



Rental Assistance Demonstration

FINANCING PLAN GUIDE

FEBRUARY 2020

Non-FHA LIHTC Conversions

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About this Guide and the Financing Plan

The ***Financing Plan Guide for Non-FHA LIHTC Conversions*** (the “Guide”) will walk you through the requirements of the RAD Financing Plan (as outlined in Notice H-2019-09 PIH-2019-23 (HA)) and assist you in making sure you upload the necessary documents to the RAD Resource Desk. Each section of the Guide corresponds to the numbered matrix you will see in the Resource Desk as you upload documents for your Financing Plan. Once you have uploaded all the documents required for a Concept Call, you will request one with a RAD Transaction Manager, who will determine if your submission is complete and will then either invite you to submit your Financing Plan, or provide a list of items that need to be address/completed prior to submission.

This Guide is specifically designed for RAD conversions that are not using FHA insurance but are using tax credit financing to fund the conversion. It is not intended for conversions with no debt or conventional financing or for conversions using FHA mortgage insurance (with or without tax credits). Please refer to the ***Financing Plan Guide for No-Debt/Conventional Conversions*** if you are using no financing or a conventional loan. Use the ***Financing Plan Guide for FHA Insured Conversions*** if you are using FHA mortgage insurance with or without tax credits.

Where HUD has already issued specific guidance (e.g., in the form of HUD Notices) on the various components required as part of the Financing Plan, the Guide will provide limited information. However, each section of the Guide contains a “Resources” section with links to related guidance that will help you successfully complete each item. Where separate written guidance has not been issued, this Guide provides more detailed information. The Guide also provides a summary of HUD approvals that must be obtained prior to requesting a Concept Call. Finally, Appendix A to the Guide consists of a streamlined checklist of the submission requirements and Appendix B provides alternate underwriting considerations for Existing Mixed Finance Projects.

Financing Plan Deadline

The RAD Financing Plan is due within 270 days of your Commitment to Enter into a Housing Assistance Payment Contract (CHAP) Award. However, you should begin compiling required documents as soon as your CHAP is awarded, as some of the requirements are complex and require long lead times (for example, obtaining a Capital Needs Assessment or environmental review documents). HUD expects one complete and accurate package with all of the required information; incomplete Financing Plan submissions will be rejected.

Pre-Financing Plan Approvals

Prior to requesting a Concept Call and submitting your Financing Plan, PHAs must submit certain documents so that HUD can review and approve them by the time the PHA is ready to submit the Financing Plan. Advance submission will help prevent delays and allow time to resolve any issues that may come up during HUD’s review.

Advance Approval Documentation	Recommended Submission Timeframe
Approval of Non-Dwelling Real Property	PHA must submit its draft PIC removal application in PIC inclusive of all non-dwelling building(s)/land within 30 days of CHAP issuance and enter the “DDA” number # assigned by PIC into the Resource Desk by going to Transaction Pages > Financing Plan > in the “PIC Removal No. (DDA#)” field.
Approved Significant Amendment to PHA/MTW Plan	Submit to your local PIH Field Office or MTW Coordinator as early as possible, but not later than 30 days in advance of your Concept Call request.

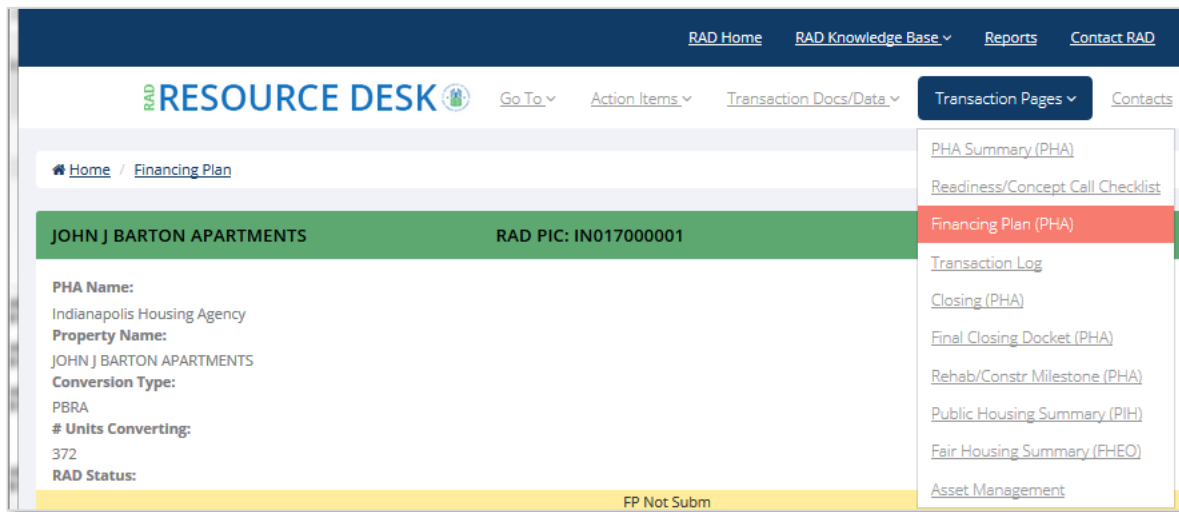
Advance Approval Documentation	Recommended Submission Timeframe
Approved Amendment to Attachment A of the MTW Agreement (“Alternative Subsidy” MTW agencies only)	Submit to your MTW Coordinator as early as possible, but not later than 30 days in advance of your Concept Call request.
Affirmative Fair Housing Marketing Plan (PBRA Only)	Submit to the Multifamily Account Executive at least 30 days in advance of your Concept Call request. Do NOT submit this via the RAD Resource Desk. Consult the Contact list in the top righthand corner of the page to view contact information for the Account Executive who has been assigned to your transaction.
Transfer of Assistance	Submit via the RAD Resource Desk > Financing Plan transaction page within 90 days of CHAP issuance.
RAD Accessibility & Relocation Checklist	Submit via the RAD Resource Desk > Financing Plan transaction page as early as possible, but not later than 30 days in advance of your Concept Call request.
Upfront Civil Rights Reviews <ul style="list-style-type: none"> ▪ Site Selection & Neighborhood Standards for New Construction Only ▪ Unit Reduction or Configuration Change ▪ Change in Occupancy 	Submit via the RAD Resource Desk > Financing Plan transaction page as early as possible. The Concept Call cannot be requested until these reviews are approved, and these reviews take approximately 60 days to be approved.
Request(s) to amend your RAD CHAP Award	All requests for amendments to your RAD CHAP award should be submitted and processed in advance of your Financing Plan submission. Read the RAD Resource Desk document library guide called Overview of RAD CHAP Amendments and Contract Rent Flexibilities for information on types of amendments and rent boosts and how to submit them.

How to Upload Financing Plan Documents

Submit a complete set of your Financing Plan documents by uploading them to the RAD Resource Desk at www.radresource.net. You may upload the documents as they are ready or you may wait to upload them all at once. To upload documents, please follow the steps below. Upon submission of a Financing Plan, you will be assigned a Financing Plan Transaction Manager who will be your main point of contact through Financing Plan review, approval, and issuance of the RAD Conversion Commitment.

1. Logon to the Resource Desk (www.radresource.net) using your assigned username and password. (Note: If you are unable to locate your login information, use the “**Forgot Password**” link or email resourcedesk@radresource.net for assistance.
2. Navigate to the green menu card called **My Properties with CHAPs Issued**. You’ll see a list of the PHA’s properties that have a CHAP Award.
3. Click on the name of the property.

- Go to the **Transaction Pages** menu in the top right corner of the page. Select **Financing Plan (PHA)** from the menu.



- You can scroll through the page or use the **Go To** menu selection at the top of the page to jump to specific sections. All fields and sections of the page must be completed in order for your submission to be considered complete, including the Ownership Data for the RCC.
- To upload documents, navigate to the Financing Plan Documents section of the page either via scrolling or by using the Go To menu. Use the **Browse** and **Add File** buttons next to each line item to select and upload the corresponding document(s). You'll know that you have successfully uploaded the file because it will appear in the File Uploaded column of the matrix. If you need to upload additional documents that do not correspond with the existing line items, there is a line item called **Other Documents** at the end of the matrix. There is a text box called **"Other" Title** that enables you to type in the name of the document you are uploading which will help your Transaction Manager easily identify it. Note: If you have uploaded a document in error and wish to delete it, please email resourcedesk@radresource.net and include the following in the body of your email: PHA name, project name, & the title of the document you wish to remove.
- You are welcome to input any comments that you would like to share with your Transaction Manager by typing them in the **Comments** field to the right of each line item. You must click **Save** at the bottom of the grid in order to ensure your comments save.

Requesting a Concept Call

Once you have uploaded all the requirements, you will request a Concept Call on the RAD Resource Desk. To do so, fill out the checklist on the "Concept Call Checklist" page, accessible from the "Transaction Pages" drop down menu in the property. All questions on the checklist need to be answered before the "Schedule Concept Call" button can be clicked; a list at the top of the page will show which additional documents need to be uploaded.

Once the "Schedule Concept Call" button has been clicked, a RAD Transaction Manager will reach out to you to schedule a Concept Call. This call may also include the PIH Field Office and the Multifamily Asset Management Field Office (on PBRA conversions). The call will discuss your plans for the property and ensure plans are sufficiently advanced to warrant review by HUD. If the Concept Call addresses HUD's questions, HUD will subsequently invite you to submit a Financing Plan for Transaction Manager review.

[Go To](#)
[Action Items](#)
[Transaction Docs/Data](#)
[Transaction Pages](#)
[Contacts](#)

LOUIS ARMSTRONG I

RAD PIC: NY005012100

PHA Name:	New York City Housing Authority	Property Name:	LOUIS ARMSTRONG I	New Property Name:	PACT Brooklyn Phase II
Conversion Type:	PBV				
# Units Converting:	729	RAD Status:	FP Not Subm	Financing Plan Due Date:	01/06/2020
Reserved Units:	<input checked="" type="checkbox"/> Portfolio <input type="checkbox"/> Multiphase <input type="checkbox"/> CAT CHAP				

Scattered Site: ☐
 Financing Plan Grid:

No Debt/Conv

The following fields are required before a Concept Call will be scheduled but have not yet been populated:
 Environmental Review
 Site Selection and Neighborhood Standards
 Change in Occupancy Type
 Complete Concept Call Checklist

Schedule Concept Call

DATE CONCEPT CALL EXPECTED: 11/07/2019

New Construction: ☐
 Rehab: ☒

New First Mortgage: ☐
 FHA Insured: ☐
 Tax Credit:

Change in Unit Configuration: ☐
 Relocation: ☐
 CFFP/OFFP/EPC: Yes
 RHF/DDTF: Yes

Save

[Go To](#)
[Action Items](#)
[Transaction Docs/Data](#)
[Transaction Pages](#)
[Contacts](#)

CONCEPT CALL CHECKLIST

Is this new construction?

No

Are you proposing to complete substantial rehabilitation (i.e. rehab in excess of 75% of the replacement cost) to a project with 15 or more units?

Are you proposing to transfer the assistance ("TOA") from the current property to another property?

No

Are you proposing to reduce the number of units at the property through this transaction?

Are you proposing to change the unit configuration in this transaction?

No

Are you proposing to change the occupancy type, or implement an admission preference, either from Elderly to Family, Family to Elderly or no preference to having a preference?

Does the Scope of Work within the eCNA Tool match the Construction/Rehabilitation amount entered in the Transaction Log?

Do the Initial Deposit to the Reserve for Replacement ("IDRR") account and the Annual Deposit to the Reserve for Replacement ("ADRR") account from the eCNA Tool match what was entered into the Transaction Log?

It appears that there is, or may have been, an EPC, CFFP or OFFP loan on this property. Please explain the nature and status of that debt below.

General Financing Plan Transaction Page Information

The top section of the Financing Plan transaction page contains basic property information that is not editable by the PHA such as Project Name, RAD PIC Number, PHA Name, Conversion Type, Number of Units Converting, Financing Plan Due Date, and whether the transaction is part of a Portfolio Award or Converted Awaiting Transfer (CAT)

agreement. The PHA should review this information for accuracy and notify the RAD Resource Desk if any of the information is incorrect. The lower section contains information that the PHA must review and populate as part of their Financing Plan submission:

- PIC Removal Number (DDA#): This is the draft PIC removal application number. There should be one removal number per CHAP. It must be 10 digits long and start with DDA. This cannot be blank.
- Green Certification: If the RAD Scope of Work includes obtaining a green certification (such as LEED Silver, etc.), input the name of the certification being pursued in this space. Leave this field blank if no Green certification is being pursued.
- Be sure to click **SAVE** after you have input the above fields.

The screenshot displays the RAD Resource Desk interface for a financing plan submission. It is divided into two main sections: 'Review for accuracy' and 'Input requested information'.

Review for accuracy: This section shows the following details for 'JOHN J BARTON APARTMENTS' (RAD PIC: IN017000001):

- PHA Name: Indianapolis Housing Agency
- Property Name: JOHN J BARTON APARTMENTS
- New Property Name: Barton Annex-Barton Tower
- Conversion Type: PBRA
- # Units: 372
- RAD Status: FP Not Subm
- Financing Plan Due Date: 10/31/2019
- Reserved Units: ☒ Portfolio ☐ Multiphase ☐ CAT CHAP

Input requested information: This section contains input fields for:

- PIC Removal Number (DDA#): DDA0006291
- Green Certification: (empty field)
- Date Financing Plan Submitted to HUD: (empty field)
- A 'Save' button is located at the bottom of this section.

Ownership Data for the RCC: Inputting & Verifying Ownership Data

The next part of the Financing Plan transaction page is the **Ownership Data for the RCC** section. As part of Financing Plan submission, PHAs are responsible for ensuring that the RAD Resource Desk reflects the correct ownership and project information. This information flows directly into the RAD Conversion Commitment (RCC) and thus an RCC cannot be issued until the PHA has completed this step. To view and input the Ownership information, go to Transaction Pages > Financing Plan and navigate to the **Ownership Data for the RCC** section either by scrolling down the page or using the **Go To** button > **Ownership Data for the RCC**. Click on the blue help boxes next to the various fields to view helpful tips and instructions about how to complete each field. It is very important to ensure the information you input is accurate, especially the legal entity names and signature blocks.

Resource Desk Guidance

- [Resource Desk Webinar – Inputting Project Ownership](#)


Questions & Technical Assistance

You can send an email to resourcedesk@radresource.net with any questions regarding the RAD Resource Desk or uploading documents. Also, the [RAD Resource Desk User Guide: For PHAs](#) is a resource for these types of questions. You will also have an Initial TA Provider who will support the transaction for the first four months following CHAP issuance. If you need additional assistance in completing the Financing Plan requirements after the first four months, you can request Technical Assistance from Recap by clicking the “Request Technical Assistance” link on the

“Action Items” drop down menu (see below). You will then select the category of technical assistance needed and describe the issues you are facing in more detail. All requests will be approved at Recap’s discretion.

RAD

RESOURCE DESK



Action Items ▾

Transaction Docs/Data ▾

Home / Request Technical Assistance

REQUEST TECHNICAL ASSISTANCE

Nature of Assistance Needed:

Additional Details / Explanation:

Contact Name:

Contact Email:

Contact Phone:

Submit Request

Portfolio Re-engineering ▾

New Application - PHA

Request Financing Plan Ext

Request Technical Assistance

Request CHAP Amendment

Item 1: Conversion Overview (Required to be uploaded to request a Concept Call)

HUD has developed a Conversion Overview template that PHAs may use. The template can be downloaded from the RAD Resource Desk Document Library or via the link on the Financing Plan matrix. When completing the Conversion Overview template, please provide HUD with a summary of the proposed conversion. The information you submit will be used by your Transaction Manager to prepare various internal documents and ultimately, the RAD Conversion Commitment. It is therefore important to clearly describe your proposed RAD transaction as well as identify any potential issues and proposed mitigations. Be sure to provide a clear description of the property and conversion plan and address any unique or unusual features including:

- Changing bedroom/unit configurations
- Multiple/Scattered sites
- Transfers of Assistance
- Resident relocation
- Rent bundling
- Confirmation of the current utility allowances at the converting project and any proposed changes in responsibilities for utilities
- Proposed changes in ownership as a result of the conversion
- Any prior Section 18 approvals associated with the converting project, including the issuance of Tenant Protection Vouchers
- Units to be reduced under the de minimis allowance of the Notice
- If the property is part of a Choice Neighborhood Implementation grant
- How conditions of the Commitment to Enter into a Housing Assistance Payment (CHAP) award were met

What to Upload

- ✓ The RAD Conversion Overview Template

Item 2: Conversion Type

The Financing Plan matrix is prepopulated with the type of subsidy that was selected in your original RAD application; either Project-Based Vouchers (PBV) or Project-Based Rental Assistance (PBRA). If you wish to change your original selection, click the box under “Check here if this is incorrect.” It is important to note that changing the conversion type at the Financing Plan submission stage will result in processing delays. Any change should be addressed well in advance of Financing Plan submission and requested through an email to the RAD Resource Desk.

What to Upload

- ✓ If you are converting to PBRA and did not request or do not qualify for a good cause exemption for Choice Mobility, upload a fully executed Choice Mobility Letter of Agreement template signed by the PHA converting the units and by the PHA that has agreed to administer the vouchers in order to comply with the Choice Mobility requirement.¹ A copy of the Choice Mobility Letter of Agreement template can be found in the RAD Document Library.

¹ If you are eligible for a good cause exemption for Choice Mobility but failed to request one or changed your selection to PBRA after applying for RAD, contact your Transaction Manager to determine if HUD has already awarded the maximum number of exemptions authorized under RAD.

Resource Desk Guidance

- [RAD Guide to Choosing Between PBV and PBRA](#)
- [PBV Quick Reference Guide](#)
- [PBRA Quick Reference Guide](#)

Item 3: Resident Comments

In addition to holding meetings, the RAD Notice requires substantive responses to comments received from tenants at various phases of the conversion process. Meetings are required before RAD Application submission (2), before Concept Call, and between Concept Call and Financing Plan submission. Additional meetings may be required if the Financing Plan submission date is extended or if project plans change significantly.

What to Upload

- ✓ Provide dates of the resident meetings held following the issuance of the CHAP, before Concept Call, and between Concept Call and Financing Plan submission. Upload a record of the responses (written or oral, or in subsequent actions/decisions) to resident comments on the proposed conversion that were received in connection with such meetings.

Item 4: CNA and Scope of Work for Rehab or New Construction (Required to be uploaded to request a Concept Call)

The Capital Needs Assessment (CNA) consists of a written Narrative, the Excel Tool, and the Flags Report. All projects that will be financed with tax credits are exempt from submitting the written Narrative and are only required to complete and upload the Excel Tool and Flags Report. In addition to the CNA, the RAD Notice requires the submission of a “Scope of Work.” The e-CNA tool includes rehab specifications which are used to fulfill this requirement.

Tips for Submitting a Satisfactory Assessment

- Begin the procurement process soon after receipt of CHAP because of the lead time needed for completion.
- Do not upload the Tool without carefully reviewing it first. There may be some discrepancies between the Tool, the Scope of Work, the Development Budget, and the Reserves. Discuss any discrepancies with your third-party provider, your Transaction Manager, and lender/developer, if applicable.

What to Upload

- ✓ The final version of the CNA e-tool including the Excel Tool and Flags Report

Resource Desk Guidance

- Webinar: [CNA e-Tool Q&A Session for Non-FHA RAD Transactions](#)
- Webinar: [Using HUD's CNA e-Tool for RAD Transactions](#)

Other Guidance (https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/)

- Notice H 2016-18, *Implementation of the CNA e-Tool: Automating Capital Needs Assessments, and Related Policy Changes*
- *Capital Needs Assessment Tool (CNA e Tool) website:*
https://www.hud.gov/program_offices/housing/mfh/cna

Item 5: Environmental Review (Required to be uploaded to request a Concept Call)

An environmental review is required for all conversions but the type of review and submission documents vary based on the type of conversion (PBRA which requires a Part 50 review or PBV which requires a Part 58² review). Please refer to the Environmental Review Requirements for RAD Transactions document found on www.radresource.net for additional information on what documentation to submit for your transaction. Awardees are required to use HUD's Environmental Review Online System (HEROS) for Part 50 submissions.

Resource Desk Guidance

- Document: [Environmental Review Requirements for 1st Component Transactions](#)
- Webinar: [Environmental Review Process Training for CHAP Awardees](#)
- Document: [Using HEROS as a RAD Partner](#)
- Webinar: [HEROS Partner Submissions in RAD: for Partners](#)

Other Guidance (www.hudexchange.info)

- HEROS – [HUD Environmental Review Online System](#)
- [HEROS Login](#)

Item 6: Development Budget-Sources and Uses (Required to fill out Transaction Log to request a Concept Call)

The Development Budget must include a reasonable, balanced and comprehensive presentation of all sources and uses of funds needed for the RAD conversion.

What to Upload

- ✓ Update the Transaction Log on the Resource Desk so that it reflects the correct Sources & Uses.
 - To navigate to the Transaction Log for a specific property, click on Transaction Pages > Transaction Log. You will want to update the information in the Financing Plan column.
 - To populate the Sources, scroll to the Sources section and click **Enter Sources**. Sources must be entered based on their appropriate designation (Hard Debt, Soft Debt, Grants, or Equity). For each source, input the information requested. You must click the Submit Query button for each individual line item to ensure the information saves; clicking "Submit Query" only saves the information on the line where it is located.
 - If there is construction financing, make sure to enter the information requested at the bottom of the Sources section.
- ✓ For projects with an Energy Performance Contract (EPC), upload a draft amended EPC approval letter from HUD's PIH Energy Center specifying the minimum amount of debt that will need to be addressed in the conversion.
- ✓ Subsidy Layering Review (SLR). Upload one if it has been performed by another agency. Note: If no SLR has been performed, HUD will complete one whenever multiple federal sources are proposed, when public housing funds are being used to fund the conversion or when a MTW agency is using MTW block grant funds to set their initial contract rents.

² Environmental reviews for PBV projects will not be completed by HUD except in accordance with 24 CFR 58.11 in which case the review is done under Part 50 and will follow the guidance provided for PBRA conversions.

Item 7: Development Team

Successful RAD conversions require an experienced team that has the capability to process the property through the conversion process, manage any proposed rehab or construction, and manage the project after closing. Note: Resumes are not required but may be requested if additional information is needed.

What to Upload

- ✓ Organizational chart that clearly details all participants for each entity. If a ground lease is proposed, include the parties and the lease term on the org chart.
- ✓ A narrative description for each entity with the name of the entity, its role in the transaction, and a description of relevant experience. If multiple sources of financing are identified for the project, the development team must demonstrate that they have experience with at least three transactions with mixed or multiple sources of financing.
- ✓ For PBRA conversions, upload evidence that all principals have Previous Participation Certification in the APPS (formerly form 2530). APPS/2530s should not be submitted through the Resource Desk but parties must provide evidence that submissions have been made either electronically via APPS or paper 2530s to the assigned MF Account Executive.

Resource Desk Guidance

- 2530 Guidance for RAD Transactions (Note: 2530 approval is not required for PHAs or affiliates that are 100% owned by the PHA.)

Item 8: Proposed Financing

All sources of funds (loans, tax credits, grants, etc.) must be disclosed and meet the requirements described in the RAD Notice. As part of the Development Budget (see item 6 above), all funding sources and key terms must be input as part of the Transaction Log update. PHAs must also provide the following information to support their proposed Development Budget:

What to Upload

- ✓ Go to the Transaction Log, scroll to the Sources section and click Enter Sources. Sources must be entered based on their appropriate designation (Hard Debt, Soft Debt, Grants, or Equity). For each source, input the information requested. You must click the Submit Query button for each individual line item to ensure the information saves; clicking Submit Query only saves the information on the line where it is located.
- ✓ The latest lender, investor or grantor letter:
 - The letter must be dated no later than 60 days prior to Financing Plan submission.
 - The letter must include key terms such as funding amount, repayment terms, interest rate, amortization, maturity, prepayment restrictions, pay-in-schedule, etc. The key terms for any permanent financing must comply with the following requirements:
 - Fixed interest rate, for fixed term, fully amortizing over the term. Term cannot exceed 40 years.,
 - Balloon payments are not permitted until the earlier to occur of a) expiration of the term of the HAP contract or b) 17 years from the date of the permanent debt financing
- ✓ The first mortgage lender's approval of all cash-flow ("soft" debt) and subordinate (or secondary) financing. All subordinate (or secondary) financing must be disclosed and then approved by the first mortgage lender as well as by HUD in accordance with Section 8.9 of the Mortgage Credit and Underwriting Processing Requirements of the **Multifamily Accelerated Processing (MAP) Guide**.

- ✓ The first mortgage consent to the RAD Use Agreement and their consent to the fact that the lien of the new first mortgage loan will be subordinate to the RAD Use Agreement.

Item 9: LIHTC Award/Allocation Letter

Upload a copy of the LIHTC Award or Allocation letter.

What to Upload

- ✓ The LIHTC award letter from the tax credit allocation agency.

Item 10: Subsidy Layering Review

Typically, the State Housing Finance Agency (HFA) or Participating Jurisdiction (PJ) will provide a subsidy layering review.

What to Upload

- ✓ A copy of the subsidy layering review completed by the HFA or the PJ; **OR**
- ✓ If the HFA or PJ is not willing or able to perform the subsidy layering review, upload a request for HUD to perform the review.

Item 11: Operating Pro Forma

In addition to completing the operating pro forma online via the Transaction Log, an operating pro forma that matches the term of the PBRA or PBV contract must be uploaded to the Resource Desk. It must comply with the feasibility benchmarks shown below. If the pro forma fails one or more feasibility benchmarks, HUD may still accept the Financing Plan if HUD determines that, taken as a whole, the Financing Plan is consistent with the long-term physical and financial viability of the property and/or the PHA can provide adequate support through historical data or other means.

- Rents cannot exceed the amounts permitted under program rules.
- All other sources of income must be supported with a narrative or must not exceed the average for the last three years (other income should not include interest income on the reserve for replacement account which must remain in the reserve and is not available for other purposes).
- Vacancy loss cannot be less than the greater of the average over the past three years or three percent (3%).
- Allowance for bad debt cannot be less than the greater of the average over the past three years or two percent (2%).
- For public housing conversions where the PHA indicates the continuation of a Payment in Lieu of Taxes (PILOT), the PHA must provide a legal opinion based on state and local law regarding the continuation of the PILOT after conversion. Alternatively, the PHA may provide a written letter from the local taxing authority that the PILOT will continue. If there will not be a PILOT after conversion, provide documentation of the real estate tax estimates.
- All other operating expenses cannot be less than 85% of the average for the last three years.
- The annual replacement reserve deposit should be equal to that amount which if deposited annually, will be sufficient to fund all capital need as identified in the capital needs assessment, arising during the first 20 years and otherwise not addressed upfront in either the rehab scope of work or an initial deposit to the replacement reserve account. The PHA should use reasonable estimates in the inflation rate but in

doing so, the rate for escalating the increase in repair costs should not exceed the rate of interest on reserve deposits by more than 1%. HUD may consider alternative arrangements with respect to the initial deposit to the replacement reserve if risks to the Covered Project can be adequately mitigated.

- For non-leveraged transactions, the stabilized cash flow should not be less than \$12 per unit monthly. For leveraged transactions, the debt coverage ratio should not be less than 1.11 over a ten year period using 2% growth in revenue and 3% growth in expenses.
- All conversions must allow for a minimum of \$25 per unit annually (PUA) for resident organization (of which at least \$15 PUA must go to the recognized tenant organization).

What to Upload

- ✓ Update the Transaction Log, including inputting the number of Market Rate, Affordable (Other than RAD), and LIHTC units at the project at the top of the Transaction Log (as applicable). These fields will appear if you input income in the following Transaction Log Fields: GPR Market Rate Apartments, GPR Affordable Apartments (other than RAD).

The image shows a screenshot of a form titled "PRO FORMA TEMPLATE". It contains three input fields, each with a value of "0". The first field is labeled "Market Rate Apartments Units". The second field is labeled "Affordable Apartments Units (other than RAD)". The third field is labeled "LIHTC Units (other than RAD)".

- ✓ A complete Operating Pro Forma that includes all major revenues and expenses. It must project out for the term of the initial HAP contract. You can use a format of your choosing; however, it's recommended that you use the same revenue and expense categories found in the Transaction Log to help maintain consistency.
- ✓ Supporting documentation for all major revenues and expenses, including 3 years of the most recent project financials to support proposed amounts (revenues, expenses, vacancy, & bad debt).
- ✓ A certification from the Owner stating that the proposed revenues and expenses are within 85% of the average for the last three years. If any categories do not meet this standard, include an explanation.
- ✓ If applicable, upload a narrative discussion of the energy and water savings that are anticipated as a result of the rehabilitation or construction and the basis for those estimates. The discussion must explain to what extent anticipated savings in utility costs have been included in the pro forma operating expenses.
- ✓ For real estate taxes, upload one of the following: 1. A legal opinion regarding the continuation of the PILOT following conversion or; 2. Evidence of real estate tax estimates if there is no PILOT.
- ✓ Upload insurance cost documentation, such as quotes from an insurance agent, based on actual recent premiums for similar projects.
- ✓ For PBRA only and only applicable if current funding is greater than 120% of the Fair Market Rent and the PHA believes the rent is below the market rent: Upload a Rent Comparability Study (RCS). The RCS must be prepared in accordance with Chapter 9 of HUD's **Section 8 Policy Renewal Guide**.

Item 12: Title Report

A title report is now required to be uploaded at the Financing Plan submission stage in order to better identify potential issues prior to beginning the closing process. PHAs should begin the title search process well in advance of the financing plan submission deadline. Title will be subject to further review by HUD counsel after issuance of the RAD Conversion Commitment; approval of the Financing Plan does not indicate HUD's acceptance or approval of the submitted Title Report.

What to Upload

- ✓ Submit a complete title report tracing title back to the vesting deed. Include information on whether the converting project is currently subject to a Declaration of Trust or Declaration of Restrictive Covenant and any other liens, encroachments, easements or other encumbrances on the property.
- ✓ The title report should be reviewed by in-house counsel to determine if there are any issues that could adversely impact closing; any potential issues should be summarized and uploaded.

Item 13: Approved Significant Amendment to PHA Plan & Site and Neighborhood Certification

Conversion is considered a significant amendment to the PHA's Five-Year Plan for qualified and non-qualified PHAs, a significant amendment to the Annual Plan for non-qualified PHAs, and an amendment to the MTW Plan for MTW Agencies. PIH Field Offices will receive and review all Plans and provide written approval, with the exception of MTW Plans which are reviewed in conjunction with the MTW Office in Headquarters. Note: If any substantial change to the conversion plan occurs after HUD approval is received (e.g., a change in the number of assisted units, eligibility, transfer of assistance), the PHA must go through the significant amendment process to incorporate the changes and obtain HUD approval of the revised plan.

For all transactions that are converting the assistance of an existing structure (whether on-site or through a transfer of assistance), the PHA must provide a certification that the site complies with the Site and Neighborhood Standards for existing or rehabilitated housing. This certification must be included within the Plan. The following sample certification can be used:

"The site complies with the Site selection requirements set for at [24 CFR § 983.57 (for PBV conversions) **OR** Appendix III of PIH Notice H-2019-09 PIH-2019-23 (HA) (for PBRA conversions)], the Fair Housing Act, Title VI of the Civil Rights Act of 1964, including implementing regulations at 24 CFR § 1.4(b)(3), Section 504 of the Rehabilitation Act of 1973 including implementing regulations at 24 CFR § 8.4(b)(5), and the Americans with Disabilities Act.

What to Upload

- ✓ A letter from HUD approving the Significant Amendment, Five-Year Plan, Annual Plan, or MTW Plan as appropriate.

Resource Desk Guidance

- Significant Amendment to the PHA Plan Frequently Asked Questions

Item 14: Approved Amendment to Attachment A of the MTW Agreement

MTW agencies with an "Alternative-Subsidy" Operating Fund formula are required to amend Attachment A of their MTW Agreement to the extent HUD determines is necessary to meet RAD's statutory requirements. For MTW agencies that have not completed this step as part of a previously completed RAD conversion, the PHA must provide an executed amendment to Attachment A of their MTW Agreement with language provided by the PHA's MTW coordinator and follow the instructions provided by the coordinator.

What to Upload

- ✓ The executed amendment to Attachment A of the MTW Agreement. Check “N/A” if your agency is not a MTW Agency or if this step was completed as part of a prior RAD conversion.

Item 15: Estimate of Public Housing Funds Available for HAP Subsidy

In RAD, Section 8 subsidy does not begin until the calendar year following the initial closing and thus HAP contract funding in the year in which closing occurs is provided from Public Housing funds. The PHA must provide an estimate of public housing subsidy that will be used to support HAP payments under the HAP contract from the date in which the HAP contract is effective (the first day of the first or second month following closing) until the end of the calendar year. To assist PHAs with this calculation, HUD has created an Initial Year Funding Tool that is prepopulated with certain funding information. A link to the tool can be found in the Financing Plan matrix and also in the RAD Resource Desk Document Library.

What to Upload

- ✓ A signed copy of the RAD Initial Year Funding Tool calculating the amount of revenue available to the property for the balance of the calendar year. The PHA should input an estimate for the HAP contract effective date; an updated version of this tool reflecting the actual HAP contract effective date will be collected as part of the closing process.

Resource Desk Guidance

- [Initial Year Funding Instructions](#)
- [RAD Initial Year Funding Tool](#)

Item 16: RAD Fair Housing Accessibility and Relocation Plan Checklist (Required to be uploaded to request a Concept Call)

All PHAs, regardless of whether or not the conversion involves relocation, must complete and submit the RAD Accessibility and Relocation Checklist. The template can be found in the Financing Plan matrix. The checklist includes a certification that the relocation plan complies with all applicable HUD requirements, including the Uniform Relocation Assistance and Real Property Acquisition Policies act of 1970 (URA) and its implementing regulations at 49 CFR Part 24, as well as Section 504 of the Rehabilitation Act of 1973 and its implementing regulations at 24 CFR 8.23.

What to Upload

- The completed and executed RAD Fair Housing Accessibility and Relocation checklist.

Resource Desk Guidance

- RAD Fair Housing Accessibility and Relocation Checklist
- Webinar: [RAD Relocation Notice](#)
- Webinar: [Relocation Training](#)
- Notice H 2016-17, [*Rental Assistance Demonstration \(RAD\) Notice Regarding Fair Housing and Civil Rights Requirements and Relocation Requirements Applicable to RAD First Component Public Housing Conversions*](#)

Item 17: Affirmative Fair Housing Marketing Plan (AFHMP; PBRA ONLY)

This is a HUD form (935.2A) that is required for PBRA conversions only. The form is typically completed by the management agent or entity responsible for marketing (if different) and must be submitted to the local HUD Multifamily office as part of the Financing Plan. If the owner plans to adopt any local or residency preferences, it must also submit a Tenant Selection Plan along with the AFHMP. The AFHMP must be approved by HUD prior to the marketing of any units. Consult the Contact list in the top righthand corner of the Financing Plan transaction page to view contact information for the Account Executive who has been assigned to your transaction. It is important to note that AFHMPs should NOT be submitted for review via www.radresource.net. The Financing Plan should only include evidence of approval or documentation (such as a copy of an email) that the plan has been submitted to the appropriate HUD office.

What to Upload

- ✓ If the AFHMP has been approved by the HUD Multifamily office with jurisdiction over the property, upload evidence of HUD's approval; **OR**
- ✓ If the AFHMP has been submitted to the HUD Multifamily office with jurisdiction but has not yet been approved, upload a copy of the transmittal email or letter to HUD requesting approval.

Resource Desk Guidance

- [Quick Reference Guide to Multifamily Housing Requirements \(PBRA\)](#)

Other Guidance (https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/)

- HUD Handbook 4350.3, *Occupancy Requirements of Subsidized Multifamily Housing Programs*

Item 18: Transfer of Assistance

For conversions that involve a transfer of assistance, the PHA has 90 days from CHAP issuance to identify the site to which assistance will be transferred and submit to HUD documentation demonstrating that the site meets the criteria for transfers of assistance set forth in the RAD Notice, see paragraph 1.4.A.12). HUD has developed a Transfer of Assistance worksheet template that PHAs may use for requesting site approval. A copy of the template can be found in the Financing Plan matrix and in the document library.

At the time of Financing Plan submission, the PHA should also indicate whether they are making one or both of the following requests:

- 1) When the assistance will be transferred at closing, HUD will only release the Declaration of Trust or Declaration of Restrictive Covenants if the PHA's plan meets the criteria described in the RAD Notice.
- 2) The PHA and owner can request that HUD delay the execution of the HAP contract in cases where the new site will not be ready for occupancy until rehabilitation or construction is completed and residents will remain in the public housing site during construction. These requests should be submitted with the Financing Plan.

What to Upload

- ✓ Transfer of Assistance worksheet (upload as an Excel file)
- ✓ If applicable, a request to release the DOT/DORC at closing.
- ✓ If applicable, a written request to delay execution of the HAP. The converting project will remain public housing during the construction period.
- ✓ If your conversion does not involve a transfer of assistance, check "N/A" on the grid at the top of the matrix.

Resource Desk Guidance

- Transfer of Assistance Approval Worksheet

Items 19-21: Pre-Financing Plan Approval of Specific Activities (Required to be approved to request a Concept Call)

Certain HUD approvals must be obtained prior to the submission of the Financing Plan. These include proposals with the following situations:

- The total number of units in the covered project is less than the original number of units in the converting project (including de minimis reductions).
- The covered project's unit configuration is different than the unit configuration of the converting project.
- The covered project serves a different population from the one served by the converting project (e.g., the current project serves a family population but the PHA would like to establish an elderly preference in the converted project).
- New construction, whether on a new site or the existing site.

HUD has developed templates to assist PHAs in making these submissions. Copies of the templates are available in the Financing Plan grid and in the RAD Resource Desk Document Library.

What to Upload

- ✓ FHEO Upfront Review Template – Unit Reduction or Configuration Change
- ✓ FHEO Upfront Review Template – Change in Occupancy
- ✓ FHEO Upfront Review Template – New Construction
- ✓ If the above scenarios do not apply to your conversion, ensure “N/A” is selected at the top of the Financing Plan Documents section.

FHEO Review	N/A
Site Selection & Neighborhood Standards	<input checked="" type="checkbox"/>
Change in Occupancy Type	<input checked="" type="checkbox"/>
Unit Reduction or Configuration Change	<input checked="" type="checkbox"/>
FHEO Accessibility & Relocation Checklist	
Transfer of Assistance	<input checked="" type="checkbox"/>

Resource Desk Guidance

- FHEO Upfront Review Template – Unit Reduction or Configuration Change
- FHEO Upfront Review Template – Change in Occupancy
- FHEO Upfront Review Template – New Construction
- [Notice H 2016-17, Rental Assistance Demonstration \(RAD\) Notice Regarding Fair Housing and Civil Rights Requirements and Relocation Requirements Applicable to RAD First Component Public Housing Conversions](#)

Item 22: Other Documents

This section allows you to upload documents that are not covered in other sections of the matrix but are relevant to your transaction. As previously noted in this Guide, you can add a description of the document when you upload it to the Resource Desk. Examples of documents you may want to add in this category include, but are not limited to:

- The PHA's certification of current utility allowances (if different than the utility allowances shown on the CHAP).
- Utility allowance projections performed by a professional engineer when energy and water usage improvements are anticipated in conversions with tenant-paid utilities.

Appendix A: Financing Plan Checklist

This optional checklist can be used as an aid to ensure your Financing Plan submission is complete. You are not required to upload this checklist as part of your submission. Items that require uploading (or approval) prior to Concept Call request are notated with an asterisk (*).

Item	Required Submission Materials or Actions	
1	Conversion Overview*	<input type="checkbox"/> Complete and upload the Conversion Overview template
2	Conversion Type	<input type="checkbox"/> If the current subsidy selection shown on the grid is not correct, indicate that you are switching subsidy types and upload all supporting documentation
3	Resident Comments	<input type="checkbox"/> Upload evidence of the resident meetings, comments received, and responses provided to the residents
4	CNA and Scope of Work*	<input type="checkbox"/> Upload completed Tool;
5	Environmental Review*	<input type="checkbox"/> Upload Phase 1 Report; AND <input type="checkbox"/> Upload evidence of HEROS submission OR approval from Responsible Entity (RE).
6	Development Budget*	<input type="checkbox"/> Update the Transaction Log on the RAD Resource Desk, including inputting all funding sources with key business terms via the Enter Sources button; AND <input type="checkbox"/> Upload draft EPC approval letter from the PIH Energy Center (if applicable); AND <input type="checkbox"/> Upload completed Subsidy Layering Review completed by another agency (if applicable)
7	Development Team	<input type="checkbox"/> Upload an org chart and narrative description for the development team, including general contractor (if applicable);
8	Proposed Financing	<input type="checkbox"/> Upload the engagement letter or commitments for each funding source; AND <input type="checkbox"/> Upload the first mortgage lender's consent to subordinate to the RAD Use Agreement; AND <input type="checkbox"/> Upload the first mortgage lender's approval of all subordinate (or secondary) financing (if applicable)
9	LIHTC Award/Allocation Letter	<input type="checkbox"/> The LIHTC award/allocation letter.
10	Subsidy Layering Review	<input type="checkbox"/> Upload the SLR completed by the State HFA or PJ; OR <input type="checkbox"/> A request for HUD to perform the SLR

Item	Required Submission Materials or Actions	
11	Operating Pro Forma	<input type="checkbox"/> Update the operating pro forma in the RAD Transaction Log; AND <input type="checkbox"/> Upload a complete pro forma that projects out for the term of the initial HAP contract and conforms with the RAD Notice underwriting benchmarks; AND <input type="checkbox"/> Upload all supporting documentation for expenses including insurance documentation, PILOT opinion, Rent Comparability Study and documentation for Other Revenue
12	Title Report	<input type="checkbox"/> Upload complete title report with confirmation if the project is subject to a Declaration of Trust or Restrictive Covenant; AND <input type="checkbox"/> Upload results of PHA's counsel's review of any issues that may impact title, if applicable
13	Approved Significant Amendment to PHA Plan & Site and Neighborhood Certification	<input type="checkbox"/> Upload HUD's letter approving the Significant Amendment
14	Approved Amendment to Attachment A of the MTW Agreement	<input type="checkbox"/> Upload HUD's letter approving Amendment to Attachment A of the MTW Agreement
15	Estimate of Public Housing Funds Available for Subsidy	<input type="checkbox"/> Upload the completed HUD tool
16	RAD Fair Housing Accessibility and Relocation Plan Checklist*	<input type="checkbox"/> Complete and upload the RAD Fair Housing Accessibility and Relocation Checklist
17	Affirmative Fair Housing Marketing Plan (PBRA or PBV/FHA only)	<input type="checkbox"/> Upload a copy of the approved AFHMP; OR <input type="checkbox"/> Upload evidence that the AFHMP was submitted to HUD for review. Consult the Contact list in the top righthand corner of the Financing Plan transaction page to view contact information for the Account Executive who has been assigned to your transaction ("OAMPO RAD Specialist").
18	Transfer of Assistance	<input type="checkbox"/> Check "N/A" at the top of the Financing Plan Documents section if appropriate; OR <input type="checkbox"/> Upload the completed Transfer of Assistance worksheet; AND <input type="checkbox"/> Upload a request and relevant plans if the PHA wants the DOT to be released from the existing public housing site at closing; OR <input type="checkbox"/> Upload a request for the project to remain as public housing during construction and for execution of the HAP to be delayed until the Covered Project is ready for occupancy
19-21	Pre-Financing Plan Approval of Specific Activities*	<input type="checkbox"/> Check "N/A" at the top of the Financing Plan Documents section if appropriate for each line item; OR

Item	Required Submission Materials or Actions	
		<input type="checkbox"/> Upload any required FHEO templates due to changes in unit configuration, occupancy, or for new construction projects
22	Other Documents	<input type="checkbox"/> Upload any documents not covered in the Items above.
N/A	Inputting & Verifying Project Ownership Data	<input type="checkbox"/> Ensure you have populated all applicable fields in the Ownership Data for the RCC section and have confirmed all legal entity names and signature blocks with your legal department.
N/A	Ensuring all fields on the Financing Plan page are populated	<input type="checkbox"/> PIC Removal Number (DDA#)* <input type="checkbox"/> Green Certification (if applicable)
N/A	CHAP Amendments*	<input type="checkbox"/> Ensure all requests to amend your RAD CHAP award are submitted and processed in advance of your Financing Plan submission.

Appendix B: RAD Underwriting Considerations for Existing Mixed Finance³ Projects

At the heart of RAD is the requirement that, prior to conversion, a project can reasonably demonstrate that it has the resources to meet the 20-year capital needs identified in the Capital Needs Assessment (CNA). Often, public housing mixed-finance projects were developed in conjunction with low-income housing tax credits and, therefore, involve outside investors, owners, and lenders. Unlike traditional public housing projects, existing public housing mixed-finance projects can find it impractical to refinance the property, or to re-size the annual deposit to replacement reserves, prior to the end of the tax credit compliance period. As such, the Office of Recapitalization has adopted the below alternative underwriting criteria for mixed-finance projects who are unable to meet the 20-year capital needs identified in the CNA at the time of conversion.

Reminders Regarding Existing Underwriting Criteria

- 1) If the Mixed Finance project was constructed or substantially rehabbed in the past five years, the project is exempt from CNA requirements except for completing the CNA E-tool in order to produce the 20 Year Reserve Schedule.
- 2) If the assisted units at the Mixed Finance project represent less than 20% of the total units at the project, the project is exempt from CNA requirements.
- 3) Any mixed-finance project that is not taking on new debt as part of the RAD conversion is considered a “non-leveraged” transaction and, as such, HUD applies the underwriting standard of no less than \$12 per unit per month in stabilized cash flow for purposes of the Feasibility Benchmarks under Attachment 1A, Section I.5.i in the RAD Notice.

Alternative Underwriting Criteria

- 1) The replacement reserve balance may show a negative balance after 10 years provided that the negative balance does not exceed 50% of the principal amortization.

This provision, which is the standard used in the MAP Guide for FHA-insured projects, only applies if (1) there is (or will be) a permanent loan and (2) the negative balance begins after 10 years of loan maturity (either the existing loan or the proposed loan). In other words, a project can carry a projected negative balance in its replacement reserve account only if it can be shown that the principal amortization is twice the negative balance. The assumption here is that, if the project meets this test, the project has sufficient resources to refinance, when necessary.

- 2) The project can demonstrate that it has the capacity to refinance (and meet all 20-year needs) once the initial 15-year LIHTC compliance period ends. In demonstrating the capacity to refinance, the Office of Recapitalization will use the following minimum underwriting assumptions:
 - The proposed loan must be able to pay off all existing hard debt, all associated financing and third-party costs, and all identified capital needs, including any (then) immediate repairs, any Initial Deposit Reserve for Replacements, or annual reserve deposits. Note: Given the uncertainty of receiving a future allocation of either 4% or 9% LIHTCs in many states, as well as the uncertainty related to possible tax reform legislation, a future refinancing cannot assume LIHTCs as a source of funds.
 - Loan term: not more than 40 years.
 - Interest rate of not less than 5.5% (the Department reserves the right to modify this rate as markets change).
 - A debt coverage ratio (DCR) of not less than 1.11.
 - Operating Expenses: Audited financial statements for the past three years must be examined to determine if Year 1 expenses are appropriate. Any variances greater than 15% need to be explained and justified.

³ A “mixed-finance” public housing project is one that was developed pursuant to 24 CFR 906.604

- Vacancy and Bad Debt: An assumption of 3% vacancy and 2% bad debt should be used. Any deviation from this must be approved by HUD.
- Origination/financing fees must be included in the development budget that are consistent with the loan program being proposed
- Typical lender legal fees, borrower legal fees, and lender third-party costs must be included in the development budget.
- New loan must be sufficient to pay off all debt that comes due within the term of the loan being proposed.
- No balloon payments prior to year 18 without HUD approval.

Submission Requirements for Future Refinance Scenarios

For any future refinance scenario (where the refinancing will not be part of the initial RAD closing), the PHA must submit a request on the Post-Closing Processing page of the RAD Resource Desk, uploading the following documents:

- 1) Cover letter summarizing the request and the reasons the property cannot refinance at this time, including the date of the end of the 15-year LIHTC compliance;
- 2) Development budget depicting the future refinance;
- 3) 20-year Operating Pro-forma depicting the future refinance;
- 4) Information on all existing debt (source, original loan amount, rate/terms, outstanding balance, etc.);
- 5) Letter from the PHA confirming its willingness to re-structure any PHA debt to accommodate the new loan financing; and
- 6) Three years of the most recent annual financial statements for the project.