

RAD: Conversion of Moderate Rehabilitation Contracts Webinar Questions and Answers

I'm completely new to RAD. What does SRO, FMR, OCAF mean?

SRO stands for Single Room Occupancy. FMR stands for Fair Market Rent. OCAF stands for Operating Cost Adjustment Factor.

Are 202 PRACs eligible for conversion?

Mod Rehab SRO properties are also eligible for conversion under the second component of RAD. With the passage of the FY 18 Appropriations Act, Section 202 Project Rental Assistance Contracts (PRACs) are also eligible, though HUD will need to issue guidance on the process for converting these properties.

Is there a limit on the number of Mod Rehab or Mod Rehab SRO properties one owner can request to be converted?

No, there is no limit on the number of Mod Rehab or Mod Rehab SRO properties that can be converted.

I work for a PHA that partners with a community organization. Does the PHA begin the process of converting properties under RAD?

For the conversion of Mod Rehab properties, the owner will begin the process. The RAD Notice gives the PHA certain responsibilities to carry out and each party will be ultimately responsible for a given task, regardless of who performs them.

How long is the typical RAD conversion process, from expression of interest through to conversion, if no new financing is involved?

Generally, if following an expression of interest, an owner takes the appropriate steps to develop their "Financing Plan" (without any financing), conversion can occur with 6-12 months.

We own a 107-unit Mod Rehab project in Chicago and submitted a letter of interest about conversion under the second component of RAD to HUD. What is the timeline for receiving a CHAP after submitting a full application?

For Mod Rehab conversions, there is no separate application that the owner needs to submit other than the submission of interest and HUD does not award a CHAP. Instead, owners submit a Financing Plan when ready, which HUD will generally review within 60-90 days.

We requested 120% SAFMRs in our letter of interest about conversion through RAD. Would we need to make this request again in the full application, or will what we submitted with our letter of interest suffice? When would we hear about approval/rejection of proposed rents?

Please include this request again with your Financing Plan submission. You will need to submit supporting documentation with your request, for which the requirements can be found in the

RAD Resource Desk, RAD library. The document is labeled "RAD 2 Rent Setting." A response to the rent setting will be provided during the review process.

Do you provide letters of support/confirmation of pending program participation for a tax credit application? How do we verify/note in our tax credit application in a more formal way that we will be participating/intend to participate in RAD with the potential for higher rents?

We have provided confirmation letters on a case-by-case basis. You should consult the tax credit agency to know what documentation is adequate; however, your submission on the RAD Resource Desk will confirm your participation, as well as the allowable rents cited in the [RAD Notice \(H-2017-03, Rev-3, PIH-2012-32 \(HA\)\)](#).

Can a private Mod Rehab property owner submit and get approval without local participation by the City or PHA?

All owners must provide evidence that they are in good standing with the PHA. Local participation by the city is not required though. SRO property owners must consult with the Continuum of Care prior to conversion.

Does a full CNA report need to be submitted or is the CNA e-tool the only item needed for the CNA portion of the submission?

Only the new CNA e-tool is required for submission. The requirements within the tool fully cover the required submission for RAD.

Where is Attachment 2A for the RAD financing plan?

Attachment 2A is located in the [RAD Notice \(H-2017-03, Rev-3, PIH-2012-32 \(HA\)\)](#).

Is a rent comparability study (RCS) required as part of a RAD conversion?

An RCS is required if you are converting a property through a RAD conversion to PBRA as it will be used to establish the initial contract rents.

Generally, do you see rents being higher with the PBRA rent setting or the PBV rent setting?

Generally, both PBRA and PBV permit the market rents up to an FMR cap. PBRA has a higher cap (120% of FMR) than PBV (110% of FMR). Where rents are below 110% of FMR, the contract rents would likely be comparable. The requirements can be found in the RAD Resource Desk, RAD library. The document is labeled "RAD 2 Rent Setting."

Do the residents experience any change in their rent levels as a result of the conversion?

No, the tenant contribution remains 30% of adjusted monthly income (AMI). The rent would change only if the household's income changes.

How is the utility allowance that will be used for the new HAP contract calculated?

The existing utility allowance is used at conversion and subsequently updated per PBV or PBRA rules.

Our PHA has a \$50 minimum rent requirement even if a tenant has zero income. Residents with zero income are required to request a waiver of the minimum rent. Does the \$50 minimum rent requirement also apply to the PBRA contracts that are directly with HUD?

Under PBRA, the minimum rent is \$25.

In RAD conversions, does the source financing change the way Owners/Property Managers qualify households?

No, in RAD conversions, the financing does not change the way owners/property managers qualify households for the PBRA or PBV programs. However, other financing sources such as LIHTC or HOME may require additional or alternative resident qualification requirements.

So, under RAD, the Mod Rehab rents are limited at 110% of FMR. What is the rent limit for SRO units?

All PBV rent setting is based on the lesser of 110% of FMR less the utility allowance, or reasonable rent, or the rent requested by the owner. The applicable FMR for SROs is the efficiency FMR. So, SRO units may have a PBV rent up to 110% of the FMR for efficiencies.

In general, is there a minimum number of units for which it makes financial sense for a property to undergo a RAD conversion from a Mod Rehab SRO contract that is currently renewing annually?

The owner or consultant should analyze the costs and benefits of both the financing plan and project operations to answer this question. For instance, owners with multiple properties may combine them into one scattered-site HAP contract.

Why is the consultation with the CoC only required if the project is a Mod Rehab SRO?

Mod Rehab SROs are required to serve homeless individuals and families through a leasing preference. These properties provide supportive services that are primarily funded and monitored by CoCs, which is why a consultation with the CoC is required for Mod Rehab SROs. Regular Mod Rehab properties are not dedicated to housing homeless families and individuals, and therefore, they do not require consultation with the CoC.

Are there specific requirements for the homeless preference? Are the projects required to take referrals from CoC Coordinated Entry systems?

The requirements for the homeless preference can be found in section 2.7 of the [RAD Notice \(H-2017-03, Rev-3, PIH-2012-32 \(HA\)\)](#). It is not a requirement to use the CoC's coordinated entry system, but it is highly encouraged. During consultation with the CoC, any alternative leasing methods should be agreed upon. Collaboration between the property and CoC is critical to meet the reporting requirements of the CoC's Homeless Management Information System (HMIS).

If the current Mod Rehab SRO contract is only for a portion of the units, would the entire property be covered under a new PBV or PBRA HAP contract?

No, only the units on the Mod Rehab contract are eligible to convert to the new HAP contract.

Is there any reason for a CoC to NOT support a Mod Rehab SRO RAD project?

Generally, CoCs support an owner's effort to preserve and improve affordable housing that serves the homeless. The CoC may not support a RAD conversion if the Mod Rehab SRO owner is planning to make changes detrimental to the population it is serving.

Under what circumstances would a tenant get a portable voucher after occupancy, and would this reduce the number of units under the contract going forward?

This scenario is known as Choice Mobility. Under PBV conversions, a tenant can receive a voucher and move after one year of residency. For PBRA conversions, a tenant can move after 2 years. The tenant-based voucher comes from a public housing agency's voucher program, typically from turnover. When a resident exercises their choice-mobility option, it does not affect the number of units covered under the HAP contract.

If we ask for a PBRA Section 8 contract, are residents able to receive a tenant-based voucher as they can in a property with a PBV?

Choice Mobility applies to PBRA properties on a limited basis. Tenants can choose to move with a voucher after 2 years of residing in a property that has converted to PBRA under RAD. However, if the owner does not have access to a voucher program, the owner may request an exemption from this requirement.

Will there be further discussion of the Choice Mobility requirement for PBRA? How should the local housing authority be approached to discuss and see if they have the capacity?

An owner should contact the PHA to make the request. As part of the financing plan, the owner must either identify the PHA that has agreed to implement the choice-mobility requirement for PBRA, which can be found in section 2.6.J of the [RAD Notice \(H-2017-03, Rev-3, PIH-2012-32 \(HA\)\)](#), or ask for an exemption.

Can you provide information on the process for ending a Mod Rehab Contract? What requirements are there besides those which are included in the contract?

The contract termination should take effect immediately preceding when the new PBRA or PBV HAP contract will take effect. Prior to conversion, the owner and PHA must discuss and mutually agree to terminate the contract (or to not renew the contract if the new HAP contract will take effect directly following the natural expiration of the Mod Rehab contract). No HUD approval is required.

Do State Performance Based Contract Administrators (PBCAs) play a role in the PBRA contracts or does HUD administer them?

HUD administers all PBRA contracts that result from RAD conversions.

What determines whether a property that undergoes a conversion will receive PBRA or PBV? Can owners select which type of assistance the property will receive?

It is the owner's decision. The differences between the two contracts can be found in the PBV vs. PBRA comparison chart at <https://www.hudexchange.info/programs/rad/>.

For PBV conversions is the minimum contract term 15 years?

Yes, the initial contract must be at least 15 years.

If the current property has significant capital needs and the owner wants to construct a new building, can the new contract, upon RAD conversion, be used at the newly constructed building?

Yes, demolition of the building and the construction of a new building on the same site are both eligible activities under RAD. Conversely, the contract may cover a new building in a different location under the RAD policy called Transfer of Assistance. Criteria is found under Section 2.4.I of the [RAD Notice \(H-2017-03, Rev-3, PIH-2012-32 \(HA\)\)](#).

Can you please discuss how transfers of assistance will be handled under Component 2 and what are the requirements?

A written request justifying the need for the transfer according to the criteria in section 2.4.I of the [RAD Notice \(H-2017-03, Rev-3, PIH-2012-32 \(HA\)\)](#) is reviewed by HUD before processing the conversion.

Would Davis-Bacon apply to ongoing maintenance of the building after the RAD conversion? For instance, if 5 years after the conversion, the building required a new boiler - would that work need to be done in accordance with Davis-Bacon?

No, Davis-Bacon applies to work done within 18 months after the effective date of the contract.

Where can I print out the webinar slides for future reference?

Slides are available at <https://www.hudexchange.info/trainings/courses/rental-assistance-demonstration-rad-conversion-of-moderate-rehabilitation-contracts-webinar/2264/>.

Would it be possible to see the slides with the speakers' notes, as they contain more information than the slides include?

The recorded webinar is posted for your review at <https://www.hudexchange.info/trainings/courses/rental-assistance-demonstration-rad-conversion-of-moderate-rehabilitation-contracts-webinar/2264/>. You may hear the speakers' presentation and take notes at your own pace.

Are there CPE credits available for this webinar?

No