



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



Welcome to Tom Davis! Please join us in welcoming Tom Davis as the new Director of the Office of Recapitalization. Tom joins us from Recap Real Estate Advisors, where he led the firm's affordable housing consulting practice and has been at the forefront of RAD, facilitating numerous public housing recapitalization transactions. We look forward to introducing Tom to our RAD stakeholders and hearing updates from Tom in next month's newsletter.

Revised Notice Published

On June 15, HUD published revisions to the RAD Notice, PIH 2012-32, Rev-2. A copy of the Notice can be found [here](#).

HUD launched the RAD program in 2012. Since that time, a total of 278 projects, representing 32,509 units, have converted assistance from the public housing, Mod Rehab, or Rent Supp/RAP programs to long-term Section 8 contracts (see RADStats on back page). The revised Notice captures the lessons learned from this experience by closing some policy gaps and clarifying various program requirements. The revised Notice also incorporates the statutory changes to the RAD program that were part of the 2015 HUD appropriations bill.

To help PHAs, owners, and other stakeholders learn more about these changes, HUD hosted a series of webinars on Thursday, June 17. The three webinars were taped and are accessible on the RAD Website.

Additionally, starting today, HUD will hold live question and answer sessions each Friday over the next several weeks.

- Questions on public housing will be addressed from 2:00-3:00 PM EDT. The first public housing session may be accessed here: <http://www.atconference.com/events/registration.aspx?ID=f9f9c936-a142-487d-888f-d7b7f6e326b0>.
- Questions on Mod Rehab, Rent Supp, and RAP will be addressed from 3:00-4:00 PM EDT. The first Mod Rehab/Rent Supp/RAP session may be accessed here: <http://www.atconference.com/events/registration.aspx?ID=730fbfcd-1afd-4d82-94da-d0c2ff2927de>.

Access information for future sessions will be sent by RADblast.

Public Housing Conversions

Q. How does the revised Notice impact residents?

A. The revised Notice maintains and strengthens key rights and protections for residents, including resident notification and consultation requirements; a right to remain or return to the property and a prohibition on re-screening of current residents; a continuation of the essential rights and protections provided under the public housing program, including, for example, funding to support resident organizations and participation; and an option for residents to become eligible for a tenant-based voucher, if they choose to leave the assisted property following conversion.

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.

Public Housing Conversions *continued*

Q. How does the revised Notice ensure the ongoing public stewardship of converted properties?

A. The revised Notice strengthens the conditions in which PHAs must preserve their interest in transactions using LIHTCs, while maintain the requirements that 1) in all other cases, converted properties be owned or controlled by a public or non-profit entity; 2) a Use Agreement be recorded as superior to other liens on the property; and 3) affordability and ownership and control requirements continue in the rare event of foreclosure, bankruptcy, or default under the HAP contract.

Q. When does the Notice become effective?

A. The Notice is effective immediately. However, with respect to the proposed changes in eligibility under RAD's First Component, the changes will be effective in 30 days following publication, unless, upon review of any public comments, HUD determines that any adverse comment leads to reconsideration. In that event, HUD will notify the public in a new revision immediately upon the expiration of the comment period.

Q. Does the revised Notice change any of the program's eligibility requirements?

A. No. All eligibility requirements remain the same.

Q. Does the revised Notice change any of the Selection criteria?

A. Yes. For any remaining authority under the cap, HUD will prioritize applications that are part of broader neighborhood revitalization and that have higher investment needs; this change in prioritizing awards will be effective in 30 days following publication, subject to public comments.

Q. Now that the Notice is published, when will Financing Plans be due?

A. For new awardees, Financing Plans will be due January 11, 2016, except for tax credit transactions, where the Notice provides new flexibilities to better align RAD with the tax credit program.

Q. Does the revised Notice change the requirements for the RAD Physical Condition Assessment (RPCA)?

A. As previously announced, HUD will be adopting later this year a new Capital Needs Assessment (CNA) eTool for all of its FHA and assisted housing programs. Once implemented, the new CNA eTool will also be required for all RAD transactions, with a grandfathering provision for existing awardees.

Q. Does the revised Notice change the methods for establishing contract rents or for annual adjustments in those rents?

A. No. The revised Notice simply affirms previous instructions that awards made pursuant to the initial 60,000 cap will have rents based on 2012 funding levels and others based on 2014 funding levels, adjusted by Operating Cost Adjustment Factors (OCAFs).

For "alternative subsidy" Moving to Work (MTW) agencies submitting applications after March 5, 2015, the Notice clarifies that rents will be established in accordance with 24 CFR 990 and not the "alternative subsidy" method (guidance that the MTW office previously provided to alternative subsidy MTW agencies.)

Additionally, to encourage energy efficient utility improvements, the revised Notice allows an increase in contract rents equal to 75% of the savings in tenant-paid utilities (utility allowances) for PBRA projects.

RAD Stats Through 5/31/15

RADOMETER

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

\$971,367,463



RAD 1st Component

	Units	Projects
Statutory Cap	185,000	N/A
Active CHAPs	104,489	879
Multiphase/Portfolio Reservations	36,035	246
Closed Conversions	17,214	164
Applications Under Review	19,346	183
Total Reserved Authority	177,084	1,472
Authority Remaining*	7,916	N/A

RAD 2nd Component

	Units	Projects
Active Conversions	3,221	25
Closed Conversions	15,295	114

* Excludes applications rejected and CHAPs revoked or withdrawn.

Q. Does the revised Notice change any of the requirements for Choice-Mobility?

A. All Choice-Mobility requirements remain as-is, except that, in the case of PBV conversions, the administering voucher agency may now reserve one out of every four vouchers for a family on its Housing Choice Voucher waiting list.

Mod Rehab and Rent Supp/RAP Conversions

Q. What are the major revisions for Mod Rehab, Rent Supp and RAP?

A. Key revisions include:

- To preserve housing for the homeless, provides that RAD eligibility now includes Mod Rehab SROs funded under the McKinney-Vento Homeless Assistance Act
- Establishes residents' right to remain or return to the property in all Mod Rehab/Rent Supp conversions.
- Provides an option for owners of Mod Rehab, Rent Supp, and RAP projects to convert to a 20-year project-based rental assistance (PBRA) contract.
- Ensures that Davis-Bacon wages apply to all rehabilitation/construction work.
- Requires all Mod Rehab conversions to be processed under the Second Component of RAD.

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

Click [here](#) to sign up for the RAD Mailing List!