



Special Attention of:

Multifamily Regional Center Directors
Multifamily Regional Satellite Office Directors
Multifamily Asset Management Division Directors
Multifamily Asset Management Branch Chiefs
Multifamily Asset Management Staff
Multifamily Property Owners
Regional and Field Office Directors
Regional Administrators
Contract Administrators

Notice H-2025-04

Issued: September 19, 2025

Expires: This Notice remains in effect until amended, superseded, or rescinded

Supersedes in Part: H-2023-08/PIH-2023-19 (HA)

SUBJECT: Capital Advance Preservation Rent Increase for 202 Project Rental Assistance Contracts (PRACs)

Purpose

This Notice provides program guidance on the use of funding authorized in the Consolidated Appropriations Act, 2022 (Public Law 117-103, approved March 15, 2022) and the Consolidated Appropriations Act, 2023 (Public Law 117-328, approved December 29, 2023), which each provided \$6 million (\$12 million total) to support preservation transactions of housing for the elderly originally developed with a Section 202 Capital Advance and assisted with a Project Rental Assistance Contract (PRAC). If applicable, HUD may apply this program guidance to the use of funds in any subsequent appropriations act to support preservation transactions of housing for the elderly, as authorized by such appropriations act.

Background

The provisions in Section I.2 of the Rental Assistance Demonstration (RAD) Supplemental Notice 4B, H-2023-08/PIH-2023-19 (HA) amended paragraph 4.6.D of RAD Notice H-2019-09/PIH-2019-23(HA) (the RAD Notice) to provide an increase to PRAC rent immediately prior to a RAD conversion when a Section 202 PRAC property proposed to undertake new construction or rehabilitation with debt financing, upon a showing of demonstrated need. While implemented in anticipation of the RAD conversion, these funds are applied as a PRAC contract rent increase. This Notice supersedes the provisions of Section I.2. of RAD Supplemental Notice 4B.

Preservation Rent Increase for Converting PRACs

To support preservation transactions of housing originally developed with a Capital Advance and assisted by a PRAC, HUD may provide a rent increase to the PRAC rent (a "Preservation Rent

Increase”) for PRAC properties pursuing conversion under RAD statutory authority. Subject to the availability of funds and the terms of this Notice,¹ HUD may provide a Preservation Rent Increase calculated as follows:

1. An increase of up to \$300 per unit per month (PUM) to the PRAC rent for any transaction that will undertake new construction or substantial rehabilitation where costs for hard construction (including general requirements), overhead and profit, and payment and performance bonds are in excess of 60% of the Housing Construction Costs as published by HUD for a given market area;²
2. An increase of up to \$200 PUM to the PRAC rent for any transaction that will undertake rehabilitation where costs for hard construction (including general requirements), overhead and profit, and payment and performance bonds are in excess of 30% and less than or equal to 60% of the Housing Construction Costs as published by HUD for a given market area;
3. An increase of up to \$50 PUM to the PRAC rent for any transaction that includes the installation or upgrade of broadband infrastructure at the project. HUD defines broadband infrastructure as cables, fiber optics, wiring, or other permanent infrastructure — including wireless infrastructure — as long as the installation results in broadband infrastructure in each dwelling unit meeting the Federal Communications Commission (FCC) definition in effect at the time of the RAD conditional approval. As of the date of publication of this Notice, the FCC defines broadband speeds as 25 Megabits per second (Mbps) download, 3 Mbps upload. Buildings using wireless should have sufficient access points to ensure that each unit has fast, reliable service. HUD will approve any corresponding increase to the Administrative or Miscellaneous budget line item in the project’s operating budget for the cost of property-wide internet service provision. The increase specified in this subparagraph may be in addition to the increase specified in either subparagraph 1 or 2.
4. As an alternative to the increases specified in subparagraphs 1, 2, or 3, an increase to the PRAC rent up to 120% of the fair market rent (FMR) for projects with 20 total units or fewer.

The overall goal of the Section 202 PRAC housing stock is to provide affordable housing for elderly residents to live independently and age in place, even as they may require a higher level of assistance with activities of daily living over time. Such properties avoid the need for residents to move to assisted living facilities and nursing homes by design that prevents falls, incorporates

¹ As of the date of publication, up to \$12 million were made available for such increases for 202 PRACs in the Consolidated Appropriations Act, 2022 (Public Law 117-103, approved March 15, 2022) and the Consolidated Appropriations Act, 2023 (Public Law 117-328, approved December 29, 2023). If additional funds are provided for this purpose, HUD will apply the same provision for use of the funds.

² Housing Construction Costs are published annually. For the most recently published Housing Construction Costs as of the Notice publication date, please see https://www.hud.gov/sites/dfiles/PIH/documents/2024_Units_TDC_Limits.pdf

universal design and visitability principles, leverages electronic communications, and promotes health and wellness. To be eligible for a Preservation Rent Increase to the PRAC rent, the Project Owner must demonstrate or comply with the following requirements:

1. When submitting a request for a Preservation Rent Increase and the RAD conversion plan in connection, the Project Owner must represent to HUD that:
 - A. The Project Owner is proposing to convert the PRAC contract to a PBRA contract through a RAD conversion,
 - B. The scope of work associated with the RAD conversion will address the property's physical needs with designs appropriate for elderly residents to age-in-place, and/or will improve digital infrastructure for communities lacking access to high-speed broadband services, and
 - C. The RAD conversion will contemplate a transaction including new third-party debt to finance the scope of work.
2. The RAD conversion plan must demonstrate the need for the requested Preservation Rent Increase.
3. The RAD conditional approval shall require implementation of a transaction consistent with the three representations under item 1 referenced above unless otherwise approved by HUD.
4. The Project Owner must diligently pursue the RAD conversion to completion.

Funds for Preservation Rent Increases shall be reserved on a first-come, first-served basis based on the time of the request through the RAD Resource Desk, subject to the availability of funds. The amount of the Preservation Rent Increase shall be finalized when HUD confirms through the issuance of the RAD conditional approval that the Owner adequately demonstrated the amount is necessary for the viability of the transaction. The Preservation Rent Increase shall become effective on the date set by HUD which shall be substantially concurrent with and immediately prior to the effective date of the RAD conversion closing.

Paperwork Reduction Act**Approved**

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0612, 2529-0013, and 2506-0087. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

Frank Cassidy
Principal Deputy Assistant Secretary for Housing