



FASS - PH

Spring/Summer 2020



Session 7: Special Provisions for PBRA Conversions

Move From PIH TO Housing

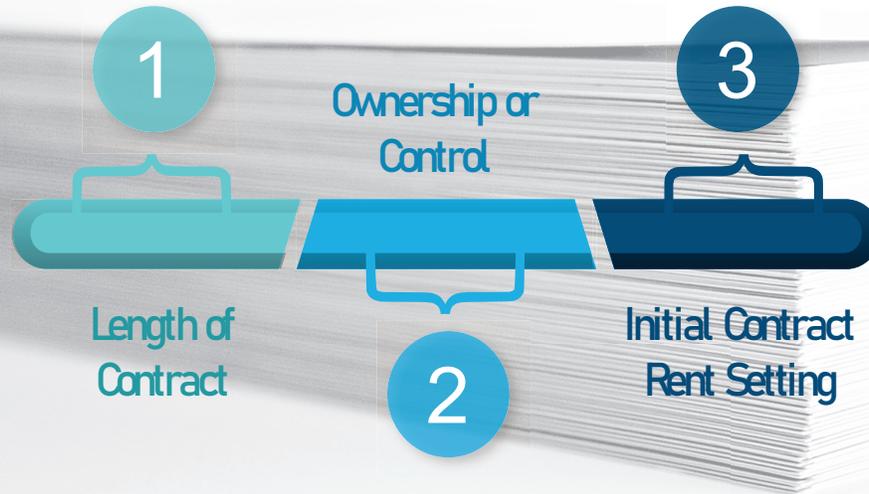
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Session 7: RAD PBRA Conversions

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PBRA Contract Terms



Session 7: RAD PBRA Conversions



Ownership or Control



Ownership or Control (Section 1.4.A.11)

- Capital Needs Assessment
 - CNA-eTool
 - Qualified Contractor
 - Exemptions may be obtained for:
 1. Non-FHA loan transactions as long as the annual deposit is \geq \$450/unit
 2. Lower amount may be justified by an investor, or is financed with 9% LIHTC
 3. Non-FHA deals may be exempted the narrative for 4% tax credits
 4. Non-FHA deals, neither component will be required if total assisted units will constitute <20% of total project units (or higher at HUD's discretion)
 5. For FHA transactions follow the MAP Guide

Ownership or Control (Section 1.4.A.11) cont.

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- Utility Consumption Baseline – not required for an RAD conversion
- Health Housing & Energy efficiency – with a RAD retrofit, if appliances are replaced as part of financing, PHAs will use the efficient & financially viable options. PHAs shall meet or exceed the 2009 IECC or ASHRAE 90.1-2007.
- Environmental Review (under PART 50 or 58) is required at financing plan. No RRC will be issued without it.



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Ownership or Control (Section 1.4.A.11) cont.

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- Substantial Conversion of Assistance – Conversions may not result in a reduction of # of units, except by a de minimis amount. This may include:
 1. Greater of 5 units or the number of units corresponding to 5% of the ACC units
 2. Any unit vacant for more than 24 months at the time of application
 3. Units removed will allow the PHA to serve households more efficiently or effectively.

Otherwise, PHA may not reduce the ACC units without a Section 18 Demo or Dispo approval from SAC. In all cases, PHA shall submit the PIC removal application & narrative of any proposed reduction. De minimis units may be based on portfolio conversions but the # of units must be based on RAD conversions closed prior to or simultaneous with the execution of reduction.

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Ownership or Control (Section 1.4.A.11) cont.

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- Relocation requirements – See RAD Fair Housing Notice (PIH 2016-17)
 - Any resident temporarily relocated to facilitate rehab has a right to return to the previously inhabited project.
 - Ineligibility of Tenant Protection Vouchers – RAD conversion does not trigger TVPs.
- Accessibility Requirements – Federal Accessibility requirements apply to **all** conversions.
- Site Selection & Neighborhood Standards – Comply with all application site-selection requirements in the Notice.
 - 24 CFR 983.57 apply to PBV conversions
 - Site-Selection Appendix III apply to PBRA

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Ownership or Control (Section 1.4.A.11) cont.

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- Additional Design Considerations
- Demolitions – may include partial or complete demolition.
 - PHAs may not demolish/dispose of units after closing construction financing
- Change in Unit Configuration – demonstrate that change in configuration does not displace tenants or discriminate
- Ownership & Control – Except for LIHTC, HUD requires ownership/control of projects by a public or NF entity.
 - Possibility of a transfer to Tax Credit Entity controlled by for-profit is determined by HUD

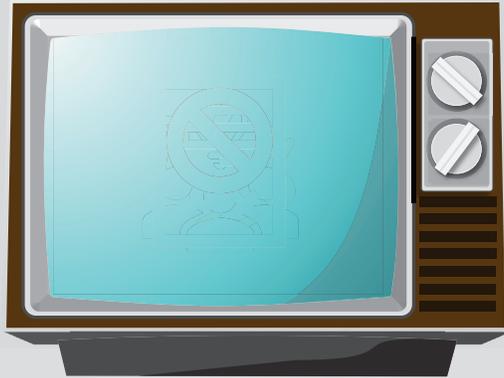
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Ownership or Control (Section 1.4.A.11) cont.

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- Transfer of Assistance – 3 scenarios where assistance provided may be transferred of the secured land:



Part of conversion from converting to covered project

Post conversion where owner request a transfer of assistance

HUD terminates contract

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Ownership or Control (Section 1.4.A.11) cont.

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- RAD Use Agreement must be executed
- Davis Bacon Wages apply to all work including new construction.
- Section 3 may apply
- Lead Based Paint – may be required if construction prior to 1978
- Current Employees

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Initial Contract Rent Setting

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- No additional Funding
- HUD has calculated initial contract rents for every PHA.

Initial Contract Rent Setting cont

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- All applications will have initial contract rents based on the RAD base year (attachment 1C).
 - MTW funds remain fungible. May use funds to set initial rents higher than normal. Cannot exceed market rents. Subject to subsidy layering.
 - Subsidy may be adjusted across multiple projects as long as the total rents \leq the aggregate rent.
 - RHF or Demo/Dispo Funding may forgo funds that have been awarded to offset RAD rents
 - Tenant-paid Utility Savings – When conversion will result in utility reduction, HUD will permit RAD contract rent to be increased by a portion of savings.
 - New Construction or Sub Rehab in Opportunity Zones, HUD may provide up to \$100 per increase to RAD rents.

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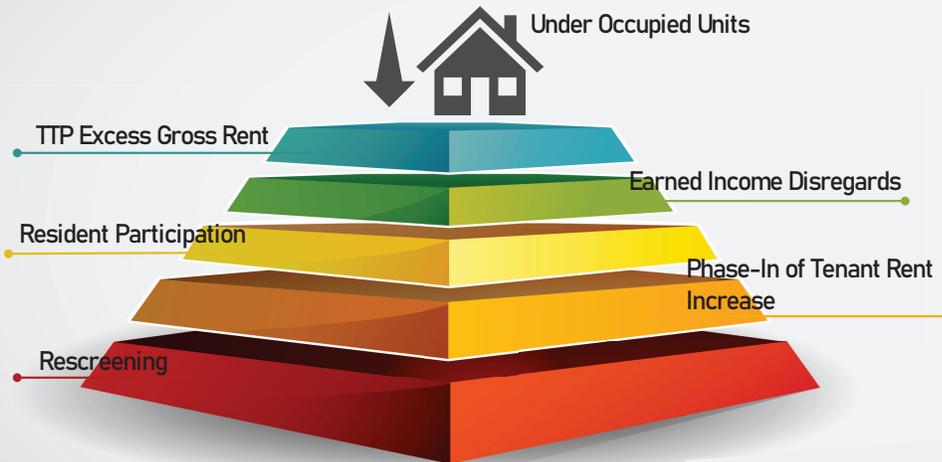
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PBRA Resident Rights and Participation



PBRA Resident Rights & Participation

PBRA Resident Rights & Participation

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1. No rescreening upon conversion
2. Right of Return
3. Phase-In of Tenant Rent Increase
 - If TTP increases more than 10% or \$25, increase is phased over 3-5 years. Eligibility of phase-in determined at Initial Certification
4. FSS
 - Current PH FSS participations continue to participate in the FFS grant
5. Resident Participation
 - Residents have right to operate resident organization
 - Residents are eligible for participation funding

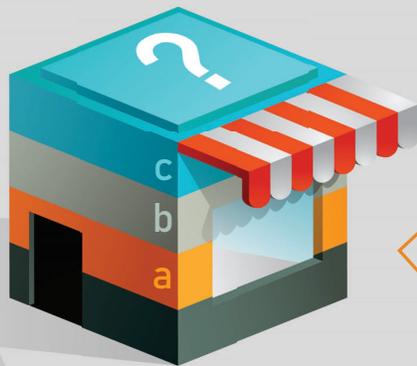
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PBRA Resident Rights & Participation con't

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Resident Procedural Rights – Information must be included in the House Rules



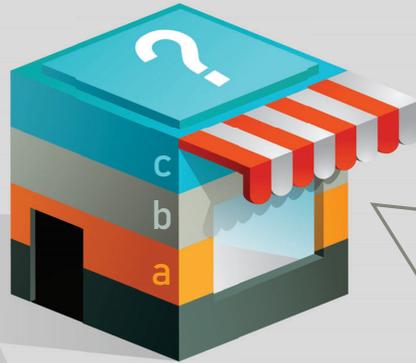
Termination Notification will include the following additional guidelines:

- i. A reasonable period of time but not to exceed 30 days
 - Health/safety of other tenants is threatened
 - Drug related/violent criminal activity or felony conviction
- ii. Not less than 14 days for nonpayment of rent
- iii. Not less than 30 days in any other case, except that if a State or Local law provides a shorter period of time.
- iv. Termination of Assistance – other cases the requirements at 24 CFR 880.603 apply.

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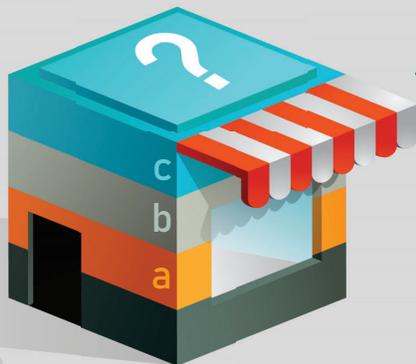
Resident Procedural Rights – Information must be included in the House Rules



Grievance Process – Additional rights include

- i. Notice of specific grounds for owner actions
- ii. Right to informal hearing
- iii. Right to be represented
- iv. Provide a written decision that binds owners.

Resident Procedural Rights – Information must be included in the House Rules



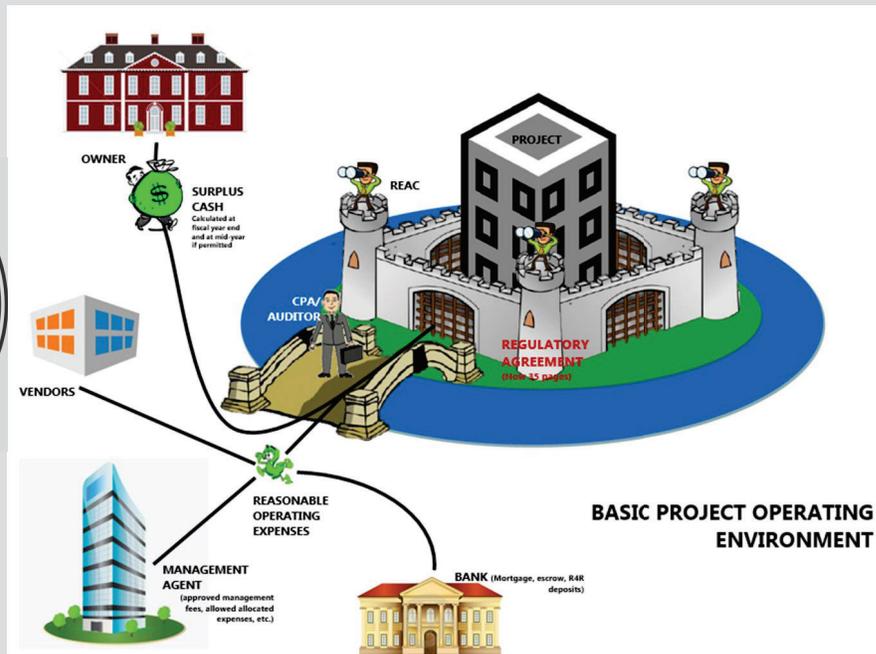
Pursuant to 1.7.C.5 families have a right to choose mobility. This should be stated in the house rules

7. Earned Income Disregards – Tenant who receive EID will continue to receive it
8. Jobs Plus will continue until complete
9. TTP Excess Gross Rent
10. Under-Occupied Units
 - If at time of conversion a family occupies unit larger than needed, they may remain until an appropriate unit is made available. At that point, they must move.

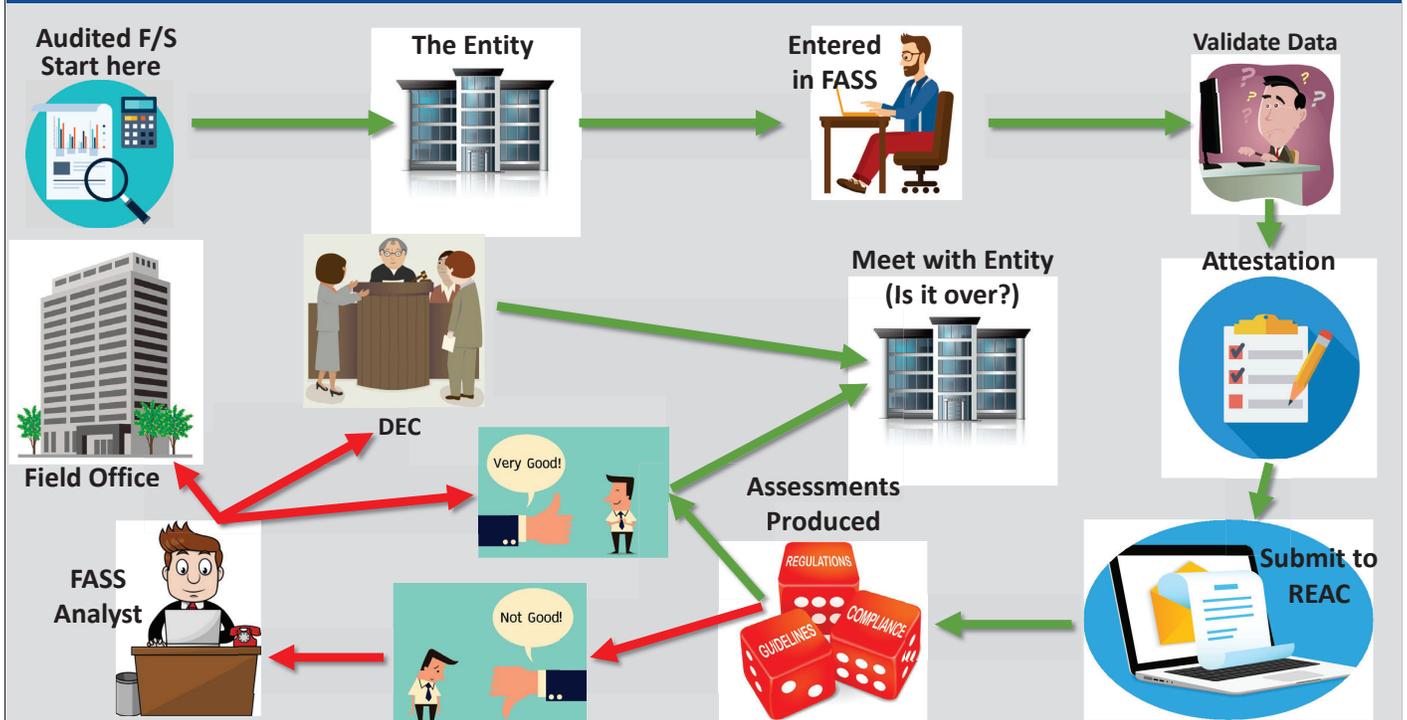


Financial Reporting

Organization – Basic Project Operating Environment



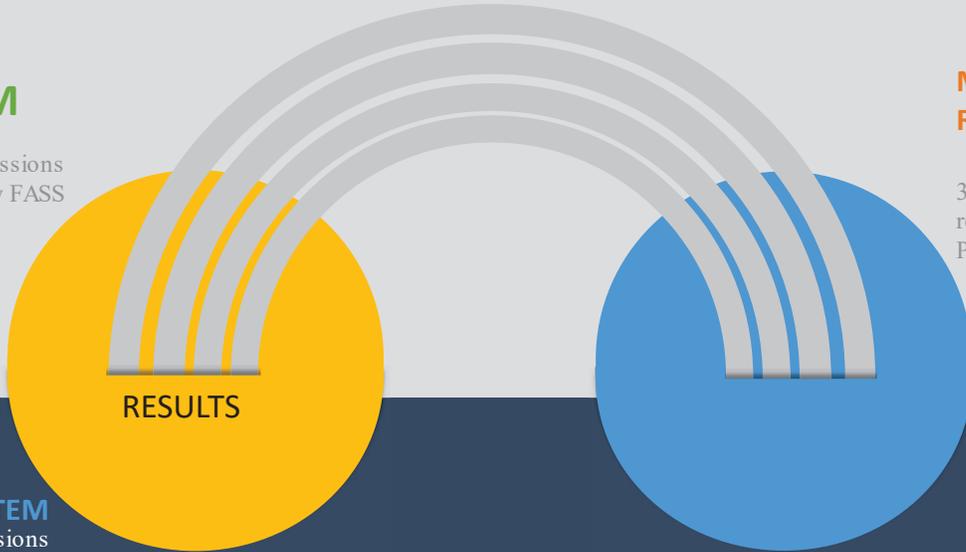
REAC Financial Assessment Process



FASS - MF

FASS SYSTEM

43% of submissions closed by FASS



RESULTS

Multifamily Referral

30% of submissions referred to Multifamily Program Center

DEC

8% of submissions referred to Departmental Enforcement Center

REAC SYSTEM
19% of submissions closed by REAC

Most Popular Compliance Flags





financial assessment subsystem - multifamily (fass-mf)

Inbox - Baltimore - All Analyst

Project Name	FHA / Contract#	Date Received	FYE	No. of Compl Flags	Subm Type	Site Hub	Org. Referred/Date	Select a Page
Mountain Green Housing	023EH456	06/20/2012	12/31/2011	5	AUD-2000.04 (Non-coop)		REAC - EC* 06/21/2012 <input type="button" value="save"/>	AFS Letter Comments QASS Prior AFS iREMS
Canyon Terrace Apartments	123EH456	07/16/2012	12/31/2011	6	AUD-A133 (Non-coop)		REAC - EC* 07/17/2012 <input type="button" value="save"/>	AFS Letter Comments QASS Prior AFS iREMS
Red Rock Gardens	MSXXH001234	07/23/2012	12/31/2011	3*	AUD-A133 (Coop)		REAC - EC* 07/24/2012 <input type="button" value="save"/>	AFS Letter Comments QASS Prior AFS iREMS

Compliance Flags

Project Name: Mountain Green Housing
 FHA Number: 023EH456
 SOA: 221(d)(4)MKT

Sub. Type: AUD-2000.04 (Non-coop)
 Date From: Jan. 1, 2011
 Date To: Jun. 28, 2011
 FYE: Dec. 31, 2011

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Compliance Check	EC Referral	System Generated	Auditor Generated	Not Assessed	Manager/Analyst Recommendations			
					Accept	Upgrade to EC	Downgrade to MFH	Downgrade to None
Replacement Reserve (deposits)		X						
Disposal of Assets		X						
Acquisition of Liabilities (encumbering project assets)		X						
Unauthorized Loans from Project Funds	X	X						
Unauthorized Distribution of Project Funds		X						

No. of Compliance Flags: 5

Compliance Flags								
Project Name: Canyon Terrace Apartments FHA Number: 123EH456 SOA:					Sub. Type: AUD-A133 (Non-coop) Date From: Jan. 1, 2011 Date To: Dec. 31, 2011 FYE: Dec. 31, 2011			
User:					Date/Time:			
Compliance Check	EC Referral	System Generated	Auditor Generated	Not Assessed	Manager/Analyst Recommendations			
					Accept	Upgrade to EC	Downgrade to MFH	Downgrade to None
Residual Receipts (deposits)			X					
Other Auditor Findings			X					
Other Auditor Findings			X					
Unauthorized Loans from Project Funds	X	X						
Unauthorized Distribution of Project Funds		X						
Replacement Reserve (deposits)	X	X	X					
No. of Compliance Flags: 6								

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 Help E-mail Secure Systems HUDweb HUD Homepage								
financial assessment subsystem - multifamily (fass-mf)								
Compliance Flags								
Project Name: Red Rock Gardens Contract Number: MSXXH001234					Sub. Type: AUD-A133 (Coop) Date From: Jun. 8, 2011 Date To: Dec. 31, 2011 FYE: Dec. 31, 2011			
User:					Date/Time:			
*Note: Prior Year AFS cannot be identified.								
Compliance Check	EC Referral	System Generated	Auditor Generated	Not Assessed	Manager/Analyst Recommendations			
					Accept	Upgrade to EC	Downgrade to MFH	Downgrade to None
Failure to Make Mortgage Payments	X	X						
Acquisition of Liabilities (encumbering project assets)		X						
Unauthorized Loans from Project Funds		X						
No. of Compliance Flags: 3*								

- Mortgage Status
- Reserve for Replacement
- Unauthorized Change in Project Ownership
- Disposal of Project Assets
- Distribution of Project Assets
- Loans from Project funds
- Underfunded Security Deposits
- Commingling of funds



Other Miscellaneous Provisions

Miscellaneous Provisions

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Access to Records

Must comply with HUD records request



Davis Bacon

Establish a Waitlist

Project or community waitlist.
Consider appropriate transition



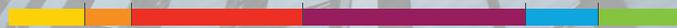
Mandatory Insurance



Choice Mobility

PHA must provide choice mobility

- Resident Eligibility – right to move with a tenant based voucher
 - 24 months from effective date of the HAP contract, or
 - 24 months after move-in date
- Voucher inventory Turnover Cap – limited to 1/3 of its turnover vouchers to PBRA residents
- Project Turnover Cap – project may limit mobility to 15% of assisted units per year. (if implemented)



Miscellaneous Provisions

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Future Refinancing

Owner must get HUD approval for any financing



Submission of AFS

Follow 24 CFR Part 5 Subpart H

Classification of Converting Projects as Pre-1981

NOT subject to 25% VLI occupancy



Owner Adopted Preferences

Owners are not permitted to establish or maintain designated preferences. However they may adopt owner selection preferences

Initial Certifications & Tenant Rent Calculation

Owners are required to complete resident existing 50058 data until the next annual recertification





Accounting Brief No. 22

Brief #22 - Reporting

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● HAP Issuance – Financial Reporting

- Effective date of HAP contract will be 1st day of the month following closing
- Units remain PH until last day of the month of closing
- Owner may not be the PHA, but a separate entity
- Future reporting depends entirely on ownership
- Every transaction is unique. PHA should involve auditor early on (see GASB 61/14)
- 4 possibilities
 - ◆ Business Activity
 - ◆ Multifamily program
 - ◆ Component Unit (blended or discreet)
 - ◆ Not on FDS

- Component Unit Reporting
 - Legally separate from PHA – unique TIN
 - Two Choices
 - ◆ Discretely presented (outside of basic financial statements)
 - ◆ Blended (included in PHAs basic statements)
 - Not all transactions will result in component units (referred to as independent 3rd party)
- Use of proceeds from disposition
 - Approved as part of conversion process
 - Unless HUD restricts proceeds, funds may be used for general mission of the PHA
 - Unrestricted cash in either the COCC or Business Activities
 - Any restrictions remain in program

- PBV
 - 3 parties (HUD, Administering PHA, Project Owner)
 - ACC with admin PHA
 - PHA enters into HAP contract with project
 - If project is to be owned PHA, HUD will require that project is disposed of to separate legal entity
 - ◆ Several scenarios – see Notice
- PBRA
 - 2 parties (HUD, project owner)
 - May be retained under PHA TIN (FDS=Multifamily)
 - Separate entity (determine if component unit)

RAD Reporting & Eliminations

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- Housing Authority converts to RAD mid fiscal year. First 9 months are Public Housing last 3 months are PBV. The project is disposed to a Blended Component Unit (BCU). As of year end all assets, liabilities, and net position would be transferred to BCU.

	Public	Blended		
FDS	Housing	CU	Elimination	Totals
70600	12,000			12,000
70800	-	3,000	(3,000)	-
97300	(3,000)		3,000	-
	9,000	3,000	-	12,000

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RAD Reporting & Discreet CU

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- Housing Authority converts to RAD mid fiscal year. First 9 months are Public Housing last 3 months are PBV. The project is disposed to a Discretely-Presented Component Unit (DCU). As of Year End all Assets, Liabilities, and Net Position would be transferred to DCU.

	Public	Discretely		
FDS	Housing	DCU	Elimination	Totals
70600	12,000			12,000
70800	-	3,000		3,000
97300	(3,000)			(3,000)
	9,000	3,000	-	12,000

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Brief #22 – After CHAP Issuance

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- At contract issuance, project is transferred from PH
- Project receives PH funds through calendar year end
- After conversion follow new program
- Partial conversions have special rules
- RAD indicator remains from CHAP issuance until contract signing

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Brief #22 – P&L and Balance Sheet

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- Revenues
 - Before conversion – in PH program
 - After conversion – in appropriate new program
- Equity out – determined at time of conversion and transferred to new program
 - 11040 – if transferred to program inside PHA
 - 10080 – If disposing to component unit of 3rd party
- Equity in
 - 11040 – if inside the PHA
 - 10080
- Some potential disagreement “special” treatment in basic statements
- HUD requires 10080 for FDS

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FDS Column Project is Reported	Business Activity	Multifamily	Blend Component Unit	Discretely-Presented Component Unit	Not on FDS
Removal of Project from Declaration of Trust and ACC (Issuance of HAP)					
What FDS line item should be used in the PHA project column when transferring the project out of Public Housing?	Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors	Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors	Line 10080 Special Items (Net Gain/Loss)	Line 10080 Special Items (Net Gain/Loss)	Line 10080 Special Items (Net Gain/Loss)
What FDS line item should be used in the new applicable program when receiving the project?	Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors	Line 11040 Prior Period Adjustments to Equity Transfers and Correction of Errors	Line 10080 Special Items (Net Gain/Loss)	Line 10080 Special Items (Net Gain/Loss)	N/A
Do entries need to be eliminated via the elimination column	Yes	Yes	Yes	No	No

- Project undergoing conversion will be funded with Operating and Capital Funds for entire year in which HAP is issued
- Revenue reported PH program for entire calendar year (not fiscal year)
- Funds received after conversion, but before calendar year end will be expensed with one of the following accounts:
 - Out
 - ◆ 10094 – Transfers Between Project and Program-Out (within PHA)
 - ◆ 97300 – Housing Assistance Payments (outside PHA)
 - In
 - ◆ 10093 – Transfers Between Project and Program-In (within PHA)
 - ◆ 70800 – Other Government Grants (outside PHA)

Brief #22 – Post Closing

47

- Funding – at start of next calendar year funding is from new program
- PBRA
 - Ongoing interest – component unit
 - No interest – not reported
 - Reported separately in Multifamily system (may be reported in both depending on ownership, usually TIN)
 - If over \$500,000 (\$750,000 under new Single Audit rules), will require audit
 - Consult Account Brief #22, as well as your auditor

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Brief #22 – Post Closing

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- PBV – administered through PHA
 - May require establishment of separate management entity
 - Next calendar year requires no special reporting
 - ◆ Revenues – 70600 – HUD Operating Grants
 - ◆ Expenses – 97300 – Housing Assistance Payments (even if blended component unit)
 - ◆ Revenue and expense are eliminated

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Brief #22 – Partial Conversion

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- For year of issuance there is no difference from a full conversion
- After conversion, converted buildings transferred to new program
- Remaining buildings remain in PH
- RAD indicator remains checked through conversion
- After conversion RAD indicator is removed