



Making RAD Deals Work in Regions III & IV

Charlotte, NC September 26-27, 2012





Let's Make RAD Deals Work!

- Understanding RAD
- What's critical for success
- When to get it done by
- Where to get assistance
- Where & how to get needed capital



CURRENT CHALLENGES



Public Housing

- Capital repair needs in excess of \$25.6B across portfolio, or \$23,365/unit
- Section 9 funding platform unreliable (pro-rations, cuts) prohibitive in accessing private debt and equity
- Losing 10,000-15,000 hard units/year

Section 8 Moderate Rehabilitation (Mod Rehab)

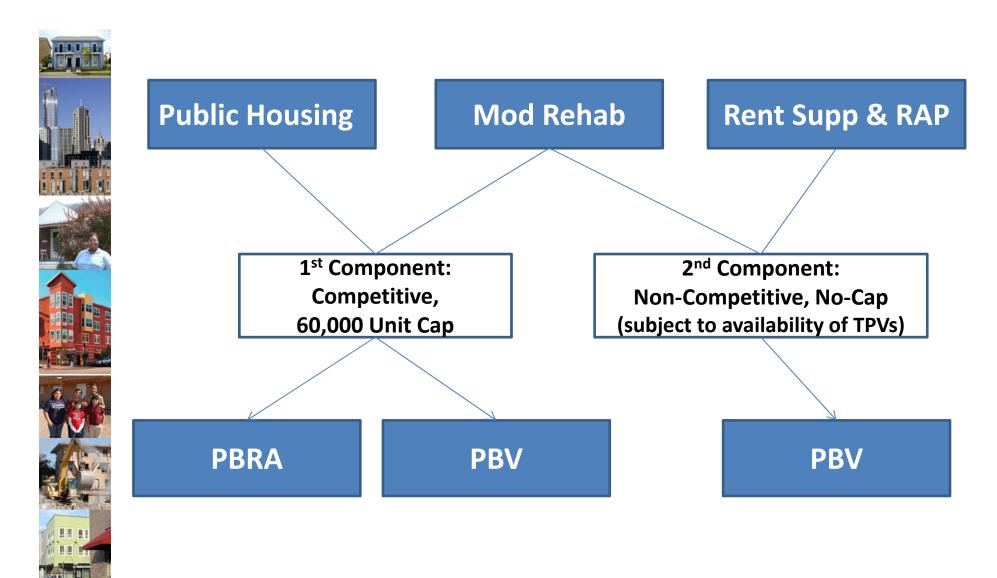
Cannot renew on terms needed to secure financing

Rent Supplement (Rent Supp) & Rental Assistance Payment (RAP)

No option to renew when contracts expire



RAD CONVERSION AUTHORITY







- Public Housing & Mod Rehab
- Can compete to convert assistance to
 - Project-Based Rental Assistance (PBRA) or
 - Project-Based Vouchers (PBV)
- Cap of 60,000 units (applications must be received by 9/30/2015)
- Convert at current funding only
- Choice-Mobility, with limited exemptions
- Extensive waiver authority to facilitate conversion
- Initial application period: September 24 October 24, 2012

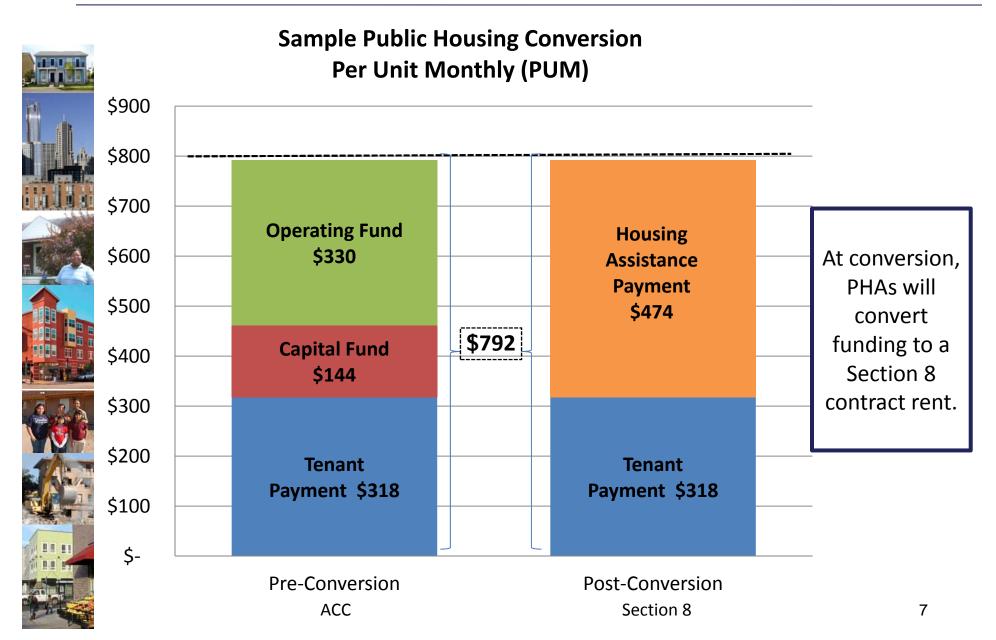




- Mod Rehab, Rent Supp, & RAP
- Upon contract termination/expiration, convert Tenant Protection Vouchers (TPVs) to PBVs
- No cap, but subject to availability of TPVs
- Choice-Mobility requirement per PBV program rules
- Limited waiver authority to facilitate conversion
- Prospective conversion authority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



CURRENT FUNDING ALLOCATIONS & RENT LEVELS





Current Funding—PBRA & PBV Rent Caps



PBRA Cap—lower of

- Current funding, or
- 120% of FMR (less utility allowance)
- EXCEPT where current funding is below market, wherein rent is limited to 150% of FMR

PBV Cap—lower of

- Current funding, or
- 110% of FMR (less utility allowance)
- Reasonable rent





Debt

- Conventional
- Secondary
- Credit enhancement

FHA Insurance

- FHA Streamlining
- LIHTC Pilot

LIHTCs

- Experience & capacity
- 9% availability & considerations
- 4% availability & considerations



FHA MULTIFAMILY MORTGAGE INSURANCE



Section 223(f)

- Refinance or acquisition
- Minor/moderate repairs (\$6,500/unit*high cost factor)
- Permanent debt with repair escrow up to 35 years
 - -90% rental assistance: DSC 1.15; Loan to Value: 87%
 - —Affordable: DSC 1.176; Loan to Value: 85%

Section 221(d)(4)

- Substantial rehab: 2 major building systems
- Construction/permanent debt all in one initial/final closing
- 40-year financing
 - -90% rental assistance: DSC 1.11; Loan to Cost: 90%
 - —Affordable DSC 1.15 Loan to Cost: 87%





Streamlined-Enhanced FHA 223(f) & LIHTCs

- Rehab expenditures of up to \$40,000/unit
- Tax credit or Bond Cap allocation in hand
- Located within selected Pilot Hub areas (or in the case of RAD projects, underwritten in an assigned Pilot Hub)
- Using MAP lender approved for the Pilot
- Low risk, meeting/sustaining occupancy requirements





1st Component (Public Housing & Mod Rehab)

Initial Application Window Opens 9/24/2012
Initial Application Window Closes 10/24/2012

Public Housing Ongoing Application Window Opens 10/25/2012

Initial CHAP Awards 10/2012

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

Rent Supp/RAP Requests for Conversions Under 3/8/2012

Interim Authority

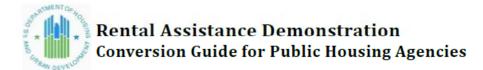
Rent Supp/RAP/Mod Rehab Requests for Conversions 7/26/2012

Under Final Notice



Public Housing Resources & Tools

RAD Conversion Guide for PHAs



This RAD Conversion Guide (Guide) is intended to assist public housing agencies (PHAs) as they prepare to apply for conversion of assistance under the Rental Assistance Demonstration (RAD) pursuant to PIH Notice 2012-32 (Notice). Accompanying the Guide is an Excel-based RAD Inventory Assessment Tool (Tool) available on the RAD website to help PHAs conduct first-level assessments of which properties in their inventory might prove to be viable candidates for conversion of assistance under RAD. The Guide and Tool are intended only as planning aids for PHAs. In the event of any discrepancy among the Guide or Tool and the RAD Final Program Notice, the provisions of the Notice govern. For more complete information and supporting materials on RAD, visit the RAD website at www.hud.gov/rad.

The Guide is organized in five phases:

- (1) Planning;
- (2) Identifying RAD projects: Building a preliminary Operating Budget and a preliminary Development Budget;
- (3) Resident Protections and Choice Mobility;
- (4) Assembling Your Development Team; and
- (5) Confirming Financing Partners.

The companion Tool will be most useful in Phase 2. The process of preparing to apply for RAD is likely to be an iterative one, wherein initial judgments are later reshaped or superseded as information about a potential project develops. For example, a lender's underwriting process



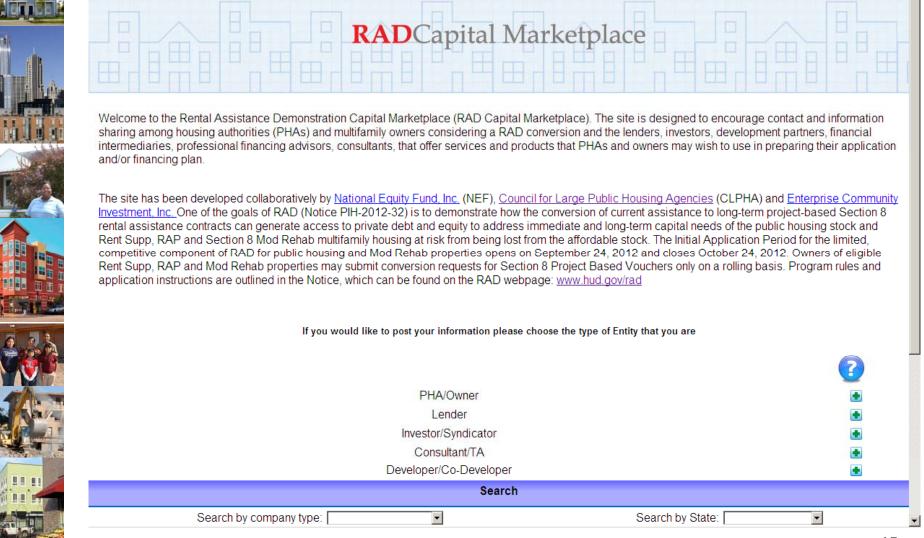
Public Housing Resources & Tools

RAD Inventory Assessment Tool for PHAs

		А	В	С	D	Е	F	G	Н	1
	1	RAD Inventory Assessment Tool for PHAs								
	2									
	3	Global Inputs (Affecting	All	P	roperties)					
	4									
	5									
ı	6	PHA Code			blank					
	7	PHA Name Blank PHA - Start tool entry for new property								
ı	8	Number of Properties	?		3					
		Parallela Data Carakii Danasaria								
		Populate Data for All Properties For This PHA								
	9	FOR THIS PILA								
ŀ	_									
		Enter the following inputs, which will be applied to all projects in the PHA's inventory. Each global input can be								
	10	modified for individual projects on the Inventory Overview sheet								
ı	11	First Mortgage Financing Terms								
	12	Interest Rate	?		0.000%	annual rate				
	13	Amortization Term			0	years				
	14	MIP or Other Credit Enhancement	?		0.00%	per year				
	15	Debt Service Coverage Ratio	?		0.00					
	16									
	17	Type of Rental Assistance Contract								
	18	PBRA or PBVs?								
	19									
	20	Initial Operating Expense Assumptio	n							
	21	Operating Expenses	?		No globa	l input				
ı	22						1			



www.radcapitalmarketplace.com





WHAT PHAS HAVE BEEN ASKING ABOUT?



- Defining RAD-Eligible Projects
 - Splitting AMPs
 - When Section 18 (demo/dispo) applies
- Application > CHAP > HAP Processing
- Choosing between PBVs or PBRA
- Procurement
 - Predevelopment expenses
 - Loans
- Resident Rights & Processes
- Current Funding Allocations & Rent Setting
- FHA Products





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

www.hud.gov/rad

Email questions to rad@hud.gov