



OFFICE OF HOUSING

RAD Supplemental Notice 4C

OFFICE OF MULTIFAMILY HOUSING PROGRAMS

January 17, 2025

RAD Supplemental Notice Presentation

Housekeeping Notes

1. Please remain self-muted upon entrance.
2. During the presentation, put any simple questions you have in the chat and our team will attempt to answer them as we go along.
3. We will also take questions at the end of the presentation, at which point you can raise your hand to ask your question live.

This webinar will be recorded. Both the recording and a copy of the slides will be made available in the days following the call at HUD.gov/RAD.

Contact us at RAD@HUD.gov

Background on the RAD Supplemental Notice

- On January 16, 2025, HUD announced the release of a [RAD Supplemental Notice 4C- Housing 2025-01/PIH 2025-03](#). The RAD Supplemental Notice makes discrete edits to RAD Notice, Revision 4 (Housing 2019-09/PIH 2019-23).
- Key Documents:
 - “RAD Supplemental Notice 4C”
 - “RAD Notice Rev. 4 as amended by Supplemental 4C.” - a marked-changes version of the Notice with the edits embedded for ease of seeing the changes – ***Coming Soon***
 - “RAD Notice Revision 4, as amended” – most current and complete RAD requirements – ***Coming Soon***
- There will also be a Federal Register Notice, which announces the publication of this HUD Notice and any new waivers. Certain provisions reliant on new waivers will take effect 10 days following publication in the Federal Register.

Goals of Supplemental 4C



Implement statutory changes from the FY2024 Appropriations Act



Establish a waiver process to financially stabilize and better preserve high-quality housing






Strengthen HUD oversight and streamline program administration and improve the resident experience

Agenda



What's New?

	<ol style="list-style-type: none">1. Extension of RAD application sunset date2. Extends and clarifies the continuing availability of resident services programming and grant assistance3. Simplify the execution of RAD/Section 18 Blends
	<ol style="list-style-type: none">4. Establishes a waiver process for rental adjustments under extraordinary circumstances5. Establishes Contract Rents after Initial Contract term
	<ol style="list-style-type: none">6. Updates underwriting standards and applies Part 50 environmental review requirements to all RAD projects7. Strengthens financial reporting requirements8. Strengthens resident protections and improves resident experience9. Provides conforming changes required by HOTMA10. Faircloth to RAD is now Restore-Rebuild!



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Extension of RAD Application Sunset

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Extension of RAD Application Sunset

Background

Prior to the 2024 Appropriations Act, the RAD statute allowed HUD to receive applications for public housing to convert assistance to Section 8 until the application deadline of September 30, 2024.

RAD Supplemental Notice Changes

Codifies the application deadline by which PHAs can apply for RAD for public housing to **September 30, 2029**. Impacting both stand-alone applications and applications for Portfolio Awards.



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Preserve Resident Services

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Resident Services – Background

Background

After a RAD Conversion, public housing residents became ineligible or ineligible to renew certain resident services programs and funding.

New waiver authority provided in the FY 24 Appropriations Act allows HUD to use waiver authority in order to ensure the ongoing availability of services to residents.

RAD Supplemental Notice Changes

- Allows for **Resident Opportunities for Self-Sufficiency** (ROSS) grants to be renewed after conversion *[pending Federal Register Notice]*
- Allows **Jobs Plus** grantees to continue to enroll residents after conversion *[pending Federal Register Notice]*
- Simplifies the **Family Self Sufficiency** (FSS) guidance – FSS grants can already be renewed in PBV and PBRA
- Clarifies that **Congregate Housing Services Program** (CHSP) grant can be renewed for properties converting to PBRA

Resident Services – Summary

Residents will continue to be able to benefit from resident service programs

Resident Program	Continue Services after Conversion?	Renew?
ROSS- SC	✓	✓
Jobs Plus	✓	n/a
FSS	✓	✓
CHSP	✓	PBRA only



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RAD/Section 18 Blends

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RAD/Section 18 Blends – Background

Background

- PHAs increasingly combine the use of RAD and “Section 18” disposition authority in a RAD transaction– a “***RAD/Section 18 Blend***”
- Blends allows Tenant Protection Voucher (TPV) assistance to be project-based in order to increase the project revenue. Meanwhile, all residents benefit from the robust RAD resident rights regarding consultation, relocation, right of return, and ongoing rights to organize, grieve, and receive advanced notice prior to an adverse action
- Earlier HUD Notices established a standardized and streamlined blend structure for:
 - ***RAD/Section 18 Construction Blends*** – higher percent of units approved for TPVs based on the level of construction to be performed at the property
 - ***RAD/Section 18 Small PHA Blends*** - PHAs with 250 or fewer units of public housing or that are small PHAs

RAD/Section 18 Blends – Expansion

HUD published [PIH 2024-40\(HA\)](#) (12/26/24) which makes important changes to RAD/Section 18 blends

- ✓ **Construction Blends** – Expands the eligibility criteria as well as the unit mix percentage for RAD/Section 18 Construction Blends and removes the restriction on using 9% LIHTC

Eligibility	Unit Mix Percentage
<ul style="list-style-type: none">Proposed rehab where hard construction costs exceed 90% of the HUD-published “Housing Construction Costs” (HCC) for the given market areaDemolition and redevelopment of the projectTransfer of Assistance	Up to 90% Section 18 / at least 10% RAD
<ul style="list-style-type: none">Proposed rehab where hard construction costs exceed 60% of the HCC for the given market area	Up to 60% Section 18 / at least 40% RAD
<ul style="list-style-type: none">Proposed rehab where hard construction costs exceed 30% of the HCC for the given market area	Up to 30% Section 18 / at least 70% RAD

- ✓ **Small PHA Blends** - Increases the number of units converted under **RAD/Section 18 Small PHA Blends** to 90% Section 18 and at least 10% RAD
- ✓ Formalizes a "**Sequenced Blend**" that some housing authorities have used where a PHA first receives approval for a property under a Section 18 disposition application and then submits an application through RAD to remove at least 10% of the units under RAD

RAD/Section 18 Blends – RAD Supplemental Notice

RAD Supplemental Notice

All of the assistance coming from a blend – the converting public housing assistance and the TPV assistance - can consolidate to one Section 8 platform (**PBV or PBRA**) under a single RAD HAP contract, with uniform rents by bedroom type, with uniform rules and requirements

- ✓ PHA can choose RAD PBV or RAD PBRA for the entire property. (Particularly useful for smaller PHAs without a voucher program)
- ✓ All RAD waivers and alternative requirements apply – e.g., HAP is executed prior to construction and Rehab Assistance Payments can be made to project during construction; inspections occur after completion of work; public housing funds can be used as a development source etc.
- ✓ Uniform contract rents, no distinction between the units under contract

RAD/Section 18 Blends - Contract Streamlining

Previously



RAD PBV or RAD
PBRA Contract

10 units @ \$800
Contract Rent

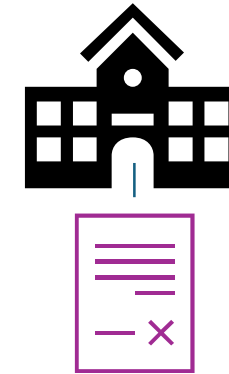
Following
RAD requirements

Non-RAD PBV
Contract

15 units @ \$1,000
Contract Rent

Following
PBV requirements,
including for rehab

Now



RAD PBV or RAD PBRA
Contract

25 units @ \$976
Contract Rent

Following
RAD requirements

RAD/Section 18 Blends – Contract Rent Setting

HUD will produce a single, blended rent schedule for all units resulting from a RAD/Section 18 Blend. The rent schedule will be calculated as the unit-weighted average contract rent by bedroom of:

- **Converting Public Housing Assistance** using the RAD rents based on their “RAD rent base year”
- **Converting TPV Assistance** using the lower of 110% of the applicable FMR (or approved exception payment standard) minus any Utility Allowance or the Reasonable Rent.

Example: 100-unit property using RAD/Section 18 Construction Blend to do significant rehab–
60% of units approved under Section 18, 40% public housing converting assistance

Public Housing Converting Units	40	RAD Rent	\$800
Section 18 Units:	60	Lower of 110% of FMR or the Reasonable Rent	\$1,000
Total Units:	100	Weighted Contract Rent	\$920

PHAs can also use any of the flexibilities referenced in the RAD Notice and “CHAP Amendment and Rent Flexibility Guide” on the RAD Resource Desk (e.g., Opportunity Zone Rent Boost, MTW fungibility, Tenant Paid Utility Savings)

RAD/Section 18 Blends – Contract Rent Setting

Demolition-Disposition Transition Funding (DDTF) for which the PHA would become eligible for the units approved under Section 18 will immediately be cancelled* and used to offset an increase to the initial RAD rents for the Covered Project that results from the RAD/Section 18 Blend.

Example: 100 units using RAD/Section 18 Construction Blend to do significant rehab–
60% of units approved under Section 18, 40% public housing converting assistance

Total Anticipated DDTF = 60-Section 18 units x \$3,000 per unit x 5 years = \$1,350,000

RAD Rent Increase Per Unit Per Month = $\$1,350,000 \div 20 \text{ years} \div 40 \text{ units} \div 12 \text{ months} = \140 PUM

Public Housing Converting Units	40	RAD Rent	$\$800 + \$140 = \$940$
Section 18 Units:	60	Lower of 110% of FMR or the Reasonable Rent	\$1,000
Total Units:	100	Weighted Contract Rent	\$920 \$976

*Unless the resulting RAD rent would exceed the initial contract rent cap or HUD determines the Section 18 units would not have been eligible for DDTF (rare).

RAD/Section 18 Blends – Implementation Changes

1. RAD Application
2. PHA Plan
3. Concept Call (Identify Blend)
- ~~4. Meet regulatory requirements for attaching PBV contract to a project. E.g proposal and project selection procedures, determining use of AHAP~~
5. Submit Financing Plan with limited additional Section 18 materials (e.g., local government support letter)
6. Receive RAD Conversion Commitment + Section 18 Approval Letter
- ~~7. Request TPVs from the field office.~~ Office of Recapitalization will facilitate appropriate level of TPV funding or place funds on PBRA contract
8. Submit Draft Closing Package
9. Closing and execution of a RAD HAP contract ~~& a non-RAD PBV HAP or AHAP~~
10. Complete rehab or construction following RAD ~~& non-RAD PBV rules~~

RAD/Section 18 Blends – Conversion of Prior Blends

Background

Some prior RAD/Section 18 blends have resulted in:

Public housing assistance converting to a ***RAD PBRA contract***

+

TPVs resulting in a ***non-RAD PBV contract***

RAD Supplemental Notice Changes

- Allows properties that previously converted with a RAD PBRA contract and that are also assisted with a non-RAD PBV contract to consolidate all of the assistance onto a single RAD PBRA contract
- HUD will reach out to those property owners when instructions are available



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Contract Rent Adjustments

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Waivers of Rental Adjustment by OCAF

Background

The RAD Notice limits contract rent adjustments to HUD's published Operating Cost Adjustment Factor

The RAD statute permits HUD to adjust rents by an "operating cost factor," which allows HUD to consider alternative to the OCAF.

RAD Supplemental Notice Changes

- For extraordinary circumstances, a Project Owner may request a waiver of the rental adjustment by OCAF and receive a rental adjustment by an alternative operating cost factor within the initial HAP term. (For PBV, the Contract Administrator must consent to the request)
- HUD will post instructions for waiver submissions at www.hud.gov/rad
- Office of Recapitalization will grant a waiver if there is good cause and will determine the appropriate alternative operating cost factor and resulting rents.



Contract Rents After Initial HAP Contract Term

Background

- The RAD Notice limits contract rent adjustments to HUD's published Operating Cost Adjustment Factor, but did not address rents after the initial term.
- RAD HAP contracts are required to be renewed at the expiration of each term, in perpetuity.
- The RAD PBRA contracts are eligible for renewal under section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRAA).

RAD Supplemental Notice Changes

- For PBV, after the first 20 years of the initial or extended term, contract rents will be “re-determined” (adjusted) each year in accordance with the PBV regulation and not limited to OCAF.
- For PBRA, after the initial term (20 years), the renewal contract shall have contract rents set in accordance with the renewal options available under MAHRAA (see Section 8 Renewal Guide, as may be amended)



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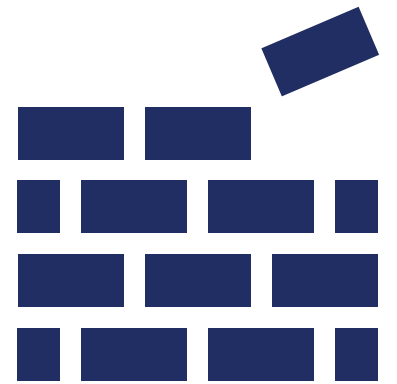
Underwriting Standards and Due Diligence Requirements

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Underwriting Standards & Requirements

Background

- Observed market increases to operational costs such as insurance premiums, real estate taxes, salaries and materials.
- Increased operational costs coupled with low RAD rents put RAD projects at risk to fall into financial distress.
- Revised underwriting standards are intended to better support financial viability over time.
- Timing and capacity challenges experienced by Responsible Entities (Part 58) create challenges for PHAs and transactions.



Underwriting Standards & Requirements – Notice Changes

1. **Updates underwriting standards and requirements to bolster financial sustainability**

- For conversions without LIHTC or commercial debt, requires a 6-month operating expense reserve
- For conversions without LIHTC or commercial debt adjusts operating expense coverage requirement:

Operating Expense Ratio $\left(\frac{\text{OpEx} + \text{Replacement Reserve Deposits}}{\text{Gross Rent Potential}} \right)$ must be no greater than 80%

2. **Applies Part 50 environmental reviews to all public housing conversions to ensure consistency and timeliness and to lessen burden on Responsible Entities (REs)**

3. **Adopts the Final Rule for Federal Flood Risk Management Standards (FFRMS) requirements**

- Effective January 1, 2025, for all Part 50 environmental reviews
- New construction or substantially improved (i.e., in excess of 50% of market value) structures within this newly defined floodplain must be elevated or floodproofed to this higher FFRMS floodplain elevation for protection



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Strengthens Financial Reporting Requirements

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Financial Reporting

PBRA

- Clarifies specific regulatory requirement for submission of annual financial statements

PBV

- Requires Contract Administrator to confirm owner is making deposits into replacement reserves and assess the financial health of the Covered Project
- Allows PBV contract administrators to request audited financial statements from the owner



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Resident Protections and Experience

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Resident Protections & Experience

RAD Supplemental Notice Changes

- Requires 30-days' notice for non-payment of rent (up from 14) and consistent with the 30-day notice rule
- Requires PBV lease terms to be reasonable, use plain language, and not conflict with HUD requirements
- Prohibits new security deposits for residents in-place at conversion
- Adds language protecting pets in residence at conversion



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HOTMA Conforming Changes

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HOTMA Conforming Changes

Background

PIH made significant regulatory changes to 24 CFR part 983 which govern the Project Based Voucher program.

RAD Supplemental Notice Changes

Makes conforming changes to the RAD Notice to update waivers and alternative requirements to address changes in the PBV rule *[pending Federal Register Notice]*

- **Public Housing:** Makes clear that "Work" is conducted pursuant to RAD Notice requirements and does not follow PBV rules— no change from current practice
- **Mod Rehab:** Provides waivers so that properties that qualify as "Existing Housing" can perform work as required by RAD
- Updated definitions, regulatory references, and description of waivers and alternative requirements for technical accuracy with the PBV rule



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Faircloth to RAD is now Restore-Rebuild!

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Restore-Rebuild

Background

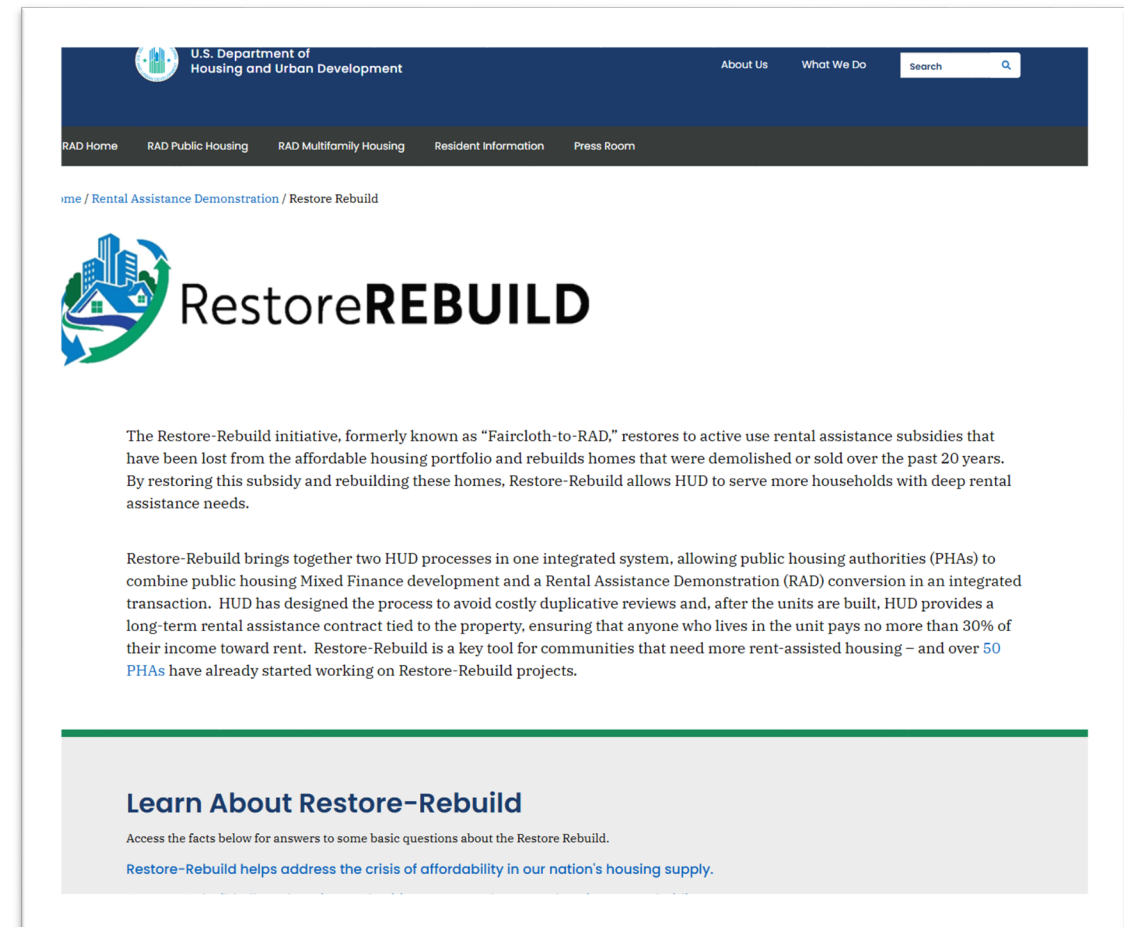
Implemented in April 2021, Faircloth-to-RAD offers underwriting certainty to overcome barriers to the development of newly deeply rent-assisted units. The rebranding of Faircloth-to-RAD is to better align its name with the objectives of the initiative.

RAD Supplemental Notice Changes

- Technical changes are made to the RAD Notice to replace references to Faircloth-to-RAD in the RAD Notice to “Restore-Rebuild.”
- Offers more flexibility regarding the timing of tenant notice requirements where the transaction is for an existing, occupied building.

Restore-Rebuild

- New resources are available:
 - New [webpage](#)
 - Updated Restore-Rebuild guide
 - New case study: [Curtis Apartments, a Redevelopment Project of the Worcester Housing Authority in Massachusetts](#)
- Recorded peer-to-peer learning sessions





Questions?