



# Rental Assistance Demonstration RADblast!



## RAD Newsletter April/May 2016

This newsletter provides readers with information on:

- Director's Corner from the Office of Recapitalization Director, Thomas R. Davis
- Best Time of the Year to Convert;
- Six Best Practices for Closing a RAD Conversion;
- Update on the RAD Expansion; and
- First Mod-Rehab SRO Conversion Closed.

The newsletter is available [here](#) and the attached PDF file. Previous newsletters can also be accessed on the RAD website.

If you have any questions about any of the above items, please send them to [RAD@hud.gov](mailto:RAD@hud.gov). Thank you.

- The RAD Team

*To join the RAD email list, please go [here](#).*

**RENTAL ASSISTANCE DEMONSTRATION**  
April/May 2016 | Issue 17  
U.S. Department of Housing and Urban Development  
Secretary Julian Castro

*"The affordable housing crisis is growing. RAD is part of the solution."  
Secretary Julian Castro*

**Director's Corner**  

 The year 2015 seems like yesterday, but the RAD team is working hard to reach the 2015 year-end stretch as possible, and as aggressive as your work is possible. While we work on recapitalizing our own programs, we have all of our eyes on the fact that we have conversions, especially distressed and closed. The executive director comes to us to inform your closing plans and expedite the RAD closing process which people probably believe creates an obstacle to close at year-end. If anything, due to the HUD direction, there's a huge opportunity financial advantage in closing earlier. We're always using an accounting point of funding and expect that to increase dramatically over the coming months!  
 —Tom Davis, Director, Office of Recapitalization

**When is the best time of year to convert?**  
 One half of the conversions that took place in 2015 occurred in the last three months of the year. While some of these conversions had no credit deadlines that drove the timing of closing, many did not have any financing deadlines influencing the timing of conversions. Conversions with PHAs, as well as conversions made in a LIBRARY conversion in late March, might find a significant factor influencing many of these late in the year closings is a requirement about the funding process used for RAD. As a result of what we heard, HUD will publish funding instructions that provide a comprehensive description of the funding process used for RAD conversions. In the short term, the article highlights that with good planning, understanding and communication across all members of a transaction team is key to ensuring the conversion is completed during the initial year. There is no right or wrong time to convert in the last three months of the calendar year.

**Background Funding in the Initial Year of Conversion**  
 In the year of conversion, projects continue to be funded from the public housing accounts at the level of public housing subsidy they are due to receive in that calendar year. Thus, in the first year, funding is based on the RAD contract year. Some PHAs and their consultants have concluded that there is a financial benefit to convert later in the calendar year so as to maximize the number of months which a project is subsidized through public housing. Some investors and investors want to minimize the number of months they are involved in a transaction before the RAD costs come into effect.  
 A property owner receives more subsidy because it converts later in the year. Regardless of the timing of conversion, a converting property will be supported through the public housing subsidy for the remainder of the year. Consider a property that receives \$1.2 million a year in Operating and Capital Fund subsidies, or \$100,000 monthly. The budget-maximum budget period converts, the total subsidy for that project will be just \$1.2 million. If the project closes in, say, March, then the effective date of the Housing Assistance Payment (HAP) project will be April 1. It will have received \$900,000 for the first three months as a public housing property and will receive \$300,000 for the remaining nine months as a RAD project. If it closes in September (with an October 1 HAP effective date), it will have received \$900,000 as public housing property and will receive \$300,000 for the remaining three months as a RAD project. In either event, the project will only generate \$1.2 million in subsidy, whether as public housing or as a Section 8 RAD project. Moreover, there is no financial benefit to converting after the annual allocation of Capital Funds or after the Capital Fund reporting date. Neither does it require the amount of funding will be eligible to a PHA or the amount of funds a PHA can utilize on converting property, either an initial subsidy or in the development budget. HUD will put out additional guidance shortly on the handling of

RAD RAD Newsletter, April/May 2016, Issue 17, Page 1