

RAD for Mod Rehab: Why Housing Authorities and Owners Should Consider Converting These Contracts



Welcome and Introductions

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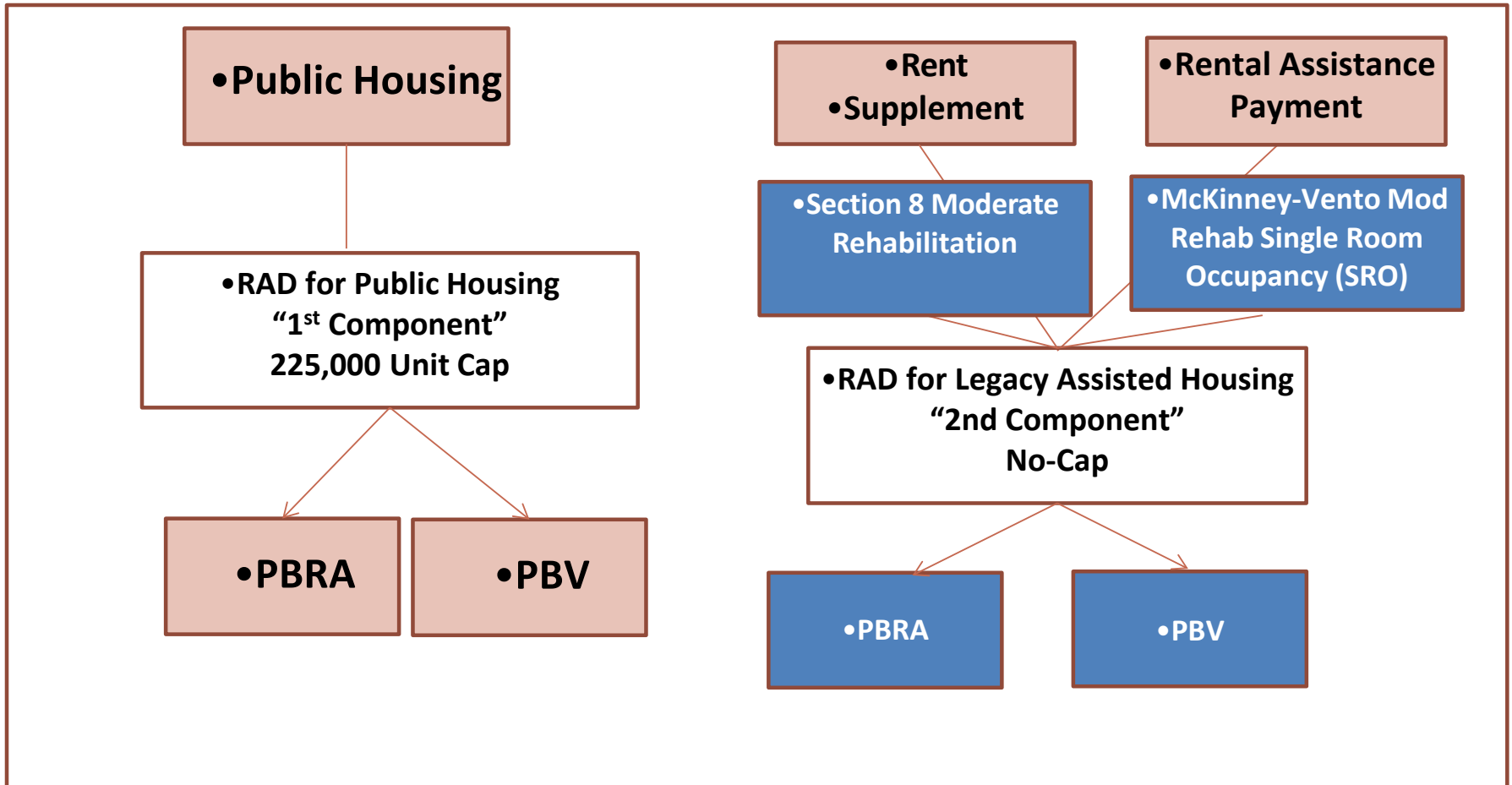
Webinar Objectives

- Overview of RAD
- Benefits to Projects, Owners and PHAs
- Overview of RAD for Mod Rehab
- Conversion Application, Process and Considerations
- Resources

What is RAD?

- Rental Assistance Demonstration (RAD) was created by Congress as part of the FY2012 appropriations.
- 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



Mod Rehab

- 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



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



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

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

Benefits to Owner

Long-term RAD HAP Contract:

- Provides stability
- Likely higher rents
- Can be used to secure/leverage financing for rehabilitation
- Preserve affordable housing

Benefits to PHA


For PBV conversions:

- New vouchers added to PHA's Annual Contributions Contract (ACC)
- PHA receives ongoing administrative fee
- PHA still responsible for performing tenant certifications, unit inspections, subsidy administration, and other responsibilities, but in accordance with familiar PBV HAP contract

For PBRA conversion, HUD administers HAP contract;
PHA relieved of contract administration

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)

Eligibility

- Owner in good standing with HUD and PHA
- Owner in compliance with applicable Fair Housing and Civil Rights Requirements
- Property meets HUD's physical inspection standards, except with HUD approval

Key Differences Between PBV and PBRA

Contract Elements	Project-Based Vouchers (PBVs)	Project-Based Rental Assistance (PBRA)
Contract Administration	Public Housing Authority	HUD
Mod Rehab Contract Units Eligible for Conversion	Units occupied with income eligible tenants	All contracted units, regardless of occupancy
Length of Contract	15 to 20 years	20 years
Physical Inspections	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.

Rent-Setting

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



Rent-Setting (Continued)

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

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

Conversion Process Steps

Step 1

Initial submission of interest at 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



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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. The page features the HUD logo and the title "Rental Assistance Demonstration Resource Desk" under the 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 describes the RAD program, highlighting two components: 1. 4. set Component - Allows Public Housing properties to convert, under a competition limited to \$25,000 units, to long term Section 8 rental assistance contracts; and 2. 2. and Component - Allows Rent Supplement (Rent Supp), Rental Assistance Voucher (RAV), and Mod Rehab properties to convert tenant-based vouchers issued upon contract expiration or termination to project-based assistance. A graphic shows a building with a "\$2.5 billion" label and "Total Construction Activity Leveraged (closed projects, set component)". Below this, a phone number "855.457.4000-879" is displayed. The page also includes an "About the RAD Resource Desk" section, which states that the desk serves as a comprehensive information archive and a searchable database of statutes, rules, regulations, notices, memoranda, directives and guidelines.

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



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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)



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.

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/>

Contacts

Thank you for your time!

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