



RAD Talk

U.S. Department of Housing and Urban Development
Office of Multifamily Housing Programs

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RAD IN REVIEW

- RAD kicked off 2018 on a high note as the program hit a major milestone: Public Housing Authorities (PHAs) and their partners secured over \$5 billion towards the construction and rehabilitation of 818 public housing properties. As a result, over 88,000 converted public housing homes are being improved and transformed to provide quality, affordable housing for the elderly, disabled, and families with children. This construction activity is estimated to have stimulated approximately 94,700 jobs.
- 88,039 public housing units have converted to Section 8, consisting of 57% using the Project-Based Voucher platform and 43% using the Project-Based Rental Assistance platform.
- This comes at the same time as the program has seen continued growth. In fiscal year 2017, PHAs converted 300 properties (32,256 units), a 50% increase over the last fiscal year (see chart below). Current trends indicate an equally if not more productive year in store.
- HUD remains fully subscribed up to the 225,000-unit cap, and the waiting list totals over 85,000

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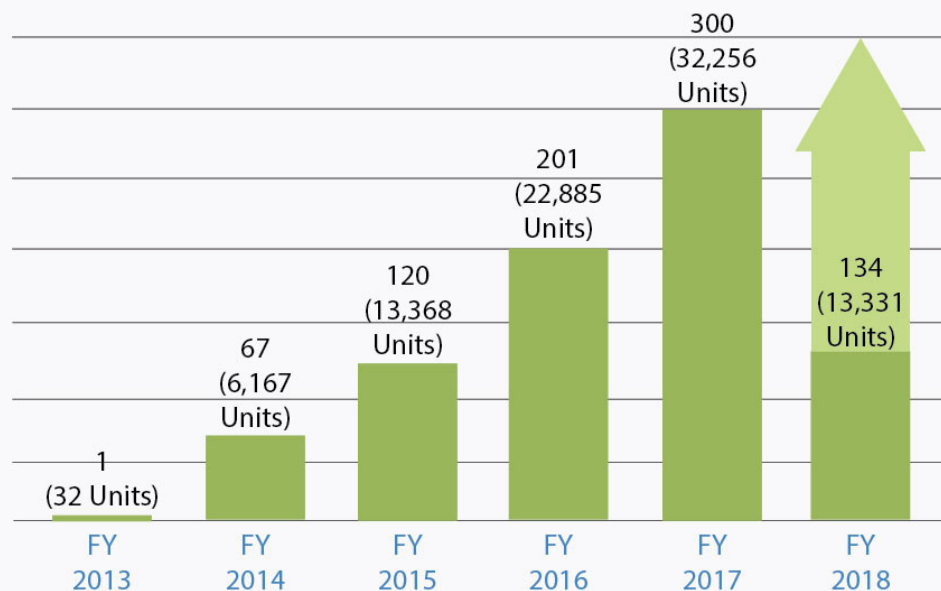
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DIRECTOR'S CORNER

2017 has proven to be another great year for the Rental Assistance Demonstration, and we expect continued growth through 2018! We began the year with new editions of the RAD governing notices and through the year we closed an impressive number and variety of transactions, as you can see in the facts and graphics here. We wrapped up the year hitting yet another major milestone - \$5 billion in construction funding! In this newsletter, we also offer a spotlight on the Mod Rehab conversions and hope you will help us get the word out to the owners of Mod Rehab-assisted and Mod Rehab Single Room Occupancy (SRO) assisted properties about the advantages of converting. —Tom Davis, Director, Office of Recapitalization

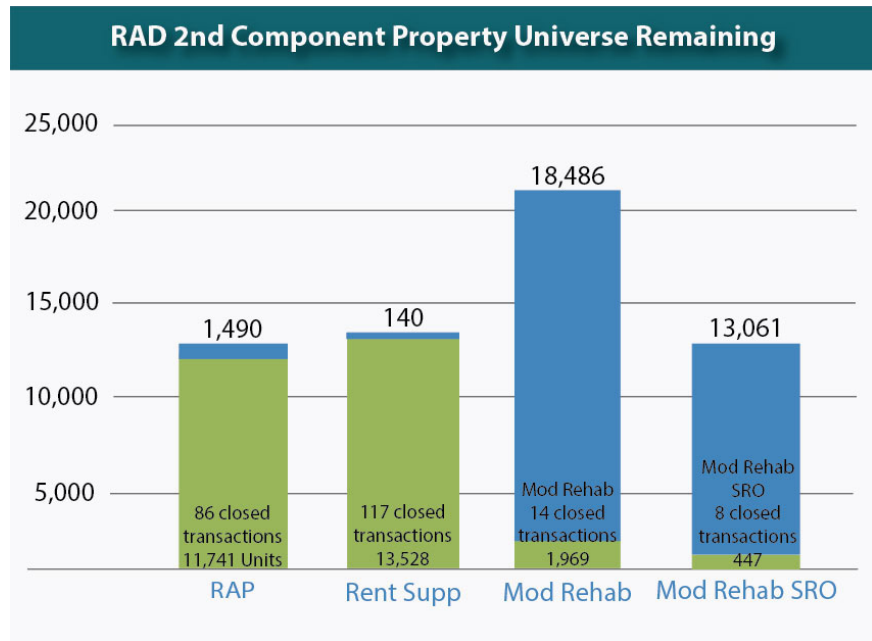
Total Public Housing Conversions by Fiscal Year (2013 - 2018)



RAD has proven that the regulatory shift from one platform to another can stimulate enormous economic activity and has allowed many local housing authorities to solve their capital needs challenges on their own.

units. This means that since RAD was first authorized, PHAs have submitted over 27% of the entire public housing stock for conversion.

- If constrained to using only federally appropriated public housing funds, it would have taken the participating public housing authorities 46 years to fund the construction work that they have funded in the last four years.
- Owners have preserved 200 properties previously assisted with Rent Supplement (Rent Supp) or Rental Assistance Payment (RAP) contracts, ensuring the ongoing affordability for over 25,000 homes. With only 24 properties remaining, HUD hopes to convert and preserve the remaining 24 Rent Supp and RAP properties within the next year.
- Additionally, over 2,500 homes previously supported by Mod Rehab and Mod Rehab SRO contracts have been preserved and rehabilitated. 16% of the 31,500 units in the Mod Rehab inventory are in the process of converting as the pipeline continues to grow.



Other Highlights from 2017:

- We've seen significant improvements in compliance with relocation and civil rights requirements as PHAs have had the benefit of [new and improved guidance](#) published late in 2016.
- We have rolled out a Post-Closing Completion Certification to ensure that construction work was completed, residents returned to properties, and owners have been and will continue to meet their Section 3 hiring obligations, providing important jobs to local communities.

RAD has proven that the regulatory shift from one platform to another, without additional federal funding, can stimulate enormous economic activity and has allowed many local housing authorities to solve their capital needs challenges on their own, through creativity and local partnerships. These efforts have resulted in improved housing quality, higher efficiency building systems and more cost-effective management. These gains have been achieved in the context of a program extremely protective of residents' rights, with extra requirements and reviews ranging from relocation to fair housing to residents' right of return. Whether under the public housing or legacy program components, RAD demonstrates that by having the modern Section 8 contract available, many assisted-housing owners can now preserve at-risk public housing and legacy-program properties. 🏠

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

RAD: A POWERFUL TOOL TO PRESERVE AND RECAPITALIZE “MOD REHAB” PROPERTIES

RAD can provide significant benefits for Mod Rehab and Mod Rehab SRO properties. Through RAD, owners can replace the current Mod Rehab Housing Assistance Payments (HAP) contract with a new long-term Section 8 contract that:

- Has a term up to 20 years and is renewable, which allows the owner to make long-term plans and ensures the housing remains affordable.
- Provides funding levels based on standard Section 8 rent setting procedures.
- Allows the owner to leverage financing to support capital repairs or redevelopment, if needed.

Over 2,300 Mod Rehab units have been preserved, rehabbed, and in some cases redeveloped through RAD, and HUD expects the pace of conversions to increase. For one such successful conversion, see the case study on The Cambridge in San Francisco, CA., on page 4.

Conversion Options

Owners can choose between one of two forms of long-term Section 8 contracts:

- Project-Based Rental Assistance (PBRA) provides a 20-year renewable contract that is administered by HUD. Initial contract rents are based on a rent comparability study and local Fair Market Rents (FMRs), and are subsequently increased by the operating cost adjustment factor.
- Project-Based Vouchers (PBV) provide a 15- or 20-year renewable contract that is administered by a Public Housing Agency (PHA) (typically the same one that currently administers the Mod Rehab contract). Initial contract rents are based on “rent reasonableness,” which is determined by the PHA and FMRs. Rents are subsequently adjusted based on changes in the market rent.

Resident Benefits

Conversion under RAD provides certainty to residents that their housing will remain affordable for the long-term. When the owner leverages the conversion into a larger recapitalization effort, the residents often enjoy upgrades to their apartments and the common areas. In addition, residents enjoy the following rights and protections under RAD:

- Owners must consult with residents prior to conversion.
- Residents may not be rescreened as a result of conversion except for the statutorily required screening.
- If residents need to be relocated temporarily due to repairs on the property, residents have a right to return to the property.
- Residents have a right to a tenant-based voucher after a period of residency at the property (i.e. “choice-mobility”), unless the property is exempted. (The number of units on the Section 8 contract stays the same, even if the household pursues choice mobility options and moves out with a voucher.)

Conversion Process

To be eligible to convert, the owner must demonstrate that the property is in good condition or that the owner will secure financing to bring the property into good condition. Conversion entails the following major steps:

- 1) **Initial Submission of Interest.** Owners begin the process by providing some basic property and owner information to HUD. HUD then assigns a Transaction Manager.

BACKGROUND ON MOD REHAB

HUD entered into rental assistance contracts with owners through the Moderate Rehabilitation (Mod Rehab) and McKinney-Vento Mod Rehab Single Room Occupancy (Mod Rehab SRO) programs to provide decent, safe, and sanitary housing for low-income households. While originally set up as multi-year contracts, currently these contracts can only be renewed year-to-year and at restricted rent levels. There are 31,500 units remaining under the Mod Rehab and SRO contracts, which are administered by public housing agencies (PHAs). SROs are specifically targeted to single, homeless individuals, while Mod Rehab properties are available to a broader range of low-income residents.

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Carver Estates RAD Conversion in Cleveland, OH.

Conversion of
The Cambridge
illustrates how
RAD can be
an invaluable
resource for the
preservation of
this important
portfolio that
serves the
nation's most
vulnerable
residents.

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2) **Resident and Continuum of Care (CoC) Consultation.** All owners are required to notify residents of their intent to participate in RAD before submitting their Financing Plan. The owner must provide information on the conversion plans and solicit comments on the proposed plans. SRO owners must also consult with their local CoC.

3) **Submission of the Financing Plan.** The owner must submit to HUD a complete Financing Plan that includes a Capital Needs Assessment, a financing strategy sufficient to address all immediate and short-term needs, financing commitments to support the financing strategy, environmental review documents, and other required due diligence.

4) **HUD Review.** HUD notifies the owner of acceptance of the Financing Plan via issuance of an approval letter, conditioned upon a firm commitment(s) of financing.

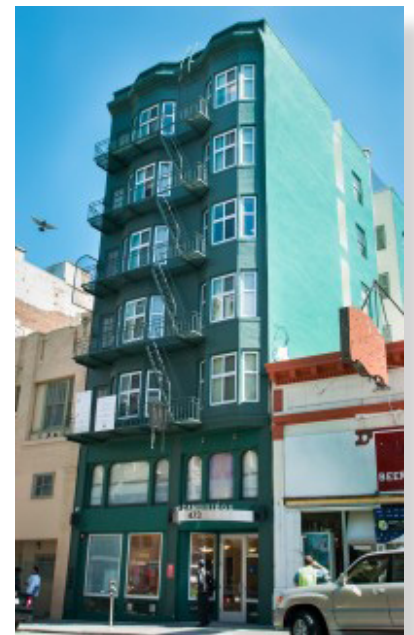
5) **Conversion.** When the conversion and financing close, the PHA and owner terminate the existing Mod Rehab contract and the owner executes a new Section 8 contract (with HUD, if PBRA, or with the PHA, if PBV). 🏠

THE CAMBRIDGE - NEW LIFE FOR A MOD REHAB SRO PROJECT USING RAD

The Cambridge Hotel was built in 1926 as a 60-unit residential hotel. Residential hotels were once the predominant housing type in the city serving single immigrant workers. Today, the Cambridge serves formerly homeless individuals. After suffering damage in the Loma Prieta earthquake, the property was purchased and rehabilitated in 1989 using HUD's Section 8 Mod Rehab SRO program. However, when a new owner began providing property management and supportive services at The Cambridge in 2007, they quickly realized that the property had deteriorated significantly, as it had been operated with limited revenues on short-term contracts with no ability to address life-cycle repair needs.

Despite making significant improvements to the property's physical condition and configuration over the years, the property's post-rehab cash position was insufficient to maintain and improve the property to ensure the project's sustainability going forward. To address this significant gap, the owner turned to RAD. Through RAD, The Cambridge entered into a Section 8 contract set at the efficiency Fair Market Rent (FMR). Under a new long-term Project-Based Voucher contract, the property now has stable and adequate rental income to cover operating expenses, service debt, address capital needs, and better support a robust package of services that enhance the lives of the residents. The local Continuum of Care has been fully engaged and supportive of the transformation of The Cambridge into a healthy and sustainable resource for formerly homeless individuals.

As a result of this project, the owner better understands the process of RAD conversion and sees it as an invaluable resource for the preservation of housing that serves the city's most vulnerable residents. The owner possesses other RAD-eligible Mod Rehab SROs, and is currently moving forward with the conversion and rehabilitation of these additional properties. 🏠



The Cambridge Hotel,
San Francisco, CA
Owner: Community Housing
Partnership