# Rental Assistance Demonstration (RAD) Final Notice Overview

December 2012

# Current Challenges

## Public Housing

- Capital repair needs in excess of $25.6B across portfolio, or $23,365/unit
- Section 9 funding platform unreliable (pro-rations, cuts), inhibits access to private debt and equity capital (declaration of trust)
- Losing 10,000-15,000 hard units/year

## Section 8 Moderate Rehabilitation (Mod Rehab)

- Cannot renew on terms needed to secure financing

## Rent Supplement (Rent Supp) & Rental Assistance Payment (RAP)

- No option to renew when contracts expire

# LEGISLATIVE HISTORY

- **February 2010:** FY11 Budget requests $350M for Transforming Rental Assistance (TRA) initiative
- **May 2010**: "Preservation, Enhancement, and Transformation of Rental Assistance Act of 2010" (PETRA) - Administration's bill
- **December 2010**: "Rental Housing Revitalization Act" (RHRA) introduced by Rep. Ellison and co-sponsors
- **February 2011:** FY12 Budget requests $200M for a "Rental Assistance Demonstration" (RAD)
- **August 2011**: RAD language submitted as "Technical Drafting Service" (TDS) to Rep. Ellison, Rep. Bachus, and Sen. Shelby
- **November 2011**: FY12 Appropriations minibus authorized RAD

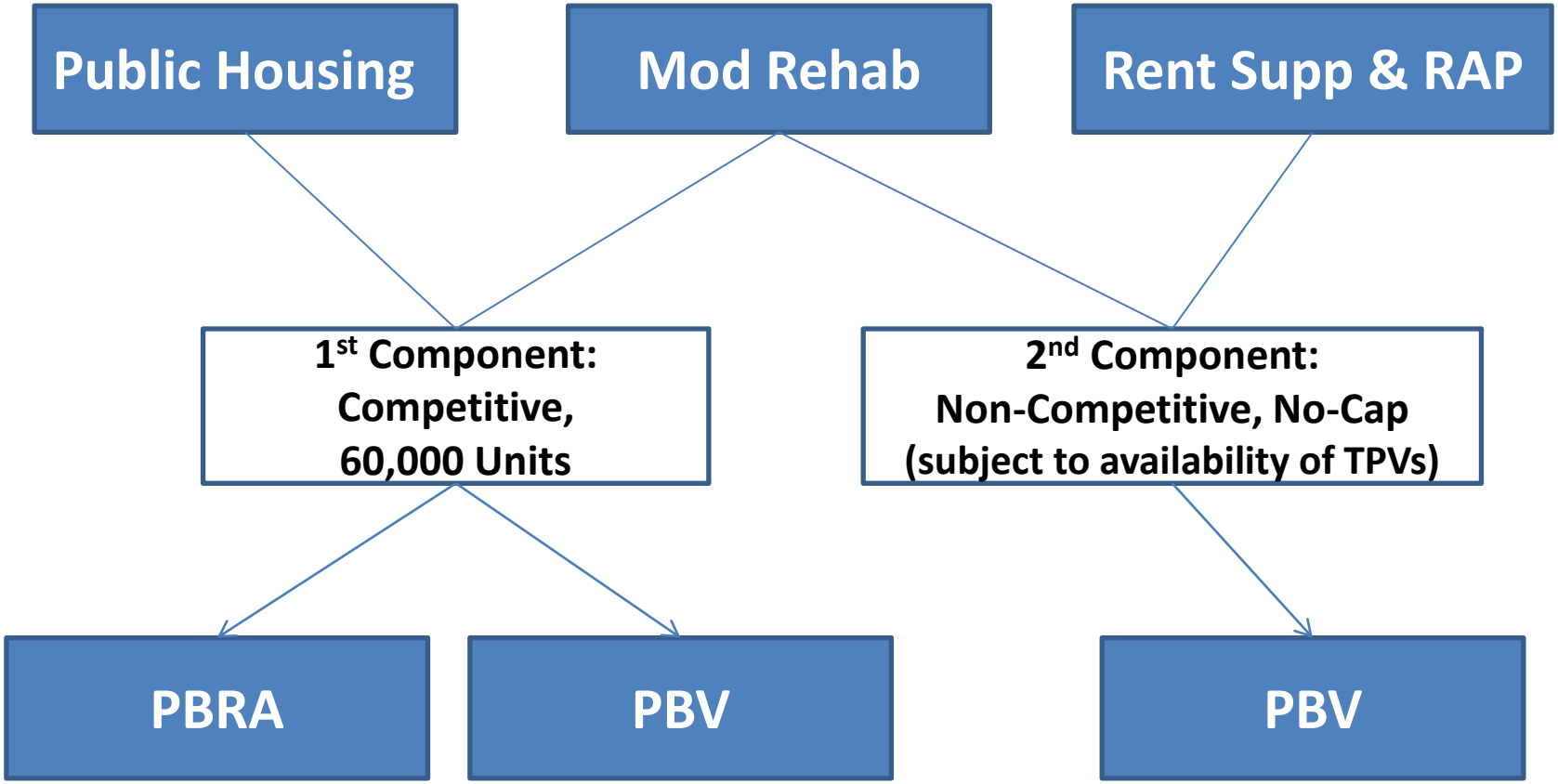
# KEY RAD GOALS

- Build on the proven Section 8 platform
- Leverage private capital to preserve assets
- Offer residents greater choice and mobility

# RAD AUTHORITY

- Authorized in Consolidated Further Continuing Appropriations Act of 2012 (Public Law 112-55)
  - Initial program rules outlined in PIH Notice 2012-18 (3/8/12)
    - Over 100 comments received
    - HUD's response to public comments on RAD website
  - Final program rules outlined in PIH Notice 2012-32 (7/26/12)
- Allows public housing and certain at-risk multifamily legacy programs to convert to long-term Section 8 rental assistance
- Two Components
  - 1st Component, *Competitive:* Public Housing & Mod Rehab
  - 2nd Component, *Non-competitive*: Mod Rehab, Rent Supp, & RAP

# RAD Conversion Eligibility



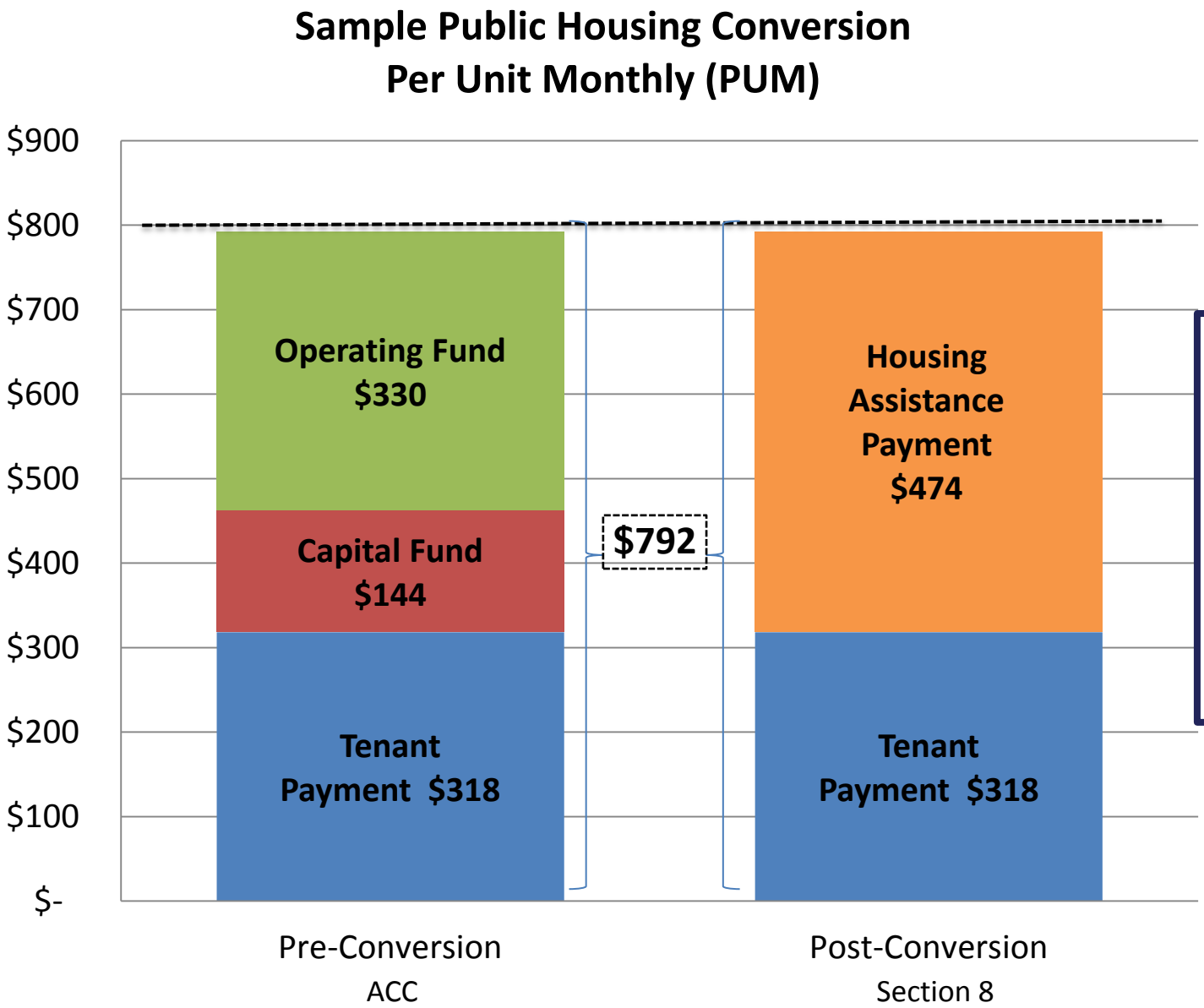
# 1ST COMPONENT

- Public Housing & Mod Rehab
- Can compete to convert assistance to:
  - Project-Based Rental Assistance (PBRA) or
  - Project-Based Vouchers (PBV)
- Cap of 60,000 units (applications must be received by 9/30/2015)
- Convert at current funding only
- Choice-Mobility, with limited exemptions
- Extensive waiver authority to facilitate conversion
- Initial application period: September 24 – October 24, 2012

# 2ND COMPONENT

- Mod Rehab, Rent Supp & RAP
- Upon contract termination/expiration, convert Tenant Protection Vouchers (TPVs) to PBVs
- No cap, but subject to availability of TPVs
- Choice-Mobility requirement per PBV program rules
- Limited waiver authority to facilitate conversion
- Prospective conversion authority through 9/30/2013
- Retroactive conversion authority back to 10/1/2006 (convert by 9/30/2013)

# Public Housing Conversion Rent Levels




At conversion, PHAs will convert funding to a Section 8 contract rent.

# KEY PROGRAM PROVISIONS: 1ST COMPONENT

| Provision | Requirement | |
|---|---|---|
| | Public Housing | Mod Rehab |
| **Application Pools** | 4 Census Regions, by PHA size; 58,750 total units | 4 Census Regions, by Mod Rehab size; 1,250 total units |
| **Application Ranking Factors** | • Capital Needs • Green Building<br>• Choice-Mobility • Priority Project | Same |
| **Ownership/Control** | Public or non-profit ownership or control, except to facilitate tax credits, or, in foreclosure, bankruptcy, termination for cause, wherein project disposed first to capable public entity, then other capable entities as determined by Secretary | N/A |
| **Initial Contract Term** | • PBRA – 20 years<br>• PBV – 15 years (20 with approval of voucher agency) | Same |
| **Initial Contract Rents** | • PBRA – Lower of a) current funding, or b) 120% of FMR (less utility allowance); except where current funding is below market, wherein rent is limited to 150% of FMR<br>• PBV – Lower of a) current funding, b) 110% of FMR (less utility allowance), or c) reasonable rent | Same |

# KEY PROGRAM PROVISIONS: 1ST COMPONENT

## Continued

| Provision | Requirement | |
|---|---|---|
| | Public Housing | Mod Rehab |
| **Capital and Operating Funds** | Can be used in financing structure | N/A |
| **Contract Rent Adjustments** | Annually via Operating Cost Adjustment Factor (OCAF) | Same |
| **Contract Renewal** | Secretary shall offer and PHA shall accept renewals of such terms as provided in PBV and PBRA programs | •PBRA – if owner requests, Secretary renews per MAHRA terms<br>•PBV – per normal PBV rules (up to 15 years) |
| **Use Agreement** | Long-term use agreement extended with each contract renewal | N/A |
| **Resident Choice-Mobility** | • PBRA – Required after 2 years with PHA option of 15% project cap and 1/3 voucher turnover cap; good-cause exemption for up to 10% of conversions<br>• PBV – Per normal PBV rules | Same |
| **PBV Inventory Limitation** | Exempt from 20% limitation | Same |

# KEY PROGRAM PROVISIONS: 1ST COMPONENT

## Continued

| Provision | Requirement | |
|---|---|---|
| | Public Housing | Mod Rehab |
| **PBV Income Mixing** | Raised to 50% per property | Same |
| **PBV Competitive Selection of Owner Proposals** | Waived | Same |
| **PBRA Limitations on Distributions** | Waived | N/A |
| **No Rescreening at Conversion** | Required | Same |
| **Resident Consultation** | Required | Same |
| **Recognition of Legitimate Resident Organizations** | Required | Required for PBRA |
| **Resident Participation Funding** | Continued at $25 per occupied unit annually | N/A |
| **Resident Procedural Rights under Section 6 of 1937 Act** | As conveyed under Section 6 of 1937 Housing Act | N/A |
| **Davis Bacon Act and Section 3** | Required for initial repairs | N/A |

# Key Program Provisions: 2nd Component

## Mod Rehab, Rent Supp, & RAP

| Provision | Requirement |
|---|---|
| **Initial Contract Term** | 15 years |
| **Initial Contract Rents** | Per normal PBV rules |
| **Contract Rent Adjustments** | Annually per normal PBV rules |
| **Contract Renewal** | Per normal PBV rules (up to 15 years) |
| **Resident Choice-Mobility** | Per normal PBV rules |
| **PBV Inventory Limitation** | Exempt from 20% limitation |
| **PBV Income Mixing** | Raised to 50% per property |
| **PBV Competitive Selection of Owner Proposals** | Waived |
| **Resident Consultation** | Required |

# Public Housing Resident Provisions

- Resident Notification Prior to and During Conversion
- No Rescreening of Residents at Conversion
- One-for-One Replacement
  - Must convert all or substantially all units in covered project
- Family Self-Sufficiency (FSS) & Resident Opportunities and Self-Sufficiency (ROSS)
  - FSS & ROSS participants may continue in programs
- Resident Participation & Funding
  - PHAs must recognize legitimate tenant organizations
  - PHAs must provide $25 per occupied unit annually for resident participation per current Public Housing program rules
- Resident Procedural Rights
  - Consistent with Section 6 of the 1937 Housing Act

# APPLICATION SNAPSHOT

**Rental Assistance Demonstration (RAD)**
**Public Housing Program Application**

U.S. Department of HUD, Form HUD-5260 (DRAFT)
Office of Public Housing, Office of Multifamily Housing

There are several explanation boxes that extend the full width of this form. Increase or decrease the height of the box as needed (click to the left on the horizontal line below the row number, then drag the line up or down as needed).

**Section 1: PIC Development Number and Name**

Enter the PIC Development Number and Name.

CA2010001 — Development Number
Name of Development ?

Annandale Housing Authority — Public Housing Agency (PHA) Name
123456789456 — Data Universal Numbering System (DUNS) #

Anthony Bond — Executive Director
999-999-9999 — Telephone Number
abond@aha.org — Email

**Section 2: Background Information on the PHA and the Project**

Enter the requested contact information and complete the below questions regarding the project.

PHA Contact Name ? Title — Telephone Number — Email

Type of Conversion: ?

Is this Project an existing Mixed Finance Project ?

Do you want to designate this project as your PHA's priority project? ?

Review the below table of project unit counts, by bedroom size, per the PIC data extract as of 06/01/12

| PIC Bedroom Distribution | | | | | | | Total Units | Average Bedroom per Unit |
|---|---|---|---|---|---|---|---|---|
| 0-BR | 1-BR | 2-BR | 3-BR | 4-BR | 5-BR | 6-BR | | |
| 0 | 0 | 28 | 25 | 0 | 0 | 0 | 53 | 2.47 |

Is the above PIC information correct? ? Yes *Skip to proposed post-RAD-conversion unit distribution*

| Actual Bedroom Distribution (PIC corrected) | | | | | | | Total Units | Average Bedroom per Unit |
|---|---|---|---|---|---|---|---|---|
| 0-BR | 1-BR | 2-BR | 3-BR | 4-BR | 5-BR | 6-BR | | |
| | | | | | | | 0 | |

Enter the date corrected or PIC ticket created (MM/DD/YYYY) 01/01/2012

**Proposed Post-RAD-Conversion Unit Distribution.** Below, show the mix of units that you have proposed to convert, as well as other dwelling units at the project

| | 0-BR | 1-BR | 2-BR | 3-BR | 4-BR | 5-BR | 6-BR | Total Units |
|---|---|---|---|---|---|---|---|---|

Under the 1st Component, PHAs and owners will complete an Excel-based application, a draft of which is posted on the RAD website.

# KEY DATES

## 1st Component (Public Housing & Mod Rehab)

| | |
|---|---|
| Initial Application Window Opens | 9/24/2012 |
| Initial Application Window Closes | 10/24/2012 |
| Public Housing Ongoing Application Window Opens | 10/25/2012 |
| Initial CHAP Awards | 12/2012 |

## 2nd Component (Mod Rehab, Rent Supp, & RAP)

| | |
|---|---|
| Rent Supp & RAP Requests for Conversions under Interim Authority | 3/8/2012 |
| Rent Supp, RAP, & Mod Rehab Requests for Conversions under Final Notice | 7/26/2012 |

# RAD Web Page

RAD Notice, application materials, and additional resources can be found at

[www.hud.gov/rad](www.hud.gov/rad)

Email questions to rad@hud.gov