

NJ Workshop on RAD Conversion for Owners of Section 8 Mod Rehab, Mod Rehab SRO Properties

John Panetti: All right. Hello, everyone, and welcome to the Rental Assistance Demonstration or RAD Conversion of Moderate Rehabilitation Contracts webinar. My name is John Panetti from ICF and I will be one of your hosts today. I'm just going to go over a few logistics, technical aspects of this webinar.

So, all attendees have been muted on entry. If you have any technical questions about the platform or any content-related questions, please submit them into the Q&A box on the right-hand side of your screen. If you don't see the Q&A box in the top right-hand corner of your screen, there's a box with a question mark inside of it. If you click on that icon, it'll open the Q&A box. Please submit your question to all panelists.

If you want to ask your content-related question live during the Q&A session -- live before the breakouts during the Q&A session, type in the Q&A box, "I have a question." Again, please send to all panelists and you'll be placed in a queue to be unmuted by the hosts. And finally, I'd like to remind everybody that this session is being recorded and will be posted on the HUD exchange.

So, we have a couple of awesome speakers today. We are accompanied by Tom Davis from HUD, the director of the Office of Recapitalization; Theresa Arce from HUD, the director of the Office of Public Housing; Margaret Wingate from HUD, a branch chief of the New York City Multifamily Field Office Resolution Funding Specialist Division; Charles Evans, Chief of Field Operations, New Jersey Department of Community Affairs. Shalonda Lincoln from HUD, the Housing Transaction Manager and Office of Recapitalization; John Ardovini, HUD Branch Chief from the Office of Recapitalization; Mirline Labissiere from HUD, Housing Transaction Manager, Office of Recapitalization; and finally, Karuna Mehta from the Community Builders, the Development Project Manager.

Without further ado, I'll go ahead and turn things over to Tom Davis.

Tom Davis: Thank you so much. And thanks to everybody for joining today. I'm really excited that we're doing this workshop for New Jersey mod rehab owners. It's a small enough group that I'm hoping that you can ask your questions and really get into some conversation, particularly in the breakout sessions towards the -- towards the end of the session.

What we're hoping today is that you get a little bit of a sense of the conversion options under RAD. The Office of Recapitalization administers the RAD program, but we work really closely with other parts of HUD to try to make this as seamless and accessible for mod rehab owners as possible. And what we're hoping is that you can get a sense of RAD as a preservation tool, RAD as a tool to potentially improve the financial condition of your property, potentially be a foundation for additional recapitalization or investment in your property.

But the folks participate in RAD for lots of different reasons, all of them related to RAD being a potential tool for getting onto a trajectory for the long term that really works for your goals and your property.

So, we're hoping that this will be a starting conversation and that as you get deeper, that you'll know some names of folks to reach out for more help and work with us as you dig into really considering whether RAD is right for you. And it really is a question of whether RAD is right for you. RAD is voluntary. And we're hoping to give you some good information to make choices about how to manage your assets for the long term, for potentially the 20-year subsidy contract.

We expect that many of you are coming to this with relatively little knowledge about RAD and the conversion options and what that means for you, so all questions are good. We also have some options that we'll cover in terms of -- excuse me -- there's a streamlined version of the conversions for properties with 20 units or less. So that may be relevant for some of the smaller properties in the New Jersey mod rehab portfolio.

I also wanted to really thank some of the other folks who are involved in this presentation. You know, Recap is really excited to be working with a lot of folks across HUD and across New Jersey. We have really great collaborators in the New Jersey public housing field office, in the New York, New Jersey multifamily field office. And then, of course, there are a number of folks who will be presenting today within the office of Recapitalization who work with me on implementing the RAD program. And all of these folks are our great resources and we really appreciate their involvement in this. And they're all ready to help you as you get familiar with what RAD is and what it can do for you.

I also wanted to thank the New Jersey Department of Community Affairs. They've been a great partner with us as both in the preparation for this workshop, but also in transactions in New Jersey, and really knowledgeable about the project-based structures and the mechanisms for flowing the ongoing rental assistance subsidy to your properties following a RAD conversion.

And then I also wanted to mention we have part of the presentation is a case study of the Bergenvue Apartments project in Jersey City, New Jersey. And you'll be hearing about sort of how that transaction worked and some of the experience of doing that conversion. In that case, they -- the community builders, the owner converted to project-based rental assistance. And they'll be a little discussion of some of the choices that you have in what kinds of -- what form the Section 8 contract comes to you if you do pursue a RAD conversion.

So, I think there's a lot of really good material that we're hoping to provide to you. And then at the end, there'll be three different breakout sessions.

I'll let folks describe those in a little more detail as we get to the first point of which to join. But I think it's a great team of folks presenting for you today and a really enormous depth of knowledge. And we hope that you'll just really pepper us with questions and really get into what you want to know in order to be able to evaluate whether RAD is a good option for you and for your property and for your long-term plans.

So, with that, thank you so much for coming, for joining us today. And with that, I will hand over the mike to Theresa. And I hope this is helpful to you.

Theresa Arce: Thank you so much, Tom. Good afternoon, everyone. I also would like to thank the Office of Recapitalization. I was actually approached last year by the office of Recap. They wanted to reach out to owners that had active mod rehab contracts. And they wanted to give these owners the opportunity to convert their existing contracts into long term contracts. That's basically how this meeting was basically started. And unfortunately, due to COVID, it was postponed. But here we are.

So, the meeting is basically to introduce you all to a new option for you to consider. Currently, your contracts are renewed yearly. And the rents are restricted. So, this can be an issue when considering financing. Actually, most lenders prefer that a long-term contract be attached to the property that that's being financed. So, a RAD conversion would definitely accomplish this.

So now, I mean, basically, you'll have my email address at the end, after questions, so you can definitely reach out to me with any questions and to the office of Recap. So basically, can you have the next slide, please?

I want to go over the agenda. So basically, we're in the plenary session. And after the plenary session, we're going to have a little break, from 2:30 to 2:35. That's a very short break. But then we're going to get ready for breakout sessions. And there's actually -- breakout session one, which will be from 2:35 to 3:05. We will have a five-minute breakout between the sessions, actually. Breakout session two will be from 3:10 to 3:40. And I want to -- the third breakout session is going to be from 3:45 to 4:15. Make sure if you haven't signed up for one, that you do. Next slide.

Okay, so as I said, those breakout sessions, they will be available in all three time slots with staff from the Office of Recapitalization, which is located in headquarters. There -- I will be in the PIH staff and PHA breakout session and then there will be a [inaudible] multifamily housing breakout session. So, make sure that you request your desired session in the Q&A box and the host will place you in the session.

And with that, that's all I have for you. I do want to introduce Shalonda Lincoln. Shalonda was the first person that reached out to me originally, and she has basically set up this session and she is HUD's housing transaction manager with the Office of Recapitalization. Shalonda, go ahead.

Shalonda Lincoln: Thank you so much. And hello, everyone. I wanted to start off by just taking an overview of the current state of mod rehab contracts with this slide. And with the first bullet here, just so you know that there's two different types of mod rehab contracts. There's the Section 8 mod rehab contract, but there's also the McKinney Vento mod rehab contract for SRO occupancy. And those are primarily catering to previously homeless. So, we have those two type of projects.

And when we first started the program, we surveyed and identified approximately 33,000 units nationwide combined of mod rehab contracts. And in the state of New Jersey, we are discovering there's 754 units of mod rehab contract that we're aware of. So, the interesting thing about these mod rehab contracts that you all have is that HUD doesn't have direct data and contact

information for property owners in the properties. And so -- and that's because housing authorities across the country are administering your contract, not HUD.

We have been working over the years of doing outreach to local public housing offices, as well as housing authorities to obtain the data and to do webinars and workshops so that we can present RAD and let owners know what it's all about and what are the opportunities.

So, we really appreciate the WBCA, as well as the public housing field office for helping us bring this together today. Interesting thing too, to say is that New Jersey DCA has the largest amount of [inaudible] contracts that they're administering in the state of New Jersey. But we also have identified contracts administered by Jersey City housing authority, and I know I'm pronouncing this wrong, Manchester housing authority.

Female: Manchester.

Shalonda Lincoln: Thank you. And so, I know that there may be some others out there that are represented by owners attending today. But, so, we are thankful that you all are in attendance today and hopefully the audience will grow as we move on.

So, I'm going to move on to our last bullet where we're just expressing that the current state of mod rehab contracts is that you all are relying on year-to-year funding and your grants are restricted well below market in most cases. And so, the combination of those two things makes it really hard for a lot of owners to attract funding, attract lenders, also just to keep their properties on good financial footing, as well as doing any capital improvements that they need over time.

So, with those challenges -- next slide, please -- RAD program challenges to answer those issues with a long-term Section 8 housing assistance payment contract known as a HAP, and the term for that HAP contract is 20 years. And your rents are also reset closer to market.

So, the combination of a long-term HAP contract, as well as higher rents, really looks favorable to investors and to grantees and lenders. So, we're hoping that that helps owners refinance. And if you don't need to refinance, it will surely help with cash flow and doing the capital needs that you might have been putting off. But most importantly, the program is geared towards ensuring long-term affordability for residents as well. Next slide.

So here I'm giving just a brief background on RAD. It was created by Congress in 2012, and at that time it was centered around public housing agencies converting their own inventory over to the Section 8 HAP contracts. Over time, Congress expanded it such that it also covers what HUD calls legacy programs. And that would be mod rehab contracts. We've also converted [inaudible] supplement contracts, RAP contracts, and now we're converting tool-to-track contracts for the elderly.

Now, another thing interesting at this point, I took a look at our numbers, and thus far we've converted three mod rehab contracts in the state of New Jersey. Nationwide, we've converted 110 properties. And that equates to 7,700 units. So, we're getting there, we're attempting to -- definitely going to grow in the state of New Jersey, which brings us here today.

Moving on to the third bullet, I want to point out here, an important tool for owners, this RAD notice cited here. And this is pretty much all -- contains all of the guidance and policy centered around doing a RAD conversion. And you will be able to find that online on our RAD resource desk, and we will be providing you a link to that RAD resources desk at the end of the presentation.

Lastly, I want to talk about the different types of HAP contract the owner can choose from. So, there's two different types of HAP contracts. You can see in that last bullet. One is the Project Based Rental Assistance contract, PBRA. That's a contract that you would sign with HUD. So that would mean that the HUD multifamily office would be your new contract administrator.

Now, if you wanted to continue to have the housing authority be your contract administrator, you would choose a Project Based Voucher contract, known as PBV. So those are two different types of contracts the owner has an option. And so far, I can say that it's almost a 50/50 split thus far in our overall inventory of RAD conversions that we've done so far. I'm noting that there are 40 PPRA contracts that we converted versus 62 PBV contracts. So, it's a little more in the PBV contracts, and that's the one where the housing authority remains your contract administrator, but it's pretty close. So, this is just solely based on owner preferences. And a lot of that will be discussed today, what the differences are between the two HAP contracts, so you can make an informed decision.

With that being said, I'll move on to our next slide, which is just a brief example of the eligibility when an owner first wants to come to Office of Recap and do a RAD conversion. The major things we're going to look at is do you have an active current mod rehab contract? Not one expired, but one that's active. And are you in good standing with the housing authority with that contract?

Secondly, are you passing HQS inspection? What is the condition of the property? And in some cases you might be also doing UPCS rehab inspections with HUD, if for instance, you have FHA financing already attached to your property. So basically, looking at the conditions of the property owner and the property. Next slide.

So here I wanted to start off talking about the differences between the two different HAP contracts. And rent-setting differences are just one of the key things that an owner is going to look at when they're making a decision. So, this chart has two columns, the left column is for the PBRA contract setting of the rent. And the right column, PBV. And again, PBRA would be if you were to contract with HUD versus PBV, you'd be contracting with the housing authority.

So, starting on the left side, we would take a), the lesser of the market rents. Or 110 percent of fair market rent. And what that entails is for determining what market rents are, the owner would contact an appraiser to do what's known as a HUD rent comparability study.

And that's pretty much going to survey what the rents are in your area. And if you happen to be doing rehab, that appraisal is actually going to look at what the post-rehab rents will be. Not the existing condition of your property. And so, they're going to take that rent and our office will

look at what 110 percent of fair market rent is in your metro area and compare the two and you will be receiving the lesser of those two rents.

Now, on the PBV side, this is where their rent-setting is conditioned on what's called a PHA rent reasonableness analysis. And this is done by the PHA agency. It's not done by HUD. So, owner will go straight to their housing authority and talk to them, and they will determine what the reasonableness analysis is for the market area and compare that to 110 percent of fair market rent and take the lesser of, or with the owner requesting their rent.

So, it's roughly the same on both sides. It's just a difference in how those market rates are determined or what -- basically what instrument is used to determine what market rent is. Now, there are some caveats to this, some exceptions I will state, where an owner could get higher rents than 180 percent of FMR, because that would be their cap. So, looking back at our left column for PBRA contracts, two bullets under item b), the exception here is that you also have what's called small area FMRs, fair market rents, and that goes by ZIP Code. So if the ZIP Code the property's in, if that small area -- FMR that's listed happens to be higher than the Metro FMR, then you can use that rent as your cap for calculating 110 percent and comparing that to the market rents.

So that's one way to -- that some owners are able to achieve something higher than the metro area fair market rent. And the second bullet, there's also another way that you can get a higher cap at 120 percent of fair market rent. And that all depends on what neighborhood or what location that your property is in. HUD has some thresholds that we use based upon census data to determine, for instance, if you have to meet three different thresholds, so we'll look at if, for instance, that -- the number of rent-bumped households in that area, the poverty rate, on the [inaudible] revitalization that's going on in that area, to determine if that property is eligible to be bumped up to a cap of 120 percent of FMR.

So that comes in handy if your rent culpability study comes in higher than 110 percent FMR, and you really want to make the case that your cap should really be a 120 percent. And that way you're able to get a higher rent.

Now, on the PBV side, exceptions to 110 percent rent cap really depends on the housing authority. There are some housing authorities that have the ability to bump up rents higher than the 110 percent, but it really depends, again, on the housing authority nationwide. I discussed with New Jersey BCA and they do stick to the standard at 110 percent fair market rent. But there may be other housing authorities out there, such as Jersey City or so on, or any other housing authority that's represented that may have some caveats.

So, it's really up to the owner to approach their housing authority and have that talk about rent. What will rent be like if I were to choose a PBV contract and go from there? Because, again, HUD doesn't set those rents for PBV because your contract is going to be directly with the housing authority if you were to choose a PBV contract.

Okay, so moving on, I do have an example here that you probably have already read here, what the 2021 HUD Newark Metro one-bedroom FMR is, is at \$1,358. And so, if you bump that up 10

percent, you're looking at \$1,494 in rent for one bedroom. So that would be your cap to look at and compare to your market rent analysis. And depending upon where your mod rehab contracts are right now, that could be a significant bump. Nationwide, I think we've seen between 20 and 50 percent increases in rents overall once they go through a RAD conversion.

And lastly here, I will note that there are differences in how rents are set ongoing. So, if you were to enter into a PBRA contract with HUD, your rents will be adjusted by OCAF annually. However, if you were to enter into a PBV contract with the housing authority, your rents are redetermined each anniversary date of your contract. And that means that they -- you can request that the housing authority does its rent analysis over again or they're looking at the lesser of market rent versus 110 percent of FMR during the resetting of your rent.

So those are the two differences in rent, and this is something that owners really take a look at early on to determine which way is advantageous for them. But we will be talking more about rents as we move further along in the presentation, especially just differences in contract price.

So, I'm going to stop and ask if there's any questions.

Toni Gallo: I don't have any in the Q&A box, but if folks have any questions, please put them in the Q&A box. And if you'd like to speak verbally, just say I have a question and we'll call on you.

Shalonda Lincoln: Okay, great. I know it's a lot to digest, so we'll move on to some more contract differences. Our next slide.

So here I'm just showing you some more contract differences between the two sides. There's the PBV on the left and PBRA on the right. One thing that's interesting to note is that for PBV contracts, that if you have vacant units in your property, they can convert onto the new HAP contract as long as it's not been vacant longer than 24 months. On PBRA contracts, all units go -- how long they have been vacant or not, as long as they're on the existing mod rehab contract, they can convert over to the new HAP contract.

Now, for both contract types, there is no rescreening of tenants during the RAD conversion process. So that is something you want to do beforehand or after conversion, and that's because you really don't want the RAD conversion process to result in tenants being displaced due to the changing of contract types. So that's something, you know, you would want to rescreen at a later date or beforehand.

And both contract types are for 20 years. However, there is a difference in the type of inspections that you will see, so if you continue with the housing authority as your contract administrator for a PBV, you will continue to adhere to HQS inspections. However, if you were to move over to the HUD family or the PBRA, you will be doing what's known as REAC inspection.

So, there are differences in the two types. And you will be hearing more about the differences between the two contract types from HUD and New Jersey BCA during this presentation just to get you more information on how these two different types are administered, so that you can

make an informed decision. So, at this point, I want to turn it over to my colleague Mirline Labissiere, and she will be discussing the process if we were to choose the [inaudible] conversion.

Toni Gallo: Before we do that, we did have a question that came in.

Shalonda Lincoln: Oh, okay.

Toni Gallo: Okay. So, it's for Mr. Farber. Does anything change here in terms of getting tenants to recertify, etc.? I'm having problems with tenants going to their appointments to recertify, and obviously they can't be forced. So, what -- do you have any guidance related to that?

Shalonda Lincoln: Well, I'm going to assume -- I guess it doesn't matter either way what type of contract you were to enter into. It'll still be an issue. Yes, that will be an issue with being able to provide subsidy for that tenant going forward. Once you convert over, you would need to certify that tenant. So, I don't know what measures the Housing Authority has for dealing with issues like that. And they could probably speak more on that, as well as HUD multifamily office, because that would wind up being a contract administration issue for making sure that you get all the subsidies that you need. So, if Tom or Margaret want to chime in on that.

Charles Evans: Good afternoon, this is Charles. From the public housing aspect, we allow up to three times of trying to certify an applicant. Now we're doing it a little bit differently because of the pandemic to see if they'll cooperate. We will mail them the paperwork. We'll do a phone interview, whatever it takes necessary, because at the end of the day, we know that the owner needs their funding.

If it becomes a situation where we have to pay, we will decide that on a case-by-case basis and document to file accordingly that the participant [Pakistan ?] was not cooperative. And again, see how long we can provide additional funding for them while we move to terminate that assistance.

Margaret Wingate: On the multi-family side, what we do is that we send out the required notifications and we have been staying within the policy and guidelines on email and communication with the owner. We do not send out paper mail. Everything is done in a formal e-mail electronically. And we continue to follow up on the 30-day period until that owner has complied and certified.

Toni Gallo: That's super helpful. Thank you both. There is a follow up question: Is it easier to find or place tenants in a property converted through RAD? And is there any assistance that either HUD or the PHA provides with regard to getting eligible tenants?

Shalonda Lincoln: Well, I know that Charles and Margaret want to cover this more so in their slides moving forward, but there is a difference in my understanding between the two types of contracts where with housing authorities it's typically the housing authority that is keeping a waiting list of tenants. Unless you're a SRO. SROs usually work with their local continuum of

care agency to have tenants referred to the property. As opposed to multi-family, PBRA contract, it's up to the owner to take care of their own leasing issues and waiting lists and so on.

So, that's the only difference I understand, is that usually the housing authority helps with sending potential tenants to the property.

Toni Gallo: Okay, there are no additional questions at this time.

Shalonda Lincoln: Okay, so I will introduce Mirline.

Mirline Labissiere: Thanks, Shalonda. My name is Mirline Labissiere, one of the transaction managers in the Office of Recap. And today I will be discussing the conversion process to convert a mod rehab contract to either PBV or PBRA contract.

So, as you can see before you, there are quite a few steps in the conversion process. And the first few steps involve communicating with stakeholders such as the PHA. You will like to, before you submit your conversion application -- if you're converting to a PBV contract, you need to consult with the PHA to inform them that you're converting your mod rehab contract to a PBV contract.

In addition to consulting with the PHA, you'll like to -- you should -- the property owner should submit a submission of interest to HUD, via the resource desk. And this submission of interest will just give a general overview of your plans of converting. And once we get this submission of interest, we'll reach out to schedule a concept call with the project owner to discuss the process.

The next step, of course, is informing the tenants at the project of the project owner's intent or plans of converting, and I'll get into more detail in later slides. And then lastly, but not least, step three is reaching out to stakeholders, is if you have a mod rehab SRO contract, you will want to - or you should get in contact with the continuum -- sorry, I always trip over that word -- of care agency to inform them that you're again converting your mod rehab SRO contract to either PBV or PBRA.

So, once you've contacted and informed all the stakeholders that you're planning on converting the contract, step four is a very involved step and that entails pulling together the complete application per section or attachment 2A of the notice to complete your conversion application. And again, I will go into a little bit more detail in the next few slides.

So, once you've uploaded your complete application, the transit -- assigned transaction manager will get notification and will reach out to you to schedule what's called a kickoff call to review, to do a broad and general review of the application and to address any deficiencies that may need to be handled. And so, once the completed application is ready for review, the assigned transaction manager, it may take them up to about 60 days, between 45 and 60 days, depending on the completeness of the application, to review it and be able to move forward to step five, which is the conversion approval.

In step five, the conversion approval, the project owner will get an approval letter that lists the terms and conditions of their approval, and you'll be able to move on to step six, which is the closing and contract execution for the PBV or the PBRA contract. We can go to the next slide.

As I stated in the initial slide, the initial conversion process steps include a submission of interest where the owner provides basic property information to HUD through the RAD resource desk. And at that time, once we get that submission of interest, a transaction manager is assigned, and that transaction manager reaches out to you to schedule a concept called.

However, prior to submitting or uploading your conversion plan to the resource desk, again, you want to notify the residents, and you'll do so by mailing them letters, two letters. You'll mail them letters informing them that there are two meetings that need to be held and you'll also give them a 30-day time frame in between the meetings to submit any questions or concerns they may have in regards to the conversion.

Again, you will consult with the local continuum of care, COC, if you are a SRO. And also, you identify a PHA to administer the contract. In most cases, if you're converting to a PBV contract, you would continue to work with the PHA that is administering your mod rehab contract. Then you'll jump into preparing the conversion plan documents to upload to the RAD resource desk.

So, once you, again, submit a submission of interest, contacted the residents, consulted with the COC, and have reached out to a PHA, then you're ready to move forward and pull together your full financing plan. You'll upload to the RAD resource desk and to have a transaction manager review and discuss it with you. Go to the next slide, please.

So, the conversion plan consists of quite a few documentations of quite a few documents. I'm just going to go over the major components of the conversion plan. Again, as you see, notification, notifying the residents is very important. We've mentioned it quite a few times. And one of the things that you'll have to do or one of the components of your application is evidence that you have notified the residents at the project. The project owner will have to submit or upload evidence or letters -- upload copies of the letters that were sent out to the residents, informing them of the project owner's intent to convert. They will also need to upload the questions that were submitted by the residents and how those questions were answered, to the RAD resource desk.

In addition, they will also have to provide certification that they followed and completed all of the requirements as it relates to notification of the residents stated in the notice. In addition to notifying the residents, you will need to commission a capital needs assessment, a CNA. The project owner will need to order a CNA to determine the short-term and long-term needs of the project. And as you see in parentheses, sometimes it's depending on financing type.

So, if you are going to finance your conversion or are you going to use financing with your conversion, you also have to provide documentation that provides -- such as your bank letter or loan letter, that provides the requirements or the terms of the loan that you're using to recapitalize the project.

And in addition, if you're doing -- using FHA financing or FHA assured financing or low-income housing tax credits, in most cases we defer -- typically we defer to the FHA production team or the low-income housing tax credit syndicate. We defer to their underwriting. However, not to duplicate work, we ask that you upload the same documents, such as the operating pro forma, which is a 20-year snapshot of your budget for the program, the development budget, which are the sources, the uses, how you're using the funding for the project, and the scope of work which would be heavily dependent on the capital needs assessment. We ask that you upload all of those documents that were submitted to FHA or submitted for your FHA funding or low-income housing tax credits to the RAD resource desk.

The next heavy lift is the environmental review. If you're doing a PBV contract, in most cases, you would have the PHA, who will most likely be the responsible entity, complete a part 58 review. And again, you have to upload that review to the RAD resource desk. If you're going the PBRA route, you would do a part 50 review. You will hire a company to do a ESA, environmental site assessment of the project. And they would use HUD's HEROS application to upload the assessment for your -- for the project owner's assigned transaction manager to review and grant approval of the environmental review. Go to the next slide.

Again, the capital needs assessment, there are some exceptions. If you have a project that is 20 units or less, the project may be eligible for exemption. And that will be determined based on confirmation that the physical condition of the property meets the requirements of the RAD program. So, you can submit the most recent inspection reports to show that the condition of the project is in good standing.

With FHA and low-income housing tax credits, they will supply the capital needs assessment. And again, we will defer to their underwriting. With low-income housing tax credits, we'll take a closer look at the capital needs assessment if the reserves for replacement per unit is less than \$450.

And for other forms of financing -- excuse me -- or no financing, again, you must submit a capital needs assessment, the rehab scope, and our replacement reserves will be determined by HUD review. Are there any questions?

Toni Gallo: Yes, yes, sorry. One person asked the question, are residents given a voice to object and in what way could they impact the application?

Mirline Labissiere: Yes, residents are given the voice to an object. I've never had that happen in my experience. And we would work with that resident to determine the reasons why they're objecting and hopefully determine a way to work with them in order for them to move forward with the -- with the conversion. Does anyone else from the Office of Recap have any instances where a resident has rejected a conversion? Or submitted --

John Ardovini: Hi Mirline, it's John Ardovini. No, I can't say today, and other transactional managers, feel free to back me up here, that we've ever seen any type of hesitancy from the residents, especially when you're talking about a preservation and affordability being extended and there's not much of a change for the resident through the RAD conversion process. And like

you said, Mirline, we have something in the notice that if, I think, 50 percent of the comments are voicing their disapproval, we're really going to look into that deeply. But we've never seen that before.

Mirline Labissiere: Thanks, John. Are there any other questions before I move on to the final conversion process step?

Toni Gallo: There's no -- there are no other questions at this moment.

Mirline Labissiere: Okay. Thank you.

As I mentioned earlier, it takes about 60 days from the transaction manager receiving a completed financing plan and conversion plan to review it for HUD approval. Once you get the HUD approval, you'll receive a letter to approve your financing plan, and in that letter we'll list the terms and conditions of the HUD approval. And you'll be given 90 days to close. And the 90 days will allow the PHA and owner to terminate the current mod rehab contract and execute the new PBV or PBRA contract, and if you're doing any financing, those 90 days -- you will also have those 90 days to close on your financing. However, if you run into issues and need additional time, you can just reach out to the Office of Recap and we'll, depending on the circumstances, give you an extension on the closing date.

That's pretty much it, the conversion process wrapped up nice and nice and neatly. There are quite a few other documents that I may not have mentioned, but if you refer to Section 2A of a notice, it will go over -- provide details of the additional documentation that's needed to complete your financing plan -- and that documentation -- those documents are pretty straightforward. We just usually take the time to discuss the ones that usually take the most time together. So at this moment, I'm going to hand it over to Charles Evans.

Charles Evans: Thank you, Mirline. Hi, I'm Charles Evans. I'm with chief field operations, New Jersey Department of Community Affairs, and I'll be discussing NJDCA's role in administering PBV contracts. One of the things that we have to do as the contract administrator is provide HUD a letter stating that the entity that's requesting to convert from mod to RAD is in good standing, that their track record with maintaining their units and compliance with HQS is good.

Then we would coordinate with the HUD PIH office, the HUD Office of Recapitalization, and the owner. Our responsibility is that we are -- we interact with each other along every step of the conversion. We e-mail reports to each other and get always just progress updates regarding the conversion until it's finalized. Next slide, please.

We all -- we are also responsible for determining initial contracts' rent, rent reasonableness. And we do this by comparing the subject's property with rents of similar units, either subsidized or non-subsidized to determine rent reasonable. And the reason that we look at the subsidized is some of our RAD projects that we have had were mixed units. They had HCV voucher holders in it.

So, we wanted to make sure that the people that were being converted to RAD were not being overcharged. And one of the things we compared with, because we have people in the building, we use the 50058s for this purpose because it gave us a clear picture of what they were charging our non-mod clients.

The PHAs were also responsible for conducting HQS inspections. Prior to signing a RAD contract, we'll send a team of inspectors in to make sure that all the units meet HQS. And we'll cite the unit does not meet HQS and give the owner opportunity to make sure the unit does prior to the signing of the contract. Any questions?

Toni Gallo: There are none right now in the Q&A box.

Charles Evans: Okay, could I talk a little bit about what is the benefit of actually converting to a PBV?

Toni Gallo: Absolutely.

Charles Evans: Okay, I know that with a RAD conversion you could -- only could choose a PBRA conversion or do a PBV. I prefer the PBV versions where owners actually request vouchers and we are the contract administrator. It gives the participants after one year, or PBV tenants, a little bit more flexibility that if they decide to move after a year and the housing authority has our traditional voucher form, a tenant-based voucher available form, we could provide that and then backfill that PBV slot. So, it's a continuing cycle of where a participant family could always receive assistance. And the owner will always receive assistance from his end. Any additional questions?

Toni Gallo: There are none at this time.

Charles Evans: Okay, Tony, unless the panelists have questions for me, I'm done.

Toni Gallo: There are no others, so perhaps we could go on to Margaret.

Charles Evans: Okay.

Margaret Wingate: Good afternoon, everyone. I want to thank -- my name is Margaret, I am the resolution and funding specialist in the New York Regional Center in the office of multifamily. If we can move to the next slide, it would be greatly appreciated. Thank you.

One of the roles that multifamily have is working in conjunction with the Office of Recapitalization. And we oversee your PBRA contracts. Upon our Notification Planning Office of Rehab, the Office of Multifamily assigns an account executive to your property. At that time in the application stage, the account executive reviews certain documents and forms in order to assist in moving your application forward.

Those are your HUD form 2530, which would be required for any management entity, a management certification, and a management entity profile form. Those are the forms that the

account executive reviews at the application stage. And during your application stage we begin to start setting up your contracts. The multifamily funding specialist will handle assigning a new PBRA contract number to your Office of Recap transaction manager. And then on upon closing, they set up your contract in our track system. That is the system you will be vouchering from.

The documentations that are required for you to submit to the Office of Multifamily in order for you to voucher for your payments under that PBRA contract, are the HUD form 1199A. That is considered to be a direct deposit form where you fill that out with the name of the entity and provide a bank certification with it.

We are also required to obtain your Dun and Bradstreet number and you must register that in the SAM system. You should also provide a copy of a voided check or a bank certification letter. Next slide, please.

The active participation partner system, or other known as APPS. That is a 2530 clearance requirement that is for every entity who enters into any form of contract or does business in the Office of Multifamily. The only entity that would not be required to submit a 2530 is a public housing authority agency. That is something that is done, again, through our active participant partners performance systems or by completing the HUD 2530 form.

So, upon scheduling a closing, as I indicated, the funding specialist is the most active person involved at that time, They secure the PBRA funding for the contract and they notify the Office of Recap. The Office of Recap then executes that contract. And upon execution and return, that funding specialist begins to finalize your contract in our track system.

After the closing, the owner is required to notify all parties because generally, for the most part, unless it's a HUD FHA insured loan, HUD is not notified of the actual closing. But the entity themselves are responsible for notifying all parties that the transaction has closed. And at that time the owner is required to return all documents that I mentioned prior in the last slide. Next slide, please.

These PBRA contracts all come with annual OCAF adjustments, depending on whatever the year is, the annual OCAF is published in the HUD -- on the HUD website. There's an example for, say, a contract that is effective on May 1st, an owner is required to submit that contract renewal with the renewal and the OCAF renewal package in years one through four. And then in that fifth year, there is a requirement that falls under the guidelines that you will have to submit a responsibility study.

What are Multifamily's ongoing monitoring compliance requirements? It should be noted that the owners are required to submit every year annual financial statements via the multifamily FASS system. These financial statements are required 90 days after the fiscal year end for your project. And I provided a link for you to obtain that if you are interested to see the FASS system guidelines.

Financial statements are assessed not by the Office of Multifamily, but by the Office of REAC-FASS Division. That is the division that is seen -- overseen by the Office of Public and Indian

Housing. All projects are graded for performance, and when the FASS force determine, you and your staff would be notified of the financial health that has been rated by HUD, whether it's potentially troubled or troubled, which we don't want to see. Next slide, please.

Projects are required to adhere to REAC inspections. For those of you who don't know what REAC is, it is an office that is also overseen by the Office of Public and Indian Housing. They conduct annual inspections and there I provided you with the chart as to when the inspections are to occur. If you result in a score of 100 to 90, these inspections are conducted every three years. If you result in a score of 89 to 70, every two years; 60 to 30 every year; below 30, this is a property that would be referred to our Department of Enforcement and those can be inspected within a 60-day period from that inspection date that resulted in that low score.

Management and occupancy reviews are also a requirement under the PBRA contract. These are conducted the first six months upon closing, currently not being done due to COVID. But once the condition changes, those type of inspections do occur. Guidance on the requirements are also outlined in our HUD handbook, chapter six, if anyone wants to take a look at that prior to, it may be different from the kind of management and occupancy reviews you currently have at your project. Next slide.

This is a chart of our regional office and our list of various different staff who currently work in the New York Regional Center. We are headed by our regional director, Brett Weiss, and our division director, Mr. Dean Santos. There are various different account executive branch chiefs, once -- a majority of us all oversee projects within the New Jersey area, with the exception of Ms. Biatti [ph], who oversees most of the properties in Buffalo.

Thank you. Does anyone have any questions?

Toni Gallo: Thank you, Margaret. That was really interesting. No, there are no questions in the queue at this time.

Margaret Wingate: Okay, thank you. I now will turn this over to Mirline, who I had the pleasure of joining many concepts and discussions.

Mirline Labissiere: Thank you, Margaret. I again, I'm going to speak on the special considerations that need to be noted when converting a mod rehab SRO project to either PBB or PBRA. When converting a mod rehab SRO, after conversion the contract must continue with the original purpose of the mod rehab SRO, and that's providing housing for the homeless.

Upon conversion, the homeless preference is still required. And with the conversion, the shelter plus SROs are not eligible, unfortunately. And again, the project manager needs to consult with the -- or speak with the -- have a consultation with the COC, prior to conversion to inform them of their intent to convert and to explain or make them aware of any plans that they have to do rehabilitation, relocation, and so forth, just to give them a heads up on what the project owner is planning to do once the project converts.

And then lastly, the screening criteria -- HUD strongly recommends that the administering PHA or project owner follows the COC established coordinated entry process to identify new homeless participants once the project has been converted. Are there any questions?

Toni Gallo: None in the queue at this time, Mirline.

Mirline Labissiere: Okay. In that case, I will hand it over to -- and I'm sorry if I mispronounce -- Karuna?

Karuna Mehta: That's right.

Mirline Labissiere: Okay, thanks.

Karuna Mehta: Hi, everybody. My name is Karuna and I am a development project manager with the Community Builders. We are a national nonprofit developer with 13,000 units in 14 states, including New Jersey. And the project I'm going to talk to you about today, Bergenvue, is located in Jersey City. It's about a 20-minute walk from Journal Square.

We originally acquired what is now Bergenvue back in 1999. And it's actually part of a larger YMCA campus that was constructed in the 1920s. So, the whole campus is about the size of a full city block. In addition to Bergenvue, there are three recreational facilities that are no longer in use: a racquetball court, a gym, and then a historically significant indoor pool building which we'll be converting into a community and commercial facility sometime in the upcoming years.

So, getting back to Bergenvue, when we acquired the campus, we converted this building you see here into 131 units of permanently supportive housing for formerly homeless individuals. The unit mix included 72 studios and 59 SROs. And out of those 131 units, we had a McKinney Vento mod rehab contract for 100 of them. Fast forward 20 years later, we are now rehabilitating Bergenvue again. As Tom said at the beginning of the presentation, we opted to convert the 100 unit HAP contract into a PBRA contract.

In addition, we're utilizing 4 percent tax credit equity, HMFA bond financing, and other soft debt. And as is the case with most complex development projects, it was really important for us to make sure that the timeline for HUD's review lined up with that of our syndicator, our lenders, and especially HMFA. So, something to keep in mind.

The scope of work for this rehab includes upgrading major building systems, renovations to the existing 72 studios. And we're also converting the remaining SROs into new studio apartments and rebuilding our residential amenities. Once we're done with the rehab, our unit count is going to decrease to 111 studios and a one-bedroom super-unit. So, we'll still have those 100 PBRA contract units in there.

This is where the project is today. So, we closed down our financing at the end of November 2020, and we're scheduled to complete the rehab in June 2022. The PBRA contract was finalized about a week before closing and the new contract began in December 2022. We're really happy that after working closely with the field office and others at HUD, all of our tenant info has been

uploaded to tracks and the subsidy's flowing. In this case we were allowed to underwrite the rent to the amount in our rent comp study since 120 percent of the FMR was a higher value. And to Shalonda's point before, the bump in rents really allowed us to leverage the required public and private financing we needed to invest very much required capital improvements in the building.

All in all, the conversion process was very, very streamlined for us. We started notices to residents pretty much as soon as we knew we were going to go through this and started collecting due diligence and uploading it to the resource desk in early 2019. And even at that point, some documents wouldn't scale before we closed and we had to update that. But because there was no OGC review required and it was very streamlined, it really worked well with our overall timeline for securing financing.

What ended up taking the longest for us was the environmental review. That was because the YMCA campus, as I say here, is historically landmarked and we have two neighboring development projects that were deemed geographically related. So, HUD did have to do a preliminary review of those projects, even though they were on a different timeline. And we had to build in time to receive feedback from all of the local reviewing agencies.

All in all, it took about seven months to complete. So, we definitely urge folks that are interested in this to budget time for that process. Other than that, though, it was a real pleasure to partake in the program. And if you had other mod -- we have contracts in New Jersey, we would probably do it again. So, yeah, if there are -- are there any questions or anything I can add more detail on?

Toni Gallo: There are none in -- oh, yes, please give more detail regarding McKinney Vento only shelter, plus FROs not being eligible for conversion.

Karuna Mehta: I would have to defer to someone at HUD about that. We didn't have any shelter plus SROs in this project. All 100 of our units were eligible for a conversion to the PBRA contract. Is there someone else that could help with that question?

Shalonda Lincoln: This is Shalonda. Yes, so in order to convert via RAD, you have to be what is known as a McKinney Vento mod rehab SRO contract. And so, there's a lot of different SROs out there that are funded differently. So, we're making that distinction so that we don't have any confusion. In most cases, the mod rehab contract will call out McKinney Vento. But if you're not sure, just reach out to us at the Office of Recap and we could find out for you if there's any questions on what type of SRO funding you have going to the contract.

Toni Gallo: Thanks, Shalonda. There are no other questions in the queue at this time.

Karuna Mehta: Okay, great. Then I will pass it back to Mirline. Thank you.

Mirline Labissiere: Thank you. Given my experience with the Offices of Recap, I have come to figure out that no two or none of the mod rehab contracts are the same. Every project is unique. Some projects, as we just heard with Bergenvue, they can re- -- they decide to reconfigure units to better accommodate the residents at the project. Some projects may undergo transfers of assistance, meaning that they're transferring their subsidy from one building to the next.

Some may need substantial rehab and some may just need continued maintenance. And then also there are projects that where some owners may finance several properties together for economies of scale and want to combine contracts for scattered sites.

So, again, no project or every project is the same or no -- I mean, every project is unique and no project is the same. Next slide, please.

So, there are other requirements when considering doing conversion, other federal requirements. Again, the residents' rights. You need to notify them and inform them of the conversion. Once the conversion is complete, if they've been relocated, they have the right to return. And then also there is choice mobility which gives them for PBV, they may have -- they can get a voucher and that gives them the right to move after the first year of the contract. And with PBRA, that gives them the right to move after two years.

However, a PHA can ask for exemption if they do not have vouchers to spare. And then also there is certification that the owner will need to upload to the RAD resource desk certifying that they are adhering or following fair housing laws as it's detailed in the notice. Again, another federal requirement is the Davis Bacon wage requirements, and this is usually triggered when there is substantial rehab or new construction to units that were not previously receiving subsidy. However, if they had been receiving subsidy this this rule or regulation would not apply.

And then lastly, again, accessibility, which goes into more detail in Section 2.4 of the notice. There are accessibility requirements that need to be adhered to, especially when doing substantial rehabilitation to the project. Are there any questions?

Toni Gallo: There are no additional questions at this time.

Mirline Labissiere: Okay, well, I will pass it on to my supervisor, John Ardovini. Thank you.

John Ardovini: Hi, and good afternoon, everyone. My name is John Ardovini of the HUD Office of Recapitalization. And I just want to go over the useful tools we have here at the Office of Recap and at HUD for you.

So, information and resources. One of the most important tools that we have is the RAD resource desk. You have a link there embedded in for you into the slide. That's where you go ahead and you create your online account. You'll submit what's called an initial submission of interest, which really queues you up to be linked up with a RAD transaction manager within a concept called setup. And we can talk to you through some RAD conversion strategies.

We also have direct technical assistance [inaudible]. These are really free consultations. It's free technical assistance that HUD offers to owners who may just need a little more help to think about how to wrap their head around a RAD conversion and maybe a larger recapitalization of their property.

As Shalonda and others noted, the most essential tool in our toolbox is the RAD program notice. It's revision four of the RAD notice. And new for mod rehab owners, you're going to really pay particular attention to section two. It's only about 30 to 35 pages. So, a light it for your weekend.

And lastly, we also created, you know, so we've gone through just different iterations of the RAD mod rehab program, we created a mod rehab processing guide. And our hope there is, you know, it's kind of like a one-stop-shop tool for you. It'll talk about how to set your account up on the RAD resource desk. It'll talk about the entire program and specifically with documents you need to upload to the RAD resource desk, some best practices that we've learned along the way.

We also have the HUD exchange for a mod rehab program. And there's really nice fact sheets to put together. They're short and simple and really kind of tie home some really nice points about rent setting and about program administration that we think you'll get some value out of if you read those.

And lastly, we have a recapitalization workbook, an Excel tool, and it's a really nice package that walks you through wrapping your head around, how do I tackle a recapitalization and kind of is a road map, and it talks you through each step of how to think about taking yourself and your property through a proper recapitalization. Next slide, please.

This panel paused for any general questions, I know we paused a couple of times throughout the presentations, but I'll pause for any questions and once I do, you know, something to think about too, is we have some contact information there. Rad2@hud.gov. You see Shalonda's e-mail and Theresa's e-mail. Feel free to e-mail us with any questions, whether it's just our general inbox that we e-mail -- that we monitor daily or e-mail us directly. We want to hear from you. We want to assist you along the way.

So, I'll pause right now for your questions. Are there any questions?

Toni Gallo: Not in the queue right now, John.

John Ardovini: Great. Why don't we move on to the last slide before we head on over to breakouts. So, just in closing, I really just, for our owners and external stakeholders, I just want to say you can see that the RAD is a preservation tool. I hope you've learned that today. You've seen Karuna walk you through actually a real-life case study of going through it. And that was a complicated one. That wasn't an easy one.

Essentially, this can really set you up for the long term. That's what a RAD conversion is, and it's optional. But it can really allow you for 20 years and not just extending affordability for your residents and protecting them, but also financial viability and physical viability of your asset for the long term. That's important, right.

And I think if you can kind of just see our panelists list here. You're not alone, you have partners in this preservation. We're here, we're supporting you. You have a number of members from the Office of Recapitalization. You have your colleagues in the Public and Indian Housing field office and the HUD Multifamily field office. You have our partners in public housing authority

and even developers that we've worked in the past. So, you can see this is a real team effort. We're all partner in this with you.

We want to try to get you there because in the best interests of affordability, this is the tool to get you there. And really some things that we've learned along the way. You can be successful, whether it's a large or small property, whether you have 4 units or 400 units. This is a tool we designed a streamlined conversion process for 20 units and another was discussed. You hear those numbers, those are questions to ask around, is we made RAD simpler for you if you're a small property owner.

And so, ask those questions so we can put you on the right path to sustainability and affordability. I'm going to turn it on over if there are no questions, John Panetti.

(END)