

Federalization Process Summary

The Application Process: The process for adding new units to a PHA's federal public housing portfolio appears to be fairly straightforward for a development in good condition. As described below, the process involves an amendment to the PHA Annual Plan, an application to HUD in accordance with Part 941, and improvements to the property needed to meet HUD quality standards.

PHAs must amend their Annual Plans for work that is defined as a "significant amendment" or "substantial deviation/modification", which presumably applies to the federalization of state units. This process includes a public comment period of 45 days. The HUD review period for plan amendments is 75 days.

Federal public housing units must meet Uniform Physical Condition Standards (UPCS). These are found at 24 CFR 200.850¹. If targeted units do not meet the standards, improvements need to be made as part of this process in order to bring them under the PHAs ACC. It appears that HUD will accept new units under an ACC on the condition these improvements are made to the units before receiving subsidies and that the PHA is within the Faircloth limit².

For the acquisition or development of public housing, PHAs must follow the application process outlined in Part 941. This includes initial site approval by the HUD Field Office and the completion of a full proposal. The main parts of the full proposal include: project description, description of development method, budgets and payment schedule, an appraisal, financial feasibility, a statement addressing adequacy of existing facilities and services, relocation certification, life-cycle analysis for heating and cooling systems for substantial rehabilitation and occupation and operation policies. Part 941 also includes an environmental assessment, but developments under this plan may fall under a categorical exclusion from this requirement as stated in 24 CFR Part 58.35(a), if the plan does not change the density or land-use, or if the estimated cost of the rehabilitation is less than 75 percent of the total estimated cost of replacement after rehabilitation.

Under this process, PHAs will execute ACC agreements with HUD that include these new units. These units are then eligible for the federal Operating Fund and a portion of the Capital Fund. HUD dedicates capital funds to units in the portfolio from two pots: one (50% of the total available funds) to fund the backlog of capital needs for units built or acquired prior to 1991, and the other 50% available to all units to cover their annually accruing capital needs. Newly federalized units will be eligible for capital funding under this accrual formula, but not for the backlog portion.

When the units are placed under ACC with HUD, DHCD will execute a legal document simultaneously releasing those units from the CFA. They will no longer be considered state-assisted public housing, and will not be eligible for state capital or operating funds. Within a year or so of inclusion in the ACC, HUD will inspect the units to ensure they meet UPCS standards.

¹ <https://www.gpo.gov/fdsys/pkg/CFR-2012-title24-vol2/pdf/CFR-2012-title24-vol2-sec200-850.pdf>

² <https://www.hud.gov/sites/documents/FRCLTH-LMT.PDF>