



RENTAL ASSISTANCE DEMONSTRATION

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U.S. Department of Housing and Urban Development

Secretary Julián Castro

“The affordable housing crisis is growing. RAD is part of the solution.”

Secretary Julián Castro



Director's Corner

It's summer, and the water is great! If you've hesitated to put your toe in, this newsletter has some tips and ideas for those considering RAD as a housing preservation strategy. We talk a lot about RAD for public housing units – the waiting list and the application process – but please don't forget RAD for Rent Supp/RAP properties or Mod Rehab (including SRO) properties. In this era of ever-in-demand affordable housing, preserving at-risk units is incredibly important and we can use the help getting the word out. Whether you work with public housing, Rent Supp/RAP, Section 236 mortgages or Mod Rehab, RAD may be a way to refresh an aging property – submit an application and start the conversation!

—Tom Davis, Director, Office of Recapitalization

Don't Wait! Apply for RAD Today

With the current RAD conversion authority of 185,000 units reached and the RAD waitlist hovering close to 16,000 units, many PHAs may wonder if now is the right time to apply. RAD applications are still being accepted and HUD is encouraging PHAs to apply. Read on for reasons why you should submit an application for RAD today:

The waitlist is moving! Since the publication of the waitlist in the fall of 2015, over 6,230 units have been awarded CHAPs off the waiting list through August 1st (approximately 623 units/month) and HUD anticipates issuing HAPs for approximately 5,000 additional units over the coming weeks. At the same time, new applications do keep coming in so delay does influence your ability to get off the waiting list.

Priority is given for certain types of conversions. PHAs that intend to use RAD to redevelop obsolete housing with demolition and new construction receive top priority on the waitlist, with other priority tiers based on the PHA's proposed level of reinvestment in the property. The time an application will stay on the waiting list varies based on the priority tiers.

Funding levels are more predictable. Converting to RAD provides projects with predictable Section 8 funding, annual operating cost adjustment factors (OCAF), and no limitation on use of project cash flow.

Public Housing capital needs continue to grow. RAD enables PHAs to access private debt and equity needed to finance short term and long term capital needs. You can apply for RAD now and then continue to explore with residents and with potential lenders or investors about how a RAD conversion can address immediate and future capital needs.

Demonstrate your interest in RAD. We regularly hear about PHAs that are thinking about RAD but haven't yet applied. We also regularly hear that there's no reason to raise the cap because almost everyone who is interested is being accommodated. There's no need to wait to let us know you want to participate.

The RAD Application is not a commitment. If you want to apply for RAD but haven't worked through all the specifics of converting your property, that's okay! In fact, we want you to apply when your ideas are still taking shape. The RAD application is just the starting point. Whether you start spending time and money on due diligence while still on the waiting list or only after receiving a CHAP, the conversion process itself allows time for PHAs to consult with the residents, iron out the details and formulate a thoughtful conversion plan.

The Office of Recapitalization has technical assistance available to assist PHAs in reviewing their existing public housing inventory and devising a strategy for RAD conversion. Email rad@hud.gov to let HUD know of your interest in converting and to request assistance.

So You're Applying to RAD...

HUD is working to speed up the turnaround time between when an application is submitted, when its review is complete, and a CHAP can be issued or the project can be placed in the correct prioritization category on the RAD waitlist. The Office of Recapitalization and the Office of Public and Indian Housing will now perform their application reviews concurrently, which will greatly reduce the review time. The Office of Recapitalization is also updating the RAD Application Excel file and expects to release the new version this Fall. The new RAD application will minimize some requirements and include additional questions and text boxes for PHAs to better explain their conversion plans. This will reduce the number of information requests HUD reviewers send to PHAs during the review process.

To learn how to fill out the application, review the [RAD Application Tutorial](#) on the RAD Resource Desk. It walks through the RAD application Excel file section by section. It's important to keep in mind that some steps required to apply, such as community meetings, consultation with residents, responding to resident comments and Board Approval, take some lead time and thus HUD recommends that you start those items early. Once you're ready to begin, follow these steps:

1. Download the RAD Application Excel file [here](#). There is one RAD application for each state. You can also find links to the multiphase and portfolio award request worksheets as well as instructions on how to submit a "many to one" application if you are combining units from various AMPs into one RAD conversion.
2. Complete the Excel file, including the attachments, some of which are embedded in the file itself. Not sure which attachments apply to your specific conversion? Section 16 in the Excel file will tell you.
3. Once you've completed the Excel file and compiled all required attachments, email everything to radapplications@hud.gov.

Remember, the RAD application is a snapshot of your thinking at a point in time, based on estimated numbers. It's just a sketch of what you want to do. Unlike applications to many other HUD programs, HUD expects the information to change. You'll want to do some of your due diligence after you have received a CHAP so that it's more current when you're processing your conversion. We encourage you to use copies of your application – either before or after you submit it – to stimulate conversations within your community about your plans. The application itself is just the starting chapter of that conversation.

Have questions? Email rad@hud.gov for help!

RAD Application Tips & Tricks!

✓ Clearly explain your conversion plans.

Clearly explain your conversion plans. We know the details will change, but understanding your vision will help the reviewer know what issues to flag for future attention. Vague answers just trigger more questions. Use the text boxes to describe what you currently plan to do.

✓ Don't forget to include evidence of PHA responses to resident questions received at the resident meetings.

If no resident comments or questions were received at the meetings, tell us that.

✓ Use the required formats.

Letters of interest from funding sources must be submitted using the boilerplate form found in the RAD application Excel file. Submission of the Excel Application file as an Excel file (not as a PDF) is also required.

✓ Explain inter-connected applications.

Use your transmission email to HUD to explain connections between multiple applications. For example, if you are submitting a "many to one" application, clearly explain and label each Excel file as the "core" or "supplemental" application.

✓ RAD Rents.

The RAD application is pre-populated with RAD contract rents based on 2012 funding levels. Applicants are encouraged to review the 2014 RAD Contract rents found [here](#) and can use the "Other Income" entry in Section 7 to input the difference.

For more information about RAD please visit our [website](#) and [resource desk](#). For specific questions please contact the RAD team at RAD@hud.gov. Click [here](#) to sign up for the RAD Mailing List!

Mod Rehab Conversions Using RAD 2

Attention PHAs – You may be one of the 277 Housing Authorities in the country with Section 8 Moderate Rehabilitation (Mod Rehab) properties, including Single Room Occupancy (Mod Rehab SRO). These properties are typically older buildings that are in need of major repairs and modernization. Mod Rehab and Mod Rehab SRO owners may be eligible to use RAD 2 to convert to Project Based Vouchers or Project Based Rental Assistance as part of a long-term preservation plan.

To get started on a RAD 2 conversion, read Section II of [Notice PIH 2012-32 Rev. 2](#) to learn about the requirements and the application process. The notice describes the roles of PHAs in a RAD 2 transaction, such as how to set rents for PBVs, resident notification and consultation, HQS inspections, relocation and fair housing, and determining income eligibility of existing tenants.

Many PHAs around the country are reaching out to their Mod Rehab and Mod Rehab SRO owners to encourage them to preserve their properties as affordable housing. A new 15- or 20-year rental assistance contract can leverage public or private financing and LIHTCs that can be used to renovate a property and put it on sure financial footing. To help owners get started on a preservation strategy, please refer them to the [Multifamily Housing Preservation](#) page on the HUD Exchange. The “Getting Started” section includes a [Preservation Financing Resource List](#) of HUD, Housing Finance Agency (HFA), and other resources for preservation transactions that would be useful to owners seeking to recapitalize their properties.

Please help HUD get the word out to the Mod Rehab and Mod Rehab SRO owners in your community. They may not be aware of RAD and there are a lot of benefits to stabilizing and recapitalizing their properties through RAD. HUD is available to provide guidance to projects considering a RAD 2 conversion. Send inquiries and questions to rad2@hud.gov.

Section 236 Preservation

HUD encourages all owners of Section 236 projects to take action in 2016 to preserve their properties as affordable housing. All Section 236 loans will mature in the next three years, so now is the time to take advantage of HUD’s guidance on regulatory requirements and incentives to improve and modernize these older properties.

The [HUD Exchange Section 236 page](#) has technical assistance materials and a webinar to guide owners on how to get started on a preservation strategy. One of the documents, [Preservation Options for Section 236 Properties](#), is a step-by-step guide on how to preserve Section 236 properties as affordable housing. It covers key financing issues, such as raising capital, loan prepayment, IRP decoupling, and Flexible Subsidy Loan deferral. Rental assistance guidance includes Section 8 contract renewal options, Tenant Protection Vouchers, Enhanced Vouchers and Project-Based Vouchers.

For Section 236 transactions which have Rent Supplement or Rental Assistance Payments contracts, Component 2 of the Rental Assistance Demonstration (also known as “RAD Component 2”) can also be a great tool. Under RAD Component 2, an owner can convert the Rent Supp/RAP units – and also certain other units occupied by income-qualifying households – to a long-term Section 8 contract. This can be incredibly valuable in assembling a preservation and recapitalization strategy.

Owners may contact HUD’s Office of Recapitalization at 236Preservation@hud.gov to request assistance with a Section 236 project. Reach out to HUD now to allow time to explore all available preservation options that benefit both owners and residents prior to the mortgage maturity date.

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Project Highlight : The Oaks at Park Pointe, Griffin, GA

Also known as Meriwether Homes, The Oaks at Park Pointe was recently recognized by the Affordable Housing Tax Credit Coalition (AHTCC) as a recipient of a prestigious Charles L. Edson Tax Credit Excellence Award in the Public Housing category. AHTCC is a trade organization of housing partners who advocate for affordable housing preservation. Each year, the Edson Awards recognize tax-credit developments at the forefront of creating stronger, healthier communities nationwide. This transaction was one of the early RAD 1st Component conversions to close under RAD in late 2014. The project entailed the demolition and the rebuilding of new housing on the existing site. At project completion, the 84-unit complex consists of 15 two-story townhouse-style apartment buildings, a new playground, and a state-of-the-art on-site leasing/community center with a full kitchen and a computer room.



RAD Stats As Of 8/1/2016

RADOMETER

Total construction activity leveraged (closed projects, 1st component)

\$2,425,832,225



RAD 1st Component

	Units	Projects
Active CHAPs	94,473	837
Multiphase/Portfolio Reservations	44,232	325
Closed Conversions	36,332	337
Waiting List/Applications Under Review	16,416	115
Total	191,453	1,614
Statutory Cap	185,000	N/A

RAD 2nd Component

	Units	Projects
Active Conversions	10,159	84
Closed Conversions	19,715	169

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