



Rental Assistance Demonstration (RAD) 101: Public Housing Conversions

US Department of Housing & Urban Development
May 14, 2018

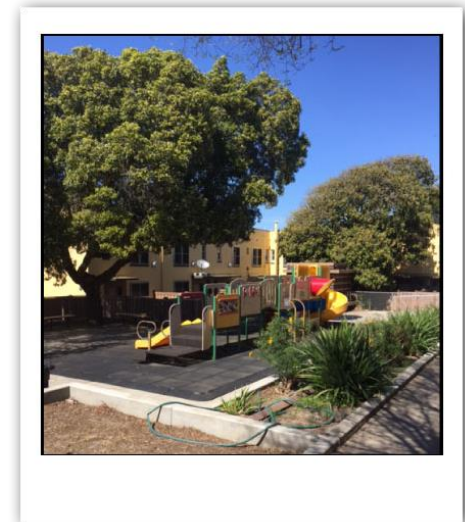
BACKGROUND

Why RAD for Public Housing?

RAD was designed to help address the large and growing backlog of capital needs in public housing, estimated at \$26 billion in 2010

Originally authorized in 2011, and subsequently amended, RAD now allows up to 455,000 public housing units to convert to long-term, Section 8 rental assistance contracts, which provides:

- Access to debt and equity to finance capital needs
- Strong platform for long-term preservation
- Program simplification
- Robust resident rights



RAD Conversion Types

RAD for Public Housing

also known as the "1st Component"

Public Housing
(455,000 unit cap*)

* Administration's FY2019 budget requests elimination of the cap on public housing conversions.

RAD for Other Multifamily Housing

also known as the "2nd Component"

Sec. 8 Moderate Rehabilitation

Rental Assistance Payment

Rent Supplement

Sec. 202 PRAC

McKinney Vento Mod Rehab SRO



Section 8
PBRA

Section 8
PBV

PHA Objectives

PHAs have used RAD to:

- Modernize aging family & elderly properties
- Stabilize property revenue
- Substantial rehab of deteriorated properties
- Demolish and redevelop distressed/obsolete properties
- Transfer assistance to better neighborhoods
- Thin densities and mix-incomes
- Streamline operations

PROGRAM REQUIREMENTS

Important Resources

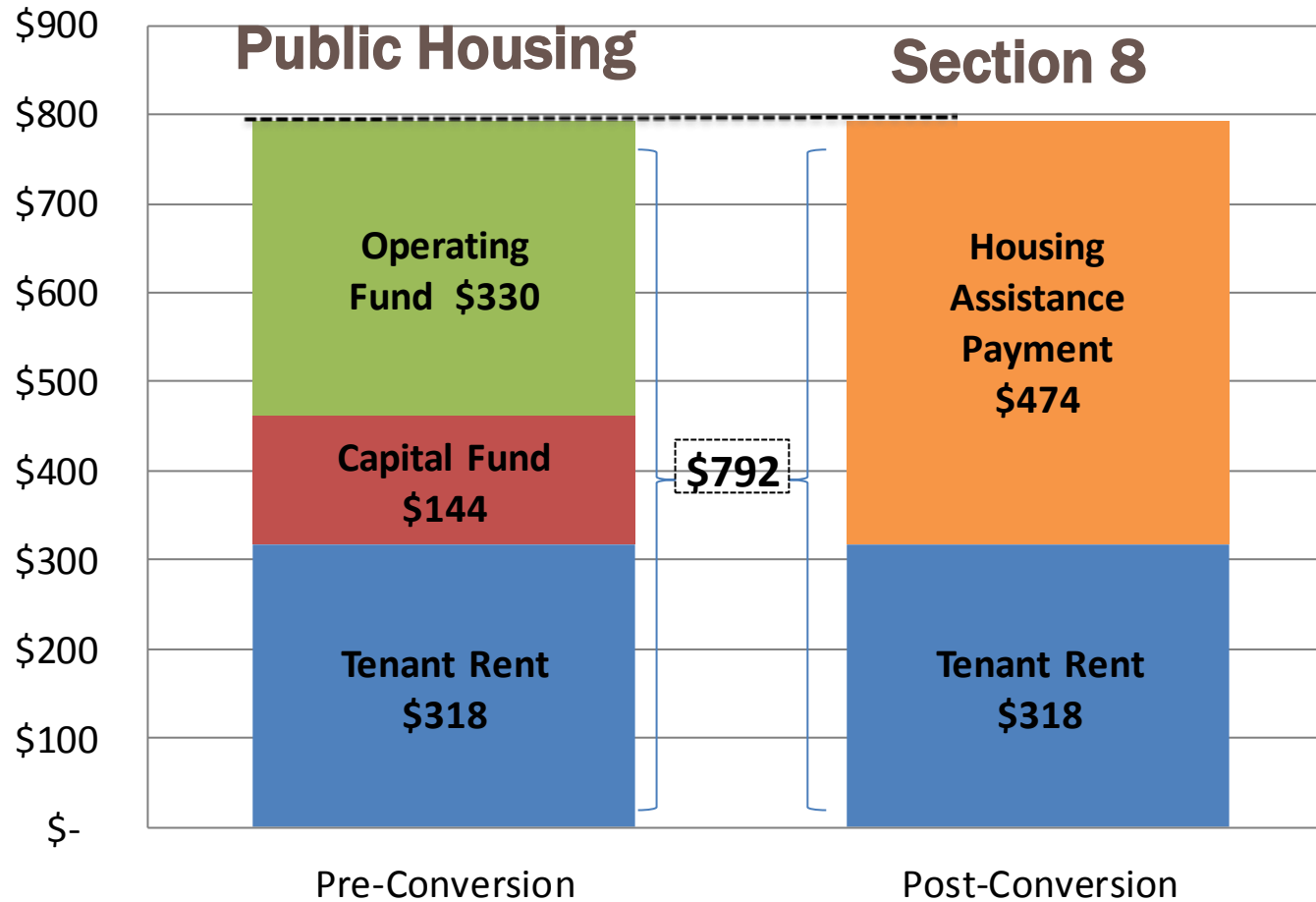
- RAD Statute
- RAD Implementation Notice, Revision 3: *PIH Notice 2012-32 (HA) H-2017-03, REV 3*
- Fair Housing, Civil Rights and Relocation Notice: H 2016-17 PIH 2016-17 (HA)
- Guides and FAQs (www.radresource.net)
- RAD Inventory Assessment Tool

Contracts and Rents

- Predictable initial contract rent setting – rents based on public housing funding levels with certain flexibilities
- Annual operating cost adjustment factor (OCAF)
- RAD HAP funding begins at construction closing – “Rehab Assistance Payments”
- No limitation on use of project cash flow
- HAP contract Renewals
- RAD Use Agreement

Example: RAD Section 8 Rent Levels

Sample Public Housing Conversion Per Unit Monthly (PUM)



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

Financing Sources

1st Mortgage Debt

- FHA-Insured debt:
 - 223(f) (light/mod rehab) or
 - 221(d)(4) (sub rehab/new construction)
- Conventional debt

Low Income Housing Tax Credits (LIHTC)

- 4% LIHTC
- 9% LIHTC

Historic Tax Credits

Public Housing Funds

- Operating Reserves
- Capital Funds
- Demo/Dispo Transition Funding (DDTF)
- Sales Proceeds

Other Secondary Financing

- HOME
- CDBG
- Housing Trust Fund
- Federal Home Loan Bank AHP

PBV vs. PBRA

Project-based Vouchers (PBV)

- Congressionally appropriated through “Tenant-Based Rental Assistance” account
- Sec 8 Contract and funding administered by PHA (component of PHA’s Housing Choice Voucher program)
- Initial contract term 15-20 years
- Housing Quality Standards
- Choice mobility option
- Rent Caps – Lower of current funding, reasonable rent, 110% FMR minus utilities
- Under RAD, PBV competitive selection, income- mixing, and PBV program cap requirements do not apply

PBV vs. PBRA

Project-based Rental Assistance (PBRA)

- Congressionally appropriated through “Project-Based Rental Assistance” account
- Sec 8 Contract and funding administered by HUD Multifamily
- Initial contract term 20 years
- REAC Inspection Standard
- Modified Choice-mobility
- Rent Caps – Lower of current funding and 120% FMR minus utilities (higher with RCS)

Development Requirements

Capital Needs Assessment

- Identifies all immediate and long-term capital needs
- Financing Plan must cover all needs through upfront capitalization and/or ongoing capital “replacement reserve” deposits

Environmental Review

- Part 50 for PBRA or FHA-insured conversions. HUD performs review
- Part 58 for all other PBV. Responsible Entity performs review

Substantial Conversion of Assistance

- Conversion may not result in a reduction of the number of assisted units by the greater of five percent or five units
- Exceptions for consolidation of efficiencies or supportive services units

Development Requirements

Site and Neighborhood Standards

- For all conversions, the owner (for PBRA) or the voucher administering agency (for PBV) will certify that the site meets site and neighborhood standards
- All New construction subject to HUD review when site is in an area of minority concentration

Ownership and Control

- Property must be owned or controlled by a public or non-profit entity (e.g. no change in ownership, transfer to an affiliate, transfer to a non-profit or public body)
- Except when using LIHTC, PHA must maintain “sufficient interest” (e.g. long-term ground lease, control agreement, etc)

Federal Accessibility Requirements apply

Davis Bacon prevailing wage requirements and Section 3 low-income hiring

Transfer of Assistance

Transfer of assistance refers to a change in the geographic site of the assistance. It has the potential to improve the location and quality of housing

HUD will assess:

- that the transfer does not place housing in neighborhoods with highly concentrated poverty;
- whether conversion on-site is economically non-viable (physically obsolete or severely distressed)



RESIDENT RIGHTS AND REQUIREMENTS: PRIOR TO CONVERSION

- **Resident meetings** required prior to application and additional meetings required following CHAP-issuance
- **Resident notices:**
 - RAD Information Notice (RIN) prior to resident meetings
 - General Information Notices (GIN) - for URA
- RAD conversion is a **Significant Amendment to the PHA plan**
- No relocation activities can occur until the execution of the RAD Conversion Commitment (RCC)
- **Residents may not be involuntarily displaced**



RESIDENT RIGHTS AND REQUIREMENTS: RIGHTS OF CURRENT RESIDENTS

- Residents have a **right to return** post-rehab
- **Prohibition of re-screening** residents upon “move-in” to the Section 8 property;
- A **“phase-in” of resident rents** if residents were paying less than 30% of adjusted income prior to conversion;
- Continued participation in **ROSS and FSS**
- Continued **Earned Income Disregard**

RESIDENT RIGHTS AND REQUIREMENTS: ONGOING

- **Resident Procedural Rights** outlined in section 6 of the Act and detailed in the RAD Notice, including:
 - Resident organizing rights and participation funding (\$25 per unit per year)
 - Grievance and termination procedures consistent with public housing requirements
- A right to request a **tenant-based voucher** after a period of residency at the converted property (“**choice-mobility**”).

RELOCATION

RAD provides residents with relocation protections

- Uniform Relocation Act (URA) applies, and, in some cases, requirements are in excess of the URA requirements
- Residents have a right to return post-rehab
- No relocation activities can occur until the execution of the RAD Conversion Commitment

Common Relocation Options

- On-site
- Other public housing owned by the agency
- Other affordable housing owned by the agency
- Private housing
- Using housing vouchers administered by the PHA

CONVERSION PROCESS

RAD Conversion Process

Strategic Planning	<ul style="list-style-type: none">• What do you want to do with your asset and what tools are available?
RAD Application	<ul style="list-style-type: none">• Confirm Project Eligibility• Ensure resident and Board awareness
CHAP Award	<ul style="list-style-type: none">• Reserves conversion authority under the cap• Sets forth the contract rents
Pre-Financing Plan Approvals	<ul style="list-style-type: none">• Upfront civil rights review; transfer of assistance; PHA Plan; EPC/CFFP
Financing Plan	<ul style="list-style-type: none">• Demonstrate physically and financially viability and compliance with program requirements
RAD Conversion Commitment (RCC)	<ul style="list-style-type: none">• HUD approval of the Financing Plan• Sets out terms of closing and construction
Closing & Conversion	<ul style="list-style-type: none">• Removal from Public Housing ACC and DOT• Entry into Section 8 HAP Contract & RAD Use Agreement
Rehabilitation/ Construction	<ul style="list-style-type: none">• If applicable, work completed in accordance with RCC

RAD STATS

RAD Public Housing Conversions – Status*

93,269 Public Housing Units (850 properties)

converted from Public Housing to Section 8.

\$5.44 Billion

(roughly \$60K per unit)

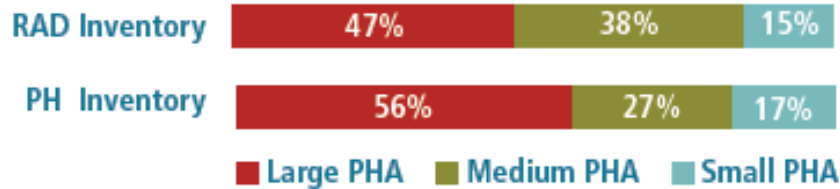
in construction investment* in RAD public housing conversion properties. It would have taken participating PHAs roughly 46 years to accumulate enough public housing Capital Funds to complete a similar amount of construction.

*As of 5/1/18

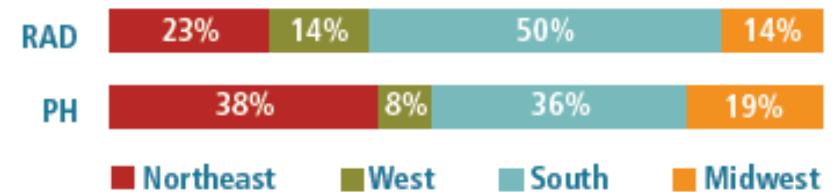
* This figure doesn't include items such as acquisition, soft costs, reserves & developer fee.

Where it works

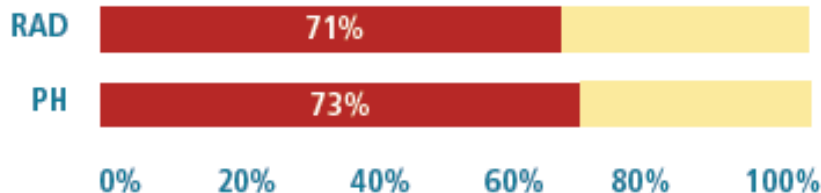
Inventory Comparison by PHA Size



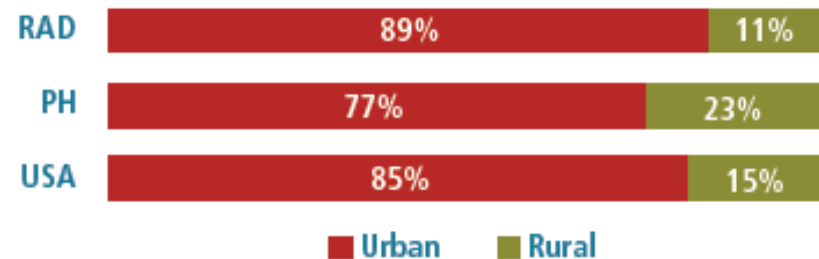
Inventory Comparison by Geography



Inventory Comparison of Published RAD Rents Relative to Fair Market Rent



Inventory Comparison by Urban/Rural



Note: This data reflects the inventory of RAD public housing applications (“projects”) received compared to the inventory of public housing projects existing in each region prior to any RAD conversions.

RAD Web Page

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

www.hud.gov/rad

Email questions to rad@hud.gov