

FACT SHEET



Attention:

Owners of **Moderate Rehabilitation (Mod Rehab) and Mod Rehab Single Room Occupancy (Mod Rehab SRO)** properties (and PHAs that administer Mod Rehab contracts) regarding the U.S. Department of Housing and Urban Development's (HUD's) Rental Assistance Demonstration (RAD) Program

U.S. Department of Housing and Urban Development
Office of Recapitalization



Are you an Owner looking to **modernize** your Section 8 Mod Rehab or Mod Rehab (SRO) property **and improve** its **financial stability**? Or a public housing authority (PHA) looking to **facilitate** the **preservation and long-term affordability** of Mod Rehab and Mod Rehab SRO units in your portfolio? Learn how RAD can help!

This fact sheet is part of a HUD outreach initiative intended to encourage participation in RAD, and further understanding of the RAD conversion process.

What is RAD?

RAD is a HUD program that allows Owners of Mod Rehab properties, including SRO dwellings, to convert their Section 8 Mod Rehab assistance contract to a long-term Section 8 Housing Assistance Payment(s) (HAP) contract.

RAD Conversion:

- Facilitates preservation of Mod Rehab properties and Mod Rehab SRO units.
- Places projects on better financial footing.
- Safeguards the availability of rental assistance for the long-term.

A full and complete explanation of these requirements can be found in Section II of the RAD Notice REV-4, H-2019-09 PIH-2019-23 (HA), as amended by Supplemental Notices, which can be found here: **[Statutes, Notices, Regulations & Tools | HUD.gov](#)**.

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How does RAD benefit Owners?

Owners get to choose the type of Section 8 HAP contract they prefer, a Project-Based Vouchers (PBV) contract administered by a PHA or a Project-Based Rental Assistance (PBRA) contract administered by HUD.

The new contract has a term of up to 20 years and is renewable.

Conversion provides Owners with an opportunity to:

- Increase contract rents.
- Improve and modernize through repairs, rehabilitation, or new construction.
- Access loans and tax credits.
- Provide for future replacement needs.

What role do PHAs have?

Owners converting to a PBV contract must identify a PHA willing to administer the contract. The new vouchers are added to the PHA's Annual Contributions Contract (ACC) and the PHA receives a fee for administering the contract. The PHA's responsibilities include:

- Administering the new PBV contract.
- Determining contract rents.
- Performing tenant certifications.
- Ensuring that units meet Housing Quality Standards (HQS).

Owners converting to PBRA have a HAP contract administered by HUD.

Are all Mod Rehab/Mod Rehab SRO properties eligible to participate in RAD?

If the property has an **active** Mod Rehab contract:

- All units on the original Mod Rehab contract are eligible to convert to PBRA.
- All units on the Mod Rehab contract that are eligible for Tenant Protection Vouchers (TPVs) at expiration or termination of the Mod Rehab contract are eligible to convert to PBV.

If the property had a Mod Rehab contract that expired or terminated **on or after October 1, 2006**:

- Units occupied at RAD conversion by households who received TPV assistance due to expiration or termination of the contract are eligible to convert to PBV.

The Owner must be in good standing with HUD and the PHA, and the converting units must meet HUD physical inspection standards.

How can PHAs help?

PHAs that administer Mod Rehab contracts should provide Mod Rehab and Mod Rehab SRO Owners a copy of this fact sheet to ensure that Owners are aware of the RAD program and the potential benefits of RAD conversion.

Benefits of RAD Conversion and the Role of PHAs After Conversion

How are contract rents established?

Rules for determining contract rents vary depending on whether a property converts to PBV or PBRA, and are summarized in the table below.

	PBRA	PBV
Initial Contract Rents	<p>Are established in accordance with the requirements of Section 8(c)(1) of the U.S. Housing Act of 1937, at the lessor of:</p> <ul style="list-style-type: none"> • The comparable market rent¹, as determined by a Rent Comparability Study (RCS); • 110% of the applicable Fair Market Rent (FMR)^{2,3}, less any utility allowance; or • 120% of the applicable FMR^{2,3}, less any utility allowance, if the project (i) preserves project-based rental assistance in a community with a high percentage of rent-burdened households where it is particularly difficult to utilize tenant-based assistance, (ii) serves to expand housing opportunities in a community with poverty rates less than 30%, and/or (iii) supports revitalization activities that are resulting in material private investment in the surrounding neighborhoods. 	<p>Are established in accordance with 24 CFR Part 983 Subpart G, at the lesser of:</p> <ul style="list-style-type: none"> • An amount determined by the PHA³, not to exceed 110% of FMR (or any exception rent payment standard approved by the Secretary); • The reasonable rent; or • The rent request by the Owner.
Adjustments	<p>Contract rents are adjusted by an Operating Cost Adjustment Factor (OCAF) at each anniversary of the HAP Contract, subject to (a) availability of appropriations, and (b) Maximum Rent.</p> <p>Maximum Rent is the higher of 120% of FMR (less any utility allowances) or market rents, as demonstrated by an RCS. Where the Owner uses an RCS to justify an OCAF adjusted rent above 120% of FMR, the RCS is valid for 5 years, the Max Rent limitation does not apply, and rents are adjusted by OCAF for the next four rent adjustments.</p>	<p>Contract Rents are re-determined in accordance with 24 CFR 983.302 and are required if FMRs decrease, if requested by the Owner, or may be automatically adjusted by an annual operating cost adjustment factor if agreed to by the Owner and PHA in the HAP Contract.</p> <p>Re-determinations are subject to reasonable rent limits.</p>

¹For projects with units that will be undergoing rehab as part of the conversion, the RCS may include both the “as-is” rents and the “post-rehabilitation” rents.

²Project Owners may use the applicable Small Area FMR in place of the FMR in the computation of rents.

³The applicable FMR for SRO units is the zero-bedroom (efficiency) FMR.

How long does conversion take?

The time required to complete a RAD Conversion varies from project-to-project. Major steps in the conversion process and the estimated time needed to complete these steps are shown below.



Major Steps in the Conversion Process

- **Submission of Interest to RAD Resource Desk**
(1 day)
- **Meetings and Consultations**
 - Notify residents and conduct meetings.
 - Identify PHA willing to administer contract, (if PBV).
 - Consult with local CoC (if SRO).
- **Develop Conversion Plan**
(6 - 12 months)
- **HUD Review and Approval**
(1 - 3 months)
- **Close Conversion**
(1 - 3 months)

What is a Streamlined Conversion?

Mod Rehab/Mod Rehab SRO properties with 20 units or fewer and an active Mod Rehab contract may be eligible for streamlined processing, if all of the following are true:

- The project is in good standing.
- The property is in good condition.
- The Owner is not currently considering redevelopment or recapitalization.

Advantages of streamlined conversion:

- No CNA required.
- Limited Environmental Review.
- No outside financing.

What is a Conversion Plan?

To successfully complete a RAD conversion, an Owner must explain how the project will address short-term repair and long-term capital replacement needs, as identified in a Capital Needs Assessment (CNA), unless the project qualifies for streamlined conversion.

May a PHA or an affiliate acquire the property?

Yes.

Is new financing and/or a sale of the property required to qualify for conversion?

New financing is common, but is required only when a project is unable to fund its current or projected future capital replacement needs.

A transfer of ownership normally is required if the new financing includes low-income housing tax credits.



What rights and protections does RAD provide existing residents?

Residents enjoy the following rights and protections under RAD:

- Residents must be notified of the Owner's intent to participate in RAD.
- Owners must conduct at least two resident meetings and provide residents with an opportunity to comment on the Owner's proposed conversion plan.
- At conversion, Owners may not exclude current households from occupancy based on any rescreening, income eligibility, or income targeting.
- Any person who is legally on the lease or otherwise in lawful occupancy of an assisted unit at the property at or after submission of the Conversion Plan has a right to remain in or return to an assisted unit at the converted property. Permanent involuntary displacement may not occur because of RAD conversion.
- Any relocation directly resulting from acquisition, demolition, or rehabilitation is subject to the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA).
- HUD requires Owners of properties converting to PBRA to provide a Choice-Mobility option to residents in accordance with RAD requirements.

Are Mod Rehab SRO properties required to serve homeless individuals after RAD conversion?

Yes, the goal of RAD conversion is to place the SRO property on a more sustainable footing while retaining and preserving the SRO property's original purpose of serving homeless individuals.

All converted properties must establish an admission preference for homeless individuals or families that falls within the definition of homelessness established by the McKinney-Vento Homeless Assistance Act and contained in the Continuum of Care Interim Rule at 24 CFR §578.3.

For PBV conversions, the PHA establishes the preference, in accordance with their Administrative Plan.

For PBRA conversions, the Owner establishes the preference consistent with 24 CFR §5.655(c)(5), Housing Handbook 4350.3, and Notice H 2013-21.

The preference shall not apply to current residents but will otherwise be an absolute preference with higher priority than any other preference adopted by the Owner or established by the PHA.



Is RAD technical assistance available for Mod Rehab Owners?

Yes. HUD has made available a limited amount of funding for RAD technical assistance.

Email HUD at RAD2@hud.gov for more information.



For more information about RAD:

- RAD Notice, Rev-4, H-2019-09 PIH 2019-23 (HA) at: www.hud.gov/hud-partners/rad-notice
- The RAD Resource Desk at: www.radresource.net

HUD's Office of Recapitalization (Recap) administers the RAD program

You can email Recap at: Rad2@hud.gov



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