



RENTAL ASSISTANCE DEMONSTRATION

SPECIAL NEWSLETTER ON PUBLICATION OF REVISED RAD NOTICE:
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"The affordable housing crisis is growing. RAD is part of the solution."
Secretary Julián Castro



RAD Happenings

RAD Reaches \$1 billion in Construction Activity

RAD has crossed a significant milestone by having officially spurred over 1 billion dollars in new capital investment in our nation's public housing stock. These investments will allow for critical rehabilitation efforts across the 18,079 public housing units which have converted under RAD. This achievement is a critical component of the Secretary's efforts to address the nation's affordable housing crisis, and reflects the commitment of both the public and private sector to ensuring high-quality, affordable housing for those in need.

Updated Financing Plan Guides Published

To reflect the changes in the revised RAD Notice (PIH Notice 2012-32, REV-2), HUD has updated instructions for submission of Financing Plans. There are three separate guides: one for no-debt and conventionally financed conversions; one for FHA transactions; and one for tax-credit transactions. Copies of these guides can be found [here](#).

End-of-Year Closing Instructions

In a July 17 memo, the Office of Recapitalization published the schedule for processing and closing RAD transactions before the end of the 2015 calendar year. This schedule is intended for PHAs that plan to close in this time frame:

- Upload all required Financing Plan documents no later than September 18, 2015
- Receive a RAD Conversion Commitment ("RCC") no later than November 2, 2015
- Submit counter-signed RCC no later than November 9, 2015
- Submit complete closing package no later than November 9, 2015

For FHA-insured transactions, applications for Firm Commitment should have been submitted no later than August 1, 2015. Note that any transactions closing in December will have a HAP effective of January 1, 2016.

FAQs Updated

HUD regularly updates the FAQ section of the RAD Resource Desk as a helpful resource for converting PHAs and PHAs contemplating RAD conversion. The FAQs often come directly from transaction managers who work with property managers and executive directors to facilitate RAD conversion. FAQs can be accessed on the RAD Resource desk, found [here](#). To search an FAQ from a given time period, use the "Start Date" and "End Date" fields to specify the scope of your inquiry. If you wish to access FAQs specific to Second Component conversions, indicate this field. To see all FAQs, leave both fields blank and click on the "Generate FAQ" button. Questions will be generated in a PDF file that categorizes questions types, e.g., application questions, capital funds questions, closing questions, etc. Within these categories, questions are sorted by date.

The **Rental Assistance Demonstration (RAD)** allows public housing agencies (PHAs) and owners of HUD-assisted properties to convert units to project-based Section 8 programs, providing an opportunity to invest billions into properties at risk of being lost from the nation's affordable housing inventory. RAD 1st component transactions cover Public Housing units as well as Section 8 Moderate Rehabilitation projects. Units that fall under this component are subject to a unit cap and are limited to current funding. RAD 2nd component transactions cover Rent Supplement (Rent Supp), Rental Assistance Payments (RAP), and Section 8 Moderate Rehabilitation projects. Unlike 1st component transactions, 2nd component transactions are not subject to the cap, but are constrained by the availability of tenant protection vouchers (TPVs). Both components allow housing programs to convert their assistance to long-term, project-based Section 8 contracts, providing a more stable source of funding.

The 1.2 million units in the Public Housing program have a documented capital needs backlog of nearly \$26 billion. As a result, the public housing inventory has been losing an average of 10,000 units annually through demolitions and dispositions. Meanwhile, the 38,000 units assisted under HUD's legacy programs are ineligible to renew their contracts on terms that favor modernization and long-term preservation. The current conditions of many of these properties inhibit investment and recapitalization efforts in the communities with the most need. By drawing on an established industry of lenders, owners, and stakeholders, RAD allows PHAs and owners of HUD-assisted housing to preserve and improve affordable housing units that could be subject to vouchers and demolition. RAD creates greater funding certainty while allowing increased operational flexibility to empower PHAs and owners to serve their communities.

As a result of the FY2015 appropriations bill, the Department has the statutory authority to convert up to 185,000 units through RAD's first component, representing a significant increase from the program's initial 60,000 unit cap. The additional authority will widen program participation, enabling more PHAs and HUD-assisted property owners to ensure access to quality, affordable housing for our nation's low-income families.

July Closings Spotlight

Reddick Street Apartments, Franklin Housing Authority, Tennessee

Reddick Street Apartments includes the conversion of 22 of 251 public housing units currently operated by the Franklin Housing Authority. These units are currently located at the PHA's Park Street Apartment site, which is one of eight public housing sites operated by the PHA. The PHA will convert assistance to PBVs and be transferring the assistance to a newly constructed family community located about 1/4 mile from the Park Street site. This conversion is part of the PHA's comprehensive redevelopment strategy to replace all of its public housing units into new, mixed income communities. Upon completion of the construction in 2016, the project will contain a total of 64 units, of which 42 units will be Low-Income Housing Tax Credit (LIHTC) rent-restricted units. The conversion is being funded through a combination of 9% low-income LIHTCs, a conventional mortgage, and other soft loan funds. Though not part of the RAD transaction, the PHA proposes to redevelop the Park Street site as affordable housing after the tenants have been relocated to the Reddick Street Apartments. Construction costs are \$151,632 per unit. Gross contract rents will be \$620 for 1-bedroom units, \$709-\$725 for 2-bedroom units and \$933-\$951 for 3-bedroom units.

"We look forward to the completion of the Reddick Street Apartments and our first RAD conversion," said Executive Director Derwin Jackson. "This program is an opportunity to provide more flexibility to our organization as we strive to better serve our community."



(Above) Rendering of Reddick Street

Victoria Street, Santa Barbara Housing Authority, California

The Housing Authority of the City of Santa Barbara (HACSB) recently converted eight of its properties through RAD (called, for convenience, the "Victoria Street group"). Victoria Street's RAD conversion is a "no-debt deal", where the HACSB will fund the rehab out of its Public Housing reserves. Of the 277 units of public housing operated by HACSB, 54 are converting through this RAD transaction. These 54 units included several

RAD Stats Through 08/03/15

RADOMETER

Total construction activity leveraged (closed projects, 1st component)

\$1,051, 567, 933

	Units	Projects
Active CHAPs	110,463	941
Multiphase/Portfolio Reservations	38,591	268
Closed Conversions	18,079	171
Applications Under Review	24,584	233
Total	191,717	1,613
Statutory Cap	185,000	N/A
Waiting List	6,717	N/A

	Units	Projects
Active Conversions	6,856	65
Closed Conversions	17,051	126

smaller sites, all with moderate levels of required rehab. The PHA decided to bundle these units into one transaction which allowed them to reduce their costs. The PHA will maintain ownership of the Victoria Street group through its instrumentality, the Santa Barbara Affordable Housing Group. Hard construction costs amount to \$8,535 per unit, with contract rents of approximately \$728 for a 2-bedroom apartment. The units are converting to PBVs.

"With RAD, we now have a predictable revenue stream such that we can operate this critical housing resource," Said Executive Director Robert Pearson. "Not only will these properties enjoy a predictable income stream, we can now access traditional capital resources enjoyed by the private sector so that we can properly maintain and improve these critical affordable housing properties"

(Right) Victoria Street Group Public Housing Units



For more information about RAD please visit our [website](#) and [resource desk](#). For specific questions please contact the RAD team at RAD@hud.gov.

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