert projects.

III. UNDERSTANDING BUILDING RESOURCES

To understand the types of changes that are possible with your building resources, focus on these three aspects of your written agreements.

A. USE RESTRICTIONS

There are four primary types of use restrictions relevant to transitional housing: restrictions related to affordability, population served, time-limits, and use as housing.

1. Use Restrictions Related to Affordability

Affordability is likely your building funder's number one priority, especially in the case of funds for which there are statutory purposes to create affordable housing. Affordability requirements are the use restrictions you will find in nearly every written agreement for capital funds, and they are the hardest to change. This is for good reason. The number one reason people become homeless in the United States is a lack of affordable housing. We do not recommend proposing changes to affordability in multifamily housing.

However, changing or releasing the affordability use restrictions on single family homes or a building in which you operate congregate transitional housing may be permissible in the case of a conversion to a more strategic use for the benefit of people with low incomes or a sale for which proceeds will be used to serve people with low incomes.

Your building's affordability might also be regulated by an operating or project-based rental subsidy. Changing affordability in your building would also require permission from these funders. If this subsidy was applied to the project during its underwriting for acquisition, construction, or rehabilitation, removing or changing it will require permission from your capital funders as well. Your building funders will want to see an operating pro forma (budget) that demonstrates the project can continue to operate successfully and serve the intended population without the operating or project-based subsidy.

2. Use Restrictions Related to Population Served

Most affordable housing funders do not specify populations to be served as doing so can be a violation of fair housing. However, exceptions occur with funding allocated specifically to serve a designated population such as HUD CoC, Housing Opportunities for Persons with HIV/AIDS (HOPWA), and private funds. It is important to review your written agreements and initial application for funding to determine whether you promised to serve a specific population over others. In most cases, your funder will want to know why you are proposing a change, whether there is still a need to serve the initial target population, and if so how you intend to do so through a new project.

Affordability is likely your building funder's number one priority.

It is possible that your funders required you to house people at certain income levels who are also experiencing homelessness and/or chronic homelessness. If your capital, operating, or project-based funders required this, it is likely that they will permit you to change this use to serve people with low incomes. But this will depend upon whether you were awarded these funds for the specific purpose of housing people experiencing homelessness and your ability to demonstrate that this need no longer exists.

3. Use Restrictions Related to Time Limits

The large majority of building fund sources do not require time limits. In fact, many expressly do not allow time limits because their purpose is to create affordable permanent housing. However, some local and state funds as well as HUD CoC funding may have required this use. Be sure to check your written agreements and see Section IV for more information about changing this type of HUD use restriction.

4. Use Restrictions Related to Use as Housing

In most cases, the funding in your building will be expressly appropriated by Congress, a state or local legislative body, or a private foundation for the purpose of providing affordable housing. If you own multifamily housing, you are very likely to have other sources of funds that require the building to provide housing, which would prohibit a change. However, you may be permitted to make a change with HUD CoC funds. If you own a single family home or congregate facility, you may not have other sources that require a housing use, and it will be possible to convert the use of your building to a different type of place that serves people who have low incomes and/or are experiencing homelessness.

B. SALE OR TRANSFER

If your conversion involves the transfer or sale of your building, all of the information in this Toolkit applies to the new owner. Each funder has different requirements for allowable transfers and sales. The most common requirement is that the new owner will maintain the required affordability levels. If the new owner does not, they will likely be subject to the penalties in the covenants they are assuming in the sale or transfer. Transfers of ownership are more common and straight-forward than sales. Selling a property involves receiving financial gain, and most covenants on publically-funded buildings do not permit the seller to take a financial gain without penalty.

C. PENALTIES

Penalties exist for breaking the commitments in your written agreements. They are the financial leverage that funders use to ensure that their investments serve people with low incomes and that developers and owners do not profit from the development of affordable housing with public resources. Penalties often require repayment of the funds that were originally awarded to a building. Some also require payment of a portion or all net proceeds of a sale.

Most penalties decline over time. For example, if you have a building that requires you to serve people with incomes below 50 percent of area medium income (AMI) for 50 years, it will have a steeper penalty for changing the use in the building's initial years of operation and less as you move closer to year 50. It is important to be prepared to pay penalties or make a strong case that you can better serve people in your community by making a change.

IV. CONVERTING FOUR COMMON BUILDING FUND SOURCES

Having a basic understanding about the fund sources in your building will help you prepare a request to your funders. This section provides an overview of the use restrictions, sale or transfer options, and penalties for the four most commonly-used building fund sources in transitional housing.

1 LOW INCOME HOUSING TAX CREDITS

2 HUD CoC FUNDS

3 HOME

4 PROJECT-BASED SECTION 8

① LOW INCOME HOUSING TAX CREDITS (CAPITAL FUNDS)

State housing finance agencies (HFAs) allocate federal low income housing tax credits (LIHTCs) to eligible housing developers on an annual competitive basis under the guidelines of a state Qualified Allocation Plan (QAP). Most affordable housing developers then sell the credits to wealthy investors who pay for them with up front equity to help the developer buy or build affordable housing. The investor receives an allocation of tax credits to apply dollar-for-dollar to reduce their tax liability to the federal government for each year the housing remains in compliance during the initial compliance period.

If you propose making a change to a building that received LIHTCs, your state housing finance agency will want to know under which competition you were awarded credits. Because you met competitive scoring criteria to receive the award over other projects, the HFA will, in part, need this information to determine whether it is possible to make a change to your project. If possible, have your original application on hand in addition to your written agreement.

You must also contact your equity investors. They will be very involved in changes you make to your transitional housing project because changes in use can jeopardize their receipt of tax credits.

A. Changes to Affordability (LIHTC)

The LIHTC program requires owners to house households at or below 50 percent and 60 percent of AMI. Projects developed before 1989 have 15-year compliance periods. Projects developed during or after 1989 have at least 30-year restrictions. Some states overlay additional compliance periods. Changing the affordability will be non-negotiable during the compliance period so that your equity investors will not lose their credits, and we do not recommend attempting to make changes to affordability in tax credit projects because affordable housing is in great demand.

B. Changes to Population Served (LIHTC)

It is unlikely that your agreements with your HFA or equity investor requires you to house people who are homeless, but it is possible. Your agreement is more likely to require that a portion of the people you house have disabilities. If you intend to change the population you serve, you will need to talk with both entities to request modifications to your written agreements. If your project was awarded competitive points for serving a specific population, this could be a big barrier for your HFA to overcome because of the nature of competition.

C. Changes to Time Limits (LIHTC)

The LIHTC program is designed to provide permanent affordable housing and requires, at a minimum, a six month lease. (Some state HFAs require a longer lease in their QAP.) IRS regulations state that housing units must be used on an “other than a transient basis.” There are limited exceptions to the minimum lease term related to SROs and to the non-transient basis for housing with full baths and kitchens specifically designed to serve people who are homeless and moving toward permanent housing, but no rules in the LIHTC program require that the housing be used in a time-limited or transitional manner. Eliminating program rules and time-limits from your project will not require approval from your HFA or your investor. They will help the project better align with the original intent of the financing.

D. Changes to Use as Housing (LIHTC)

The LIHTC program was created expressly for the purpose of providing affordable housing. Projects under tax credit compliance are not eligible to change this use. Projects that have surpassed the compliance period may theoretically be changed to another use, but it is highly unlikely that doing so would be strategic because of the need for affordable housing.

E. Sale or Transfer (LIHTC)

A transfer of ownership without financial gain is likely possible but not common. Both the housing finance agency and your equity investor will be heavily involved in evaluating this prospect. If you aim to sell or transfer your property before the end of the compliance period, your investor will need to approve the new owner and be assured that they can comply with all of the affordability and operational requirements. LIHTC property owners are permitted to “opt out” of their compliance agreement during the fourteenth year of the initial 15-year compliance period by requesting that the state HFA find a “qualified contract” purchaser to buy the property. If no purchaser is found, the owner may exit the LIHTC program. If a purchaser is found, or if the owner does not sell the property, the use restrictions extend to the full 30 years.²

F. Penalties (LIHTC)

Breaking affordability covenants would result in the recapture of tax credits.

2 HUD CoC

Although CoC funds are awarded locally, the contracts for this type of funding are made directly with HUD. For information on reallocating CoC project resources including leasing, tenant-based and sponsor-based rental assistance and/or supportive services funds, please consult the Resource Guide at the back of this toolkit and the HUD CoC Program Interim Rule.

If you and your CoC think that a change is important and you can demonstrate why this is strategic, HUD wants you to do it.

Use restrictions for these HUD funds vary from project to project because they are directly related to the purpose that was specified in each project’s initial application for funding. Use restrictions are for not less than 20 years. Use restrictions for rental assistance remain in effect for the grant period. Most capital funding under the Supportive Housing Program (SHP) was awarded in 1995 or before, and those awardees are at the end of their covenants. Check your written agreement to see how for much longer you are obligated to meet the restrictions, and then have a conversation with HUD about your desire to convert.

If you received building sources more recently through a bonus allocation, you may have a larger financial impact to consider. To change any HUD CoC use restrictions, the process is the same. You must contact your HUD field office. The field office has your written agreements on file, and they have the authorization to make changes to them. The fact that your CoC is moving toward a housing first model, rapid re-housing, permanent supportive housing, or anything specified in the most recent fiscal year’s Notice of Funding Availability (NOFA) will be enough justification for HUD to make the change. Keep in mind that this may be new to your field office’s staff members, and they might decide to seek additional guidance from HUD Headquarters.

A. Changes to Affordability (HUD CoC)

When using HUD funds, you must serve people with low incomes. Changes to affordability within the compliance period will result in penalties. If you propose to sell your building and use the proceeds to serve additional people with low incomes in a more strategic way and you can demonstrate this with data, HUD will consider approving the sale. Having sufficient documentation to demonstrate that you can serve people with low incomes more successfully with the proceeds of your building will be very important.

² Information obtained from the National Housing Law Project. <https://nhlp.org/lihtcoverview>

B. Changes to Population Served (HUD CoC)

This is one building resource that may have specified a specific subpopulation of people to serve such as families or people with disabilities. HUD either will want data that demonstrates your community no longer has a need to serve this population or can do so more strategically in a different way.

Your application likely specified that you would serve people who are experiencing homelessness. If your community no longer has a need to serve people who are homeless, inform your HUD field office that you no longer have this need in your community, but you will continue to house people with low incomes. If you intend to provide affordable housing without a specific homeless preference, you still can prioritize your housing for people receiving rapid re-housing assistance.

C. Changes to Time Limits (HUD CoC)

Transitional housing is an eligible use for CoC capital funds. If you are operating transitional housing in your building, it is likely that your application specified that you would do so. To propose a change to this, contact your HUD field office and explain that you no longer wish to provide transitional housing but that you want to serve people who are homeless in permanent affordable housing or permanent supportive housing.

D. Changes to Use as Housing (HUD CoC)

While it is highly unlikely that you or your funders would find it strategic to convert a multifamily housing building to another use, single family homes and other structures that provide congregate transitional housing could potentially be changed under HUD regulations. In order to request this change, you will need to explain to your HUD field office how the new use will serve people who are homeless more effectively. If you believe there is no longer a need to serve people who are homeless, you will need to demonstrate that the new use will serve people with low incomes.

E. Sale or Transfer (HUD CoC)

A sale or transfer without financial gain may be permitted assuming the new owner can show that they can uphold HUD's requirements or demonstrate a new use for people who have low incomes and/or are experiencing homelessness. A sale for financial gain may be permitted if the CoC Program grantee sells the building and uses the proceeds to create a new project that serves people experiencing homelessness. In this case, HUD would release the original property from the use restriction and the new owner would have no further requirements. If you are planning a sale, you must notify HUD and your local CoC as soon as you determine that you will cease operations. You will need to prove that this particular housing project is no longer needed due to a low occupancy for a prolonged period

of time, new capacity of other project types, and a shrinking homeless count. You will also need to demonstrate how you will use the proceeds of your sale to serve additional people with low incomes and/or people experiencing homelessness.

F. Penalties (HUD CoC)

If you stop providing transitional housing or permanent supportive housing without approval from HUD for a new use, SHP capital funds must be repaid on the following schedule: 100 percent repayment is due if operations cease within ten years after operation of the project begins; proportional repayment is required of projects that cease operation between ten years and the required twenty year project obligation period.

Repayment requirements can present complications, but they are resolvable. If you can demonstrate to HUD that you will put the proceeds back into homeless assistance, you will not have to pay penalties to HUD. These proceeds would be subject to all of the double-dipping rules, but you could expand an existing project to serve more people with rental assistance, for example. Or you can demonstrate how you will use the proceeds for a new project. (These proceeds, however, cannot be used as match under the statute.)

3 HOME

HOME funding is designed to make housing affordable for low and very low-income households. Local Participating Jurisdictions (PJs) that receive and allocate HOME funds include states, cities and counties.

A. Changes to Affordability (HOME)

HOME funds must be targeted to benefit households at or below 80 percent of area median income (AMI). For rental developments, no less than 90 percent of beneficiaries must be households at or below 60 percent of AMI. Rental project projects with five or more assisted units must also target at least 20 percent of the units to households with incomes less than 50 percent AMI. Periods of affordability required for HOME funds will range from five to 20 years based on the per unit investment of HOME. In most investments in multifamily housing, the period of affordability is 20 years.

B. Changes to Population Served (HOME)

HOME does not specify populations to be served. HOME funds can be used for any kind of special needs group or for general affordable housing. There is no prohibition against changing from one population to another or even from special needs to plain affordable housing.

C. Changes to Time Limits (HOME)

Transitional housing is an eligible use of HOME funds, but the HOME Program does not require restrictions related to the implementation of any specific housing model to be incorporated into project-specific grants, loans or regulatory agreements. However, your local PJ may have added this requirement when allocating HOME in tandem with other sources. You will need to check your written agreement to see if it specifies this use. Changes to the transitional housing model can be negotiated with your local PJ.

D. Changes to Use as Housing (HOME)

HOME is specifically appropriated for the creation of affordable housing. This use cannot be changed during the compliance period. Projects that have surpassed the compliance period may theoretically be changed to another use, but it is highly unlikely that it would be strategic to use a building constructed to provide multifamily housing for any other purpose.

E. Sale or Transfer (HOME)

There is no prohibition on a HOME property being sold as long as the use restrictions remain on the property.

F. Penalties (HOME)

HOME funds invested in housing that does not meet the affordability requirements for the period specified must be repaid by the participating jurisdiction. If the project does not meet the HOME affordability requirements for the required period, the statute requires repayment of the entire HOME investment. No prorated reduction is permitted.

4 PROJECT-BASED SECTION 8 VOUCHERS (PBVS)

Local Public Housing Agencies (PHAs) have the option to convert a portion of their Housing Choice Vouchers (HCV) to project-based vouchers. Some have chosen to do so in order to create site-specific affordability for people who have otherwise been underserved by their programs. When project-basing vouchers, PHAs execute Housing Assistance Payments (HAP) contracts with building owners. As the owner of a building with a HAP contract, you are required to meet certain obligations to serve people referred from the PHA wait list. That wait list is prioritized through preferences established by the PHA in its administrative plan. If you can demonstrate that this is no longer needed in your community, your PHA may consider keeping the HAP contract in place to serve other people with low incomes. Your ability to change the nature of your HAP contract depends on the language in the contract, the language in the PHAs Administrative Plan, and the competitive process through which your project was selected.

A. Changes to affordability (PBVs)

PHAs must serve people with low incomes. Not less than 75 percent of the households served by the HCVs must have extremely low-incomes (less than 30 percent of the area median). Changing affordability will not be an option.

B. Changes to population served (PBVs)

Because your PHA allocated project-based vouchers under a specific competitive allocation, you must follow those guidelines or you will risk losing your HAP contract. If for example, you said you would serve people who are homeless and no longer wish to do so, you would have to make the case to the PHA that this need no longer exists and that you wish to serve other people with low incomes in the same housing.

C. Changes to Time Limits (PBVs)

Time limits are not permitted in HCVs. A PHA with Moving to Work (MTW) Status designated by HUD has the ability to waive certain HUD regulations and may have created a program provision that allows for time-limits. The local housing authority may make changes to locally-adopted MTW policies with HUD permission. Because the HCV program was not originally designed for time-limited housing, reversing this should be straightforward in terms of HUD approval.

D. Changes to Use as Housing (PBVs)

PBVs can only support the operations of housing that meets Housing Quality Standards established by HUD.

E. Sale or Transfer (PBVs)

There are certain provisions in the HAP contract that allow for sale or transfer so long as the new owner can uphold its requirements.

F. Penalties (PBVs)

If your housing no longer meets its required use, your PHA will terminate your HAP contract.

V. CONCLUSION

Converting transitional housing in a building that you own has a lot to do with converting the resources attached to your building. Your communication with funders will be critical to success.

To ensure a successful negotiation, assemble your team, review your written agreements, prepare your rationale, and learn about your building's fund sources and the risks associated with the transition period during conversion. You will have the best chance in gaining support from your funders if you have done your homework and can show them how converting your building's resources will better serve people with low incomes in your community.

VI. CONVERSION AND REALLOCATION RESOURCE GUIDE

If you are still considering whether conversion is right for you, seeking assistance with the HUD reallocation process, or learning about running permanent housing programs, many resources are available to assist you.

THE CoC REALLOCATION

- USICH: [Reallocation Guide](#)
- HUD: [CoC Annual NOFA](#)
- HUD: [SNAPS Weekly Focus: What about Transitional Housing?](#)
- HUD: [CoC Program Toolkit](#)
- HUD: [CoC Program Start-Up Training Webinars for FY13 Funds](#)
- CSH & National Alliance to End Homelessness (Alliance): [Ending Family Homelessness: National Trends & Local System Responses](#)
- Alliance: [Recommendations for Effective Implementation of HEARTH Act CoC Regulations](#)
- Alliance: [Resources for Retooling Transitional Housing](#)

HOUSING FIRST RESOURCES

- Alliance: [Housing First Accountability Matrix](#)
- Alliance: [Organizational Change, Adopting a Housing First Approach Toolkit](#)
- CSH: [Dimensions of Quality Toolkit: Housing First](#)
- CSH: [Are Housing First Models Effective?](#)
- USICH Housing First Checklist: [Practical Tool for Assessing Housing First in Practice](#)

- USICH Solutions Database: [Housing First](#)
- USICH Solutions Database: [Permanent Supportive Housing](#)
- USICH Solutions Database: [Rapid Re-Housing](#)
- Pathways to Housing: [Housing First Model](#)
- [Housing First Partners Conference](#)
- National Public Radio Series: [Housing First](#)

RAPID RE-HOUSING

- Alliance: [Core Components of RRH](#)

PERMANENT SUPPORTIVE HOUSING

- CSH: [Dimensions of Quality Supportive Housing](#)

HUD TECHNICAL ASSISTANCE

HUD Grantees can request HUD Technical Assistance in implementing the HEARTH Act in your community. If your organization is interested in receiving HUD CoC TA to assist with your project, please visit www.hudexchange.info/technical-assistance and fill out the information for your request. HUD will respond with more detailed information and whether or not your request is approved.