

OVERVIEW
PROTOCOL FOR PROCESSING RAD/CHOICE PROJECTS

The Office of Recapitalization (Recap), which is responsible for the Rental Assistance Demonstration (RAD), and the Office of Public Housing Investments (OPHI), which is responsible for the Choice Neighborhoods Implementation Grant Program (Choice), have jointly agreed to a new Protocol for reviewing Choice projects which are also converting public housing units under RAD. Instead of requiring separate Choice and RAD reviews, the new Protocol combines the review and approval of RAD/Choice Projects into one process, primarily following the Choice Development Proposal approval process.

The following provides an overview of the RAD/Choice Protocol. Public housing authorities (PHA) are encouraged to work closely with their assigned Choice Neighborhoods Project Coordinator and RAD Transaction Manager as projects move through the RAD/Choice approval process.

Choice Neighborhoods Implementation Grant Application and RAD Application

- The Choice Application serves as a joint RAD/Choice application if the application includes a letter from the PHA indicating its intention to convert units under RAD
- Recap will review joint RAD/Choice applications for RAD eligibility. If the PHA is determined to be RAD ineligible or there is insufficient RAD authority for RAD conversion, OPHI will determine whether or not to proceed with a Choice award.
- If Recap determines the PHA is RAD eligible AND there is sufficient RAD authority for the conversion, the PHA will receive the following confirmations from HUD:
 - 1) An award letter from Choice (which reserves Choice funds) AND
 - 2) A Multi-Phase Award letter, which reserves RAD authority for all converting units in all phases of the Choice Transformation Plan OR
 - 3) A CHAP (Commitment to enter into a HAP) from RAD only if there is only one phase of development. NOTE: for multi-phase projects, CHAPS for each phase will be issued upon submission of an abbreviated RAD application and the Choice Development Proposal.
- PHAs do not need to submit a full RAD application, at the time of Choice award. However, prior to issuance of a CHAP, PHAs will be instructed to enter basic project data into a RAD application. This is necessary to establish the project in the RAD Resource Desk, the program's data base.

Project Management

- A Choice Project Coordinator will be assigned upon Choice grant award and will serve as the primary contact. A RAD Transaction Manager will also be appointed to work with the Choice Project Coordinator and serve as their RAD point of contact.
- The Project Coordinator will hold monthly calls, which will address both Choice and RAD issues.

Timeframes

- RAD/Choice projects will follow the OPHI approved Choice schedule. Standard RAD timeframes for submission of materials do not apply.

Demolition Related to RAD/Choice Projects

Many Choice projects involve demolition of existing units and redevelopment of new units over several future phases. As RAD involves the conversion of public housing, the public housing designation of units

being demolished must be preserved prior to demolition, in order to maintain RAD conversion eligibility. Demolition may not proceed until all of the following steps have been completed. The PHA must work with their Project Coordinator to be sure the ability to convert under RAD is not jeopardized.

- Demolition of public housing units, including those converting under RAD, will be approved by OPHI pursuant to Section 24 of the 1937 Housing Act (Act), unless otherwise determined by HUD that demolition pursuant to RAD is more appropriate. NOTE: OPHI will not approve demolition until the RAD Multi-Phase Award Letter or CHAP has been executed.
- In no circumstance may demolition of units intended for RAD conversion be approved by the Special Applications Center (SAC), under Section 18 of the Act. Units demolished under their authority may not convert assistance through RAD.
- Prior to the commencement of demolition, a PHA must enter into a Converted Pending Transfer (CPT) Agreement with HUD, which preserves the ability to convert units under RAD which have already been demolished. Recap will provide the CPT to the PHA for execution. NOTE: Recap will not execute a CPT until the Multi-Phase Award Letter/CHP and Demolition Approval Letter have been executed.
- All units intended for demolition and conversion under RAD must be entered into the RAD PIC module. If only part of the units being demolished will convert under RAD, those units not converting should be entered in the Choice PIC module.
- Relocation related to RAD/Choice projects will follow relocation guidance for Choice. All residents who are relocated must be tracked so they may return to the redeveloped site if that is their preference. Relocated residents are eligible to receive Tenant Protection Vouchers pursuant to Choice program guidance.

Not all Choice/RAD projects involve immediate demolition. In some projects, the existing public housing, which is being converted under RAD, will remain while new units are constructed elsewhere. Once the new units are completed, assistance will be transferred from the existing building to the new building. In this case there is a delayed signing of the RAD HAP and the existing site remains as public housing until the new building is complete. No demolition approval is needed unless or until the original building is to be demolished. PHAs should work with the Program Coordinator.

Disposition Related to RAD/Choice Projects

Normally, disposition of property related to a Choice project must be approved by the SAC, pursuant to Section 18 of the Act. However, property to be converted under RAD cannot be approved pursuant to Section 18. PHAs should work with their Project Coordinator to assure all disposition approvals are secured.

- For any property which will be subject to a RAD HAP, referred to as a RAD Covered Project, disposition will be approved per the standard RAD review and approval process, in consultation with Choice. This includes properties which will have both RAD and non-RAD units in the same buildings.
- For any property which will not be subject to a RAD HAP, disposition will be approved by the SAC per the standard Choice disposition process.
- Any existing public housing Declaration of Trust (DOT) for any RAD Covered Project will be released at closing per standard RAD procedures; for non-RAD property, the DOT will be released by the Field Office per standard Choice procedures.

Resident Protections in RAD/Choice Projects

- **One-For-One Replacement:** PHAs are responsible for following Choice and RAD requirements regarding one-for-one replacement of demolished units. RAD requires replacement of units, while Choice requires replacement of units in grant years 2010/11, 2012 and 2013 and replacement of bedrooms for grant years beginning in 2014. Any change in units and/or bedrooms must be discussed up front with the Project Coordinator.
- **Resident Right to Return:** Residents relocated as part of a RAD/Choice project must be given a right to return to the redeveloped site pursuant to both Choice and RAD requirements. PHAs should work with the Project Coordinator to be sure PHA policies are consistent with program requirements.

Green Building and Energy Requirements for RAD/Choice Projects

- Projects must comply with Choice requirements. No additional RAD review is required.

RAD/Choice Project Review

Each project or phase of a multi-phased project must be reviewed and approved by HUD prior to the start of redevelopment. Under normal RAD procedures, PHAs submit a RAD Financing Plan electronically through the RAD Resource Desk, as required by Notice PIH 2012-32, Rev.2. Under normal Choice procedures, PHAs submit a Development Proposal to OPHI, as required by 24 CFR 905.606. Because the Financing Plan and the Development Proposal require similar information, for RAD/Choice projects, PHAs will follow the Choice process. PHAs will not be required to upload information into the RAD Financing Plan module on the RAD Resource Desk, with some minor exceptions. The Project Coordinator and Transaction Manager will work with the PHA to be sure all required information is submitted.

NOTE: for projects which include PBRA and/or FHA insured financing, PHAs must still follow the guidance in the “RAD Financing Plan Guide for RAD Conversions Utilizing FHA Insured Financing” and must upload all information into the RAD Financing Plan, as required, in addition to submission of a Development Proposal. HUD Multi-Family/FHA will do their normal project underwriting. The Transaction Manager will assist PHAs with satisfying all requirements.

The following provides a summary of submission requirements for RAD/Choice projects:

- **Development Proposal:** PHAs will submit a Development Proposal (HUD-50157) and Development Proposal Calculator (HUD-50156), plus all accompanying documentation to OPHI.
- **Capital Needs Assessment:** The Capital Needs Assessment required for RAD projects is not required as a Physical Needs Assessment was considered as part of the Choice application review process.
- **Environmental Review:** PHAs must follow the environmental review process required by Choice, which most often follows Part 58. No additional RAD review is required, except, for PBRA transactions and/or other transactions involving PBRA and/or FHA financing. These projects require HUD to complete a Part 50 review. The Project Coordinator will work with the PHA to be sure the environmental review process is properly completed.
- **Civil Rights Review:** PHAs are not required to complete the RAD Fair Housing, Civil Rights and Relocation Checklist” or the RAD Civil Rights Review templates as these factors were considered as part of the Choice application review process.

- **Accessibility:** PHAs must submit architectural plans, as required by Choice, for review by OPHI architectural staff. No other submission of drawings is required.
- **Development Budget:** Project costs must be in compliance with OPHI Cost Control and Safe Harbor Standards for Rental Mixed-Finance Development (Rev. April 9, 2003), the HUD public housing Total Development Cost and Housing Construction Cost limits, and other Choice underwriting criteria. In the case of any conflict with RAD standards, the Choice standards will prevail. Final construction and permanent budgets (HUD-50156) will be uploaded into the RAD module and utilized by Recap staff at closing.
- **Subsidy Layering Review:** OPHI will conduct the subsidy layering review related to development of the project. Recap will be responsible for the subsidy layering review related to the HAP.
- **Development Team:** No further information beyond that included in the Development Proposal is required, except that for PBRA conversions, where PHAs must provide the information requested in the RAD Financing Plan, i.e., the HUD Form 2530.
- **Financing Commitments:** PHAs do not need to upload funding commitment letters as this information will be covered in the Development Proposal.
- **Operating Pro forma:** The final operating pro forma (HUD 50156) will be uploaded to the RAD module and utilized by Recap staff at closing. Supporting documentation, including the EPC approval letter, PILOT, and Rent Comparability Study for PBRA must also be uploaded.
- **PHA Plan/MTW Agreement:** The PHA must have a PHA Plan Amendment which includes the RAD/Choice project (and mentions both Choice and RAD). Field Office approval letters must be submitted and uploaded in the RAD Financing Plan. For MTW PHAs, if an Amendment to Attachment A to the MTW Agreement is required for RAD participation, a copy of the executed amendment must be uploaded to the RAD Financing Plan.
- **Site and Neighborhood Standards:** RAD/Choice projects will follow Choice requirements for site and neighborhood standards. PHAs do not need to complete the RAD Site and Neighborhoods Standards information.
- **Affirmative Fair Housing Marketing Plan:** This item relates only to PBRA conversions and the required information must be uploaded to the RAD Financing Plan.
- **Estimate of HAP Subsidy:** PHAs must complete the RAD Initial Year Funding Tool and upload it to the RAD Financing Plan.
- **Transfer of Assistance:** Sites designated for transfer of RAD assistance will be reviewed subject to Choice requirements and no further RAD review is required.
- **Funding Plan Certification:** Upon completion of the Development Proposal review process, when the Project Coordinator confirms all required information has been submitted, PHAs must execute and upload the Financing Plan Completion Certification to the RAD Financing Plan.

RAD/Choice Project Approval

- Upon submission of all required information, the project will be reviewed by the Choice Neighborhoods Housing Review Panel. If approved, OPHI will make a recommendation to the Recap Director, who will review the recommendation and make a final determination on RAD approval.
- If approved, the PHA will receive a letter jointly signed by OPHI and Recap, approving the Development Proposal and the RAD conversion. A RAD Conversion Commitment (RCC) will be enclosed with the letter.

Evidentiary Document Submission

- A RAD Closing Coordinator assigned by Recap after execution of RCC will assist PHA with closing
- Document review leading to closing will be handled by Recap and will follow RAD procedures. The RAD Closing Coordinator will provide PHAs with a checklist of all evidentiary documents which must be submitted to HUD in draft form for review and approval prior to closing.
- Any material change made to the Development Proposal after OPHI approval must be identified and approved by OPHI.
- After closing, copies of all executed and recorded, if required, evidentiary documents must be submitted to Recap, as directed by the Closing Coordinator.

Release of Choice Funds

- Once OPHI has received a CD of the executed evidentiary documents from Recap, PHAs may submit a Choice budget revision requesting authorization of the Choice project funds into e-LOCCS.