

Overview of RAD Rehab Assistance Payments (RAP)

What is RAD RAP?

RAD RAP is the subsidy amount available to a public housing project that closes a RAD transaction with either a RAD Project-Based Voucher (PBV) or Project- Based Rental Assistance (PBRA) Housing Assistance Payment (HAP) contract for units vacant as a result of rehab/construction as outlined in the RAD Conversion Commitment (RCC) Scope of Work.

Which units are eligible for RAP?

All RAD-converting public housing units that will be vacant during the construction period stated in the RCC are eligible to receive RAP.¹ Depending on construction and relocation schedules, this includes:

- Units vacated prior to conversion in anticipation of the rehab or new construction that remain vacant once the conversion occurs and work begins;
- Units vacated after conversion that remain vacant during a period of rehab or new construction;
- Units that are vacant during only a portion of the rehab or new construction period due to staged construction or “checker-boarding”;
- Long-term vacant units that will not be occupied until the rehab or new construction is complete; or
- Units being newly constructed and that are placed under HAP contract at the beginning of construction.

Project owners must request RAP from the Contract Administrator in order to receive it.

The following types of units are not eligible for RAP:

- Any occupied units, even at projects where a RAP amount is identified in the RCC and HAP Contract.
- Projects that close with a Delayed Conversion Agreement.
- Units under a non-RAD PBV HAP Contract or AHAP, as a result of a RAD/Section 18 Blend or de minimis reduction.
- Units vacant due to rehab unrelated to the RAD Scope of Work.
- Units receiving subsidy through the Section 8 Pass Through, under PBRA. As fully described in Handbook 4350.1, Chapter 38, Paragraph 38-32, under the Section 8 Pass Through, Owners with residents under a project-based Section 8 HAP Contract whose unit was rendered uninhabitable may temporarily lease a unit in another unassisted building, which is habitable, per the Uniform Physical Condition Standards. The Owner can sign a temporary lease on behalf of the displaced Section 8 resident (i.e., a Master Lease) and begin to voucher for the contract rent while the residents is living in the temporary unit. In this case, the HAP subsidy is already being used, and submitting a voucher for a RAP would be a duplication of subsidy.

¹ Converting public housing units are eligible for RAP if they were eligible to receive Operating Fund or Capital Fund subsidy prior to conversion and are under a HAP Contract. All public housing ACC units are eligible to receive Operating Fund or Capital Fund and only public housing ACC units are eligible to convert under RAD.

How is the per unit amount calculated and where do I find the amount on the RAD Resource Desk?

The total RAP amount for a RAD transaction is equal to the Public Housing Operating Fund and the Capital Fund amounts that formed the basis for the calculation of the RAD contract rents.² This formula removes the tenant portion of the rent calculation since there is no tenant rent collected for the vacant units. Like RAD contract rents included in the CHAP, HUD will increase the RAP amount each year by the published OCAF until closing.³ If the PHA changes the base year of their RAD contract rents, the RAP amount will also be adjusted.

The RAP amount is viewable on the “Rent Schedule” page on www.radresource.net, which is accessible by navigating into a transaction and selecting Transaction Docs/Data > Rent Schedule. The “Rehab Assistance Payment Amount” is in the top section. This amount is also memorialized in the RCC and HAP contract.

What can RAP be used for?

The funds are recognized as operating income (“revenue”) and can be used to fund any project-related expense; however, in many transactions, net cash flow during the construction period becomes a source of funds to cover development expenses, which is also often referred to as “interim income” in the development budget and the Sources and Uses in the RCC.

Can I still receive RAP even if I am constructing or acquiring units off-site, i.e., a transfer of assistance?

Yes, provided that the PHA is not converting under a Delayed Conversion Agreement (delayed HAP). Under a delayed HAP, the existing public housing property remains in the public housing program until construction is complete. Therefore, the property continues to receive regular public housing operating and capital subsidies during construction.

For a PBV conversion with a transfer of assistance, where an occupied public housing property is released from the public housing ACC and the owner of the new site enters into a Master Lease with the PHA that owned the former public housing site, the owner can convey some or all of the RAP through the Master Lease. The PHA would use these funds to continue to operate the original site until construction is completed and residents move into the new site. If the owner does not convey the entirety of the RAP to the PHA as part of a Master Lease agreement, the residual funds typically get treated as “interim income” and are contributed to the development budget. This scenario does not apply to PBRA conversions, since the Section 8 Pass-Through described above would apply.

How long is a project eligible to receive RAP?

RAP terminates at the earlier of the end of the construction period as identified in the HAP contract or at the end of actual construction.⁴ At such point, all units under the HAP contract will be eligible for

² The RAD rents are based on the Operating Fund, Capital fund, and Tenant rents for a certain fiscal year, i.e. the “RAD Rent Base Year.” For example, FY 2018 RAD Rents are based on Operating Fund, Capital Fund, and Tenant Rent data for FY 2018.

³ Note that once the transaction closes, the RAP amount does not receive OCAF adjustments like it did before closing. The amount stays the same through the full construction period.

⁴ For new construction, where all the units come online at the same time, the same RAP termination rules apply.

Section 8 subsidy payment only for occupied units or for allowable vacancy payments. RAP does not apply if/when an owner undertakes a future rehabilitation of the site unrelated to the Work required in the RCC, i.e., post RAD conversion.

If there are delays in the construction schedule, HUD may extend the date by which work must be completed and allow a modification to the date in the HAP contract for which the property is eligible for RAP. Such requests must be submitted to on the RAD Resource Desk by clicking into the property and selecting “Post-Closing Processing (PHA)” from the “Transaction Pages” drop down menu. Then, check the “Rehab/New Construction - Extension Request (including RAP and Completion Certification extension)” box, upload an explanation regarding the delay in completing the RAD SOW and estimated new completion date, and click “Submit to HUD.” Otherwise, the property will no longer be eligible for RAP after the date specified in the HAP contract.

How does an Owner request and receive RAP?

In the calendar year of conversion, the project continues to receive funding from Public Housing as outlined in the Initial Year Funding Tool for the remainder of the calendar year. During this period there is no separate RAP paid under the contract. The owner and contract administrator should decide together the specifics of how much funding will be transmitted to the project during this period.

Beginning in January of the calendar year following conversion, the project that has eligible vacant units as a result of rehab or construction will begin receiving RAP under the Section 8 funding platform.

- For PBRA conversions, the Owner must ask their Multifamily Account Executive for a RAP Summary form. Once they get it, the Owner should total the RAP amount and enter an Owner/Agent initiated accounting adjustment (OARQ) in TRACS for the total amount on the voucher.
- For PBV conversions, the Contract Administrator (i.e., the administering voucher agency) is responsible for making monthly RAP to the Owner and should request similar evidence identifying the specific units eligible for RAP for each month.

As with HAP or vacancy payments, RAP can be pro-rated if a unit is vacant as a result of rehab for only a portion of a month.

What resources reference HUD’s reporting requirements for RAP?

For PBRA conversions, Owners should submit the RAP Summary form described in the section above. Refer to the [RAD PBRA Quick Reference Guide](#) for more information.

For PBV conversions, Contract Administrators are required to report their actual leasing and costs in the voucher management system (VMS) beginning in January of the calendar year following conversion. Refer to the [VMS User Manual](#) for more information.