Keys to a Successful RAD Conversion

Fixing Problems Before They Fix You: Anticipating Organizational Change
Guest Panelists

- Sheila Jones, President, Selenium Properties & Board of Commissioners, Charlotte Housing Authority
- Joyce Floyd, Vice President of Strategic Planning and Development, Knoxville’s Community Development Corporation
- Nicole Wickliffe, Director of Asset Management, Fairfax County Redevelopment and Housing Authority
RAD at the 30,000 foot view

- The PHA makes the decision to pursue RAD
  - Completed a feasibility analysis and evaluated other options
  - Talked to lots of other PHAs and attended lots of conferences
  - Decided on RAD Guiding Principles
  - Re-defined the Agency’s Mission Statement
RAD at the 30,000 foot view

❖ Critical Next Step that can determine a successful conversion:
  ❖ Communicate early, often, and effectively with Stakeholders:
    ❖ The Board
    ❖ The Residents
    ❖ Local government officials, and
    ❖ PHA staff
    ❖ Get BUY-IN.
Panel Interviews
RAD at the 10,000 foot view

- The PHA has Board approval and support from residents and community stakeholders
- Developed Project priorities and time lines
- Evaluated the need to partner (or not) with developers
- Perhaps have decided whether to self-manage or hire a third-party
RAD at the 10,000 foot view

- **Critical Decision Point:** Which Section 8 Platform to choose, Project-Based Vouchers (PBVs) or Project-Based Rental Assistance (PBRA)
Project-Based Vouchers (PBV)
Regulations at 24 CFR Part 983 (with some exceptions)

Advantages
- Remain under HUD’s Office of Public and Indian Housing (PIH)
- Most PHAs already operate a Housing Choice Voucher Program and many operate a PBV program
- Tenant Certifications and Waitlist Management remain with the PHA
- PHA earns a PUPM Administrative Fee

Disadvantages
- Congressional Appropriations: HCV renewal funding is often pro-rated
  - Not a direct impact on the RAD projects, but how will the rest of the HCV program absorb the impact?
- Choice Mobility provision caps turnover vouchers to RAD residents to ¾ of turnover voucher inventory - if because of RAD, the PBV program exceeds 20% of authorized units
Project-Based Rental Assistance (PBRA) Regulations at 24 CFR Part 880 (with some exceptions)

Advantages

▪ Congressional Appropriations viewed as a more stable funding source. HUD has never failed to fully fund or renew a PBRA HAP Contract.

▪ Rent cap is the lower of current funding and FMR rent cap - 120% of FMR. This can go up to 150% of FMR if supported with a rent comp study.

▪ Choice Mobility: PHA can request a good cause exemption. Voucher turnover cap for RAD projects can be 1/3 of turnover voucher inventory. Project turnover cap can be limited to 15% of total units a year.

Disadvantages

▪ Switching from PIH to Multifamily Housing is a significant commitment of time and resources and involves a greater level of organizational change.

▪ Onboarding to Multifamily Secure Systems, particularly converting from PIC to TRACS - Tenant Rental Assistance Certification System can be challenging.

▪ PHA must master new Management and Occupancy policies - lots of new HUD Handbooks.
Panel Interviews
RAD at the 5,000 foot view
Post-RAD Organizational Changes to Plan Ahead for:

- Partners chosen and Section 8 Platform decided
- Underwriting Completed: deal is viable
- Lenders and Investors on board

As the PHA heads toward Financing Plan Submission and to Closing, what pieces of the conversion will likely present the biggest organizational challenges or changes?
RAD at the 5,000 foot view
Post-RAD Organizational Changes to Plan Ahead for:

- Post-Conversion Staffing
  - PHA salary expense levels higher than in the private affordable market (PHA Benefit Packages, AMP level staffing)
  - Likely need to reduce or “redistribute” staff
  - How can the PHA preserve jobs
    - Train personnel in other areas of the organization
    - Educate and teach new skills required for HUD and investor occupancy compliance
    - Encourage hiring by third party mngt agent or employee contract
Panel Interviews
RAD from the 5,000 foot view

Post-RAD Organizational Changes to Plan Ahead for:

- Financial Operations and Budgets
  - Maintain the PILOT
  - Property Insurance
  - Reserve for Replacement deposits
  - To fund (or de-fund) CoCC
  - Recuperate PHA Fees
  - Unrestricted Cash flow
  - Expense Ratio should be 65%
Panel Interviews
RAD from the 5,000 foot view

Post-RAD Organizational Changes to Plan Ahead for:

- Converting from Public Housing to Multifamily Section 8 PBRA
  - Use of Multifamily Web Access Security Subsystem (WASS)
    - APPS: Active Partners Performance System
    - TRACS: Tenant Rental Assistance Certification System
    - iMAX: Integrated Multifamily Access Exchange
    - EIV: Enterprise Income Verification
    - FASS: Financial Assessment Subsystem
    - PASS: Physical Assessment Subsystem
RAD from the 5,000 foot view

Post-RAD Organizational Changes to Plan Ahead for:

- Converting from Public Housing to Multifamily Section 8 PBRA
  - Software Change: PIC to TRACs
    - Get a reputable vendor
    - Significant learning curve
    - Get training or hire third party
  - Prepare Owner/Agent Documentation
    - Set up legal Entities
    - Previous Participation - HUD 2530 Approval for Owner and Agent
    - DUNS and SAM registration
    - 1199A to set up operating account
    - Management Agent Forms and Docs
RAD from the 5,000 foot view

Post-RAD Organizational Changes to Plan Ahead for:

- Converting from Public Housing to Multifamily Section 8 PBRA
  - Occupancy Related Items
    - Keep track of Existing RAD Residents
      - Different occupancy provisions
      - No rescreening
      - Under-occupied units
    - Rent phase in
  - Preferences
  - Wait List
  - Occupancy Standards
  - Affirmative Fair Housing Marketing Plan
  - Lease requirements and executing new leases
  - Tenant Selection Plan
RAD from the 5,000 foot view

Post-RAD Organizational Changes to Plan Ahead for:

- Converting from Public Housing to Multifamily Section 8 PBRA
  - Prepare for Funding
    - Move existing households from PIC to TRACS
    - Transmit Vouchers beginning the HAP effective date
    - Rehab Assistance Payments
Panel Interviews
RAD on the Ground
Post-Conversion Changes

- HAP Contract Related Items
  - Operating Cost Adjustment Factor (OCAF)
  - UA adjustments
- Reserve for Replacement requirement
  - Need HUD approval of repairs not considered routine
  - Don’t have direct access to the funds
- Management and Occupancy Review (MOR)
- REAC - physical inspection
- Financial reporting - FASS
Panel Interviews
Questions

Shannon Lestan
Managing Director
Recap Real Estate Advisors, Boston, MA
617-502-5950
slestan@recapadvisors.com