

# The RAD Experiment Begins

## HUD Announces Initial Commitment Awards

The U.S. Department of Housing and Urban Development has given initial approval to the first transactions under the new Rental Assistance Demonstration (RAD) program, committing to issue new long-term contracts providing federal project-based rent subsidies to properties once owners have finalized all their funding sources.

RAD is designed to test new ways to upgrade public housing projects and certain HUD-assisted multifamily properties and preserve them as affordable rental housing, by providing them with new long-term rental assistance contracts that enable public housing authorities and owners to obtain private equity and debt that can help pay for renovations. This is done by converting the

current subsidies to the properties to long-term Section 8 project-based rent subsidies.

RAD, a voluntary program, has two components: one limited to public housing and Section 8 Moderate Rehabilitation (Mod Rehab) properties; the second open to owners of Mod Rehab, "Rent Supp," or "RAP" multifamily properties. (See sidebar for details.)

On January 10, HUD Secretary Shaun Donovan reported that HUD has approved applications and made 112 initial commitments to 68 public housing authorities (PHAs) to enter into new Housing Assistance Payment contracts to provide project-based vouchers or rental assistance to convert 110 public housing properties (11,910 units) and two Mod Rehab projects (343 units) owned by PHAs. These awards were from 116 total applications submitted during a competitive application cycle last fall.

In addition, as of mid-January HUD so far had approved 11 requests to convert Rent Supp and RAP properties containing 1,069 units under RAD's second, non-competitive component.

**RAD is designed to test new ways to upgrade public housing projects and certain HUD-assisted multifamily properties and preserve them as affordable rental housing.**

### Background on RAD

*Under the first component of the Rental Assistance Demonstration, public housing authorities may apply to HUD to convert the current subsidies for public housing properties to either project-based Section 8 vouchers or rental assistance under new contracts of up to 20 years. The same conversion choice was available in the initial competitive funding cycle to owners of Section 8 Moderate Rehabilitation (Mod Rehab) projects.*

*Under the second component, owners of multifamily properties assisted under three HUD "orphan" rent subsidy programs – Mod Rehab, Rent Supplement (Rent Supp), and the Section 236 Rental Assistance Program (RAP) – may apply to HUD to convert funding allocated for tenant protection vouchers issued upon the expiration of their current contract to project-based vouchers, under new contracts of up to 20 years.*

*HUD can approve conversions for up to 58,750 public housing units and up to 1,250 Mod Rehab units under the first component. The number of units that can be converted under the second component isn't capped but is subject to available HUD budget funding for tenant protection vouchers. **TCA***

### A Valuable Tool for PHAs and Owners

During a news briefing, Donovan said RAD "will allow public housing authorities as well as private owners of some assisted housing to preserve their affordable housing, to rebuild it and renovate it, by accessing for the first time new private funding sources."

He indicated that RAD will enable PHAs to make a dent in the current estimated backlog of \$25.6 billion in needed renovations to the nation's existing public housing properties, by enabling PHAs to access private debt, low-income housing tax credit equity, and other funding sources for approved projects and combine them with

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public housing funds to renovate and preserve public housing properties as affordable rental housing for the long-term.

“The public housing authorities that received these awards will be using RAD Section 8

contracts to accomplish a full range of really innovative things in their communities,” Donovan said. “In some cases they’ll be modernizing aging properties for families and the elderly, including energy retrofits that will save on long-term energy costs. In other examples they’re reducing densities of larger troubled projects and demolishing severely distressed or obsolete units while constructing new units nearby on a one-for-one basis.”

“Private owners of certain types of assisted housing with expiring subsidies will also be able to convert their

### RAD First Component: Public Housing Conversion Regional Pools

#### Number of Units

	NORTHEAST	MIDWEST	SOUTH	WEST	TOTAL
Awarded Authority	759	1,760	7,645	1,746	11,910
Remaining Authority	18,606	9,260	15,900	3,074	46,840
<b>Total</b>	<b>19,365</b>	<b>11,020</b>	<b>23,545</b>	<b>4,820</b>	<b>58,750</b>

Source: HUD; as of 12/19/12.

existing rental assistance to new long-term Section 8 contracts that will preserve and recapitalize this valued form of housing as well,” he continued. “If we hadn’t done this those contracts would run out and that affordable housing could have been lost forever.”

Donovan said, “Our next step is going to be to work with these winners to finalize their financial commitments over the next few months so that they can begin the renovation work that is so desperately need-

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ed. So we expect by this summer to have construction workers on the job, hammers swinging, and to see the renovations starting to happen.”

### Traits of Public Housing Awards

Of the initial 68 PHAs receiving initial awards, 84% are *small* or *medium* in size. *Small* is a portfolio of less than 250 public housing units; *medium*, 251-1,249 units. The South led all regions by far in awards (63 of 110 total commitments) and in units (7,645 of a total 11,910), followed by the Midwest, West, and Northeast. Most of the public housing projects are in small and medium-sized communities, not major cities.

Other facts about the approved public housing transactions are:

- 78% rehabilitation, 22% new construction.
- 54% of projects requested project-based vouchers, 46% project-based rental assistance.
- \$977 million in proposed total financing sources, including \$409 million from equity generated by 9% and 4% low-income housing tax credits; \$257 million in first mortgage debt; \$74 million from PHAs; and \$237 million in secondary financing.

Patrick Costigan, Senior Advisor in the Office of the Secretary, said the length of the new contract and type of project-based rent subsidy for each project (voucher or rental assistance) will be finalized after the PHAs finalize their funding sources. In their applications, PHAs had to request project-based vouchers or rental assistance, submit a statement of proposed sources and uses of funds, identify the proposed funding sources, and submit letters of interest from those sources. These and other materials were required to demonstrate that applicants met specified threshold and ranking criteria in the initial competition.

With the initial 30-day application period now over, HUD, by design, is now accepting additional applications from PHAs on a rolling basis and will review and approve applications on a first-come, first-served basis, subject to the 60,000-unit cap.

HUD, under the second component, continues to accept additional conversion requests from owners of Mod Rehab, RAP, and Rent Supp properties that have

existing rental assistance contracts scheduled to expire before October 1, 2013. The Department is also forming a “queue” for projects with later contract expiration dates and intends to invite owners in the queue to submit a formal conversion request during the quarter ending September 30, 2013. To be placed in the queue, owners must submit a letter of intent received by HUD no later than April 1, 2013.

(For a complete list of initial award recipients, related materials, and other details about RAD, go to <http://tinyurl.com/bgaqw8c>) **TCA**

## People

**Carol A. Galante** was confirmed in December by the U.S. Senate as Assistant Secretary for Housing/Federal Housing Commissioner of the U.S. Department of Housing and Urban Development.

**Ava Goldman** was recently named President of The Michaels Development Company, Marlton, N.J. She succeeds Robert Greer, who retired after 35 years with The Michaels Organization. Goldman was previously Senior Vice President of The Michaels Development Company and is only the third President in the 40-year-old company's history.

**Jacob Sipe** has been appointed as Executive Director of the Indian Housing & Community Development Authority. Previously the agency's Chief Real Estate Officer and Director of Production and Interim Executive Director since July 2012, Sipe joined the agency in 1999.

Boston Financial Investment Management, LP, a low-income housing tax credit syndicator, has promoted **Sarah Laubinger** and **Gregory Voyentzie** to co-lead the company's equity production group. They share responsibility for the strategic direction of the group, including identifying and marketing new capital sources, structuring and pricing new funds, and selecting property-level investments. Laubinger joined Boston Financial in 1997; Voyentzie in 1999.

**Jonathan Lahn** has joined Irvine, Calif.-based WNC as Vice President, Originations. He is responsible for sourcing and securing partnerships in low-income housing tax credit properties in the Southeast U.S.

**Laurel Tinsley** and **Mike Saunders** have been promoted to Senior Vice President at McCormack Baron Salazar. Prior to joining McCormack Baron Salazar, Tinsley was a partner at Husch Blackwell. Saunders joined McCormack Baron Salazar in 1995. **TCA**