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RELEASE THE SMALL PHAs?

By Greg Byrne

The central question of this essay is whether HUD should, to facilitate the conversion of public housing to Section 8, also known as “repositioning”, extend to small PHAs (51-250 units) the same fast-track opportunities to convert as provided to very small PHAs (50 or fewer units).

Background

When it comes to repositioning, there are three basic options, all of which are voluntary:

- The first is **Section 18** of the Housing Act of 1937, which governs the demolition and disposition of public housing. For PHAs that want to preserve, or replace, an existing public housing property, Section 18 can be an extremely helpful tool because, when approved for Section 18, a PHA is awarded Section 8 Tenant Protection Vouchers, or TPVs, which the PHA can elect to “project-base”, creating Project-Based Vouchers, or PBVs.¹ What’s important about these TPVs is that they can allow for contract rents up to 110% of HUD’s Fair Market Rents (FMRs), which are generally much higher than current public housing funding.² These higher rent levels support higher first mortgage proceeds, which, in turn, support higher levels of repairs and, where appropriate, higher levels of investor equity under the Low-Income Housing Tax Credit (LIHTC) program, all of which serve to make more funds available for needed repairs. Section 18 is, therefore, the golden ring when it comes to repositioning. But only a limited number of public housing projects nationwide qualify for Section 18. Historically, the primary criterion for Section 18 was physical obsolescence, as determined by HUD. Importantly for our conversation here, in 2018 HUD expanded the criteria somewhat for Section 18 eligibility, including a new categorical allowance for PHAs with 50 or fewer units.
- The second is the **Rental Assistance Demonstration (RAD) Program**, which was authorized in 2011 and allows PHAs to convert their public housing assistance to Section 8 assistance. However, RAD differs from Section 18 in four major regards:

¹ TPVs are limited to units that have been occupied at least once during the 24 months preceding HUD’s Section 18 approval.

² In the PBV program, rents are set at the lower of (1) the reasonable rent or (2) 110% of the FMR.

- One, the contract rents under RAD are based on current public housing funding, i.e., RAD was designed as a “no cost” program.³
- Two, RAD is a preservation program. A PHA must agree to replace an equal number of units, with a ‘de minimis’ exception equal to the greater of 5 units or 5%.
- Three, all residents must be guaranteed a right to return (no rescreening), whereas, under Section 18, as residents switch from public housing assistance to Section 8 assistance, their eligibility (including income eligibility) must be re-determined.
- Four, under RAD, there is an elaborate process for submitting a “Financing Plan” to demonstrate that the PHA has secured the funding, whether through agency funds, first mortgage proceeds, or other sources, including tax credit equity, as applicable, to meet the identified capital needs of the property over the next 20 years, as determined by a third-party assessor using HUD inspection standards. For very small PHAs, HUD has created a streamlined conversion process, exempting these smallest PHAs from both the independent physical needs assessment and the associated Financing Plan. In lieu of these documents, the board of a very small PHA must certify that the rents are sufficient to preserve the property for the next 20 years.⁴
- Finally, there are the **RAD/Section 18 Blends**. These blends were introduced in recognition of the fact that the vast majority of PHAs didn’t qualify for Section 18 under then-current criteria and, thus, weren’t eligible for the higher-funded TPVs. Hence, HUD agreed to fuse the RAD and the Section 18 programs to make more units eligible for TPVs, provided PHAs converted the units as part of a RAD transaction. There are two types of blends – a **Small PHA Blend** and a **Construction Blend**.
 - Under the small PHA blend, any PHA with 250 or fewer units is eligible for 90% TPVs (with just 10% of the units converting at RAD rent levels). All other RAD rules apply, including no resident re-screening and the ability to contribute public housing funds to the transaction.⁵ As part of the small PHA blend, a PHA must agree to close-out its public housing program (following

³ Essentially, the RAD contract rents are determined by adding together the project’s (1) operating subsidy, (2) Capital Fund award, and (3) tenant rents.

⁴ Such certification could contemplate that the PHA may, in the future, seek to refinance the property to raise funds for future repair efforts.

⁵ Another important distinction between Section 18 and RAD is that a PHA is not permitted, per HUD interpretation of statute, to use public housing funds to support a Section 18 conversion (other than in a “blend”).

conversion). Additionally, there is no specific level of repairs that a project must meet to qualify; instead, the level of repairs is based entirely on the third-party physical assessment. Finally, to eliminate the need to submit different materials to different program offices, HUD created a kind of “one-stop” application process.

- Under the construction blend, depending on the level of repairs to be undertaken, a PHA may receive 30% TPVs, 60% TPVs, or 90% TPVs, with new construction projects and transfers of assistance automatically qualifying for 90% TPVs. As is the case with the small PHA blend, construction blends are processed as RAD transactions. (It is worth noting that these construction blends have been extremely popular among medium and large PHAs, representing a large percentage of RAD transactions in recent years.)

Favored Treatment for Very Small PHAs (50 or fewer units)

Based on the above, we can see that HUD has provided the fastest, easiest route to conversion for very small PHAs. Basically, a very small PHA is automatically eligible for Section 18⁶, which is the most likely conversion option when the TPV rents exceed public housing funding.⁷ Alternately, when the public housing funding is higher, very small PHAs are likely to convert using Streamlined RAD, where HUD has eliminated the need for a third-party physical assessment, Financing Plans, and more.⁸

PHA Size	Number of PHAs	Number of Units
0-50 units	809	25,414
51-250 units	1,309	161,751
Totals	2,118	187,165

Source: HUD 2024 RAD Rent File

⁶ The PHA must also be in substantial compliance with public housing program requirements to be eligible.

⁷ Nationwide, RAD rents average between about 80% and 90% of HUD’s FMRs. However, because public housing funding is formula-driven, without any reference to market rents, it is not easy to predict which agencies will do better under Section 18 with TPVs, even among PHAs with seemingly similar characteristics. For this reason, every two years, HUD publishes RAD rents for every public housing property, along with a comparison to FMR.

⁸ Sometimes, even when the TPV rents are higher than public housing funding, a PHA may choose the Small PHA Blend, particularly if the PHA has some over-income households (no re-screening) or significant public housing funds that the PHA cannot otherwise spend prior to conversion (these public housing funds cannot be used to support a conventional Section 18 conversion).

The Fortunes of Small PHAs (51 – 250 units)

Although HUD has been the most generous in its treatment of very small PHAs, it has not been indifferent or inattentive to small PHAs. HUD created the small PHA blend in 2018 and then expanded it in January 2025 by increasing the eligibility for TPVs from 80% to 90%.⁹ Still, over the course of the last year, not more than about 40-50 small PHAs have applied, meaning that it would take some 30 years for all small PHAs to convert at this pace.¹⁰ Thus, despite the fact that most small PHAs would experience an increase in funding under the small PHA blend, an overwhelming majority have remained on the sidelines. What can explain this phenomenon?

My experience suggests that most small PHAs simply perceive the process of converting under the current repositioning programs as too complex or overwhelming to undertake. In their view, repositioning is really something for larger PHAs, who have greater resources to deal with the requirements of conversion. Whether real or imagined, this perception has become a major barrier to conversion, even when funding and physical conditions would improve.

By treating very small PHAs differently, HUD has shown that it has broad administrative authority to structure its repositioning programs. Should it exercise that authority to grant additional flexibility to small PHAs to facilitate their conversion?

We should be mindful that the RAD program was designed to be a demonstration, principally to test the feasibility of converting public housing to Section 8 and the attendant ability of PHAs to attract private capital to address repair needs. We're well past that point. Based on those goals, RAD has been a resounding, well-documented success.¹¹ It's time either to move beyond RAD (create a new, permanent conversion program) or to modify RAD to streamline it dramatically. For example, there is nothing in the RAD statute requiring submission of a 'financing plan' or a physical needs assessment. These requirements, and others, were added administratively, mostly as insurance against "program risk", i.e., to minimize the number of properties that would suffer some calamitous event following conversion that would then harm the program's image, especially during its infant stage.

⁹ In 2018, HUD also introduced the Streamlined Voluntary Conversion (SVC) program for PHAs with 250 or fewer units. Under SVC, a PHA could completely "voucher-out" its public housing program. PHAs could then project-base those TPVs, with tenant-consent. HUD ended the SVC program in late 2024 when there was concern that HUD's streamlining of the underlying Voluntary Conversion statute (Section 22 of the Housing Act of 1937) had likely gone beyond legislative authority.

¹⁰ Although HUD does a terrific job posting program data on its RAD website, it does not include a tab on the number of applications submitted over time by PHA size grouping. The figure reported is deduced from several different RAD tables.

¹¹ As of December 14, 2025, PHAs had attracted \$13.1 billion in first mortgage proceeds and \$14.5 billion in tax credit equity in RAD closings to-date.

Today, there's no reason to continue with these added guardrails. If the goal is to get PHAs converted to the Section 8 platform, we can do that much more simply. Indeed, such was the approach used for the so-called RAD Component 2 properties that had been previously assisted under the Rent Supplement (Rent Supp) and Rental Assistance (RAP) programs. Rent Supp and RAP were multifamily subsidy programs that pre-dated Section 8. Those projects were administered by HUD's Office of Multifamily Housing. The idea was that, since these properties were already in HUD's portfolio, it was better to get them onto the Section 8 platform as quickly and reasonably as possible, without first forcing them to secure third-party funding to address all repair needs. There's nothing stopping HUD from adopting the same mentality for public housing.

Where Should HUD go from Here?

In the mid-1990s, as the director of a large PHA, I received a letter from our local HUD office, informing me that the long-term contract for one of our properties assisted under what was known as the "Leased Housing" program was coming to an end. HUD wanted to know if we were interested in continuing to operate the project as subsidized housing, in which case it would fold the project into our public housing program. A signed letter from me, indicating the agency's desire to preserve the property under public housing, was about all that was required to "convert." Obviously, I don't expect things to be that simple today. Still, conceptually, we need a similar kind of streamlined model of converting public housing to Section 8 to get us to sufficient scale.

It is possible, of course, that the lower (than anticipated) participation levels among small PHAs is just the tip of the iceberg, with much greater conversion activity just around the corner. HUD has a much better vantage point from which to make that assessment. Hence, it would be helpful to hear whether HUD is satisfied with the pace of current and projected conversions and, if not, what tools it could use to facilitate the process for small (and other) PHAs. Small and very small PHAs, while representing only about 21% of public housing units nationwide, account for around 80% of all PHAs. Creating fast-track conversion options for small PHAs, as done for very small PHAs, would be a sensible and important step in simplifying and improving the delivery of federal rental assistance.

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