



# Rental Assistance Demonstration (RAD)

Conversion of Moderate Rehabilitation Contracts  
Presented Tuesday, January 30th, 2018, 2:00 p.m. EST





# Introductions



**PRESERVATION** means successfully recapitalizing affordable rental housing in order to:

**SAFEGUARD** long-term rental assistance for current and future generations,

**IMPROVE** and **MODERNIZE** properties through capital repairs, and

**STABILIZE** properties by placing them on solid financial footing.

Welcome – Tom Davis, Director, HUD Office of Recapitalization

Presenters – Charlie Wilkins and Anker Heegaard, The Compass Group Affordable Housing

Questions Moderator – Minnie Monroe-Baldwin, Affordable Housing Branch Chief, HUD Office of Recapitalization

# The Office of Recapitalization

Mandate to preserve and, if needed, recapitalize affordable multifamily housing



**PRESERVATION** means successfully recapitalizing affordable rental housing in order to:

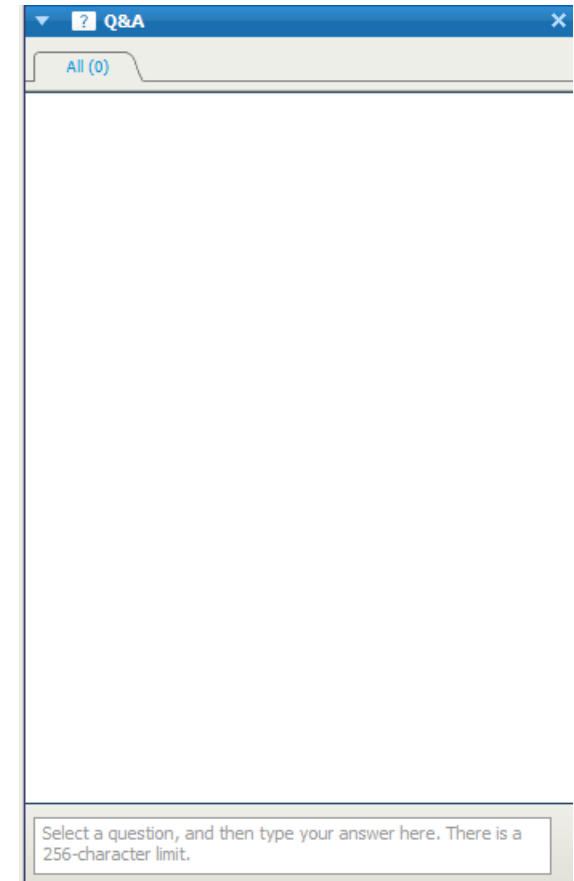
**SAFEGUARD** long-term rental assistance for current and future generations,

**IMPROVE** and **MODERNIZE** properties through capital repairs, and

**STABILIZE** properties by placing them on solid financial footing.

# Webinar Logistics

- Participants on mute
- Ask questions via the WebEx Q&A box
- If technical issues related to WebEx, insert them in the Chat Box



# Webinar Learning Objectives

- Understand the benefits of converting a Mod Rehab or Mod Rehab SRO contract under the Rental Assistance Demonstration (RAD) Program
- Understand the process of conversion and the key steps an owner would need to take
- Understand where to access available resources and tools, and how to obtain additional guidance and assistance throughout the conversion process



# Challenge

- Section 8 Moderate Rehabilitation (Mod Rehab) supports 18,500 units
- McKinney Vento Section 8 Moderate Rehabilitation Single Room Occupancy (SRO) supports 13,000 units
- Contracts rely on year-to-year funding and are at restricted rent levels, which inhibits access to financing



**Court Towers, Newark, NJ**

# How Can RAD Help?

1. **Allows** Mod Rehab and SRO properties to convert to long-term Section 8 Housing Assistance Payment (HAP) contracts at market-rent levels



Court Towers, Newark, NJ

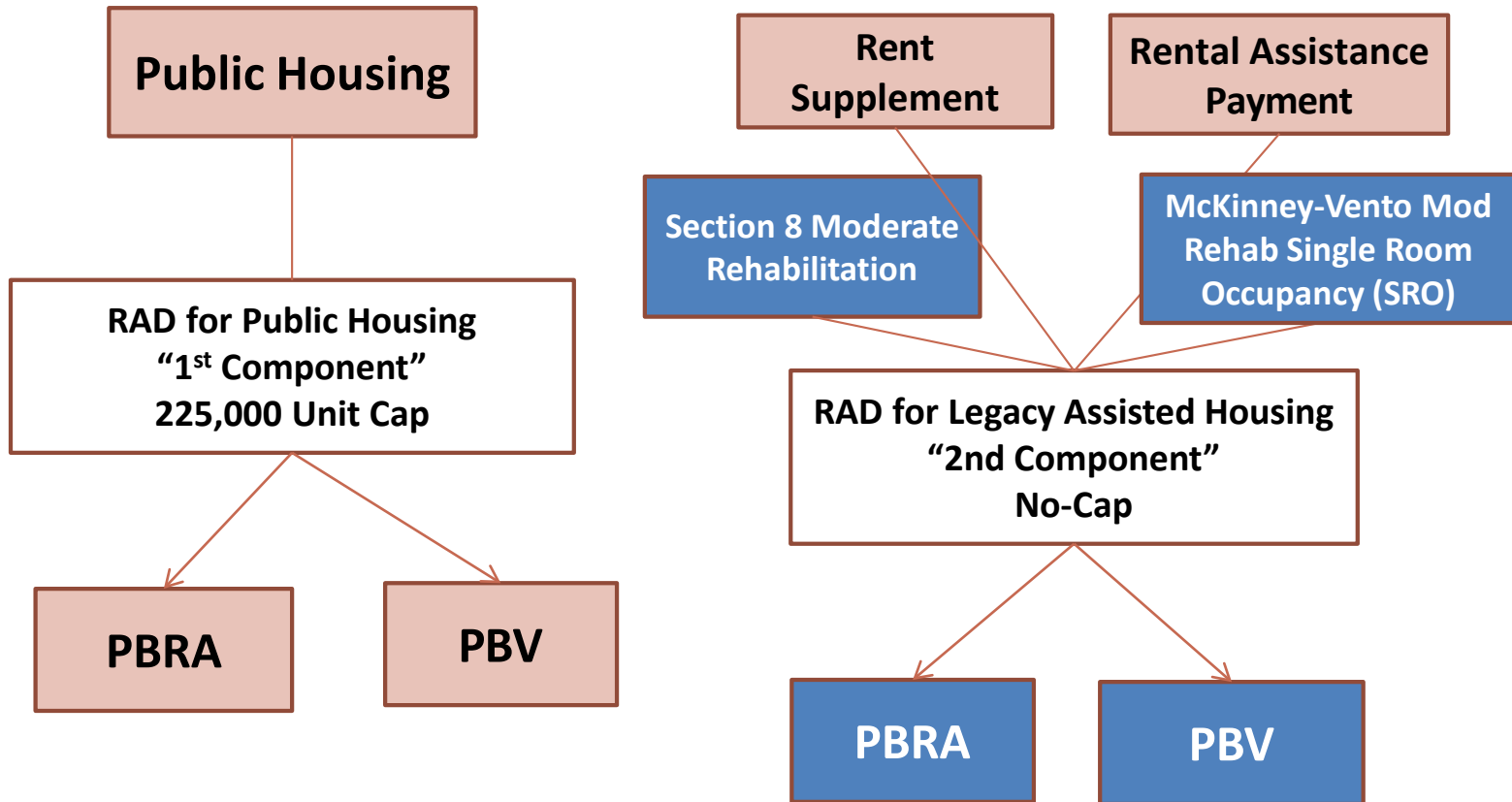
2. **Leverages** public/private investment to address capital needs
3. **Preserves** long-term affordability and stabilizes the property

# Creation of RAD

- RAD was created by Congress as part of the Appropriations process for federal fiscal year 2012.
- Since that time, Congress has renewed and expanded RAD.
- RAD is managed by HUD's Office of Recapitalization.
- Using RAD to help preserve more Mod Rehab and SRO properties is a key goal for RAD for 2018.



# RAD Structure




# RAD Notice

- RAD requirements are established through the RAD Notice (PIH-2012-32 / H-2017-03 REV-3).
- The Notice was first published in July 2012. The current version is REV-3, which was published in January 2017. The current Notice is available at:  
<https://www.hud.gov/sites/documents/17-03HSGN.PDF>
- Section 2 of the Notice covers conversion requirements for Mod Rehab and SRO properties.

# RAD for Mod Rehab: The Basics

- ✓ Rolling application process
- ✓ Applications processed by the Office of Recapitalization
- ✓ New Section 8 HAP contracts set rent at market rent levels
- ✓ Conversions to Section 8 HAP contracts can be completed with new financing



**Owners can convert to either Project-Based Vouchers (PBV) or Project-Based Rental Assistance (PBRA)**

# Conversion Objectives

- Mod Rehab owners have used RAD to:
  - Rehabilitate existing housing
  - Reconfigure SRO units into more marketable unit configurations
  - Stabilize existing properties without rehabilitation
  - Transfer the Section 8 HAP contract to another location



# Rent-Setting

- New Section 8 Contract Rents set at market levels, subject to statutory rent caps
- Frequently, conversion results in a rent increase



**Three Links Apartments, Northfield, MN**

# Rent-Setting (Continued)

	<b>PBRA Contract Rent set at lower of:</b>	<b>PBV Contract Rent set at lower of:</b>
<b>Initial</b>	<p>a) Comparable market rents (determined by a Rent Comparability Study) or</p> <p>b) <b>110% of FMR</b></p> <ul style="list-style-type: none"> <li>• Owners may request to use Small Area FMR (zip-code based)</li> <li>• SRO Units use Efficiency FMR</li> <li>• With HUD approval, contract rents may be set up to 120% of FMR</li> </ul>	<p>a) Market rent levels (determined by PHA's Rent Reasonableness analysis) or</p> <p>b) <b>110% of FMR</b></p> <ul style="list-style-type: none"> <li>• SRO Units use Efficiency FMR</li> </ul>
<b>Adjustments</b>	Annually adjusted by OCAF	Re-determined annually to Reasonable Rent/ <b>110% of FMR</b> (see 24 CFR 983.302)

See Notice 2.5.G, 2.5.H, 2.6.C, and 2.6.D for additional information.





# Key Differences Between PBV and PBRA

Contract Elements	Project-Based Vouchers (PBVs)	Project-Based Rental Assistance (PBRA)
<b>Contract Administration</b>	Public Housing Authority	HUD
<b>Mod Rehab Contract Units Eligible for Conversion</b>	Units occupied with income eligible tenants	All contracted units, regardless of occupancy
<b>Length of Contract</b>	15 to 20 years	20 years
<b>Physical Inspections</b>	Housing Quality Standards (HQS)	Uniform Physical Condition Standards (UPCS) – Real Estate Assessment Center (REAC)

See Notice 2.3.2.C, 2.5.A, and 2.6.A for additional information. See Notice 2.6.I for UPCS. See 24 CFR 982 Subpart I for HQS.



# Conversion Process Steps

## Step 1

Initial submission of interest at [www.radresource.net](http://www.radresource.net)

## Step 2

Develop “Financing Plan” materials: Capital Needs Assessment; Environmental Review; resident notification and comment; consult with CoC; selection of PHA

## Step 3

Submit “Financing Plan” (RAD Notice Attachment 2A)

## Step 4

HUD approval

## Step 5

Conversion



# Starting the Conversion Process

- Submit to HUD an expression of interest via radresource.net, which only requires some basic information about the property and owner
- HUD will assign a Transaction Manager
- Complete the required tenant notification process

The screenshot shows the homepage of the Rental Assistance Demonstration Resource Desk. At the top, it features the HUD logo and the text "Rental Assistance Demonstration Resource Desk" and "U.S. Department of Housing and Urban Development Secretary Ben Carson". Navigation links include "HUD-RAD HOME", "RAD RD HOME", "CONTACT RAD RD", and "LOGIN".

The main content area includes a section titled "The Rental Assistance Demonstration (RAD) allows private financing tools to be applied to at-risk public and assisted housing and has two components:" followed by two numbered components:

1. **1st Component** - Allows Public Housing properties to convert, under a competition limited to 125,000 units, to long-term Section 8 rental assistance contracts; and  
[Data & Resources](#)  
[Public Access - 1st Component](#)
2. **2nd Component** - Allows Rent Supplement (Rent Supp), Rental Assistance Fosters (RAF), and Mod Rehab properties to convert tenant-based vouchers issued upon contract expiration or termination to project-based assistance.  
[Public Access - 2nd Component](#)

Below this is a graphic showing a bar chart of construction activity leveraged, with a total of \$6 billion and 85,157-100,179 closed projects, 1st component.

At the bottom, there is a section titled "About the RAD Resource Desk" which states: "The RAD Resource Desk serves as a comprehensive information archive enabling searches of all published guidance on the Rental Assistance Demonstration. The Desk also serves as the main portal for Demonstration participants to ask questions, search for information and forms, upload documents, and track their progress toward closing. Access is available to the public as well as HUD employees and PHA staff." It also mentions a searchable database of statutes, rules, regulations, notices, memoranda, directives and guidelines applicable to the Demonstration.

# Financing Plan Submission

- The owner must submit to HUD a complete Financing Plan that includes:
  - Capital Needs Assessment (CNA)
  - Operating pro forma
  - Evidence of notification of residents
  - Evidence of consultation with Continuum of Care (CoC)
  - Financing commitments to address those needs if immediate needs are identified
  - Environmental review documents
  - Other required due diligence



# Conversion

- At conversion:
  - The PHA and owner terminate the Mod Rehab contract
  - The owner executes the new long-term Section 8 HAP contract with the PHA (PBV) or HUD (PBRA)
  - Rehab begins, if needed



# Role of the Public Housing Authority

- Make sure owners are aware of RAD
- Terminate the Mod Rehab contract at conversion
- For PBV conversions:
  - New vouchers added to PHA's Annual Contributions Contract (ACC)
  - PHA receives ongoing administrative fee
  - PHA responsible for performing tenant certifications, unit inspections, administration of subsidy, and other responsibilities of PBV HAP contract
- For PBRA conversion, HUD administers the HAP contract



# Resident Rights

- Owners must consult with residents prior to conversion.
- Residents will continue to pay the same affordable rent, typically set at 30% of a household's adjusted income.
- Residents may not be rescreened because of conversion (limited statutory exceptions).
- If residents need to be relocated temporarily due to repairs, residents have a right to return to the property.
- In some circumstances, residents have a right to a tenant-based voucher after a period of residency. (This does not affect the number of units on the Section 8 contract.)



# Special Considerations for SROs

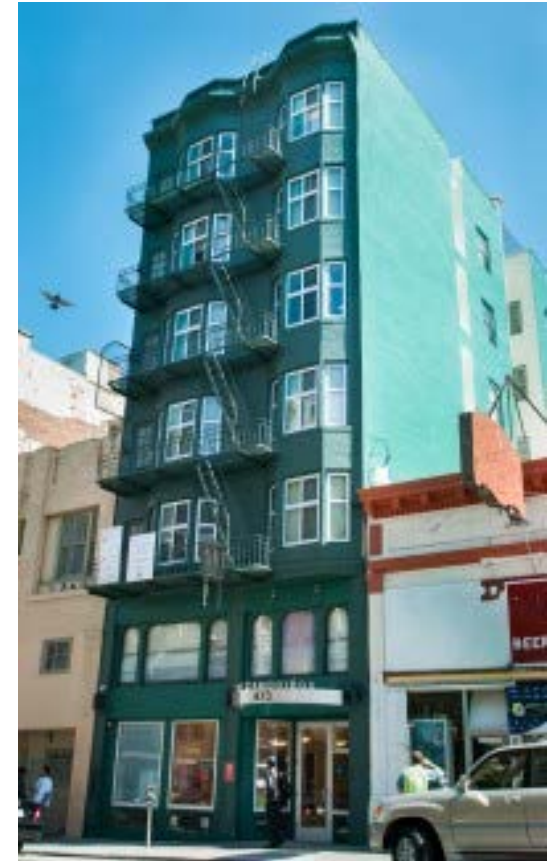
- Homeless preference required after conversion (Notice 2.7.A)
- ShelterPlus SROs not eligible for conversion
- Consultation with Continuum of Care (CoC) Agency (Notice 2.7.B)
- Screening criteria (Notice 2.7.C)
- Report to CoC Homeless Management Information System (HMIS) and annual Housing Inventory Count (HIC). See Notice 2.7.D.



# Other Federal Requirements

- ✓ Fair Housing Requirements  
(Notice 2.3.1.B, 2.5.G, and Attachment 2A, Section O)
- ✓ Davis-Bacon (Notice 2.5.J and 2.6.G; also see a March 9, 2015 Federal Register notice: 80 Federal Register 12511)
- ✓ Accessibility  
(Section 2.4.F)

## The Cambridge Hotel, San Francisco Mod Rehab / SRO



# Every project is unique!



Loring House, Portland, ME.  
Photo Credit: Chris Andrews

## Loring House - Portland, Maine

- On the National Register of Historic Places
- Formerly a hospital
- 104 units for elderly/disabled
- The property budget included over \$55,000 per unit in renovations
- Financing included:
  - 4% LIHTC
  - Federal and State Historic Tax Credits

**Resident experience documented in photo essay:** <https://spark.adobe.com/page/KQFa02wSSon7A/>

# For More Information

- RAD Program Notice: [PIH-2012-32\(HA\) H-2017-03, REV-3](#)
  - Section 2 covers Mod Rehab and SRO conversion
- RAD Resource Desk: <http://www.radresource.net/>  
(for initial submissions of interest)
- HUD Exchange:  
<https://www.hudexchange.info/programs/rad/>  
(for Technical Assistance resources and tools)
- Sign up for periodic “RADblast” listserv messages:  
<https://www.hud.gov/subscribe/maillinglist>



# Additional Resources for Mod Rehab Conversions

## New RAD Technical Assistance (TA) Resources:

- Fact sheets for various audiences
- Recapitalization Workbook and Excel tool
- Case studies
- Mod Rehab Processing Guide (available on RAD Resource Desk)
- “Mod Rehab Talk” (one-on-one RAD office hours / phone sessions with HUD staff). Sign up at <https://doodle.com/poll/zzzahgas9ivpf88v>
- Direct TA for owners (consultations and on-call TA)

## TA resources posted on HUD Exchange:

<https://www.hudexchange.info/programs/rad/>



# Questions and Answers

- Ask questions via the WebEx Q&A box
- Email [rad2@hud.gov](mailto:rad2@hud.gov) for information about conversions under RAD

