

# Fact Sheet for Local Continuums of Care (CoC) on the Conversion of McKinney Moderate Rehabilitation Single Room Occupancy (Mod Rehab SRO) Properties Under the Rental Assistance Demonstration (RAD)

U.S. Department of Housing and Urban Development  
**Office of Recapitalization**



Release Date: March 2018. Source: [www.hudexchange.info/resources/documents/RAD-Fact-Sheet-for-PHAs-and-Owners.pdf](http://www.hudexchange.info/resources/documents/RAD-Fact-Sheet-for-PHAs-and-Owners.pdf)

*Are you a local Continuum of Care (CoC) looking to preserve the Mod Rehab SRO properties serving the homeless in your community? Learn how the Rental Assistance Demonstration (RAD) can help you get started today! This fact sheet is designed to help you encourage owners of Mod Rehab SRO properties to participate in RAD to preserve housing resources to assist homeless households in your community and to further your understanding of the RAD conversion process and its requirements. This fact sheet is part of an outreach and resource initiative for RAD. For more information, please see the information in the text box at the end of this document.*

## **RAD Background**



RAD is a U.S. Department of Housing and Urban Development (HUD) program that is open to owners of Section 8 Mod Rehab (including the SRO program), Rent Supplement, Section 236 Rental Assistance Payment (RAP), and public housing properties. Owners of properties funded under these programs can convert the unit subsidy funding to long-term Section 8 project-based rental assistance contracts.

## **RAD Benefits, Impacts, and Your Role**

### **What are the benefits of a RAD conversion?**

The Mod Rehab SRO owner can replace the current Mod Rehab SRO HAP contract (which is currently renewed year-by-year and at restricted levels) with a Section 8 Project-Based Voucher (PBV) or Project-Based Rental Assistance (PBRA) contract with a term of up to 20 years.



PBV or PBRA contracts offer the following benefits:

- A contract term up to 20 years that is renewable, allowing the owner to make long-term plans and ensure that housing remains available for the long-term.
- Higher funding levels to better cover operating costs.
- Ability to leverage financing to support capital repairs or redevelopment, if needed.
- A requirement that the property must have an ongoing admissions preference for the homeless.

### **How can I tell the difference between a Mod Rehab SRO and other similar assistance programs?**

Mod Rehab SROs serve low-income, single, homeless individuals. Mod Rehab SROs typically are owned by private for-profit or nonprofit entities and typically were renovated during the 1990s or 2000s. Units assisted by Mod Rehab SRO contracts are either “single-room occupancy” units with shared bathrooms or are efficiency units. Each property has a Section 8 Mod Rehab SRO Housing Assistance Payments (HAP) Contract between the property owner and the local public housing authority (PHA). This HAP Contract will specify that it is under the Section 8 Mod Rehab SRO program. The Mod Rehab SRO HAP Contract was initially for a ten-year term. While some contracts are still under their original term, most contracts are now renewed on an annual basis. Mod Rehab SRO is not the same as the Supportive Housing Program (SHP) and is not the same as Shelter Plus Care (S+C), including the S+C SRO component projects, which have now all been renewed as rental assistance under the Continuum of Care (CoC) program. Some Mod Rehab SROs may have received Permanent Supportive Housing funds for rehab or supportive services.

### **How can the CoC help with outreach to owners?**

Mod Rehab SRO contracts are administered by Public Housing Agencies (PHAs). Even if the CoC is not aware of any Mod Rehab SRO properties within its geography, CoC leadership should consult with the local PHA to determine if there are any such properties and to identify the owners. HUD recommends that the CoC and/or PHA contact owners and provide them with a copy of this fact sheet to make sure they are aware of the potential benefits of RAD and the opportunity to convert to Section 8 project-based assistance.

### **What is the role of the CoC in a RAD conversion of a Mod Rehab SRO property?**

When an owner of a property wishes to convert his or her Mod Rehab SRO contract under RAD, it is required to consult with the CoC upfront before developing a RAD Financing Plan. In this meeting, the owner must explain the conversion of rental assistance; provide the project’s plan for rehabilitation; describe the ongoing preference for homeless individuals or families; and discuss coordinated entry for new homeless participants. If the owner plans to reconfigure units, he or she must secure a letter of support from the CoC. Similarly, if the owner plans to serve a homeless population not covered under the definition in the HEARTH Act, he or she must secure a letter of support from the CoC.

### **Are properties required to continue to serve the homeless following conversion?**

Yes, a homeless preference is required to ensure that the property continues to serve this population. For RAD PBV SRO conversions, the required preference is established by the PHA through its



Administrative Plan. For RAD PBRA SRO conversions, the required preference is established by the owner (in accordance with HUD Handbook 4350.3) and is documented in the Tenant Selection Plan. The homeless definition requirements of the CoC Interim Rule (24 CFR 578.3) apply. The homeless preference outranks any other preferences. PHAs and owners are prohibited from adopting discretionary policies that circumvent the homeless preference; for example, discretionary policies that would prevent homeless individuals / families from becoming eligible would be prohibited.

### **What does RAD say about screening residents?**

Existing residents have a right to remain, or return if temporary relocation is needed, and may not be rescreened simply because of conversion under RAD (with the exception of a few conditions established by statute). With respect to new admission, for conversions to PBV where the PHA administers the contract as part of its overall administration of its voucher program, while PHAs typically are required to establish standard screening criteria across all new admissions to its voucher program, HUD allows PHAs to establish more lenient screening criteria for properties covered under these contracts. (Project owners under PBRA already have the discretion to apply distinct screening requirements for new admissions in any individual assisted project.)

### **Are owners of Mod Rehab SRO properties that undergo RAD conversion required to participate in the Coordinated Entry process?**

Owners are highly encouraged to follow the CoC Coordinated Entry process. While participation is not required, the benefit of Coordinated Entry is that all providers have the same information on the homeless population in the community, as well as the resources available for homeless assistance. In HUD's vision, the coordinated entry process is an approach to management of a crisis response system's resources that allows users to make consistent decisions from available information to efficiently and effectively connect people to interventions that will rapidly end their homelessness. For more information on the Coordinated Entry process, see:

<https://www.hudexchange.info/resources/documents/Coordinated-Entry-Core-Elements.pdf>.

### **Are owners of SRO properties that convert under RAD still subject to HMIS and HIC reporting?**

Yes. Both the Homeless Management Information System (HMIS) and the annual Housing Inventory Count (HIC) reporting requirements continue to apply.

### **What resident protections does RAD offer?**

Residents enjoy the following rights and protections under RAD:

- Owners must consult with residents prior to conversion.
- Residents may not be rescreened because of conversion (except for requirements established by statute).
- If any residents need to be relocated temporarily due to repairs on the property, residents have a right to return to the property.
- Except for certain conversions to PBRA, residents have a right to a tenant-based voucher after a period of residency at the property (i.e., "choice-mobility"). (The household's move does not affect the number of units on the Section 8 contract.)



### **What are the key eligibility requirements for Mod Rehab SRO owners?**

The owner must be in good standing with HUD and with the PHA. The owner must be in compliance with applicable fair housing and civil rights requirements. The project must meet HUD's physical standards (Housing Quality Standards (HQS) or Uniform Physical Condition Standards (UPCS)), except with HUD approval.

### **What are the key approval requirements for a RAD conversion of a Mod Rehab SRO property?**

The key requirements are:

- Required consultations with the CoC and with residents;
- Environmental review approval; and
- Financing Plan approval (essentially, the project and owner have sufficient funding to meet all repair and capital improvement needs identified in a Capital Needs Assessment ("CNA") that meets RAD requirements).

### **What is the process for how a Mod Rehab owner would start a RAD conversion?**

A RAD conversion typically takes between 6 and 18 months from initiation to completion. The major conversion steps are depicted on the next page. Please note that some steps take more time to accomplish than others.

### **Is it typical for RAD Mod Rehab conversions to include new financing and/or a sale of the property?**

New financing is common, but it is required only when the project cannot otherwise pay for the immediate and long-term capital needs identified in the CNA. Sale of the property may occur when the owner is recapitalizing the property with Low-Income Housing Tax Credits and/or when a preservation-minded purchaser acquires the property.

### **Where can the RAD program requirements be found?**

The RAD program requirements, as they apply to Mod Rehab SRO projects, are in Section II of the RAD Notice (Notice PIH-2012-32 REV-3). Requirements that are specific to Mod Rehab SRO properties can be found in Section 2.7 of the RAD Notice. The RAD Notice and many other useful documents can be found on the RAD Resource Desk ([www.radresource.net](http://www.radresource.net)). The RAD Resource Desk is open to the public; owner registration requires only an email address and password. In addition, the HUD Exchange webpage ([www.hudexchange.info/programs/rad](http://www.hudexchange.info/programs/rad)) provides additional information, including a key facts document about RAD 2 for Mod Rehab properties, a comparison chart of key differences between PBVs and PBRA, and other great resources.

### **Is RAD technical assistance available for Mod Rehab SRO owners?**

Yes. HUD has made available a limited amount of funding for RAD technical assistance. Email HUD at [RAD2@hud.gov](mailto:RAD2@hud.gov) for more information.



# RAD CONVERSION PROCESS FOR MOD REHAB PROPERTIES

**Submission of Interest**  
Owner provides basic property and owner information to HUD through Resource Desk; HUD assigns a “Transaction Manager”



- Prior to submission of Financing Plan, owners are required to:
- Notify residents of their intent to participate in RAD and provide opportunities for comments on proposed plans
  - Consult with local Continuum of Care (CoC) (for conversion of Mod Rehab SROs)
  - Initiate the process with HUD to identify a PHA to administer the PBV contract (for conversion to PBV)



**Financing Plan**  
Owner submits all related due diligence (CNA, environmental review documents, financing commitments, etc.) and proposes sources & uses and operating pro forma



**HUD Approval**  
HUD issues letter to approve Financing Plan



**Conversion**  
PHA and owner terminate Mod Rehab contract; new PBV or PBRA HAP contract is executed; any construction financing closes



## FOR MORE INFORMATION, VISIT:

For conversion requirements, see RAD Notice (PIH-2012-32 (HA) H-2017-03, REV-3):  
[portal.hud.gov/hudportal/documents/huddoc?id=RAD\\_Notece\\_Rev3\\_Final.docx](https://portal.hud.gov/hudportal/documents/huddoc?id=RAD_Notece_Rev3_Final.docx)

For tools and additional information on RAD:

- [www.hud.gov/rad](http://www.hud.gov/rad)
- [www.hudexchange.info/programs/rad/](http://www.hudexchange.info/programs/rad/)

To submit a letter of interest, visit the RAD Resource Desk: [www.radresource.net/](http://www.radresource.net/)

For additional information on Multifamily Preservation:

[www.hudexchange.info/programs/multifamily-housing-preservation/](http://www.hudexchange.info/programs/multifamily-housing-preservation/)

Questions? Contact the Office of Recapitalization at [rad2@hud.gov](mailto:rad2@hud.gov).