



10 Key Takeaways

Your Financing Toolkit: Innovations to Consider

1. As soon as you get your CHAP, make sure the rents are as high as permitted. Review the CHAP Amendment and Rent Adjustment Guide on the RAD Resource Desk for a comprehensive list of ways to increase your RAD rents, including:
 - a. Rent bundling. You may adjust contract rents across your multiple projects in your portfolio as long as the aggregate subsidy does not exceed current funding.
 - b. Trading in anticipated or held Demolition/Disposition Transition Funding or Replacement Housing Factor (RHF) funds in exchange for higher RAD rent.
 - c. Where tenant-paid utilities will become more efficient due to rehab resulting in a decrease in the utility allowance, capturing 75% of the savings as a higher contract rent.
 - d. MTW agencies may increase their rents using their existing voucher reserves, subject to a subsidy layering review
 - e. “Special purpose units,” such as management and resident services offices cannot be included in the Section 8 contract; however, you can spread the rents from these units to the other units in the property.
2. Property with high land values can generate significant LIHTC equity by including seller take back financing in acquisition basis. However, you should pay attention to appraisal valuation and push for market – not rent-restricted-valuation.
3. Transfer of Assistance (TOA). A PHA can convert public housing assistance and transfer the assistance to a property in an opportunity-rich neighborhood.

Public Housing Authorities may construct a new property at a more optimal site, acquire non-subsidized apartments, move the units to several smaller sites, or partner with local developers to add subsidized units to their sites. (Some QAPs require targeting to very-low-income households. In those cases, the developers would like to receive rental assistance subsidies, even if the Section 8 rent may be a little low.) PHAs may sell the original site and use the proceeds for affordable housing purposes or may redevelop the site as affordable housing. Sometimes, PHAs only transfer part of the RAD assistance from the site, which creates room at the original site to mix-incomes or back-fill with higher regular PBV rent.

4. Strategically use RAD and Section 18. Consider whether your properties qualify under any of the justifications for approval under Section 18 described in PIH 2018-04 (HA). Section 18 approval results in new vouchers for any occupied unit, which under new HOTMA rules can be more easily project-based, generally at levels that exceed the RAD rents. However, since HUD only provides TPVs on vacant units, convert vacant units through RAD, likely by transferring the assistance to another site, in order to maximize the assistance preserved in your community.
5. Consider other ways of boosting property revenue, including:
 - a. Leave a de minimis number of units off of the converted HAP contract and backfill regular PBV in those units to increase revenue
 - b. Utilize the provision in PIH 2018-04 that authorizes for properties undergoing new construction or substantial rehabilitation without the use of 9% LIHTC to receive Section 18 Disposition approval for a 25% of project units as long as it is part of a strategy to replace and redevelop substantially all of the units. The Section 18 approval comes with an issuance of new vouchers that the PHA would project-base (i.e., project-based vouchers or PBV) at normal PBV contract rent levels, which can support greater financing.

6. Think about the timing of your conversion. Consider using a “portfolio” or “multiphase” award to have more time to sequence large or complex conversions.
7. For many PHAs, RAD is a first exposure to tax credit development. Consider whether your PHA ought to develop tax credit development or management capacity in-house, while partnering with more experienced developers and managers initially.
8. With a financially strong deal, think about whether you can use tax credit or debt proceeds to support other transactions in the portfolio or other mission-related activities, not just the property that is converting.
9. Where there is an imminent need to demolish public housing units that you still wish to replace under a Section 8 contract at a later date, inquire with your Transaction Manager about the use of a “Converted Awaiting Transfer” agreement.