
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Housing Office of Public and Indian Housing

Special Attention of:

Public Housing Agencies
Public Housing Hub Office Directors
Public Housing Program Center Directors
Multifamily Regional Center Directors
Multifamily Regional Satellite Office Directors
Regional and Field Office Directors
Regional Administrators
Performance Based Contract Administrators

Notice H-2019-09 PIH-2019-23 (HA)

Issued: 09/05/2019

Supersedes: Notice PIH-2012-32 (HA) H-2017-03, REV-3 and Notice PIH 2018-11 (HA) H 2018-05 and Notice PIH 2018-22 H 2018-11

Expires: This Notice remains in effect until amended, superseded, or rescinded.

SUBJECT: Rental Assistance Demonstration – Final Implementation, Revision 4

Purpose

This revised notice (Notice) provides program instructions for the Rental Assistance Demonstration (RAD or Demonstration), including eligibility and selection criteria.

Background

RAD is authorized by the Consolidated and Further Continuing Appropriations Act of 2012 ([Pub. L. No. 112-55](#), approved November 18, 2011), as amended by the [Consolidated Appropriations Act, 2014](#) (Pub. L. No. 113-76, approved January 17, 2014), the [Consolidated and Further Continuing Appropriations Act, 2015](#) (Pub. L. No. 113-235, approved December 16, 2014), the [Consolidated Appropriations Act, 2016](#) (Pub. L. No. 114-113, approved December 18, 2015), the [Consolidated Appropriations Act, 2017](#) (Pub. L. No 115-31, approved May 5, 2017), and section 237 of Title II, Division L, Transportation, Housing and Urban Development, and Related Agencies, of the [Consolidated Appropriations Act, 2018](#) (Pub. L. 115-141, approved March 23, 2018) collectively, the “RAD Statute.” RAD has two separate components:

- **First Component.** The First Component allows projects funded under the public housing program to convert their assistance to long-term, project-based Section 8 rental assistance contracts. Under this component of RAD, public housing agencies (PHAs) may choose

between two forms of Section 8 Housing Assistance Payment (HAP) Contracts: project-based vouchers (PBVs) or project-based rental assistance (PBRA). No incremental funds are authorized for this component. PHAs will convert their assistance at current subsidy levels. The FY 2018 Appropriations Act authorizes up to 455,000 units to convert assistance under this component. Section I of this Notice provides instructions for PHAs that apply for conversion under the First Component.

While the RAD Statute, as amended, contains language authorizing HUD to convert Section 8 Moderate Rehabilitation (Mod Rehab) projects (including Mod Rehab McKinney Vento SROs)¹ under the First Component, HUD is exercising its discretion to prioritize public housing conversions under the competitive requirements of this component. The demand for public housing conversions is extremely high and significantly exceeded the initial limitation on the number of units that could be converted under the First Component. In addition, unlike Mod Rehab conversions, there is no Second Component option available for public housing projects. Consequently, Mod Rehab conversions are processed exclusively under the Second Component of RAD, which is non-competitive.

- Second Component. The Second Component allows owners of projects funded under the Rent Supplement (Rent Supp), Rental Assistance Payment (RAP), and Mod Rehab programs to convert to PBV or PBRA contracts upon contract expiration or termination occurring after October 1, 2006. The Second Component further allows owners of projects funded pursuant to Project Rental Assistance Contracts under the Section 202 Supportive Housing for the Elderly program (202 PRAC) to convert to PBV or PBRA contracts. Section II of this Notice provides instructions for owners of Mod Rehab projects. Section III of this Notice provides instructions for owners of Rent Supp and RAP projects. Section IV of this Notice provides instruction for owners of 202 PRAC projects.

Collectively, pre-conversion projects whose assistance is converting from one form of rental assistance to another are referred in this Notice as “Converting Projects.” Post-conversion projects with assistance converted from one form of rental assistance to another are referred in this Notice as “Covered Projects.”

Previous versions of this Notice were published as follows:

- Notice PIH 2012-18 (March 8, 2012, superseded by Notice PIH 2012-32)
- Notice PIH 2012-32 (July 26, 2012)
- Notice PIH 2012-32 REV-1 (July 2, 2013)

¹ All references in this Notice to Mod Rehab include Mod Rehab SRO unless otherwise stated.

- Notice PIH 2012-32 REV-1 Technical Correction (February 6, 2014)
- Notice PIH 2012-32 REV 2 (June 15, 2015)
- Notice PIH 2012-32 (HA) H 2017-03, REV 3 (January 12, 2017)
- Notice PIH 2018-11 H 2018-05 (July 2, 2018)
- Notice PIH 2018-22 H 2018 11 (December 11, 2018)

The terms of the Notice in effect at the time of closing generally govern all projects converting assistance under either component of RAD, notwithstanding execution of a conditional approval or commitment for conversion. For all conversion types, HUD reserves the right, in its sole discretion and upon request from the applicant, to apply provisions from previous versions of this Notice to program participants that are near conversion.

Major Revisions in Revision 4

This revised Notice includes a change in eligibility and selection criteria as well as clarifications of existing instructions. Major revisions are summarized below. Where indicated, the provisions will be subject to a 30-day Notice and Comment period.

First Component (Public Housing Conversions)

1. Extends all resident rights to households that will reside in non-RAD Project Based Voucher (PBV) units placed in a converted public housing project so as to facilitate the standard protection of residents (see Section 1.6);
2. Increases resident notice requirements to improve communication with residents throughout the conversion process (see Section 1.8);
3. Establishes a mechanism for public housing agencies (PHAs) to enter into partnerships in order to pool resources or capacity with each other so as to effectively convert properties through RAD (see Section 1.5.L.);
4. Allows limited rent increases for public housing conversions to Project Based Rental Assistance (PBRA) contracts in certain scenarios, including in designated Opportunity Zones (see Section 1.7.A.5);
5. Modifies the requirements for portfolio awards so as to provide PHAs greater flexibility in staging the conversion of their properties (see Section 1.9.C.);
6. Streamlines Capital Needs Assessment (CNA) requirements to eliminate the submission of the CNA Tool when certain conditions have been met (see Section 1.5.A.);
7. Introduces a “Concept Call” so that PHAs can receive confirmation that project plans are sufficiently advanced to submit a Financing Plan (see Section 1.12.C.);

8. Prohibits PHAs from entering debt into the Earned Income Verification “Debts Owed” module purely as a result of the 50058 End of Participations that is required to be submitted into Public and Indian Housing Information Center (PIC) as part of the conversion (see Section 1.13.B);
9. Broadens the use of “tiered” environmental reviews so that streamlined submissions are needed for certain 24 CFR Part 50 reviews; requires the use of the HUD Environmental Review Online System (HEROS) for Part 50 reviews; and requires radon testing for PBRA and PBV conversions ([see Attachment 1A](#));
10. Establishes policy that RAD rents will be updated every two years and the updated rents will be applied to new awards issued after those established dates (see Attachment 1C);
11. Establishes a priority for “Section 3” employment and other economic opportunities for residents of public housing or Section 8 assisted housing (see Section 1.4.A.18.).

The following additional changes are subject to Notice and Comment because they impact eligibility and selection criteria (see below):

1. Removing restrictions on certain HOPE VI properties that are under 10 years old; and
2. Eliminating the selection of applications based on previously established “Priority Categories” so that HUD reviews applications on a first-come, first serve basis. In the event that a waiting list forms, establishes the priority selection of applications for properties located in designated Opportunity Zones.

Second Component (Section 202 PRAC, Mod Rehab, Mod Rehab SRO, Rent Supp, RAP Conversions)

1. Implements the provision of the 2018 Appropriations Act authorizing the conversion of Section 202 PRAC projects to Section 8 PBRA or PBV contracts
2. Streamlines Capital Needs Assessment (CNA) requirements for Mod Rehab conversion to eliminate the submission of the CNA Tool when certain conditions have been met;
3. Broadens the use of “tiered” environmental reviews so that streamlined submissions are needed for certain Part 50 reviews; requires the use of the HUD Environmental Review Online System (HEROS) for Part 50 reviews; and requires radon testing for PBRA and PBV conversions
4. Streamlines the Conversion Plan (Financing Plan) requirements for Mod Rehab Conversion when certain criteria has been met
5. Creates an ability for Mod Rehab and SRO properties converting to PBRA to utilize contract rents based on the condition of the property following rehabilitation

6. Provides an ability for owners of converting SRO properties serving the homeless to establish a leasing or occupancy preference that facilitates permanent supportive housing;
7. Fully establishes resident right of return and the prohibition against re-screening for existing residents; and
8. Establishes a final date that any remaining RAP properties may make a submission of conversion under RAD.

Notice and Comment for Changes in Eligibility and Selection Criteria

This Notice is effective immediately except with respect to changes in the project eligibility and selection criteria, which are subject to a 30-day comment period commencing on the effective date for the remainder of the Notice. Unless HUD receives comment that would lead to the reconsideration of any of the indicated changes in eligibility and selection criteria, these changes will become effective seven calendar days following expiration of the 30-day comment period. If HUD receives adverse comment that leads to reconsideration, HUD will notify the public in a new revision immediately upon the expiration of the comment period. Please submit all comments to RAD@hud.gov.

PHAs and Project Owners applying to RAD during the 30-day public comment period will be subject to the new eligibility and selection criteria of this Notice. In the event that HUD reconsiders any changes to the eligibility and selection criteria after the 30-day comment period that materially impact an application submitted during the comment period, a PHA or Project Owner may amend an application previously submitted. However, CHAPs and Portfolio Awards for projects satisfying eligibility and selection criteria that are subject to notice and comment will only be issued upon expiration of the comment period.

Notice Organization

The main body of this Notice (Program Instructions) is divided into four sections:

- **Section I**: Provides instructions to PHAs and their development partners, who can convert the assistance of public housing projects under the First Component of the Demonstration.
- **Section II**: Provides instructions to owners of Mod Rehab projects, including SROs, who can convert the assistance of these projects under the Second Component of the Demonstration.
- **Section III**: Provides instructions to owners of Rent Supp and RAP projects, who can convert the assistance of these projects under the Second Component of the Demonstration.
- **Section IV**: Provides instructions to owners of 202 PRAC projects, who can convert the assistance of these projects under the Second Component of the Demonstration.

Please refer to the appropriate section for relevant instructions. A table of contents is provided on pages 6-8 of this Notice for reference.

Demonstration Goals

RAD provides the opportunity to test the conversion of public housing and other HUD-assisted properties to long-term, project-based Section 8 rental assistance to achieve certain goals, including the preservation and improvement of these properties through enabling access by PHAs and owners to private and public debt and equity to address immediate and long-term capital needs. RAD is also designed to test the extent to which residents have increased housing choices after the conversion, and the overall impact on the subject properties.

Evaluation

Each component of RAD will be evaluated separately:

- For conversions under the First Component, HUD is required under the RAD Statute to assess and publish findings regarding the impact of the conversion on: the preservation and improvement of the former public housing units, the amount of private capital leveraged as a result of such conversion, and the effect of such conversion on residents. (The 2012 Appropriations Act does not require an evaluation of the conversion of Mod Rehab under the First Component.) On September 30, 2014 HUD published “A Progress Report on the Rental Assistance Demonstration (RAD) Evaluation,” which provides a summary of early program results and outlines the evaluation underway.² In addition, in September, 2016 HUD published the “Interim Report: Evaluation of HUD’s Rental Assistance Demonstration (RAD).”³
- For conversions under the Second Component, the legislation requires that the Comptroller General of the United States conduct a study of the long-term impact of the fiscal year 2012 and 2013 conversion of TPVs to PBVs on the ratio of tenant-protection vouchers to project-based vouchers. The study, which was completed and published on April 24, 2014, is available at <http://www.gao.gov/products/GAO-14-402>.

Further Information

Please check www.hud.gov/rad for the latest information on RAD or to join the RAD listserv. *Materials referenced in this Notice may be obtained from this RAD website.* Email questions to RAD@hud.gov. Additionally, HUD will develop informational materials to address various program elements that HUD will post on the RAD website.

Paperwork Reduction Act

Approved

² http://www.huduser.org/portal/RAD_Evaluation.html

³ http://portal.hud.gov/hudportal/documents/huddoc?id=RAD_InterimRpt_Final.pdf

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control number 2502-0612, 2529-0013, and 2506-0087. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

Pending

The information collection requirements contained in this document are pending approval by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control number 2502-0118. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

R. Hunter Kurtz,
Principal Deputy Assistant Secretary
for Public and Indian Housing

Brian D. Montgomery,
Assistant Secretary for Housing –
Federal Housing Commissioner