



# Keys to a Successful RAD Conversion

The Building Blocks to a Successful Financing Plan



# The Financing Plan

What Encompasses the Financing Plan

# THE FINANCING PLAN

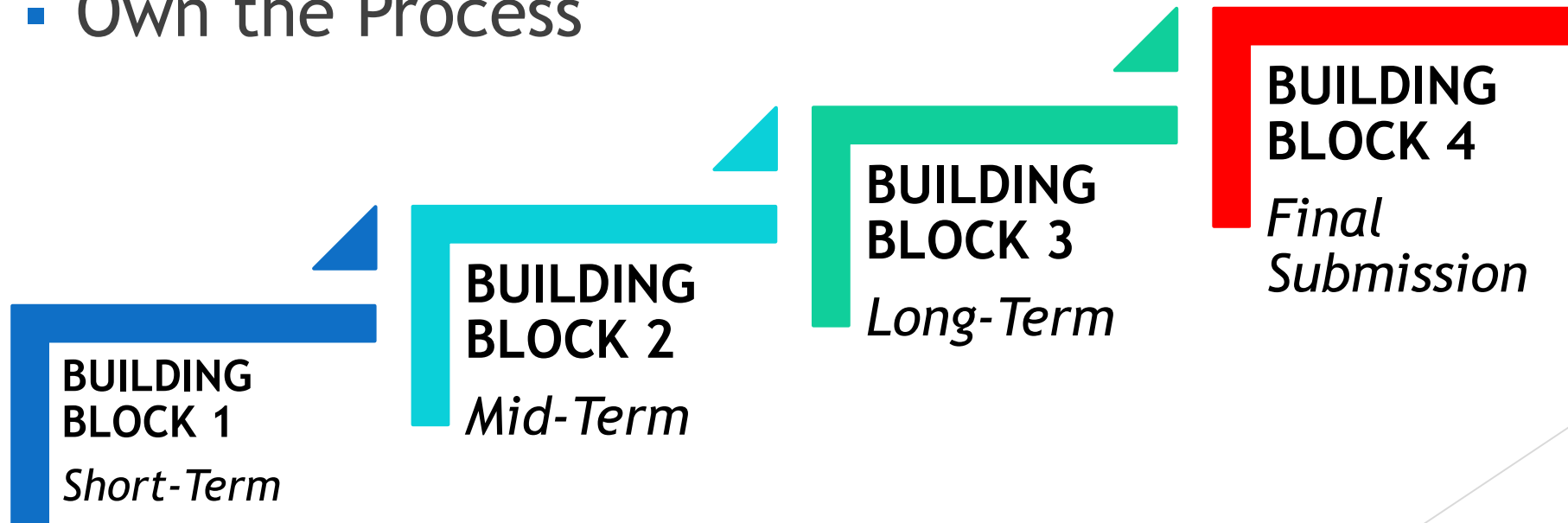
ITEM	RAD FINANCING PLAN REQUIREMENT
1	Conversion Overview
2	Conversion Type
3	Resident Comments
4	eCNA Tool and Scope of Work
5	Environmental Review
6	Development Budget
7	Development Team
8	Proposed Financing
9	LIHTC Award/Allocation Letter
10	Subsidy Layering Review
11	Operating Proforma
12	Title Report
13	Evidence of Approval of PHA/MTW Plan or Significant Amendment
14	Approved Amendment to Attachment A of the MTW Agt
15	Initial Year Funding Tool
16	RAD Fair Housing, Accessibility Relocation Plan Checklist
17	Evidence of Submission: AFHMP
18	Transfer of Assistance Worksheet
19	FHEO Upfront Civil Rights Review: Unit Reconfiguration
20	FHEO Upfront Civil Rights Review: Change in Occupancy
21	FHEO Upfront Civil Rights Review: New Construction
22	Financing Plan Certification

- **RAD RESOURCE DESK**
  - No Debt/Conventional Financing
  - Non-FHA LIHTC
  - FHA
  
- **WHERE TO START?**
  - Timing of Materials
  - Building your Financing Plan
  - Successful Submissions
  - “Insider” Tips

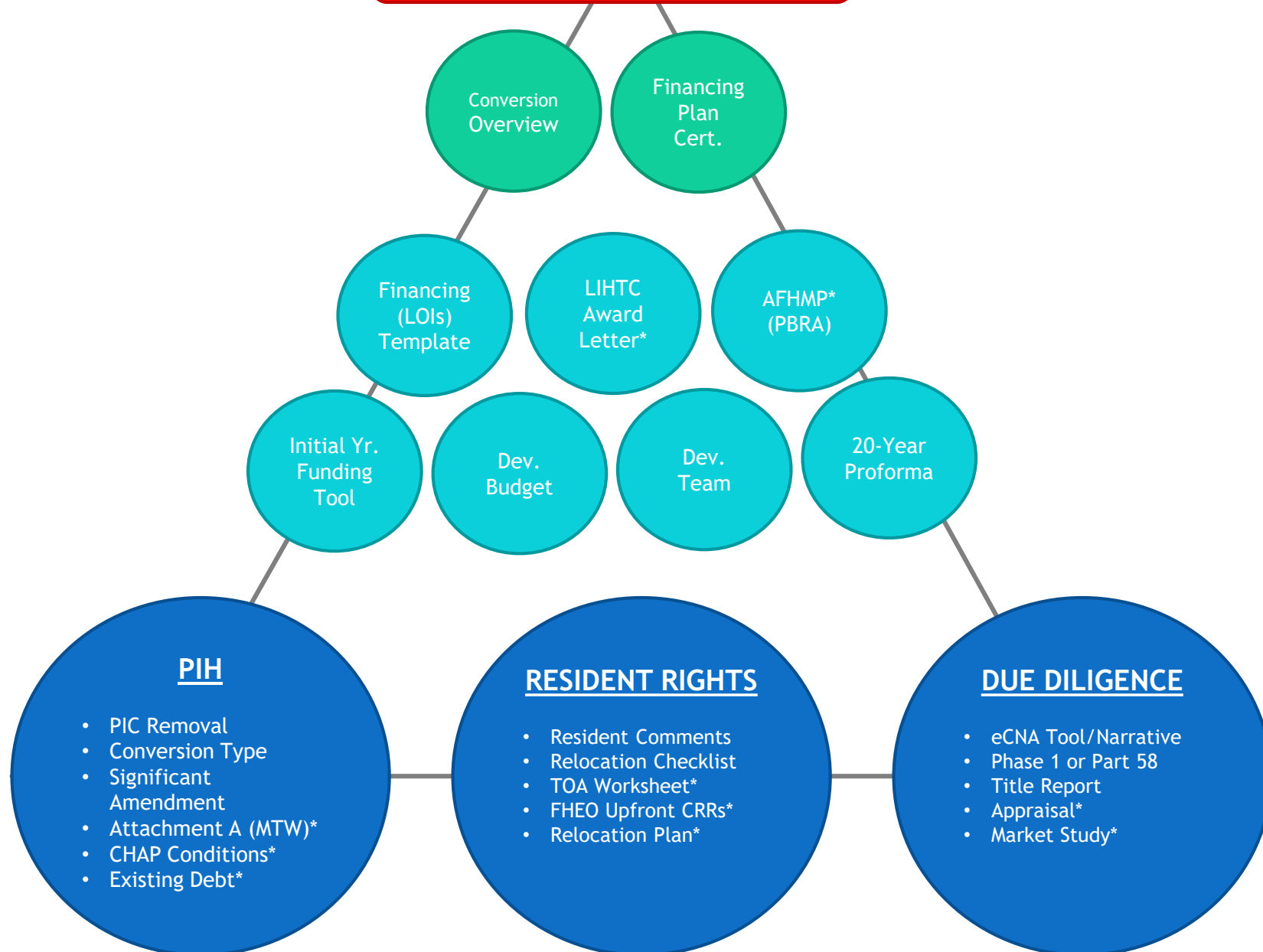


# THE FINANCING PLAN

- **BREAK IT DOWN**
  - Start Early!
  - Building Blocks
  - Thoughtful Sequencing
  - Own the Process



# SUBMIT FINANCING PLAN





# The Building Blocks

Strategies to Effectively Build Your Financing Plan

# BUILDING BLOCK 1

*Short-Term*

## PIH

- PIC Removal
- Conversion Type
- Significant Amendment
- Attachment A (MTW)\*
- CHAP Conditions\*
- Existing Debt\*

## RESIDENT RIGHTS

- Resident Comments
- Relocation Checklist
- TOA Worksheet\*
- FHEO Upfront CRRs\*
- Relocation Plan\*

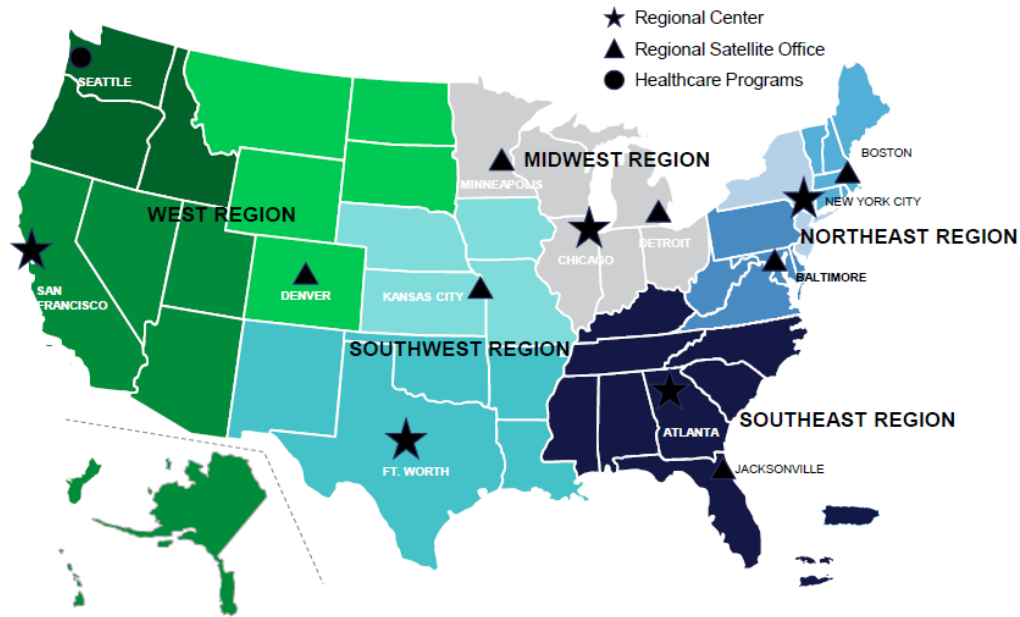
## DUE DILIGENCE

- eCNA Tool/Narrative
- Phase 1 or Part 58
- Title Report
- Appraisal\*
- Market Study\*



## BUILDING BLOCK 1

*Short-Term*



# PIH CONSIDERATIONS

- What is PIC?
- Submit PIC Removal within 30 Days
- Eligible Units
- EPC, OFFP, CFFP and Other Existing Debt
- Annual Plan
- Conversion Type
- Communication!





**BUILDING  
BLOCK 1**

*Short-Term*



## RESIDENT RIGHTS

- Residents' Right to Return (RINs/GINs)
- Resident Comments
- Relocation Checklist
- TOA Worksheet\*
- FHEO Upfront CRRs\*
- Relocation Plan\*



**BUILDING  
BLOCK 1**

*Short-Term*



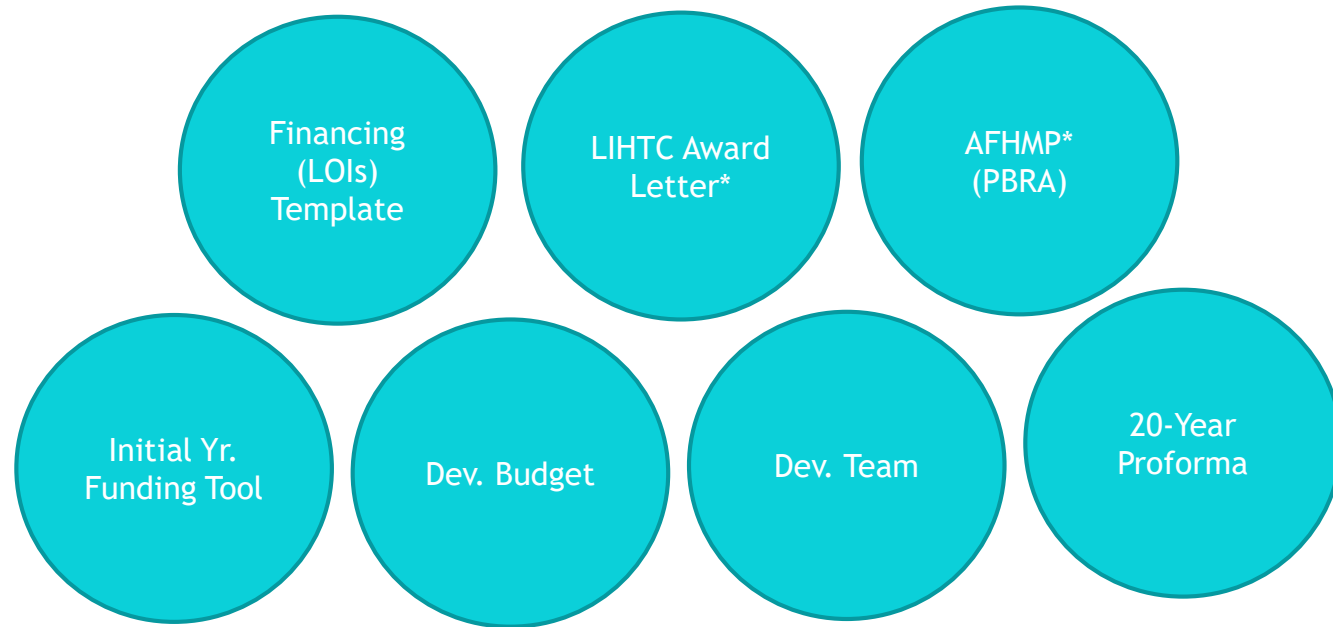
## DUE DILIGENCE

- eCNA Tool/Narrative
- Scope of Work
- Environmental
- Title Report
- Appraisal\*
- Market Study\*



# BUILDING BLOCK 2

*Mid-Term*



# BUILDING BLOCK 2

## Mid-Term

# DEVELOPMENT PLAN

- Development Team
- Development Budget
- 20-Year Proforma
- Initial Year Funding Tool



Purchase Price	\$400,000	Downpayment	20%	# of Units	9	Cost/Unit	\$52,250
Land Value (25%)	\$100,000	Finance Amt	\$320,000	Total Rent/Month	\$4,500	Capitalization Rate	8.99%
Building Value (75%)	\$300,000	Downpayment Amt	\$80,000	Other Rev/Month	\$200	GRM	7.41
Improvements	\$10,000	Interest Rate	7.0%	Gross Rev / Month	\$4,700	Cash ROI	11.96%
Closing Costs	\$8,000	Mortgage (Years)	30	Gross Rev / Year	\$56,400	Total ROI	23.71%
<b>Total Cost</b>	<b>\$418,000</b>	Mortgage Payment	\$2,129	Vacancy Rate	12%	DSCR	145.49%
Selling Costs	7%	Cash Outlay	\$95,000			Annual Cash Flow	\$11,621

Annual Revenue Increase	3%	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Annual Operating Expense Increase	3%	0.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Annual Appreciation	2%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

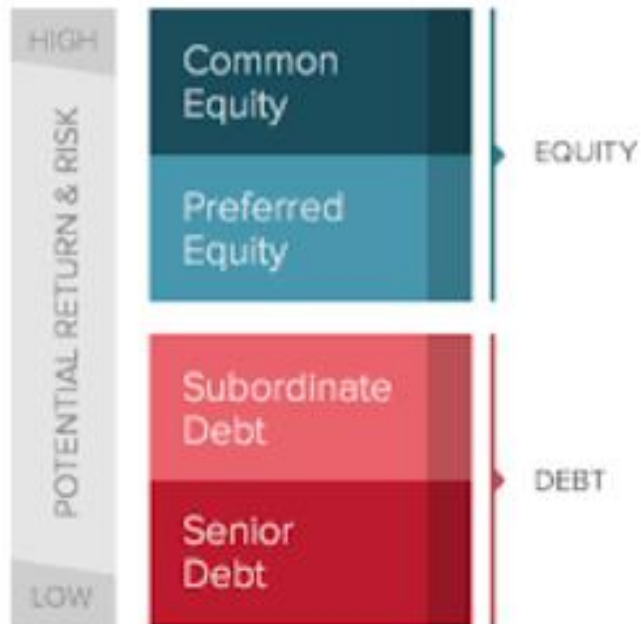
  

	Monthly	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
<b>Revenues</b>												
Rental Income	4,500	54,000	55,620	57,289	59,007	60,777	62,601	64,479	66,413	68,408	70,458	72,571
Vacancy Rate	12.0%	(540)	(6,480)	(6,674)	(7,081)	(7,293)	(7,512)	(7,737)	(7,976)	(8,209)	(8,455)	(8,709)
Net Rental Income	3,960	47,520	48,946	50,414	51,926	53,484	55,089	56,741	58,444	60,197	62,003	63,863
Other Income	200	2,400	2,472	2,548	2,623	2,701	2,782	2,866	2,952	3,040	3,131	3,225
<b>Gross Income</b>	<b>4,160</b>	<b>49,920</b>	<b>51,418</b>	<b>52,960</b>	<b>54,549</b>	<b>56,185</b>	<b>57,871</b>	<b>59,607</b>	<b>61,395</b>	<b>63,237</b>	<b>65,134</b>	<b>67,088</b>
<b>Expenses</b>												
Property Taxes	Annual	4,000	4,000	4,120	4,244	4,371	4,502	4,637	4,776	4,919	5,067	5,219
Insurance	Annual	600	600	618	637	656	675	696	716	738	760	783
Property Mgmt	(% Rent)	8%	2,851	2,937	3,025	3,116	3,209	3,305	3,404	3,507	3,612	3,720
Maintenance & Repairs	Annual	3,000	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914
Advertising	Annual	300	300	309	318	328	338	348	358	369	380	391
Utilities	Annual	2,000	2,000	2,060	2,122	2,185	2,251	2,319	2,388	2,460	2,534	2,610
Other 1	Annual	0	0	0	0	0	0	0	0	0	0	0
Other 2	Monthly	0	0	0	0	0	0	0	0	0	0	0
Other 3	Monthly	0	0	0	0	0	0	0	0	0	0	0
<b>Total Expenses</b>		<b>12,751</b>	<b>13,134</b>	<b>13,528</b>	<b>13,934</b>	<b>14,352</b>	<b>14,782</b>	<b>15,226</b>	<b>15,682</b>	<b>16,153</b>	<b>16,637</b>	<b>17,137</b>
<b>Net Operating Income (NOI)</b>		<b>37,169</b>	<b>38,284</b>	<b>39,432</b>	<b>40,615</b>	<b>41,834</b>	<b>43,089</b>	<b>44,381</b>	<b>45,713</b>	<b>47,084</b>	<b>48,497</b>	<b>49,952</b>
<b>Cash Flow</b>												
NOI (Cash Available)	3,097	37,169	38,284	39,432	40,615	41,834	43,089	44,381	45,713	47,084	48,497	49,952
Mortgage	2,129	25,548	25,548	25,548	25,548	25,548	25,548	25,548	25,548	25,548	25,548	25,548
<b>Total Cash Flow</b>	<b>968</b>	<b>11,621</b>	<b>12,736</b>	<b>13,885</b>	<b>15,068</b>	<b>16,286</b>	<b>17,541</b>	<b>18,834</b>	<b>20,165</b>	<b>21,537</b>	<b>22,949</b>	<b>24,404</b>
Cash ROI		<b>11.86%</b>	<b>13.90%</b>	<b>14.17%</b>	<b>15.38%</b>	<b>16.62%</b>	<b>17.90%</b>	<b>19.22%</b>	<b>20.58%</b>	<b>21.98%</b>	<b>23.42%</b>	<b>24.90%</b>
Equity Accrued	3,251	3,486	3,738	4,008	4,297	4,605	4,941	5,298	5,681	6,092	6,533	7,004
Appreciation	8,360	8,527	8,698	8,872	9,049	9,230	9,415	9,603	9,795	9,991	10,191	10,395

## BUILDING BLOCK 2

*Mid-Term*

### THE CAPITAL STACK



## FINANCING

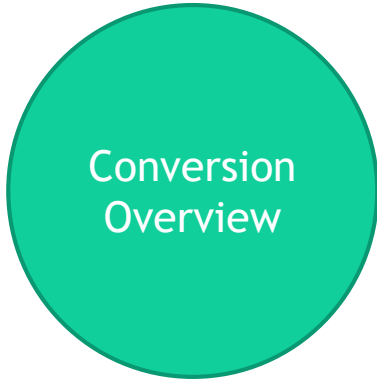
- Financing Templates
- Financing LOIs
- LIHTC Award Letter\*
- AFHMP\*





**BUILDING  
BLOCK 3**

*Long-Term*



Conversion  
Overview



Financing  
Plan Cert.



**BUILDING  
BLOCK 3**

*Long-Term*



## SUM OF THE PARTS

- Conversion Overview Memo
- Financing Plan Certification





**BUILDING  
BLOCK 4**

*Final  
Submission*

**Submit Financing Plan**







# Financing Plan Life Cycle

What to Expect After Your Financing Plan Submission



# FINANCING PLAN LIFE CYCLE

- 30 Days from Submission to Approval
- 30 Days to Accept RCC
- 90 Days to Close
- Timely Communication
- Know Your Transaction



# Final Take-Aways

- Alan
- Chad
- Darryl
- Arnold
- Onawa
- Kara



# Questions

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  - HUD ([Alan.M.Kaufmann@hud.gov](mailto:Alan.M.Kaufmann@hud.gov))

