Public Housing Repositioning Wednesday - RAD and Section 18 New Blend Options - 2/17/21

Jane: We would just by right give you 25 percent under Section 18 of with the results being the higher income stream. We found that it was fairly successful, but a lot of housing authorities felt that it didn't quite get them where they needed to be. So we went back and we reviewed a lot of the applications that we did see and talk to some of our other housing authorities, and we're proud to bring you PH Notice 20-2107, which now expands these blends, and this is what we're going to talk about today.

Again, the major goal of this is to preserve and recapitalize more public housing assets and to provide robust resident rights to all of the residents, not breaking it out by RAD or Section 18.

Okay. So by way of review -- next slide -- what is Section 18? So Section 18 is Section 18 of the 1937 Housing Act, which authorizes the demolition and disposition of public housing. It requires -- so, again, we've outlined all the requirements in 20-2107 and you have to have a good justification under Section 18. These are -- the ones we've got listed as the ones that we typically use; physically absolute; is located in an area that poses a health and safety risk to the residents; things like, oh, it just got hit by a hurricane or it's on a superfund site. Those have been the reasons we've taken them out for health and safety.

Scattered sites four units or less on non-contiguous sites, so we can take those out PHA that only owned 50 units or less can come in and get vouchers and convert to vouchers if they want. If the plan allows for efficient and effective units, you can do that, too, but know that we only give you 25 percent of occupied units as CPB awards -- for your CPB awards on that, and then the RAD-Section 18 blend.

Okay. Next slide. So with the Section 8 approval, you get project-based vouchers. Project-based vouchers can be used as a preservation and redevelopment tool. Again, we would re-issue them -- if we give you the number of vouchers necessary to -- for all occupied units within the last 24 months of staff approval.

So if a unit has been long-term vacant we cannot give it a voucher, and only units that have been occupied by assisted families within 24 months of staff approval. So you should look at that pretty heavily.

Under Section 18, you can project-base these vouchers without tenant consent. The contract rent is set as a reasonable rent, so market rate is not to exceed 110 percent of the fair market rent. And under the HOTMA rules, they're exempt from things -- as long as it's originally public housing property that the public housing authority still has some interest, they're exempt from competitive selection. The income mixing rules -- in other words, only 25 percent of the building can be project-based, that does not apply in these situations. And the PHA has a overall program cap of 20 percent does not apply; again, if it's former public housing and the public housing authority still has an interest.

Okay. I'm going to turn it over to Will for a second.

Will: And then just, finish up the background of what's RAD. So RAD converts public housing properties to a Section 8 HAP contract, either through a project-based voucher HAP contract or through a project-based rental assistance contract.

The main features of that -- many of you are familiar, of course -- are the Section 8 contract rents are-based on public housing funding levels; so oftentimes that's below market. That's below what a standard Section 8 contract might allow. We're currently basing rents based on fiscal year 2020. This will be in effect for the next two years for any CHAPs awarded or that are outstanding. Folks can use FY '20 rents, which are, by the way, the strongest RAD rents we've ever had. We'll talk a little more about that later.

The rents once established are then adjusted. These contract rents are adjusted by an inflator called OCAF for the term of the contract. Other key features of RAD. The long-term contract must be renewed at each expiration. And we require a RAD use agreement at the site. RAD comes with some of the most robust resident rights of any program, including resident engagement and consultation requirements, a right of return and a prohibition against rescreening; the continuation of certain public housing rights like grievance procedures as well as resident organizing rights, as well as a new twist on the ability or right to request a voucher after or two, speaking of RAD.

RAD also requires that a property be retained under a public or non-profit ownership or control. And then RAD comes with a variety of flexibilities described in the RAD notice, including what PHAs can use public funds in the conversion, even though it's not becoming a Section 8 property or leaving the public housing program; the ability to move the assistance, transfer the assistance to new sites, better neighborhoods, and other things. And the RAD requirement are in what we call the RAD Notice 20-1909.

Okay. So let's move on to the RAD Section 18 blends and go on to the next slide. There's two kinds of blends we're going to talk about, but they have certain common characteristics. PHAs can use, as Jane mentioned, PHAs can use RAD Section 18 together as described in this new PHA Notice 20-2107. And the reason we're bringing them together is to bring the best of both worlds. By blending RAD and Section 18, Section 18 units that result in project-based vouchers often bring higher revenue than what could be available on direct. That means the property can support greater financing and undertake greater improvements.

So we're really optimistic that the expansion of these blends will provide a viable solution for a much larger portion of the public housing stock.

With the blends, robust RAD resident rights apply to the entire property, to all of the residents, regardless of whether their unit happens to remove under RAD or Section 18, doesn't make a difference. Residents are treated the same and and maintain the same right of return, and other rights. Similarly, RAD requirements for one-for-one replacement supply, we permit certain de minimus reductions. For the most part, those are rarely used in one-for-one replacement requirements.

PHAs can use public housing funds in the conversion, not just if there's RAD property. And HUD is looking at the sole property [inaudible]. We're not awkwardly segregating the RAD and Section 18 units. We're looking at the entire property as we're reviewing and underwriting the entire thing at once.

Okay. So let's now dive into the construction blends.

(Technical difficulties conversation.)

So there are two kinds of blends .

The first one that we're going to talk about is RAD 618 construction blend, which replaces what had been called the 75-25 blend described earlier. Under this construction blend, HUD approves a portion of the units under Section 18 be replaced with project-based vouchers based on the level of rehab or construction the PHA is achieving. A percent of units eligible for Section 18 disposition within the converting project is based on the hard construction costs proposed for the new construction or rehab of the covered project, compared with HUD's published housing construction costs, which is in the same PDC table development construction table that HUD publishes each year.

So this is summarized in this table, that if you are -- the property is undergoing work that exceeds 30 percent of the HCC -- the housing construction cost for its area -- HUD will approve 20 percent of the units under Section 18. 80 percent will go RAD and 20 percent will be approved under Section 18 and get replaced with project-based vouchers.

If you're giving over 60 percent of -- if the work exceeds 60 percent of HCC -- housing construction cost -- HUD will approve of 40 percent under Section 18; 60 percent will go to RAD. And then if you are doing over 90 percent of HCC, HUD will approve 60 percent under Section 18 and 40 percent of the units for RAD.

And then there's a carve-out there for high-cost areas; certainly high-cost areas where, again, if you're doing over 90 percent of HCC and in that high-cost area HUD will approve 80 percent of the units under Section 18 and 20 percent under RAD. Let's go to the next slide where we have an example of this.

So if a project is getting $50,000 per unit in rehab, which equates to 46 percent of pledged public housing construction costs, in that market area HUD will approve 20 percent to the public housing units. In other words, that would fall within that first tier within these blends.

Okay. A few notes on the RAD Section 18 construction blends that are on the next slide. First of all, to be eligible -- this is really important -- units must either be newly constructed or rehab without the use of 9 percent cash credits. This is meant to make more 4 percent deals work or deals without cash credits at all. So the property cannot be using that [inaudible].

The hard construction costs that are -- or the construction costs of the project are evaluated based on what's submitted in the financing plan for RAD, and that includes not only the literal construction dollars, but also the general requirements, overhead, and profit, and payment and performance bonus.

And then lastly, the areas defined in the notice is those where the HUD-published HCC exceeds 120 percent of the national average. This covers 43 of the 416 areas -- metropolitan and metropolitan areas that are covered.

Help folks assess what blends they qualify for and what area, have a couple resources available. First, we've republished the workbook to test HCC thresholds which can be used -- which allows a PHA to enter in the information, that basic property information, and assess how and where it lands in terms of what funds it's eligible for.

It also incorporates -- it also would identify based on where you say the property is, whether it's in a high-cost area. But if you'd like to check separately, we've also published that list of high-cost areas, that, again, covers three areas around the country

Think we'll now turn it to the small plan [ph].

Jane: Okay. So this is the RAD Section 18 we had as part of the RAD Notice 4, there was something called the RAD closeout blend; and this is where a PHA could if they were looking to close out, use the 50 and under as part of a RAD deal. So in this, in the new small blend, this is now -- we're now saying for any housing authority with 250 units or fewer, under HCC the PHA at their discretion can go up to 80 percent of the units, and the converting project will need to be converted under Section 18 and the remaining units, remaining 20 percent, would go as RAD.

We can apply -- the blend is applied at the project level. So it may be that you have two or three AMPs as part of that 250 units. As long as you can submit a repositioning plan that shows how all of the public housing units will be removed, we can move forward with a small closeout blend. Any PBV contracts must be administered by PHA operating at least 250 HCV units.

So if you're a small PHA with a small HCC program -- Housing Choice Voucher program -- you'll need to find a partner that you can work with; and the HUD field office can assist you with that to find an appropriate partner to work with. But you're going to need to get some help with that.

Okay. You can go on now to recap.

Will: So again, with that construction blend and a small PHA blend, the commonalities here is all cases the Section 18 units must be replaced with project-based vouchers. This is a preservation tool; the RAD one-for-one replacement requirement of five; all residents receive the same robust residents rights and the PHA should be a public housing funded development. The blends are analyzed at the project level. So figuring out what percent of units are eligible for Section 18, figuring out the construction or rehab costs, looking at the small PHA blend [inaudible] project level, which may mean an AMP -- [inaudible] units, multiple AMPs that are kind of reorganized together, just like we commonly see in RAD, the flexibility around PHAs organize [inaudible].

Jane: So I want to underline something that Will just said, that the PHA can contribute public housing funds. I know a lot of PHAs that were looking at streamlined voluntary conversions. We're concerned about their reserves. Under this program, you can bring your reserves through. I just want to highlight that for folks.

Will: I'm sorry, Jane. I was talking on mute.

So one of the nice things is that we, building off the success of preexisting blends, processing is fairly straightforward; that we have created kind of a single point of contact where you work primarily with the Office of Recapitalizations to evaluate the entire property, the entire transaction.

So you start by applying for RAD for the entire project through the RAD resource desk. As you're putting together your capital needs assessment, environmental documents, you're doing that for the entire property, you'll submit all that together in one financing plan. Any of the reviews that HUD has to do upfront -- civil rights reviews for construction or reductions in units or things like that -- are done at the whole project level. The PHA will be including both Section 18 and RAD in the PHA plan and in all our consultation and meetings with residents.

And then when they have their concept call with us -- the RAD concept call -- they identify that they intend to use the RAD Section 18 plans. And then formally submitting that in the RAD financing plan. Again, the RAD financing plan would reflect the entire property. The capital needs assessment would cover the entire property, not just the RAD units; pro forma for the entire property; environmental review for the entire property. Next, please?

Jane: So, again, and one that we want to reiterate, there's one application, and it's through the RAD resource desk. There is no separate Section 18 application. There will be certain items needed in the financing plan. We will be posting FAQs shortly with that list of items that you need to include in the financing plan.

Once we know exactly which blend you're using, Recap will revise the CHAP and the SAC will create a separate Section 18 application. And we'll just pull the material straight off the of the RAD resource desk provided in the financing plan.

Once the financing plan is approved, HUD will issue the RAC and PIH's SAC will issue a Section 18 letter. So you'll get a separate letter from the SAC saying this is how many PBVs you're eligible for and what the terms of those are and how to access them. You'll also get the RCC, which approves your financing plan and moves you to closing.

The PHA applies -- at that point, you will have what you need to apply for the tenant protection voucher funding, but it's not until you receive the SAC's letter can that application be completed. Okay. Next slide.

Will: And just to reiterate, apply for the tenant protection vouchers as soon as you get that approval, because it's going to take HUD a few months to process the request. It doesn't happen automatically. So please make sure to apply for those right away.

So you have your RCC, you've got your Section 18 approval; you're applying for tenant protection vouchers and you're proceeding towards the closing. So at the closing, the following things are happening. You're actually disposing the property, and part of it is a Section 18 approval, Section 18 disposition approval, so there needs to be a disposition. That could be to an instrumentality or to an affiliate; that could be into a cash credit partnership. There's lots of different models there.

At closing, at the conversion and closing of any financing, HUD will release the DOT -- the declaration of trust -- for the entire property. We'll then record RAD use agreements as well as a rider to that RAD use agreement, covers Section 18; and executing the RAD HAP contract as well as the non-RAD project-based voucher HAP contracts for the Section 18 units; which in many cases may be an agreement to enter into a HAP contract if the property is not eligible to be under a HAP contract right away.

All right, so those are the blends. But before we go to questions, we want to cover just a few more points and take a step back and look at how these blends fit in with the rest of the tools available. So on the next slide here, here's the menu. And this is really unprecedented times in terms of tools that are available to the public housing authorities to preserve or otherwise reposition public housing assets.

We've got RAD standardized programs, as well as a streamlined version for PHAs with 50 units or less; Section 18, and a number of criteria under which HUD will approve units under Section 18. Those units, those properties might be preserved eventually through project-based vouchers or might be might be fully disposed of because they're in unsafe areas for other reasons.

We've discussed -- and on the right side, you see, we discuss them today -- the new RAD Section 18 construction blends and RAD Section 18 small PHA blends. And you still get streamlined voluntary conversion, which is primarily a tool for PHAs under 250 units; options to sell units or residents under a home ownership option; and then of course, you've got Choice Neighborhoods for the redevelopment of large distressed public housing assets.

How does this all fit together? Well, let's keep going.

The tools break down somewhat by the size of the PHA. This graph shows that we have a little under 2,900 PHAs in this country. They operate 970,000 public housing units. But as you see in this graph, very small PHAs, there's 838 very small PHAs under 50 units, and they control 2.7 percent of the public housing stock; and another 1,360 PHAs own 17.3 percent of the public housing stock; and only 648 PHAs own a whopping 80 percent of public housing stock.

So what we're trying to do here is create tools that meet the different needs of these PHAs -- small, very small and then the medium-large, of which are also going to break down by urban and rural, suburban, etc. And so looking then in turn, we'll first start with a very small and small PHA.

Jane: So for very small PHAs, you've got the Section 18 50 units or less. You have 50 units or less, you can come in, get vouchers, and that's enough. If you're -- If you know today that your voucher rents are higher than your RAD rents, that's probably a good option you can do. If you know your RAD rents are higher than your voucher rents, the streamlined RAD is also a very good option, because that would -- it allows you to just take them out at your current PHA level -- your public housing level, and allows you to maintain those units.

You can do a blend, which is also available with the small PHA blend. If you have -- let's say you have 40 units and 10 of them have been long- term vacant, you may want to consider a blend at that point. And then the streamlined voluntary conversion is also still available.

As for the small PHA blend, one units to 250 units, we highly recommend that you look at the RAD Section 18 small blend. The voluntary conversion is still available. You can do straight RAD; you can do Section 18, either obsolescence or scattered site, depending on what works for your portfolio. So you need to look at specific portfolios to determine what what tool makes the most sense.

Will: I think the three biggest reasons we think are why our small PHAs, the small size, might take advantage of a small PHA plan is, one, it's built for preservation. It's built on the assumption of project-basing, unlike, say, streamlined voluntary conversion.

Two, the PHA can bring public housing funds in it, so it doesn't have to try to spend down its funds prior to going through a Section 18 or voluntary conversion; a lot less attractive to a lot of PHAs. And then three, the RAD resident rights. They don't have to kind of carve out solutions for certain residents who might be over-income for whatever reason, otherwise wouldn't qualify to be admitted to a Section 8 program. So we tried to make this really attractive with a pretty generous blend [inaudible].

Did you have anything else to add?

Jane: No. That's good.

Will: Thank you, Jane. So then moving on to the medium and large PHAs, which again are a small chunk, a small percentage of the overall number of housing authorities across the country but own the vast majority of the stock. For these PHAs we've broken down just as a framework for thinking about the two pools available, broken it down by their kind of properties. So that's scattered sites; properties with a range of rehab needs; moderate entry rehab; those that need to be redeveloped. And then there's properties [inaudible] that they're not going to continue to be used as as affordable housing.

And here we've tried to list the common tools, so the most likely tools. Of course, there's always going to be situations where another tool might be better, but these are really the main ones we see helping for these scenarios.

So for scattered sites, Section 18 provides a very useful tool to reposition scattered site units that are four units or less and non-contiguous, which could be could result in preservation through a project-based voucher. [inaudible] blends for scattered sites.

(Technical difficulties discussion.)

Jane: Any questions? We'll get through the weekend.

Caila: That's a good idea. We can take some questions while he figures it out, because we have had a good number come in and thanks, everybody for sending in your question; got some good ones.

So the first is, Where can a PHA locate a list of which jurisdictions meet the 120 percent national average for HCC? If it has not yet been released, when can PHAs expect this?"

Jane: I thought it was released -- yeah. In the PowerPoint that we just mentioned, there's links; the workbook to test the HCC threshold and then also the list of high-cost areas. So it's on the RAD resource desk, but it's -- there's a link as it's in the PowerPoint under -- I don't know what that slide number is.

Calia: Okay. Great. Okay. And so to the person who asked that question, if you don't have a copy of the PowerPoint, just make sure to reach out to me and I can give it to you. But it was in the email that was sent around this morning.

So next question. "If we have two AMPs and the rents are higher in AMP one than AMP two, can we use the higher rents for both AMPs?"

Jane: That's a good one. You know what? Is Greg on here? Can he answer that?

Calia: Yes. I put Great on; let me let me get it back. But I actually think I see Will connected on his phone. Hey, Will.

Jane: Yeah. I don't know. I was under the impression you could average them, but I'm not sure.

Calia: Okay. Greg, are you able to answer that one?

Greg: Can you hear me?

Calia: Yes.

Greg: Okay. So the question is can you use -- which rents can use? If you're talking about rent bundling, then clearly PHAs can bundle between projects as long as the overall RAD rents don't exceed what it was -- what the federal government was previously committing to the project. But the question is, can I use it -- if I'm going to go to Section 18, what rents do I use? It really depends on project by project, because remember that every project is going to be under a blend.

You're going to use -- you're going to apply the appropriate test for, let's say the project was eligible for 80 percent Section 18 -- 80 percent of the units were eligible for Section 18, and they're going to get PBVs, then whatever for that unit, that property, whatever the project-based voucher rent rules are, which is for that specific property, the lesser of the rent requested by the owner, the reasonable rent for 110 percent of the FMR. So you would apply that same formula on both sites to determine what those Section 8 rents will be.

Caila: Okay. Great. We'll go to the next question. "I'm not sure with the blend, what if you are in a rural location where the market rate rents are lower? The blend then wouldn't necessarily help a project with greater financing to accomplish more rehab if the TPV rents are limited to rent reasonableness levels. What options are available for rural housing authorities wanting to utilize the blend and accomplish much needed higher levels of rehab?"

Greg: Has Will joined yet?

Caila: I don't think so.

Greg: Okay. Then I'll step in for him. Yeah, one of the things we really strongly encourage all PHAs to do is to make sure that you understand what the rent rules are and you understand what the market rent for the property is going to be.

And so even though you may be eligible for a blend, you could be in a market where the RAD rent [inaudible]. And so in that case, you would you might choose not to convert under the blends, but you might instead choose to do RAD because the RAD rents made by formula be higher than what the FMRs are in the market, or at least the maximum rent that would be permissible under the PBV program.

So, yeah, it's really important to scope out -- clearly PHAs, for example, in the coastal regions of the United States -- the Mid-Atlantic, the Northeast, the Northwest -- those Section 8 rents are much higher than public housing funding tend to be. But that's not necessarily going to be the case in rural Arkansas or Nebraska. You really have to know what your rents are -- what your market rents are, to know which which option is best for you financially.

Caila: Okay. Thanks, Greg. Thanks, Jane. Will, I'll see you back on. You want to --

Will: Yes. Can you hear me?

Caila: Yep, that's good. That's really good.

Will: Okay. I'm so sorry about that one. Okay. So we talked about scattered sites and then shift back to more conventional properties that require some level of rehab, redevelopment and starting with properties with more modest levels of rehab, RAD continues to be a great tool.

And now with the RAD Section 18 construction blends, particularly at that 30 percent HCC level, that first tier for the construction blend, provides an opportunity for some additional revenue to get to some of those properties in the higher end of this moderate.

Then you've got properties with more substantial needs, and that's really the bread and butter of these new construction blends, trying -- really successful to date in giving PHAs -- testing the effectiveness of getting to a Section 8 contract and supporting significant financing.

But we know lots of properties that have needs that exceed what the RAD rents can support and financing. And so these RADs in construction blends should go a substantial way in filling that gap. And you've got properties that are -- need to be redeveloped altogether, demolished and rebuilt. So, again, the RAD Section 18 blends with the use of 4 percent cash credits becomes a really powerful tool. PHAs continue to continue to use RAD 9 percent cash credits. PHAs -- the whole property might qualify for Section 18. And then, of course, Choice Neighborhood can be layered on all of this to provide capital.

And then finally, there are some properties PHAs know that strategically should not continue with affordable housing because of their location, because of health risks for residents. And what they're trying to do is actually move away from that property, which is can use Section 18 to do that or they can use RAD or RAD Section 18 blends with a transfer of assistance where they move the assistance to a better neighborhood and then dispose of the property.

Just two more notes on this. As medium and large PHAs convert units through RAD or Section 18 or other tools and get down below 250 or below 50 units, then the small and very small tools that Jane described in the prior slide become available as well. They'll be eligible for the small PHA blends.

The other thing worth noting is, of course, all of this is voluntary. So some PHAs will choose -- may choose to use tools within the public housing program to maintain their stock. That continues to always be an option. But we think that these new tools really create a big opportunity for PHAs to make significant improvements to these assets. Okay. Enough with this slide.

Before we wrap up, I want to make one last pitch, which is this is really an unprecedented time for the public housing program in terms of the tools available and integrated [ph] financing environment. So we've talked about the RAD Section 18 blends and the other tools like streamlined voluntary conversion and expansion of some of Section 18 eligibility criteria that become available to PHAs in the last few years, which is really, really significant.

But then along with that, the 2020 RAD rents are very, very strong; where over 40 percent of the public housing stock has rents that are near or above market levels. So they're stronger than what might be possible under the normal Section 8 program. Meanwhile, the financing environment is is very good. In the latest COVID relief package, Congress fixed the 4 percent low-income housing cash credit rate. It had been a floating rate before.

And I think as of December, the last month that had floated, it was 3.1 percent and now it's fixed at 4 percent, which means the equity that's raised in 4 percent cash credit transactions is about 30 percent greater than it used to be, bringing significantly new capital to preserve or redevelop public housing assets.

And then lastly, mortgage interest rates are at historic lows. So some money -- the money of rent revenue can go further in terms of leveraging FHA-insured or conventional first mortgage debt. So it's all put together. This is making out to be a banner year for -- an era for opportunities for PHAs to substantially improve public housing assets.

Caila: All right. Thanks so much, Jane and Will, for that and thanks to all of our participants for hanging with us through some technical difficulties.

Before we tackle all of the great questions that you all have been sending in in the chat box, I just want to first flag a few upcoming trainings and resources that are going to be coming out shortly. But as you see here first, soon HUD will be releasing a RAD Section 18 FAQ, which will likely be informed by some of the questions that you all asked today. Once it's ready, it'll be posted on their Repositioning web page, which is linked here in the PowerPoint.

And also upcoming beginning March 3rd, we will be conducting a series of regional network repositioning convenings that will provide an overview of the various repositioning strategies while also highlighting these new blend options.

The communities will be split up by network and again by PHA size. So, for example, for the Southeast network, there will be three separate convenings; one for medium large housing authorities, one for small and one for very small. The network reps from each region will be sending registration information to all PHAs. And if you have any questions about that, feel free to reach out and I can put you in touch with the person who is sending out the registration link.

And then last but certainly not least, in the next few weeks we'll be releasing three guides to be repositioning public housing, similarly split by PHA size. There'll be one for medium-large, one for small PHAs, and one for very small PHAs. These will also be posted on the Repositioning web page. So just keep an eye out for those things.

And I think if if there's nothing else from you, Will and Jane, we can just dive right into the questions.

Jane: That's great. Thanks, Caila.

Caila: Okay. So let's do it. So there's a lot here and I'm hoping -- we have about an hour left in our time slot, so I'm hoping we can get to all of them. But if not, these will likely be covered in the FAQ, and like I said, well, we'll take a look at all your questions in developing that FAQ.

So next question. "We hope to convert all remaining public housing units to PBV under streamlined voluntary conversion. Do the new rules remove or change that option?"

Jane: No. Streamlined voluntary conversion is still available; but know that under the blends, your reserves can come through and also under the blend, over-income residents are also protected as better residents right. So those should be weighed heavily against. You know, just that little extra 20 percent in the voucher round, into what makes most sense.

Will: And it's not necessary to go through [inaudible] process project-based if that's the goal of the PHA.

Jane: Yeah, you don't need tenants in -- you need tenants for streamlined voluntary conversion, not for the blends.

Caila: Awesome. The next question, "Are the units converted under Section 18 eligible for DDTF? And if so, can the anticipated DDTF be used to increase the RAD rents?"

Will: Yes, as long as the Section 18 occurs prior to the RAD conversion and they're eligible for DDTF once they're run through [inaudible]. The DDTF can be calculated and can be used to augment the RAD rents for rent flexibility in the RAD notice.

Jane: It's my understanding that if you're intermixing RAD and Section 18 in one building, that you did not qualify, at least for our side. I don't know about DDTF. You have to have standalone buildings in HUD under Section 18.

Caila: Okay, great, thank you. "If a PHA already has a regular RAD CHAP, can they transfer to one of these options?"

Will: Yes. If so, you should talk to us as soon as you can. If you just have a CHAP and you haven't submitted your financing plan, that's good; it's no problem to switch gears. We wouldn't be revising your CHAP until the financing plan anyway, so you can -- just make sure that you are taking the necessary steps to satisfy the Section 18 requirements, which are outlined in the older FAQs which are still posted, such as consultation with local government and other unique Section 18 requirements that aren't -- already don't overlap other at that point. That's not a problem.

Caila: Okay. Great. "In regard to the 250 or fewer item, can the repositioning plan include removing the rest of your public housing units, Faircloth units under a 9 percent tax credit project?"

Will: So the -- first, 9 percent tax credits aren't a tool to remove units from public housing itself. So what we'd expect to see is a proposal that says, you know, this property will be approved, we expect to take this property scattered site units through Section 18; we expect to take this property through a RAD Section 18 blend; we expect to take this property through just a straight RAD conversion, whatever it might be.

If the question is could the repositioning plan say this will be a RAD conversion using 9 percent cash credits and will be accepted, I think those are going to be the case. I think we're going to [inaudible] some more and probably expect to see in a plan, which is basically a reasonable presentation of how the PHA plans to convert all of its public housing and reposition all of its public housing and with the board's support and intention. So I think it's possible that these plans might include use of a tool with a 9 percent cash credits.

Jane: I think what the question is, is if they have Faircloth authority and they want to build it out using a 9 percent credit, in other words, today those units don't exist; they're going to build under Faircloth and then convert them under RAD; would that still work under the 250? And it sounds to me like that's a matter of unit count. Does the additional Faircloth units increase them over the 250 or not?

If you're using the blend to remove the units, those Section 18 units would not qualify for Faircloth. But the others would -- if you have it already and you want to build more; that's the bigger question.

Will: [inaudible] -- answer questions like that, I recommend that the person who asked the question, just send us an email, provide us a little bit more description. We can either get on the phone to clarify or respond to the description you provide.

Caila: Awesome. Thanks, both of you. Next question, "If your PHA is not in one of the published HCC areas, do you use the closest published city, and for high-cost areas, could those potentially extend beyond the published city?

Will: Yes, that's correct. Use the city that -- the published HCC city that is closest to where your project is, and that would apply for the high-cost areas, too.

Caila: Great. Next, and this one is specifically for you, Will. "How does HUD establish financial need to move to the blends? For instance, if there is no deferred fee and the PHA is receiving sales proceeds from acquisition of its property in a 4 percent transaction, would it still qualify for the blend?"

Will: So, qualify for the blend based on the level of the construction plan, placed on the rehab and construction, so we're not looking at any of the other uses like reserves or take-back financing or anything like that, acquisition costs; we're just looking at construction/rehab costs to assess which tier transaction would qualify for.

Caila: Okay. Thank you.

Will: There may be a follow-up to that answer.

Caila: Okay. So if you are a PHA that administers less than 250 vouchers, will we be required to partner with another agency? Are we not allowed to consider the new PBV units that we would get under this type of conversion as part of the 250?"

Will: So, indeed, for the small PHA blend, [inaudible] administer the vouchers, you have to be a PHA over 250 vouchers, and HUD -- indeed that's a requirement. We know there are going to be some situations where that's not viable or maybe there's no other administrator or other good cause that the PHA can present. So we continue to talk with your field office about the situation. Yes, the standing requirement to administer the vouchers is to have 250 units [inaudible] vouchers before considering it, not counting the new vouchers you could get through the blend.

Caila: Okay. Awesome. "Can you direct us to the guidance that outlines the ownership requirements for PBV a PHA can create and control a non-profit or LLC to serve as a project owner, correct?"

Will: That's correct, and indeed, HUD last year published a PBV quick reference guide, which is at least one source in which HUD's provided guidance on the various ownership structures, pre-existent or project-based vouchers, but others might be aware of other locations with that guidance. But at least the RAD [inaudible] quick reference guide provides helpful [inaudible].

Caila: Okay. Next question. "Does the requirement that a PHA with 250 or more HCV can only manage a blends contract apply to current RAD development, managing the contract with combined RAD and HCV of over 250?"

Jane: So for now, it's just with the small closeout blends that they have to have an HCV of over 150. And it doesn't [inaudible] as far as I know.

Will: If you've got other RAD project-based vouchers already under HCC, that does get included in the 50.

Caila: Okay. Great. Okay. Seems like there's a lot of questions on that and we're just trying to find a new one.

Okay. "Are there any waivers to the requirement that a PHA has a voucher program for at least 250 vouchers if that threshold includes state PBVs that the PHA administered?" Similar question, but a little new.

Jane: That's a good question.

Will: I think that's certainly -- sorry, Jane.

Jane: I think that's a question that I need to think through a little more. I don't know that we have a good answer to that one yet; if they have state HCV in their programs. I don't know that we've considered that. Not HUD vouchers --

Will: I think HUD would consider any -- a PHA can submit to HUD for some consideration there for waivers; it's within HUD's administrative ability to provide waivers, but HUD has set parameters around [inaudible] all waivers in the case. So again, a PHA can submit a request for HUD to consider.

Caila: Okay. Thanks. Okay. "So can you address the issue of projects that trigger both Part 50 and Part 58(e)(r), i.e., FHA financing, PBV or HOME, etc.? What's the cleanest route to approval's?"

Will: Let me turn to Greg on this. So, for example, if your units are converting to TBRA and the Section 18's done on a project that's voucher or if the property is using FHA or other financing that requires Part 50 review, I believe we have protocol in place where HUD will do the review for the entire property under Part 50. So they have to have two different entities doing duplicative reviews. But if Greg is still on, appreciate if he could clarify or correct whatever I said.

Greg: Yeah. So definitely if it's FHA insurance, that will always trump what will be done under a Part 50. I think on the question of it's just a standard RAD Section 18 blend and the RAD rents are going PBRA and Section 18 units are going PBV, I just need to look back at our notes, sorry, about whether one Part 50 review would cover for that. But let's just say we'll have to get back on that question.

Caila: Okay. Okay. Thank you. "Financially from a rent perspective, is there an upside for using the RAD Section 18 blend for long-term vacant properties; specifically, one that is not eligible for a PBV?"

Will: No. If they're not eligible for protection vouchers and HUD isn't getting -- the PHA's not getting additional vouchers to project-base, and so RAD -- using RAD allows [inaudible] the ability to preserve all the assistance and use the assistance because some units would be replaced with Section 18.

Caila: Okay. Great. And just a reminder to the panelists, try to stay on mute if you're talking just so we can avoid any feedback.

The next question, "Now that you've introduced these new blends, I guess from your perspective, what are the reasons a PHA would choose a standard RAD conversion?"

Will: So the biggest reason -- obviously you still have to qualify for the [inaudible] the biggest reason is in many cases the RAD rents are going to be just as good if not better than the rents possible under project-based vouchers. And so there's no reason to use two programs when one will do.

But otherwise, yeah, there are going to be a lot of cases where PHAs who thought, well, maybe I -- maybe I can make this work and try it alone, we'll use the RAD Section 18 blend, be able to reduce how much capital means to put with its capital funds or [inaudible] in the community [inaudible].

Greg: Hey, Will. So I think our data shows the vast majority of public housing projects are currently funded by the public housing program that -- less than the FMR, but the 2020 RAD rents have sort of lifted all boats, more or less. And so now there's not as great a disparity. It's still quite great in certain markets where the Section 18 TPE rents would be way higher than the RAD rents, but it's not universal. I think it's still is more than the majority of cases they'd be better off with Section 18 rents than they would RAD rents; is that right?

Will: Yes, that's right. It's not a supermajority as it used to be, but it's definitely a measure [inaudible] our housing authorities that participate in RAD are converted into -- TPRA to multi-family Section 8 contract and would prefer not to, even though there are higher rents available through project-based vouchers, would prefer to have it under a single contract or single program, which we can't do today through Section 18. That vouchers can only result in a project-based voucher contract.

HUD has asked Congress for the authority to be able to turn those voucher funds into a TPRA contract. That can all be done under the same platform. But Congress has yet to provide that [inaudible]

Jane: The other concern would be vacancy. If you've got long-term vacancies again, rather than significantly better than nothing, which is what you'd get under Section 18.

Caila: Okay. Thank you. Next question. "So we have a site divided during asset management; approximately half the site converted to RAD, 125 units and half is approved for demo, 143 units. We'd like to bring the two together and demolish and rebuild the 268 blended units. Is that possible?"

Will: I think in this situation, you're getting already converted to RAD, so that you've got an existing RAD half-contract that [inaudible]can another 143 that are approved under Section 18 demolition, and you're trying to demolish and rebuild the whole thing together.

This is likely possible. I think this is a -- the person who asked this question [inaudible] have a separate conversation about the scope of what -- and details of what you're proposing.

Greg: Will, what I suggest is it may be beneficial for this PHA to ask for what we call our repositioning panel calls or whatever, where PHA can send into the Repositioning mailbox a request to have a joint call with the RAD office and the SAC office and the local field office and just chat through that. And prior to that call, the PHA can essentially draw a map -- crayons would be fine -- just showing what the site looks like and what your plans are. And usually when we have the three officers on the same call at the same time with a little background information, we can get you to where you where you want to go -- or at least make sure you're on the -- you maximize your options that are available. So I really suggest that you sort of request one of those repositioning panel calls for that site.

Caila: Okay. Thanks all for that question. "Under the RAD Section 18 blend for small PHAs, can the PHA contribute all their public housing funds to the transaction or only in proportion to the RAD component?"

Will: So this is an area where we're trying to finalize our guidance statements and we plan to address this in the FAQ. Certainly there is a way and whether it's a simple way or a little bit roundabout way, there should be a path forward. Stay tuned.

Caila: Okay. Thanks. Just a quick question related to Greg's plug for the Repositioning panel calls. "If a PHA had a call prior to the release of the new RAD 2020 rents, do you think that they should reschedule another call?"

Greg: If they feel that it sort of changes the game plan. If the RAD rents just simply make the deal more feasible, there may not be any need for a call. But if it somehow changes the dynamics of what they were proposing to do -- or maybe they were going to go to Section 18, now the RAD rents are better or something -- yeah.

I mean, there's no hard line about when you can or can't ask for a call if you're stuck. Give us a ring. Or if you want to before even do the call, shoot Jane, me, or Will or someone an email and we may be able to resolve it quickly through an email as well.

Caila: Okay. Thanks, Greg. Next question, "Can you clarify if the environmental compliance requirement is Part 58 or Part 50?" And a follow up; "Is radon required per the new MAP guide?"

Greg: Hey. So, yes, I just got a chat message from one of my team, my branch chief just confirmed that if you're in a blend transaction and the RAD rents are going to PBRA and the blended units are going PBV, we'll do one Part 50 review for the entire site. That's different.

If the transaction is also involving any CDGG funds or HOME funds, that's a little bit more complicated, and we have to coordinate with those respective offices of CPD. But if it's a standard blend, we'll do it under -- and the RAD units are PBRAs, we'll do it on -- one review under Part 50.

Radon was not initially a requirement under RAD environmental reviews or under RAD, but we do all our environmental reviews consistent -- the Part 50s we do, we do them consistent with MAP guide, and the MAP guide has recently been updated for, as I remember, for radon. So Radon is now a requirement for all environmental reviews under RAD.

Caila: Okay. Thanks. Another Faircloth question. "Just to clarify, if a small PHA chooses the RAD Section 18 construction blend, will they lose their remaining Faircloth?"

Willl: The PHA would lose its ability to develop those units under Faircloth. As the closing out, the PHA has a separate [inaudible] closing out, which is [inaudible] two options there. You wind down your public housing program piece by piece, or you can transfer and consolidate the program into another PHA's program, in which case any remaining Faircloth you have would transfer as well.

Cathy: Well, this is Cathy. I was just going to say, under the construction blend for the Section 18 units, the housing authority will retain its Faircloth because there's no closeout requirement there under either option. So I think that the housing authority could develop new units under Faircloth under Section 18 units in a construction blend. It's that way.

Will: Thank you so much, Cathy. I missed that detail. So that the construction blend doesn't have any impact on the PHA's Faircloth ability to develop its Faircloth units, but a small PHA blend does require you not develop any more Faircloth units. Thanks, Cathy.

Caila: Okay. I'm hearing that we're all good for the next question.

So this is a question about the PBVs remaining at a property forever, like a RAD unit. "As I recall, HOTMA I think says that the 20-year HAP contract can be renewed only for a maximum of 40 years total. Can you clarify?"

Will: You mind repeating that? You broke up a little bit.

Caila: Sure. So is the question about PBVs remaining at a property forever, like a RAD unit. "As I recall, HOTMA I think says that the 20-year HAPs can be renewed, but it implies only for a maximum of 40 years total. Please clarify."

Will: In a blend, the use agreement remains on the site, or is placed on the site. That us agreement is until -- there in perpetuity, but non-RAD PBV have contracts executed and can be can be extended right away, up to 40 years, and then can't be extended again until you get to the 40-year mark. And maybe you can correct me if I got this wrong, but it's not that a PHA is not allowed to extend it beyond 40 years; it can't extend it beyond 40 until a contract approaches that at the end of that term.

Caila: Okay. Thank you. Next question. "Will there be any additional options developed for PHA-only organization or are resources for PHA-only who are not fluent in the differences in pricing between PBV, HPVs, etc."

Will: So if you're in public housing -- go ahead, Jane.

Jane: I'd just say I recommend that the person who asked that question get in touch with their field office and set up a panel call.

Will: I'll make a pitch to say -- sometimes PHAs say, well, I don't about a voucher program and all this relies on vouchers, so this isn't for me. But through our experiences with RAD and Section 18 over the last few years, we've discovered of the happiest PHAs are those who've converted potentially to project-based vouchers. Another housing authority has administered the vouchers, done all the tax certs and subsidy payments [inaudible]. The PHA continues to own and manage the property.

The PHA just focuses on its strengths, owning and managing real estate; somebody else does the work on tenant service. And the fact that -- but they don't have -- [inaudible] program themselves doesn't make any difference. [inaudible] reports to HUD [inaudible] -- of some of our happiest [inaudible]years, and so it is a model that I strongly recommend for housing authorities.

Caila: I'm just going to go on to the next question, [inaudible], and then remind all my other panelists to mute themselves when they're not talking about the issue. The next question, "With a small PHA blend, do residents still have a mobility option with their voucher after one year?"

Will: So, yes, the standard goes to[inaudible].

Jane: That's a standard feature within the voucher program, but the only time the housing authority is required to pay for the move is when they are being -- the first conversion, when they're leaving public housing. But up until the time after that, they have the ability to request a voucher, whether or not the PHA has one available. Good question.

Caila: Okay. Thanks. "With the new blended option, it is likely that more TPVs will be needed. Does HUD request an estimated amount of TPVs for each year?"

Jane: We do, and we'll be monitoring that closely. We have not yet used all of our TPVs in any given year. So if we begin to get close to that, we will go back to [inaudible]. But so far, we haven't reached that level yet.

Caila: Okay. Thanks. For next, "Is there a pros and cons chart of the repositioning tools, particularly for a very small PHA?"

Will: So there is. I was just going to say that there's a really wonderful guide that we're going to be putting out for very small PHA, one for very small and another for small PHAs. That's not too dense, but thorough enough for a PHA to help weigh its options and understand what are the pros and cons of each option and all that. And the other thing is, is that if you have questions or are just starting out trying to think about what are the options and what the implications that you can request a Repositioning panel from your field office, which have been great resources for PHAs to vet different approaches and understand the implications.

Caila: Okay. Awesome. So for the small PHA blend, does the capital needs assessment need to be done to the RAD standard for the entire portfolio?"

Will: So, again, the analysis will be on the project level, but yes; the project is going through a RAD Section 18 blend, the capital needs assessment would cover the entire project. There should be one set of environmental reports covering the entire project. HUD will be -- just as we do today in any RAD conversion that has RAD and non-RAD units, we'll be looking at the property as a whole and its operating pro forma sources.

Caila: Okay. Next question. "With the program blending of the new level, would a PHA not be able to capture Section 8 rents, but use a RAD HAP contract at the higher rent schedule and eliminate converting to vouchers, and has to introduce another HCV administrator into the mix?"

Will: So there's some very pleasant music playing in the background.

Caila: I found it. I muted him.

Will: Okay. Thank you. I'm not sure I fully understand the question, so I suspect it might need to be kind of submitted to us through email, hopefully with a little bit more detail.

Caila: Okay. Thank you. This webinar keeps staying interesting with audio. So thanks everybody for your patients.

Next question, another one about HPV. "I have a question about the HBV threshold for projects combining different types of buildings. Our organization is working on a project that has a combination of walk-up buildings and elevator buildings; would the HBV threshold on construction costs be calculated-based on weighted average HBV for the project as a whole, or would you evaluate the hard cost versus HBV threshold building by building?"

Will: So you would look at it as a whole. And the worksheet, the workbook that we published on the RAD resource desk allows you to put in the units of each building type. So you can say it's 50 two-bedroom units in a walk-up and a separate 30-unit elevator structure of one bedroom units. And it's considered all together and analysis would be -- I mean, the entire project, not broken down building by building.

Caila: Okay. Great. Next, if a PHA is eligible to do a 40/60 split, where does the PHA get the money to fund the 60 percent Section 18 rent? Does this limit the amount of PBVs the authority can issue?"

Will: So as long as the PHA requests new voucher funding from HUD -- and they're called tenant protection vouchers, but it's essentially a new allotment of voucher funding to new units and money to go along with it that the PHA -- that adds the voucher to the agency's voucher pot and which it can use to make payments under the HAP contract.

Caila: Are you ready for the next one? "Under a blend program, the Section 8 housing units have to be in a separate building from their RAD units, is that correct?"

Jane: You don't have to be. But if if they are, they can be eligible for our blend [inaudible] I think, if there is one building and it's all together, then we would they would not qualify for our[inaudible].

Greg: Right. Just to clarify, so there's nothing that says to do a blend, that the RAD units and the Section 18 units have to be in different buildings. The only thing that Jane was modifying was to say the Section 18 program allows generally for units to be eligible for asset repositioning DR and DDTF -- the demolition disposition transition funding. That's only if the Section 18 units are a separate building. So if you've got a high rise where you're doing a RAD Section 18 blend, you could do the blend but you wouldn't be eligible for any DDTF funds.

Will: And just to modify, you would be eligible for asset repositioning fee in the operating fund. The action would be eligible under DDTF for the capital fund. But that's not -- it's a very minor detail and it's very common under blend for it to be blended within a building.

Caila: Okay. Thanks. "Is there a way for PHAs to understand what factors went into the determination of the HCC for a particular jurisdiction?"

Will: So those are tables published by HUD's policy development and research arm based on our [inaudible] data. So those are basically handed to us, at the amounts of across the country. We know there have been a number of jurisdictions that have said, hey, it costs an arm and a leg to build around here; how come I'm not a high-cost city? And that's only because we have to create a cut-off and the cut-off we created were -- those were -- the RBTCs [ph] were 120 percent above the national average in those tables. And so even cities where it's so expensive to build in, whether Los Angeles or Washington, DC or other places, didn't necessarily make the cut because of the way because of the threshold we created.

Caila: All right, thanks. "So if a PHA is using Section 18 to dispose of scattered site units, can they project-based vouchers there and sell them to third parties? I thought I heard that in order to project base, they needed to maintain control."

Jane: So they can -- they can sell to -- they can put a project-based -- they can put it into a project-based unit, but if they do all the voucher -- the housing choice voucher rules will apply. So they have to do it competitively. They have to abide by the income caps for the program and for the building. So it can be done, but it's -- unless it's a related party to the housing authority.

Greg: Just also to add that RAD's the only -- so the removal program that has this ongoing sort of tale about public ownership or control. So if it was a RAD conversion, yeah, you'd have to prove that it was public ownership -- public or non-profit ownership control.

Section 18 is not worried about the type of organization that owns the property; only that it has to be disposed. So you either dispose for fair market value or dispose for commensurate public benefit; in which case most PHAs, when they do that kind of thing usually means for low-income housing that the PHA often disposes it to a non-profit arm of the PHA.

So in the case of the Section 18 scattered sites that the question is referring to -- and yes, there has to be a disposition, but under Section 18, it doesn't have to still be publicly owned or controlled, but it often is, that most PHAs do transfer to some non-profit arm. They're not required to, but they often do for a nominal value in order to maintain it as long as the housing.

Caila: Okay. Okay, thanks. And a question, "When adjusting annually for OCAF, does the OCAF adjustment apply to all tenants on the HAP anniversary day or to each tenant on their lease anniversary date?

Will: So the OCAF does not refer to changes in the tenant's rent. Tenant's rent is Section 8 rules where they pay 30 percent of adjusted income. The OCAF applies to the Section 8 contract rent amounts in the contract that determines how much HUS pays or how much HAP subsidy is paid when subtracting the tenant rent, 30 percent income -- tenant rent minus the contract rent. That's the HAP subsidy. So the contract rent is adjusted by OCAF, [inaudible] not the tenant.

Caila: Okay. "Can PHAs that use a HUD-approved alternative TDC use those TDC and HCC costs for calculating construction blend eligibility rather than the published TDC HCC for that jurisdiction?:

Will: Yeah, we're just using the standard tables that are published by HUD.

Caila: Okay. Great. "Does Office of Recap provide referrals for consultants?"

Will: We do not. But there are certainly lots of very good consultants that can help build capacity. We frequently see PHAs put out solicitations and get a bunch of responses and help vet who could be most beneficial to the agency.

Caila: Great. Thank you. "In a blend, are the income precautions extended to the residents." Actually, I think maybe I'll need that person to send in that question again, because now I'm reading it, I don't quite understand it. I'll just move to the next one.

"Can you clarify if the small PHA RAD Section 18 blend can only be used on one of the PHA's projects, or can the blend be used on several projects that are financed separately and the 80-20 split can be applied to the total number of units in those multiple projects, all within the portfolio?"

Jane: And they can do multiple projects, but the total number has to be 250 or less, of multiple projects. So they could do -- let's say they have three sites, 150-unit, 175-unit, 140 units. They could do each of those sites as part of the blend, but the total can't be more than 250.

Cathy: Right. And just to add, and Will, chime in here, but project is converting project as defined by RAD, not necessarily AMP or how projects are referred to IMS [inaudible]. So you can combine units in different AMPs and pick numbers as long as it's part of the same converting project under RAD.

Caila: Okay. Thanks, all of you. "If a RAD unit becomes vacant and remains vacant long-term, does the unit remain on the RAD HAP contract or would it have to be removed?

Will: So it's under RAD, the unit should remain. We should get back to the questioner with a little bit more detail here, but the short answer is that the unit should not be removed from the RAD HAP contract without HUD's prior approval.

Caila: Okay. Thanks. Next question, "If the AMP that you plan on doing a blind execution with has two and one bedrooms, how do you select which units are the PBV units? Can they select the two bedroom units to maximize income?"

Will: It's up to the PHA to which you have to choose to elect which units to choose under RAD or Section 18. One of the things that they provide in the financing plan is a listing by unit which ones would be RAD and which ones are Section 18 so that HUD can separate [inaudible]in the different applications. But it's a [inaudible].

Calia: Okay. Next question. "In a blend, are the income protections extended to the residents who are housed in the PBV unit?:

Jane: The resident, right? So the right to return to the free screening, but --

Will: All residents are under the Section 8 program and so are -- have been covered by the Section 8 rules and they'll be paying 30 percent of adjusted income. The only thing that is -- that differs in RAD and that applies in the blends, is that if public housing residents are on flat rents prior to conversion and are eligible for a tenant rent phasing, which allows them to be phased up to the Section 8 rent or to get to the standard 30 percent of adjusted income rent, that does apply for both the RAD and the Section 18 to the residents of the entire property, regardless of whether the units were RAD or Section 18.

Caila: Okay. Thanks. So we got about 20 minutes left and a good four or five questions left, so we'll keep chugging along. Thanks, everybody, for all your great questions.

So next one, "If you do a blend, do you have to select the actual unit or do you select so many ones and twos, et cetera, bedroom unit?"

Will: We want you to select the actual unit. And this is part of how we are trying to make things easier and can give you maximum flexibility and have you go in and submit a separate Section 18 application that you try to align with the RAD application. You give us all the materials through RAD in [inaudible] plan, including this listing of units that are going through RAD, which ones you want RAD, which ones you want through Section 18, and then with those materials, HUD [inaudible] package your application. So, yes, we -- a breakdown of unit addresses and which ones are RAD, which ones are Section 18.

Caila: Okay. Great. "So when using see the RAD small blend table, must the PHA have 250 vouchers before the blend or after the blind?"

Kathy: Before the blend. Like the 250, you have to be 250 or fewer right now and pick in order to submit for any or all of those units under a RAD Section 18 small PHA blend.

Okay. Thanks, Kathy. Next question. "For our TPVs generated through the blend, we can set our rents at FMR exception standards as applicable. Also, in the case of TPVs with transfer of assistance, will our rents be set at the originating or new zip code?"

Will: So the rents that will apply to the non-RAD [inaudible] contract based on the project-based voucher program, and so that is determined by the reasonable rent and the FMRs for the condition location of where the project is located.

Further, I am not 100 percent familiar with small area FMRs but believe PHA would use small area FMRs if they have adopted to small area FMRs for their project-based voucher program as a whole. I think that's something we can -- we can check on in -- Vermont [ph] for you. But the short rule of thumb is, if we follow your -- if you follow the standard project-based voucher rules for establishing the contract grants, and if you've got the small area FMRs and they are applicable to your project, the voucher program, then they would apply.

Caila: Okay. Thanks. So I have someone who is interested in asking that question verbally, so go ahead and unmute your line, Naomi.

Naomi: This is Naomi. Hi. How's everyone doing? On the blend -- and I apologize if this got asked earlier and I missed it -- but can the blends be used for transfers of assistance, specifically transfers of assistance from one converting site to multiple new sites? So, for example, if I have a converting site with a 100 public housing units and I'm doing a transfer of a system, 30 units into Site A and 70 units into Site B, and the new construction costs for each of those replacement units is 75 percent of HUD's HCC, can I use the blend across these properties? So could I do 60 percent of my TOAs into Project A with RAD rents and then 40 percent with Section 18 rents, and the same with Project B; or are you looking at the blends only if you're doing a convert-in-place?

Will: [inaudible]the blends apply for transfers of assistance, but we look at it at the transaction level. So if you've got 100 units and you're going to send it to two different locations, 50 units and 50 units, and we're looking at the first 50-unit production as a standalone on its own for eligibility, meets construction thresholds, et cetera; and then the second transfer for eligibility. So it's possible that you're transferring assistance to two sites and one is construction and it'll qualify and the other is a recently built property that -- transferring assistance to, and won't qualify.

Naomi: Okay. And follow up to that, then. So if that Site A, new construction site and you're transferring 50 units of public housing RAD into it, that the 50 units is less than 25 percent of the total number of units, maybe there's -- like maybe there's other workforce housing that's not financed through 4 percent -- are you looking at -- would that disqualify? Do you have to meet that I think it's 25 percent threshold of the units have to be RAD units; or would you still be able to use the blend since you're doing 100 percent of the converting project?

Okay. So let's not use 50 units, but let's say you have 20 units of RAD -- 20 units of public housing that you're converting to a RAD TOA, that they're going into a site that has 100 units total. So the RAD units will only comprise 20 percent of the new construction site. Can I still use the blend on those 20 RAD converting units, even though they make up 20 percent of the new site? Because there's language within the notice that specifies that you have to meet a certain threshold for the number of units of the converting project in order to be able to utilize the blend.

Will: So in the first case, the converting product is the 20 units and the covered project where the assistance is going is the 100 units. And so the 20 units would qualify for the blend, so we might end up being 60-40 or something like that, RAD [inaudible]. And when we're looking at construction costs, we're looking at the construction costs for the full covered project -- for the whole 100 units in which those 20 units are going to land.

Naomi: Thanks very much.

Caila: Yep, thanks. Thanks, all of you. We just have a few more; hopefully we can get through them all.

"How do the RAD and PBV HAP differ? Why can't they only get one HAP?"

Will: So the two HAP checks have [inaudible] so they can blend, you end up with an important point -- that you end up with a RAD HAP contract with a PDB or PBRA and a standard project-based voucher contract. And even if it were RAD product-based vouchers and regular project-based vouchers, those contracts definitely have different terms that apply to them. So, for example, under RAD you can get rehab assistance payments, and there's different language about how funding flows, right?

The main purpose of the HAP contract is to tell the owner how they're going to get paid; and the funding flows differently under RAD versus in a regular project-based voucher contract. So there are enough differences of the contract just to be merged into a single one.

Caila: Okay. Thanks, Will. "After closing, are there operational differences between RAD units and Section 18 units when using the blend?"

Will: For the most part, no. Obviously, the [inaudible] will be differ [inaudible] that the housing authority contract will be paying from, but tenants will be under the same leases and have the same rights; all the same reporting requirements will apply. So there's different standards [inaudible] are rare, but PHAs are converting RAD units to TDRA; and on the Section 18 units are, of course, going to project-based vouchers, in which case there are some some different requirements that PHAs need to be familiar with outside of that context, the requirements of [inaudible].

Caila: Okay. Thanks. So I got another question that I thought might be good to save for closer to the end. "Can you walk through how a conversion might look for a less than 250-unit PHA, assuming the units meet H2A [ph]? Could it convert all of the units, including the RAD PBV units tomorrow, and implement a rehab strategy over time?"

Will: So under those small PHA blends, the PHA is still taking each project through a RAD conversion, which means a capital needs assessment to identify what short- and long-term needs the property has and environmental [inaudible] and all that, and we try to identify the necessary [inaudible].

It would need to -- even though the units might pass HQS, might then be required to address capital repairs as part of the conversion itself. So it's not an automatic [inaudible] stressful [inaudible] convert them tomorrow or next month and [inaudible] do work on the property is just on its own schedule. So the doing that due diligence, getting the capital needs assessment will take some time.

Of course, the property might not need any capital repairs this time, in fact, and so it could convert pretty quickly-based on the findings of the capital needs assessment. And then later on, as the property agents do some more work or recapitalize the property at a later time.

Greg: And just to add that that would be different if the PHA had 50 or fewer units, because whether you converted under Section 18, 50 or fewer, but there's no financing plan required to be eligible for Section 18 or under RAD, where we waive the physical needs assessments of PHAs 50 and under and you're not even -- we don't allow you to do repairs as far as conversion. We just want to make it a real simple conversion. It's really a paperwork transaction.

But if you go through, as Will said, the small PHA blend, then you're really preserving the property. And to preserve the property, while we're going to give you voucher -- to Section 8 authority to get tenants vouchers, we want to also see that the asset -- that the physical needs are being addressed and that therefore we do need to receive a capital needs assessment for the property.

Caila: Okay. Thanks, Greg. Thanks, Will. Next question. "If you have available units under the Faircloth limit and PHA placed public housing units on a non-public housing property and then convert the units to RAD?"

Kathy: So the question is, can you develop public housing units under Faircloth and then convert them to read the question? The answer is yes, unless I'm missing something in that question.

Caila: Okay. You want me to read it again, Kathy?

Kathy: Yeah, that would be great.

Caila: Okay. "If you have available units under the Faircloth limit, can a PHA place public housing units on a non-public housing property and then convert the units to RAD?"

Kathy: Yeah, I mean, you could develop units under Faircloth authority on a property that is currently not a public housing property. You could do that through an acquisition proposal if there's existing units that you just want to acquire and then bring under public housing based on Faircloth. So, yeah, I mean, you could acquire new property with or without existing units, bring them under public housing, under Faircloth authority, and then convert those units to RAD.

Jane: There's something called the 905 process, or 906 process, that you have to go through to bring them into public housing and then convert them.

Kathy: Right. You have to be bring them -- right. You have to bring them in under a 905 acquisition or development proposal, mixed finance or conventional.

Caila: Awesome. This is a follow-up on a previous question. "Can a PHA apply the small PHA RAD Section 18 blend across multiple projects if each project is a separate RAD Section 18 project with separate financing?"

Greg: I don't hear Will, so I'll step in. Yeah, the RAD Section 18 blend doesn't require you to, if you have 240 units, do it all under one transaction. You can do it under separate transactions.

And every one you've got to essentially do it sort of pay-as0you-go. Every -- if you do a 50-unit project, the first site for 50 units, then it's going to be a RAD transaction of 10 RAD units and 40 Section 18 units. And if the next site is 100 units, then it'll be 20 RAD and 80 Section 18. So yeah, each one of them can be broken up into different transactions.

Kathy: Right. And the important thing, again, to keep in mind is we're going by the converting project definition and RAD, not by AMP or PIC number for each development. So you can combine multiple units, multiple projects, multiple AMPs as part of the converting project as defined by RAD under one financing package.

Caila: Okay. Thanks. Another follow-up, "If you do add units to public housing under Faircloth, you need to have them added as public housing before applying for RAD?"

Kathy: Yes. Yes. There's no streamlined way to develop a unit that will immediately be ready. You have to develop them as public housing under 905 and then convert them through the RAD process.

My understanding -- Will, Greg, chime in here -- is that HUD is looking into kind of a streamline process for that. But as of right now, two separate processes.

Greg: Yes. You're both looking at a streamlined process, but also to find a way for PHAs to have the equivalent of sort of like a preliminary application for if you're interested in building Faircloth and then immediately flipping it into a RAD transaction and you've still got more work to do with that. But we may have some literature to share with PHAs within a few weeks. So just stay tuned.

Caila: Okay. Thanks. And I think this will be the last one; I hope that I got everybody's questions. And if not, please send follow-ups and we will get back to you as we can.

So the last one, "Has there been any further renewed discussions on HUD's ability to combine a RAD PBRA cap with a Section 18 blend PBV HAP contract, now that this great tool continues to expand in an effort to have -- or in an effort to not have two separate HAP contracts on one project that need to be managed under multifamily and PIH?"

Greg: Yeah. Right now we can't do it. There's no sort of statutory impediment for us to create one blended HAP contract or just one HAP contract. So under a blend, you're still going to have a RAD HAP and you're going to have a Section 8 HAP or non-Section 8 HAP. But we continue to look for ways in which we can sort of get to one place sometime down the road, but it's going to require legislation.

Caila: All right, thanks, Greg. And I think I think with that, we'll close it out. We're right at the top of the hour, at 3:00 Eastern. Appreciate everybody's time today and all the folks from HUD who who were on to share their knowledge. Jane or Will, I'm not sure if you have any closing statements.

Jane: I want to thank everybody, and if you've got more questions, please send them in. We're trying to put as much guidance as you can. So the more questions the better we can do with that.

Will: Yeah. Thank you, everyone. Again, please, we strongly encourage folks to look at these tools and and give a fresh look to the public housing stock that hopefully can be preserved and improved, see what we're trying to make available here.

Caila: Great. Thanks. And for the participants, I know I got a few people in the chat let me know that they didn't ever get their presentation, so like I said, please send me an email and I can send it to you. If not, it will be posted on HUD Exchange along with a recording in the next few weeks.

And so with that, we'll close it out. And I hope everyone enjoys the rest of their day. Thanks.

(END)