



U.S. Department of Housing and Urban Development

Offices of Multifamily & Public and Indian Housing



# Rental Assistance Demonstration

Guide to the RAD Physical Condition  
Assessment (RPCA)

March 30, 2015

## Introduction

The RAD Physical Condition Assessment (RPCA<sup>1</sup>) is one of the most critical elements in a successful RAD conversion. This Guide is intended for RAD applicants, primarily public housing agencies (PHAs), so that they will have a greater understanding of the importance of this resource. Many PHAs who participated in the early RAD conversions told HUD that they wished they had fully understood and appreciated the importance of the RPCA from the outset of the RAD processing. This Guide offers suggestions on how to procure and prepare for the RPCA and, critically, gives guidance on what to do once the draft RPCA is submitted by the provider.

## Why does HUD have an RPCA requirement?

Before a project converts to project-based assistance, HUD wants to be sure that the project can address all physical needs now and for the 20 years after conversion from public housing to project-based Section 8. The RPCA therefore drives the project scope of work, the development budget, and the initial and annual deposits to replacement reserves.

## What does an RPCA Include?

There are two major components of the RPCA: the Narrative Report and the RPCA Tool:

- The Narrative Report has three parts:
  - Part 1—Physical Conditions Assessment Identifying Needs and Comparing Traditional and Green<sup>2</sup> Requirements
  - Part 2—Energy Audit
  - Part 3—Utility Consumption Baseline
- The RPCA Tool is an Excel spreadsheet with various tabs to collect and analyze data on your property. The information entered by the RPCA Contractor into the RPCA Tool determines:
  - The amount of initial repairs,
  - The Initial Deposit to Replacement Reserve (IDRR), as needed, and
  - The Annual Deposit to Replacement Reserve (ADRR).

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<sup>1</sup> The RPCA tool is compliant with current FHA Multifamily Accelerated Processing (MAP) lender guidance. In the near future, FHA will provide updated guidance for property inspections and a Capital Needs Assessment electronic tool (CNA e-Tool). At that time RAD will adopt the new MAP standard for all transactions, with a reasonable grandfathering provision for any PHAs that have already procured an RPCA. The information here will continue to be helpful in thinking about how these types of assessments fit into the contemplated RAD transactions. Once the FHA CNA e-Tool is published, the RAD Program will replace the term PCA with CNA.

<sup>2</sup> “Green” means energy and water efficient components, and other components that are less harmful to the environment.

## The Interaction between Initial Repairs, the IDRR, and the ADRR

The need for an IDRR is created when the cost of needed replacements in a given year exceeds cumulated net funds deposited via the ADRR. This often happens if there are significant replacements in early years but may also happen if a significant replacement in later years causes the Reserve balance to drop below the reserve floor.<sup>3</sup> Some owners prefer a larger IDRR to a larger ADRR because a large ADRR can create a large ending balance at year 20 (where the ADRR accumulates more than needed in later years) and the smaller ADRR means more cash flow for debt service coverage. Generally speaking, a higher ADRR means a lower IDRR because more Reserves are accrued to timely fund replacements and avoid falling below the “floor.” Attachment A provides an example of the kinds of interactions between the initial repairs the IDRR, and the ADRR.

## When is an RPCA Required?

The full RPCA, i.e., both the Narrative Report and the RPCA Tool, is currently required in all transactions, except the following:

- New construction, both FHA 221(d)4 loans and conventionally (non-FHA) financed loans
- Public housing built within the last five years without FHA financing

Only the RPCA Tool is required in the following subset of transactions:

- Substantial rehabilitation that retains structural frame only, also known as “gut rehab”
- Non-FHA Low Income Housing Tax Credit (LIHTC) properties

In the case of substantial rehab, if the rehab is not considered “gut rehab”, the full RPCA will still be required. For FHA loans, refer to the Multifamily Accelerated Processing (MAP) Guide for the definition of “gut rehab”.

## When Should the RPCA be Procured?

HUD recommends that PHAs plan to contract<sup>4</sup> with the selected RPCA Contractor as soon as possible in order to have the RPCA in hand within 90 days after award. This timeframe will allow sufficient time to review the results and then make any changes either in the RPCA or the financing plan (for example, if physical needs come back greater than expected). The PHA will

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<sup>3</sup> HUD guidance establishes a floor for the Reserve for Replacement Account as 5% of the un-inflated total of the 20 year needs times the inflation factor. Example: With un-inflated 20 year total needs of \$5,000,000 and an annual inflation factor of 3%, the minimum balance in the Reserve for Replacement Account would be: \$250,000 in year 1 (\$5,000,000 times 5%); \$257,500 in year 2 (\$250,000 times 3%); \$265,225 in year 3 (\$257,500 times 3%); and so on.

<sup>4</sup> The FHA lender may contract for the RPCA.

not be able to obtain financing or prepare the Financing Plan until the RPCA is finalized. We suggest that the PHA anticipate:

- 30 days for the RPCA contractor selection process
- 45 days for the field work and draft report, and
- 15 days to revise the draft with input from PHA, Lender, investor, Construction Contractor, etc.

## **How Should a PHA Prepare for an RPCA?**

**Prior to the site visit**, the PHA will want to provide the RPCA contractor with key background information on the project. HUD recommends that the PHA, with staff who best know the property, conference with the selected RPCA Contractor immediately after selection, to discuss the information needs of the contractor. It will be extremely helpful if the PHA pulls together the project information listed below. Failing to provide this information up front often results in repeated adjustments to the scope of work, which costs the PHA time and money, and is a source of frustration long term.

- Capital improvements
  - Recent (within the last 5 years) major maintenance and capital improvements and any plans for immediate replacements;
  - Details of recurring problems including recurring tenant complaints<sup>5</sup>;
  - Details of any planned rehabilitation;
  - Choice of “Green Building Standard”, as applicable;
  - Results of REAC inspections completed in last two years;
  - Environmental remediation in past 10 years
- Utility information
  - Gather PHA-paid utility information;
  - If tenant-paid, get releases from tenants for their utility bills for 12 months of usage (ideally from all but at least 25% of units )

**During the site visit**, the PHA will want to:

- Make sure that the RPCA Contractor has copies of the information on repairs, environmental reviews, etc., that was provided before the visit.
- Make sure all areas of property are accessible to RPCA Contractor and have maintenance staff available for consultation.
- Provide sufficient notice to tenants of upcoming unit inspections by the RPCA Contractor.

## **Special Requirements that Might be Imposed by Lenders or Investors**

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<sup>5</sup> Tenant complaints help identify poorly performing or poorly designed systems.

If the PHA has secured outside funding for the conversion, those funding sources might have special requirements related to the RPCA. For example:

- In tax credit (“LIHTC”) projects, the investors often want to maximize the up-front rehab budget (to maximize tax-credit basis) and minimize replacement reserve requirements (to enhance loan leveraging).
- In debt-only transactions, the lenders may have requirements for what systems must be replaced up-front and which can be funded with on-going replacement reserve draws.

Consequently, in some debt or tax credit transactions, the lenders/investors might prefer to see more work done up-front as opposed to funded through the ADRR.

## **Who Selects the RPCA Contractor?**

While there is no RAD requirement in terms of who selects the RPCA Contractor, in leveraged transactions (with a Lender and/or Investor), the selection of the RPCA Contractor should be a collaborative process between the Lender, Investor and the PHA. The Lender (especially in an FHA-financed transaction) or Investor may have preferred providers or may want to be involved in the selection process. However, the work product produced by the contractor is critically important to the PHA, and consequently, the PHA should always be involved in this process. In PHA self-financed transactions, the PHA generally selects the RPCA Contractor. The PHA always has a primary interest in making sure that the RPCA Contractor is qualified, experienced, and considers the PHA's needs and timing of capital. The Contractor will need to communicate well with the PHA regarding the planned rehab budget and the 20 year needs.

An inexperienced RPCA Contractor costs everyone time, frustration, and money, and may jeopardize HUD milestone compliance or even project feasibility.

## **The RFP for an RPCA Contractor**

Check [www.radresource.net](http://www.radresource.net) for a sample Request for Proposal (RFP) for selection of an RPCA Contractor, which includes suggested required qualifications.

Note that if the RAD conversion is a scattered site project, the RFP will need to outline the required “sampling” of the buildings at each site and a method should be agreed upon for how each subset is grouped together. Coming to an agreement on this sampling before the field work is started saves time and money. For example, scattered sites that were built at different times might be grouped by construction year, or all garden style apartments might be grouped together while single family units might be separately grouped. While the RPCA is in the draft stage, contractors may want to do an informal roll-up chart of the groupings to get a sense of the overall IDRR vs ADRR balance.

Regardless of the groupings and numbers of RPCA Excel Tools that are required for the scattered site, once those tools have been finalized, the PHA should submit each tool to the RAD Resource Desk so that they can be consolidated into a single tool for the entire conversion. While some RPCA Contractors have the capability to produce this roll up, most do not, and it is not a requirement for them to do so. However, only finalized tools should be sent to the RAD Resource Desk for roll up, as modifications after the roll up has been completed should be minimal.

## **PHA Role in Reviewing the Draft RPCA**

It is important to keep in mind that what the RPCA Contractor submits is a “draft.” It is essential for the PHA and, where applicable, the Lender and LIHTC investor to review the draft. (If the Construction Contractor is selected by this time, this Contractor should also be involved in review. If the work is anticipated to be minor and will be performed by PHA staff, involve PHA staff in the review). If FHA financing is involved, HUD will also have input into the final scope of work.

The final rehab scope of work is therefore an “iterative” document. Information that affects timing and scope is expected to be exchanged between the PHA and the RPCA Contractor. The experience in the early RAD transactions was that an RPCA draft went back and forth between RPCA Contractor and client, with the Excel Tool being re-run several times. More qualified and experienced RPCA Contractors, combined with better preparation and comprehension of the process by PHAs, should cut that number, which would be a significant savings in time and cost.

The RPCA drives the scope of rehab work, the development budget, and the initial and annual deposits to replacement reserves. Therefore, the narrative portion must properly reflect the site, the site improvements and their condition, recommendations for improving condition, including energy and water saving improvements, critical needs, non-critical needs, and longer term rehab needs. The narrative should be telling a story familiar to the PHA. The RPCA Contractor populates the RPCA Excel tool with options for repair and replacement. The PHA will populate the tool with information on the property, financing and repair and rehabilitation choices. After the PHA completes its input to the tool, has discussions with the development team, and examines resources, initial budget and ongoing budgets, further iterations of the RPCA Excel tool may be necessary to reflect the finalized plan. The following tasks have been shown to be critical in RAD transactions:

### **Task 1. Review the Statement of Work (SOW), then the Narrative portion for accuracy and compliance with the SOW**

Note: The PHA and/or Lender must discuss any apparent material errors or omissions with the RPCA Contractor.

### **Task 2. Review and complete, as needed, all RPCA Excel Tool worksheets**

Note: The Excel tool has several worksheets and the PHA will become familiar with navigating among them. Many of the sheets interact with each other. For example, a decision to add an item to up-front rehab, such as a roof, deletes a near term replacement in the 20 year schedule and sets up a new end of useful life replacement later. It also increases the needs for a rehab funding source while decreasing near term reserve needs. As a result of the linkages each worksheet needs attention. Before making any alterations or additions you should save the file under a new name. Make any modifications to the new file and keep the original as a back-up and record.

#### **Task 2a. Check Flag Summary worksheet**

Note: This is the last tab to the far right and will flag any internal inconsistencies in the draft tool—which the RPCA Contractor should correct.

#### **Task 2b. Complete Global Input worksheet (including identifying sources and amounts of financing)**

#### **Task 2c. Complete Primary Input worksheet (basically a project summary)**

**Task 2d. Make selections on the Cap Needs Input worksheet.** Go through each component and choose:

- Select “Green” or “Traditional.”
- Replace now or at end of estimated useful life (EUL) cycle.
- Check whether provider has spread work items reasonably. For example, property owners seldom replace all refrigerators at a fixed point in time through the Reserves for Replacement account. More likely, they undertake replacement over a few years. It is possible to “smooth” reserve needs by spreading larger cost replacements (floors, etc.) over 2-3 years.
- Choose funding source.

#### **Task 2e. Review Critical Needs worksheet**

#### **Task 2f. Accept and/or modify 20 Year Detail and 20 Year Schedule worksheets**

Note: This is where the PHA can have input into spreading larger repair and/or replacement items over several years, which can have a major impact on the size of Replacement Reserves.

- It is preferable to have the RPCA Contractor make any adjustments in timing of replacements.
- If necessary, PHA can override the Contractor’s timing recommendations. These overrides will show in aqua and PHA must provide a justification for the change in the comment line.

- Spreading should be reasonable and will be carefully reviewed by HUD.

**Task 2g. Complete the Rehab Specifications worksheet.**

Note: Do this when final decisions on an item have been made. The description should be sufficiently detailed to obtain bids from vendors and include all work. Basically, the PHA will enter a description of each rehab item with a dollar amount in the scope of work requirement for the Financing Plan. The RPCA scope of work is the project scope of work.

*Tip: An Environmental Review is also required as part of RAD. Be sure that any remedial work that is identified as necessary is incorporated into the RPCA.*

**Task 2h. Review Rehab Escrow needs worksheet:**

- Confirm completeness.
- Modify through Cap Needs Input worksheet (if necessary).
- Ensure owner-initiated repairs are included.

**Task 2i. Finalize Reserves 20 Year Schedule worksheet:**

- Complete IDRR; any first year reserve deposit, and confirm ADRR.
- Default reserve needs, year-by-year are created by the RPCA Excel Tool, but may be adjusted in the 20 year detail worksheet, (e.g., spreading replacements over multiple years, etc.).

Note: This is the most iterative section of the RPCA and understanding the interaction between the rehab budget, IDRR and ADRR can be essential to project feasibility. The key is for the PHA to know with confidence:

- How much funding does the PHA have to put in the project up-front? This funding must cover initial repairs, the rehab budget (plus a 10% contingency), the IDRR, and in some cases, the first year deposit to the Reserve for Replacement account.
- How much cash flow will the project generate after covering operating expenses? Can the PHA operate more efficiently, so that there is sufficient cash flow to cover a large ADRR every year? A larger ADRR reduces the need for a large IDRR and thus reduces the up-front funding requirement for the PHA.

An example of how this interplay works is provided at Attachment A. Note that in a more highly leveraged transaction, all the financial participants (Lender, Investor, etc.) will have input into this decision on the up front rehab as well as the size and timing of the IDRR and ADRR.

## **RPCA's On-going Relevance**

The scope of work developed in the Final RPCA, after review and acceptance by HUD, becomes the scope of work for the transaction and must be used for contractor bidding. If the PHA desires to include additional work, beyond that required by the RPCA, it must be added to the RPCA scope of work (and subsequently added to the RPCA Excel Tool).

If the PHA and Development Team (if any) have not raised sufficient capital resources to cover the work described in the RPCA, the PHA can request additional time to pursue other financing (gap financing, LIHTC, etc.) or the PHA will be required to return its award because the project does not work i.e., the project is not financially viable.

## **RPCA Lessons Learned**

Some of the key lessons learned from earlier RAD transactions are:

- The RPCA is not just a formality and/or more paperwork. It is of central importance. It determines the financial viability of the RAD conversion. In short, the RPCA determines whether the project is feasible.
- The RPCA is substantially different from the physical needs tools currently used in the public housing program, particularly in the fact that the RPCA is designed to generate an IDRR and ADRR.
- **There is no substitute for an experienced, qualified RPCA Contractor.**
- Good PHA preparation for the site visit saves time, money, and frustration.
- The PHA should take an active role in understanding the RPCA draft and identifying potential corrections.
- The RPCA scope of work should be identical to the contractor-bid scopes of work.

## ATTACHMENT A

### **Finalizing the 20-Year Schedule of Reserves for Replacement when Uses Exceed Sources**

#### **Background:**

The Draft RPCA will estimate needs for the property. It will report critical repairs, immediate repair and rehab items (generally, any item that has exceeded its useful life), and market comparable and/or owner-initiated upgrades. Each of these categories will create a need for rehab funding at closing – or what we often refer to as “initial repairs.”

In addition to these initial repairs, in order to provide for future replacement of components, the RPCA assesses the remaining useful life of existing components and the Excel Tool sets replacement at the end of the useful life. The 20-year Detail page shows each component replacement choice with replacement scheduled based on useful life. The 20-year Summary page rolls this up by category over the 20 years and allows adjustments as to timing.

The Reserves 20-year Schedule page assesses and establishes resources to fund replacing components as set forth in the 20-year Summary page. Funding consists of two major sources, an Initial Deposit to the Reserve for Replacement (IDRR) and an Annual Deposit to the Reserve for Replacement (ADRR).<sup>6</sup> The need for an IDRR is created when the cost of needed replacements in a given year exceeds cumulated net funds deposited via the ADRR. This often happens if there are significant replacements in early years but may also happen if a significant replacement in later years causes the Reserve balance to drop below the reserve floor.<sup>7</sup> Some owners prefer a larger IDRR to a larger ADRR because a large ADRR can create a large ending balance at year 20 (where the ADRR accumulates more than needed in later years) and the smaller ADRR means more cash flow for debt service coverage. The IDRR is a closing need that must be identified as a use of funds in the Sources & Uses of Funds. The ADRR comes from project cash flow and is identified as an expense in the Pro forma. IDRR affects ability to close and ADRR affects ongoing feasibility. Generally speaking, a higher ADRR means a lower IDRR because more Reserves are accrued to timely fund replacements and avoid falling below the “floor.”

If the PHA has identified adequate resources to meet the draft RPCA results (i.e., adequate funds to meet initial repairs and any IDRR), then these results may simply be accepted. Frequently, though, the results from the draft RPCA will identify immediate or long-term capital

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<sup>6</sup> Calculated needs are also affected by interest earned on the Reserve account and anticipated inflation in costs.

<sup>7</sup> HUD guidance establishes a floor for the Reserve for Replacement Account as 5% of the un-inflated total of the 20 year needs times the inflation factor. Example: With un-inflated 20 year total needs of \$5,000,000 and an annual inflation factor of 3%, the minimum balance in the Reserve for Replacement Account would be: \$250,000 in year 1 (\$5,000,000 times 5%); \$257,500 in year 2 (\$250,000 times 3%); \$265,225 in year 3 (\$257,500 times 3%); and so on.

needs that are greater than the PHA anticipated – and greater than the resources the PHA had identified to support the transaction. Obviously, one way to fill a “development budget gap” is by increasing the source of funds available to a project – say, with additional Capital Funds or Operating Reserves. Or, a PHA can take another look at operating expenses (to increase Net Operating Income and, therefore, the amount available to support debt service or ADRR). But sometimes a PHA can fill the development gap, and meet all capital needs, by adjusting the amount of initial repairs, the IDRR, or the ADRR. The following provides an example of the kinds of interactions between these three items.

**Example:**

**Project Description:** The PHA received a CHAP to convert a 100-unit high-rise to RAD. Prior to procuring the RPCA, the PHA had anticipated a rehab budget, including all associated soft costs, of \$850,000, which it was going to pay for with available Capital Funds (no outside financing). The PHA had also estimated an ADRR of about \$500/unit and cash flow of \$50,400 per year. It did not anticipate that it would need any IDRR, i.e., the ADRR would be sufficient to meet needs as they occurred and, therefore, there was no need to start the reserve account with any initial deposit.

**RPCA Results:** When the PHA receives the draft RPCA, long-term capital needs are somewhat greater than had been anticipated. More importantly, the timing of those repairs is such that the PHA needs to make an IDRR of \$500,000, without which the project will fall below the permitted “floor” or have negative replacement reserve balances in out-years. While the Operating Pro Forma remains balanced, the Development Budget now has a gap of \$360,000, as shown on the following pages:

UNITS	100	AMOUNT
<b>SOURCES</b>		
New First Mortgage Loan		\$ -
PH Operating Reserves		\$ 850,000
PH Capital Funds (Prior Years)		\$ -
Repl'ment Hsing Factor Funds		\$ -
Other		-
	<b>Total Sources</b>	<b>\$ 850,000</b>
<b>USES</b>		
<b>Payoff Existing Loans (CFFP, EPC, other)</b>		0
<b>Construction costs (from RPCA)</b>		
Critical	\$ 30,000	
Rehabilitation +10% conting.	\$ 550,000	
	<b>Total construction costs</b>	<b>\$ 580,000</b>
<b>Relocation costs</b>		\$ -
<b>Professional Fees</b>		\$ -
Architecture +engineering		\$ -
RPCA		\$ 15,000
Legal		\$ 10,000
Environmental Reports		\$ -
Appraisal/Market Study		\$ -
Survey		\$ -
Other		\$ -
<b>Fees and Costs</b>		\$ -
Title work and recordation		\$ -
<b>Reserves (from RPCA)</b>		
Initial Deposit to RR (IDRR)		\$ 500,000
First Year Deposit to Annual RR (if req'd)		\$ 50,000
Other		\$ -
<b>Developer Fees</b>		\$ 55,000
	<b>Total Uses</b>	<b>\$ 1,210,000</b>
	<b>GAP</b>	<b>\$ (360,000)</b>

	AMOUNT	
<b>REVENUE</b>		
Gross Potential Rent (GPR) RAD	\$	780,000
Vacancy and Bad Debt Loss	\$	(54,600)
Other Income	\$	15,000
<b>Total Revenue</b>	<b>\$</b>	<b>740,400</b>
<b>EXPENSES</b>		
Administrative	\$	126,000
Property Management Fee	\$	125,000
Tenant Services	\$	12,000
Utility Expense (not pd by residents)	\$	30,000
Maintenance Expenses	\$	245,000
Protective Services	\$	10,000
Real Estate Tax and/or PILOT	\$	25,000
Property Insurance (from quote)	\$	21,600
Liability Insurance (from quote)	\$	20,000
Other General Expenses	\$	25,400
<b>Total Operating Expenses</b>	<b>\$</b>	<b>640,000</b>
Replacement Reserve Deposit (ADRR)	\$	50,000
<b>Net Operating Income (NOI)</b>	<b>\$</b>	<b>50,400</b>

**Strategies:** When a PHA’s RPCA comes back with capital needs that are greater than anticipated funding, even if a PHA could potentially find additional capital sources, the PHA should first examine the following strategies before it looks to other ways to increase sources or reduce uses:

- ◆ **First, see if the project can support a higher ADRR through operating cash flow, thereby reducing the IDRR.** In this particular case, the project shows \$50,400 (\$42 per unit monthly, or pum) in annual operating cash flow and, because there is no debt service, there is no lender coverage requirement; consequently, this option is worth exploring. Once the PHA determines how much additional ADRR it is willing to support (by way of reduced cash flow), it can plug this higher ADRR into the Excel Tool to determine what effect it has on reducing the IDRR. The need for IDRR has a lot to do with timing of scheduled replacements. Consequently, simply increasing the ADRR by \$18,000/year, which would raise \$360,000 over the 20-year period, might not necessarily result in a corresponding decrease in the IDRR, but it will certainly help contribute to closing the development gap.

- ◆ **Second, see if there are certain large-ticket components scheduled to be replaced in a single year but that could be spread out over several years.** As discussed above, replacement timing is calculated based on estimated useful life of each component. As a result, if all water heaters are replaced in rehab, the Excel Tool will automatically schedule them all for replacement in year 11. But in practice some may be replaced earlier due to premature failure and some will be replaced later because they continue to work. In the Excel Tool, the IDRR and/or the ADRR can be greatly affected by large-ticket items. Remember, the Excel Tool establishes a floor for the amount that must be maintained in any year in the replacement reserve account as described above. Therefore, if there is a large-ticket replacement item or a cluster of items in, say, year 11, the Tool might be calculating a larger IDRR or ADRR to cover those one-time expenses. Sometimes, spreading the replacement of large-ticket items can reduce the formula-driven IDRR or ADRR. For example, spreading the water heater replacement into years 10, 11, and 12 would lessen a spike in needs and lessen a need for such a large IDRR or even ADRR. There are two reasons this happens. One, a portion of the replacements are moved away from a peak year; and, two, a portion are delayed one year while additional deposits accrue providing that year is a net increase overall.

The above examples show strategies for altering the IDRR and ADRR requirements without modifying the initial repairs. The schedule of initial repairs impacts the 20 Year Schedule and, therefore, the IDRR and ADRR. Adding more components to the initial repairs will generally reduce the ADRR and moving initial repairs to later years will generally increase the ADRR. The PHA's options in making these modifications are limited:

- ◆ **If the PHA wants to evaluate a potential reduction to the ADRR by increasing the initial repairs,** access to additional sources of funds to close are required. Generally, the PHA would look at the first five years of scheduled replacements on the 20 Year Schedule as potential targets to complete in rehab. As the PHA makes changes to the Excel Tool to “replace now” rather than “replace at end of cycle”, the Excel Tool will reflect the calculated changes to the IDRR and ADRR.
- ◆ **If the PHA wants to evaluate a potential increase to the ADRR by decreasing the initial repairs,** the components targeted must be working and not beyond the end of their EUL. As the PHA makes changes to the Excel Tool to “replace at end of cycle” rather than “replace now”, the Excel Tool will again reflect the calculated changes to the IDRR and ADRR.

The purpose of this attachment is to provide a greater understanding of the interaction between the amount of initial repairs, the IDRR, and the ADRR. Increasing one account can reduce one or the other accounts, which could be helpful in solving the feasibility of a particular transaction.