



RAD 101: Public Housing Conversions

**Live Session
August 1, 2013**



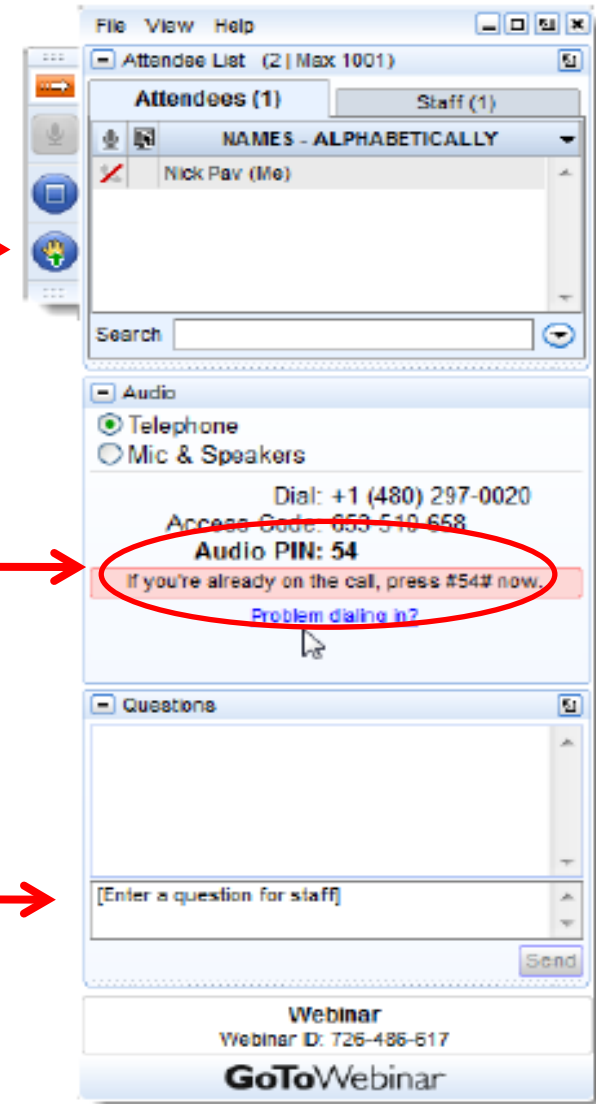
WELCOME

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RAD BASICS



What?

- Allows 60,000 public housing units to convert to long-term Section 8 rental assistance contracts
- PIH Notice 2012-32 REV 1

Why?

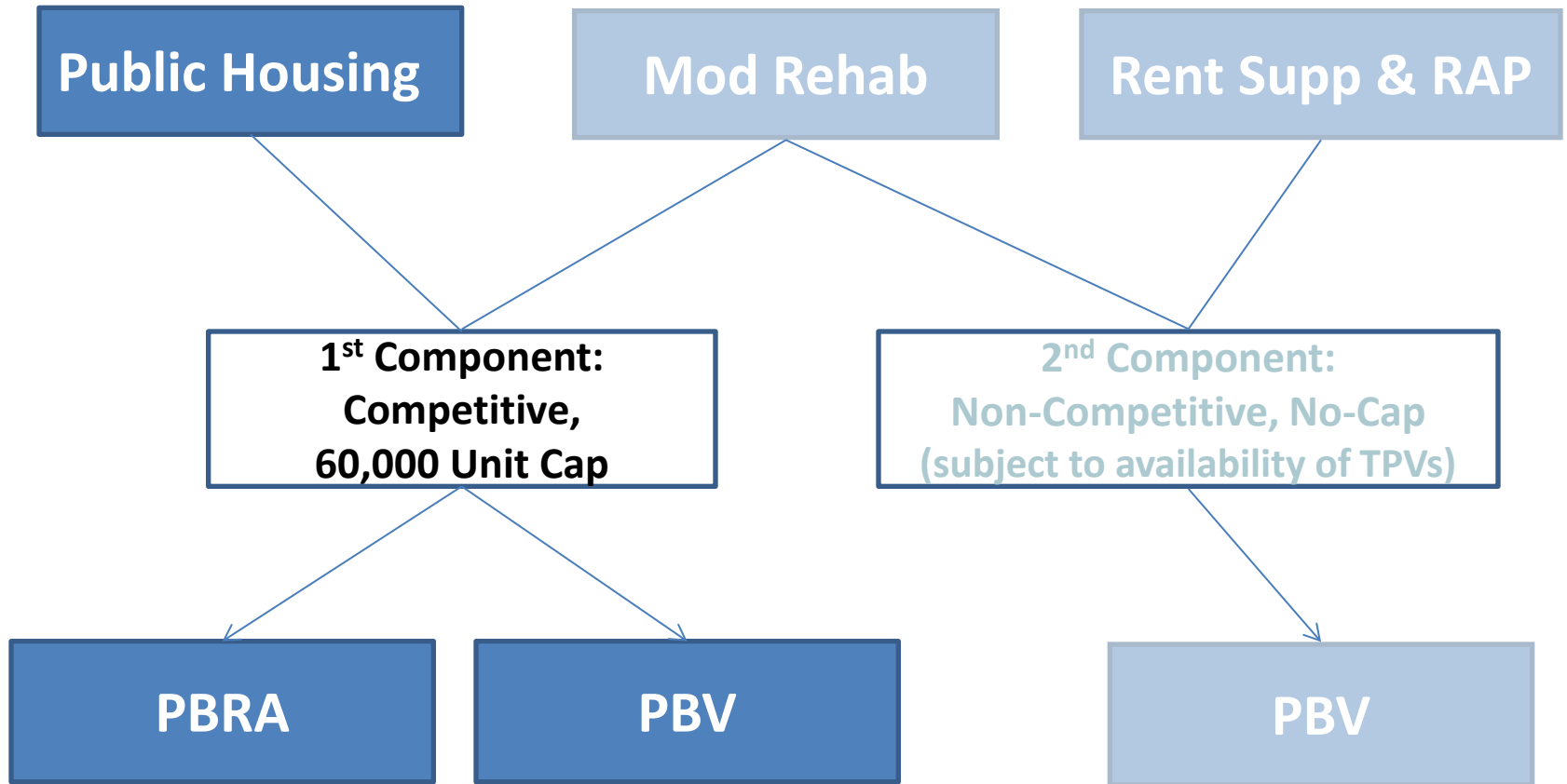
- Access private debt and equity to finance capital needs
- Program simplification/streamlining
- Better platform for long-term preservation

Conversion Options

- Project-Based Rental Assistance (PBRA)
- Project-Based Vouchers (PBV)



RAD CONVERSION ELIGIBILITY

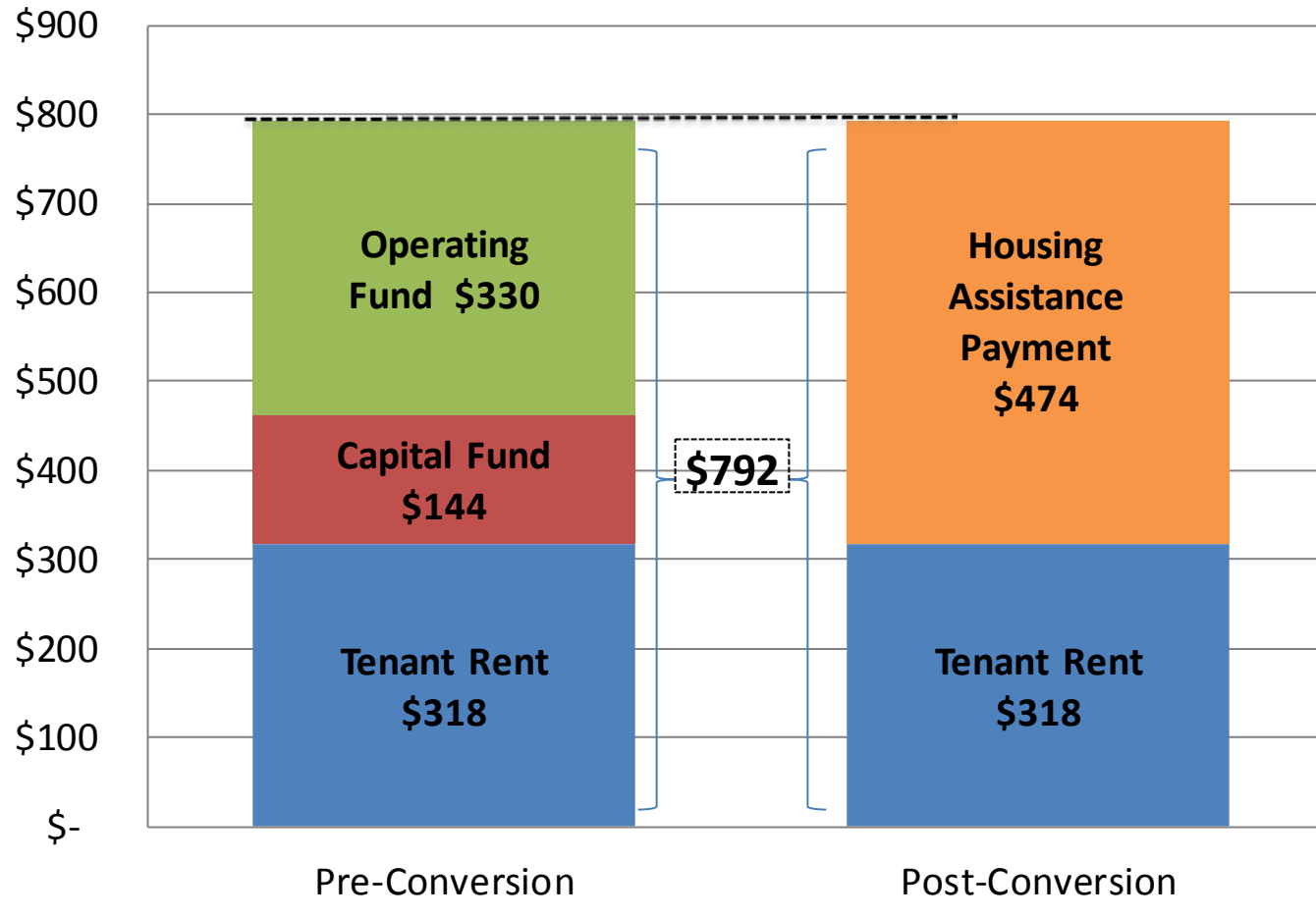




RAD SECTION 8 CURRENT FUNDING RENT LEVELS



**Sample Public Housing Conversion
Per Unit Monthly (PUM)**



At conversion, PHAs will convert funding to a Section 8 contract rent



CONTRACTS AND RENTS

**Predictable initial contract rent setting (FY 2012
Baseline for applications received in CY 13)**

Annual operating cost adjustment factor (OCAF)

RAD HAP funding begins at construction closing

No limitation on use of project cash flow

HAP contract Renewals

Use Agreement





PBV vs. PBRA

PBV

Component of PHA's Housing Choice Voucher Program. Voucher funding administered by PHA (w/ admin fee)

15 years (up to 20 with approval of voucher agency)

Choice mobility option provided to families, if requested, after one-year of residency

Contract rent caps: Lower of current funding; reasonable rent; 110% FMR minus utilities

Housing Quality Standards (HQS)

If PBV > 50% social services mandatory in family projects (elderly, disabled, scattered sites exempted)

PBRA

Provided to owners by HUD's Office of Housing via a HAP (Part of HUD Multifamily). Projects monitored by HUD/PBCAs

20 year contract

Subject to annual appropriations, but strong history of full appropriations

Choice mobility option can be limited to 15% of the RAD project units and/or 33% of the PHA's annual HCV turn-over

Contract rent caps: Lower of current funding and 120% FMR minus utilities (higher with RCS)

REAC Inspection standard





RAD FINANCING SOURCES

Debt

- Conventional
- Secondary

FHA Insurance

- 223(f) & 221(d)(3) with priority processing
- LIHTC Pilot

LIHTCs

- 9%
- 4% w/ "Short Bonds"

Public Housing Funds

- Operating Reserves
- Capital Funds
- Replacement Housing Factor funds
- Sales Proceeds





APPLICATION

RAD Application -> CHAP (30 days)

- Resident Consultation
- Board Approval
- Financing Letter of Interest

Notes:

- Apply for full or partial AMP
- No SAC approval
- Projects with CHAPs exempt from Public Housing Assessment System (PHAS)
- No cap on number of units a PHA may apply for

Rental Assistance Demonstration (RAD) U.S. Department of HUD, Form HUD-5260 (DRAFT)
Public Housing Program Application Office of Public Housing, Office of Multifamily Housing

There are several explanation boxes that extend the full width of this form. Increase or decrease the height of the box as needed (click to the left on the horizontal line below the row number, then drag the line up or down as needed).

Section 1: PIC Development Number and Name
Enter the PIC Development Number and Name.

CA2010001 Development Number 123456789456 Name of Development
Annandale Housing Authority Public Housing Agency (PHA) Name 123456789456 Data Universal Numbering System (DUNS) #
Anthony Bond Executive Director 999-999-9999 Telephone Number a.bond@aha.org Email

Section 2: Background Information on the PHA and the Project
Enter the requested contact information and complete the below questions regarding the project.

PHA Contact Name Title Telephone Number Email
Type of Conversion:
Is this Project an existing Mixed Finance Project
Do you want to designate this project as your PHA's priority project?
Review the below table of project unit counts, by bedroom size, per the PIC data extract as of 06/01/12

PIC Bedroom Distribution							Total Units	Average Bedroom per Unit
0-BR	1-BR	2-BR	3-BR	4-BR	5-BR	6-BR		
0	0	28	25	0	0	0	53	2.47

Is the above PIC information correct? Yes *Skip to proposed post-RAD-conversion unit distribution*

Actual Bedroom Distribution (PIC corrected)							Total Units	Average Bedroom per Unit
0-BR	1-BR	2-BR	3-BR	4-BR	5-BR	6-BR		
							0	

Enter the date corrected or PIC ticket created (MM/DD/YYYY) 01/01/2012

Proposed Post-RAD-Conversion Unit Distribution. Below, show the mix of units that you have proposed to convert, as well as other dwelling units at the project

0-BR	1-BR	2-BR	3-BR	4-BR	5-BR	6-BR	Total Units



PROCESSING

CHAP Milestones

- 30 Days. Lender Engagement
- 60 Days. Significant Amendment to Annual Plan
- 90 Days. Physical Conditions Assessment (PCA)
- 150 Days. Application for Firm Commitments
- 180 Days. FINANCING PLAN → RAD Conversion Commitment (RCC)
- 320 Days. Firm Commitment
- 360 Days. CLOSING

Notes:

Flexibility with tax credit rounds

Subsidy layering review performed by RAD Team





CLOSING

- **Close Construction Financing**
- **Execute HAP Contract and Use Agreement**
- **Remove ACC Units and Declaration of Trust**
- **Subsidy Begins (“Rehab Assistance Payments”)**





ADDITIONAL FLEXIBILITIES

- **Market accommodations of meeting 1-for-1 replacement**
- **Demolition/New construction allowed**
- **Public or non-profit ownership/control with exception for LIHTC partnerships**
- **Transfer of converted assistance to another site permitted**





RESIDENT REQUIREMENTS



- Residents have a right to return post-rehab
- Resident procedural Rights outlined in section 6 of the Act and details in the RAD Notice
- Resident participation funding
- Right to establish resident organization




RENT FLEXIBILITIES

- **Rent Bundling.** Adjust Contract Rents across multiple projects as long as aggregate subsidy does not exceed current funding
- **MTW agencies may use existing voucher funds to set initial contract rents**
 - Not to exceed market rent
 - Subject to Subsidy Layering Review
 - Subject to MTW continued service requirements
- **Anticipated RHF funds can be collateralized into RAD rent**





RENT BUNDLING EXAMPLE

A vertical collage of five images on the left side of the slide. From top to bottom: a small blue house, a city skyline with skyscrapers, a man in a white shirt standing in front of a house, a red brick building, and a group of people standing in front of a house.

	Project A	Project B
Units	120	80
Capital Needs	\$10,000 per unit	\$60,000 per unit
RAD Contract Rent (Weighted PUM)	\$700	\$650
Total Gross Potential Rents	\$1,632,000	

Proposed Rent Bundling

New RAD Contract Rent	\$653	\$720
Total Gross Potential Rents	\$1,632,000	



FUTURE REPLACEMENT HOUSING FACTOR (RHF)

Example

- PHA converting 100 unit project with RAD Contract Rent = \$600
- PHA scheduled to receive sum of \$840,000 in RHF over the next 7 Years

Rent Adjustment Calculation

- $\$840k \div 20 \text{ years} \div 100 \text{ units} \div 12 \text{ months} = \35 PUM
- **New RAD Rent = \$635 PUM**



APPLICATION FLEXIBILITIES

– Portfolio conversions

- PHA defines “portfolio” of projects, either the entire PHA inventory or some subset
- PHA must submit applications for at least half of the projects in portfolio
- HUD will reserve award for remaining units in portfolio
- PHA must submit application for remaining projects in portfolio within 365 days

– Multi-phase conversion

- Allows PHAs to reserve conversion authority for projects with multiple development phases with applicable contract rent for all phases
- PHA has until July 1, 2015 to submit application for final phase
- PHA required to fulfill all CHAP milestones for each CHAP awarded
- Upon application acceptance, HUD will issue CHAP for initial phase and multi-phase award letter covering all phases of project

All project conversions included in a Portfolio Award or Multi-Phase award submitted in CY 2013 can convert at rents 2012 baseline rents



AWARD SUMMARY (UPDATED 7/11/13)

- 132 CHAP awards, representing 14,781 units
- 51% conversion to PBRA, 49% conversion to PBV
- Over 60% of proposals planning to use LIHTCs
- Over 60 partnering lenders and investors
- Expected to raise \$816M in debt and equity investments





AWARD SUMMARY

Capital Needs

- 26% proposed Greater than \$50K in Rehab or New Construction
- 18% proposed \$30K – 50K in Rehab
- 18% proposed \$10K – 30K in Rehab
- 38% proposed Less than \$10K in Rehab

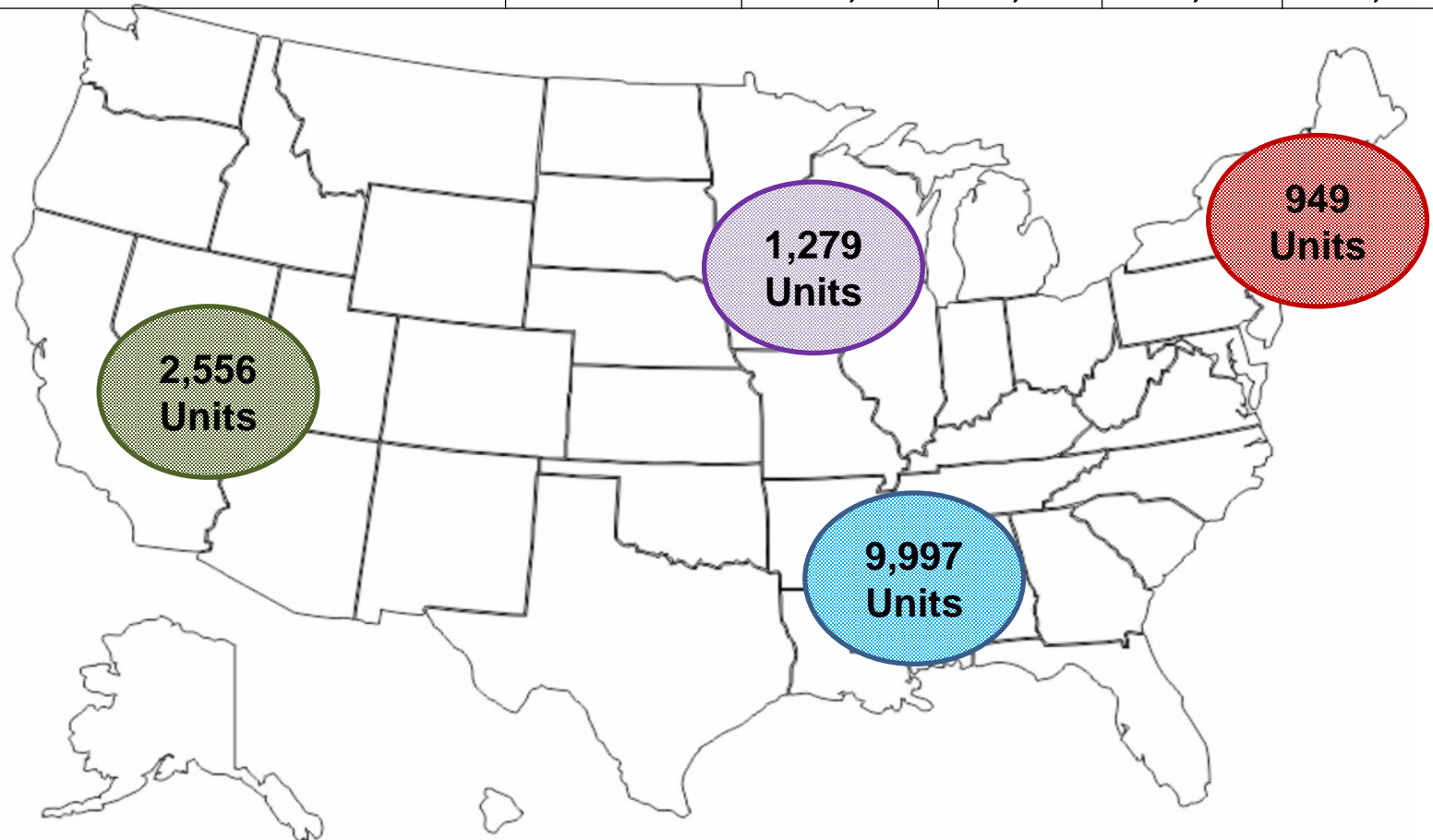




AWARD SUMMARY



	Northeast	Midwest	South	West	Total
Public Housing and Mod Rehab Units Awarded	949	1,279	9,997	2,556	14,781





AWARD SUMMARY

PHA Objectives

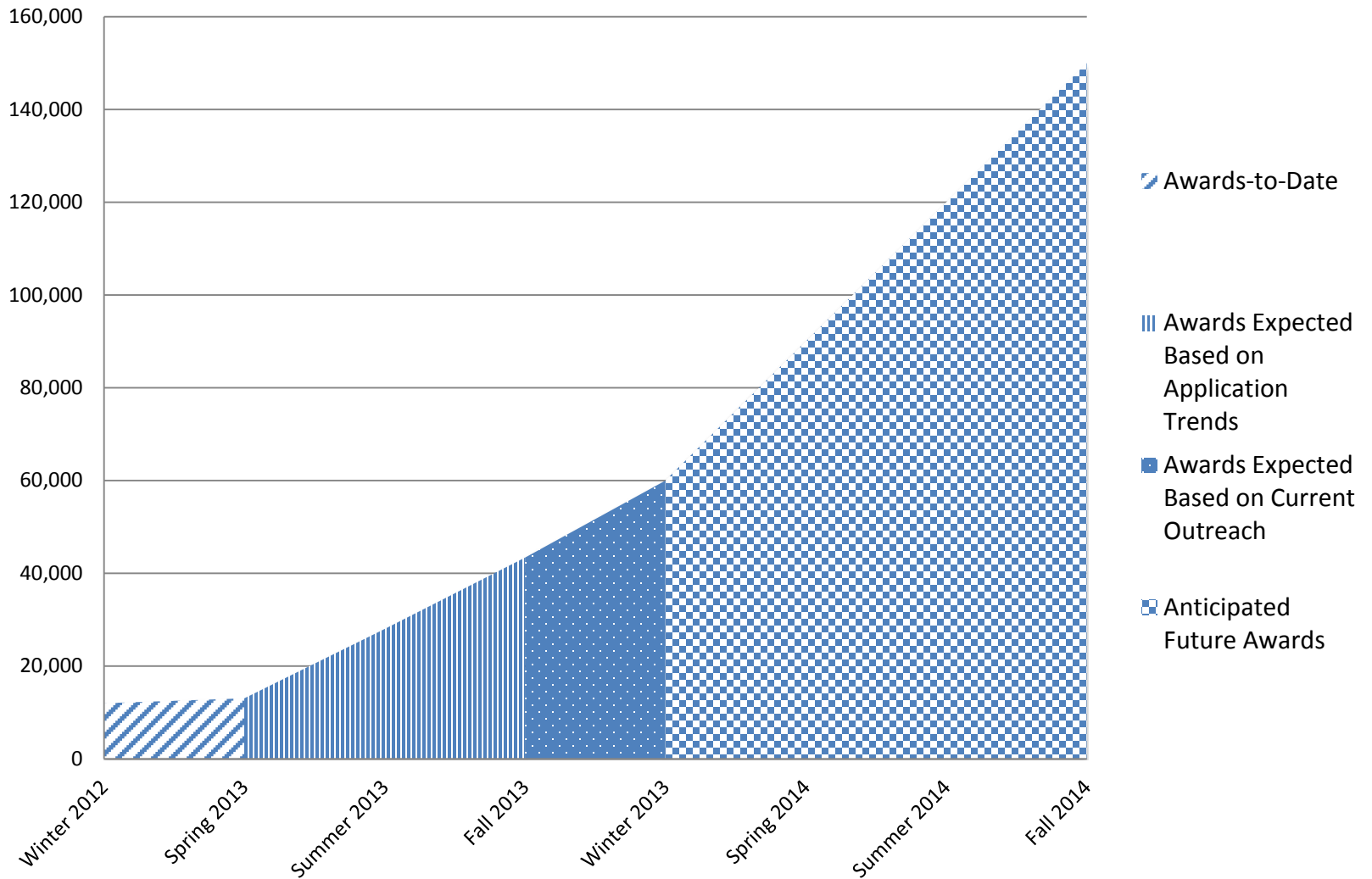
- Modernize aging family & elderly properties
- Sub rehab of deteriorated properties
- Thin densities/mix-incomes via PBVs & transfer authority
- Demolish/replace severely distressed/obsolete properties
- Portfolio streamlining





RAD Awards Trend Chart

Aggregated Number of Unit Awards Issued





RAD WEB PAGE

RAD Notice, application materials, and additional resources can be found at

www.hud.gov/rad

Email questions to rad@hud.gov





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