RAD 101: Public Housing Conversions

Live Session
August 1, 2013
Ask questions at the end! Here’s how:

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RAD BASICS

What?
- Allows 60,000 public housing units to convert to long-term Section 8 rental assistance contracts
- PIH Notice 2012-32 REV 1

Why?
- Access private debt and equity to finance capital needs
- Program simplification/streamlining
- Better platform for long-term preservation

Conversion Options
- Project-Based Rental Assistance (PBRA)
- Project-Based Vouchers (PBV)
RAD CONVERSION ELIGIBILITY

Public Housing

Mod Rehab

Rent Supp & RAP

1st Component: Competitive, 60,000 Unit Cap

PBRA

PBV

2nd Component: Non-Competitive, No-Cap (subject to availability of TPVs)

PBV
At conversion, PHAs will convert funding to a Section 8 contract rent.
CONTRACTS AND RENTS

Predictable initial contract rent setting (FY 2012 Baseline for applications received in CY 13)

Annual operating cost adjustment factor (OCAF)

RAD HAP funding begins at construction closing

No limitation on use of project cash flow

HAP contract Renews

Use Agreement
## PBV vs. PBRA

<table>
<thead>
<tr>
<th>PBV</th>
<th>PBRA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Component of PHA’s Housing Choice Voucher Program. Voucher funding</strong></td>
<td>Provided to owners by HUD’s Office of Housing via a HAP (Part of HUD Multifamily). Projects monitored by HUD/PBCAs</td>
</tr>
<tr>
<td>administered by PHA (w/ admin fee)</td>
<td>20 year contract</td>
</tr>
<tr>
<td><strong>15 years (up to 20 with approval of voucher agency)</strong></td>
<td>Subject to annual appropriations, but strong history of full appropriations</td>
</tr>
<tr>
<td>Choice mobility option provided to families, if requested, after one-year of residency</td>
<td>Choice mobility option can be limited to 15% of the RAD project units and/or 33% of the PHA’s annual HCV turn-over</td>
</tr>
<tr>
<td><strong>Contract rent caps:</strong> Lower of current funding; reasonable rent; 110% FMR minus utilities**</td>
<td>Contract rent caps: Lower of current funding and 120% FMR minus utilities (higher with RCS)</td>
</tr>
<tr>
<td>Housing Quality Standards (HQS)</td>
<td>REAC Inspection standard</td>
</tr>
<tr>
<td>If PBV&gt;50% social services mandatory in family projects (elderly, disabled, scattered sites exempted)</td>
<td></td>
</tr>
</tbody>
</table>
Debt
  • Conventional
  • Secondary

FHA Insurance
  • 223(f) & 221(d)(3) with priority processing
  • LIHTC Pilot

LIHTCs
  • 9%
  • 4% w/ “Short Bonds”

Public Housing Funds
  • Operating Reserves
  • Capital Funds
  • Replacement Housing Factor funds
  • Sales Proceeds
RAD Application -> CHAP (30 days)

- Resident Consultation
- Board Approval
- Financing Letter of Interest

Notes:
- Apply for full or partial AMP
- No SAC approval
- Projects with CHAPs exempt from Public Housing Assessment System (PHAS)
- No cap on number of units a PHA may apply for
PROCESSING

CHAP Milestones

30 Days. Lender Engagement
60 Days. Significant Amendment to Annual Plan
90 Days. Physical Conditions Assessment (PCA)
150 Days. Application for Firm Commitments
180 Days. FINANCING PLAN → RAD Conversion Commitment (RCC)
320 Days. Firm Commitment
360 Days. CLOSING

Notes:
Flexibility with tax credit rounds
Subsidy layering review performed by RAD Team
CLOSING

- Close Construction Financing
- Execute HAP Contract and Use Agreement
- Remove ACC Units and Declaration of Trust
- Subsidy Begins ("Rehab Assistance Payments")
ADDITIONAL FLEXIBILITIES

- Market accommodations of meeting 1-for-1 replacement
- Demolition/New construction allowed
- Public or non-profit ownership/control with exception for LIHTC partnerships
- Transfer of converted assistance to another site permitted
RESIDENT REQUIREMENTS

• Residents have a right to return post-rehab
• Resident procedural Rights outlined in section 6 of the Act and details in the RAD Notice
• Resident participation funding
• Right to establish resident organization
Rent Bundling. Adjust Contract Rents across multiple projects as long as aggregate subsidy does not exceed current funding

MTW agencies may use existing voucher funds to set initial contract rents
- Not to exceed market rent
- Subject to Subsidy Layering Review
- Subject to MTW continued service requirements

Anticipated RHF funds can be collateralized into RAD rent
## Rent Bundling Example

<table>
<thead>
<tr>
<th></th>
<th>Project A</th>
<th>Project B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Units</strong></td>
<td>120</td>
<td>80</td>
</tr>
<tr>
<td><strong>Capital Needs</strong></td>
<td>$10,000 per unit</td>
<td>$60,000 per unit</td>
</tr>
<tr>
<td><strong>RAD Contract Rent (Weighted PUM)</strong></td>
<td>$700</td>
<td>$650</td>
</tr>
<tr>
<td><strong>Total Gross Potential Rents</strong></td>
<td>$1,632,000</td>
<td>$1,632,000</td>
</tr>
</tbody>
</table>

**Proposed Rent Bundling**

<table>
<thead>
<tr>
<th></th>
<th>Project A</th>
<th>Project B</th>
</tr>
</thead>
<tbody>
<tr>
<td>New RAD Contract Rent</td>
<td>$653</td>
<td>$720</td>
</tr>
<tr>
<td><strong>Total Gross Potential Rents</strong></td>
<td>$1,632,000</td>
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Example

- PHA converting 100 unit project with RAD Contract Rent = $600
- PHA scheduled to receive sum of $840,000 in RHF over the next 7 Years

Rent Adjustment Calculation

- $840k ÷ 20 years ÷ 100 units ÷ 12 months = $35 PUM
- New RAD Rent = $635 PUM
APPLICATION FLEXIBILITIES

- **Portfolio conversions**
  - PHA defines “portfolio” of projects, either the entire PHA inventory or some subset
  - PHA must submit applications for at least half of the projects in portfolio
  - HUD will reserve award for remaining units in portfolio
  - PHA must submit application for remaining projects in portfolio within 365 days

- **Multi-phase conversion**
  - Allows PHAs to reserve conversion authority for projects with multiple development phases with applicable contract rent for all phases
  - PHA has until July 1, 2015 to submit application for final phase
  - PHA required to fulfill all CHAP milestones for each CHAP awarded
  - Upon application acceptance, HUD will issue CHAP for initial phase and multi-phase award letter covering all phases of project

All project conversions included in a Portfolio Award or Multi-Phase award submitted in CY 2013 can convert at rents 2012 baseline rents
• 132 CHAP awards, representing 14,781 units
• 51% conversion to PBRA, 49% conversion to PBV
• Over 60% of proposals planning to use LIHTCs
• Over 60 partnering lenders and investors
• Expected to raise $816M in debt and equity investments
Capital Needs

- 26% proposed Greater than $50K in Rehab or New Construction
- 18% proposed $30K – 50K in Rehab
- 18% proposed $10K – 30K in Rehab
- 38% proposed Less than $10K in Rehab
### Award Summary

<table>
<thead>
<tr>
<th>Public Housing and Mod Rehab Units Awarded</th>
<th>Northeast</th>
<th>Midwest</th>
<th>South</th>
<th>West</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>949</td>
<td>1,279</td>
<td>9,997</td>
<td>2,556</td>
<td>14,781</td>
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- 2,556 Units
- 9,997 Units
- 1,279 Units
- 949 Units

![Map of the United States with units distribution](image)
**PHA Objectives**

- Modernize aging family & elderly properties
- Sub rehab of deteriorated properties
- Thin densities/mix-incomes via PBVs & transfer authority
- Demolish/replace severely distressed/obsolete properties
- Portfolio streamlining

1/16/2013
RAD Awards Trend Chart

Aggregated Number of Unit Awards Issued

- Awards-to-Date
- Awards Expected Based on Application Trends
- Awards Expected Based on Current Outreach
- Anticipated Future Awards
RAD Notice, application materials, and additional resources can be found at

www.hud.gov/rad

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