HUD Exchange, Q&A on Implementing HUD's CNA e-Tool for Non-FHA RAD Transactions, 1-18-18

Greg Byrne: Thanks for joining our webinar this afternoon. It's HUD's CNA e-Tool for RAD Transactions. It's a Q&A session. We did a training on December 7th on sort of -- for targeted, really for PHAs and their partners on how to submit the requirements around submitting the new e-Tool, and what we wanted to do was give people two weeks to play around with the tool and then we would do this Q&A session today.

We have a couple of prepared slides in which we'll go through in a few minutes, but then after that we will just sort of open the mike and take questions.

Before we sort of proceed, let me just also just remind everybody that for all RAD-1 and RAD-2 transactions, that HUD's new CNA, Capital Needs Assessment, e-Tool is required for all financing plan submissions beginning February 1st and onward. So it will be the new lay of the land very shortly.

With that, we'll just go to the next slide. Andy Zehe from our ICF team -- Andy, you want to talk through the webinar logistics?

Andy Zehe: Sure. A couple of things to know about the webinar tool that we're using, as Greg said, this is a Q&A session. I see we already have one question submitted, which is great. If you have a question for the panel, use the Q&A function and just type it in and we'll cue them up and walk through those. If you have a technology issue, something's not working with the webinar tool itself, use the chat function and you can go one-on-one with the host, and Michael will help you troubleshoot what issues you're having with the technology so that you can fully participate in the webinar itself.

We are recording this and we'll make it available to participants after the fact.

Robert Robertson: Thanks, Andy. We'll go to the next slide. In addition to myself and Andy, we also have Robert Robertson [ph] here with me from our federal practice group which is our financial analyst or sort of our business system partners for helping support the RAD program. Okay. All right.

As I mentioned, in earlier December we already had a prior session. We did an overview of the CNA e-Tool. Again, this is for non-FHA transactions. FHA transactions have been required to use the e-Tool since November 1st?

Greg Byrne: Yep.

Robert Robertson: Right? So since November 1st, and it's only RAD transactions where you have non-FHA transactions where the implementation is February 1. We want to share some pointers from our reviewer training from a couple of weeks ago. Then we're going to do an open Q&A. As Andy said, we're going to tape this so that people who weren't able to attend or want to go back to it can.

One of the things that we wanted to remind folks, despite the fact that this is kind of a Q&A session, it is a follow-on to the previous session that was held December 7th. Just as a reminder, there are lots of needs assessors out there that are familiar with the e-Tool, but the focus of these sessions is on how do we handle non-FHA transactions with the new tool. The FHA transactions are going to go through the same process that they're going through today.

I know from some meeting that we've been in that there's [inaudible], there are some hundred submissions through the CNA portal, which is great, so we're looking forward to having RAD kind of join the party.

But, remember, RAD transactions that use the CNA e-Tool are going to be uploaded to the resource desk. You will not use the e-Tool submission portal. Also the financial factors tab, which is part of the CNA e-Tool, needs to be completed and confirmed before you submit it. So likely, the needs assessor will complete that with guidance from the PHA, but the PHA needs to make sure that they have looked at those financial factors. So just a reminder of that.

As Greg mentioned, we did a reviewer training with the recap team here at headquarters, and, in doing that there were a couple of things that we saw that we wanted to make sure that the PHAs and the kind of outside world using the new tool were aware of. First and foremost, unlike an FHA transaction that uses the CNA e-Tool, the RAD notice requires green components.

And so please, when you're getting your needs assessment completed and you needs assessor is working on it and you're confirming it, please make sure that if you're doing things in rehab and they're utility consumers, you want to make sure that either Energy Star, WaterSense, or FRMP products that are available are being used. If those products are not available, then an analysis needs to be done with multiple components, two or more, to see which one is the more energy-efficient. So please make sure that you're doing that.

There are places in the eCNA tool for this to be done, so please take advantage of those worksheets.

Greg Byrne: Robert, on that, for a PHA who may be on the call today, it's really not for them to insert that, that what they're getting from their assessor has to include that.

Robert Robertson: That's correct. That's correct. As the PHAs -- that's a very good point, Greg. As the PHAs are contracting for this work, just remind the needs assessors that this is a RAD requirement.

Another thing to remember for non-FHA transactions, that the utility consumption baseline is still a required component of the RAD CNA or RAD PCA. So whether you use the utility consumption baseline worksheets in the existing RPCA tool or you use EPA portfolio managers SCDI process and output, or another acceptable format, the consumption at the current property needs to be captured for RAD submission. So please don't forget to complete those utility usage worksheets.

Also like the RPCA tool before it, the eCNA tool wants all components at the property to be included in the analysis. Even if you're not replacing an item in the next 20 years, that doesn't mean that it doesn't need to be included on the tool. For example, if you just replace the roofs at your property and you put in a 25-year guaranteed roof, you still need to list the roof and you need to still list when it was installed and all of those various items. There is no exclusion from that. There's also no exclusion from those components that are sometimes paid for out of operations.

There are a lot of PHAs that have been stretched from a capital funding standpoint. We recognize that. They've been using operating funds. You need to pay for things and putting in new refrigerators at unit turnover and those sorts of things. That doesn't mean that the item shouldn't be listed in the eCNA tool, so please make sure that those items are being listed.

Also in energy audit, energy audit has to be done for RAD PCA and an energy audit is going to hopefully provide some recommendations that informs the PCA and the decisions that the PHA is making in replacing various items. That analysis and that evaluation should be included in the eCNA tool. Again, much like the analysis of a more energy-efficient component that I spoke about before, this is the same sort of thing. If an energy audit suggests that a 17 SEER air handler is a better approach from an air-conditioning standpoint, please make sure that that's included in the eCNA tool with the alternate version, the 15 SEER, for example.

To help the recap team here who's going to be reviewing these, it would be very helpful if in the name of the component that is being selected for replacement, if you used something along the lines of Energy Star or provided a little bit of efficiency; the examples in the slide -- a 1.6 gallon toilet -- just so that the reviewer can see quickly that the required component has been selected. Simply typing in refrigerator, then the reviewer is going to need to go back and take a look at that specific component in the tool to verify that it is in fact Energy Star. So try and reference those in the names of the components that are being replaced.

Lastly, just as a reminder, RAD reviewers are not making changes to the eCNA tools. To the extent that they come back with comments for you to take back to your needs assessor, unlike I know some transaction managers have been very helpful and are very well-versed in the RPCA tool and providing some assistance in updating that tool that level of sophistication is not going to exist in this tool. The PCA contractors, the needs assessors themselves, are going to need to be involved in making those updates and changes for the PHA, verifying that information, and then resubmitting it. So your transaction managers are no longer going to be able to make those sorts of corrections for you. Just remember that as you're going through.

Those were the main items that we wanted to talk about, just kind of to set the stage. Andy and Scott, what sort of questions do we have for Greg and I?

Andy Zehe: Looks like you have four of them, so you folks can submit at any time. The first one, somebody's been following the news and the question is: are RAD units affected by government shutdown?

Greg Byrne: So if there's a shutdown, hopefully it would be very temporary. If there's a shutdown, we're not working, so we're not handling any transactions. But if the shutdown were in any way to go past February 1st, then whenever the PHA's finally submit, you would be required to submit under the new e-Tool. So still the February 1st date doesn't change.

Scott Ledford: This is Scott. I'll chime in with the next question that's come in. Would you speak to the ASCE 41-13 standard for seismic evaluation and retrofit existing buildings? What are other relevant laws and regulations related to seismic-regulated work for RAD conversion?

Robert Robertson: Right. Seismic studies are required in certain zones throughout the country and recap's position on that and I believe FHA's position on that is that there's kind of a standard tool of where those are required, particularly in California. Those are evaluated kind of on a case-by-case basis. So I would work with your transaction manager to confirm what additional studies are required. I know that a general seismic study is required, but I'm not entirely sure what specifics there are around those. But I do know that we have some resources available to find out for sure.

Andy Zehe: Yeah.

Robert Robertson: So in a seismic zone, do that. Andy, go ahead.

Andy Zehe: Yeah. Robert, this is Andy. I was going to say in the user guide for the e-Tool there's some guidance on seismic standards and how to get more information about what might apply given the type of construction and where you are in the country. I think that description kind of quick overview of what the standards are, starts on about page 45 of the e-Tool user guide.

Robert Robertson: Excellent. Great. Thanks, Andy.

Andy Zehe: Sticking with a follow-up on that, go ahead, Scott.

Scott Ledford: Yeah. Sticking with the seismic theme here, what's the timeframe for completing seismic-related work, if needed, after RAD conversion?

Greg Byrne: Well, it wouldn't be after RAD conversion. I mean, if you're doing a seismic study as part of a RAD conversion, you're submitting it prior to.

Robert Robertson: Yeah. I'm assuming the question is if there's something -- if the study shows that work needs to be done, then what's the requirement from there.

Andy Zehe: Yeah. That's how I'm reading it. It's completing seismic-related work.

Robert Robertson: Yes. So imagining that the seismic studies would be required in a new construction or some sort of rehab, a certain level of rehab, and I would imagine that that would be required to be completed during the construction period. So we can certainly check and see, but I've not run into a case where a seismic study was required when no rehab was being done, but that may be the case and in those cases there may be some remediation.

So we'll double check on that, but I think my reading of the way this question is framed is if there's work being done already and the seismic studies says they need to do some additional things, that will be done as part of construction. Does that make sense, Andy?

Andy Zehe: Yes. It does. And if we didn't nail your question, just submit a follow-up and we'll try to get it.

Scott Ledford: Exactly. Shifting gears to energy audits here, so to confirm, energy audits were not required before the eCNA tool was released and it will be required after February 1st with using the eCNA tool?

Robert Robertson: That's actually not correct. Energy audit has always been a part of the RAD PCA scope of work. The energy audits will continue to be required as part of the new eCNA tool.

I think maybe the distinctions being made that for an FHA transaction an energy audit is not required and that's still the case. So for non-FHA -- again, the focus of this conversation is around non-FHA RAD conversions and those are required and have been for the life of the RAD program.

Scott Ledford: Okay. I think we've hit the questions we have in the queue. Just a reminder to folks to please use the Q&A function if you have any follow-up questions, any questions about other topics.

Robert Robertson: Yeah. While we're kind of waiting for any other questions that might come in, these questions have raised something that I do think recap wants to stress, which is as the transition to the new eCNA tool occurs, PHAs should definitely feel free to reach out to their transaction managers and make sure that they're getting the various pieces, and if there's any confusion in the industry from the needs assessors or anybody else, contact their transaction manager and the headquarter staff will be more than happy to kind of step in and help wherever possible.

Recap has spent a lot of time preparing for this and hoping to make this a fairly easy transition over to the eCNA tool. Again, there's always been a tool required in the RAD program. The RPCA tool was always required and so this is just really a different tool -- same sorts of questions, same source of information being gathered -- so it shouldn't be that heavy a lift for folks to move over.

This may be a shorter call than we anticipated.

Scott Ledford: We have a new one pop in here.

Robert Robertson: Okay. Good.

Scott Ledford: Thanks, Jake. Can you explain the main differences between pre- and post-eCNA e-Tool process?

Robert Robertson: Well, we spent a fair amount of time in the December 7th presentation, going through the significant differences between the two. There're just not that many, but so from a processing standpoint, prior to the CNA e-Tool, all of the RPCA components were required to be uploaded to the RAD resource desk.

Now, what's going to be replaced with that will be the actual eCNA tool and all of its various pieces. So the eCNA tool is made up of the assessment tool. There's a flag's report that has to be submitted with responses to the warning flags; no severe flags can be present in the tool when it's submitted. There's an assessment summary report that needs to be submitted that's produced through the validation engine on the web, and then all of the various narrative pictures -- energy audit, utility consumption baselines -- those pieces are unchanged.

So from a RAD perspective, recap feels like that the scope of work for these eCNAs or RPCAs or whatever term of art you're using, is not changing, it's just a matter of kind of how this information is being delivered, and the new delivery mechanism will be through this eCNA tool.

Greg Byrne: Right. For process, the process really doesn't change much at all because in the past PHA would upload to the resource desk, it's RPCA. Well, let's kind of upload a new CNA e-Tool, so that' the same.

The only sort of real difference in that is that before the PHA or the development partners submits the new e-Tool, it goes out and validates it through HUD's validation engine and, therefore, then when it comes we're going to also validate it just to make sure our validation is the same as your validation.

But otherwise there's the normal back-and-forth between the transaction manager and the PHA over the scope of work and the 20-year schedule and all that stuff, and when it's all said and done and there's agreement between the PHA and the TM, then if there's changes, then the PHA will go back and amend the e-Tool and then send it back to us.

So really, the process isn't that much different. The tool itself is a little different.

Robert Robertson: Yeah.

Scott Ledford: Okay. We have a little bit of follow-up on the government shutdown question. Just want to be clear: PHAs that have RAD units will receive subsidy if there is a government shutdown?

Greg Byrne: Yes? Yes. Those funds should already have been locked in, so -- let me just say -- I apologize. I just wasn't ready for that question for this seminar and it's a very legitimate question, but let me check with our team and we'll get a more complete answer on what happens with properties that have converted after a shutdown. It's just like any other multifamily property who happened [inaudible] shutdown, and I just don't have that with me.

Robert Robertson: If it's a PBRA, for example, there might not be somebody around to process the voucher. If it's PDV, the PHA administrator's already received their [inaudible] of money, they're not affected by the shutdown. So we'll double check that.

Andy, what's the best way for someone who's raised this question but if maybe others in the audience who want to know the answer, when we find this out, how will we get it to them?

Andy Zehe: Yeah. My thinking is we usually will send a follow-up e-mail to folks once we have the recording available, so we could provide guidance in that follow-up e-mail.

Robert Robertson: Okay.

Andy Zehe: I guess assuming that you're there on Monday.

Robert Robertson: Right.

Andy Zehe: Yeah. But we can get it out. If we wanted to just give a quick follow-up Q&A -- I know it's a time-sensitive question -- we can send a follow-up to all participants whenever we are ready.

Robert Robertson: Yep.

Scott Ledford: Okay. On seismic again, could the seismic evaluation trigger requirements before rehab in order to complete the RAD conversion?

Robert Robertson: I do think that's possible. It's more likely that the seismic evaluation would trigger additional work on top of the rehab that's already anticipated. I'm not entirely sure if a seismic evaluation rises to the level of an environmental condition that has to be remediated just through the conversion. We'll have to check on that. I'm not sure that simply being on a fault line or whatever a result is, if we have to do some sort of retrofit. I don't think that's the case, but we'll find out. We'll follow up on that one.

Andy Zehe: Okay. I think we've gone through the questions we have in the queue. We'll just do another reminder out there. If you have any other questions mulling about, feel free to put them in the Q&A box.

Greg Byrne: If you think of a question once we close down, send it to, what, RAD resource desk?

Scott Ledford: Yes. Send it to RAD resource desk, yeah.

Robert Robertson: I know there was one question that came through the eCNA tool question-and-answer portal about whether the eCNA tool was going to be required for CNAs in public housing, and I just wanted to make sure that everyone is aware that that is not the case. Public housing has not embraced the eCNA tool at this point, so it's only post-conversion that the eCNA tool will be kind of required, so in-conversion and then post-conversion as an asset management tool. So anything that's in public housing today and staying in public housing, you would not be using the eCNA tool.

Greg Byrne: Okay. I guess people are comfortable. Okay. Again, if you have more questions, send it to RAD resource desk and we'll follow up on some of the seismic questions and the shutdown questions and try to get those answers out to everybody on the webinar as quickly as we can.

Otherwise, thanks for everyone being part of this webinar and we look forward to your new submissions come February 1. Thank you.

(END)