Faircloth-to-RAD PHA Peer Learning Session, 5-22-24

Julia Jones: Welcome, everyone. We will get started here in a moment. All right. As folks continue to join the call, I'll go ahead and get started with a good afternoon, welcome and thank you all for joining today's peer learning session on Faircloth-to-RAD. My name is Julia Jones and I am with Enterprise Community Partners and the host for this webinar.

Today's session is really intended to be an opportunity to learn from your peer PHAs about their experience and also have an open discussion with them rather than a more Faircloth 101 style session. So today, we have Cambridge Housing Authority with us from Massachusetts to share their experience with us for the first part of the presentation.

Margaret will be joining us a bit later, she's the deputy executive director of development. We also have Clara with us, the director of planning and development for planning and we have Matt as well who's the deputy director for planning. Following their presentation we'll open the floor to a Q&A discussion with the three of them as well as Jaime, who is a RAD TA provider on our team here at Enterprise and brings more of a national perspective to the conversation.

Before I pass it over to Tom for a quick welcome, I have a few housekeeping items. So first and foremost, this webinar is being recorded. That recording will be available on RAD Resource Desk if you would like to rewatch the session or one of your colleagues couldn't make it, the presentation will also be posted there on RAD Resource Desk.

Please note that the participant audio is on in this session. We're -- our hope is that you will be able to come off mute later in the discussion to ask your questions directly, but for now, we ask that all participants mute themselves. If you need to view closed captions during the webinar, you can click on the CC icon in the controls toolbar in Zoom.

And immediately following the webinar, you'll receive an invitation to complete a survey on today's webinar and we ask that you please complete that survey with feedback. We're going to have two more of these sessions throughout the year. So we'd love to hear what you think about the session.

Now I'll turn it over to Tom Davis, director of the Office of Recapitalization for a few words of welcome.

Tom Davis: Great. And thanks very much, Julia and thanks, everybody for coming. I am not going to take any time, because we really want to hear from our guests, but just the Cambridge Housing Authority was one of the very early ones to jump into Faircloth-to-RAD. We're really excited about their experience and what we can learn from that.

As everyone knows, or I hope you know, we are always looking for ways to make the process work better, would love your feedback, would love your ideas, would love the -- to hear about the challenges that you're encountering to see whether we can do anything to address that and one of the early agencies that took on that challenge with us is the Cambridge Housing Authority.

They've got a couple different projects going, one that sort of I suspect is what we're going to hear about that had a bit of everything, RAD Section 18 blend conversion of the existing property in addition of new units on the site, really exciting property and they've got others in the works.

So I will stop and get out of the way and we can get into the good work of hearing what their experience was and look forward to all of the discussion. So many thanks and I will turn it over to Clara and Matt.

Clara Fraden: Thanks, Tom. Hey, everyone. As Tom and Julia said, my name is Clara. I'm here with my colleagues Matt and Margaret will be joining us in a bit. We are super excited to talk about Faircloth-to-RAD and share our experiences with you all. We've really had a lot of fun actually with this program and look forward to using it again and again hopefully.

So we have used Faircloth-to-RAD so far on two projects in Cambridge. One is Jefferson Park Federal. That's a project we are in the process of closing right now, that's on the kind of top left of the screen and the other one is 116 Norfolk, which Tom mentioned, which has a little bit of everything, it's on the top right of the screen.

So we'll definitely dive into those projects more. So a little bit about the CHA before we talk about the project. So we are one of the original MTW agencies. We manage over 3,000 apartments in Cambridge and have almost 5,000 mobile voucher households that are both in Cambridge and outside of Cambridge.

We -- CHA residents make up about 10 percent of the city of Cambridge. So we're quite proud to have such a strong presence in our city, especially because as, I think, many people on this call know, that Cambridge is one of the highest housing markets in the country. So it's, of course, critical for all of us to have a strong presence in our communities.

With that said, however, we still have 22,000 distinct applicants on our waitlist -- distinct households on our waitlist. So we're always looking for opportunities to expand the housing we can provide. We are a decent size agency, I think one of the smaller of the large public housing authorities.

We have a staff of 240 plus people and that includes a staff of 20 to 25 people on our real estate development team, we'll talk a little bit more about our redevelopment and development activities in a moment. And the last kind of big-picture item is just to highlight that we have been converting our portfolio from public housing to the Section 8 platform through a variety of mechanisms over the years.

So 98 percent of our portfolio has been converted to Section 8 already. So as I mentioned, we have a fairly large real estate development team that our agency and leadership has built over decades. So we have been doing our own self-development since 2002. So this as opposed to partnering with an outside developer, RFPing our parcels out through a partner.

This slide kind of outlines the different phases that we've had in our development history really starting in the 2010s when we started our first LIHTC projects, which was supported by RF funds right after the financial crisis. That really kind of got us ready for RAD and to be able to pair RAD and take advantage of RAD with -- and take -- pair it with the low-income housing tax credit program.

So in the kind of bulk of the 2010s, we were really focused on RAD and we converted about half of our portfolio -- 52 percent of our portfolio to RAD. Then towards the end of the 2010s, we really couldn't make RAD work anymore, the cost of construction were just getting too high and the needs at all of our properties were kind of too great that the RAD rents were not able to support the capital improvements that were needed to really do the right scope of work at these projects.

So in the late 2010s, we began pivoting to the Section 18 program to convert our portfolio and about 45 percent of our portfolio have been converted through the Section 18 platform and as many of you know, the Section 18 platform comes with much higher operating subsidy with rent set at -- the tenant protection voucher, which is often set at the fair market value -- the fair market rent as opposed to RAD rents, which are more kind of set at the public housing rents.

So that's been a critical component of our kind of more recent development activity. And then now we're very excited to be in our fourth phase and that's where we're really looking to add new construction -- add new units through new construction. So we're leaning into the RAD blend program for the existing units that we have remaining.

So far we've converted about 3 percent of our portfolio or 65 or so units through the RAD blend programs and then looking to pair that with the Faircloth-to-RAD program to support the creation of new units. So in general, as I mentioned, our self-development has been paired with LIHTC.

I mean, not all of our RAD conversions have, we've done just some straight RAD conversions, but the bulk of our development activity has been paired with the low-income housing tax credit program. In order to facilitate that, we do have 3 501(c)(3) nonprofit instrumentalities that have virtually [Inaudible] boards to the CHA board to help facilitate our development activity and the use of tax credits and other funding sources.

We've also established our own LLC to service the guarantor on these projects to provide a layer of protection to the CHA agency but also ensure that CHA maintains control of our work and then we always work very closely in LIHTC deals to select a, what am I going to say -- like a fair equity partner or responsible equity partner or mission driven equity partner who will also work with us on not just to make the closing and work for the residents of the Cambridge Housing Authority and support the CHA's mission, but also to prepare us for the year '15 or the end of the tax credit period, because ultimately, our goal is to get the investor out as soon as the benefit of the tax credits and so that the CHA can maintain ownership of the property again.

So that's a big -- that's a quick overview of our development activity and now just we'll focus more on Faircloth. So as I mentioned, we're leaning into Faircloth to support new construction and the expansion of our affordable housing stock. This has really been the focus of ours for the last year and into the future.

So we see Faircloth as a very, very critical tool to be able to support the creation of new units. We have identified in Cambridge land that we already own, the opportunity to add about 500 new units. This is in addition to over 500 units that we still need to preserve in our portfolio, because they haven't been comprehensively modernized in decades.

But another exciting thing is that that leaves about 1,000 units of the CHA's Faircloth authority that we were able to keep, I guess is the right word -- that we were able to maintain through the Section 18 conversions that we did in the late 2010s. So we're beginning to look at -- well, what we do with those 1,000 units of Faircloth Authority that we don't have earmarked for specific properties in Cambridge.

We're definitely saving some for acquisition opportunities, but we're also beginning to partner with housing authorities and other municipalities to think about how to use Cambridge Faircloth units in those other municipalities and we're really quite excited to be able to support the creation and expansion of affordable housing regionally, because I think we all know that affordable housing is not just a regional but it's a national issue.

So units being built across the border at the town next door helps Cambridge as well and our residents here. So a little bit just about the additional value of Faircloth. We'll talk more about the Faircloth rents when we get into the specifics of each project, but Faircloth rents are not high enough to support the new construction and/or the gut renovation of units on their own, but it is a significant base subsidy that we can build on.

So we just did some back of the envelope math and we estimate it's about $16 million plus of aggregate additional annual subsidy from HUD that the Cambridge Housing Authority alone can receive if we were to use all of our Faircloth. So that's a significant buffer to build on. And Jaime, I believe, pulled some stats right before this.

I think across the country it's almost 55,000 units of Faircloth. You know, we can talk about more of that in the Q&A, but there's a lot of opportunity here. Unfortunately, despite all the opportunity in Cambridge and I think in many cities and states across the country, our issue is the access to other subsidies, like the subsidies that we really need from the state, such as private activity bonds that come with a 4 percent LIHTC.

So we kind of could be ready to develop at least these 500 new units in Cambridge really quite quickly and our experience with the HUD team is that they're on board to support us to move that as quickly as we can, but we have a 3 plus year wait to get the other resources that we need. So we're kind of noodling on how to navigate that right now.

So now to dive in a little bit to the two projects that we talked about, so this is 116 Norfolk, this is the first Faircloth-to-RAD project that -- and the only that we've formally closed on. It's a rendering on the left-hand side and this is a photo from last week on site. So you can see that the construction is coming along nicely.

So we used a RAD blend here to convert the existing public housing units, which were in the brick building on the left and then Faircloth-to-RAD for the new units, which are in the addition, which are in the blue building on the right. So these are just some renderings of what the site will look like after construction.

This is going to be 62 units of permanent supportive housing to support people who are exiting chronic homelessness, 37 of the existing units were SROs in that brick building and then we're building 25 new ones through the addition and another feature that is kind of cool about this is that we're getting rid of the SRO model here and we're actually converting all of the SROs to studio.

So 100 percent of the units will be studios and they are kind of individual apartments after construction. This was also elderly and disabled housing before the closing and before the conversion. So we went through a process to convert the program so that we could do permanent supportive housing here.

So this is just some overview of the projects in bullet points. I mentioned the 62 units of permanent supportive housing. We will have four or more case managers on site. Actually, we're building a service office as part of this revitalization so that the case managers there will be 100 -- like solely devoted to serving the residents of 116 Norfolk and support their transition out of homelessness.

But to get a little bit more into the weeds on the programs we use, so because this was a RAD blend for the existing units, we were able to secure 29 tenant protection vouchers for 80 percent of the existing units, because Cambridge is in a high construction cost market. So we were able to get 29 tenant protection vouchers and then the remaining 8 existing units were converted to RAD and then we went through the Faircloth-to-RAD process for the 25 new units.

So on the rents for the studios, you can see the difference in the rents between the different programs. So the Section 18 rent is quite high, it's sized pretty close in fair market rent at $2,000 or so for a studio. The RAD rents for the 8 RAD units that were developed in the existing units is about $1,700, a little bit more and then the Faircloth-to-RAD we have two rents here.

So one is the initial NAR rent that we received. So we're expecting to receive a little bit under $1,600 per unit for those 25 Faircloth-to-RAD units. The next -- the $2,200 rent you see is how the NAR is adjusted as you get closer to closing to really show what's going to end up on your RCCA, which is your RAD Conversion Commitment Approval that comes with the RAD approval as part of the Faircloth-to-RAD process and that just matches the contract rents.

So here, 116 Norfolk, because construction costs are so high in Cambridge, we are increasing all of our rents to 110 percent of the fair market rent. So all rents, Section 18 rent and the Faircloth-to-RAD units will have a rental overlay provided by the CHA to bring all units up to the $2,200. A little bit about the schedule, at 116 Norfolk, I think it's a great example of really how streamlined this process can be.

Though we had these 3 different programs, Section 18, RAD and Faircloth-to-RAD, it's kind of 1 building, it was a well-baked deal when we went to the HUD team to discuss Faircloth-to-RAD. And so it was less than six months from start to Faircloth-to-RAD approval. So really, a very, very quick process, especially in any sort of development lifespan.

So we requested the NAR in the concept call in the summer of 2022. We honestly probably did this a little bit later than we should've. We did this while we were already getting going on the mixed finance development proposal, but I'd recommend people start that much sooner, as soon as they really are thinking about a project.

We submitted our mixed finance development proposal in July. So this included -- there's a mixed finance component, which we'll talk about a little bit later, but then there's also the RAD conversion overview, which is really the tag-on, if you will, that the recap team needs for the RAD conversion of Faircloth-to-RAD and then we had a number of materials that we just needed for our standard RAD closing for the existing units.

So we kind of worked with the HUD teams to put all of those submission in together, because really, they all kind of link with one another. Once -- as part of the blended RAD process, we did have to apply for the tenant protection vouchers as part of the Section 18 units. So for the existing units. So we did that as we got much closer to the approval.

And then very, very well coordinated with our closing, which is no accident, the HUD team worked super hard to coordinate their approvals with your closings or whatever deadlines you have on your team.

We got the approvals we needed for those three different components in mid-December and I -- if I'm remembering correctly, it was literally like the RAD -- the mixed finance approvals came on, I think, like the 15th and the RAD approvals came on the 16th and the HUD team really just coordinated that behind the scenes to make it super streamlined and we were able to then close about 10 days later and we've been in construction.

We have not now completed the RAD conversion yet at the end, because the units aren't created yet, but we'll talk a little bit more about that at the end. So then our next project is Jefferson Park. This project is really different from 116 Norfolk in every way. It is a tear-down and rebuild of existing public housing.

You can see some images of the existing -- or it's been demolished now, but of the former Jefferson Park on the right, including just a completely deteriorating plumbing, we had sewer systems that were failing and would kind of explode and need to have emergency repairs all the time and on the left, you can see our proposed site plan showing the new construction of six residential buildings.

Fifty-seven of the 175 units here were offline due to mold and mildew before construction began. So that kind of gives an insight into how poor the conditions were at this property, but we're very happy to be able to be replacing 175 with 278 units here for a net of 103 new units. Here's just a photo of JP from a few months ago.

You can see we started with the demolition before we got the mixed finance approval, because we're actually in the process now for the mixed finance approval. I wanted to show this just really to highlight that doing work on your redevelopment proposal, your Faircloth-to-RAD proposal before you have the formal Faircloth or mixed finance and RAD approval requires a pre-development work approval from HUD.

We weren't aware of that. So I wanted to just like flag that for folks, but it is a very simple process. There's a worksheet you fill out, sources and uses and it took, I don't know, I want to say like two weeks or something like that to get approved, but it is something to note if you're going to do any --

This doesn't cover like A&E and design expenses, but if you're going to do any sort of construction work before the approval, you need to make sure HUD knows and is signed off on it. Here are just some renderings of what the site will look like after construction. We really think that we're building a neighborhood here.

One of the key urban design features was to get rid of a just -- we had a one-way cul-de-sac in and out, it was very segregated from the rest of the neighborhood, but we are converting the design into city blocks that really mimic the surrounding neighborhood and our goal here is that people have no idea that this is public housing.

So here's a summary of the project and the rents. This also is a LIHTC project, as 116 Norfolk was. So we have a mixture of public and private debt here. Unlike 116 Norfolk, this is a phased project. We tried to make this project in one phase, one construction project, one Faircloth-to-RAD application.

That definitely would've been the simplest and the least expensive, but we ran into a number of financing hurdles. So we had to split this project into two phases. So that means two Faircloth-to-RAD applications, although, there's a lot of overlap between the phase one and the phase two application.

We do like to highlight on this project that we're building true family housing here. So almost half of the units are three bedrooms and larger, which we're excited about, because we have such a huge need for these larger family units on our waitlist. Also, unlike 116 Norfolk, JP Federal is 100 percent Faircloth-to-RAD.

So we don't have any of the RAD blend or RAD closing components at the financial closing, it's just the mixed finance approval and the RAD RCCA approval before closing. Because of that, though, because we don't have any of the Section 18 rents, the NTW overlay that the CHA is providing to make this deal work is much larger.

So you can see on this table at the bottom of this screen the Faircloth-to-RAD rents that are shown and our NAR and our contract rents. So our NAR rents are -- Faircloth-to-RAD rents are about half of the fair market value. This schedule looks a little bit different than the 116 Norfolk schedule, but that's really mostly because our team, our project took many, many twists and turns, as I've already talked about.

So we submitted actually our first mixed finance development plan with 116 Norfolk in July of 2022. Somewhere in between July and like a few months ago we had submitted another one when we thought the project was going to be three phases instead of one. That deal got ripped up, now we're at two phases.

And so we actually submitted our final mixed finance development proposal just a few months ago. So it was about a year and a half that we were working with HUD updating them along the way as like different financing hurdles had changed the structure of our deal and they were just incredibly supportive throughout it and helping us work through how this was going to impact our mixed finance application.

So we submitted in -- at the very end of February and we are in the process now, we've gotten the RAD signoff and we're waiting on our evidentiary docs, which are part of the mixed finance approval to be finalized with HUD's Office of General Counsel and then we expect the Faircloth-to-RAD approval really imminently and we are on track to close this project and actually start the construction as opposed to the demolition in -- next month.

Something to flag here is that because it is a multi-building project and the way our construction is set up, we're actually going to be building these buildings on a one-by-one three months or so between each building. We will have different DOFA dates for each building, but we will have one RAD conversion for each phase.

We spent a lot of time going back and forth on, like I said, one DOFA date for the -- for each phase and then one RAD closing. Is it one DOFA date per building or six total and six RAD closings? And we landed that it made the most sense to do a one DOFA date per building. This is super important, because the operating subsidy that you get from HUD for the public housing units can be meaningful if you're talking about a number of months.

So we really wanted to be able to reach DOFA as soon as possible so we could start receiving public housing operating subsidy from HUD during the development period before the RAD conversion, because that was actually going to make a meaningful difference in our development budget, but then wait until the end of the -- of each phase to actually convert to RAD.

So what that means is that each building is actually going -- units are going to be leased up as public housing here and then converted to RAD, whereas at 116 Norfolk, we're really hoping that actually we will do the RAD conversion before we lease up. Let's see what else. And then we're just going to repeat this process for phase two when we do the financial closing for phase two in about a year.

So our last few slides are really just to summarize some of the key components that we see of the Faircloth-to-RAD process. So first and foremost, we really do find this process to be like thoroughly streamlined.

Of course, there were some hiccups along the way and there's some changes you have to make to your application and there's some unforeseen rules of the Faircloth-to-RAD process in the public housing program that you didn't anticipate, but when you're pairing it with another development project, especially -- or with a LIHTC deal, this was really quite an easy thing compared to the rest of development.

So it folds in very, very, very nicely. And honestly, one of the key reasons for this, that the staff on the mixed finance at the office of revitalization and recap are wonderful resources. They're proactive, they're problem-solvers. Actually, right before this call I was talking to Maggie [ph], because she -- you know, we were kind of trying to work through the last issue on our evidentiary documents for JP and it's just the type of team that's very accessible.

So it makes it very, very helpful to move through any quirks and kinks in the project along the way. The resource guide, also, if you haven't read it, is extremely helpful. It's very, very clear. It's very easy to understand and our experience has been that it's very accurate, like it really just accurately describes the process that you can expect along the way.

Something else to note is that HUD puts out -- I don't know if they're formal notices, but they're certainly like email letters that go out that set very, very clear deadlines for when you need to submit your applications every year in order to meet certain approval and closing deadlines. So it's really, really a very helpful tool, because it's like super transparent, you want to close by this date, you need to get your materials by this date.

And so look out for those and ask HUD for those early if you haven't seen the document. And then as I mentioned before, the review and approval on the HUD side is super coordinated. So you really don't need to worry about that, because you kind of are submitting things for the mixed financing RAD process together.

Building on the things that I just talked about is just that communication is super, super key like everything, I think, we all do in our jobs every day. There's just a huge benefit in communicating with the HUD team early and often.

You want to definitely work to try to highlight any quirks in your deal early, because there's going to be some things that you're not going to get, like HUD's legal counsel's opinion on until the very end when you're submitting the evidentiary docs with your final application.

So you'll want to talk to the business teams to identify them so that they can be the liaison and try to work out solutions while you're putting together your application instead of like having those things flagged when you submit your final application.

Something else to flag here is just that if a HUD employee is a consultant, they did that for us on 116 Norfolk as part of the closing process, I think that was really more for the RAD blend component of the 116 Norfolk deal than the Faircloth-to-RAD component, but they were brought on late in the game.

So it was just important for us to remember to like put them on every single email to really make sure that they're looped in as well and everybody's coordinated. The main components of the application are the notice of anticipated RAD rents. So request this early. This gives you the estimated subsidy you can expect from HUD, but also, it just like puts your project on HUD's radar and can be an opportunity to ask questions early.

The FHEO site neighborhood standards review and the accessibility review is also something to get started on quite early, like maybe even before you start working on the mixed finance development proposal mostly because these are threshold issues that need to be passed as part of the Faircloth application, but also because the review is done by other HUD agencies than the main ones you're working with as part of the Faircloth process.

So it can just take a little bit more time. Something to note on the accessibility review that we didn't know is that you have to follow UFAS. So the federal accessibility standards, there are some slight differences between UFAS and EDA or UFAS and like in Massachusetts, we have our own accessibility code.

So we did have to make some tweaks on 116 Norfolk, things like where we position different cabinets. They were not major tweaks, but there were some things. We had a lot of discussion on garbage disposals. So it's just something to look out for early on as opposed to when we ran into it, which was like after the project went out to bid.

Then the big component is the mixed finance development proposal and the mixed finance development calculator. So again, like get working on this early even if you're deal isn't fully baked yet, because it really helps to identify what questions you're going to have.

There are questions -- you know, you look at it and you have questions about what things mean, but then there's other questions that don't arise until you actually start translating your proforma into the mixed finance development calculator. So it's really good to flush those things out first.

We had a few things, like how we were classifying some of the CHA sources that we were putting into the deal.

You know, we classified them as other public funds. It turns out they have to be classified as public housing funds, which impact some of the calculations you have to do in the development proposal. So there's just things like that that are better to catch early. It's not the end of the world if you don't, but it just can be helpful.

And then be prepared that as you go through this, especially when your project is in the review period with HUD, you may have to make tweaks like pretty quickly, because the team may come back to you at HUD and say, hey, we just noticed your calculator doesn't align with the latest ACC amendment that you sent us, can you please update? This needs to be updated before the review tomorrow.

And so there's just small things like that, coordination things that get picked up when your project's in review. So just kind of be aware and always looking out for those emails so that you can respond quickly. The last two components of the application are the evidentiary docs. These are the legal documents of how the property is going to run as public housing.

It's a little bit silly, although, it also makes sense that you have to actually create a whole set of legal documents, I think there's like 18 of them or so, that are going to show how -- they're going to rule how the properties are operated when they come online as public housing even if in the case of 116 Norfolk, we're expecting to enter it to RAD like a week later, you still need these documents of how these units are going to be operated as public housing.

Later on when it's time for the RAD conversion at the end of construction, that's when you get the RAD closing documents, which will replace these public housing evidentiary docs, but for this application, you don't need those RAD docs, you just need the public housing ones, like the DORC and the R&O and things like that.

And really, the only portion of the RAD application that you need at closing if you're just doing a straight Faircloth-to-RAD is a few items updated in the RAD Resource Desk and a RAD conversion overview, which is essentially a condensed version of everything you did in the mixed finance development proposal.

So it's -- that's really not -- I'd say it's minimal to no additional work to complete that RAD component for Faircloth-to-RAD. So our last slide is just about the conversion year. So two things to note, we touched on this a little bit already, but the funding in the conversion year is very important to pay attention to.

So you're not going to receive your half payments after you convert to RAD until January 1st of the following year. So if you do the RAD conversion in December, that's great, you only have a month to span, but if you're converting in February, that's not so great, because you have the bulk of the year before you start receiving your half payments.

So any money that you need to support operations during that time you actually have to carry in your development budget. On the public housing side, you may receive public housing operating subsidy in the meantime, but you do have to pay very close attention to when your units are coming online, receive DOFA, entered into PIC and if you have time to actually request the operating subsidy from HUD, because I think the deadline for that is generally like in the summer.

And then the RAD conversion, so we actually haven't been through the RAD conversion yet, 116 Norfolk, we're coming up on it at the end of this year, but our plan is to start working with both the mixed finance team at HUD and the RAD recap team at HUD 60 to 90 days before substantial completion, update all of our sources and uses, make sure everything from our application before we started construction still generally holds and start preparing the RAD conversion and RAD closing documents.

We're going to start that 60 to 90 days before with the goal that everything is ready so that when we hit substantial completion, we can receive DOFA, get the units into PIC and then convert to RAD.

You know, ideally, that happens in a matter of days, maybe it actually happens over a few weeks, but regardless, it happens in a tight streamlined fashion and though we haven't been through it so far, we really have every reason to believe that it will go that smoothly, because as I said, the teams have really been great to work with and laid out what's needed at each stage super clearly.

So with that, that wraps up our presentation and I'll turn it back over to Julia. Thanks, everybody so much.

Julia Jones: Wonderful. Thank you, Clara, that was very insightful and helpful. We are now going to move into sort of the discussion portion of this session. So I'll let everyone know that you can raise your hand to raise a question. Again, everyone has the ability to come off mute, but we would ask for you to raise your hand so that I can call on you and then I'll have you call -- I'll call on you and have you unmute to ask your question.

To raise your hand, you can select reactions or more at the bottom of your Zoom panel and once you select reactions, you can then select the raise hand button. You can also message me in the chat. I've disabled the chat for folks to talk, but you should still be able to message me specifically in the chat if you have a question you'd like to ask and I'm going to put those instructions also in the chat right now just in case.

And again, so we also have Stacy here with the office of recapitalization if you have any specific questions for them, we have Jaime who's a TA provider who brings really that national perspective and then we have the team from Cambridge. I think I saw Margaret join us, so we have her on the line as well, Margaret Donnelly Moran.

She's the deputy executive director of development with Cambridge Housing. So while we get some questions queued up from the audience, I'm going to go ahead and launch a poll that we have just to get a better idea of who's here with us in the session. And as we do this poll, just start thinking about any questions that you might have for Clara, Margaret, Matt is also on the line or Jaime, our TA provider.

Wow, so it's looking like we have a good mix of folks, mostly small, less than 50 or more than 500. So seeing folks at both ends of that spectrum. Can you all see the responses that are coming through or can I only share that once I end the poll? Okay. I will end the poll here in just a second so everyone can see the results.

So we have a pretty good variety of folks on the line here today, thank you for being here. We do have a couple questions already that have come in. So we'll do that before we do another poll. First, Jeff, you have your hand raised, if you want to go ahead and unmute and ask your question.

Q: Thanks, Julia. And Clara, thank you very much for that presentation, I was just really impressed to see the work that you guys have done there and that helped a lot to flush that out. I actually have a question.

I'm from HACLA, the Housing Authority of the City of Los Angeles and I know you mentioned, Clara, that you guys are also thinking potentially about using some of your Faircloth limit for acquisitions projects in the future and that's something that we've been thinking about at HACLA and I just had one question about that, which may be for HUD, which is if we're thinking about acquiring a property and wanting to apply the Faircloth limit to some of the units and convert them to RAD, is it possible --

Like I guess I'm really curious about is when we submit the initial NAR, can those -- that unit mix of the bedrooms be changed going forward or is that kind of set in stone? How does that work if we're trying to acquire a property, do we need to know exactly what that unit mix is going to be when we begin the process with the NAR?

Stacy Harrison: Thanks, Jeff. I can go ahead and provide an answer to this question. So you can submit a NAR and subsequently request a revision to it, but that will affect the rent by unit level. Part of the formula that goes into calculating a subsidy has to do with the total number of bedrooms that are being brought online.

So there is some like behind the scenes math that will affect the per unit rent that you see on the NAR if you do ask for a revision. I would say that by the time you're getting ready to submit the mixed finance development proposal, you should really have that nailed down to what it will be and after that point, there's not much turning back and certainly not after we've gotten your mixed finance approval.

Like that's what the HAP contract will reflect. So there is some flexibility in the beginning, but once you submit the mixed finance proposal, we're doing underwriting based on those rent calculations. So may be a window to revise then, but it might slow us down a little bit, but you should be comfortable with the unit configuration at that point and time.

Jaime Bordenave: Stacy, if they have a -- if they're an MTW or have another source to supplement their rents, could they -- you know, if they need to change the unit configuration, can they just live with what you've underwritten to and supplement the rents?

Stacy Harrison: I'm sorry, can you say that again? If they're an MTW agency --

Jaime Bordenave: Well, if they have any source to supplement the rents and you've locked them in, so to speak, to a certain level of rental revenue and their project now requires a higher or different rent level, can they make up for that by bringing in a supplemental source of rental income to make up the difference?

Stacy Harrison: I think they could, but again, the specific unit combination of unit sizes is what will be on the HAP contract. So if they wanted to augment the rents to a different level or if -- you know, a lot of times the Faircloth-to-RAD units are just a portion of the total property unit.

So there may be some flexibility outside of the units that are under HAP contract at the end of the project, but yeah, I think in an MTW agency, there's a little bit more flexibility there, but not with respect to like what units end up being on the HAP contract, the number two, three and four-bedroom units will still be the same.

Jaime Bordenave: Got you. Thanks.

Julia Jones: Great. We have a few questions in the chat, first being, in what format did CHA submit their site neighborhood standards to HUD? Is there a specific form required?

Clara Fraden: So Margaret or Matt, jump in here at any point. I mean, there are specific questions -- we submitted it over email.

Margaret Moran: Yeah. We followed the question format that's set out in the regulation that details kind of what the standards are that HUD is looking for and put together responses that provided HUD the source material they needed to be able to complete their review of the site neighborhood standards, but it's a pretty detailed list about what it is they're looking for and what they need to see and it provides an excellent outline to actually put together the response that HUD can then take and work with and then respond to.

Clara Fraden: And then we also had some back and forth. So like they were kind of -- I don't know, they weren't necessarily formal addendums to our application, but certainly, we got questions and then we formatted responses to those as well.

Jaime Bordenave: And Margaret, I'm sure you've done FHEO submissions under RAD, is it basically the same information as on the RAD side?

Margaret Moran: Actually, a little bit more detailed, because with the Faircloth-to-RAD piece, they're being considered kind of as a new entry to the public housing program. And so with the RAD program, they're responding from an existing property view having at one point already gone through the FHEO process, but the Faircloth-to-RAD is seeing it as brand new everything.

So the details, it's a little bit more robust response and requirements in terms of providing, but the answers were readily available and it wasn't too cumbersome to do, you just need to pay attention to the detail and then be ready to answer, as Clara said, any of the questions that the HUD FHEO staff might have as they review.

Jaime Bordenave: Thank you.

Julia Jones: Great. Alana [ph], I see your hand up, if you'd like to unmute and ask your question.

Q: Yeah. Hi. Alana with Los Angeles Housing Authority. I had a question about that first project. And maybe it's just a clarification, but did you put Faircloth-to-RAD on some of the PSH units as well?

Clara Fraden: Yeah. So we used Faircloth-to-RAD to create the new units, but all of the units were permanent supportive housing afterwards.

Q: And was that restriction -- is that like for folks who are experiencing homelessness or just -- so you were able to put that on there. Okay. So there weren't any issues with limiting the tenant population to just folks experiencing homelessness?

Clara Fraden: No. I mean, our tenant selection plans always allow like if there is not somebody who is experiencing homelessness to be -- that then you'll go to our next waitlist. So I don't know if that kind of helped. You know, it's not like if there's nobody in the city experiencing homelessness, that unit is not going to be vacant, it's then going to go to our next studio waitlist to fill, but there was no issue with changing the primary use, different [Inaudible] of housing.

Q: And then you also said -- sorry.

Matt Zajac: I was just going to add in reference -- and kind of going back to the FHEO question, one of the follow-up questions we did get was sort of about the relationship between the existing use of elderly and disabled and the future use [Inaudible] supportive housing and discussing in Cambridge how there's such a strong nexus between those two populations. I think that may have helped with the placement of the Faircloth on those units too.

Q: Oh, that's helpful, because that was going to be my next question, because you also said that they were restricted to older folks. So I'm just curious on how I think we're trying to figure out how we're able to get to limit the type of tenants we're able to have in a building and it sounds like you guys were able to do that. Okay. Thank you.

Stacy Harrison: Generally speaking, we're okay with [Inaudible] those preferences but not occupancy restrictions as a general rule.

Q: Okay. Thank you.

Clara Fraden: Yeah. So I'd say ours probably fell more into the preferences, because they were really referrals from the city's chronic homeless list and then we'd go to our waitlist after. So we removed the age restriction when we -- as part of this conversion. So it was elderly/disabled, it's no longer going to be.

Julia Jones: Great. And we have a question in the chat about when CHA received their NAR, but as -- right before we ask that question, I'm going to launch a poll that's gauging your experience with Faircloth-to-RAD so far. So some of you may be interested in the program and may have not taken any action, some of you may have received sure NAR. So if you all can just take a second to fill out this poll and I'll share the results of that before we dive into the next question.

Awesome. And thank you all for your participation. We have about 28, I think, housing authorities represented on the call, if that's right, Jaime, from the little analysis you did for us.

Jaime Bordenave: Yes.

Julia Jones: And it looks like a lot of folks are interested but may not have taken any action yet. We have 17 percent of folks have received their NAR and some folks are a little bit further in the process. So that's great to hear.

I'll go ahead and go to the next question in the chat and that was, did CHA receive the NAR within 60 days from the date of their request or submission? Our agency submitted a request close to 60 days ago but have not received a response back.

Margaret Moran: So I'll take this one. So we reached out and reserved the Faircloth units in 2021 for both Norfolk Street and the Jefferson Park project and it was right at the end of August of '21 and we got the NARs in April of 2022, but I think we were on the early end of the process. So I don't -- I would not say that was typical of maybe the current schedule that HUD is able to perform on.

I know we work with another housing authority partner in the Boston area that we've partnered with on development projects and they, I think, applied in late October for their reservation and then got their NARs in February. So that one was much closer to the 60-day schedule, but Stacy might know exactly what the turnaround is right now.

Stacy Harrison: Our target is more like two to three weeks, but you can certainly email me directly if things seem to have gotten stuck somewhere along the way. I can take a closer look.

Julia Jones: Yeah. And I can share Stacy's email with that participant too so you could follow up directly. We have another great question in the chat, I think this one's probably for you, Jaime. It's without the MTW designation, how could a PHA increase their rents?

Jaime Bordenave: Okay. Well, there are several ways, actually. The -- for non-MTW housing authorities, the latest version of the RAD notice provides an opportunity for projects that are in certain -- in a market that has -- or the project is in a market with certain characteristics either in terms of the poverty rate or in terms of the relationship between the small area FMRs to the metropolitan FMRs.

So you'd have to look at the latest requirements on that, it takes a little bit of research to see if your project meets that, but if you meet that, then you can be allowed to use your own voucher funding as a supplement to the rents, and Stacy, you can correct me if I'm misstating this, when that's the case, I believe it's a one-time contribution as opposed to something that has to be funded throughout the HAP contract. Stacy, you want to [Inaudible]?

Stacy Harrison: Yeah. That's right, it's a supplement that the PHA will need to do for a 12-month period, but it's not for the 20-year term of the HAP contract, it's just 1 year.

Jaime Bordenave: And is there any update to your Faircloth-to-RAD guide that addresses this particular topic?

Stacy Harrison: Yeah. It is in the revised guide that we published in, I think, November. So we talk about the rent supplement, the criteria that will need to be met, like the vacancy that you mentioned and in order to request approval of that supplementation, there's some fields on the resource desk when a PHA is requesting their NAR, it will automatically prompt questions to establish the eligibility for the rent augmentation and allow the PHA to identify exactly how much they want to augment the rents by unit size.

Jaime Bordenave: And then back to the question, there are the standard ways that -- for any RAD project where you can supplement the RAD rents, for example, if the project has excess tenant utility reimbursements, that funding was not captured in the creation of the RAD rents, that can be added.

And then recently, we've been seeing authorities use DDTF, Development Disposition Transition Funding. So whenever you remove units from the ACC through the Section 18 program, which a RAD blend would qualify for or any straight Section 18 program, the authority receives an additional 5 years of the capital funding for that project and that capital funding can be used in 2 ways to support future RAD development or redevelopment.

One way is you can use it as a rent supplement, the other way is you can gather it over time and when you have what you're going to get or what you need, you can use it as a development source as you would your capital funding. So those are the other ways that I'm aware of. I don't know if anybody else -- if Tom was on -- if Tom had any other thoughts on that, I see his face showing here.

Julia Jones: He just popped on, so he may have missed the question too.

Tom Davis: I missed the question, I had to drop off for another meeting and I just popped back on to get the discussion, but I did not hear what you were talking about, apologies.

Jaime Bordenave: Okay. The question was asking about for non-MTW authorities, what other sources are available to supplement the NAR rents. And so we talked about the ones in the last version of the RAD notice and then I brought up that the standard RAD tools for the rent supplement, such as excess tenant utility reimbursements and rent bundling and so forth could all be used.

And then I was talking about using DDTW funding as a rent supplement or even as a development resource for the -- as a capital source.

Tom Davis: Yeah. Absolutely. The big one, I think, is the RAD notice revisions that was made last summer is the most probably widely available, but all of the other tools that exist in RAD, whether that's the DDTF, the opportunity zone -- I think the opportunity zone works; right, Stacy?

Stacy Harrison: Or PBRA. Mm-hmm.

Tom Davis: Yeah. The rent bundling, all of those tools are available in the RAD context. So absolutely. And my apologies, I didn't come on video, because I meant to say something and I came on video by mistake.

Jaime Bordenave: Well, it was good timing.

Tom Davis: And Stacy is a great resource for thinking through these ideas and questions for anybody on the call.

Julia Jones: Great. We have a few more questions here in the chat. While we're on the topic of rents, I will ask this question, is there a difference between how rents are calculated for a NAR versus how they could be calculated for a CHAP and a RAD conversion? If so, what is the difference?

Stacy Harrison: Yeah. There is a difference. So with a NAR, we are going through a calculation process to estimate what the subsidy will be whereas right now if you applied for a CHAP, we are calculating RAD rents based on what capital and operating fund a PHA received in their FY-22 awards.

So we're doing a future look as opposed to a retroactive look at funding and there's distinction between units coming online through Faircloth-to-RAD given that they're either new construction or if it's not new construction, it's generally a project going through substantial rehab and even with some moderate rehab properties, if it's in acquisition, they're likely bringing on properties that are in very good condition if it's not significant rehab, but in the situation of a significant rehab, substantial rehab or new construction, you're bringing on a property that is essentially brand new.

So the capital fund portion of rent that gets built into that rent calculation is much lower than what you typically see for an existing public housing project that has probably, in a lot of instances, several decades old and has a lot of capital needs.

So on average, we see that the future funding projections are roughly 10 to 20 percent lower than what a PHA might see for their regular RAD rents. So it's a good question, because it certainly makes a difference and the RAD rents are a good starting place, but a lot of times they're lower than RAD rents.

Julia Jones: Great. Thank you, Stacy. We have another question in the chat, this one is about tenant protections, do the public housing tenant protections remain after conversion to RAD?

Stacy Harrison: Yes. Great question. So just like any other RAD conversion, the RAD tenant lease provisions all apply and it's particularly important for existing RAD -- excuse me, tenants who move in prior to the RAD conversion receive the same tenant protections as current public housing residents that would be in an existing public housing project today.

Jaime Bordenave: And Julia, if I could go back to the prior question, I just recall that still another example of how to supplement the rents and that's what you see in at least one of the two projects that Clara presented and that's the unit mix so that if your rent had [Inaudible] Faircloth-to-RAD units are a small percentage of your total project, then you can, in a sense, cross-subsidize as you would have before when you were doing mixed income with some market rate and some straight tax credit and then your public housing units with the lowest of the three rents.

So that's one other way.

Julia Jones: Great. Thank you, Jaime. Just a reminder that you can raise your hand if you'd like to ask a question live. You can also send me questions in the chat. In the meantime, I'm going to launch another poll for folks so that we can get an idea of what your vision is for using Faircloth-to-RAD.

So here we're asking which strategy or strategies, you can answer more than one, you're considering deploying for Faircloth-to-RAD developments, either building on existing sites, new construction or redevelopment, a few different examples here are given as options. And once we have a good chunk of folks, I'll end the poll and share the results so you can see what your peers are considering.

Jaime Bordenave: And while you're waiting for those answers to come in, I want to go back to Alana's question in Los Angeles, I wondered, Alana, if you were perhaps referring to the competition for 9 percent credits that -- for seniors only, for elderly only and I will say that there have been a number of conversions in California that used that as their funding source and they've been able to work around -- or work with the FHEO requirements to make that work all right with the state requirements for the single category of occupants.

Q: Yeah. That was what I was thinking about. We do have a few tax credit projects and one of them is thinking of having seniors and it sounds it's a preference, not a requirement, I'm hoping. So that's something that we can work with HUD on, the senior -- not having the senior restrictions. Is that right?

Jaime Bordenave: I'd suggest -- I'd refer you to John Ardovini in the recap office who's familiar with how HUD has handled that with a number of regular RAD conversions that have been in the same situation you're in, unless Stacy has anything to add from her side.

Stacy Harrison: Yeah. I think let's -- we can also schedule a separate call to talk about it, but hopefully a waiting list preference will work, but if not, like let's follow up, because there might be something else we can do since we do mention Faircloth-to-RAD and elderly or families coming out of homelessness in our provisions in the Faircloth-to-RAD section of the RAD notice.

Julia Jones: Great. And we have -- Jeff has raised their hand again. So I'll let Jeff go ahead before I share the results of the poll. Go ahead, Jeff.

Q: Okay. Well, I'm sorry, I -- and maybe this is an offline question again for Jaime and for Stacy, but I think that the crux of the issue is actually that in California, they're requiring a restriction. So I think that as it pertains -- so I don't -- I think that's where we're running into trouble. I think we've been in talks with you guys about it, but maybe we can continue trying to figure out a way to work that with FHEO.

Stacy Harrison: Yeah. Let's have a follow-up.

Julia Jones: Great. I'll go ahead and share the results we got from the poll. So it sounds like most folks are interested in Faircloth-to-RAD on existing PHA sites going through either a new construction or properties undergoing or planned for redevelopment. We have a few folks that are interested in an RFP for developers pursuing tax credits, private projects under development and a few others. Jaime, do you have any follow-up questions for the audience on any of these different categories?

Jaime Bordenave: Well, I actually had a follow-up question for our presenters today. If Cambridge -- you know, Margaret, maybe this is a question for you since Cambridge is a self-developer and you have a couple thousand units of Faircloth-to-RAD to deploy, have you given any thought to expanding your capacity at some point by partnering with other agencies or even some straight third-party developer partners?

Have you had any experience with that or any thoughts about why you don't want to do that? You're on mute, Margaret.

Margaret Moran: Thank you. So we've been doing our own self-development for well over 20 years and part of that was driven by both board and resident preference to have the housing authority maintain maximum control. We have a lot of capacity. You know, we've been able to do over $300 million or $400 million of construction at any given point and time.

Even in the midst of Covid, we had $300 million under construction at 5 different sites and were able to manage through and continue to progress our development pipeline while overseeing the construction through some really challenging times. So I feel really robust about the housing authorities' capabilities to move forward with development.

I think we can't go fast enough. Our big limitation right now is the access to private activity bonds. Massachusetts is 1 of 22 states that has maxed out their capacity and we're being told that for housing authority projects which are not prioritized in Massachusetts for tax bond financing, could be multiple, multiple years of wait, three, four, five, six years or longer and that's really the limiting factor.

And whether we partner with another private developer or not, I don't think we'd necessarily change the optics of that but certainly would erode some of the support and goodwill that we've built up with our resident community over the years. Our mission has been to develop deeply affordable units.

And so we're really looking to try, in our community, which as Clara pointed out, a high opportunity community, high-cost neighborhood, that creating more 30 percent and below units are really the biggest part of our mission in trying to reach folks who are really at a very vulnerable state is a big part of our mission where some of the partnerships may be looking to do more mixed income or a combination of market income and low income.

In Cambridge, we feel the market kind of takes care of itself with the robust development activity happening. We are interested in potentially partnering with -- outside of Cambridge with other housing authorities and that would be maybe an instance where we could get involved with a private developer partnership if it makes sense and it was moving the deep affordability needle in the way that I think rings really true to our mission.

Jaime Bordenave: Okay. Thank you for that. Question for Stacy, can a housing authority transfer some of its Faircloth-to-RAD authority to another housing authority?

Stacy Harrison: So the short answer is yes, the long answer is we haven't actually had any PHAs do this. We've had conversations with a few different PHAs in different geographic regions that are interested in partnering with PHAs where one PHA may have available authority under their Faircloth limit and another PHA wants to use their HAP reserves to augments rents.

And so we've gotten PHAs with different ideas of how to collaborate and share resources, but we haven't actually had a PHA transfer their Faircloth authority. It could be an involved process that we would have to engage OJC and map out a vehicle for making that happen and transferring that authority.

So it's not something we've done. And so we can't speak to what a PHA should necessarily prepare to do if they want to pursue that, but in any event, our -- you know, HUD is open to exploring it with PHAs if they want to pursue that.

Jaime Bordenave: Thank you. And Julia, back to your question about comments on the options on that list, I want to go back and mention that several authorities that have Faircloth authority are using an RFP process. Philadelphia, for example has a major effort where they want their partners to bring the land, bring the projects and they'll project, as you would on the RAD side, with a transfer of assistance model.

Even Minneapolis, which has, I don't know, about 800 units that they got through cashing in their scattered site units for tenant protection vouchers, they have an RFP process for the regular housing choice voucher program and they're looking to modify that or adopt that to be able to bring in partners to receive in effect the equivalent of housing choice vouchers with the Faircloth-to-RAD units. So they're looking at developing a plan for that approach.

Julia Jones: Great. And we have someone in the chat who may be from Philadelphia Housing Authority saying Philadelphia Housing Authority has closed two Faircloth-to-RAD projects and six -- I'm sorry, two FTR and has six Faircloth-to-RAD projects with third-party partners on 9 percent LIHTC transactions. Very good.

I'm going to launch a poll that just is an opportunity to folks to ask more questions that they have about Faircloth-to-RAD and this is anonymous, so feel free to drop any remaining questions you have in that poll while we continue the discussion. And Jaime, I'll just let you keep asking your questions or Stacy, if you wanted to jump in.

Stacy Harrison: Well, I was just going to mention I saw George come off mute for a second when you were mentioning Philadelphia. So George, if there's anything else you wanted to share. I know that you have a couple projects in Philadelphia that are getting close to being ready to close on the RAD conversion part. And so you're nearing completion of those projects.

George: Yeah. Hey, everybody. Thanks. You know, PHA, it's actually done in RFP. We've done it with our -- for the past 10 years and initially, these were just ACC mixed finance public housing developments and would operate as such and obviously, with Faircloth-to-RAD, we converted to an RFP that will be -- will fund Faircloth.

So we've had -- we did it last year and we time it coincide with the 9 percent LIHTC application so that we can get awards, so when they apply, they can have a sense of the subsidy that they'll be getting. I mean, we're fortunate we get a lot of 9 percent awards in Philadelphia. So from this last tax credit round, we closed two Faircloth-to-RAD, I think a word I missed in that note was we have six more in the pipeline.

So now those will go through, get constructed and obviously go through the rest of the RAD conversion process. In the meantime, we're going back and doing a RAD conversion of all of our ACC operating subsidy only developments as well.

Clara Fraden: How do you break down the roles, George, between what the housing authority does and whoever wins the RFP, like the developer in the Faircloth-to-RAD process? How do you -- do they handle all the interface with HUD or do you all do that? How do you break down the roles there?

George: We pretty much manage the interface with HUD and that aspect of it. You know, we have a call every two weeks with HUD and we go through all the developments, because we have so many in the pipeline, we just -- so we set it up that way, but we handle, for the most part, all the RAD milestones.

We believe they're handled or directed. You know, our third-party partners are -- they're getting a lot of experience and the other part that we're lucky is these are, for the most part, all nonprofits. So we work with them and have worked with them for the last 10 years. So they are pretty familiar with the process and they understand the RAD milestones, but we do tend to manage it ourselves.

Julia Jones: Great. Does anyone else have any questions related to the projects in Philadelphia or working with private developers? We did have a few questions come in in the poll that were a little more general, but I want to leave space if there's any follow-up to that great discussion. Seeing no one come off mute, we do have one question about, how does the MTW overlay on RAD to boost rents work?

Margaret Moran: I'll get that one. So as Clara sort of said, there's the differential between the 110 percent of FMR and the RAD rents. So we calculate that to see what the dollar amount is and then we assess whether we have the flexibility in our HCD voucher that we get through MTW to cover that cost long term and if we do, we're able to do the overlay, if we don't, then we can't.

And one of the concerns that we have, given that we have 1,500 Faircloth units is that we actually will not -- we know we don't have enough MTW flexibility to actually overlay the full amount of the Faircloth rents that we have and we're looking at a project right now where the NAR rents are not even high enough to cover the annual operating costs of a new unit, let alone provide any support.

So our next reality dose that's going to come much sooner than we prefer is going to be that absent our ability to not have the -- you know, having maxed out our MTW resources. You know, we're going to be not able to progress to Faircloth units as fast or as meaningful as we'd like to.

Julia Jones: Great. Thank you for that answer. And this might be for Margaret. I know Clara covered a little bit of this in her presentation as well, someone indicated they would like more detail about the approval steps from the NAR to closing. So how you get from point A to point B.

Clara Fraden: I can talk about that a bit. I mean, the formal -- so you'll get like a formal FHEO approval. That's one approval step. Honestly, on the accessibility review, we didn't receive a formal approval document, but I do know that the accessibility team sent their sign-off to the mixed finance team.

So Stacy, definitely correct me if we missed a step there, but that's more like in the background. We met with the accessibility team, but it's not like we actually received an approval letter that you do for FHEO. Then other than that, the only actual approvals you get are at the mixed finance approval and the RAD approval which comes in the form of an RCCA, the RAD Conversion Condition Approval, I guess.

Stacy Harrison: You got it. Mm-hmm.

Clara Fraden: But -- and those are the only formal approvals you get along the process, but I will say that there's many kind of informals.

So like you're sending your mixed finance development proposal and your evidentiary docs to the HUD teams and then the local field office legal team is reviewing the evidentiary docs and then they sign off and then it goes to HUD's Office of General Counsel and then they sign off, but again, those are all, I don't want to call t hem informal, but it's not like you're getting a formal document.

They're checking these boxes to progress the application. I don't know if that answers your question.

Stacy Harrison: I'll just piggyback on that too. So we have a lot of PHAs that have NARs but haven't gone to the next step yet.

So a lot of times what we do in that period of time is if the PHA is interested in what to do next and it's not clear to them, we get on a call with our partners and the office of public housing investments and talk about what they should be doing to get few components started on the mixed finance development proposal before they're ready to make that complete submission.

So Clara talked about the FHEO approval, site neighborhoods review, the UFAS, I think there's one more approval in the field that is handled with your local regional field office before you're really ready to submit the full development proposal to public housing headquarters' office.

So we like to get in touch with the PHA and have a meeting so that we can guide you on the best next steps to take in preparation of that submission and then on HUD's mixed finance website, they have the development calculator that you'll have to complete as part of that submission and the submission form tells you all the components.

It's a HUD form document that's on their website too that tells you all the components of that submission. And sorry, just to go back, one of the other field office approvals that the PHA will need is the environmental -- the [Inaudible] 58 review gets reviewed and approved by the field office too.

So there's a few things that are kind of preliminary before you're ready to submit the mixed finance development proposal and as Clara said, you're working with your grant reviewer in the office of public housing investments on their review and underwriting of the full proposal and then eventually, once you get through the evidentiary review, you do get a mixed finance approval letter. So that really is the point in time in which you're approved to begin construction on the project.

Julia Jones: Great. We have about five minutes left. I have one more question from the poll to ask before we start wrapping up. If a site is in an area of minority concentration, what format would HUD like to see documentation demonstrating that a site either meets the revitalizing area or neighborhood plan exemption criteria? And that was a lot of words, so I can repeat that if that's helpful, Stacy.

Stacy Harrison: Yeah. I might need to phone a friend if Nick might perhaps be better positioned to answer that question. So can you just repeat it again?

Julia Jones: Yeah. This is about if a site is in an area of minority concentration, what format would HUD like to see documentation demonstrating exemption criteria? So one being the revitalizing area or two being the neighborhood plan exemption criteria. What would HUD like to see for those?

Stacy Harrison: Yeah. So as I had mentioned a minute ago, like the site neighborhood standards review is done by the field office, the FHEO staff, but Nick, do you have any insight as to what documentation -- what format that takes and just anecdotally, if you know?

Nick: No. I don't, actually, because it's something that's performed by -- you know, our office in office of urban revitalization, a lot of times, are a liaison for these pieces to come from different parts of HUD, like Clara mentioned, other parts of HUD like FHEO outside of PIH is doing that review.

So if there's an exemption or a formatting issue, it's kind of their -- the ball's in their court to guide us, but we look at the capital fund rule and a lot of our projects have PBVs layered in. So there's site neighborhood regulations there as well in 983. These are all good guidances to follow to submit and then you submit it to the field office and they interface with FHEO for that review and approval.

You should receive it back and then the grant manager from our office will -- that's a -- you know, has been sent a component piece of the review process here.

Stacy Harrison: So if it's helpful, you can certainly reach out to me directly, we can set up a call if you just want to talk through what the next step should be for that. We call it a concept call, but really, you don't have to have any major milestones reached in your development process to do that, we really just want to help facilitate the conversations to help inform you what steps to take next or first.

Nick: And I'll also mention we have the email address for our office, we're office of urban revitalization, so it's easy to remember, it's our@hud.gov.

Any questions, even site neighborhood standards questions like that you can submit to our@hud.gov and that's a monitored mailbox and Faircloth-to-RAD questions, any mixed finance questions and you don't know where to start, that's a great place to start and if it needs to come in that way, that's always an open avenue for a question.

Julia Jones: Great. Jaime, anything from the TA perspective to add?

Jaime Bordenave: No. I'm going to hit Stacy up with one more question, easy one, Stacy. So for a protracted process, somebody like Cambridge got their NARs in 2021, are there OCAFs issued on the NARs or do the NARs evolve, do they get adjusted over time or pretty much what was issued initially is what the budget ends up with with OCAFs' adjusted going along?

Stacy Harrison: Yeah. Good question. So they will get OCAFd, but we don't routinely issue OCAF NARs. So the NAR stays in place and then once the project is complete and we're getting ready to do the RAD conversion, we issue an actual CHAP and will apply the OCAFs to the CHAP and the inflated rents will appear in the RCC.

There's an actual RCC that gets issued right before they can submit their closing package. So they do, we just don't do it in real time, because we don't want to find ourselves in a perpetual NAR amendment sequence.

Jaime Bordenave: Yeah. Understood. Thank you.

Julia Jones: Wonderful. Well, we are about at time. Thank you all for your participation and to Margaret, Clara, Matt and Jaime for joining us and sharing your experience. We found it to be really helpful to have these peer-sharing sessions. A few reminders, we'll have two more of these Faircloth-to-RAD peer learning sessions throughout this year.

We hope you can join us for those as well. So keep a lookout for those. The session today was recorded, we'll post that to RAD Resource Desk with a presentation in the next few weeks. That presentation has all of the links that I've been perpetually pasting into the chat just so that you have them.

So once we get that presentation posted, you'll have access to all these links again as well. Immediately following this webinar you'll receive an invitation to complete a survey on the webinar. We ask that you please leave any feedback that you have for us so we can improve our next two sessions.

And with that, I just want to thank you again and enjoy the rest of your day. I hope we see you next time.

Stacy Harrison: Thanks, everyone.

Jaime Bordenave: Bye.

Margaret Moran: Take care. Bye.

Clara Fraden: Thank you.

George: Bye.

(END)