

HUD Exchange, RAD Conversion of Moderate Rehabilitation Contracts, 1-30-18

Tom Davis: This is Tom Davis. I'm the director of the Office of Recapitalization. And I'm glad you're here with us. I'd like to welcome you to the 2018 HUD webinar on RAD component two conversions for the Mod Rehab properties and for Mod Rehab SRO properties.

With me on the line are Tony Gallo of ICF, who'll be covering webinar logistics. And then our two presenters who'll conduct most of the discussion, they are Charlie Wilkins and Anker Heegaard, both of whom are principals with the Compass Group. The Compass Group provides government and nonprofit clients with advisory services related to success of affordable multifamily housing long term.

And then finally Minnie Monroe Baldwin, the affordable housing branch responsible for RAD component two transactions. She's the branch chief for that branch within the Office of Recapitalization here at HUD, will be monitoring the question and answer segment on today's webinar. ICF is hosting the webinar for us today.

So for those of you not as familiar with the Office of Recapitalization, we're part of HUD's office of multifamily housing within the Office of Housing at HUD. And here at Recap we are really focused on the issues of long-term preservation of affordable apartments and preservation of transactions that have been funded over the years and may need an infusion of attention to ensure that they can continue to serve low income households for the long term.

So we really focus on several things. We focus on safeguarding the subsidy contracts that exist for the long term for those that have rental assistance contracts. We focus on ways that property owners can improve and modernize their properties, the physical condition of their properties, and also how they can stabilize and improve the financial condition of their properties, with the end goal in all cases of preserving the affordable housing resource and maintaining the properties in a sustainable long term way for generations to come.

So we are very focused on how we can help all of the owner community that -- in figuring out how to asset manage and preserve your portfolios long term. And I think that one of the reasons that we're doing this webinar is there are a lot of great opportunities for Mod Rehab properties within the RAD program. And we're hoping that we can introduce some folks who may be less familiar with the potential for a RAD conversion, introduce you to the opportunities in the RAD program, offer some guidance on how to learn more, and some contact information for where to start if you're interested in a RAD conversion, and ultimately sort of what to expect and how the RAD conversion for a Mod Rehab or a Mod Rehab SRO property might happen.

So I will stop at this point and I'd like to introduce Anker Heegaard and Charlie Wilkins, who will be doing the bulk of the presentation. Anker will start and we'll get going. So thank you very much for coming, joining us today. The webinar will be available online after it's complete. It may take a day or two to be posted. But you can certainly refer back to it afterwards. And thank you very much. So Anker.

Anker Heegaard: Thanks, Tom. Good morning to the folks on the California coast. Good afternoon to everybody else. Before we get started we're going to talk a little bit about webinar logistics. This is a heavily subscribed webinar. And we're not going to be able to take questions during the webinar as a consequence of that. So because there are no live questions, we do encourage you to submit them as we go, through the Q&A box that is a function of this training platform. So you'll see that there's a window for Q&A. You can click on that, enter your question. And there'll be folks in the background processing and collating those. And when we get to the Q&A section at the end of the webinar, we will dive into those questions. So ask them as they come up and we'll answer them at the end.

So with that, let's get started with the basics of the webinar. So the learning objectives here to today are basically to cover some of the benefits of the Mod Rehab RAD opportunity, to cover the process, and to tell you where you can find some more information. By way of introduction, this is a general overview type presentation. We're not intending to present, explain or instruct in the more technical details of the program. But of course we might get into some of those later as we get into Q&A.

So what's the challenge that we're facing and the basis of the program. The Mod Rehab program was active in the early to mid '80s. And it allowed owners of existing apartment properties to receive project based Section 8 contracts in exchange for carrying out moderate rehabilitation and agreeing to make the properties affordable for 10 years. As the slide says, over 31,000 total units were made available under the program.

However once the original 10-year Section 8 contracts expired, there was no remaining authority from Congress to grant long term renewals. So expiring contracts typically had been renewed only one year at a time. And as a result project owners generally haven't been able to refinance their properties or to otherwise provide for long term preservation. Another item of note is that it's typical for Section 8 contract grants to be below market. And we'll talk quite a bit in this presentation about rents.

So how can RAD help? Well first of all RAD allows Mod Rehab and SRO properties to convert to long term Section 8 housing assistance payment or HAP contracts. Access to long term Section 8 then typically allows owners to refinance their properties and to otherwise better plan for the future. This effectively allows folks to leverage or access other public and private investment such as low income housing tax credits and grant funds for properties that need to be improved, or modernized, or rehabilitated as part of their preservation efforts. But perhaps one of the most important benefits of long term Section 8 is that it provides continued affordability for the residents over the long term.

So let's talk a little bit about the creation of RAD. RAD was created primarily and initially to help public housing properties access long term Section 8, to assist in their preservation. However Congress also provided that RAD could be used by owners of Mod Rehab and SRO properties, and other types of older affordable housing. So as the slide says, RAD was authorized in 2012, but it's been renewed and expanded since then. As Tom pointed out, RAD is managed by HUD's Office of Recapitalization, who is hosting this call. Recap's key goal for the program is the preservation of existing affordable housing using the RAD authorities and tools.

So the RAD structure. As you'll it's broken down between the public housing side and the non-public housing side. In this webinar we will not be talking about the conversion of public housing projects. We will however be talking about how to preserve projects that currently have Mod Rehab or Mod Rehab SRO, single room occupancy, Section 8 contracts. RAD provides for two different types of long term Section 8 contracts for owners of Mod Rehab projects. The first, project based rental assistance, which we call PBRA, is for multifamily project based Section 8 contract with a term of up to 20 years. The second which we call PBV, or project based vouchers, also can have a term of up to 20 years. And we'll have more to say about PBRA and PBV later in the webinar.

You'll see in this slide that the second component of RAD is described as no cap. This means that there's room in RAD for every existing Mod Rehab project. By contrast there is a cap or a limit on the number of public housing units that can be converted. I'll make one other note on the prior slide, however. Note that only Mod Rehab SROs that receive Section 8 Mod Rehab under McKinney-Vento are eligible for RAD. SROs assisted through shelter plus care are not eligible for RAD. So these are some basics about the structure and eligibility of RAD.

Let's talk a little bit about the RAD notice which is the governing document. The RAD notice contains the essential rules for the RAD program, section 2 of the notice covers the RAD 2 program that can be used to preserve Mod Rehab and SRO properties. You're going to be using the RAD 2 or second component RAD program. You should familiarize yourself with the structure of section 2 of this RAD notice. That'll help you find the information you need to plan for your property's preservation. There are also many other resources available on HUD's RAD webpages. And we'll talk about those in some additional slides later in the webinar.

So a couple of other basic elements of RAD. Because there's no unit cap, owners can apply at any time. And this effectively results in the rolling application process that we have now. The owners apply to HUD's Office of Recapitalization and everything starts with what is called the owner's expression of interest. And this is submitted through the RAD resource desk, which is found at www.radresource.net.

At that point, once HUD has received the owner's expression of interest, HUD then assigns a transaction manager who will work with the property owners through the process. Importantly for Mod Rehab conversion, the rents in the new Section 8 contract are generally set at market levels subject to certain statutory rent caps. This typically means a rent increase. But for some rare projects it might even mean a rent decrease. Later in this webinar we'll talk a little bit about some of the details of rent setting.

For many Mod Rehab conversions, the owner obtains new mortgage financing, or LIHTC equity in conjunction with the conversion. These types of preservation transactions, typically the new Section 8 contract and the new mortgage financing are put in place at the same time. And as we mentioned earlier, the owner has a choice between PBV, project based voucher contracts, or PBRA, project based rental assistance contracts. These two options are quite similar, but they have some important differences. And later in the webinar we'll discuss these differences between the two rent contract options.

So conversion objectives. So far in the program there have been 25 Mod Rehab SRO properties that have converted successfully through RAD. And these 25 represent the preservation of 2,700 units so far. RAD may include rehab or it may not. Seven of the 25 properties that have so far converted had no rehab. In addition, three of the 25 properties that have converted have transferred their HAPs to another asset. So at this point we've run through some of the basic parameters, how RAD came about, how RAD can help Mod Rehab SRO properties, and how the RAD notice governs the program rule set. Now we're going to get into some important details about rent setting and the steps of the conversion process. And for this I'm going to hand the presentation over to my colleague, Charlie Wilkins. Charlie, over to you.

Charlie Wilkins: Thanks, Anker. As far as rent setting, there are two things I'd like to emphasize at the start. One is that at the conversion, which you might also call the closing, the owner will exchange the existing short term Mod Rehab Section 8 contract for a new long term project based Section 8 contract. Second, the rents get adjusted at the conversion and typically that results in a rent increase.

Here's where you can find some of the details about rent setting. You'll see at the bottom of the slide, the sections of the RAD notice that contain the details are listed for you. The method for setting the initial rents is quite similar under PBV and PBRA. Generally rents are set at the lower of market or 110 percent of the fair market rent. I should mention here that for SRO properties, the fair market rent means the efficiency fair market rent, and you may have heard that earlier SRO properties were limited to 75 percent of the efficiency FMR, but Congress liberalized that and now SRO properties can use 100 percent of the efficiency FMR.

So that's a benefit to owners of Mod Rehab SRO properties. So the method for setting the initial rent is quite similar under the two methods. The method for rent adjustment differs a little bit just because the project based voucher program has different rules. In either case the rents are adjusted annually and the adjustments generally will track changes in market rent in the local area.

Some other key differences between the two types of Section 8 contract. First is who administers the contract. A PBV contract is always administered by the public housing authority. The PBRA contract is administered by HUD. As it says in the slide, if some of the Mod Rehab units are vacant or if they're occupied by over income tenants, the number of units that can be converted will differ between the two options. Recently Congress changed the RAD program so that the length of the contract can be up to 20 years in either option. The two types of contracts have the same general physical condition objectives, but the technical standard is a little different. And the party that carries out the physical inspections will differ between the two options.

Now let's talk about the process of converting. As Anker mentioned, the first step is the owner's expression of interest. And that goes to the RAD resource desk. You can see the URL for the RAD resource desk here. The initial submission of interest is quite simple. And after that HUD will assign a transaction manager that will help the owner through the rest of the process. Step two is the big step. It's to develop the financing plan. The details of the financing plan are covered in attachment 2A of the RAD notice. And you should familiarize yourself with that for a complete discussion. The big pieces of the puzzle are a capital needs assessment. This is an engineering study that looks at the current condition of the property and estimates what will need

to be done to keep the property in HUD compliant condition over the term of the new rental assistance contract. There's an environmental review requirement, which means there will be an environmental site assessment report that the owner will have to provide.

RAD requires that residents are notified about the conversion and how it will work. RAD requires that the residents have an opportunity to comment and that the owner provide the resident comments to HUD. If the property is a Mod Rehab single room occupancy, there's a requirement for the property owner to consult with the local continuum of care that oversees the housing of formerly homeless persons in the local area. If the conversion will involve a project based voucher contract, then it's necessary to find a public housing authority willing and able to administer the contract. Typically owners find that the local PHA would like to administer the new contract.

The financing plan is submitted in step three. Then typically within 60 days HUD approves the financing plan. And after that the conversion or closing can take place. Generally if there's new financing involved, the conversion will take place when the new financing goes into effect. Otherwise it can take place whenever the owner is ready.

As we mentioned earlier, the start to the conversion process is the expression of interest. That goes to the RAD resource desk. And on the right hand side of the slide you will see what the RAD resource desk homepage looks like. At that point HUD assigns a transaction manager that will work hand in hand with the owner to complete the process. And the other key part is for the owner to educate the residents about how the conversion will work and to receive comments from the residents. If there are any recognized tenant organizations, those organizations also need to be notified and to be given an opportunity to comment. HUD's RAD webpages contain a lot of information about the application process, including samples of all of the application materials.

Now let's talk about the financing plan. As we mentioned, a key component is the capital needs assessment. The reason for this is that RAD requires that the owner have a good plan to keep the property in good physical condition for the entire term of the new rental assistance contract. The owner supplies an operating pro forma. This is a revenue and expense statement that estimate how the property will perform after conversion. The owner has to submit evidence that residents have been properly notified about how the conversion will work and that residents have had an opportunity to comment. If the property is a single room occupancy property, the owner needs to supply evidence that the owner has consulted with the local continuum of care.

If new financing is involved, then commitments for the new financing need to be provided. And of course at the financing plan stage these will be conditional commitments, and that's fine. The documents necessary for environmental review need to be submitted. Typically this is an environmental site assessment which real estate people call a phase one. The attachment two of the RAD notice talks about any other required due diligence items that have to be submitted as part of the financing plan. And when you're building a financing plan, you need to get attachment 2A to the RAD notice and make sure that you're supplying all of the materials that will need to be reviewed. I'd like to point out that the RAD resource desk now contains a special conversion processing guide just for Mod Rehab properties. That's called the Mod Rehab

Conversion Processing Guide for RAD second component. It was published in October, 2017. And it's available on the RAD resource desk.

I should also mention that the capital needs assessment now needs to be supplied in electronic format. HUD has moved to an electronic CAN for many programs and RAD is one of those. So owners, you will need to work with your capital needs assessment provider to make sure they're up to speed on the new electronic submission requirements. When the conversion occurs, the existing short term Mod Rehab contract is terminated. The new long term Section 8 contract is put in place. Any new financing is put in place. And at this point rehab, if it's needed, would begin. So that's what the conversion or the closing consists of.

I want to talk a little bit about the public housing authority's role. In the Mod Rehab program, the public housing authority is central and it's very heavily involved in the project and in the administration of the Mod Rehab contract. So as projects convert, Mod Rehab projects convert to RAD, the housing authority is responsible for reaching out to owners to make sure they're aware of the opportunity to convert.

The public housing authority participates in the conversion by terminating the existing Mod Rehab contract. If the conversion is to project based vouchers, the public housing authority continues to be involved in several ways. The new project based vouchers are added to the PHA's existing stock of vouchers. The PHA continues to receive an ongoing administrative fee. And the PHA administers the PBV contract which involves income certifications, unit inspections, administration of the subsidy contract monthly, and other key responsibilities.

If however the conversion is to project based rental assistance, HUD would administer the rental assistance contract and the PHA would not have a role in administering the contract going forward. So although the two types of conversions, PBV and PBRA, are really quite similar from the owner's side, they're really quite different from the public housing authority's side.

Let's talk a little bit about resident rights. When Congress created the RAD program, residents rights were an important cornerstone of the entire program. And key features include these. There's a requirement to notify residents and allow residents a comment opportunity prior to beginning the conversion. There's no impact on resident rents with certain very rare exceptions. Residents cannot be removed from the property simply because of the conversion. So generally residents who are in the project currently have a right to continue after the conversion.

And the owner is not allowed to use the conversion as a reason for displacing a resident. If residents are relocated temporarily because of rehab, the residents have a right to return. So again the RAD conversion can't be used as a method to deny a resident a right to return. There are some circumstances where after the conversion and after a period of residency, some residents may have a right to a tenant based voucher. This would occur under the project based rental assistance option. It's called choice mobility. And it's covered in Section 2.6J of the RAD notice.

Let's talk a little bit about single room occupancy projects and a few special requirements that apply to those projects. There's a requirement for a continued tenant selection preference for the homeless. And that's discussed in the RAD notice Section 2.7A. A homeless preference is required after the conversion. The rules differ a little bit between PBV and PBRA. The intent is

that the project will continue to serve the formerly homeless roughly in the same way it has been serving the formerly homeless previously.

As Anker mentioned earlier, early SROs that were assisted under shelter plus care are not eligible for conversion. Later SROs that were assisted under the McKinney-Vento Act are eligible. We mentioned the consultation with the local continuum of care. This is the local clearinghouse agency that coordinates all of the homelessness prevention efforts in the local area. RAD requires that the property owner pay close attention to tenant selection criteria, also called screening criteria.

The general idea here is that there can't be any resident selection criteria that defeat the purpose of the property to serve the formerly homeless. So it's necessary to take a good close look at resident selection criteria as part of the RAD conversion. The Section 2.7C of the notice talks about what the rules are about screening criteria. SRO projects already report to the continuum of care homeless management information system. They already report to the annual housing inventory count. Those requirements continue after a RAD conversion. And notice 2.7D discusses how that works.

Here are some key additional federal requirements that are part of the RAD program. As you would expect there are fair housing requirements. Existing Mod Rehab properties are subject to a variety of fair housing and civil rights requirements. And those requirements of course continue for PBV conversions, compliance with the site selection and neighborhood standards requirements is required, an affirmative fair housing marketing plan is required for all RAD conversions. So generally it's important to take a comprehensive look at all the fair housing requirements that apply to the property now, and to make sure you understand if there are any additional requirements happen either because of RAD or because of some new subsidy program, or some new financing program that may be a part of the conversion.

Compliance with Davis-Bacon prevailing wage rules is a part of the RAD program. So if rehabilitation, or development, or construction, as those terms are defined for Davis-Bacon, is part of the RAD financing plan, or if rehabilitation construction development start within 18 months after the RAD conversion, then there will be a requirement to pay prevailing wages to construction workers. Compliance will be required with the contract work hours and safety standards act. And other related parts of Davis-Bacon would also be in place. Accessibility refers to requirements to make housing accessible to persons with disabilities.

And here are some things to think about. If new construction will be involved in your RAD conversion, then there will be a variety of accessibility requirements. Generally you'll have to meet all the requirements that would apply to any other kind of new construction. Rehabilitation is likely to trigger new accessibility requirements and you'll want to work with your legal and compliance professionals to make sure you understand any accessibility requirements that may happen because of rehab. Section 2.4F of the RAD notice talks about accessibility generally. And your RAD transaction manager can help you also.

Every project has its own story; it has its own strengths and challenges. And we wanted to take an opportunity to share one pretty special project with you right now. This one is located in Portland, Maine. It's a historic facility. It started in the early 1800s as an alms house to serve the

needs of the city's poor, elderly, and mentally disabled residents. Later in 1870 it was converted into a hospital. It was called the Greeley Hospital and it served the city's low income population. It recently converted through RAD. The total RAD transaction was \$17 million. It involved over 55,000 per unit in renovations. There was tenant relocation involved. Tenants moved from their units into a vacant unit for a week, and then moved back in after the renovations to their unit were completed.

The RAD conversion included 4 percent low income housing tax credits, federal historic tax credits, and state historic tax credits. The rehab plan included energy star windows, new appliances, new cabinets, new countertops, new doors, new flooring, new paint in the units, and the replacement of various other outdated systems. As you can see at the bottom of the slide there's an essay that talks about the residents' experience in this pretty complicated conversion. And we welcome you to have a look at that on your own time.

Now I'd like to talk a little bit about where you can find additional information about the RAD program and about how it might affect your property. We talked about the RAD notice earlier. Here's where you can find it. We talked about the RAD resource desk. This is where an owner would do the initial expression of interest. And then during the RAD process, the RAD resource desk would be the communication vehicle where HUD's office of recap would communicate with the property owner and other interested parties.

HUD also has a web resource called the HUD Exchange. This is a collection of technical assistance resources and tools. It has a dedicated web page for RAD and lots of technical assistance materials are available there. At the bottom of the slide you will see how to sign up for the periodic RAD blast email messages. And if you're interested in RAD, that is a great thing to subscribe to. And there are also RAD mailing lists for other items as well.

For Mod Rehab conversions, on the HUD Exchange site here are some examples of things you might find. Fact sheets is one for continuums of care. There's one for public housing authorities, one for residents, one for property owners, that will help orient various audiences to how a Mod Rehab RAD conversion might benefit them.

Recently HUD's Office of Recapitalization published a workbook and Excel tool that is helpful for owners of aging assisted housing properties to figure out good options for preserving their properties long term. There are a variety of case studies that are specific to the RAD program so you can see how other owners have used the RAD program to convert their properties. I mentioned the Mod Rehab processing guide earlier. That's available on the RAD resource desk. And if you're an owner of a Mod Rehab property, this would be a very good item to download and study.

Recently HUD has started hosting office hours. And these happen each week on Tuesdays and Thursdays between 2:00 and 4:00 in the afternoon Eastern Standard Time. This is an opportunity for owners of Mod Rehab properties to talk one on one with HUD staff and to strategize about how to use RAD to preserve their properties. And you'll see the link here on the slide that will allow an owner to sign up for office hours. Also recently HUD has made available direct technical assistance for owners. This would begin with a consultation and could continue with

more detailed technical assistance. The HUD Exchange webpage has more information about how to access that technical assistance.

I'm now going to turn the presentation over to HUD's Minnie Monroe Baldwin. She will manage the question and answer part of the conversion. Thank you for participating and we look forward to the Q&A portion.

Minnie Monroe Baldwin: Thank you, Charlie and Anker, for that great presentation on converting Mod Rehab and Mod Rehab SRO properties contracts through the rental assistance demonstration program, we refer to as RAD 2. We have received a number of questions. And we've tried to answer most of them. So what we'll spend the time, the remaining time doing is answering some of those -- repeating some of those questions, but also asking some new questions that we have received from you as well as some of our participants who have already expressed interest in the program.

The first question is, must my Mod Rehab property refinance to be eligible for a RAD conversion? Well there are no specific requirements that properties under refinancing as a condition of HUD's approval of their RAD conversion. But a CNA is required, a capital needs assessment, to determine significant amount of immediate repairs to be completed. Once it is determined the immediate repair is required, the owner can prepare to show how the property will be refinanced, these repairs will be refinanced. If the refinance is a part of the plan, then the owner must be able to as well send in sources and uses, and a pro forma that shows how their 20 year pro forma will support the debt that is being added to the property.

The next question is, is a CNA e-tool required? Yes, a CNA e-tool is required effective February 1, 2018. There have been some changes to how the narrative will be submitted, but it is a part of the e-tool. So again effective February 1st, the HUD CNA e-tool will be required. There were a number of questions about SROs and the continuum of care, organizations that work with them. So I'm going to ask Shalonda [ph] Lincoln of my team to give an overview of what that process looks like.

Shalonda Lincoln: Okay. One of the questions that came in was why SRO properties have a relationship with CLCs. And that is because SRO properties have a homeless preference. And so they would be the only properties out of Mod Rehab contracts that would need to have a relationship with CLCs to help monitor and lease up those units with the proper homeless tenants.

Minnie Monroe Baldwin: We received several questions about the processing time to complete a conversion. On the slide that showed the steps to processing, the initial step is to express initial interest. You can do that by going to the RAD resource desk and submitting some basic information about your property, the type of contract that you have, the type of property that you have, and also of course your name and your phone number, and preferably your email address. Once we receive that, a transaction manager will be assigned to you. From that generally there's a space of time between you expressing interest and submitting a complete application. However once you submit your complete application, which we commonly refer to as the financing plan, that's pretty much when the clock begins.

Submission of a complete application through the processing time takes about 60 to 90 days. What do we mean when we say a complete application? That is all of the materials found in an acceptable manner that are required for our review so that we may set the terms and conditions, primarily the initial rent setting for the contract, and any other special conditions that may be required. So again, 60 to 90 days. However generally owners are submitting an expression of interest and there is a delay or some lapse of time between that expression of interest and their submission of the completed application.

Another question is, as a Mod Rehab owner is it mandatory that I convert under the RAD program? Actually, no. It's voluntary. But we do encourage you to see the rental assistance demonstration program conversion of these Mod Rehab contracts, anywhere from 15 to 20 years, as a means of preserving your property. The RAD converted contract serves as a financing advantage. You can go out and leverage lending to complete your rehabilitation or your recapitalization of your property and also to put it on sound footing. When that is done, residents are generally not impacted. They will continue to have the ability to pay 30 percent of their income for rent. So we encourage you to see this as a very excellent tool for preserving your property.

A huge thing that we see with single room occupancy properties when they convert, many of them are in the position where the market has changed. Homeless generally meant one single person. That's why I guess they called it single room occupancy. But in many markets now and all over the country we're seeing that homeless families are in need of space. And so SRO owners are in a position to reconfigure their properties, meaning that in some instances they are going from the efficiency to as large as some two bedroom apartments.

So when that is done, it supports what the market needs, but the residents are not impacted. Sometimes these conversions or reconfigurations permit the expenses to go down, but the larger units are what is needed. And this type of conversion with this long term contract is seen by lenders to give them the leverage for getting the funding that is needed, so that these SRO owners are then meeting newly defined homeless needs in their communities.

So another question is, who decides if the property converts under a project based voucher, which is the PBV, or a PBRA? Well actually it's the owner. And they would review their missions and objectives about the needs of the property and what they see as what they would want the project to address going forward. And there are advantages and disadvantages, depending on how the owner perceives that. So that decision is exclusive to the owner and not HUD.

Do state PBRA contract administrators play a role in the PBRA contracts if that is chosen? Or does HUD do all administration? Well one of the main differences between the two contract forms, the PBV or the PBRA, is who administers the contract. So under the PBRA, right now HUD is the contract administrator. And of course for the PBV program, the housing authority, generally the local housing authority, is the contract administrator.

Under what circumstances would a tenant get a portable voucher after occupancy? And does this reduce the number of units under the contract going forward? I'm going to ask a transaction manager, John Artevini [ph], to answer that question.

John Artevini: Sure. So for project based voucher conversions, after a year there is a choice mobility option. And if the housing authority has the ability to provide a voucher to that tenant, that tenant can get a housing choice voucher. They can move from the property. The number of contract units in that project based voucher contract is not affected. For project based rental assistance you have something what's called a choice mobility agreement. I'm sorry, it's actually two years for project based vouchers, to go back on my point. But for project based rental assistance, what you can do is sign a choice mobility agreement with your PHA. And they can also issue turnover vouchers. It's very similar to how PBV works, after two years they can move on that voucher. And the project based rental assistance contract [inaudible]

And back to the point of choice mobility agreements, you can also have an exemption, where if you cannot find a PHA willing to agree to a choice mobility agreement, you can be exempted from that requirement. And just to correct a point, for PBRA it's two years for the choice mobility option to hit. For PBV it is one year after tenant [inaudible]

Minnie Monroe Baldwin: Okay. Thank you. We do have a question, where is attachment 2A for the financing plan? Also the link for sites, documents, etc., does not work. So you can find attachment 2 on the HUD RAD page. And we will check the link to see if that can be corrected. Okay. The next question is, do the residents experience any change in their rent levels as a result of the conversion? Shalonda?

Shalonda Lincoln: Well short answer is, no. There should not be any change in the tenant contribution to the rent.

Minnie Monroe Baldwin: Okay. The next question, the RAD 2 guidance says that an RCS, a rent comparability study, is not required. But in practice it seems like you must submit one to set rent. Is that right?

John Artevini: So for project based rental assistance conversion, RCS is required. For project based voucher conversion, RCS is not required.

Minnie Monroe Baldwin: Okay. The next question, I believe this is a RAD component 1 question. Can a PHA convert or is the 225,000 limit already reached? And we do have some RAD folk in the room.

Greg: So is the question about Mod Rehab? Or is the question about --

Minnie Monroe Baldwin: No. It's just -- I think it's straight RAD 1 because it's referring to the income -- I mean the unit cap of 225,000.

Greg: So we've made all the awards that we're authorized to make up to the 225,000 units for the public housing conversions under RAD. We're hoping that the Congress gives us more authority when the funding bill for 2018 is finalized. And so we'll see what happens. But right now all 225,000 units have been spoken for. But we have a waiting list of over 80,000 units right now. So indeed we do hope the Congress gives us more space under the cap.

Minnie Monroe Baldwin: Thank you, Greg. The next question is, can you provide for information on the process for ending mod contract? What requirements are there besides following the items within the contract? Is only a preference needed to provide residents a voucher? Okay. So again, Shalonda Lincoln is going to answer that question.

Shalonda Lincoln: Okay. Well if you are not converting to RAD and wanting to terminate your contract, you would need to consult your housing authority on those questions. And it would depend on what's in your current Mod Rehab contract and what process your housing authority uses. If you're converting to RAD, once you sign the new HAP contract, the PHA will be terminating your old Mod Rehab contract. And those tenants on the contract will be on the new HAP contract. So that's part of the RAD conversion. They will not receive a separate voucher.

Minnie Monroe Baldwin: Okay. Thank you, Shalonda. The next question, is there a limit on the number of properties one owner can request to be converted? No. There is no limit on the number of properties. The operative here for conversion is the number of contracts. We do see some properties, large properties particularly, that may have more than one contract. So that's pretty common. But no, there is no limit on the number of properties an owner can request to be converted. The next question is, can these slides be printed? I believe they can. And they will be posted on the HUD Exchange after the webinar.

Okay. We're getting close to the end, but I think we can do a couple more questions. One is, are Mod Rehab SROs required to participate in coordinated entry? And that answer is, yes. This is another one of the coordination points between the owner and their continuum of care. And of course this applies to single room occupancy properties only.

Okay. The next question is, in regards to the use of FMRs for rent settings, will small area FMRs be required or are they optional? They are definitely optional. Owners should take a look and do a comparison of the FMRs for their location and see if there's any advantages to even a small area FMR. And that is something that you will request with your financing plan.

Okay. We have answered many of the questions. Hopefully you have found some value in this. Questions unanswered live today will be answered and posted on the HUD Exchange as well. So on behalf of HUD's Office of Recapitalization, I thank you for your participation today. I know that it was a lot of information disseminated, but we are here, the staff is here available to answer questions. You can contact us at the RAD email box at rad2@hud.gov.

We look forward to you signing up for our office hours which will begin February 8, 2018, where we will have 30 minute segments of time with a transaction person who can discuss your specific property and/or any additional questions about the program that you have.

Again, thank you for participating and enjoy the rest of your afternoon.

(END)