Keys to a Successful RAD Conversion

Getting the Most from your Physical Condition Assessment
Why is a Physical Condition Assessment Important

- HUD needs to be sure that the RAD project can address all physical needs for the 20 years after conversion from public housing to project-based Section 8:
  - Immediate needs;
  - Rehab;
  - 20 year needs.

- PCA determines the project scope of work, development budget as well as the initial and annual deposits to replacement reserves

- If the capital needs in the PCA are too large for the proposed financing, the PHA will need to pursue LIHTC and/or other gap financing OR return the CHAP
How does a PCA Impact Project Plans

- Sets the RAD development budget and financing plan

Impact of Financing on rehab/upgrades timing:
- If LIHTC, maximize up front rehab budget (to maximize basis) and minimize replacement reserve requirements (to enhance loan leveraging)
- If debt-only, lender may have requirements for what systems must be replaced up front and which can be funded with on-going replacement reserve draws
- If self-financed, can PHA fund rehab up front with existing resources, or does rehab need to be funded primarily though replacement
What is a PCA for RAD

Two components:

Narrative report:
- Part 1 = Physical Conditions Assessment Identifying Needs and Comparing Traditional and Green Requirements
- Part 2 = Energy Audit
- Part 3 = Utility Consumption Baseline

Specialized Excel spreadsheet (CNA e-Tool):
- Immediate, rehab (year one) and 20 year needs, cost and timing (EULs)
- Size initial deposit (IDRR) and annual deposits (ADRR) to replacement reserves
The Assessment Tool

<table>
<thead>
<tr>
<th>Property Name</th>
<th>City</th>
<th>Zip Code</th>
<th>Approving Agency</th>
<th>USDA AMAS ID</th>
<th>REMS Property ID</th>
<th>HUD FHA #</th>
<th>MSA/Non-MSA</th>
<th>Federally Assisted Indicator</th>
<th>Seismic - SXS</th>
<th>Seismic - SXI</th>
<th>Property ID</th>
<th>Year of Rehab</th>
<th>Replacement Cost - New</th>
<th>Total Number of Buildings</th>
<th>Total Units</th>
<th>Number of Sites</th>
<th>Total Building Sq. Footage</th>
<th>Year Built</th>
<th>Section 504 of Rehabilitation Act/URFAA Applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The Validation Engine

Note: The Validation Engine is a publicly available tool requiring no certification or user account.
The Validation Engine

- Must be “Validated” prior to upload;
- Flags created, no “S” (Severe Flags) can exist;
- Flag Notes need to be created by the assessor, and comments provided;
- Assessment Summary Report to be created by the assessor;
- Flag Notes (with Comments) and Assessment Summary Report included with the PHA’s upload.
Questions

- Robert Robinson
  - 202-789-5938
  - robert.Robinson@fedpg.com