



RAD Live Q&A

RAD Rent Setting: FY 2018 RAD Rents

February 5, 2019

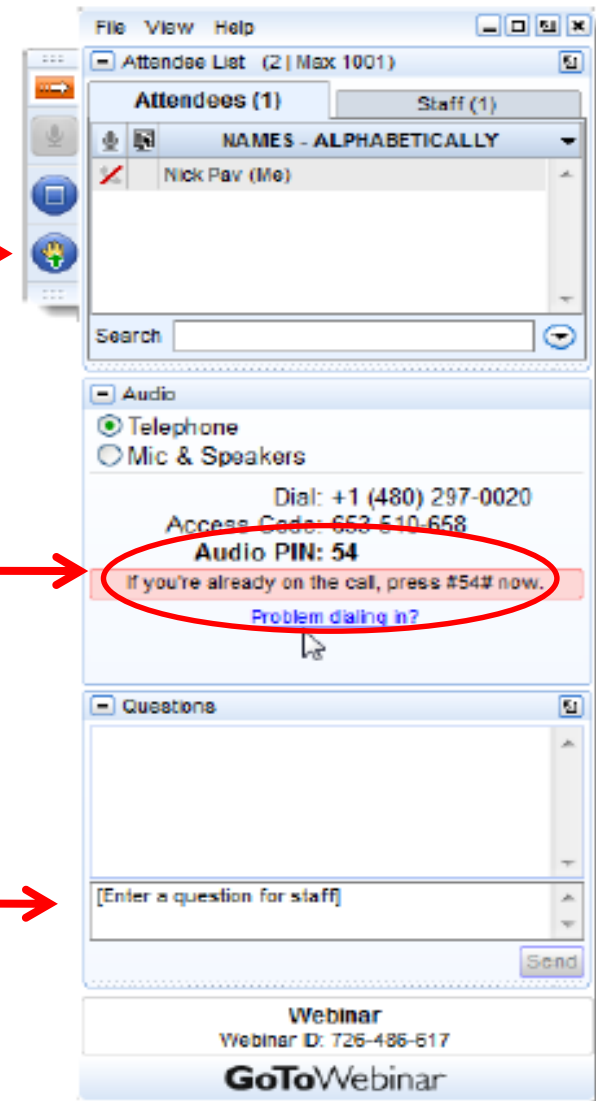
WELCOME

Ask questions at the end! Here's how:

- “Raise your hand” by clicking on the hand icon and the presenter will un-mute your line so you can ask your question live →

Note: To do this, you MUST call the dial-in number shown on your attendee control panel and input the audio PIN shown, which is unique to each attendee →

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BACKGROUND

RAD authorizes the “conversion of assistance” of public housing properties:

Public Housing assistance provided through the public housing

ACC



Section 8 assistance provided through a HAP contract

How to set Section 8 contract “rents”?

- Congress has provided no dedicated funds for Section 8 contracts;
- instead, funds are transferred from the public housing accounts
- Rents are set based current public housing funding



COMPOSITION OF RAD RENTS

- HUD publishes the calculated rents for every public housing property at www.hud.gov/rad. Rents are posted by bedroom size.
- The rents are derived from year-end public housing Operating Fund, Capital Fund, and Tenant Rent data:

Component	Source	Detail
Operating Fund	Final HUD Form 52723 ("Operating Fund Calculation of Operating Subsidy)	Add Per Unit Month (PUM) lines - Project Expense Level (PEL), Utility Expense Level (UEL), Add-ons
Tenant Rents	Final HUD Form 52723	PUM Formula Income
Capital Fund	Capital Fund Development Detail Report	Capital Fund grant calculated for project, net of RHF/DDTF, divided by Standing Units

See Attachment 1C of the RAD Notice for complete detail



RAD RENT BASE YEAR

- Each time RAD cap has increased HUD has updated the RAD Rent “Base Year” – the fiscal year funding from which the data is derived

Cap	RAD Rent Base Year
Up to 60,000 units	FY 2012
60,000 to 185,000 units	FY 2014
185,000 to 225,000 units	FY 2016
225,000 to 455,000 units (current)	FY 2018*

* HUD made “Modified 2016 Rents” available for closings that occurred between July 2, 2018 and December 31, 2018 - incorporated 2018 Capital Fund levels, but retained Operating Fund and Tenant Rent levels



CURRENT RAD RENTS



- **CHAPs issued or updated on or after January 1, 2019 are provided “FY 18 RAD Rents” – Operating Fund, Capital Fund, and Tenant Rent based on FY 18 levels**
- **Applications in processing automatically receive these rents**
- **PHAs with an active CHAP (not yet closed) may request to update their CHAP to include the FY 18 RAD Rent –**
 - strongly encouraged to make request ASAP and prior to Financing Plan submission
 - Submit request to assigned Transaction Manager



ADJUSTMENTS TO RAD RENTS PRIOR TO CLOSING

- Prior to conversion, FY 18 rents will be adjusted each calendar year by HUD's published OCAF (see FR-6128-N-01 published 11/23/2018 for the 2019 OCAFs for each state)
- For example, for a project that closes in March of 2020, the initial contract rents will be based on FY 18 funding, with an OCAF adjustment for 2019 and 2020
- HUD makes these CHAP amendments automatically; PHAs do not need to request OCAF adjustments to their CHAPs
- FY 18 Rents issued now, already include the 2019 OCAF





ADJUSTMENTS TO RAD RENTS PRIOR TO CLOSING



- The RAD Notice provides additional flexibilities for modifying the RAD rents
- PHAs are strongly encouraged to review **“Overview of RAD CHAP Amendments and Contract Rent Flexibilities”** (available on RADresource.net) to make sure rents are maximized. Rents may be adjusted through:
 - Exchanging RHF/DDTF funding
 - Augmenting rents with MTW funds
 - “Rent bundling” between two or more RAD properties
 - “Rent bundling” between a converting RAD property and a standard PBV contract
 - Spreading subsidy for non-revenue special purpose units to contract units
 - Capturing savings to tenant-paid utilities
 - Capturing any excess utility surcharge currently used in public housing
 - Capturing any existing EPC Resident Paid Utility Incentive



PBV vs. PBRA RENT CAPS

- Initial Contract Rents are also capped by applicable PBV or PBRA program rules

PBV	PBRA
Up to 110% of FMR, less utility allowance And The “Reasonable Rent” (must be determined by PHA prior to closing)	Up to 120% of FMR, less utility allowance Unless Rent Comparability Study shows that initial contract rents are still below the market rent, in which case rents can be up to the lower of the market rent or 150% of FMR

- Most published RAD rents do not exceed either the PBV or PBRA rent caps, but must be confirmed

LIVE Q&A

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