



INITIAL YEAR FUNDING FOR CONVERSIONS OF PUBLIC HOUSING UNDER RAD



BACKGROUND



- **Initial Year** = Period between the effective date of the HAP contract and the end of the Calendar Year (e.g. Aug 1, 2016 – Dec 31, 2016)
- RAD Statute requires cost neutrality
- **During the Initial Year**, a Covered Project will be funded through tenants rents as well as the public housing Operating Fund and Capital Fund at the level of public housing subsidy available to that project in that year
- **In the first full Calendar Year following conversion**, projects will be funded from the Section 8 accounts, in accordance with the HAP contract rents. HUD will place new funds on a Section 8 HAP contract (for PBRA) or Voucher ACC (for PBV).



NEW RESOURCES AVAILABLE ON RESOURCE DESK

- Revised and simplified **Initial Year Funding Tool**
- **Initial Year Funding Instructions**





PROCESS OVERVIEW: PHA AND OWNER RESPONSIBILITY



- **PHA submits Initial Year Funding Tool at Financing Plan**
 - Shows estimate of revenue that will be available to Covered Project in the Initial Year
 - Executed by PHA and Project Owner (if different)
- **PHA re-submits Initial Year Funding Tool immediately prior to closing once HAP Effective Date is known**
 - Shows more final estimate of revenue available in the Initial Year
 - Executed by PHA and Project Owner (if different)
 - Submitted with a Capital Fund budget revision showing Capital Funds used for rental assistance moving to BLI 1503 in LOCCS (may also show Cap Funds used for development (1504))



PROCESS OVERVIEW: HUD RESPONSIBILITY



- HUD ensures that Financing Plan includes an estimate of the funding available in the Initial Year Funding
- At Closing, HUD will review the Tool to make sure the HAP effective date is accurate and ensure that the funds to be moved to BLI 1503 in LOCCS match the funds identified in the Tool
- HUD will automatically move Operating Funds to BLI 1503 in LOCCS



POST-CLOSING

PHA conveys funds to Covered Project according to locally agreed timing and frequency





OPERATING FUND AVAILABLE IN THE INITIAL YEAR



Amount that will be moved to BLI 1503 and maximum amount that can be conveyed to the Covered Project is determined by the RAD Operating Fund %, which is applied to the Project's Operating Fund obligation for the Initial Year

$$RAD \text{ Operating Fund } \% = \frac{\textit{Units Covered under RAD}}{\textit{ACC units}}$$

The PHA and owner may choose to convey a lesser amount to the Covered Project.

The funds will be moved to BLI 1503 over the course of the Initial Year as Operating Fund obligations are made. However, the maximum amount determined by this calculation applies regardless of whether the funds are actually moved by HUD into BLI 1503.



CAPITAL FUNDS AVAILABLE IN THE INITIAL YEAR

The maximum amount transferred to the Capital Fund RAD BLI 1503 will be based on the PHA's Capital Fund Formula Grant attributable to the project ("Project amount") in the year of conversion

$$\text{RAD BLI} = \text{Project amount} \times \frac{\text{Units Covered under RAD}}{\text{Standing Units}} \\ \times \frac{\text{Months Remaining in CY from HAP Effective Date}}{12}$$

The PHA and Project Owner may agree to convey a lesser amount.

Only the funds that will be conveyed to the Covered Project are moved to BLI 1503.