



# Rental Assistance Demonstration RADBlast!



## **RAD Notice Revision 3 Published**

Today, HUD has released Revision 3 of the [RAD Notice \(PIH 2012-32 / H 2017-03 Rev 3\)](#). As we have witnessed the program ramp up dramatically in recent years – nearly 60,000 public housing units have completed conversion to Section 8 assistance, leveraging over \$3.8 Billion for construction and rehab, while nearly 22,000 units have been preserved under the second component – this revision builds on the program’s success and lessons learned in order to ensure that the program’s pace continues and more properties can be preserved and transformed. Under the [First Component](#), the revisions serve to simplify certain program requirements, create new flexibilities to make more conversions feasible, and strengthen tenant rights. Under the [Second Component](#), the revisions significantly improve the rent-setting options available to owners. A summary of key changes is listed below and we have also posted a [blackline version](#) showing the changes made in Revision 3 as compared to Revision 2.

*\*Please note that the terms of this Notice will become effective after the publication of a forthcoming Federal Register Notice.*

*\* Also, please note that changes related to selection and eligibility criteria (noted below) will be subject to public comment and will be effective 30 days after publication in the Federal Register unless modified by HUD as a result of public comment.*

### **Major Changes**

#### **First Component (Public Housing Conversions)**

1. Creating a new way in which public housing agencies (PHAs) can increase their RAD rents by relinquishing existing balances of replacement housing factor (RHF) funds or demolition and disposition transition funding (DDTF) (see section 1.5.A).
2. Eliminating the cap on the number of project-based voucher (PBV) units at a project (see section 1.6.A.2).
3. Improving the quality of information that must be provided to residents of properties undergoing conversion and requiring that PHAs submit responses to resident comments in connection with meetings held following the issuance of the Commitment to enter into a Housing Assistance Payments Contract (CHAP) (see section 1.8).
4. Extending the prohibition on re-screening to current public housing households that will reside in non-RAD PBV or non-RAD project-based rental assistance (PBRA) units placed in a project that contain RAD PBV or RAD PBRA units so as to facilitate the right to return to the assisted property (see sections 1.6.C.1 and 1.7.B.1).
5. Consolidating the selection priority categories for new applications into two buckets: 1) high investment applications and 2) all other applications (see section 1.11.C). **[subject to public comment]**
6. Allowing PHAs to submit a simple letter of interest, rather than an application, when a waiting list has formed. A letter of interest would serve to reserve a project or portfolio’s position on the waiting list subject to future submission of a RAD Application (see section 1.9). **[subject to public comment]**
7. Making eligible an entire contiguous HOPE VI project that was developed in phases as long as the earliest phase is greater than ten years old (see section 1.3.H). **[subject to public comment]**

8. Correcting the phase-in of rents for residents who may experience a rent increase as a result of conversion, in order to ensure a more even distribution across years (see sections 1.6.B.3 and 1.7.B.3).
9. Clarifying that a PHA is permitted to receive cash acquisition proceeds in excess of any seller take-back financing and that such proceeds must be used for Affordable Housing Purposes, a newly defined term (see section 1.4.7).
10. Establishing flexibility for requirements related to the Capital Needs Assessments, permitting certain exemptions when the assisted units are a small percentage of the total project (see section 1.4.A.1).
11. Requiring title reports to be submitted with the Financing Plan to avoid delays in closing (see section 1.15, Attachment 1A).
12. Modifying the maximum allowable developer fee, by excluding from the formula for larger transactions any acquisition payments made to the PHA, developer fee, and reserves (see section 1.14).
13. Establishing greater flexibility to underwrite to new loan products that have emerged in the market (see section 1.15, Attachment 2A).
14. Providing greater detail on the acceptable forms in which a public or non-profit can demonstrate ownership or control (see section 1.4.A.11).
15. Providing guidance on owners' responsibilities to treat lead-based paint hazards in the context of a RAD conversion (see section 1.4.A.15).
16. Encouraging PHAs and their partners to grant current workers whose employment positions may be eliminated during conversion the right of first refusal for new employment openings for which they are qualified (see section 1.4.A.16).

Second Component (Mod Rehab, Mod Rehab SRO, Rent Supp, RAP Conversions)

1. Eliminating the cap on the number of PBV units at a project (see section 2.5.C, 3.5.C).
2. Permitting Mod Rehab conversions to PBRA to convert at comparable market rents, up to 110 percent of fair market rent (FMR) (see sections 2.6.C and D).
3. For Mod Rehab SRO conversions, authorizing the use of the efficiency FMR for SRO units, rather than 75 percent of the efficiency FMR, which is the existing SRO standard (see section 2.7).
4. Allowing all conversions to PBRA to achieve rents between 110 percent and 120 percent of FMR (up to the statutory maximum), if justified by comparable market rents and only in certain circumstances where preservation criteria have been met (see sections 3.6.C and D).
5. For conversions to PBRA, permitting the use of Small Area FMR (SAFMR) in the calculation of contract rent cap, with HUD approval (see sections 2.5 and 2.6).

We will provide further information on Live webinars in the coming weeks.

Thanks,  
The RAD Team

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