

# **AN INTRODUCTION TO RAD**

## **TEXAS HOUSING ASSOCIATION – INDUSTRY MEETING**

**AUGUST 22, 2017**

**PRESENTED BY THE HUD FORT WORTH FIELD OFFICE  
PORTFOLIO MANAGEMENT SPECIALISTS: KIMBERLY HORTON & LEONARD SPICER**



# GOAL OF THE RAD PROGRAM

RAD seeks to convert the existing Public Housing assistance that a PHA receives, to a project based Section 8 platform. There is NO Additional government funding provided for the conversion. PHA will convert their assistance at current subsidy levels.

# PUBLIC HOUSING CONVERSION OF SUBSIDY

↓ Pre-RAD

Operating Funds \$330
Capital Funds \$145
Tenant Payment \$220

↓ Post-RAD

Housing Assistance Payment \$475	
\$695	
Tenant Payment \$220	

# Why Convert ?

- **Access to private capital to address immediate and long term capital needs of your projects**
- **Preservation of affordable housing**
- **Enhance housing options for residents**



# Conversion Options

## **RAD**

### **Project Based Rental Assistance**

- Removed from PIC and from the Public Housing Inventory
- Regulated by Multifamily – Office of Asset Management

## **RAD**

### **Project Based Vouchers**

- Removed from PIC and merged into the HCV program
- Regulated by Office of Public and Indian Housing

# Factors to Consider

Understanding the RAD  
Requirements

Is RAD a Viable Option ?

Should My PHA  
Convert ?

Administrative Capacity to Handle the  
Conversion

Securing the Necessary Funding from  
Lenders/Private Investors

# IS MY PHA ELIGIBLE TO CONVERT ?

1. Have public housing units under an ACC .
2. Be classified as a Standard or High Performer under the Public Housing Assessment System (**PHAS**). If “Troubled”, the PHA must be making substantial progress under its Recovery Agreement, Action Plan, Corrective Action Plan (CAP) or Memorandum of Agreement (MOA).
3. Be classified as a Standard or High Performer under the Section Eight Management Assessment Program (**SEMAP**) if the PHA will be administering the PBV contract under RAD. If classified as Troubled, the PHA must be making substantial progress under the CAP.

# IS MY PHA ELIGIBLE TO CONVERT ?

- 4.** The PHA must be in substantial compliance with HUD reporting and programmatic requirements and/or satisfactory compliance with any CAP or MOA related to any 1) program finding or 2) failure to carry out (to the satisfaction of the Department) management decisions relating to an audit by the Office of Inspector General.
- 5.** Must not have a debarment, suspension, or Limited Denial of Participation in Federal programs lodged against the applicant, PHA Executive Director, Board members, or affiliates.
- 6.** To further determine eligibility, the PHA must submit a completed application that complies with all RAD Application instructions.



# IS MY PHA ELIGIBLE TO CONVERT ?

- 7.** Must not be a charge, cause determination, lawsuit, or letter of findings against a PHA, its transferees, proposed development partners, or sub-recipients that has not been resolved to HUD's satisfaction.
- 8.** If HOPE VI grants have been utilized by the PHA, RAD eligibility is determined by the following criteria:
  - ☐ Projects with a Date of Funding Availability (DOFA) of greater than 10 years prior to the date of RAD application.
  - ☐ Projects with a DOFA of less than 10 years, if the Converting Project evidences a recent multi-year pattern of financial distress
  - ☐ Project(s) that, unless converted under RAD, would be the only remaining project(s) with public housing units in the PHA's inventory.

# Application Requirements

**Applications** – including attachments and narrative summaries) must be submitted electronically using the Microsoft Excel-based RAD application, which is available at [www.hud.gov](http://www.hud.gov)

**RAD Board Approval Form** – will also include the proforma, which must be approved/signed by the board. Required with each application submission.

**Financing Letter of Interest/ Intent Form** – Each lender/equity advisor must confirm that the pro-forma is reasonable. Letter is required when 3<sup>rd</sup> party financing is indicated.

**Choice-Mobility Commitment Letter** – Owners required to provide choice mobility Options to residents: PBRA- after 24 months from HAP execution date or 24 months after move in date..

**Resident Responses** - Must include resident comments received in connection with the required resident meetings on the proposed conversion.

# Types of RAD Applications

- ☐ Applications Proposing to Use 9% LIHTCs – PHAs are encouraged to apply for 4% and 9% awards. Due to the demand for 9% awards, HUD requires evidence that a reservation has been secured or self-scored Qualified Allocation Plan demonstrating eligibility.
- ☐ Applications for Multi-phase Developments- Submit an application that reflects the 1<sup>st</sup> phase, with an explanation of future phases. The applications must also include a narrative of each phase, its proposed date of submission of the application, financing plan and proposed date of demo-dispo or disposition associated with each phase.
- ☐ Portfolio Awards– This application allows a PHA to reserve RAD conversion authority for a set of projects and locks in the applicable contract rent in the year of application.

# Application Criteria Selection

Applications are evaluated, first, by the Priority Category in which it falls, and secondly, by the date the Application was submitted. This section explains the criteria that HUD will use to select projects for participation under the Demonstration.

## High investment applications

Applications or Multi-phase Applications that will redevelop physically or functionally obsolete housing.

- Full or partial demolition of the existing project, with new construction that includes tax credit only units and/or market rate units
- Full or partial demolition of the existing project, with new construction Choice Neighborhoods Implementation grant that HUD has awarded to the subject property;
- Projects where a majority of the units have been approved for demolition or disposition under Section 18, which demolition or disposition approval is proposed to be withdrawn upon award of RAD authority



# Application Criteria Selection

## Applications that are part of a comprehensive Neighborhood Revitalization Plan:

- Choice Neighborhoods Planning grant
- Promise Zones
- Locally recognized neighborhood revitalization plan, as evidenced by a letter of support from the City or County government describing the commitment and backed by significant state or local financial investments (existing or committed) in the community.

• The RAD application shall also include supporting evidence if claiming priority status under Section 1.11.C.1(i).

# Application Criteria Selection

Applications that are, in HUD's sole discretion, in imminent danger of losing financing if they are not provided a CHAP (e.g. as evidenced by a 9% tax credit award).

All other applications, Portfolio Awards, and Multi-phase awards

**Note:** (1) The RAD application shall also include supporting evidence if claiming priority status under Section 1.11.C.1(i).

**Note:** (2) HUD may, in its sole discretion, revoke a CHAP or reject a Financing Plan if the conversion plans change in such a way that would have affected the project's selection

# Application Approved- Next Step

## CHAP Award

PHAs will be notified of selection via issuance of a CHAP, or Commitment to enter into a Housing Assistance Payment, which shall include the HUD-approved terms and conditions for conversion of assistance. The CHAP will not be subject to negotiation.

## Financing Plan

For every project that receives a CHAP, the PHA must submit a Financing Plan.

[RAD/FHA Insurance](#) - FHA Multifamily Accelerating (MAP) Guide as revised by Mortgagee Letter 2012-20.

[Non/FHA Insured](#) – Must follow the requirements as outlined in Attachment 1A of HUD Notice 2012-32 Rev. 3

# Team Effort to Process Your PHA RAD Conversion

Now that the PHA has successfully applied for and received approval to move forward with the RAD conversion, the process will broaden to become a team effort until RAD closing. Additional participants in the conversion will include:

- PHA and RAD Consultants (if applicable)
- Developers (if applicable)
- Lenders/Investors
- PIH Field Office
- HUD Headquarters – RAD Transaction Manager/ Financing Manager/ and Closing Coordinator



# Resources for Understanding RAD

- ☐ RAD Resource Desk - <http://www.radresource.net> - Documents Library, Webinars, and other learning tools.
- ☐ HUD Notice 2012-32 Rev 3 – Rental Assistance Demonstration-Final Implementation.
- ☐ HUD Notice 2016-17 - Relocation requirements related to public housing conversions under RAD.
- ☐ HUD Field Office – RAD Point of Contact
- ☐ HQ Assigned Transaction Manager

# Questions- Contact Your Local HUD Office

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