

RAD and Section 18 Blend Processing Steps

Generally, a RAD/Section 18 Blend conversion follows the standard RAD conversion procedures with the following deviations. The processing steps are as follows:

Step 1: PHA Submits RAD Application

The PHA submits a RAD application through the RAD Resource Desk (RRD) at www.radresource.net for the entire “Converting Project” that will encompass the transaction, including both RAD and Section 18 units.

Step 2: Recap Issues CHAP

The Office of Recapitalization (Recap) issues the Commitment to Enter into a Housing Assistance Payments Contract (CHAP).

Step 3: PHA Estimates Blended Rents

PHAs can navigate to the Concept Call transaction page on the RRD and input key information about the proposed RAD/Section 18 blend to view the estimated “Blended Rents.” A PDF of the revised Blended Rents is available to share with developers/lenders as they assemble their Financing Plan. At this stage, the Blended Rents are estimates based on the PHAs inputs and current Fair Market Rents. The final Blended Rents will be reviewed and confirmed through a formal CHAP amendment once Recap reviews the Financing Plan.

Step 4: PHA Satisfies PHA Plan

The PHA satisfies PHA Plan requirements for both RAD and Section 18.

Step 5: PHA Completes the Concept Call Checklist

The PHA completes the Concept Call Checklist on the RRD.

For Small PHA Blends:

- To be eligible for the Small PHA blend, the PHA must submit to the HUD Field Office a Repositioning Plan per PIH Notice 2024-40 for cases when the PHA is not converting all its remaining public housing units under their Annual Contributions Contract (ACC).
- If the PHA is converting to project-based vouchers (PBV), the PHA must make a submission to the Field Office demonstrating that the proposed contract administrator has sufficient capacity to administer the PBV contract. This submission to the Field Office is required if the PHA administering the contract does not have at least 250 Housing Choice Voucher (HCV) units under its HCV Consolidated ACC prior to the creation of the PBV Housing Assistance Payments (HAP) Contract for the Converting Project. The Field Office’s approval is uploaded to the RRD as part of the Concept Call checklist. Contact your Field Office representative for guidance on this submission.

For Construction Blends:

- The PHA identifies that they are:

- Contemplating a Transfer of Assistance or Demolition and Redevelopment of the project, which automatically qualifies for the 90/10 Blend; or
- Intending to use a RAD/Section 18 Blend and uploads the Housing Construction Cost (HCC) tool to demonstrate which construction blend the Converting Project qualifies.

Step 6: PHA Submits a Financing Plan and Supporting Information

The PHA submits a Financing Plan and uploads supporting information for the Section 18 units to the RRD. The PHA's Financing Plan will comprise the entire Converting Project covered under the RAD/Section 18 Blend. The Financing Plan includes documentation that HUD can use for both RAD and Section 18 processing as well as supplemental documentation needed to complete the Section 18 approval. The PHA is not required to submit a separate Section 18 application through IMS/PIC. Instead, HUD's Special Applications Center (SAC) reviews the additional material noted below and uploads it into IMS/PIC in the form of a DDA Section 18 application.

In addition to the standard Financing Plan requirements described in the RAD Notice, the PHA must ensure their submission includes:

- a. A detailed transaction summary in the Conversion Overview, which must describe the use of this provision and confirm that the units that will be removed through Section 18 will be sold or otherwise transferred (i.e., ground lease) to a third-party entity that is recognized as a separate independent entity under State law (which may include a non-profit affiliate controlled by the PHA). The Conversion Overview also asks for the following:
 - i. **Reasonable Rents:** The PHA inputs the reasonable rent standard for their PBV program, as described in [24 CFR 983.303](#). The reasonable rents provided here are used for calculating the Blended Rents, so it is important that the PHA provide accurate information.
 - ii. **Confirmation of the correct Utility Allowances:** The PHA should review the Utility Allowances in their CHAP and ensure they are correct. Generally, most projects close with the current Public Housing utility allowances in place at the time of conversion.
- b. A cash flow pro forma that reflects the income and expenses of the total project, i.e., for the RAD and Section 18 units. The rental income for the "GPR RAD" line item in the Transaction Log should reflect the Blended Rents.
- c. A Capital Needs Assessment covering the whole property.
- d. A Development Budget (Sources and Uses) covering the whole property. For RAD/Section 18 Construction Blends, the hard construction costs in the "Uses" will be used to determine which blend the transaction will qualify under.
- e. Any applicable front-end civil rights reviews completed for the entire property. These reviews are submitted with the Concept Call checklist.
- f. An Environmental Review for the Converting Project.
- g. A RAD Initial Year Funding Tool that is correctly sized to include only the public housing converting assistance and not the units being removed through Section 18. For example, if you have a 100-unit property and are doing a 90/10 blend, the RAD Initial Year Funding Tool would be completed for the 10 RAD units. The 90 units

being removed via Section 18 will be funded through Tenant Protection Vouchers (TPVs).

- h. Evidence of consultation with any resident organization for the residents living in the Converting Projects and the Resident Advisory Board (RAB)¹; and any written comments received from impacted residents, resident organizations, or the RAB, along with the PHA's responses to those comments.

The PHA also submits certain materials needed for a complete Section 18 application that are not required by RAD. The following Supplemental Section 18 materials are submitted to the RRD no later than its submission of the Financing Plan:

- a. List of units (by address, unit type, and PIC number), in spreadsheet format, that designate which units will be removed through Section 18 and which units will be removed by RAD.
- b. Evidence that the PHA described the Section 18 disposition in its Annual Plan and the Field Office approved the plan. For Qualified PHAs, a certification that they have discussed the Section 18 disposition at a public hearing.
- c. A local government support letter. The PHA must consult local government on its proposal to apply for Section 18 for some units under a RAD/Section 18 Blend and secure a letter of support from the chief executive officer (i.e., mayor) of the local government.
- d. A Board resolution that approves the PHA's proposal to apply for Section 18 for some units under a RAD/Section 18 Blend. The resolution must be signed and dated after all resident and local government consultation has been completed.
- e. The Funding Application for TPVs, [Form HUD-52515](#).

PHAs are not required to submit the following items described in 24 CFR 970.7(a) since they will have been addressed through the RAD requirements:

- a. Evidence of environmental review – the environmental review for the entire project will be completed through the RAD processing requirements,
- b. Timetable for the disposition – the disposition will occur simultaneously with the RAD closing,
- c. A statement justifying the disposition – the disposition is justified based on the project qualifying for the RAD/Section 18 Blend,
- d. A description of the method of disposition (i.e., ground lease, sale),
- e. Estimates of the gross and net proceeds – the property's sale will occur under RAD requirements and any proceeds from sale will be subject to requirements imposed through RAD, and
- f. Evidence that the PHA offered the property for sale to eligible resident organizations (See also 24 CFR 970.9(b)(3)(ii)—the PHA would be eligible for an exception to the offer of sale because it has a firm plan, as proposed in the Financing Plan, to replace the public housing units with low-income housing PBV units).

¹ Section 18 requires PHAs to consult with the resident organization(s) of the Converting Project (if any) and the RAB. However, the PHA may be able to satisfy these requirements as part of the RAD resident consultation process if the PHA specifically extends the consultation invitations to meetings, etc. to the required resident organizations and RAB.

PHAs can satisfy the Section 18 requirements for consulting with the impacted residents as part of the RAD consultation requirements. They can also satisfy the Section 18 relocation plan requirements as part of the RAD Relocation Plan requirements, since the relocation benefits to all families must be the same. Please note that the PHA may not provide different relocation rights and benefits to residents of the project based on whether they reside in a RAD unit or a Section 18 unit.

Step 7: HUD Amends the CHAP and Creates the Section 18 Removal Application

Upon receipt of the Financing Plan requesting the use of the RAD/Section 18 Blend, HUD amends the CHAP to reflect the Blended Rents for the Converting Project. This amendment will specify how many units will result from converting public housing assistance under RAD and how many will result from converting TPV assistance following Section 18 approval. HUD will also amend the RAD PIC removal application that the PHA had submitted prior to the Financing Plan and will create the Section 18 removal application. HUD uses the materials already submitted by the PHA to the RRD to populate the Section 18 application. The SAC alerts the PHA about any missing items necessary for the Section 18 application. HUD will not approve the Financing Plan until the PHA has satisfied all Section 18 submission requirements.

Step 8: HUD Issues the RAD Conversion Commitment and the Section 18 Approval Letter

Once the Financing Plan is approved, Recap issues the RAD Conversion Commitment (RCC). The RCC will reference the transaction's use of the RAD/Section 18 blend and, consistent with the CHAP, will identify the total number of units that will be covered under a single RAD PBV or PBRA HAP Contract at conversion. Following RCC issuance, the SAC issues the Section 18 Approval Letter, which will identify the maximum number of units eligible for TPV funding based on PIH's Annual HCV Funding notice, which currently allows the PHA to request TPVs for units that were occupied by assisted families in the 24 months prior to Section 18 approval.

Step 9: HUD Processes the TPV Funding Request

Recap will work with the Office of Housing Choice Vouchers to process the TPV funding request using the [HUD Form 52515](#) completed by the PHA.

Step 10: PHA Submits Closing Package

The PHA must submit a draft of the RAD PBV or PBRA HAP contract with the closing package. Note that the RAD HAP Contract has a checkbox in Part 1 for blends that should be checked and Recap will provide the PHA with the TPV funding amount to input into the contract based on the RAD HAP contract effective date. The entire land is released from the DOT/DORC as part of the RAD transaction/closing, and a RAD Use Agreement is placed on the entire Converting Project. The PHA disposes of the property to the entity undertaking redevelopment who will then execute the RAD PBV or PBRA HAP contract and proceeds with any planned rehabilitation or demolition and new construction. The final RAD Initial Year Funding Tool that is completed and executed at closing should only reflect the units being removed via the RAD PIC removal application. Following the RAD closing (and disposition), the SAC removes all units in the transaction (Section 18 and RAD) from IMS/PIC under the two separate PIC removal applications, which will result in all units changing to "Removed from Inventory" status in IMS/PIC.