



Public Housing Repositioning
Wednesday Webinar Series:
RAD and Section Blend Expansion
in PIH Notice 2021-07

February 17, 2021

Presenters

Will Lavy

Office of Recapitalization

Jane Hornstein

Special Applications Center



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 Blend Expansion in PIH Notice 2021-07

- ✓ Understand the set of new RAD and Section 18 blend options
- ✓ Understand how PHAs could potentially use the blends in their repositioning strategies



Webinar Topics	Dates
<u>Developing a Repositioning Strategy</u>	May 13, 2020
<u>Options for Scattered-Site Units</u>	June 3, 2020
<u>Options for 50-and-Under PHAs</u>	June 24, 2020
<u>RAD and Section 18 Blends</u>	July 22, 2020
<u>Resident Considerations</u>	August 12, 2020
<u>Streamlined Voluntary Conversion</u>	September 2, 2020
<u>Proceeds Notice</u>	October 14, 2020
<u>Common PHA Board Questions</u>	October 28, 2020
<u>Public Housing Program Closeout</u>	November 18, 2020
<u>Project-Based Voucher Program Overview</u>	December 2, 2020
<u>RAD and Section 18 New Blend Options</u>	February 17, 2021



All webinars are recorded and posted at www.hudexchange.info



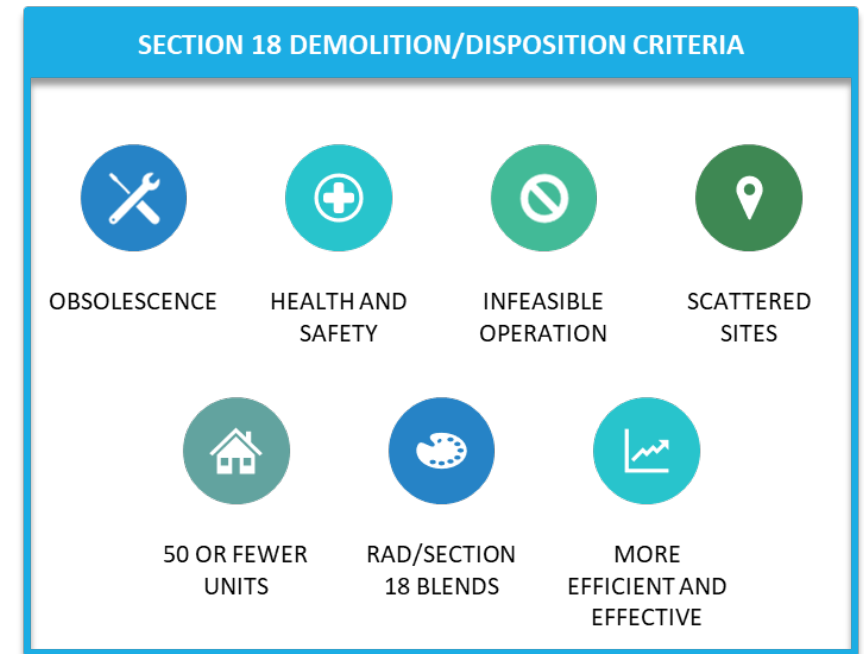
Background: RAD/Section 18 Blends

- Under [PIH Notice 2018-04](#) – HUD allowed RAD and Section 18 to be “blended” for the first time – allowing 75% of the units in a covered transaction to convert under RAD and while the remaining 25% converted under Section 18. The net result was a higher income stream for the project.
- Under [PIH Notice 2021-07](#) – HUD has now expanded on the blends to include more options for how PHA’s can combine the two programs.

Goal: Preserve and recapitalize more public housing assets and provide robust resident rights.

What is Section 18?

- Section 18 of the Housing Act of 1937 authorizes the demolition or disposition of public housing.
- Requirements outlined in PIH 2021-07. HUD will generally approve a property for disposition under Section 18 if it is:
 - Physically obsolete
 - In location that poses health/safety risk or infeasible operation
 - Scattered sites
 - Owned by a PHA with 50 units or less
 - Part of plan that allows more efficient/effective units (limited TPV award)
 - ***RAD/Section 18 blend***



Section 18 and Project-Based Vouchers

- Section 18 Disposition can be used with the Project-Based Voucher program as a preservation and redevelopment tool
- Following Section 18 approval, PHA requests new vouchers (Tenant Protection Vouchers) to PHAs for units occupied by assisted families within last 24 months
- Vouchers can be project-based under the standard PBV program at the former public housing site (see [PBV webinar](#))
 - Tenant consent not required in order to project-base the vouchers
 - Contract rents set at “reasonable rent” (i.e., market rent) not to exceed 110% of FMR
 - Often exempt from certain PBV requirements for 1) competitive selection, 2) “income-mixing,” 3) PHA’s PBV program cap (20%)



What is RAD

Converts public housing to long-term project-based Section 8 housing assistance payments contracts:

- Section 8 contract rents set based on public housing funding levels. Currently use “FY 20 RAD Rents.” Adjusted by OCAF for term of contract
- Mandatory contract renewals and use agreements
- Robust resident rights, including resident right-to-return,
- Required ownership or control by public or non-profit
- Flexibilities to use public housing funds in conversion, transfer assistance to new sites, etc.
- RAD Notice: [H 2019-09/PIH 2019-23](#)



RAD/Section 18 Blends



What is a RAD and Section 18 Blend?



PHAs can use RAD and Section 18 together. [Notice PIH 2021-07](#) expands on [PIH 2018-04](#) to create **RAD/Section 18 Blends**, which bring the best of both tools:

- Higher contract rents support greater financing
- Robust resident rights
- RAD one-for-one replacement reqs apply (w/ de minimis)
- Public housing funds can be used in project conversion
- HUD underwriting of entire project to ensure project viability

RAD/Section 18 Construction Blend

Replaces former RAD/Section 18 “75/25” Blend

HUD approves a portion of units under Section 18, to be replaced with Project-Based Voucher, based on level of rehab/construction achieved. Percentage of units eligible for Sec 18 disposition within the Converting Project is based on the hard construction costs proposed for the new construction or rehabilitation of the Covered Project compared with HUD’s published Housing Construction Costs for the market

Required HCC Threshold	RAD / Section 18 Blend Percent
>30%	80% RAD / 20% Section 18
>60%	60% RAD / 40% Section 18
>90%	40% RAD / 60% Section 18
>90% + in high-cost area	20% RAD / 80% Section 18



RAD/Section 18 Construction Blend

Example: Project completing \$50,000 per unit in rehabilitation which equates to 46% of HUD's published Housing Construction Costs for their market area. HUD will approve 20% of the public housing units at the project under Section 18 Disposition.

Required HCC Threshold	RAD / Section 18 Blend Percent
>30%	80% RAD / 20% Section 18
>60%	60% RAD / 40% Section 18
>90%	40% RAD / 60% Section 18
>90% + in high-cost area	20% RAD / 80% Section 18



RAD/Section 18 Construction Blend (Cont'd)

Notes

- Units must be either newly constructed or rehabilitated **without** the use of 9% Low Income Housing Tax Credit (LIHTC).
- Hard construction costs in the approved financing plan includes general requirements, overhead and profit, and payment and performance bonds
- High-cost areas defined as those where the HUD-published HCC exceeds 120% of the national average – nationally, 43 out of 416 areas are high-cost areas

Resources:

- [Workbook to Test HCC Threshold: For RAD Section 18 Blends and Opportunity Zone Rent Increases](#)
- [List of High Cost Areas - for Calculating RAD/Section 18 Construction Blend Eligibility.](#)

RAD/Section 18 Small PHA Blend

Replaces former RAD/Section 18 Close-out Blend

For any PHA with 250 or fewer public housing units under its ACC, at the PHA's discretion up to eighty percent (80%) of the units in a Converting Project may be disposed under Section 18.

- Blend is applied at the project level
- PHA must submit a repositioning plan to HUD showing how it will remove all of its public housing units
- Any PBV contract must be administered by a PHA operating at least 250 HCV units



Recap: RAD/Section Blends

- Two kinds of Blends: Construction Blend, Small PHA Blend
- Section 18 units must be replaced with project-based voucher (PBV) assistance. RAD one-for-one replacement requirements apply
- All residents receive the same robust RAD rights and protections
- PHA can contribute public housing funds into the development budget
- Blends are analyzed at the project level – % eligible for Sec 18, construction/rehab costs



Processing Blends

- PHA applies for RAD for the entire project (through the RAD Resource Desk)
- Front-end civil rights reviews should reflect the entire project
- PHA includes both Section 18 and RAD in PHA Plan and in resident consultation
- PHA identifies blend in Concept Call and requests the use of a RAD & Section 18 blend in the RAD Financing Plan
- Financing Plan must reflect the entire project (e.g., CNA, operating pro forma, Environmental)

Processing Blends (Cont..)

- No separate Section 18 application needed from PHA. Instead, certain additional items needed in the Financing Plan (See FAQs for needed items)
- Recap will revise the CHAP and SAC will create the Section 18 application (using materials provided in the Financing Plan)
- Upon approval of the Financing Plan, HUD will issue the RCC and PIH's SAC will issue the Section 18 approval letter
- PHA applies for tenant protection voucher funding



Processing RAD/Section 18 Blends

Closing will be done under RAD process and involve:

- Disposition of property
- Closing of any financing
- Release of DOT from entire project
- Recordation of RAD Use Agreement with RAD/Section 18 Blend rider on entire project
- Execution of RAD HAP contract and non-RAD PBV HAP (or AHAP, if applicable)

Recap of Repositioning Tools



Menu of Repositioning Tools

RAD

- Standard
- Streamlined RAD for 50 and under

Section 18

- Obsolescence
- Scattered Site
- 50 and Under
- Health/Safety; Infeasible Operation

RAD/Section 18 Construction Blend

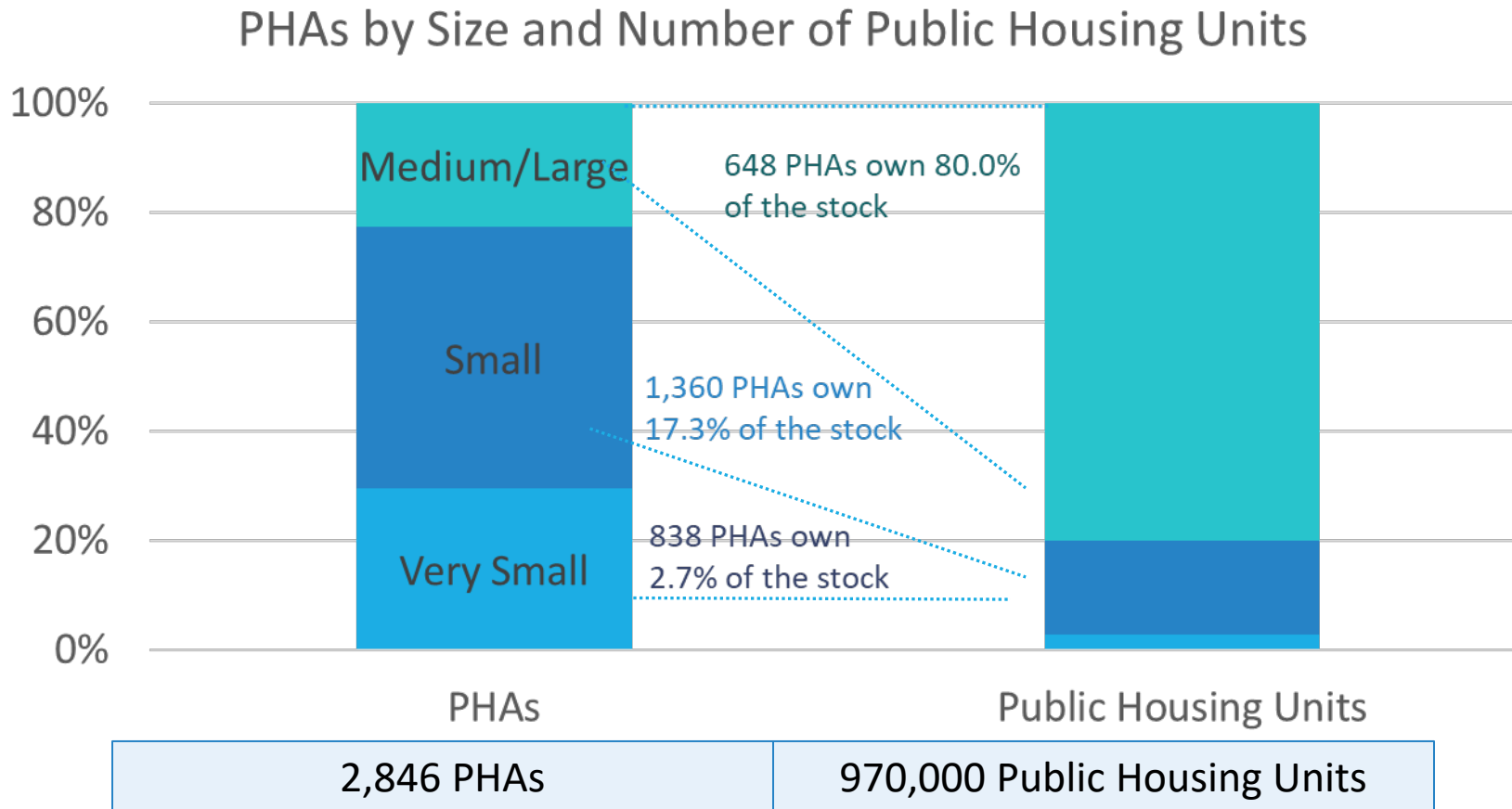
RAD/Section 18 Small PHA Blend

Streamlined Voluntary Conversion

Homeownership

Choice Neighborhoods

Public Housing Stock and PHA Size



Common Tools for Small PHAs

Very Small PHAs 1-50 Units

- Section 18 (50 or less)
- Streamlined RAD
- RAD/Section 18 "Small PHA" Blend
- Streamlined Voluntary Conversion

Small PHAs 51-250 Units

- RAD/Section 18 "Small PHA" Blend
- Streamlined Voluntary Conversion
- RAD
- Section 18 (scattered sites)

Tools for Medium & Large PHAs

Scattered Sites	Moderate Rehab	Substantial Rehab	Redevelopment (demolish and rebuild)	Disposition (discontinue as affordable housing)
<ul style="list-style-type: none"> • Section 18 • RAD • RAD/Sec 18 Construction Blend 	<ul style="list-style-type: none"> • RAD • RAD/Sec 18 Construction Blend 	<ul style="list-style-type: none"> • RAD/Sec 18 Construction Blend • RAD 	<ul style="list-style-type: none"> • RAD/Sec 18 Construction Blend w/4% LIHTC • RAD w/ 9% LIHTC • Section 18 • Choice Neighborhoods 	<ul style="list-style-type: none"> • Section 18 • RAD/Sec 18 Construction Blend with transfer of assistance

Additionally, as a PHA repositions public housing assistance and falls below 250 or 50 units, Small and Very Small PHA options available



Additional Context

- Repositioning Tools, including expanded RAD/Section 18 Blends
- Strong 2020 RAD Rents
- Fixed 4% Low-Income Housing Tax Credit Percentage
- Low mortgage interest rates

**Unprecedented opportunities to recapitalize
and redevelop public housing assets**



Upcoming Training and Resources

- RAD/Section 18 FAQs Update (**coming soon**) - see RAD resource desk HUD's [Repositioning Webpage](#)
- Regional Repositioning Convenings
- Guidebooks for Very Small, Small, and Medium/Large PHAs

Questions?

