



Rental Assistance Demonstration RADBlast!



2015 HUD Appropriations and the RAD Program – Supplemental Guidance

On December 24, 2014, the Department issued a RADBlast regarding plans to implement the provisions in the 2015 HUD Appropriations Act regarding the Rental Assistance Demonstration (RAD). This RADBlast provides supplemental guidance based on stakeholder questions.

RAD 1st Component

Q: When does the Department expect to issue final awards (called Commitments to Enter into Housing Assistance Payments Contracts, or CHAPs) for those on the waiting list who have already received Contingent Approval letters?

A: The Department anticipates issuing CHAPs in February and completing that process within 45 days. A separate Federal Register notice describing how the Department will issue CHAPs was published on January 29, 2015 (see <http://www.gpo.gov/fdsys/pkg/FR-2015-01-29/pdf/2015-01640.pdf>).

Q: Can you clarify how rents will be set for units that are awarded as part of the initial 60,000 units vs. awards made pursuant to the increase in the cap to 185,000 units, including the application of Operating Cost Adjustment Factors (OCAFs)?

A: All RAD applications, including applications for Portfolio or Multi-Phase awards, will have initial contract rents based on their “RAD rent base year:”

- All properties awarded under the original 60,000 unit cap have initial contract rents based on FY 2012 funding levels (“FY 12 RAD rent base year”). These rents will be adjusted each year by HUD’s published Operating Cost Adjustment Factor (OCAF) starting in Calendar Year (CY) 14 and established in the HAP contracts at the time of conversion. Thus, for a project in this category that closes in 2015, the initial contract rents will be based on 2012 funding, with an OCAF adjustment for both 2014 and 2015.
- All properties awarded above HUD’s original 60,000 unit cap will have initial contract rents based on FY 2014 funding levels (“FY 14 RAD rent base year”). These rents will be adjusted each year by HUD’s published OCAF starting in CY 15 and established in the HAP contracts at the time of conversion. Thus, for a project in this category that closes in 2015, the initial contract rents will be based on 2014 funding, with an OCAF adjustment for 2015.

Q: With Congress increasing both the cap and extending the program to 2018, will the Department also extend the timelines for Portfolio and Multi-phase awards?

A: Yes. For all Portfolio made pursuant to the increase in the cap to 185,000 units, the second half of a PHA’s Portfolio application will be due within one year of initial Portfolio award. For all Multi-phase awards, the Application for the last phase a Multi-phase awards will be due no later than July 30, 2018.

For awards made pursuant to the original 60,000 unit cap, the second half of a PHA’s Portfolio application will continue to be due within one year of initial Portfolio award. Similarly, for all Multi-phase awards the Application for the last phase a Multi-phase awards will continue to be due no later than July 30, 2015, unless HUD provides, in its sole discretion, an extension.

Q: The Department has indicated that it plans to revise the RAD Notice to incorporate the new legislative changes, as well as other updates. When does the Department anticipate publishing this revised Notice and will it contain significant new requirements?

A: The Department anticipates that the revised Notice will be published early this Spring. This Notice will primarily include the changes in the 2015 appropriations bill as well as clarifications that have been incorporated in previously published FAQs. CHAP milestone timelines will not begin until the latter of CHAP issuance or publication of the revised Notice.

Separately, the Department has been developing, with the active involvement of industry partners, a new capital needs assessment tool (CNA e-Tool) for all FHA and HUD-assisted properties. This new CNA e-Tool builds off the RAD Physical Condition Assessment (RPCA) Tool. The Department plans to implement the new CNA e-Tool later this year. While the revised Notice may require the use of the forthcoming CNA e-Tool as the format for all physical needs assessments, superseding the current RAD PCA requirement, CHAP holders that procure a RAD PCA prior to the release of the revised Notice will be grandfathered.

Q: The Congress increased the cap to 185,000 units. Can PHAs and Mod Rehab owners still apply?

A: Yes. The Department continues to receive applications. When it reaches the cap of 185,000 units, it will maintain a waiting list in the event of withdrawals or revocations. Information on applications can be found on our website at: www.hud.gov/rad.

Mod Rehab SROs

Q: The 2015 appropriations bill contains a new provision to allow Mod Rehab SROs to be eligible for RAD. What is the timeframe by which the Department anticipates providing implementing instructions and will it be included with the upcoming revisions to the RAD Notice?

A: These instructions are expected to be included in the revised Notice that the Department anticipates issuing early this Spring.

2nd Component

Q: The 2015 appropriations bill contains a new provision allowing eligible 2nd component owners to convert to project-based rental assistance (PBRA). When does the Department anticipate that it will have implementing guidance for this new feature and, if necessary, will HUD allow expiring Rent Supp/RAP contracts be extended accordingly?

A: The Department will provide implementing guidance on the new PBRA option for 2nd Component conversions in the upcoming RAD Notice to be issued early this Spring. Owners approaching the end of their current contracts are encouraged to prepare for rapid conversion following issuance of the Notice. Short-term extensions of Rent Supplement and RAP contracts will be available on a limited basis to facilitate the completion of RAD conversions, subject to availability of funds. Updated guidance on the granting of Rent Supplement and RAP extension requests is anticipated to be issued later this month.

2016 Budget Request

Q: The Administration just released its 2016 Budget Request. Can you tell us what the major proposals are for RAD?

A: For RAD, the 2016 Budget Request contains the following major proposals:

- Eliminate the 185,000 unit cap on public housing and Mod Rehab conversions and the deadline for application submission;
- Provide \$50 million for a targeted expansion of RAD to public housing properties that cannot feasibly convert at existing funding levels and are located in high-poverty neighborhoods, including designated Promise Zones, where the Administration is supporting comprehensive revitalization efforts. This request will cover the incremental subsidy cost of converting approximately 25,000 public housing units, thereby increasing private investment in targeted projects and surrounding neighborhoods; and
- Clarify the elimination of a sunset date for conversions of Rent Supp, RAP and Mod Rehab properties under the second component of RAD.

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