



Public Housing Repositioning
Wednesday Webinar Series:
**RAD and Section 18
Blends**

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Presenters

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Why are we here?


The goal of this webinar series is to help explain and discuss common issues in the repositioning process.

Today's call will focus on:

RAD and Section 18 Blends

- ✓ Description of RAD-Section 18 Blends
- ✓ Why PHAs might want to utilize a Blend
- ✓ Examples of Blends
- ✓ How to apply for a Blend
- ✓ Common Questions and Considerations



Webinar Topics	Date
Developing a Repositioning Strategy	May 13, 2020
Options for Scattered-Site Units	June 3, 2020
Options for 50-and-Under PHAs	June 24, 2020
 RAD and Section 18 Blends	July 22, 2020
Resident Considerations	August 12, 2020
Streamlined Voluntary Conversion	September 2, 2020
Options for Obsolete Units	September 30, 2020
Common PHA Board Questions	October 28, 2020
PHA Closeout	November 11, 2020

All webinars will be recorded and posted at www.hudexchange.info



Need additional Repositioning resources?



- There is additional repositioning handouts and training materials available on the HUD Repositioning Website: https://www.hud.gov/program_offices/public_indian_housing/repositioning
- [Introduction to Repositioning Webinar series](#) is available on HUD Exchange, and a live version is planned for August. ([Registration is now available](#))

Types of Blends

- **RAD-Section 18 “75-25” Blend** – This is a type of blend outlined in [Notice PIH 2018-04](#) which allows a PHA to reposition 25% of the units in a project through Section 18 provided the other 75% is repositioning through RAD, and the project involves new construction or substantial rehabilitation.
- **RAD-Section “Closeout” Blend** – This is a type of blend leverages the authority provided through [Notice PIH 2018-04](#) which allows a PHA to reposition their last 50 Public Housing program units through Section 18 with RAD.

In both of these situations, removal of units through the Section 18 does not require the usual Section 18 obsolescence test.



Benefits of the Blend

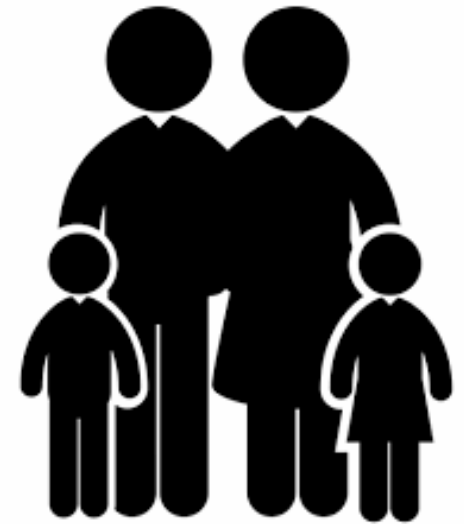
- 1. RAD flexibility for using public housing funds toward the repositioning** RAD is the only repositioning tool that allows PHAs to use Public Housing Program funds to support the conversion process—including the creation of replacement reserves. (Note: The amount of Public Housing Funds contributed to a conversion must be proportional to the units converted via RAD.)
- 2. Higher rents for a property than if it was RAD alone** RAD rents are based on the Public Housing Program funding, but units repositioned through Section 18 are generally eligible for higher rents based on HUD’s Fair Market Rents calculation. (Note: To see rent calculations for your properties check out the [2018 RAD Rent Table](#).)



Plus, PHA will receive Demolition Disposition Transition Fees (DDTF) for the units removed via Section 18, which can be exchanged for higher contract rents for the RAD units.

Benefits of the Blend (continued)

- 3. Additional resident rights** – RAD offers robust resident rights, (**which are provided to all tenants at the project**) including the right for families to return to a property after rehab, right to tenant participation funding, and the right to tenant grievance procedures.
- 4. Protections for residents that may be over-income or over-housed** – The RAD program has special statutory waivers that allow for tenants that may be over-income or over-housed based on regular PBV program standards to remain in their units following conversion.
- 5. Streamlined application process** – Finally, the application process for a RAD-Section 18 Blend is easy.



What is a 75/25 blend?

This type of blend is explained in [Notice PIH 2018-04](#):

- PHAs converting 75% of Public Housing units within a project through RAD and 25% through Section 18;
- The units removed through Section 18, must receive Project-Based Voucher (PBV) assistance;
- The units must be newly constructed or substantially rehabilitated; and
- The project may not receive 9% Low Income Housing Tax Credits.

“Substantial Rehab” = RAD scope of work where the hard construction costs, including general requirements, overhead and profit, and payment and performance bonds, exceed 60% of the HUD-published “Housing Construction Costs” for a given market area.

See “Workbook to Test HCC Threshold” on [RAD Resource Desk](#).



How does a 75/25 blend help?

Example

- 100-unit project with RAD rents of \$800 per unit per month (PUM)
- "standard" PBV rents would be \$1200 (PUM)
- With 75% (RAD)/25% (Section 18 & PBV), Blended rents of \$900 per unit
- Property can leverage additional \$20k+ per unit in debt financing



Example of a 75-25 Blend

Sooner Haven (Oklahoma City)

150-unit garden-style property

- 113 units converted through RAD to PBV contract;
- 37 units removed through Section 18 and placed under non-RAD PBV contract

Higher revenue created ability to leverage additional \$2 million in debt

Substantial rehab: \$94k/unit



What is a Closeout blend

- [Notice PIH 2018-04](#) allows a PHA to dispose of its remaining public housing ACC units through Section 18 if the PHA has 50 or fewer units, on the condition that the PHA close out its Public Housing program in accordance with [PIH Notice 2019-13](#).
- HUD allows PHAs to leverage this authority as part of a RAD transaction that includes all of the PHAs remaining Public Housing units. (The conversion can be more or less than 50, but it must include all of the remaining units.)



Benefit of a Closeout Blend

All the benefits we outlined before (i.e., RAD funding flexibility, potential for higher rents, RAD resident rights, and resident protections)

- The RAD flexibility can help PHAs who are closing out their public housing program preserve all remaining public housing funds with the property;
- The blend allows PHAs with over 50 units take advantage of the special Section 18 authority outlined in [Notice PIH 2018-04](#)

Example of a Closeout Blend

After taking two other properties through Section 18 (a property that met the obsolescence standard and some scattered site units, the Housing Authority of Butte (MT) had 131 units remaining across 3 properties.

It utilized the RAD/Section 18 Closeout Blend to convert 96 units through RAD and 35 units through Section 18

The properties were combined under a single tax credit transaction to support the substantial rehab of Butte's portfolio.

The housing authority was able to trade in all future projected DDTF from Section 18 actions to enhance the RAD rents. The PHA was also able to contribute \$300k in public housing capital funds to fill a gap.



How does a PHA apply for a Blend

Just submit a RAD Application

The application must include all the Public Housing units that will part of the blend. (For a Closeout Blend, this means all of the PHA's remaining Public Housing units.)



PHAs can apply for RAD from the RAD Resource Desk (www.radresource.net)

- The application requires PHA Board approval and two resident meetings
- There is a [helpful training video](#) on the RAD Resource Desk

What does the implementation look like?

1. After application, the PHA will work with their RAD Transaction Manager to adjust their RAD approval (CHAP) and move some of the Public Housing units to a Section 18 application;
2. The PHA will complete many of the Section 18 applications requirements as part of the RAD Financing Plan (i.e., Evidence of a PHA Plan, local government support, consultation with residents, PHA Board resolution);
3. The closing of the RAD conversion will occur simultaneously with the PHA entering into the PBV HAP or AHAP as applicable; and
4. A RAD Use Agreement will generally be placed on the entire property.



Summary (4 key takeaways)

1. Two types of RAD-Section 18 Blends: (75-25) and Closeout Blends.
2. If you have a project that needs moderate rehab or more, and you don't have 9% LIHTC, consider a 75-25 blend.
3. If you are planning to closeout your Public Housing program, and you want to carry over public housing funds, consider a closeout blend.
4. All Blends start with a RAD application.



Other ways RAD and Section 18 can work together (non-blends)

1. PHAs can use DDTF from an earlier Section 18 removal to increase RAD rents
2. PHAs can use proceeds from an earlier Section 18 disposition to toward a RAD conversion



To learn more, consider going back and watching our Repositioning Wednesday Webinar - [Developing a Repositioning Strategy](#)

Still want more?

- **Check out the Public Housing Repositioning Website.**
[Public Indian Housing Repositioning](#)
 - [RAD-Section 18 Blend \(75/25\) FAQs](#)
 - [RAD-Section 18 Blend \(Closeout\) FAQs](#)
- **Contact your Local Public Housing Field Office.**
PIH Field Offices can help you complete your RAD application, and provide additional assistance explaining the conversion options.
- **Email Repositioning@hud.gov**



Questions?

