

# RAD Presentation

Enterprise/HUD Event

Shreveport, LA

December 10, 2015

# RAD, Rental Assistance Demonstration



FRIDAY, SEPTEMBER 18, 2015

## HUD.GOV/RAD

U.S. Department of Housing and Urban Development

Secretary Julián Castro

[RAD HOME](#)

[FOR PUBLIC HOUSING PROVIDERS](#)

[FOR PUBLIC HOUSING RESIDENTS](#)

[PRESS ROOM](#)

[HUD](#) > [Rental Assistance Demonstration](#)

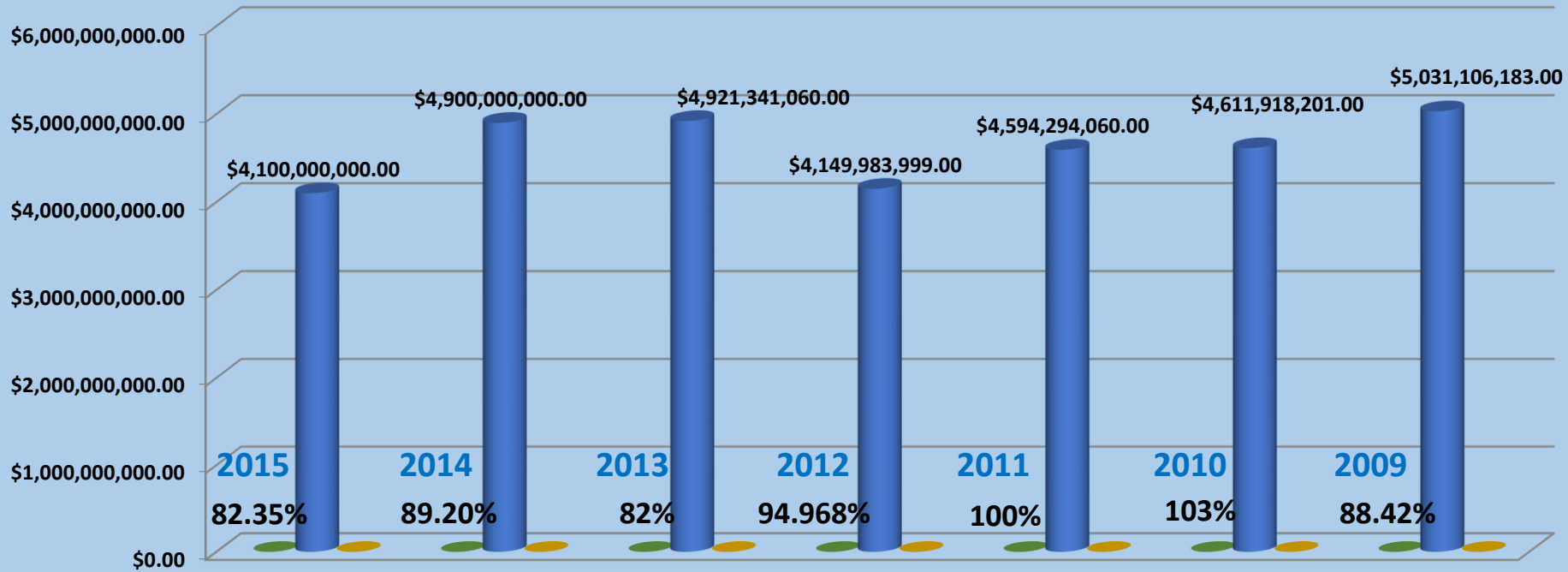
The Rental Assistance Demonstration was created in order to give public housing authorities (PHAs) a powerful tool to preserve and improve public housing properties and address the \$26 billion dollar nationwide backlog of deferred maintenance. RAD also gives owners of three HUD "legacy" program (Rent Supplement, Rental Assistance Payment, and Section 8 Moderate Rehabilitation) the opportunity to enter into long-term contracts that facilitate the financing of improvements.

### FIVE THINGS YOU SHOULD KNOW ABOUT RAD PUBLIC HOUSING CONVERSIONS

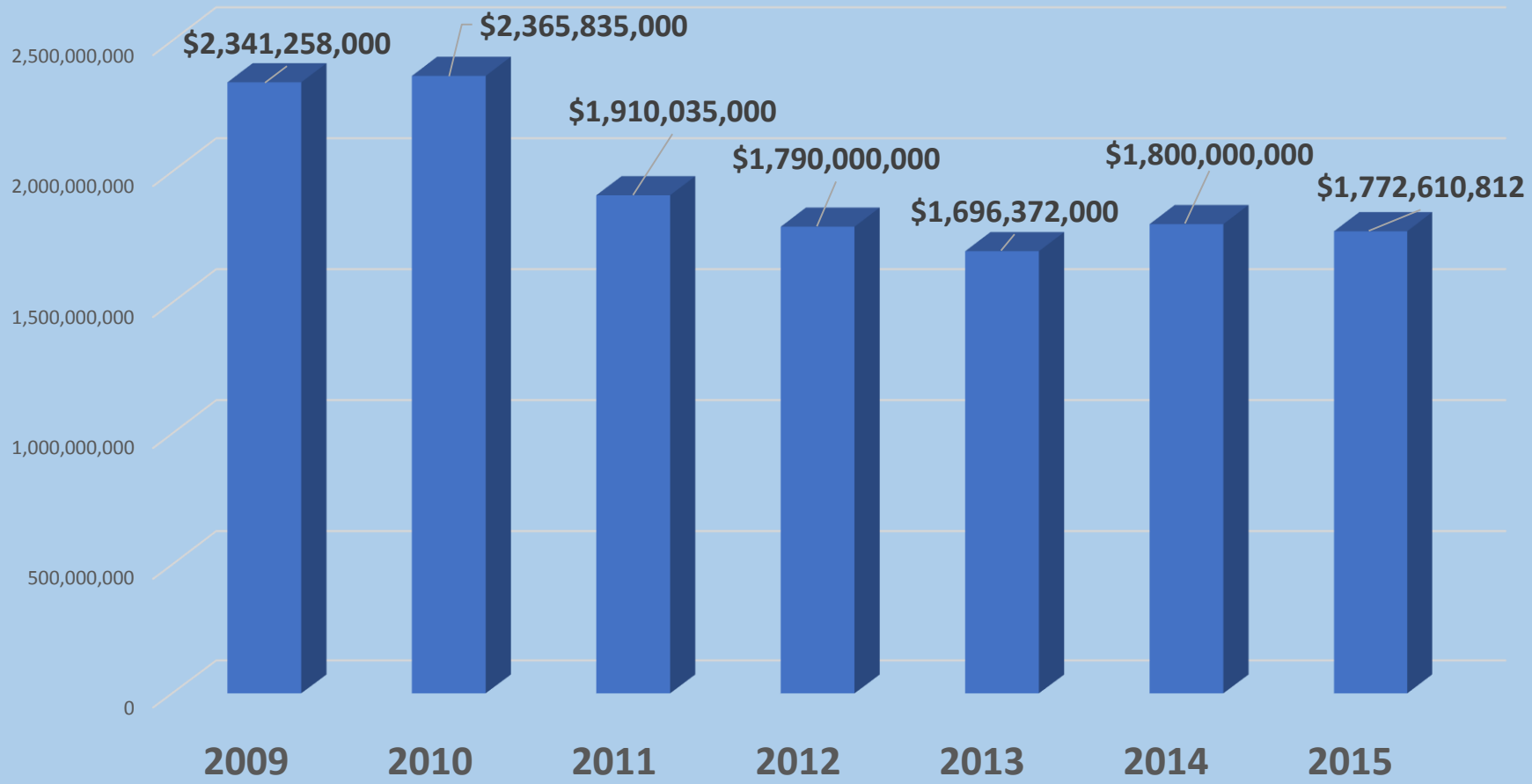
1. RAD allows public housing agencies to **leverage public and private debt and equity in order to reinvest in the public housing stock**. This is critical given the 25.6 billion dollar backlog of public housing capital improvements.
2. In RAD, units move to a Section 8 platform with a long-term contract that, by law, must be renewed. This ensures that the units remain **permanently affordable to low-income households**.
3. Residents continue to pay 30% of their income towards the rent and they **maintain the same basic rights** as they possess in the public housing program.
4. RAD **maintains the public stewardship** of the converted property through clear rules on ongoing ownership and use.
5. The RAD program **is cost-neutral and does not increase HUD's budget**. This program simply shifts units from the Public Housing program to the Section 8 program so that providers may leverage the private capital markets to make capital improvements.

# Operating Subsidy Funding

## Operating Fund Annual Trends



# Capital Fund Capital Funding Trends



# RAD Opportunities

RAD allows public housing units to convert their public housing operating subsidy and capital funding to a long-term, project-based rental assistance contract

RAD goals - In order to preserve the public housing stock convert its assistance to the project-based Section 8 platform, which will:

- Stabilize funding

- Create access to private capital

- Streamline HUD programs

- Enhance housing options for residents

# Why RAD?

- Builds on a more stable funding platform
- Lock in funding
  - Better than Capital Fund Finance, Leveraged Op Sub, or EPC
- Leverage private capital to address physical needs and preserve your units
  - Leverage 4% LIHTC get 30% project equity
  - Leverage 9% LIHTC get 60+% project equity
  - Leverage developer fees, seller take back finance, ground lease
  - Apply for grants HOME, Federal Home Loan Bank
- Provides a great deal of regulatory and reporting relief
  - Saves in reporting to HUD, policies, and oversight more with board and PHA

# HUD Funding

- HUD Funding – Not Stable
- Continued to get pro rated amounts
- Reserves are subject to recapture –no saving for capital projects
- Under RAD increased funding with OCAF
- Restricted to PH versus affordable housing
- Backlog of physical needs= \$24,000 per unit average

# RAD Update

- RAD has closed 241 projects for 25,885 units
- 241 projects have an associated 1.642B in hard construction costs
- As of 10/31, there were 6,707 units on the wait list above the 185K statutory cap
- As of the end of the end of November, HUD has closed or made initial awards to all of the 185,000 units that HUD is currently authorized to convert under RAD
- Applications for 10,946 public housing units that we are unable to issue awards to as a result of the statutory cap.
- President's Budget for FY 2016 requested that Congress eliminate the cap on the number of public housing units that can convert under RAD.
- The FY 2016 Senate THUD appropriations bill, which is currently being considered by Congress, proposed increasing the number of public housing units that can convert under RAD by 15,000 units.



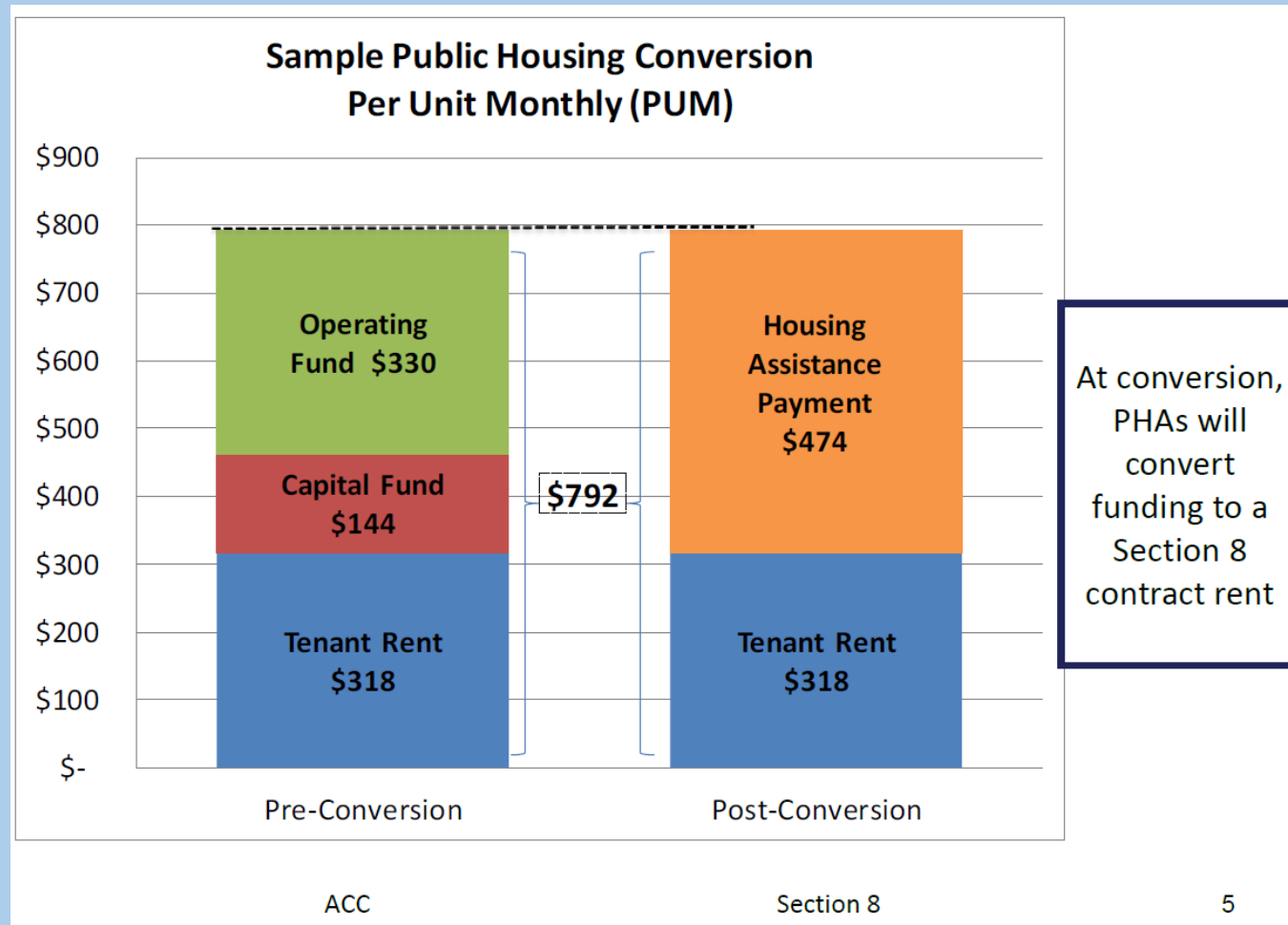
# RAD Waitlist

<i>Category</i>	<i>Units</i>
Applications submitted prior to 7/28/15 (first-come, first-served)	7,353
Priority Group 1	42
Priority Group 2	0
Priority Group 3	0
Priority Group 4	207
Priority Group 5	0
Uncategorized (application review not completed)	3,344
<b>Total</b>	<b>10,946</b>

**Priority Categories.** HUD is establishing the following six priority categories for the purpose of the Third Application Period.

- i. Applications or Multi-phase Applications that will redevelop physically or functionally obsolete housing as evidenced by proposals involving:
  - a. Full or partial demolition of the existing project, with new construction that includes tax credit only units and/or market rate units;
  - b. Full or partial demolition of the existing project, with new construction; or
  - c. Choice Neighborhoods Implementation grant that HUD has awarded to the subject property
- ii. Applications that are part of a comprehensive neighborhood revitalization plan
  - a. Choice Neighborhoods Planning grant;
  - b. Promise Zones; or
  - c. Locally recognized neighborhood revitalization plan, as evidenced by a letter of support from the City or County government describing the commitment and investments in the community
- iii. Applications that are, in HUD's sole discretion, in imminent danger of losing financing if they are not provided a CHAP (e.g. as evidenced by a 9% tax credit award)
- iv. Other applications using tax credits
- v. Applications that are part of a Portfolio or Multi-Phase award in which 50% of properties fall under any of the above categories.
- vi. All other applications, Portfolio Awards, and Multi-phase awards.

# RAD SECTION 8 CURRENT FUNDING RENT LEVELS



# 2.2% OCAF Impact with RAD

HAP+ 2.2%			
		\$	636,301.00
2015	\$ 13,998.62	\$	650,299.62
2016	\$ 14,306.59	\$	664,606.21
2017	\$ 14,621.34	\$	679,227.55
2018	\$ 14,943.01	\$	694,170.56
2019	\$ 15,271.75	\$	709,442.31
		<b>\$</b>	<b>3,397,746.25</b>
		\$	<b>73,141.31</b>
			Increase

	Cap	OP	
2015	\$ 192,434.00	\$ 453,054.00	\$ 645,488.00
2014	\$ 180,067.00	\$ 456,234.00	\$ 636,301.00
2013	\$ 173,532.00	\$ 424,577.00	\$ 598,109.00
2012	\$ 194,217.00	\$ 475,349.00	\$ 669,566.00
2011	\$ 210,823.00	\$ 478,941.00	\$ 689,764.00
			<b>\$ 3,239,228.00</b>

# Rental Assistance Demonstration

## **Public Housing Inventory**

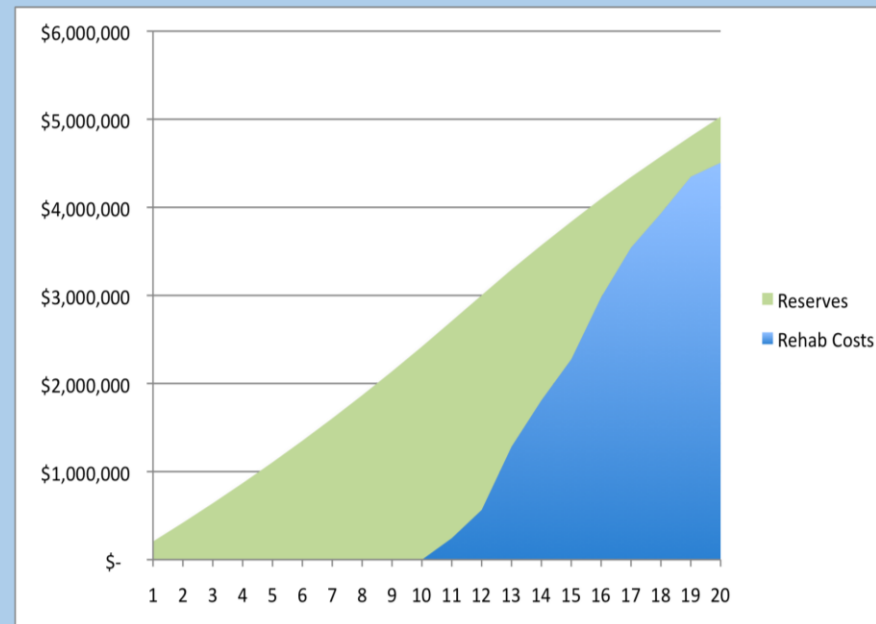
- ~ 1.15 million units across 3,100+ PHAs; 16,000+/- projects
- Capital repair needs in excess of \$25.6B across portfolio (\$23,365/unit)
- Section 9 funding platform unreliable (pro-rations, appropriation cuts), limited access to debt/equity capital (Declaration of Trust)
- *Losing 10,000-15,000 hard units/year*

# Section 9 ACC-Based Funding?

- Why RAD? It provides an extended life and permits some redevelopment of public housing.

**After Rehab, projects build reserves, to address capital needs of out-years. No HUD “Claw-Back”!**

**Extended Life. Not Eternal Life.**



# Efforts to Address

## Over the years have tried....

- Capital Fund Financing Program (CFFP) but requires 3:1 collateralization of future Capital funds & static inventory controls
- *Mixed Finance & HOPE 6 to tap private financing/LIHTCs, but requires workaround to Declaration of Trust, limited ACC Operating Funds*
- Section 18 Demo/Dispo & Section 22 Voluntary Conversions to address DoT issues, but limited Operating Funds to convey
- Section 8 PBVs after Demo/Dispo but limited by available Voucher funds; high bar for eligibility (57%+ of TDC)

**...but Section 9 funding has real constraints**

## Before RAD



Properties are typically not funded at 100% in Public Housing



In Public Housing, PHAs cannot borrow money to perform necessary repairs



The funding fails to keep up with the deteriorating living conditions of residents



Residents cannot choose to move without losing housing assistance

## After RAD



Properties are placed on a more stable Section 8 funding platform



PHAs and owners can more easily borrow money and perform rehabilitation work



The living conditions of residents are improved



Residents may receive a tenant-based voucher, or similar assistance, and move after 1 year in PBV and 2 years in PBRA

Project Based Rental  
Assistance (PBRA)  
Project Based Voucher (PBV)

**Rental Assistance  
Demonstration**

GUIDE TO CHOOSING BETWEEN  
PROJECT-BASED VOUCHERS (PBVs) AND  
PROJECT-BASED RENTAL ASSISTANCE (PBRA)  
FOR PUBLIC HOUSING CONVERSIONS



# Operating Costs Adjustment Factor (OCAF)

RAD versus no RAD in PH

**\$350 HAP Contract x 100 units = \$35,000**

**\$35,000 x 12 months = \$420,000**

**\$420,000x 2.0 OCAF = \$428,400**

**\$428,400x 2.0 OCAF = \$436,968**

**\$436,968x 2.0 OCAF = \$445,707**

**\$445,707x 2.0 OCAF = \$454,621**

**\$454,621x 2.0 OCAF = \$463,713**

**Total HAP Funding 5 years =**

**\$2,229,409**

**PH 2012**

**Op Sub \$250**

**Cap Fund \$100**

**TP \$150 TP =**

**Total= \$500**

**PH 2013**

**\$220**

**\$95**

**\$150**

**\$465**

**\$315x100 units = \$31,500 x 12 = \$378,000**

**\$378,000**

**\$378,000**

**\$378,000**

**\$378,000**

**Total PH Cap and OP Funding to property 5 Years =**

**\$1,890,000**

# OCAF Impact on Capital Funding long-term

## Look at Capital Funding

### Public Housing

Typical Annual per Unit	Total Units	Extension
\$ 1,500	100	\$ 150,000

10-year funding cut based on past 10 years  
24% \$ (36,000)

Level of funding after 10 years \$ 114,000

### RAD

Typical Annual per Unit	Total Units	Extension
\$ 1,500	100	\$ 150,000

OCAF year over year 2%  
2% 1.22

Level of funding after 10 years \$ 182,849

RAD Compared to Section 9 **160%**

# How PHAs are Using

## Indicated PHA Objectives

- Modernize aging family & elderly properties
- Sub rehab of deteriorated properties
- Thin densities/mix-incomes via PBVs & **transfer authority**
- Demolish/replace severely distressed or obsolete properties
- Portfolio streamlining
- **Establishing replacement reserves**

# Financing Options

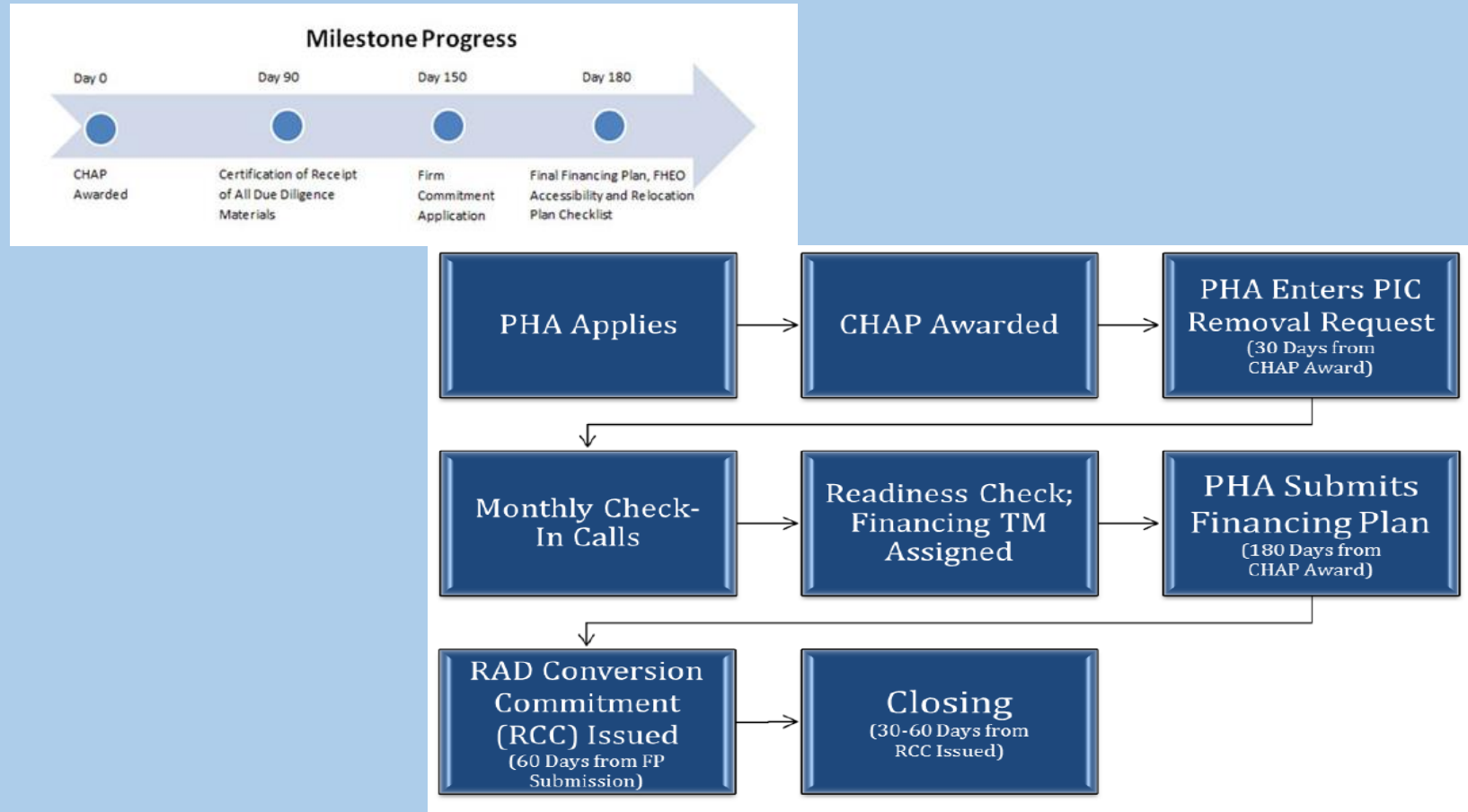
- PHA Only
- Debt Only
- Tax Credit
  - 4%/Bond/LP
  - 9%

# Part 2

## Getting to the Finish Line

- Review Steps - Dependent on Financing
- Team
- Tracking Milestones for HUD and Internal
- Managing 3<sup>rd</sup> Party Reports

# RAD Process: Ever Changing



# Financing Plan – 180 Days



U. S. Department of Housing and Urban Development

Rental Assistance Demonstration (RAD) Program

## FINANCING PLAN GUIDE

*Note: This document serves as a guide for completing the 180-Day Milestone.*

### TABLE OF CONTENTS

ITEM	DESCRIPTION
1	Type of Conversion
2	Physical Condition Assessment (PCA)
3	Scope of Work
4	Completed Environmental Review
5	Accessibility & Relocation Plan Checklist
6	Development Budget
7	Development Team
8	Proposed Financing
9	Operating Pro Forma
10	Market Study
11	Rehabilitation/ Construction Management
12	Milestone Complete Certification (template)

# RAD Process: What is needed for submission?

## Collect documents now.

<b>RAD PCA</b>
<b>Decision to go PBRA or PBV</b>
<b>GIN Relocation Notice</b>
<b>PIC Removal</b>
<b>Significant Amendment to PHA Plan</b>
<b>Survey(s)</b>
<b>RR/RC Vendor Approval from HUD</b>
<b>Rent Reasonableness/Comparability</b>
<b>Title Commitment</b>
<b>Phase I Environmental</b>
<b>Part 50 or 58</b>
<b>LBP Testing</b>
<b>Asbestos Testing</b>
<b>Lender Letter</b>
<b>Development Team Capacity Narrative</b>
<b>PBV vs. PBRA letter from PHA</b>
<b>Market Study (normally n/a)</b>
<b>Third party HQS Inspector Approval from HUD</b>
<b>Rent Reasonableness provider approved by HUD</b>
<b>Relocation Plan</b>
<b>FHEO Checklist</b>
<b>Firm Commitment Certification</b>
<b>PILOT Letter from Attorney</b>
<b>Scope of Work Narrative</b>
<b>Pro Forma</b>
<b>Sources and Uses Form</b>
<b>Proposed Financing Form</b>
<b>Rehab &amp; Construction Narrative</b>



# Financing Plan Submission

- PIC Removal Request
- Annual PHA Amendment
- Choice of PBV or PBRA
- Accessibility and Relocation Checklist
- Site and Neighborhood Standards (if applicable)
- Rent Reasonableness (if PBV), or Rent Comparability Study (if requesting greater than 20% of FMR in PBRA)
  - Rent Reasonableness approved by Field Office if PBV
- HQs
- RPCA
- Environmental Report (if part 50), including Phase I or Environmental Screen where applicable; request for Release of Funds, form 7015.16 or exemption letter from, or Part 58 Responsible Entity (if PBV)
- Development Team/Development Team capacity
- Engineering study for UA waiver and RAD rent changes

# Financing Plan Submission

- Title Commitment or survey, legal description
  - Depends on HUD attorney and DOT
- FHEO approval
- PILOT Letter
- Scope of Work
- Pro-Forma
- Development Budget (Sources/Uses)
- Financing Commitments
- Market Study and Appraisal (in some cases)
- Letter of agreement to operate/administer PBVs/waiver for PBRA choice in no HCV

# Closing

- Surveys or Title Commitments, where instructed
- Copy of Declaration of Trust

# Timelines

- RAD Needs Assessment (Start before CHAP or as soon as you have CHAP)
  - Procurement (PHA Policies)
  - Onsite assessment – utility data
  - Draft Report
  - Massage the numbers/discuss owner desires
  - Final Report
- Environmental (Start early)
  - Part 58
  - Part 50
- Legal
  - Title work
  - Pilot Opinion Letter
  - DOT release
  - Decision on how to transfer property and entity to transfer if not tax credit
- Relocation Specialist as needed
- Admin Plan changes if needed
- House Rules if needed
- Computer system Upgrades if needed

# Timelines

- Survey
- Appraisal if needed/when needed
- Market Study
- Rent Reasonableness/Rent Comps
- If PBV HUD Approvals needed
  - RROF
  - Rent Study/HQs
- Lender Letters (shopping project takes more time)
- Equity Commitments (Look at terms sometimes more \$ doesn't = better funding)
- Pro forma for 20 years feasibility
- Tax Credits – an additional set of timelines
- Team members

# Timelines

- General Contractor if large rehab event
- Architect if large rehab event
- Team members (if using tax credits procure a master developer)

# Barriers to closing

- Relocation Plan/ GIN Letter on relocation as of July 2015
- PIC issues, Real Property
- Part 58 for PBV or RAD PBV- Part 50 for PBRA
- Rent Reasonableness/HQs Third Party approval
- DOT/legal description/survey
- RAD PNA
- Procurement issues
- Age of residents
- Over income
- Right size units/family
- Debt (CFFP or Capital Fund Finance/Bonds) – needs coordination
- Field office Cap Fund Budget approval – RAD line items
- Non displacement of residents

# HUD.gov/RAD

 TUESDAY, APRIL 14, 2015

**HUD.GOV/RAD**  
U.S. Department of Housing and Urban Development  
Secretary Julián Castro

Información en Español  
Site Map A-Z Index Text [A](#) [A](#) [A](#)  
 Search

[RAD HOME](#) [FOR PUBLIC HOUSING PROVIDERS](#) [FOR PUBLIC HOUSING RESIDENTS](#) [PRESS ROOM](#) [RAD LIBRARY](#)

[HUD](#) > [Rental Assistance Demonstration](#)

[Print Friendly Version](#) [SHARE](#) [f](#) [t](#) [e](#) ...

### RAD What's New

- ▶ March 25, 2015: Multifamily Housing Preservation pages are now available on HUD exchange for [Rental Assistance Demonstration \(RAD\)](#).
- ▶ March 4, 2015: Read the February RAD Newsletter [here!](#) Past issues are available on the Newsletter web page. Click [here](#) to access the Newsletter.
- ▶ March 4, 2015: New [Welcome Guide for New Awardees, RAD 1st Component](#).
- ▶ March 1, 2015: New [RAD PBV vs PBRA Comparison Guide](#) to compare key program elements.

### RAD Contact Information

- ▶ For RAD 1 email [rad@hud.gov](mailto:rad@hud.gov)
- ▶ For RAD 2 email [rad2@hud.gov](mailto:rad2@hud.gov)

To receive periodic updates about the RAD program, join our [mailing list](#).

**RAD Case Study:**  
Franklin, VA







# Rental Assistance Demonstration Resource Desk

U.S. Department of Housing and Urban Development  
Secretary Julián Castro

[HUD-RAD HOME](#)   [RAD RD HOME](#)   [CONTACT RAD RD](#)   [LOGIN](#)

## RAD Database

- [Search Database](#)
- [Ask a Question](#)
- [Frequently Asked Questions](#)

## Additional Resources

- [Webportal for Awardees](#)
- [About the Desk](#)
- [Webinars](#)
- [Fast Track](#)
- [RAD Capital Marketplace](#)
- [Contracts & Closing Documents](#)
- [Quick Reference Guide for Projects Converting to Project-Based Voucher Assistance \(PBV\)\(1.9.15\)](#)
- [Quick Reference Guide to Multifamily Housing Requirements \(PBRA\)\(2.18.14\)](#)
- [RAD Notice PIH 2012-32 REV-1 \(Technical Correction\)\(2.6.14\)](#)
- [RAD Physical Condition Assessment \(PCA\) Tool \(Save to your computer and enable macros. \[Get instructions here.\]\(#\)\)](#)
- [RAD Physical Condition Assessment - Exhibit - Environment Restrictions Checklist](#)
- [RAD Physical Condition Assessment - Exhibit - Summary of HUD's Responsibility Laws](#)
- [RAD Physical Condition Assessment Statement of Work\(Dec 2013\)](#)
- [RAD Program Update \(February 28, 2014\)](#)
- [RAD Program Update - RAD Network Event Slides\(6.4.14\)](#)
- [Relocation Requirements - July 25, 2014 Webinar Slides](#)
- [Relocation Requirements Under RAD \(Notice H 2014-09; PIH 2014-17\)](#)

Rental Assistance Demonstration Resource Desk copyright 2012-2015

