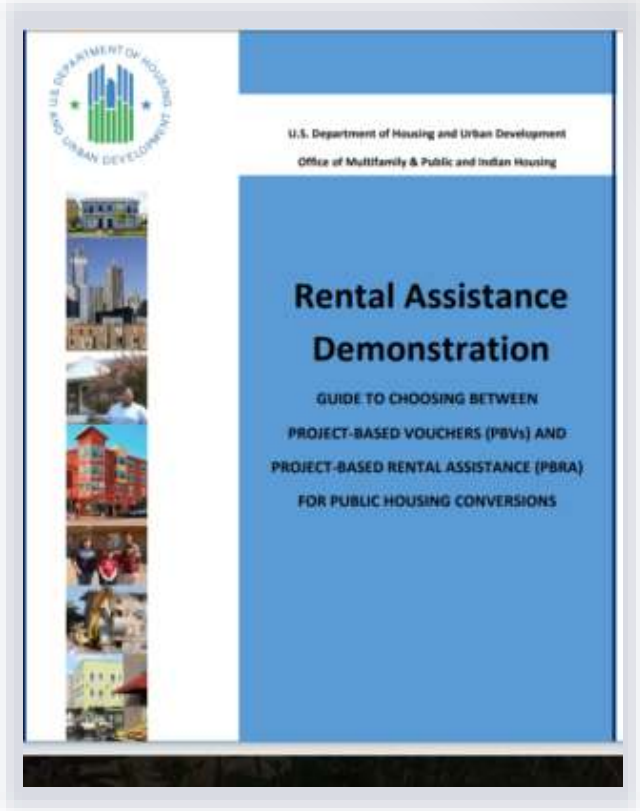



# RAD 101…

To Convert or Not to Convert

# WHY CONSIDER RAD NOW?

- **2018 Rents for contract rents**
- **Future Operating Subsidy and Capital Funds**
- **Conversion options still open**
- **Streamlined Conversion <50 units**

# RAD MYTHS

- RAD doesn't work for this type of property"
  - Conversions have been a mix between PHAs of all sizes and locations
- "RAD is only for high-investment transactions, like tax credits"
  - 57% of transactions involve $0-$25,000 per unit in capital investment
  - 40% of transactions involve tax credits and only 50% of transactions involve debt at all
- "The PHA will lose control of the Property"
  - RAD requires some level of public or non-profit ownership or control.
  - 60% of transactions that do not use LIHTCs, almost all are owned by either the PHA directly of by a wholly own subsidiary or affiliate. For the transactions involving LIHTCs, the PHA is often the general partner or part owner of the general partnership
- "RAD is a privatization Program"
  - Any Decision to involve private parties is a local one
- "RAD doesn't ensure the ongoing affordability of the property"
  - RAD properties are subject to perpetual affordability requirements so there is no change to the population served

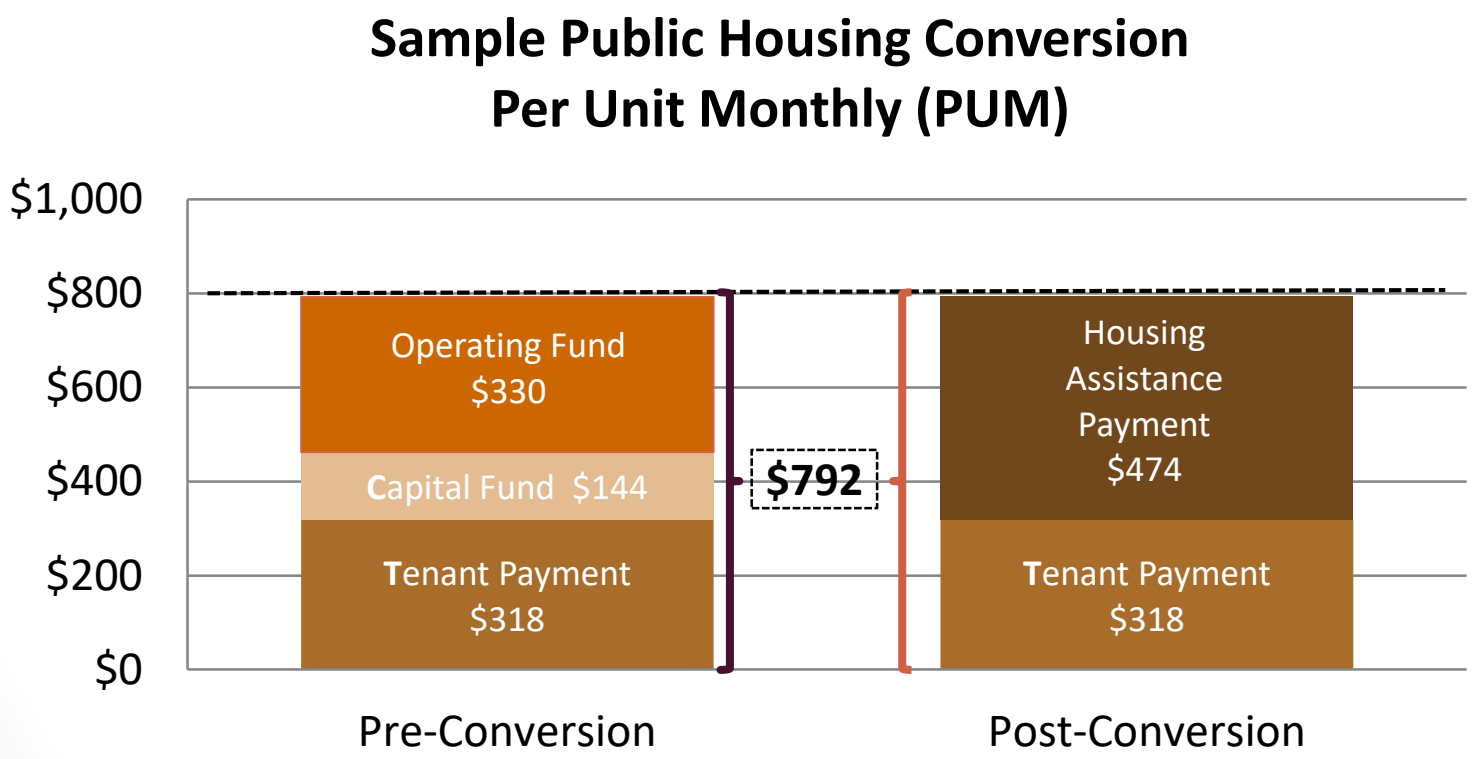
**Resources:**

"If You Thought RAD Doesn't Work for You, Think Again"

# UPFRONT CONSIDERATIONS

- What are the steps of conversion?
- What about current staff … and residents?
- Condition of properties?
- Any current debt (EPC, CFFP)
- Will you seek external assistance?
- Will you self-develop…self manage?
- How will you finance your conversion (if applicable) ~ What flavor of conversion?
- Project Based Rental Assistance (PBRA) or Project Based Voucher (PBV)
- Determine AMP grouping of properties

# UPFRONT CONSIDERATIONS



# RAD CONVERSION CHOICES….

## PBRA

- Provided to owners by HUD's Office of Housing via a HAP (Part of HUD Multifamily)
- Projects monitored by HUD MF
- No administrative fee to PHAs
- 20 years, renewal requested, must accept
- Annual Operating Cost Adjustment Factor (OCAF) – no market consideration
- Subject to annual appropriations, but strong history of full funding
- Choice Mobility after 2 years with limitations
- UPCS inspections
- TRACS system - 50059

## PBV

- Component of PHA's Housing Choice Voucher Program in which the PHA attaches a voucher to specific units via a HAP (Part of HUD Public & Indian Housing)
- Voucher funding administered by PHA; PHA can earn administrative fee
- 15 years (up to 20 with approval), renewal requested, must accept
- Annual Operating Cost Adjustment Factor (OCAF) – Rent Reasonable Cap
- Subject to annual appropriations, but with a history of funding reductions
- Possibility of serving fewer families in the future
- Choice Mobility after 1 year no limitations
- HQS Inspections
- Voucher Management System - 50058

# RAD CONVERSION CHOICES….

- **Determine the right grouping of properties**
  - RAD conversion not necessarily equated existing AMP (Asset Management Project)
  - Must be a single manageable, marketable entity
    - combining AMPs (“Many-to-one” Application)
    - splitting up AMPs
    - mixing and matching (rent bundling/blending)
    - Multiphase
    - Portfolio
    - Demolition involved
    - Transfer of Assistance
  - **Scattered Sites now eligible for Section 18 if PHA can prove it is unsustainable to operate**

# STEPS…..

https://www.hud.gov/RAD/library/notices

http://www.radresource.net/webinar

- Strategic Planning
- Review with Board
- Submit RAD Application
- RAD Inventory Assessment Tool
- Receive CHAP
- Determine Capital Needs
- Financing Plan Submittal
- Rental Conversion Commitment (RCC)
- Conversion Closing
- Post Closing Activities

# FINANCING PLAN

- **Capital Needs Determined from 3rd Party CAN**
- **Financing Options**
  - **No-debt (Public Housing funds—Operating Reserves and Capital Funds)**
  - **Debt (FHA possibly?)**
  - **Low Income Housing Tax Credits (4% or 9%)**
  - **Combination**

    **MAKE SURE ALL CURRENT RESERVES ALLOCATED**

- **Environmental**
- **Operating Pro-Forma**

# CLOSING…

- **Assignment of HUD Legal and Closing Coordinator**

**FORWARD OR NOT (usually before now)**

- **HAP Contract**
- **Released of DOT**
- **Various HUD Documents**
- **All parties legal review**
- **All signing**

# POST CLOSING…

- **Public Housing as you know it is gone!!**

- **Signing of new leases**
- **Non-critical repairs**
- **Documentation of all repairs for HUD**

# ALL POINTS IN BETWEEN

- **Board up to date**
- **Meet with Residents**
- **Staff in the know**
- **Related Stakeholder updates**
- **Determine Training Needs**
- **……..**

# THINGS TO REMEMBER

- **You can back out up to closing**
- **The projected future of Public Housing**
- **HUD staff have helped…**
- **There are lots of agencies ahead of you to learn from their mistakes**
- **There is no one size fits all…**

# EXAMPLE - KCDC

**No debt ~ internally financed:**

- Autumn Landing/Natures Cove (197 units)
- Mechanicsville (48 units)
- Valley Oaks (48 units)
- Verandas (42 units)
- Five Points Family (17 units) and Sr. Duplexes (20 units)
- Passport Residences (81 units)

Financing Plan:

- The Eastport School (25 units)
- The Residences at Eastport (60 LIHTC units)
- Love Towers
- Isabella Towers

**HUD 223(f):** Montgomery Village (380 units)

**9% LIHTC ~ combined AMP Multi-Phase:**

- The Residences at Five Points (80 elderly/disabled units)
- Five Points 2 (84 units)
- Five Points 3 (80 units)
- Five Points 4 (82 units) includes 43 Transfer of Assistance ~ Austin units
- Austin Homes (86 units) with Market Rate

**4% LIHTC/Bonds, Fannie Mae ROAR**:

- The Residences at Lonsdale (260 units)
- North Ridge Crossing (268 units)
- The Vista (175 units)

**Applications in September**:

- Western Heights (440 units)
- Northgate (277 units)

# BEFORE

**Units constructed in 1960s**
**High density (originally 500 units)**
**High Backlog of Capital Needs**

# AFTER

# SECTION 18

- Receive TPV for units
- A PHA has 90 days after the CHAP award to decide Section 18 vs RAD.
- A PHA can combine Section 18 and RAD in a single project.
  - RAD/Section 18 Blends
    - Traditional
      - When eligible, typically PHAs will go RAD for the units that were vacant and, thus, not eligible for TPVs
    - 75/25 (substantial rehab without 9% tax credits)
  - All Section 18, will need to prove one of the following:
    - Obsolescence – Physical or locational
    - Health and Safety Risk
    - More Efficient/Effective
    - Scattered sites
    - Very Small PHAs (50 units or less)
- Presently, SAC approval required for all proposed uses of proceeds

# QUESTIONS…..

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