Rental Assistance Demonstration (RAD)

National Low Income Housing Coalition

March 17, 2013

AGENDA

- RAD Basics (5 min)
- Initial Public Housing Award Characteristics (5 min)
- Key Resident Provisions (10 min)
- Toolkit Overview (5 minutes)
- Q & A (35 minutes)

RAD Basics

GOALS

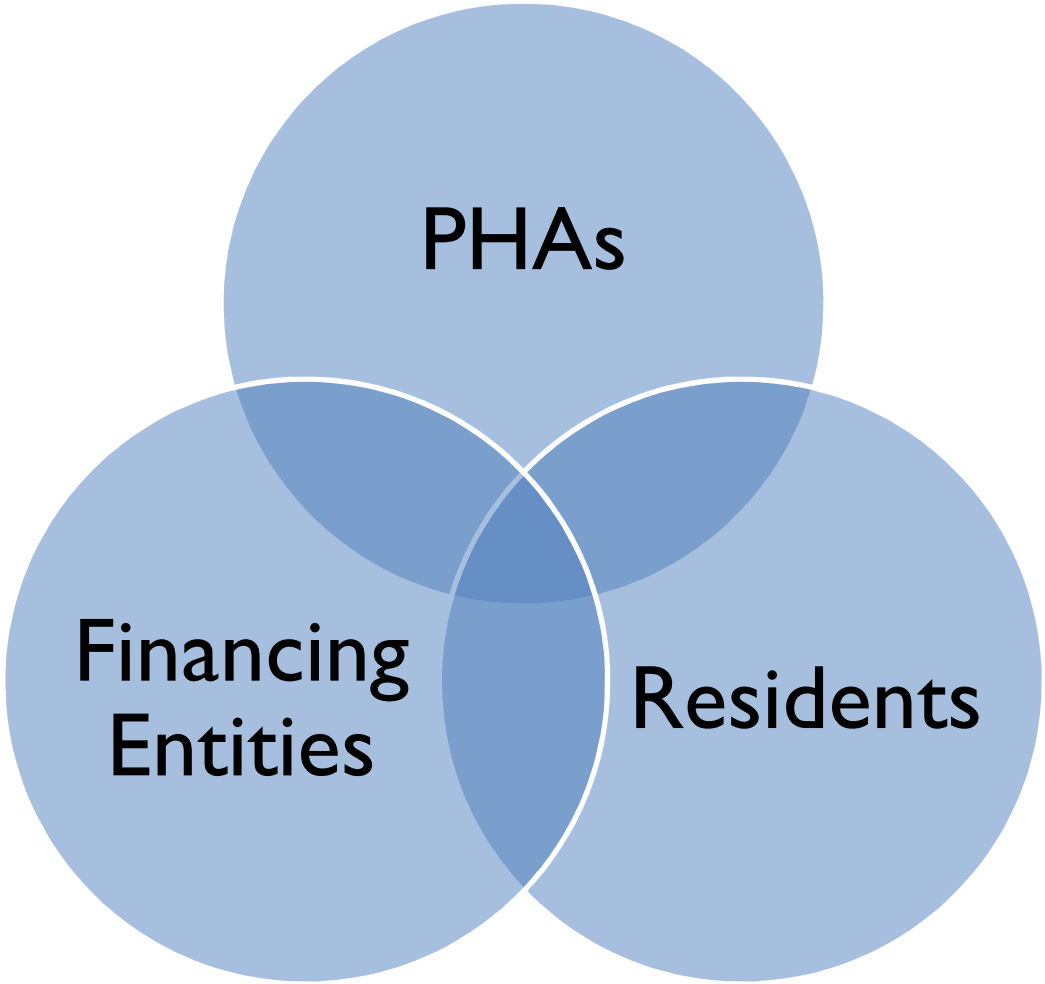
Rental Assistance Demonstration (RAD)

Allows selected Public Housing & some at-risk assisted Multifamily housing programs to convert to long-term, project-based Section 8 voucher Housing Assistance Payment (HAP) contracts

Goals

- *Improve and preserve* public housing units
- Provide more *stable funding* to public housing units
- Offer residents greater *choice & mobility* in where they live

THE RAD COMMUNITY

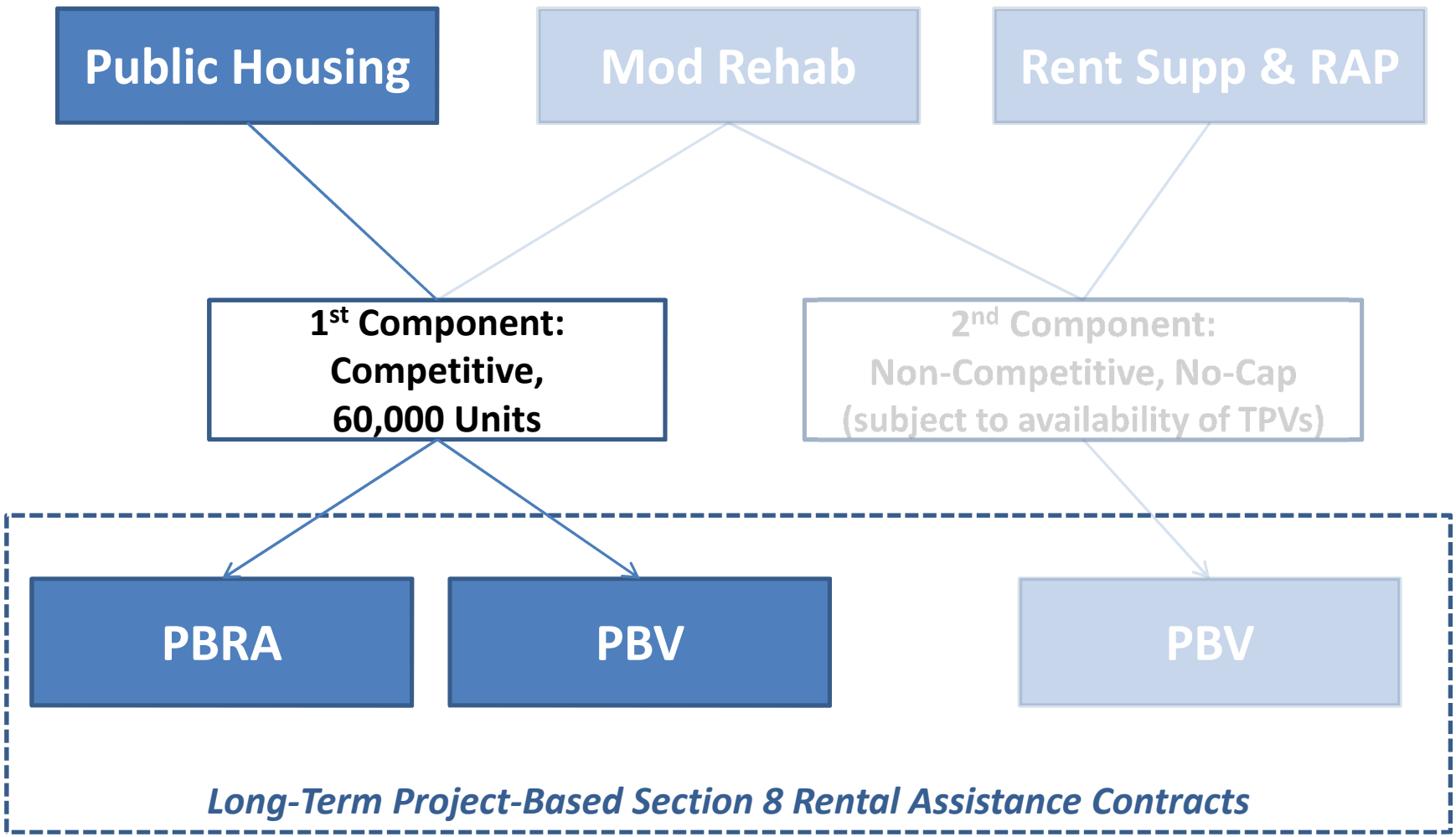


Role of Residents in Developing RAD

- **Resident input a key driver in the evolution of TRA → PETRA → RAD**
  - Partnered with National Housing Law Project (NHLP) to conduct nationwide resident outreach for TRA
  - Resident Engagement Group (REG)
  - Historic resident convenings at HUD
  - Meetings with Secretary Donovan and senior HUD staff
  - Continued meetings with residents and advocates during RAD development

- **RAD is not TRA or PETRA**
  - A limited demonstration which reflects input from residents and advocates that were part of the process from the start

RAD Conversion Authority



RAD Conversion Authority

- **RAD is voluntary – PHAs choose to apply**
- **Up to 60,000 Public Housing units can convert assistance**
- **Assistance converts to long-term, property-based Section 8 contracts, either**
  - Project Based Voucher (PBV) Contracts, administered by HUD's Office Public and Indian Housing (PIH)
  - Project Based Rental Assistance (PBRA) Contracts, administered by HUD's Office Multifamily Programs (OMFP)

Initial Public Housing Award Characteristics

Public Housing & Mod Rehab Awards

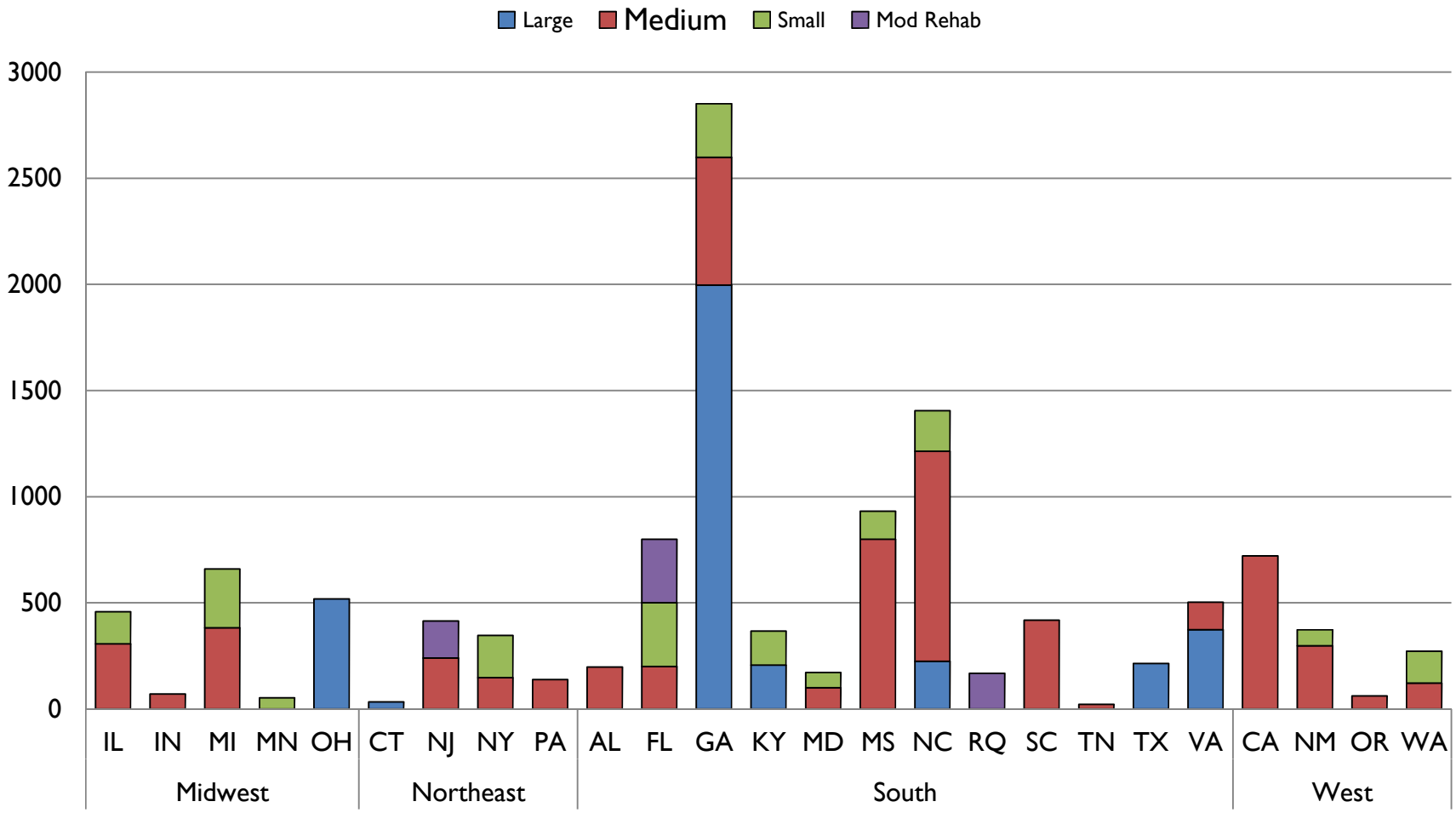
Initial Public Housing Awards

Total Public Housing Applications	116
Total Awarded Public Housing Projects	112
Total Awarded PHAs	70
Total Awarded Public Housing Units	12,112

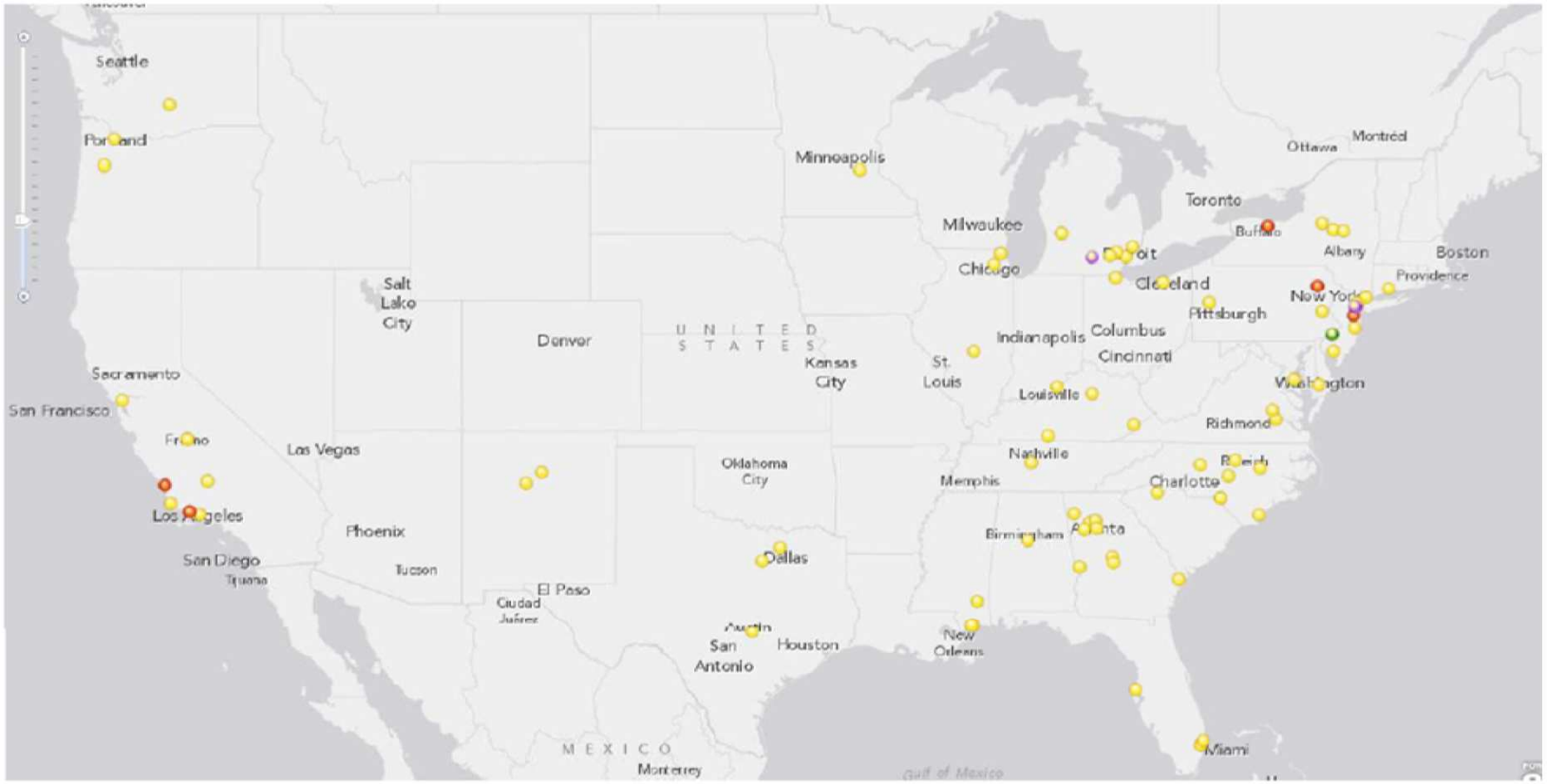
Initial Mod-Rehab Awards

Total Mod Rehab Applications	3
Total Awarded Mod Rehab Projects	2
Total Awarded Mod Rehab Owners	2
Total Awarded Mod Rehab Units	343

First Component Awards by State & Region



INITIAL RAD AWARDS MAP



Public Housing Initial Awards – Key Characteristics

Mix of PHA Sizes Applied

- 32% Small (<250 Units in Inventory)
- 52% Medium (251-1,249 Units in Inventory)
- 16% Large (1,250+ Units in Inventory)

Mix of Proposed Conversion Type (by Project)

- 54% Project Based Vouchers (PBV)
- 46% Project Based Rental Assistance (PBRA)

Mix of Capital Repairs

- $518M in construction-related improvements
- Average of ~$40,000/per unit

Key RAD Provisions

Resident Notification & Consultation

PHAs must notify and consult with residents in advance of, and throughout, a RAD conversion

- Prior to Application
  - Conduct at least two meetings with residents of affected projects
  - Provide opportunity for residents of proposed projects to comment
  - Address resident comments in writing
- Upon initial approval (PHA receives a Commitment to Enter into HAP, or CHAP), conduct at least one more resident meeting
- Upon Issuance of RAD Conversion Commitment (RCC)
  - Notify each affected household of conversion approval
  - Inform households of specific conversion plans/impacts
- Affected households that do not want to transition to new program can be offered transfer to other Public Housing as available

Significant Amendment Change

RAD conversions are a "Significant Amendment" to a PHA Plan

- Discussions with resident organizations and other residents can begin at any time
- HUD requires that the Significant Amendment be made after initial approval is granted (CHAP)
  - Can be 2 months after a conversion application is submitted
  - Well before final conversion is approved (HAP)
- RAB involvement, PHA-wide notice, broad public outreach & public hearing required as part of Significant Amendment

EXAMPLE: HA OF FRESNO CITY & COUNTY

Pre Application

- Held 3 Meetings to explain RAD
  - Engaged residents in selecting project architect and designs
  - Resident priorities incorporated into project design and budget

Post Award

- Further opportunities for design input (co-drafting design standards, choosing colors/material, etc.)
- Assessing and preparing residents for employment opportunities
- Specific engagement around temporary relocation process

Public Housing Provisions

PHAs must maintain same # of deeply affordable units

- Must convert all or substantially all units in covered project

No Permanent involuntary displacement of residents as a result of conversion

Long-Term Affordability

- Initial Contract Terms: 20 (PBRA) and 15 (PBV) years
- Contract Renewal: Secretary must offer, and PHA must accept
- Use Agreement: Long-term use agreement extended with each contract renewal

Conversion will not require a change in ownership

- Public or non-profit ownership or control, two exceptions

Resident Choice-Mobility

PBV—adheres to current program rules

- Minimum residency: 1 year
- Waitlist priority if tenant-based assistance is not immediately available

PBRA—different rules

- Minimum residency: 2 years
- PHA may limit Choice-Mobility vouchers to 1/3 of turnover vouchers, or moves to 15% of the project's assisted units
  - If limited, resident wait-list policy for HCVs to exercise choice-mobility option
- HUD may exempt up to 10% of converted units under RAD from this requirement where no vouchers are available

Rent & Tenancy Provisions

Residents will continue to pay 30% adjusted income

- If monthly rent increases by more than greater of 10% or $25 purely as a result of conversion (only likely in "flat rent" scenarios), rent increases will be phased in over 3 years (or 5 years if PHA elects)

No rescreening of residents upon conversion – will not affect continued residency

Residents will have the *right to return* if rehab or construction requires temporary relocation

Permanent involuntary displacement of residents may not occur as a result of RAD

Resident Provisions

- **Family Self-Sufficiency (FSS) & Resident Opportunities and Self-Sufficiency (ROSS-SC)**
  - FSS & ROSS-SC participants may continue in programs
- **Resident Participation & Funding**
  - Residents can establish & operate legitimate resident organizations
  - PHAs must recognize legitimate resident organizations
  - PHAs must provide $25 per occupied unit annually for resident participation per current PH program rules
- **Resident Procedural Rights**
  - PHAs must abide by additional (to PBV & PBRA) grievance and termination provisions to be consistent with rights afforded by Section 6 of the Housing Act

Resident Provisions

- **Resident Participation—instead of Section 964 provisions for Public Housing**
  - If convert to PBRA, then Multifamily Section 245 participation provisions apply
  - If convert to PBV, then provisions similar to Section 245 apply

- **Section 964-like protected activities include**
  - Right to establish and operate a "legitimate resident organization," including
    - Leafleting, surveys, site meetings
    - Respond to PHA requests to increase rents, changes in utilities, make major capital repairs, prepay loans

Resident Education Toolkit

Purpose of Resident Toolkit

- **Provide a set of resources to residents of participating (and potentially participating) Public Housing projects**
  - Cover many topics relevant to residents
  - Easy to understand
- **Encourage broader participation and information sharing**
- **Clarify where to go for certain types of information (e.g. leases, handbooks, Notices, etc.)**

Resident Toolkit Topics

Toolkit #	Toolkit Title
1	Why RAD?
2	Overview of residents' rights
3	Relocation and right of return
4	Rescreening
5	Renewal of the lease
6	Phase-in of any tenant rent increases
7	Resident procedural rights
8	Choice-Mobility options
9	Family Self Sufficiency (FSS) and Resident Opportunities for Self-Sufficient (ROSS)
10	Resident involvement in RAD decision-making
11	Resident participation and funding
12	Next steps in the conversion process including milestones and timing
13	Training on project-based vouchers (PBV) and project-based rental assistance (PBRA)
14	RAD for Mod Rehab, Rent Supp and RAP
15	Glossary

RESIDENT TOOLKIT SNAPSHOT

Issued: February 2013

RENTAL ASSISTANCE DEMONSTRATION PROGRAM

IMPACT ON RESIDENTS

TOOLKIT #1: WHY RAD?

WHAT IS THE PURPOSE OF THE RENTAL ASSISTANCE DEMONSTRATION?

The **Rental Assistance Demonstration (RAD) is an initiative of the Department of Housing and Urban Development** that seeks to preserve public and other affordable housing by providing owners and Public Housing Authorities (PHAs) with access to additional funding to make **physical improvements to properties**.

RAD in the public housing program is a **limited demonstration** (that is, up to 60,000 units can be selected to participate), and all public housing applications must be received by September 30, 2015. Participation is strictly voluntary, and interested PHAs and owners are required to submit an application for their property to be considered under RAD.

In order to inform residents and encourage their participation in RAD, the Department of Housing and Urban Development (HUD) has created a series of toolkits, which can be accessed through HUD's website at **www.hud.gov/rad/residents. Toolkit#1: Why RAD?** provides an overview of RAD with an emphasis on those changes that will impact residents of units that convert to other programs under RAD.

Assistant Secretary Sandra Henriquez touring a property that will undergo a RAD conversion in Cleveland, OH.

RAD Toolkits for Residents

✓ **#1: Why RAD?**

Impact on Residents

#2: Overview of Residents' Rights
#3: Relocation and Right to Return
#4: Rescreening
#5: Renewal of the Lease
#6: Phase-in of Rent Increases
#7: Resident Procedural Rights
#8: Choice-Mobility Options
#9: Family Self Sufficiency (FSS) and Resident Opportunities for Self-Sufficiency (ROSS)

Resident Involvement in RAD

#10: Resident Involvement in RAD Decision-Making
#11: Resident Participation and Funding

Other Information about RAD

#12: Next Steps in the RAD Conversion Process
#13: Training on Project-Based Vouchers (PBV) and Project-Based Rental Assistance (PBRA)
#14: RAD for Mod Rehab, Rent Supp and RAP
#15: Glossary

TOOLKIT #1: WHY RAD?

WHAT PROGRAMS ARE ELIGIBLE FOR RAD?

Properties that receive funding from the following programs administered by HUD will be eligible for conversion: Public Housing, Moderate Rehabilitation (Mod Rehab), Rental Supplement (Rent Supp) and Rental Assistance Payment (RAP).

WHAT DOES RAD MEAN FOR ME AS A RESIDENT?

City, Bessemer Housing Authority and HUD officials celebrate announcement of housing renovations

Leaky roofs, outdated heating and plumbing systems, windows and floors in need of replacement - if you are a resident of public housing, these issues might seem very familiar to you.

Your unit receives funding from HUD based on the amount that is allocated to your PHA or owner through various programs by Congress. There is simply not enough money in the budget provided by Congress to cover all the necessary repair costs in most affordable housing programs.

This problem is particularly serious in the Public Housing Program, where funds are often prorated, meaning that the Congress provides less funding for your unit than the estimated need. The bottom line is that the backlog of public housing capital needs is currently estimated at $26 billion or $23,365 per unit (this number does not include backlog costs associated with Mod Rehab, Rent Supp, and RAP). This backlog is not something that happened overnight or even within the past year. The public housing capital needs backlog is the estimated costs of repairs and replacements beyond ordinary maintenance accumulated over many years due to insufficient funding.

RAD conversion offers your PHA or owner a way to repair your unit, your building, or your sidewalk. Upon conversion, PHAs and owners will be funded from a more stable property-based Section 8 voucher program source. In addition, PHAs will also be able to more easily borrow money and use low income housing tax credits (LIHTCs) and other forms of financing, which will allow the housing authorities to make much needed capital improvements to your unit.

WHAT IS CONVERSION? WHAT DOES CONVERSION MEAN TO ME?

Conversion under RAD means that your unit will no longer receive funding from the current program. For example, if your unit is currently public housing, your unit will no longer receive funding from the public housing program. Instead, your unit will now be under the Section 8 voucher program, and you as a tenant will be provided a project-based voucher (PBV) or project-based rental assistance (PBRA) voucher.

Changes in your unit's funding source will have minimal impact on you as a resident. You will still live in your unit, pay the same amount of rent in most cases and be able to exercise most of the rights that

2

Resident Toolkit Dissemination

- **Publication on RAD website**
  - Including re-design of website and a page just for residents
- **Toolkit topical Webinars**
  - With participation from advocates and other leaders
- **Possible regional or HQ training**

HUD is also in process of collecting resident contact information from each awarded PHA for information sharing purposes

RAD EVALUATION

3-Year Authority (to September 30, 2015) for Public Housing & Mod Rehab

Asses for Public Housing conversions:

- Impact on preservation and improvement of covered projects
- Impact of conversions on residents
- Amount of private capital leveraged as a result of conversion

Asses for Mod Rehab, Rent Supp & RAP conversions:

- FY 2006-2014 Authority
- Comptroller General of US to conduct study of long-term impact on ratio of tenant-based vouchers to project-based vouchers.

RAD Web Page

RAD Notice, application materials, and additional resources can be found at

www.hud.gov/rad

Email questions to rad@hud.gov
My Email: Leila.Bozorg@hud.gov

APPENDIX

WHY RAD—PUBLIC HOUSING?

Public Housing Inventory

- ~ 1.15 million units across 3,100+ PHAs
- Capital repair needs in excess of $25.6B across portfolio ($23,365/unit)
- Section 9 funding platform unreliable (pro-rations, appropriation cuts), limited access to debt/equity capital (declaration of trust)
- Losing 10,000-15,000 hard units/year

WHY RAD—MULTIFAMILY HOUSING?

HUD's Legacy Programs (the Orphans)

- Section 8 Moderate Rehabilitation (Mod Rehab) ~ 23,000 units
  - Cannot renew on terms needed to secure financing
- Rent Supplement (Rent Supp) & Rental Assistance Payment (RAP) ~ 22,500 units
  - No option to renew when contracts expire

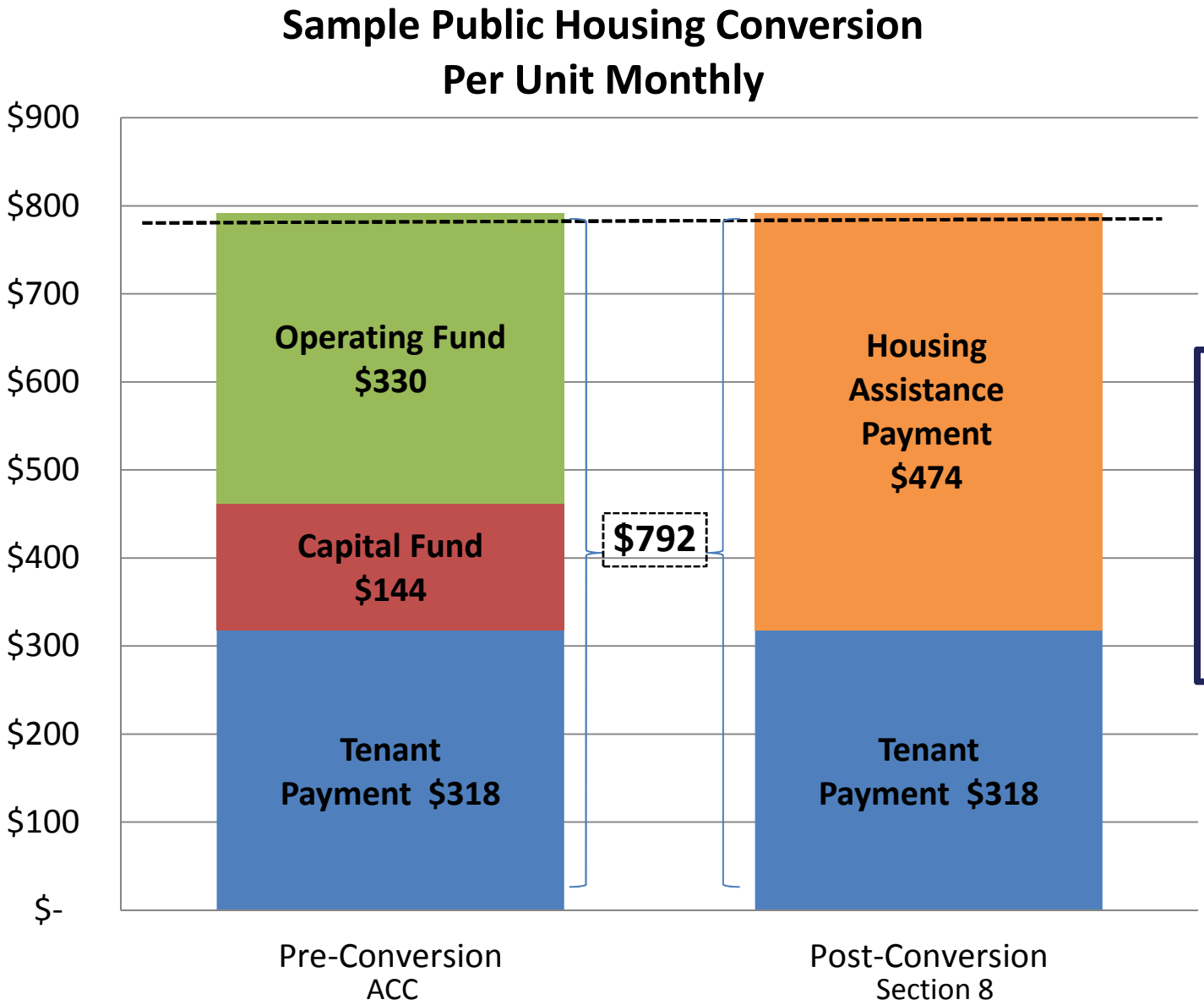
RAD Legislative History

- **February 2010:** FY11 Budget requests $350M for Transforming Rental Assistance (TRA) initiative
- **May 2010**: "Preservation, Enhancement, and Transformation of Rental Assistance Act of 2010" (PETRA) - Administration's bill
- **December 2010**: "Rental Housing Revitalization Act" (RHRA) introduced by Rep. Ellison and co-sponsors
- **February 2011:** FY12 Budget requests $200M for a "Rental Assistance Demonstration" (RAD)
- **August 2011**: RAD language submitted as "Technical Drafting Service" (TDS) to Rep. Ellison, Rep. Bachus, and Senator Shelby
- **November 2011**: FY12 Appropriations minibus authorized RAD

RAD Status

- **November 2011**: FY12 Appropriations minibus authorized RAD
- **March 2012:** Initial Notice for Public Comment (PIH Notice 2012-18)
- **April 2012:** Public Comment
- **July 2012:** Final RAD Notice (PIH Notice 2012-32)
- **September 2012:** Initial Application Window
- **December 2012:** Initial Awards Announced
- **Now:** Ongoing Application Window (open until sooner of 60,000 units or 2015)

RAD Rents for Public Housing—Current Funding



At closing, funding is converted to a Section 8 contract rent

Public Housing Initial Awards – Key Characteristics

Capital Needs

- 22% New Construction
- 78% Rehabilitation
  - 24% proposed Greater than $50K in repairs
  - 23% proposed $30K – 50K in repairs
  - 21% proposed $10K – 30K in repairs
  - 32% proposed Less than $10K in repairs

Public Housing Initial Awards – Key Characteristics

$ 977 Million in Total Financing Sources

- $74 million PHA Supplied
- $257 million 1st Mortgage
- $409 million in 4% & 9% LIHTC
- $237 million in Secondary Financing

Public Housing Initial Awards – Additional Key Characteristics

9,470 Jobs from $650 million in leverage*

- 4,895 Direct (construction, etc.)
- 1,565 Indirect (materials, etc.)
- 3,010 Induced (resultant consumer spending)

* Does not include PHA supplied funds or secondary financing sources

Initial Conversion Awards– Rent Supp & RAP

- 33 Conversion Requests Submitted
- 19 projects approved to date: ~2740 Units
- 38 Letters of Interest in Queue (for properties with natural contract expirations beyond FY14): ~4300 Units

KEY DATES

1st Component (Public Housing & Mod Rehab)

Initial Application Window Opened	9/24/2012
Initial Application Window Closed	10/24/2012
Public Housing Ongoing Application Window Opens	10/25/2012
Public Housing Ongoing Application Window Closes	Earlier of 60,000 units or 2015

2nd Component (Mod Rehab, Rent Supp, & RAP)

Rent Supp/RAP/Mod Rehab Requests for Conversions Under Final Notice	Ongoing

1st Component—Public Housing & Mod Rehab

Key Provisions
• Public Housing & Mod Rehab
• Convert at current funding only
• PBRA or PBV
• Cap of 60,000 units
• Choice-Mobility, with limited exemptions
• Extensive waiver authority to facilitate conversion
• First come, first served after close of initial competitive window (10/25/2012)
• All applications must be received by 9/30/2015

1st Component—Public Housing & Mod Rehab

Contracts & Post-Conversion Terms

- Option of PBRA or PBV contracts
- Long-term renewable use & affordability restrictions
- Secretary shall offer & the owner shall accept renewal of the contract
- Public or non-profit ownership or control, except after foreclosure, etc., or to facilitate tax credits
- Transfer of assistance to replacement units
- Public Housing Section 18 Demo/Dispo application not needed for conversion of substantially all units
- Requirements for assistance established through contracts, use agreements, regulations, etc
- Waiver authority for PBV, PBRA, Operating Fund, Capital Fund
- Evaluation

2ND COMPONENT—RENT SUPP, RAP & MOD REHAB

Key Provisions

- Upon contract termination/expiration, convert Tenant Protection Vouchers (TPVs) to PBVs
- No cap, but subject to availability of TPVs
- Choice-Mobility requirement per PBV program rules
- Limited waiver authority to facilitate conversion
- Prospective conversion authority through 9/30/2013
- Retroactive conversion authority back to 10/1/2006 (convert by 9/30/2013)

2ND COMPONENT—RENT SUPP, RAP & MOD REHAB

Provision	Requirement
Initial Contract Term	15 years
Initial Contract Rents	Per normal PBV rules
Contract Rent Adjustments	Annually per normal PBV rules
Contract Renewal	Per normal PBV rules (up to 15 years)
Resident Choice-Mobility	Per normal PBV rules
PBV Inventory Limitation	Exempt from 20% limitation
PBV Income Mixing	Raised to 50% per property; May go up to 100% if qualified for exemption
PBV Competitive Selection of Owner Proposals	Waived
Resident Consultation	Required