



**ROADMAP TO THE REVISED
RENTAL ASSISTANCE DEMONSTRATION
(RAD) NOTICE:
PIH NOTICE 2012-32, REV-2
JUNE 17, 2015**

First Component (Public Housing)

Presenters

Greg Byrne (Housing)

Virginia Flores (PIH)

Will Lavy (Housing)





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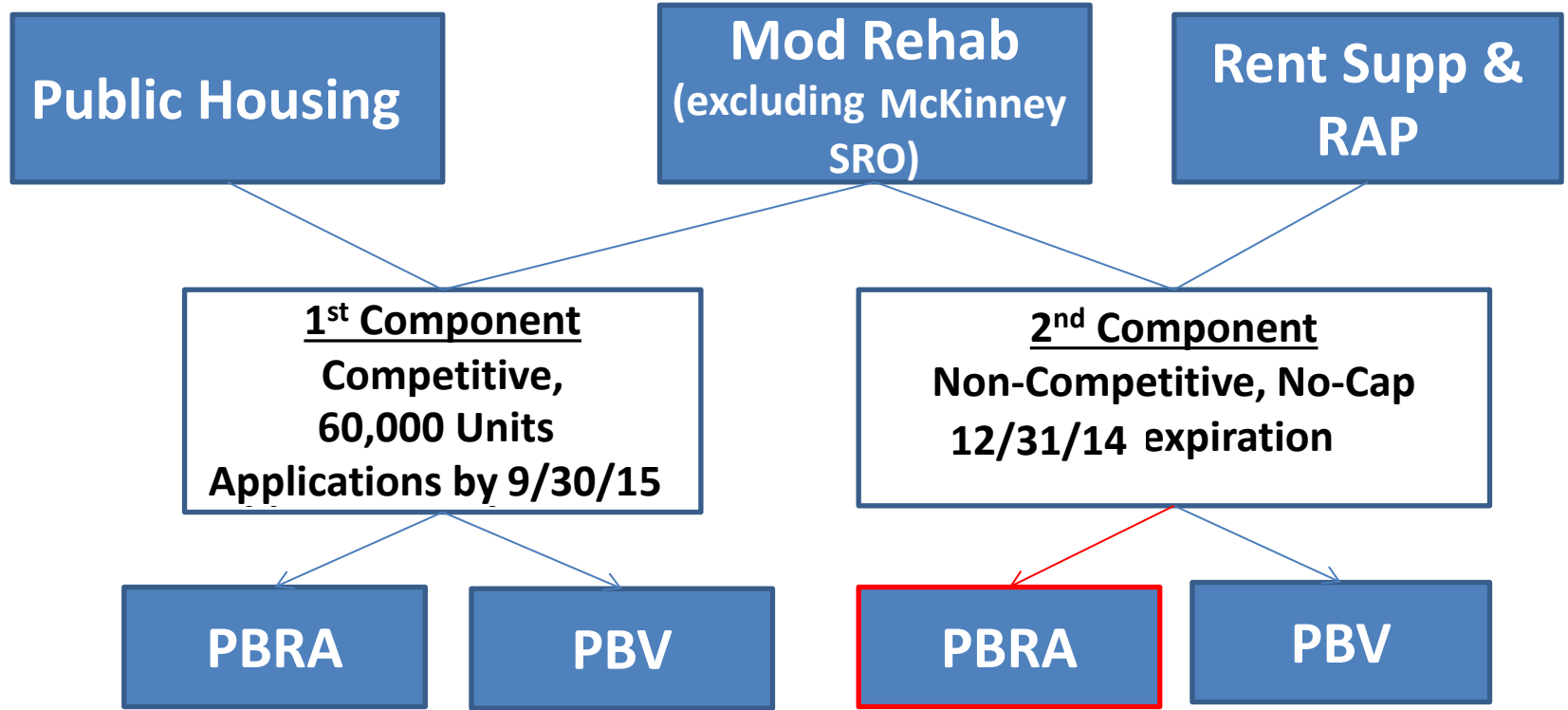
WHY A REVISED NOTICE?



- **Incorporate key expansion changes authorized by the FY 15 Appropriations bill, including:**
 - Increase of the cap on public housing conversions from 60,000 to 185,000 units (15% of the public housing stock)
 - Conversion eligibility for Mod Rehab McKinney SROs (about 400 properties with 14,000 units)
- **Incorporate lessons from the previous two years:**
 - Policy gaps
 - Processing and management of transactions
- **Clarifying common questions**



CHANGES TO RAD CONVERSION ELIGIBILITY





LIVE Q&A SESSIONS



- Each Friday in June, beginning June 19
- Questions on public housing will be addressed from 2:00 - 3:00 PM EDT
- Questions on Mod Rehab, Rent Supp, and RAP will be addressed from 3:00 - 4:00 PM EDT
- Access information for future sessions will be sent by RADBlast



SECTION I: PUBLIC HOUSING



IMPLEMENTATION



- **Unless otherwise noted, the revisions to Section 1 of the Notice are effective for all transactions that have not yet closed**
 - HUD may make exceptions for projects near closing
 - By statute, any changes to Eligibility and Selection Criteria (next slide) are subject to a 30-day comment period. Unless comments lead HUD to reconsider, these changes will become effective upon the expiration of the 30-day comment period.



ELIGIBILITY AND SELECTION



- **Effective 30 days from Notice publication, Applications received each month will be prioritized for award (subject to available authority) in the following order:**
 1. Redeveloping physically or functionally obsolete housing
 2. Part of comprehensive neighborhood revitalization plan
 3. In imminent danger of losing financing (e.g., expiring tax credit award)
 4. Other applications using LIHTC
 5. Portfolio or Multi-Phase award in which 50% of properties fall under any of the above categories
 6. All other applications
- **1st Component conversions will be limited to public housing**
- **Mod Rehab projects now only converted under 2nd Component**



TERMINOLOGY



- **Converting Project vs. Covered Project**

- “Converting Project”: Pre-conversion projects whose assistance is converting from one form of rental assistance to another
- “Covered Project”: Post-conversion projects with assistance converted from one form of rental assistance to another

- **PHA vs. Project Owner**

- “PHA”: Pre-conversion owner of the Converting Project
- “Project Owner”: Post-conversion owner of the Covered Project



RAD AND SECTION 18



- Establishes that project cannot have both RAD and Section 18 Demolition or Disposition approval; PHA must select one
- For projects with Section 18 approval, the property is ineligible for RAD if PHAs has taken action on Section 18 approval (e.g., entered into demolition contract, requested TPVs, etc.)



CONTRACT RENTS



- **RAD Rent Base Year**

- Initial 60,000 units processed using rents calculated from 2012 Appropriations: These rents will be adjusted each year by HUD's published OCAF starting in CY 14
- New awards processed using rents calculated from 2014 Appropriations: These rents will be adjusted each year by HUD's published OCAF starting in CY 15

- **Cap on OCAF adjustments for PBRA:** For the term of the HAP contract, rents will be adjusted by OCAF, but cannot exceed "Maximum Rent," defined as higher of 140% of FMR (less utility allowances) or the market rents

- **Clarifies that, when rent-bundling, donor property must close before/same time as receiving property**



CONTRACT RENTS: TENANT PAID UTILITY SAVINGS



- **Tenant Paid Utility Savings:** For PBRA, provides incentive for energy improvements for tenant-paid utilities by allowing Contract Rent to be increased by 75% of projected Utility Allowance savings.
 - PHAs must submit UA projections performed by professional engineer
 - Available to PBV if waiver provided for site-based Utility Allowance

Original CHAP	Contract Rent	Utility Allowance	Gross Rent
I-BR	\$500	\$130	\$630

UA Change	Current UA	Project UA	Impact on Contract Rent
Gas, Electric and Water	\$130	\$90	$\$40 \times 75\% = + \30

Revised CHAP	Contract Rent	Utility Allowance	Gross Rent
I-BR	\$530	\$90	\$620



CAPITAL NEEDS ASSESSMENT (CNA)



- Replaces the term “PCA” with “CNA”
- **CNA eTool:** HUD is developing a standard CNA eTool for all Multifamily Housing. CNA eTool and Utility Consumption Baseline (UCB) will be required for any Financing Plan submitted six months after its publication. Until then, use existing Scope of Work from RAD PCA.
- **Exemptions:** Certain non-FHA transactions are exempt from CNA: 1) Built within last five years, 2) New construction/sub rehab, 3) Using LIHTC
 - BUT, no property is exempt from sizing replacement reserves with the Excel Tool



RELOCATION

- All requirements related to relocation that occurs as a result of public housing conversions are found in the RAD Relocation Notice (Notice H 2014-09/PIH 2014-17)
- **Reminder: Do not relocate tenants prior to closing**
 - Limited exception to this rule
- **Training webinar on RAD Resource Desk**





TRANSFER OF ASSISTANCE: REQUIREMENTS



- **Requires PHA to submit a site for HUD approval 90 days after CHAP**
- **Prohibits transfers to neighborhoods of concentrated poverty**
- **Defines when assistance can be transferred to an existing tax credit project: only to support the de-concentration of poverty and/or the de-densification of a public housing project with extensive capital needs.**



FAIR HOUSING AND CIVIL RIGHTS REVIEW



- **Requires upfront civil right review and approval for transactions involving:**
 - **New construction, whether on site of current public housing or on a new site** → *Per new construction Site and Neighborhood Standards, assess minority concentration and factors that would allow construction in area of minority concentration*
 - **Reduction of assisted units, changes in unit configuration or in occupancy type** → *Assess whether change would result in discrimination based on race, color, national origin, religion, sex, disability, or familial status*
 - **Transfer of assistance** → *Assess relevant Site and Neighborhood Standards, accessibility requirements, reduction of units, change in configuration, and change in occupancy*



OWNERSHIP AND CONTROL



- **Clarifies conditions necessary to meet statutory requirement for PHA preservation of interest in tax-credit deals**
 - PHA, or an affiliate under its sole control, is the sole general partner or managing member;
 - Long-term ground lease;
 - PHA retains control over the leasing of the Covered Project;
 - PHA retains consent rights over certain acts of the Project Owner (e.g., including disposition of the Covered Project, leasing, selecting the management agent, setting the operating budget and making withdrawals from reserves); or
 - Other means that HUD finds acceptable
- **Right of first refusal and subordinate financing is not sufficient**



ADDITIONAL RESIDENT PROVISIONS



- **Adds protection for existing residents when Total Tenant Payment exceeds Gross Rent**
 - Example: RAD Gross Rent = \$500; TTP = \$600
 - Tenant pays \$600 towards rent and utilities
- **Currently over-housed families retain right to return, but must move to appropriately sized unit when available**
- **Permits Jobs Plus grantees to continue participation post-conversion**



OTHER



- **Waiting List: Clarifies there is no requirement to use a site-based waiting list**
 - For PBRA, community-wide waiting list is permitted
 - For PBV, voucher-wide or PBV-wide waiting list is permitted
- **Floating Units: Permits Section 8 assistance to “float” within certain mixed-income properties, so that assistance is not permanently tied to specific units in a project**
 - For PBRA, applicable to all mixed-income properties
 - For PBV, only for converting public housing mixed-finance, HOPE VI, or Choice Neighborhoods properties where there is a current practice of floating
- **Makes explicit that demolition is not permitted prior to conversion**



PBV – CHOICE-MOBILITY



- **Allow PHAs to reserve vouchers for non-RAD Choice-Mobility purposes (e.g., allowing PHAs to serve special populations like victims of domestic violence)**
 - Only for PHAs where, as a result of RAD, the total number of PBV units (including RAD PBV units) under HAP contract administered by the PHA exceeds 20 percent of the PHA's authorized units under its HCV ACC with HUD
 - May establish a voucher inventory turnover cap, where in any given year a voucher agency would not be required, to provide more than three-quarters of its turnover vouchers to the residents of RAD Covered Projects (does not apply to regular PBV)



MOVING TO WORK (MTW) AGENCIES



- Clarifies PBV program rules modified by RAD that MTW may not alter (e.g., Choice-Mobility)
- Requires MTW agencies to amend Attachment A of their MTW Agreement prior to first conversion to ensure cost neutrality
- Clarifies that Contract Rents for MTW “alternative subsidy” agencies will be based on standard Operating Fund Rule for all awards after 3/5/15



APPLICATION, MILESTONE, AND FINANCING PLAN



- **Extends multi-phase applications through July 1, 2018**
- **Milestones**
 - Milestones begin the later of issuance of CHAP or 30 days following publication of RAD Notice
 - Eliminates current pre-Financing Plan Milestones
 - Modifies Financing Plan due dates to better align with LIHTC timelines (see next slide)
- **Financing Plan Completeness**
 - A Financing Plan will not be reviewed until all required documentation is submitted
 - HUD will complete an initial review for document completeness within five business days of submission



FINANCING PLAN DUE DATE



- **Non-LIHTC:** Financing Plan or, for FHA transactions, the Application for Firm Commitment, 180 days following the CHAP issuance date
- **4% LIHTC transactions**
 - Evidence of LIHTC application and completed CNA no later than 180 days following CHAP issuance date
 - Financing Plan (or FHA Application for Firm Commitment) then due within 90 days of 4% award
- **9% LIHTC transactions**
 - Evidence of application for first available 9% LIHTC round in state beginning 90 days after CHAP issuance date
 - Financing Plan (or FHA Application for Firm Commitment) then due within 180 days of 9% award
- **Transfer of assistance**
 - 90 days to identify site to which assistance will be transferred and to submit documentation demonstrating it meets criteria for transfers of assistance
 - Financing Plan due date adjusted accordingly to permit time to identify site



FINANCING REQUIREMENTS



- Establishes debt-coverage feasibility benchmark for leveraged transactions of 1.11 over a ten year period using 2% growth in revenue and 3% growth in expenses
- Establishes a stabilized cash flow feasibility benchmark for non-leveraged transactions of not less than \$12 per unit monthly
- Clarifies that RAD does not prohibit excess loan proceeds
 - However, project is not eligible for excess loan proceeds if public housing funds are contributed to the Development Budget (Sources & Uses), except in the case of sole remaining property
- When PHA converts its last public housing property, all remaining public housing funds should be contributed to the property



FINANCING REQUIREMENTS (CONT'D)



- Clarifies that public housing funding to support “development budget” must be made available and disbursed at closing
- Establishes basic Reserve for Replacement Account requirement for PBV
 - Must be maintained at a level determined by HUD
 - Must be held in an interest-bearing account covered by a General Depository Agreement (GDA)
 - Use of reserves may be subject to HUD direction



FINANCING PLAN SUBMISSION REQUIREMENTS



- **Provides more complete list of Financing Plan Submissions, including**
 - Required process and submission for Environmental Review
 - For PBRA, 2530/"previous participation" clearance (if applicable) and Affirmative Fair Housing Marketing Plan must be submitted to the field
 - Evidence of approved PHA Plan/Significant Amendment/MTW Plan
 - Approved front-end fair housing/ civil rights review (if applicable)
 - Approval of non-dwelling real property (see slide 28)
 - Executed amendment to Attachment A of MTW Agreement (if applicable)
 - Estimate of public housing funds available for HAP subsidy payments



FINANCING PLAN SUBMISSION REQUIREMENTS



- Eliminates description of Rehab/Construction Management
- Market study only required at HUD's request
- Identifies submissions that must be made in addition to Application for Firm Commitment. For example:
 - Evidence of approved Significant Amendment to PHA Plan,
 - Operating Pro Forma and Development Budget entered into transaction log of Resource Desk;
 - Accessibility and Relocation Checklist



RELEASE OF NON-DWELLING PROPERTY



- **Clarifies what non-dwelling property and land can be released from public housing program in conjunction with conversion**
 - In general, land and property that is pertinent to the RAD converted property can convey, but all other “excess” land must be processed through normal public housing release authorities, e.g., Section 18
 - PIH Field Office will review land and property proposed for removal (as indicated in the PHA’s RAD PIC Removal Application) prior to Financing Plan submission



RELEASE OF DOT FOLLOWING TRANSFER OF ASSISTANCE



- **Describes conditions in which HUD will release the Declaration of Trust (DOT) of current site at closing**
 1. Fair market value (FMV) sales proceeds will be used to support a RAD conversion
 2. Land will be disposed within a year so that it can be used for affordable housing
 3. Land will be sold within a year at FMV and proceeds used for other affordable housing



EXITING PUBLIC HOUSING



- Clarifies that properties with CHAPs are still subject to physical inspections, and other PHAS assessments, but will not be scored
- Describes PHA requirements related to removing converting properties from PIC
 - Submission of RAD PIC Removal Application within 30 days of CHAP
 - Submission of 50058 End of Participations (EOPs) prior to new HAP effective date
- Provides instructions for converting projects with existing Energy Performance Contracts (EPCs)
 - Submit updated documentation to HUD's Energy Center to reflect the cost and performance of public housing units remaining in EPC



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