

# Rental Assistance Demonstration (RAD)

Streamlined Conversion of Section 8 Moderate Rehabilitation Contracts

June 16, 2021



# Introductions

## Speakers

**Tom Davis**  
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HUD  
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Manager

HUD  
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# Welcome from Tom Davis

Opening Remarks

Director  
Office of Recapitalization  
HUD Headquarters

# Webinar Objectives

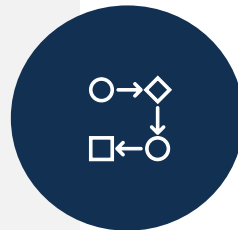
To ensure participants understand:



When Mod Rehab/Mod Rehab SRO properties are eligible for streamlined processing



Benefits of streamlined processing



Steps in a streamlined processing RAD conversion

# Poll Question

How would you rate your level of knowledge of the RAD program?

- A. Beginner
- B. Intermediate
- C. Expert

# Poll Question

Are you (or representing) one of the following?

- A. Owner
- B. PHA
- C. HUD Staff
- D. Consultant
- E. Other

# Poll Question

Are you associated with a Mod Rehab or Mod Rehab SRO?  
*(select all that apply)*

A. Mod Rehab

B. Mod Rehab SRO



# Challenge

Section 8 Moderate Rehabilitation (**Mod Rehab**) and McKinney Vento Section 8 Moderate Rehabilitation Single Room Occupancy (**Mod Rehab SRO**) programs support 33,000 units, of which 13,000 to 15,000 are in buildings with 20 units or fewer




West Hotel: San Francisco, CA







# Creation of RAD



Updated 9/5/19  
Streamlined  
processing for  
Mod Rehab




RAD requirements  
are established  
through the RAD  
Notice **H2019-09 PIH-  
2019-23 (HA),REV-4,**  
**Section II is for Mod  
Rehab**




Project Based  
Rental Assistance  
(PBRA)/Project  
Based Vouchers  
(PBV)

Since that time,  
Congress has  
renewed and  
expanded RAD



4  
Updated 9/5/19  
Streamlined  
processing for Mod  
Rehab



# How Can RAD Help?

1

**Allows** Mod Rehab/SRO properties to convert to long-term Section 8 Housing Assistance Payment (HAP) contracts

2

**Leverages** public/private investment to address capital needs

3

**Preserves** long-term affordability and stabilizes the property with **higher rents** in most cases



788 Fox St, Bronx, NY

# Eligibility for Streamlined Processing

- Active Mod Rehab/SRO properties with 20 or fewer units
- Contract/owner must be in good standing
- Property must be in good physical condition, passing Housing Quality Standards (HQS) or Uniform Physical Condition Standards (UPCS)
- Owner not currently considering redevelopment/ recapitalization



Sergeant House, MA



# Advantages of Streamlined Processing

In many cases, there are fewer requirements for RAD conversion

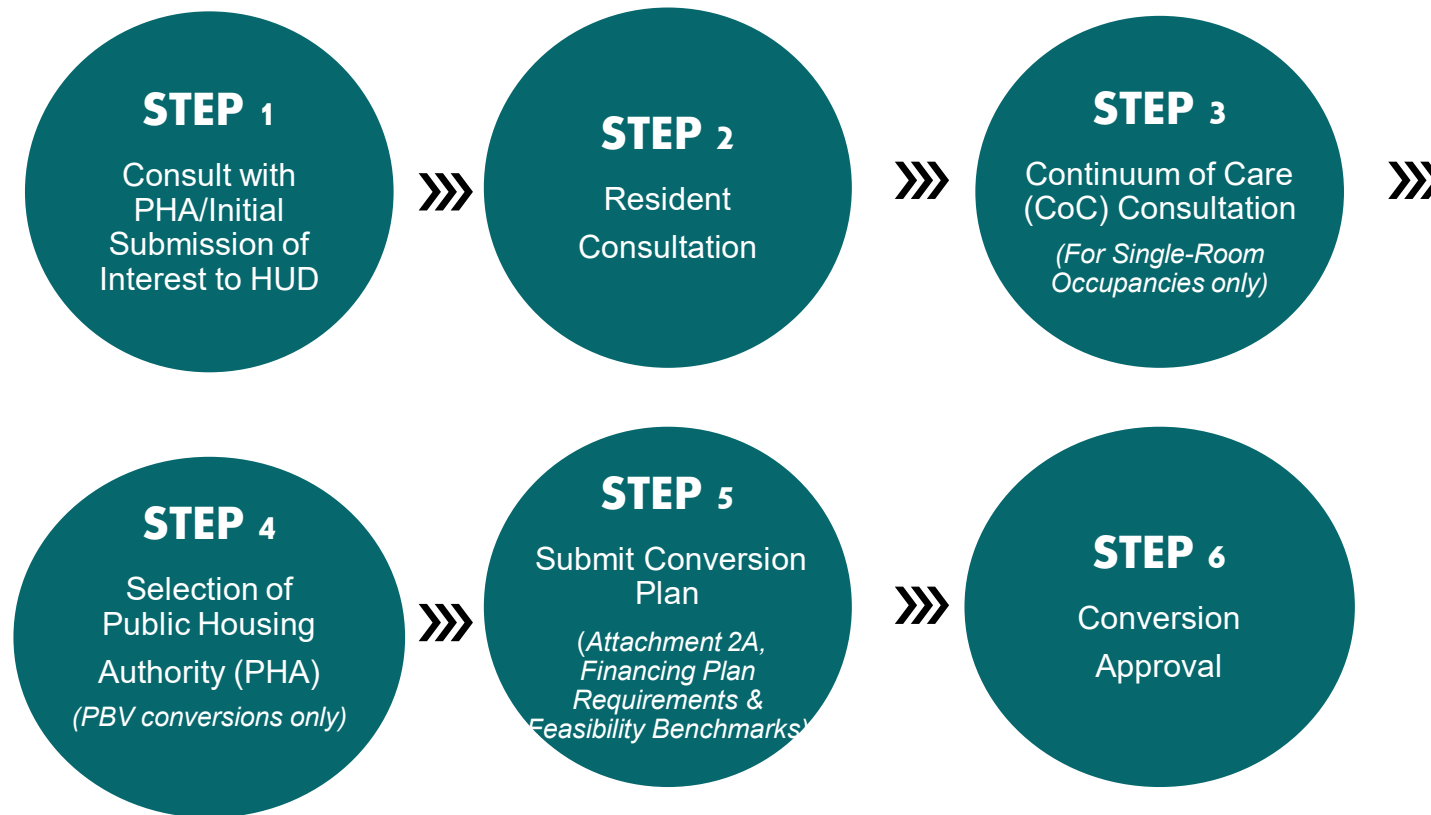
- No Capital Needs Assessment (CNA) is required (in most cases)
- Often a full Environmental Review is not required (in most cases)
- Minimal items to complete on the Accessibility and Relocation Plan checklist
- No financing commitments
- No Sources and Uses statement (Development Budget)



# Key Contract Differences

Contract Elements	Project-Based Vouchers (PBVs)	Project-Based Rental Assistance (PBRA)
Contract Administration	Public Housing Authority	HUD Multifamily
Contract Units Eligible for Conversion	Occupied Units within the last 24 months	All contracted units, regardless of occupancy
	No rescreening of tenant income, occupancy, crime etc. during conversion	
Length of Contract	20 years	
Physical Inspections	Housing Quality Standards (HQS)	Uniform Physical Condition Standards (UPCS) Real Estate Assessment Center (REAC)

# Overview of HUD Streamlined Conversion Process





# Conversion Approval through Closing

(Days 61 – 150)



Once HUD issues conversion approval, the owner has 90-days to work with either HUD or the PHA and execute the PBV or PBRA HAP contract



The 90-day closing period may be extended, if needed

# Indicating Interest

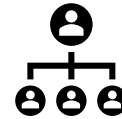
1. Create an account on the RAD Resource Desk at <https://www.radresource.net/>
2. Submit an Expression of Interest
3. HUD will assign you a Transaction Manager
4. HUD will schedule a Concept Call with you to discuss the process



Register for RAD  
Resource Desk  
Account



Owner submits  
interest to HUD



HUD assigns a  
Transaction  
Manager



“Concept” Call”



# Resident Engagement

- Include date and time of at least 2 resident briefings
- Provide date of contract expiration and units to be covered under PBV or PBRA
- Describe any change in project ownership, units, transfer of assistance
- Explain 30-day comment period and how to submit comments

1 year before termination of Mod Rehab contract, provide written notice of contract termination to residents and post notice in 3 prominent common areas. For a sample notice, refer to the Section 8 Renewal Guide, Exhibit 11-1.



Engage Residents



Send notice to residents



Conduct 2 meetings



Accept and review resident comments





# Attachment 2A

Conversion Plan Requirements and  
Feasibility Benchmarks for Mod Rehab  
Streamlined Conversion

The following slides show the  
required documents for a  
Conversion Plan (See Section 2A of  
the RAD Notice, Rev 4)

# Conversion Overview

Formal request for streamlined conversion if the property has  $\leq 20$  units and meets the following criteria:

- Narrative summary of Property Owner's conversion goals
- Property history
- Property physical description
- Conversion type
- Identification of other properties to be held within the same ownership entity
- How conversion of assistance will impact residents

# HQS Inspections



Provide evidence that property meets minimum threshold requirement of decent, safe, and sanitary housing



Submit property's most recent Housing Quality Standards (HQS) or Real Estate Assessment Center (REAC) scores



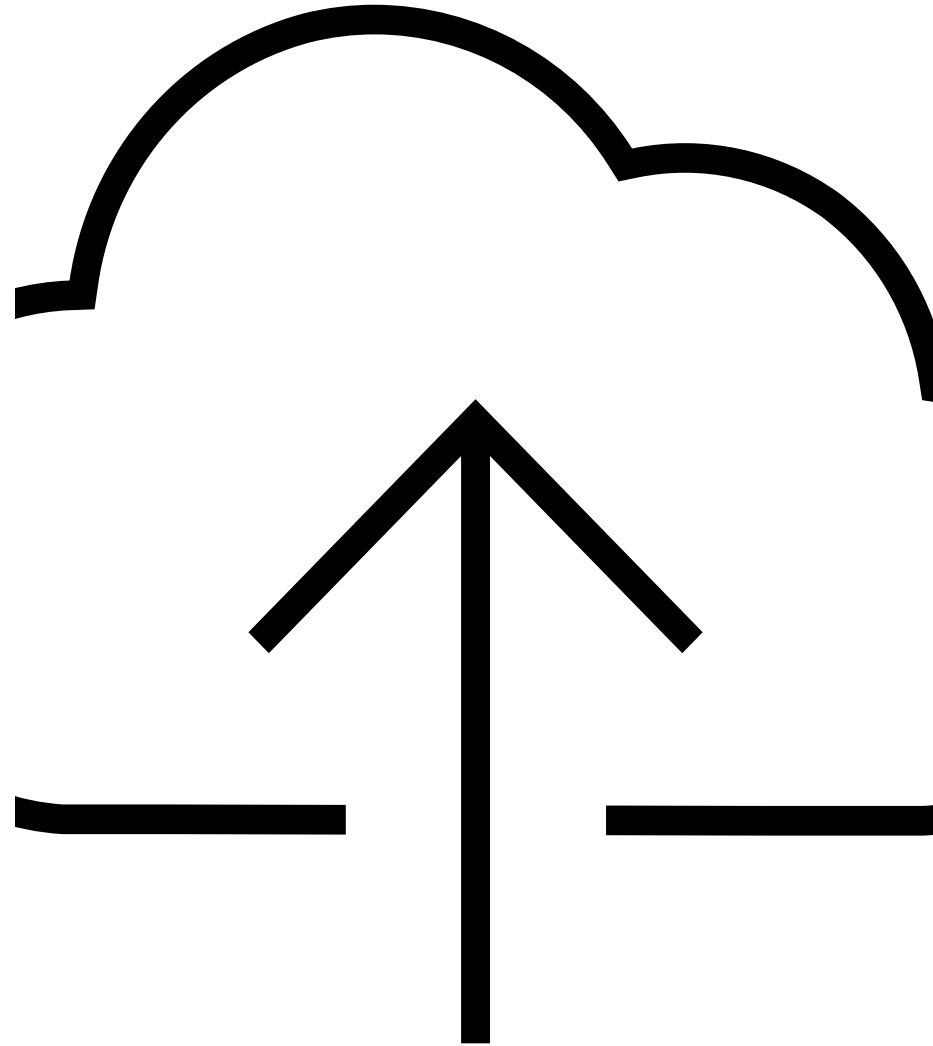
For PBV Conversions:

- Converting units must qualify as existing housing
- PHA must ensure units substantially meet HQS
- Upon execution of new HAP contract, units must fully comply with HQS
  - If any deficiencies found in PHA's inspection report, provide evidence/certification that all deficiencies were corrected.



# Mod Rehab Contracts

Upload copy of fully executed  
original and current Mod Rehab  
Contract(s), including all exhibits



# Statement of Compliance with Fair Housing and Civil Rights

Owners may not participate in RAD if they have:

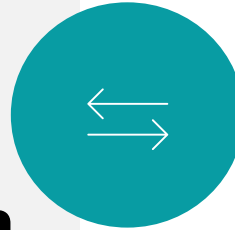
A HUD charge about systemic violation of the Fair Housing Act (FHA), substantially equivalent state or local fair housing agency proscribing discrimination of protected classes

Dept. of Justice (DOJ) FHA lawsuit alleging pattern/practice of discrimination/denial of rights to persons raising an issue of general public interest

Fair housing agency's cause determination concerning violations of state and local law proscribing discrimination in housing based on lawful source of income

# Choice Mobility Option

## – for PBRA Conversions Only



Owners must submit, with Conversion Plan, a fully executed Choice Mobility Letter of Agreement signed by the PHA and owner.



All Mod Rehab owners may request a good-cause exemption in their Conversion Plan.



Residents have a right to move with tenant-based rental assistance – a voucher - the later of:

- 24 months HAP contract execution
- 24 months after their move-in

# Choice Mobility Option

## – for PBRA Conversions Only



Owners must submit with Conversion Plan a fully executed Choice Mobility Letter of Agreement signed by the PHA and owner.



All Mod Rehab owners may request a good cause exemption in their Conversion Plan. HUD may grant a good-cause exemption to some properties converting through RAD if the PHA having jurisdiction over the property cannot provide a Choice Mobility agreement.

# Resident Notification

As part of Conversion Plan, include:



Confirmation of the date/s resident meetings were held, along with:

- Responses to residents' comments
- A description of how residents' comments will be addressed in conversion



Proof of written communication to residents informing them of owner's intent to participate in RAD and upcoming resident meeting(s)



Copy of notification letter posted in property common areas informing residents of RAD conversion



Attachment certifying that required resident meetings were held

- Residents had a 30-day period to comment on the conversion

# Initial Contract Rent-Setting

	PBRA Contract Rent set at lower of:	PBV Contract Rent set at lower of:
Initial	a) Comparable market rents (determined by a Rent Comparability Study) or  b) 110% of Fair Market Rent <ul style="list-style-type: none"> <li>Owners may request to use Small Area FMR (zip-code based)</li> <li>With HUD approval, contract rents may be set up to 120% of FMR</li> </ul>	a) Market rent levels (determined by PHA's Rent Reasonableness analysis)  b) 110% of Fair Market Rent (FMR)  c) Owner Requested Rent
Example	FY 2021 HUD Newark Metro One-Bedroom FMR: $\$1,358 \times 110\% = \$1,494$	
Adjustments	Annually adjusted by OCAF	Re-determined annually to Reasonable Rent/ 110% of FMR (see 24 CFR 983.302)



# Capital Needs Assessment

Capital Needs Assessments required for all RAD conversions. Through Streamlined Processing Properties may be exempt if:



Property is in fair condition



Owner can provide evidence of passing HQS inspections

# Environmental Review

For PBRA, a tiered Environmental Review required addressing:

1. Coastal Barrier Resources
2. Flood Insurance
3. Floodplain management
4. Contamination
5. Historic Preservation

For PBV, a Part 58 review completed by a responsible entity – a PHA will lead this process

Full environmental review not required unless conversion plan includes a Scope of Work

# Accessibility Plan and Relocation Checklist

## RAD FHEO Accessibility and Relocation Plan Checklist

The following checklist is required to be submitted to the RAD Transaction Manager prior to, or concurrent with, submission of the Financing Plan.

PHA Name: \_\_\_\_\_ PHA Code: \_\_\_\_\_

PIC Project Number: \_\_\_\_\_ Total Number of Units: \_\_\_\_\_

Proposed Number of Units to be Converted: \_\_\_\_\_

PHA Contact Person: \_\_\_\_\_ Email: \_\_\_\_\_ Phone: \_\_\_\_\_

Date Completed: \_\_\_\_\_

### Section I: Threshold Questions

Please check the appropriate box for the following threshold questions:

Question	Yes	No
Does the project involve new construction or substantial alteration (i.e. alterations that involve a project that has 15 or more units and the cost of the alterations is 75 percent or more of the replacement cost of the completed facility (see 24 CFR 8.23)?		
Will the conversion of assistance result in off-site temporary relocation for any resident that will last for more than 60 days or include the transfer of assistance to another site?		

If you answered no to both of the above questions, please skip the remaining sections of this checklist and sign the bottom of the form. In all other cases, please complete the relevant section of the checklist. For example, if you answered yes to the first question, please complete Section II, Accessibility.

### Section II: Accessibility

- a. Please describe how the conversion of assistance will impact accessibility. Additionally, please indicate the number of units to be converted and the units that will be accessible.

- b. Please provide the following waiting list and occupancy data for accessible units. If the units are currently vacant, please provide the data for the most recent occupants of the project.

Bedroom Size	0	1	2	3	4	5	Other	Total
1. Number of persons on waiting list who have requested mobility accessible units								
2. Number of persons on waiting list who have requested vision and/or hearing accessible units								
3. Number of mobility accessible units occupied by tenants with disabilities who require the features of the unit								
4. Number of hearing/vision accessible units occupied by tenants with disabilities who require the features of the unit								

- c. Please provide the distribution of all wheelchair and other accessible units that will be available in the project after RAD conversion.

Bedroom Size	0	1	2	3	4	5	Other	Total
1. All units								
2. Total units with project-based rental assistance								
3. Mobility accessible units								
4. Vision and/or Hearing accessible units								
*5. (Total Accessible Units)								

Only answer  
the first  
two questions.

# Development Team/Ownership Structure

Identify legal entity that will own the project following conversion and proposed Management Agent

## What to upload

- Organizational chart of owner entity (existing, and new if applicable)
- For proposed changes in ownership, evidence of successful experience owning/operating HUD or other multifamily properties
- For proposed changes in management agent, evidence of successful experience managing and operating HUD or other multifamily properties
- Where work is proposed, identity of General Contractor/Construction Manager and assurance of successful construction/rehab experience
- For PBRA conversions, Previous Participation Certification for all principals

# Operating Pro Forma

- Must match 20-year term of proposed PBV or PBRA HAP
- Include columns showing the past three years' historical trends of all income and expenses.
- Operating expenses shall be no less than 85% of the average of past the three years.
- Demonstrate average amounts
- Provide explanations/documentation of major deviations
- Include:
  - Vacancy loss
  - Bad debt allowance
  - Annual deposit to the Reserve for Replacement account

# Certification of Compliance with Site and Neighborhood

Fair Housing Act and  
Title VI of the Civil  
Rights Act of 1964  
and 24 CFR §  
1.4(b)(3)

For PBV  
conversions, attest  
to compliance with  
24 CFR § 983.57

Section 504 of the  
Relocation Act of  
1973 and 24 CFR  
§ 8.4(b)(5)

For PBRA  
conversions,  
attest to  
compliance with  
Appendix III of  
the RAD Notice





# Special Considerations for Mod Rehab SROs

Homeless  
preference  
required after  
conversion

Leasing  
Preferences for  
PBV, follow  
HOTMA guidance  
(see Federal  
Register Notice  
82 FR 5458)

McKinney-Vento  
only,  
ShelterPlus  
SROs not  
eligible for  
conversion

Consultation  
with Continuum  
of Care (CoC)

Screening Criteria

Report to CoC  
Homeless Management  
Information System  
(HMIS) and annual  
Housing Inventory  
Count (HIC)



# Final Conversion Process Steps

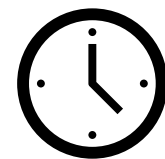
## HUD Approval

Within 60 days of Conversion Plan submission, HUD issues approval letter to owner



## Conversion/ Closing

PHA and Owner terminate Mod Rehab contract; new PBV or PBRA HAP contract is executed within 90 days



If conversion is not complete in 90 days, request an extension

# Role of PHAs

- Confirm with HUD that the owner is in good standing
- Coordinate with HUD (PIH), HUD's Office of Recapitalization, and the owner
- Determine initial PBV contract rents (rent reasonableness)
- Conduct HQS inspections
- Administer PBV contracts
- Provide ongoing administration of the PBV HAP Contract

# Role of HUD Multifamily Housing (PBRA)

- Assign account executive
- Section 8 contract set-up
- Documentation for vouchers and contract administration
- APPS 2530 clearance
- Funds and executes contract
- Annual rent increases
- Ongoing monitoring and compliance



# Project Profile:

## Westwood-Ambassador

Santa Clara County, CA

- 10 units
- Property serves low-income families and seniors
- PBV conversion administered by Santa Clara County Housing Authority
- 1<sup>st</sup> Streamlined Conversion
- Review Processing time less than 60 days



# Poll Question

How likely are you to sign up for a RAD conversion?

- A. Not likely
- B. Definitely
- C. Need more Information to make a decision
- D. Not at all – only attended to gather information

# Poll Question

How did you hear about this webinar? *(select all that apply)*

- A. HUD Exchange
- B. SNAPS Listserv
- C. Office of Recapitalization



# Questions?



# For More Information and Resources

## RAD Resource Desk

- <http://www.radresource.net/>
- For initial submissions of interest
- Direct TA for owners
  - Free consultations
- RAD Program Notice
  - H2019-09 PIH-2019-23(HA), Rev-4
- Mod Rehab Processing Guide
- <https://www.hudexchange.info/programs/rad>
- Fact sheets for various audiences
- Recapitalization Workbook and Excel tool

## HUD Exchange

- <https://www.hudexchange.info/programs/rad>
- Fact sheets for various audiences
- Recapitalization Workbook and Excel tool



# Contact us

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- [Mirline.X.Labissiere@hud.gov](mailto:Mirline.X.Labissiere@hud.gov)

# Closing Remarks



RAD is a Preservation Tool. Having a long-term HAP contract can stabilize your property



You're not alone - you have *Partners* in Preservation



You can be successful with streamlined processing



# Thank you for attending today's webinar

Goodbye

