



FREQUENTLY ASKED QUESTIONS

What is RAD?

The Rental Assistance Demonstration (RAD) Program is an opportunity to avert the pending affordable housing crisis due to the lack of adequate federal funding for public housing across the United States. The RAD program was created by the U.S. Department of Housing and Urban Development (HUD) and endorsed by Congress as a voluntary program to help public housing authorities (PHAs) preserve and improve public housing properties. The program is designed to give PHAs access to more stable funding to make needed improvements to aging properties.

Why is RAD needed?

Across the country and here in Milwaukee, the public housing inventory is aging, becoming obsolete with an increasing backlog of needed repairs. Despite the immense need to preserve public housing units, Congress has reduced funding for these repairs – called capital funding - by 24% over the past decade. HACM's current backlog of non-emergency property maintenance needs is over \$198 million. With existing capital fund levels, it would take over 44 years to repair HACM's existing backlog.

How does RAD work?

Under RAD, units change from public housing to project-based Section 8 voucher assistance (rent assistance) under a long-term contract between HACM and HUD. This provides a more stable source of funding for affordable housing. RAD also opens access to additional financing to preserve and improve housing units that are necessary to support Milwaukee's low-income population with safe, high-quality and affordable housing.

How will HACM implement RAD?

HUD has authorized several ways of implementing RAD. In Milwaukee, HACM will establish limited liability corporations (LLCs) for buildings/developments, and HACM will be managing partner of the LLCs. This is similar to HACM's current tax credit properties.

How will RAD affect residents and their rent?

As with public housing, residents will continue to pay no more than 30% of adjusted gross income for rent. However, there will be no flat rents under RAD, so residents with high enough income who are currently paying flat rents may see an increase in rent that will be phased in over time, if necessary. Residents will not lose housing assistance and will not be re-screened when their apartment goes through a RAD conversion.

Vision: RAD will preserve and improve affordable housing, strengthen HACM's resiliency, and provide opportunities to thrive.

[More Questions?](#)

Visit rad.hacm.org or contact the HACM RAD hotline at (414) 286-8600 or rad@hacm.org.

Housing Authority of the City of Milwaukee



HACM Portfolio Repositioning

As of 2/1/2021

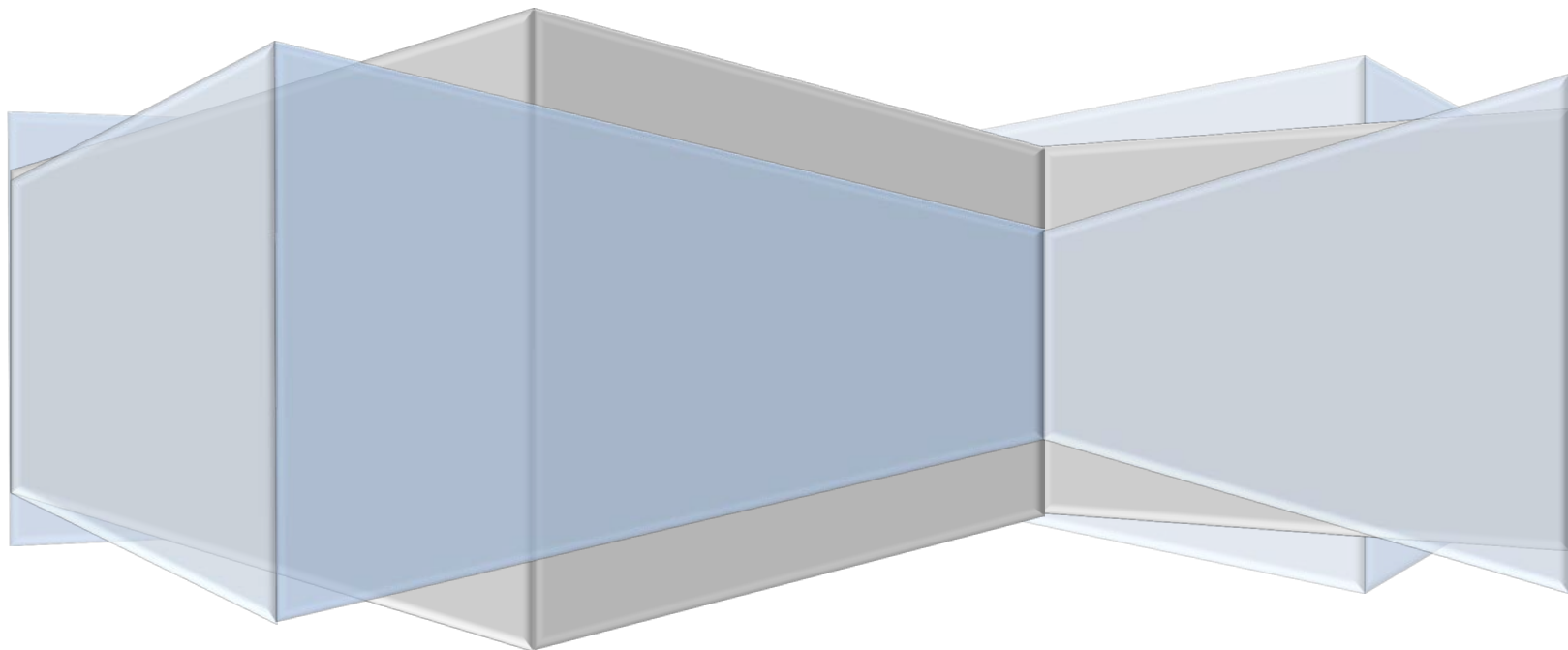


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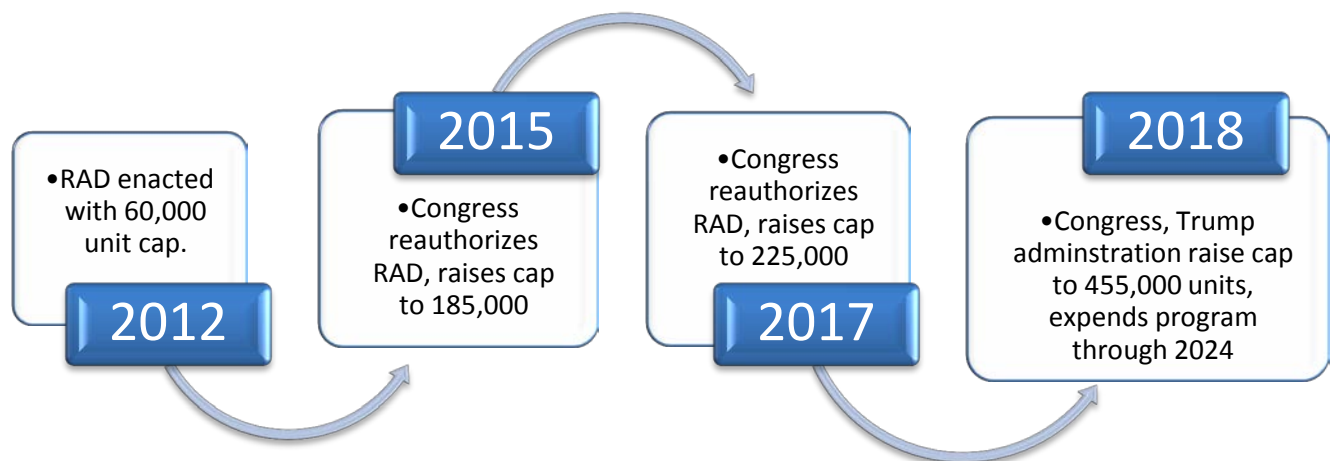
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Rental Assistance Demonstration (RAD) History

RAD was created in order to give public housing authorities (PHAs) a powerful tool to preserve and improve public housing properties and address the \$26 billion dollar nationwide backlog of deferred maintenance identified in 2010. RAD also gives owners of three HUD "legacy" programs (Rent Supplement, Rental Assistance Payment, and Section 8 Moderate Rehabilitation) the opportunity to enter into long-term contracts that facilitate the financing of improvements.

Five Things You Should Know About Public Housing Conversions

1. RAD allows public housing agencies to **leverage public and private debt and equity in order to reinvest in the public housing stock**. This is critical given the backlog of public housing capital needs - estimated at over \$35 billion.
2. In RAD, units move to a Section 8 platform with a long-term contract that, by law, must be renewed in perpetuity. A Use Agreement is also recorded under RAD further enforcing HUD's long-term interest. **This ensures that the units remain permanently affordable to low-income households.**
3. Residents benefit from a right of return, a prohibition against re-screening, and robust notification and relocation rights. Residents continue to pay 30% of their adjusted income towards the rent, **maintain the same basic rights** as they possess in the public housing program, and gain a new option to request tenant-based assistance if they wish to subsequently move from the property.
4. RAD **maintains the ongoing public stewardship** of the converted property through clear rules requiring ongoing ownership or control by a public or non-profit entity.
5. RAD is highly cost-effective, **relying on shifting existing levels of public housing funds to the Section 8 accounts** as properties convert.



Latest RAD Updates

Research Finds Positive Outcomes for Residents in Converted Properties

Two studies published in 2020 examined the outcomes of residents living in public housing properties that have converted through RAD:

- In a recent issue of Health Affairs focusing on investments in social determinants of health, a new study examined how renovations of a property in Queens, NY that converted through RAD may improve the health of public housing residents. Examining Medicaid data for “housing-sensitive” health conditions (such as asthma, hypertension, etc.) for residents before and after the renovation with a control group of Medicaid enrollees, the study finds statistically significant improvements in the aggregate health of residents as a result of the improved housing conditions. <https://www.healthaffairs.org/doi/10.1377/hlthaff.2019.00767>
- HUD released the full report, "Examining the Effects of the Rental Assistance Demonstration (RAD) on Children Living in Public Housing in Fresno, California," which assessed outcomes and the well-being of children living in developments that have undergone rehab and conversion under the RAD. The study found notable and mostly positive results where residents experienced significant improvements including upgraded heating/cooling systems and appliances; improved unit layout and conditions; perceived safety and connectedness; and enhanced resident resources and pride of place. <https://www.huduser.gov/portal/sites/default/files/pdf/RADEvaluationFresno.pdf>

RAD Celebrates \$10 Billion Invested in RAD-Converted Public Housing

Public Housing Agencies (PHAs) and their partners have generated over \$10 billion for the improvement and replacement of converting public housing properties through RAD. Founded on the core principles of maintaining and strengthening resident rights, replacing affordable units one-for-one, ongoing public stewardship, and long-term affordability, PHAs have effectively used RAD to stabilize, rehabilitate, or replace public housing properties.

https://www.hud.gov/sites/dfiles/Housing/documents/RAD_10B_Flyer_10-2020.pdf

2020 RAD Rents

HUD has posted the 2020 RAD Contract Rents which are used to determine the initial contract rent in the Section 8 Housing Assistance Payment (HAP) contract for public housing properties converting under RAD. The revised rents provide an upside of approximately 4% across the remaining public housing which would generate roughly \$900,000 annual income.

https://www.hud.gov/sites/dfiles/Housing/documents/RADBlast_2020_1215.pdf

Permanent 4% LIHTC Floor

The COVID-19 Relief Omnibus Bill passed on December 21, 2020 provides a 4% fixed low-income housing tax credit (LIHTC) rate for bond-financed affordable housing projects that meet certain requirements.

Minimum 4% Floor Would Allow for Nearly 130,000 Additional Affordable Rental Homes, 2021-2030

Year	Additional 4% Units	Jobs	Wages & Biz Income	Taxes
2021-2030	130,000	162,500	\$18.5 billion	\$7.3 billion

Source: Novogradac



Financing a Typical LIHTC Property with Tax-Exempt Bonds

100 unit property

	With 4 Percent Floor	Without 4 Percent Floor	
Total Project Costs	\$16,250,000	\$16,250,000	
LIHTC Eligible Costs	\$15,000,000	\$15,000,000	
LIHTC Rate	4.00%	3.08%	May 2020 rate
Calculate Annual LIHTCs	\$600,000	\$462,000	
Total LIHTCs for Syndication	\$6,000,000	\$4,620,000	
LIHTC Price per Credit Dollar	\$0.90	\$0.90	Market determined equity price
LIHTC Equity	\$5,400,000	\$4,158,000	23% less equity without the 4 percent floor
Tax-Exempt Bond Financing	\$9,425,000	\$9,425,000	
Percentage of Tax-Exempt Bond Financing*	58%	58%	
Soft and/or Taxable Bond Financing	\$750,000	\$750,000	
Deferred Developer Fee	\$675,000	\$675,000	
Total Sources	\$16,250,000	\$15,008,000	Dollar gap of \$1,242,000

*At least 50 percent of the aggregate basis must be financed by tax-exempt private activity bonds in order to receive 4 percent LIHTC on 100 percent of the eligible basis.

Source: Novogradac



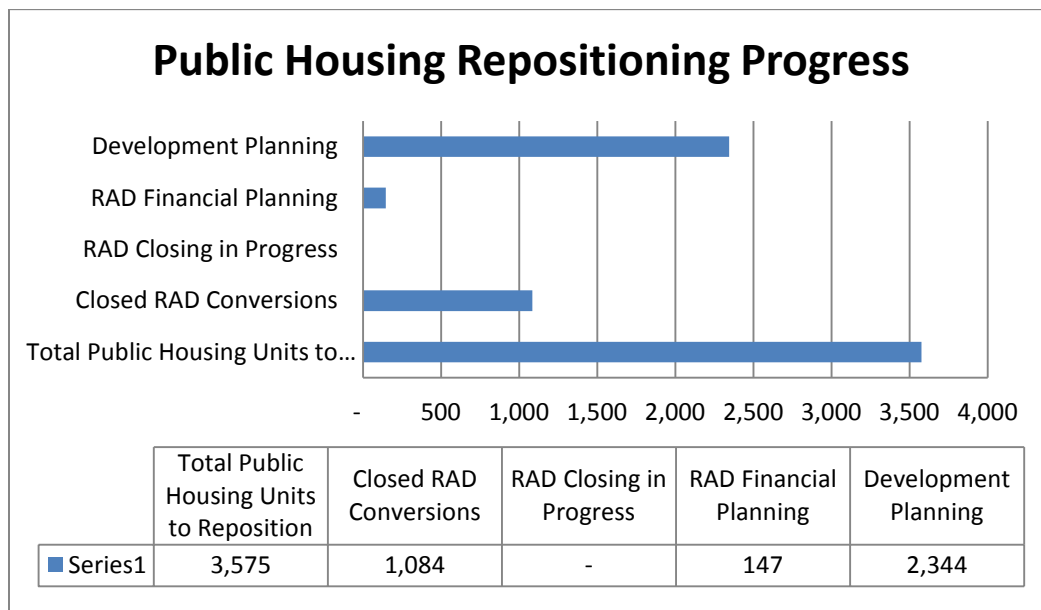
New RAD Blend Provisions

HUD PIH Notice 2021-07 expands options to the RAD/Section 18 Blend that allow 40% or 60% of the units to convert to Section 18 TPVs (for project-basing), and even up to 80% (in "high TDC areas"), depending on the project's hard construction cost per unit as a percent of the local Hard Construction Costs.

Percentage of Average Hard Construction Costs (as published by HUD for the market area)	% Units in the Property Eligible to Convert via Section 18 (i.e. FMR rents)	% Units in the Property Eligible to Convert via RAD (i.e. RAD rents)
30%-60%	20%	80%
60%-90%	40%	60%
>90%	60%	40%
>120%	80%	20%

<https://www.hud.gov/sites/dfiles/PIH/documents/PIH2021-07.pdf>

HACM Portfolio Conversion Status



Development Name	AMP #	Units	RAD Stage
Cherry Court	WI002000064	70	Closed
Convent Hill	WI002000065	42	Closed
Highland Gardens	WI002000049	46	Closed
Holton Terrace	WI002000008	120	Closed
Lapham Park	WI002000075	131	Closed
Merrill Park	WI002000091	120	Closed
Olga Village	WI002000068	37	Closed
Scattered Sites Tax Credit I	WI002000066	24	Closed
Scattered Sites Tax Credit II	WI002000067	12	Closed
Westlawn Gardens (East)	WI002000071	64	Closed
Westlawn West Phase 2A - Victory Manor	WI002000070	44	Closed
Westlawn West Phase 2B - WRIII	WI002000070	84	Closed
Westlawn West Phase I - WRII	WI002000070	18	Closed
Westlawn West Phase 4B - WRVI	WI002000070	136	Closed
Becher Court	WI002000018	120	Closed
Westlawn West Phase 3 - WRIV	WI002000070	16	Closed
Westlawn West Phase 4A - WRV	WI002000070	3	Financial Planning
Westlawn West Phase 4C - WRVII	WI002000070	93	Financial Planning
Townhomes at Carver Park	WI002000046	51	Development Planning
Arlington Court	WI002000013	230	Development Planning
College Court	WI002000011	249	Development Planning
Hillside Terrace	WI002000001	470	Development Planning
Lincoln Court	WI002000019	110	Development Planning
Locust Court	WI002000015	230	Development Planning
Mitchell Court	WI002000017	100	Development Planning
Parklawn	WI002000007	380	Development Planning
Riverview	WI002000062	180	Development Planning
Scattered Sites - Cherry Court	WI002000063	70	Development Planning
Scattered Sites - Highland Homes	WI002000060	56	Development Planning
Scattered Sites – Milwaukee	WI002000010	61	Development Planning
Scattered Sites - North/West	WI002000016	144	Development Planning
Scattered Sites – South	WI002000061	64	Development Planning

Active Project Update

Holton Terrace

Located at 2825 N. Holton Street Milwaukee, WI 53212, Holton Terrace is a nine-story building with 120 apartments with a preference for senior and adults with disabilities. The building is conveniently located on public transportation lines in Milwaukee's Riverwest neighborhood.



Holton Terrace closed with the Equity Investor RBC and debt provider WHEDA in July 2019. Construction started July 2019 and is estimated to be complete in June 2021. Travaux is the General Contractor coordinating the renovations.

Scope of work includes modernization to 24 units to be fully ADA accessible, renovations to 96 standard units, first floor common area remodel, parking lot repaving, elevator modernization and a new monument sign.

Below are photos of **Completed Standard Unit.**



Completed ADA Unit



Merrill Park

Located at 222 N. 33rd Street Milwaukee, WI 53208, Merrill Park is a nine-story building with 120 apartments with a preference for senior and adults with disabilities. The building is nestled in Milwaukee's near west side neighborhood with easy access to the freeway.

Merrill Park closed with the Equity Investor RBC and debt provider WHEDA in December 2019. Construction began in February 2020 and is estimated to be complete in December 2021. Travaux is the General Contractor coordinating the renovations.



Scope of work includes modernization to 24 units to be fully ADA accessible, renovations to 96 standard units, first floor common area remodel, elevator modernization, parking lot repaving, roof replacement, façade repair and a new monument sign.

Units are under construction:



Becher Court

Located at 1802 W. Becher St, Milwaukee WI 53015, Becher Court is a six-story building with 120 apartments with a preference for senior and adults with disabilities. Residents of Becher Court also enjoy the many amenities of the adjoining Becher Terrace senior living community, including a hot lunch program, computer lab, exercise room, library, craft room and additional laundry facilities.



Becher Court closed with the Equity Investor PNC and debt provider WHEDA in July 2020. Construction started in July 2020 and is estimated to be complete in January 2022. Travaux is the General Contractor coordinating the renovations.

Scope of work includes modernization to 24 units to be fully ADA accessible, renovations to 96 standard units, elevator modernization, parking lot repaving, roof replacement, façade repair and a new monument sign.

Units are under construction:



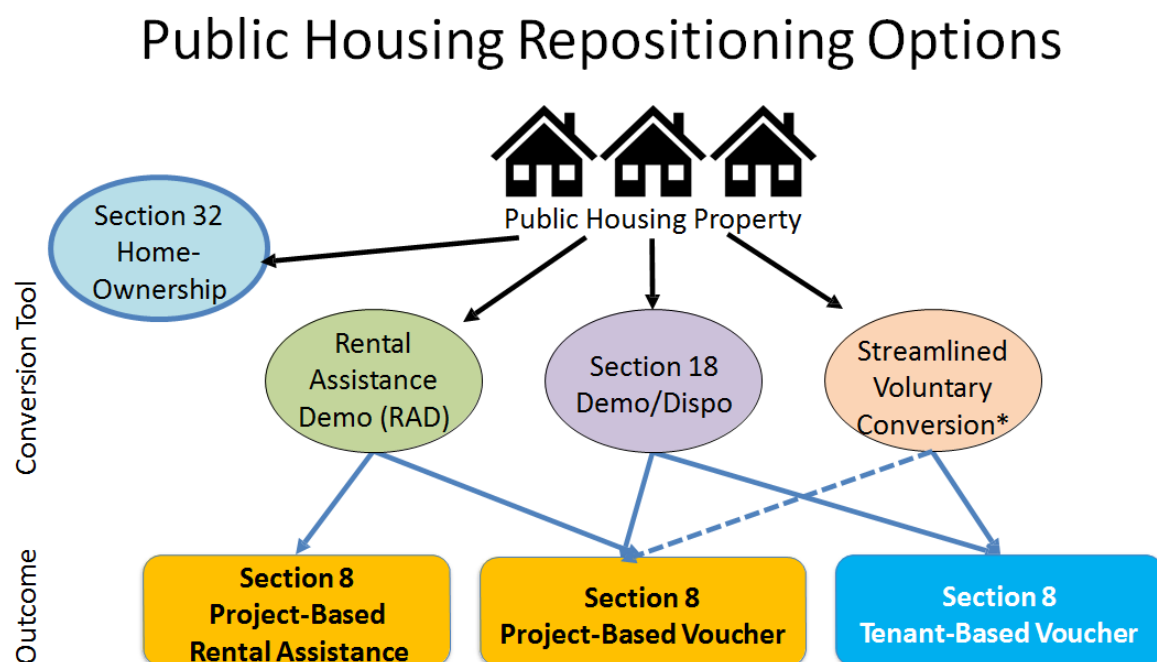
Westlawn Gardens

Phase	Development Name	Current Status	Start Date	Finish Date	RAD Units	Other Aff. Units	Market Units	Total Units
1	Westlawn Renaissance II	Fully Leased	03/01/17	12/31/18	18	12	0	30
2A	Victory Manor	Fully Leased	03/01/17	12/31/18	44	10	6	60
2B	Westlawn Renaissance III	Fully Leased	10/01/18	03/01/20	84	10	0	94
3	Westlawn Renaissance IV	Closed	12/31/20	3/30/22	16	44	0	60
4A	Westlawn Renaissance V	9% LIHTC Application Pending	11/30/21	12/31/22	3	41	0	44
4B	Westlawn Renaissance VI	Under Construction	5/30/20	6/1/21	136	2	0	138
4C	Westlawn Renaissance VII	4% LIHTC Application Pending	3/15/22	6/1/23	93	4	0	97
5	Market Rental		4/1/22	12/31/23	0	0	135	135
6	Market Ownership		7/1/21	12/31/23	0	0	50	50
Total					394	123	191	708

HUD Public Housing Repositioning Tools

HUD has various repositioning strategies available to public housing agencies (PHAs) to provide thousands of families across the country with better-maintained units while creating opportunities to leverage public and private resources, easing administration, and preserving affordable housing. Repositioning from a public housing platform to other forms of HUD rental assistance can help PHAs address rehabilitation and physical needs, as well as place properties on a more stable financial foundation. The Department's repositioning efforts will provide communities with additional flexibilities to better meet local needs and funding options to achieve long-term viability for their affordable housing.

HUD is encouraging PHAs and communities to consider repositioning. Below are options available:



* Under Voluntary Conversion tenant protection vouchers must first be offered to residents as tenant-based assistance but may be project-based with tenant consent.

Staff from HUD Office of Recapitalization were onsite in May 2019 to meet with HACM Staff to discuss public housing repositioning and what options may serve our portfolio best.



HACM Portfolio Repositioning Overview

As of 2/1/2021 HACM has a total of 2,763 units left to reposition. Below is a tentative plan for repositioning which is subject to change.

Disposition Type	Financing Type/Structure	# Units	Conversion Model
Rental Assistance Demonstration [RAD] •Townhomes at Carver Park (51 units)	9% LIHTC & Debt	51	Preservation
Rental Assistance Demonstration [RAD] & Choice Neighborhood Initiative [CNI] •Westlawn West – Phase V (3 units)	9% LIHTC & Debt	3	Redevelop - New Construction
Rental Assistance Demonstration [RAD] & Choice Neighborhood Initiative [CNI] •Westlawn West – Phase WRVII (93 units)	4% LIHTC & Debt	93	Redevelop - New Construction
Section 18 Disposition – Tenant Protection Vouchers •Scattered Sites – Cherry Court (70 units) •Scattered Sites – Highland Homes (56 units) •Scattered Sites – Milwaukee (61 units) •Scattered Sites – North/West (144 units) •Scattered Sites – South (64 units)	Debt	395	Released from HUD Contract
RAD/Sec 18 Disposition –Tenant Protection Vouchers •Hillside Family – RAD (421 units) •Hillside Midrise - Section 18 Disposition (49 units)	LIHTC & Debt	470	Redevelop - New Construction
Portfolio Repositioning – To Be Determined •Arlington Court (230 units) •College Court (249 units) •Lincoln Court (110 units) •Locust Court (230 units) •Mitchell Court (100 units) •Parklawn (380 units) •Riverview (180 units)		1,479	
		2,491	

Key Terms

Commitment to enter into a Housing Assistance Payments Contract (CHAP): Conditional commitment provided to the PHA for units that have been selected under the First Component of the Demonstration that describes the terms under which HUD would enter into a HAP Contract with the Project Owner once the project complies with all requirements in the CHAP, this Notice, and other statutory and regulatory requirements applicable to the project.

Choice Mobility: For residents of RAD projects, the option to obtain a housing choice voucher from a PHA after a year of residency.

Financing Plan: Documentation submitted to HUD for review to demonstrate that the Covered Project can be sustained physically and financially for the term of the Housing Assistance Payment (HAP) Contract at the rent levels permitted under the Demonstration. The Plan must show how the project's immediate and long-term capital needs will be addressed.

Housing Choice Voucher: Assists very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Housing choice vouchers are administered locally by public housing agencies (PHAs). The PHAs receive federal funds from HUD to administer the voucher program.

Project-Based Voucher (PBV): A component of a PHA's HCV program, where the PHA attaches voucher assistance to specific housing units through a PBV HAP Contract with an owner. Unlike a tenant-based voucher, the PBV assistance remains attached to the unit when the family moves, and assists the next eligible family to move into the PBV unit. The PBV program is administered by HUD's Office of Public and Indian Housing.

Public Housing Agency (PHA): An agency created by local government to administer public housing

RAD Conversion Commitment (RCC): The contract executed by HUD, the PHA and, as applicable, the post-conversion Project Owner. The RCC follows HUD approval of the Financing Plan and describes the terms and conditions of the conversion.

Rehabilitation (or rehab): An agency created by local government to administer public housing.

Section 8: Section 8 of the Housing Act of 1937, as amended, authorizes the payment of rental housing assistance to private landlords on behalf of low-income households. The largest part of the section is the Housing Choice Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Housing choice vouchers are administered locally by public housing agencies (PHAs). The PHAs receive federal funds from HUD to administer the voucher program.

Section 9: Section 9 Public Housing was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. HUD administers federal aid to local housing agencies that manage the housing for low-income residents at rents they can afford.

Attachments

Research Finds Positive Outcomes for Residents in Converted Properties

RAD Celebrates \$10 Billion Invested in RAD-Converted Public Housing

Recently Improved Tools for Public Housing Repositioning

HUD Repositioning 101 PowerPoint

Asset Repositioning Overview Matrix



Rental Assistance Demonstration RADBlast!



Research Finds Positive Outcomes for Residents in Converted Properties; New Research Funding Opportunity Available

Research Finds Positive Outcomes for Residents in Converted Properties

Two studies published earlier this year examined the outcomes of residents living in public housing properties that have converted through RAD:

- In a recent issue of Health Affairs focusing on investments in social determinants of health, a [new study](#) examined how renovations of a property in Queens, NY that [converted through RAD](#) may improve the health of public housing residents. Examining Medicaid data for “housing-sensitive” health conditions (such as asthma, hypertension, etc.) for residents before and after the renovation with a control group of Medicaid enrollees, the study finds statistically significant improvements in the aggregate health of residents as a result of the improved housing conditions.
- HUD released the [full report](#), "Examining the Effects of the Rental Assistance Demonstration (RAD) on Children Living in Public Housing in Fresno, California," which assessed outcomes and the well-being of children living in developments that have undergone rehab and conversion under the RAD. The study found notable and mostly positive results where residents experienced significant improvements including upgraded heating/cooling systems and appliances; improved unit layout and conditions; perceived safety and connectedness; and enhanced resident resources and pride of place.

New Research Funding Opportunity

Building off the results in these studies, HUD has recently published a [Research NOFA](#) requesting proposals to study the impact of RAD on children in HUD-Assisted households that seeks to. HUD may award one or two cooperative agreements, with a total of all awards not to exceed \$750,000. Applications are due by July 30th.

The goal of this NOFA is to support research project(s) that will produce policy-relevant evidence on the implementation of the RAD program and its effect on children's well-being. The applicant should be aware of the major research goals for other studies of RAD and propose a project that enhances, replicates, or complements the larger RAD evaluations or other studies such as those discussed above.

Proposed projects may examine outcomes—including but not limited to housing stability, health status and health care use, access to services, involvement with the criminal justice system, and academic performance—before and after the RAD conversion, potentially using a comparison group of similar children in public housing properties that did not convert under RAD or other comparable group whose baseline characteristics are similar to those of children in the RAD property. The study may examine differences in outcomes based on demographic characteristics. Specific outcomes of interest may depend on the nature of the RAD conversion at a particular property (or group of properties) based on the existing literature and data availability.

Thanks!
-The RAD Team

To join the RAD email list, please go [here](#).



Rental Assistance
Demonstration (RAD)
Office of Recapitalization



\$10 BILLION INVESTED IN RAD-CONVERTED PUBLIC HOUSING



RAD HAS REACHED A BIG MILESTONE

In just seven years since the first public housing property converted under RAD, Public Housing Agencies (PHAs) and their partners have cleared another major milestone—surpassing over \$10 billion for the improvement and replacement of converting public housing properties. Founded on the core principles of **maintaining and strengthening resident rights, replacing affordable units one-for-one, ongoing public stewardship, and long-term affordability**, PHAs have effectively used RAD to stabilize, rehabilitate, or replace public housing properties.



RAD BY THE NUMBERS

\$10B

total construction investment for modern, safe, and affordable housing for low-income households

\$12.57

private and public capital leveraged for every dollar of Congressionally-appropriated public housing funds

34

years it would have taken to collect enough public housing capital funds to complete a similar amount of construction, based on recent funding levels

190K

jobs directly or indirectly created through RAD construction, many for low-income residents through Section 3 requirements

\$60K

average construction investment per RAD converted home

12K

newly constructed units to provide brand new homes to tenants

8K

assisted units moved to neighborhoods with greater access to amenities such as jobs, schools, and transportation

>99%

of public housing units newly assisted under long-term Section 8 contracts

165K

homes preserved, improved, or replaced, of which 140K are RAD-converted units and 25K are income-restricted affordable housing and market-rate units in the same properties



RESIDENTS IN FOCUS

Residents at RAD-converted properties maintain a robust suite of rights and protections to make sure that they benefit from the improved housing.

90%

of public housing residents remained in or returned to their properties following a RAD conversion, according to a recent evaluation. Under RAD, all residents have a right to return to the property or may accept an alternative affordable housing option.



Rita Joseph
Far Rockaway, NY

"When we heard that RAD [was being used], it was hard for us to believe that somebody would come and rescue us.... But then I started going to the meetings, and I said, 'You know, this does sound great, maybe it will come to pass....' When they started work, I said, 'Oh my God, this is really true!'"



Keith Washington
Philadelphia, PA

"[Spring Garden is] a real blessing, more than I imagined... having this nice new place to live will help me in my desire... to make my life better."



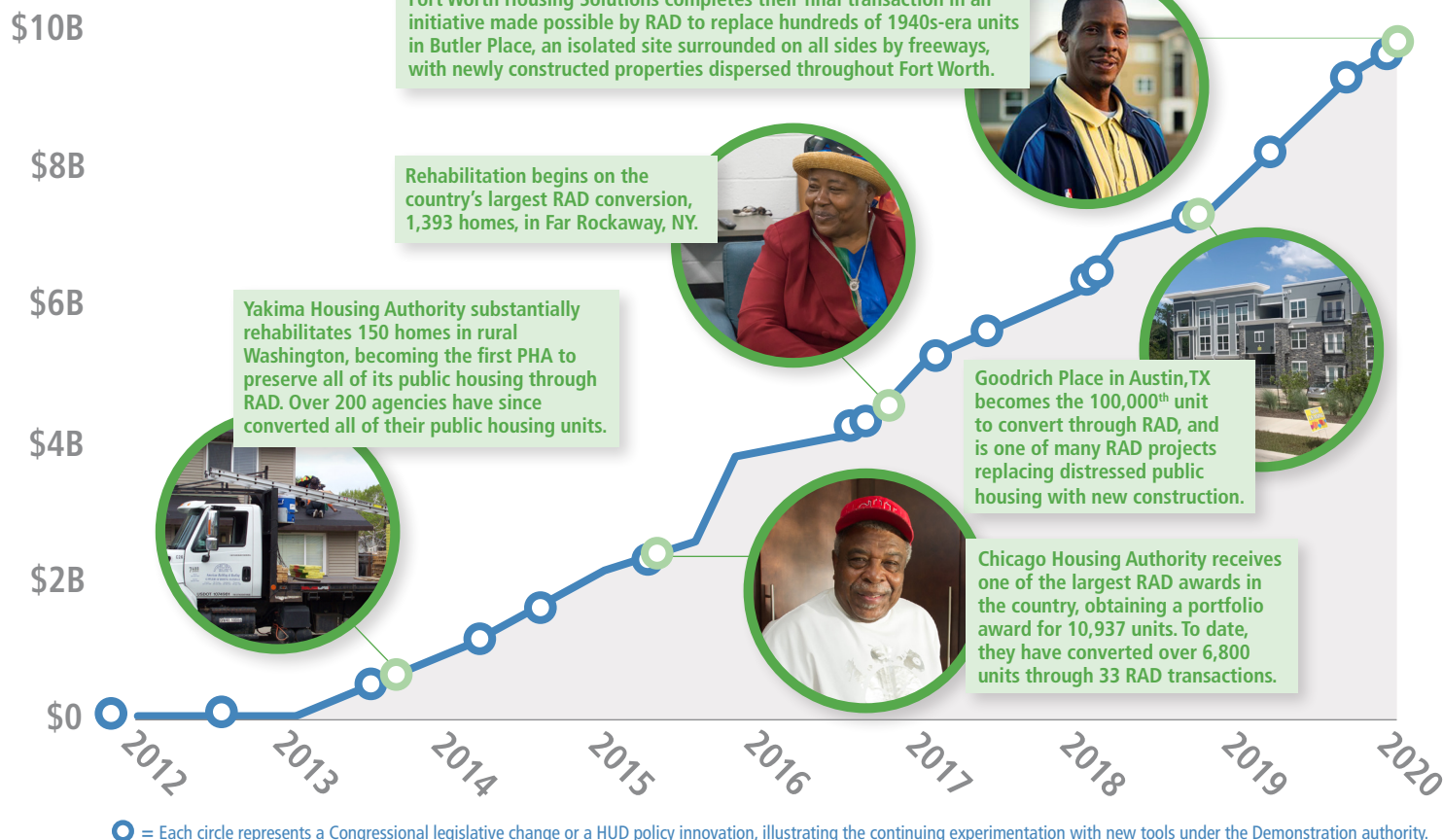
John Zirker
Nashville, TN

"All of these opportunities were part of my recovery of being transformed to a new life."

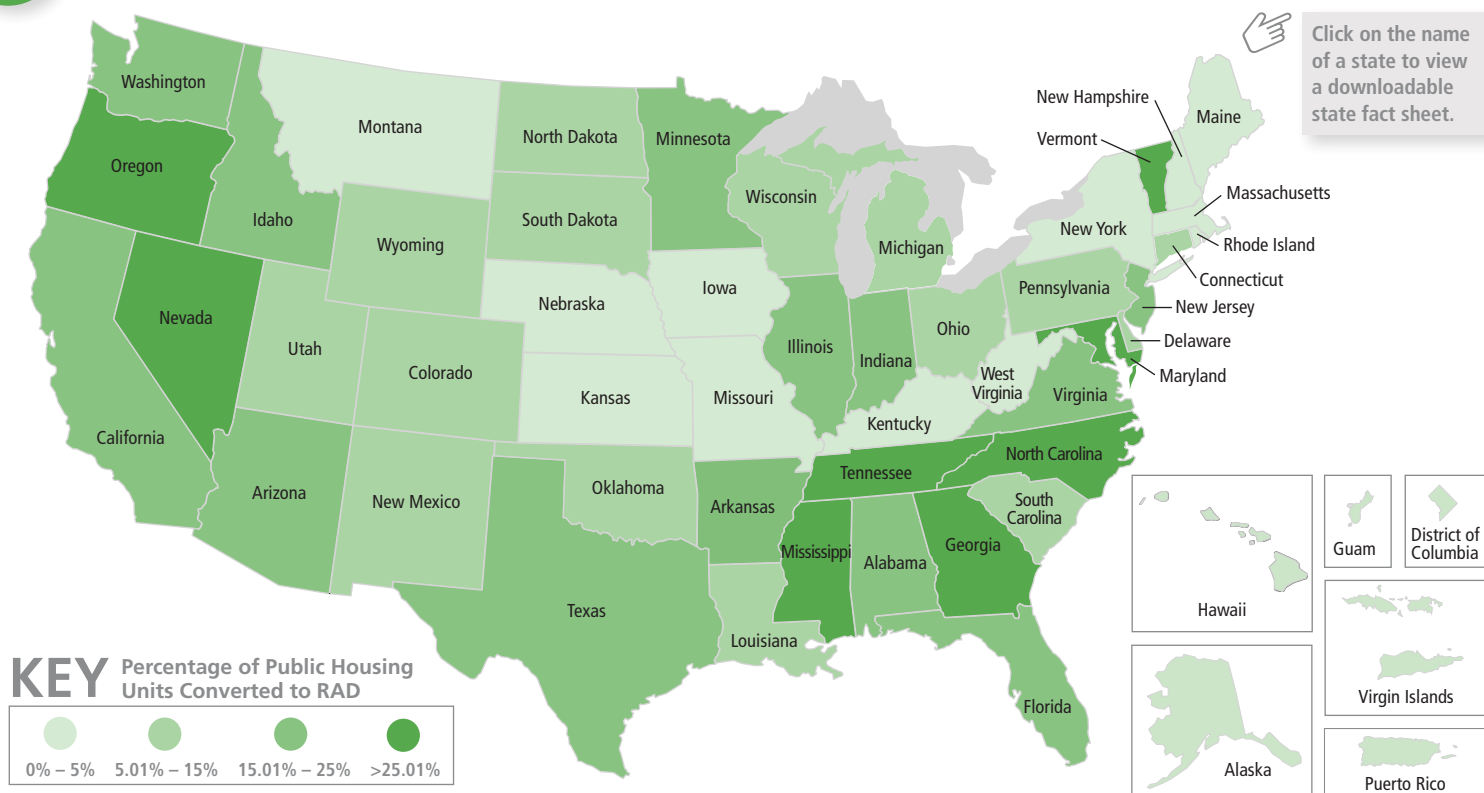
To see more photo essays documenting the resident experience in RAD, please see <https://www.hud.gov/RAD/news/photoessays>.



THE JOURNEY TO \$10 BILLION IN RAD CONSTRUCTION



RAD ACROSS AMERICA



See our state fact sheets to read more about an individual state: https://www.radresource.net/pha_data.cfm.

All RAD data current as of 10/22/2020

Recently Improved Tools for Public Housing Repositioning

By Chris Hornig and Jessie Cassella

January 2021

Over the past few weeks, HUD has made some notable improvements to existing public housing repositioning tools. Public housing authorities (“*PHAs*”) and their developer partners who are considering repositioning public housing properties via the RAD program and/or via Section 18 demolition/ disposition should be aware of two recent updates.

First, on December 15, 2020, HUD published [updated RAD contract rents](#) for each public housing property, based on 2020 federal appropriations levels and a 2021 operating cost adjustment factor. For many public housing properties, these latest RAD contract rents are significantly higher than prior years’ RAD contract rents, and are often at (or above) the local fair market rent. These improved RAD contract rents will support the long-term financial feasibility of RAD-converting properties.

Second, on January 19, 2021, HUD issued new guidance ([Notice PIH 2021-07](#)) (the “*Notice*”) for demolishing and/or disposing of public housing property under Section 18 of the United States Housing Act of 1937. This new guidance replaces prior HUD Notice PIH 2018-04, explains the requirements for Section 18 demolitions/ dispositions, and discusses eligibility for Tenant Protection Voucher (“*TPVs*”) for such actions. Notably:

- **RAD/Section 18 Blends.** For properties that intend to combine RAD and Section 18 (and are not utilizing 9% LIHTCs), the Notice allows a greater percentage of units to be eligible for Section 18 disposition (and therefore, receive TPVs and the higher contract rents based on fair market rents for that percentage of units). This blend was previously limited to 25% Section 18 units and 75% RAD units in HUD Notice PIH 2018-04, but the Notice provides new blend options, as summarized in the following chart and explained below:

Percentage of Average Hard Construction Costs (as published by HUD for the market area)	% Units in the Property Eligible to Convert via Section 18 (i.e. FMR rents)	% Units in the Property Eligible to Convert via RAD (i.e. RAD rents)
30%-60%	20%	80%
60%-90%	40%	60%
≥90%	60%	40%
>120%	80%	20%

- If the hard construction costs are equal to or exceed 30% but are less than 60% of the Housing Construction Costs (“**HCC**”) as published by HUD for the given market area, at the PHA’s discretion up to 20% of the units in the converting property may be disposed of via Section 18, with the remaining 80% converting as RAD units.
 - If the hard construction costs are equal to or exceed 60% but are less than 90% of the HCC as published by HUD for the given market area, at the PHA’s discretion up to 40% of the units in the converting property may be disposed of via Section 18, with the remaining 60% converting as RAD units.
 - If the hard construction costs are equal to or exceed 90% of the HCC as published by HUD for the given market area, at the PHA’s discretion up to 60% of the units in the converting property may be disposed of via Section 18, with the remaining 40% converting as RAD units.
 - For high-cost areas (defined as those where the HCC exceeds 120% of the national average) at the PHA’s discretion up to 80% of the units in the converting property may be disposed of via Section 18, with the remaining 20% converting as RAD units.
- **Small PHA RAD/Section 18 Blend.** The Notice also allows small PHAs (i.e. PHAs with 250 or fewer public housing units) to dispose of up to 80% of the units in the converting property via Section 18, with the remaining 20% converting as RAD units, if the PHA commits to closeout its public housing program in the future. This is an alternative to a Streamlined Voluntary Conversion.
 - **Tenant Protection Vouchers.** As part of HUD’s approval of a Section 18 demolition/disposition application, a PHA may be eligible to receive TPVs from HUD, which can then be converted to project-based vouchers. The PHA must separately apply to HUD for the TPVs, even if HUD has approved their Section 18 demolition or disposition application. While TPVs are generally awarded based on the number of units that are occupied at the time of the TPV application and/or the Section 18 demolition/disposition HUD approval, the Notice states that HUD will limit the maximum TPV awards for dispositions that are based on improved efficiency or effectiveness to 25% of the occupied units at the property. In effect, this is designed to disincentivize PHAs from using Section 18 to convert properties that are not physically obsolete or located on a site no longer appropriate for housing.

As this summary suggests, there now exists an arsenal of tools for public housing repositioning, with advantages and disadvantages to each that must be weighed in any particular situation. Should you have any questions about this KH Housing Alert or require any further information about public housing repositioning, please contact Chris Hornig (chornig@kleinhornig.com) or Jessie Cassella (jcassella@kleinhornig.com).



Repositioning Public Housing

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What do we mean by “reposition”?

- Facilitate the preservation, rehabilitation, or demolition and new construction of units by increasing access to financing to address capital needs
- Preserve the availability of affordable housing assistance, either through a physical unit or voucher

Why reposition public housing?

- Large and growing backlog of capital needs in public housing, conservatively estimated at \$26 billion in 2010
- Conversion to long-term, Section 8 rental assistance contracts:
 - Stabilizes project revenue
 - Provides access to debt and equity to finance capital needs
 - Simplifies program administration



What does this mean for residents?

- Units that are in better physical condition
- Long-term availability of affordable housing and rental assistance in their local communities
- Additional flexibility to move to better housing and/or places of opportunity

Will there still be public housing?

- Yes. Many PHAs operate successful public housing programs with well-maintained units.
- PHAs operating public housing units will still have access to Capital Fund Financing, Operating Fund Financing, Energy Performance Contracts, etc.





What is HUD's role?

- Make sure PHAs are aware of all available repositioning strategies
- Provide technical assistance to help communities weigh their options

The decision to reposition is voluntary & entirely up to PHAs & local stakeholders.





What is the Field Office's role?

Field Offices are ready to assist you

- Staff have begun conversations with many PHAs to let you know about options
- You can decide whether or not any repositioning options make sense for your local community
- If you are interested in considering repositioning, there are Repositioning Subject Matter Experts (SMEs) available to answer more questions
- Once you have decided on a course of action, the Field Office has Expeditors or RAD SMEs available to help you assemble applications



What are my options?

Section 9 (Public Housing) Options

- Mixed-Finance Rehabilitation & Development
- Choice Neighborhoods
- Operating Fund Financing Program
- Capital Fund Financing Program
- Energy Performance Contracts
- Section 30 Mortgaging

Section 8 (Voucher or Project-based) Options

- Rental Assistance Demonstration (RAD)
- Demolition & Disposition (Section 18)
- RAD/Section 18 Blends
- Voluntary Conversion (Section 22)



Key Considerations

Are your properties financially sustainable?

- What are the capital needs of the property?
- How much does it cost to operate?
- What does future HUD funding look like?
- What is the market demand?
- Does the property have existing debt or other obligations?





Key Considerations

How is your PHA doing?

- Do you have sufficient program reserves?
- What do your administration costs look like?
- Do you operate a Housing Choice Voucher (HCV) program?
- Do you have any staffing concerns or significant liabilities?



Key Considerations

What is best for your community?

- What are the affordable housing needs in your area?
- Is the property in a good location for resident opportunities?
- What types of HUD programs do you want to administer?
- Could you replace units in other areas of opportunity and leverage the property's value ?
- Who will own and manage the property?





PHA Objectives

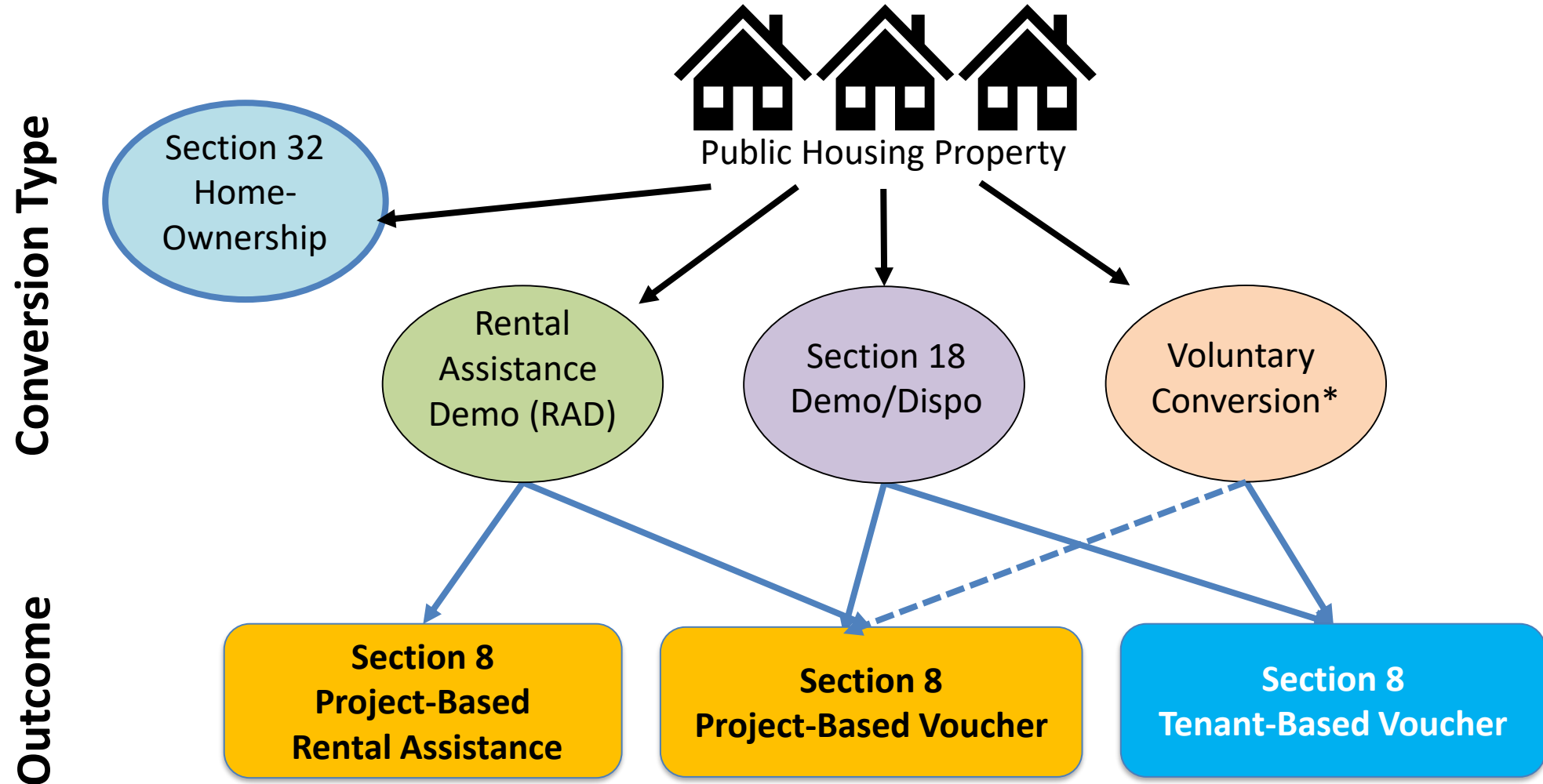
Conversion to Section 8 programs has allowed PHAs to:

- Modernize aging family & elderly properties
- Stabilize property revenue
- Complete substantial rehab of deteriorated properties
- Demolish and redevelop distressed/obsolete properties
- Transfer assistance to better neighborhoods
- Thin densities and mix-incomes
- Streamline operations



What is your PHA's repositioning goal?

Public Housing Repositioning Options

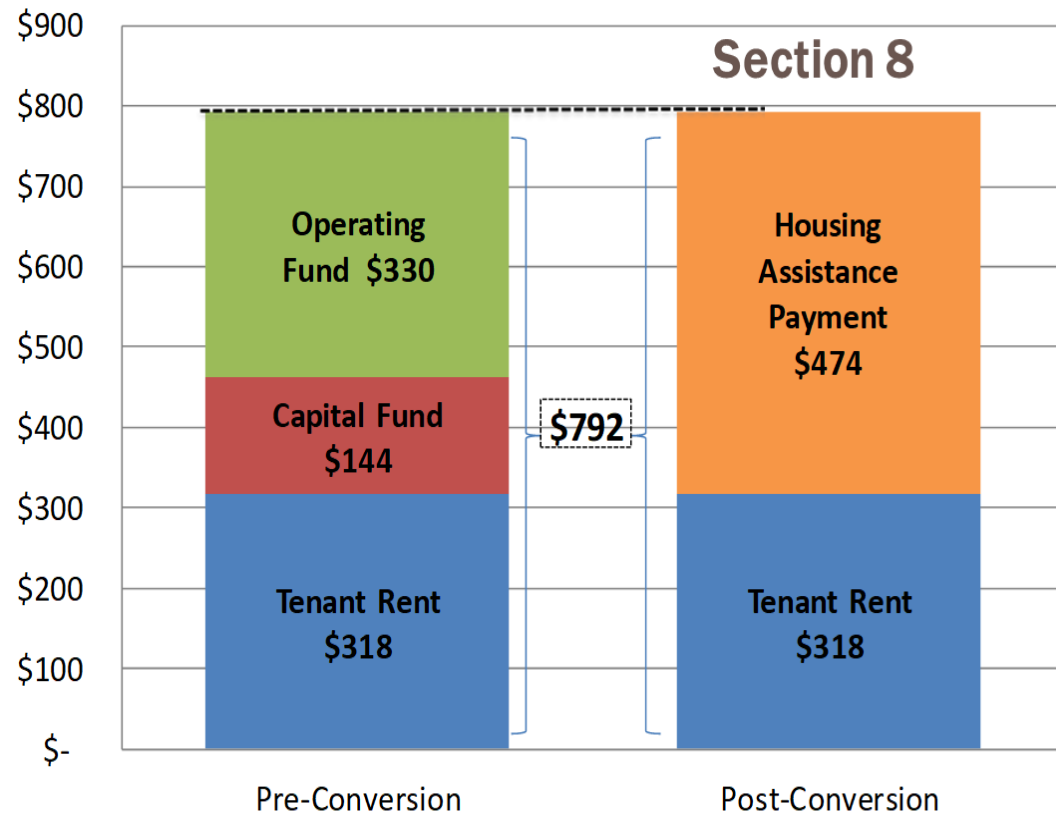


*Tenant Protection Vouchers may be project-based with tenant consent.



Rental Assistance Demonstration (RAD)

Sample Public Housing Conversion
Per Unit Monthly (PUM)



- Allows PHAs to convert their existing public housing subsidy into a project-based Section 8 subsidy: either Section 8 Project-Based Voucher (PBV) or Project-Based Rental Assistance (PBRA)
- Up to 455,000 public housing units authorized to convert (currently, no waiting list)
- Section 8 contract rents based on current public housing funding ([2019 RAD Rents now available](#)) with certain flexibilities available

[Notice PIH 2012-32 \(HA\), H 2017-03 REV-3](#)



RAD Key Features

Rents

- Predictable initial contract rents based on public housing funding
- Rents adjusted by Operating Cost Adjustment Factor (OCAF)
- Long-term Section 8 contract allows access to private capital

Capital Needs

- Capital Needs Assessment completed
- PHA must secure financing and fund Replacement Reserve to address needs

Tenant Rights

- Resident right of return + prohibition against rescreening
- Public housing organizing and procedural rights continue
- “Choice-mobility” allowing moves with tenant-based voucher

Public Stewardship

- Ownership or control by a public or non-profit
- Long-term Housing Assistant Payment (HAP) contract renews at each expiration
- RAD Use Agreement recorded on land



What is Section 18?

- Section 18 of the Housing Act of 1937 authorizes the demolition or disposition of public housing
- HUD will generally approve a property to undergo a demolition or disposition under Section 18 if it is:
 - Physically obsolete
 - Scattered site (non-contiguous) with operational challenges
 - Owned by a PHA with 50 units or less
 - More efficient or effective units
- Residents in units approved for Section 18 receive Tenant Protection Vouchers (TPVs)
 - Fair Housing review to make sure vouchers can be used in market

[Notice PIH 2018-04 \(HA\)](#)



Section 18 & Project Based Vouchers

- While Section 18 can be used for the demolition and disposition of assets, it is often also used as a preservation and redevelopment tool
- The Housing Opportunity Through Modernization Act (HOTMA) allows TPVs to be project-based through the Project Based Voucher (PBV) program
 - Units at site receive standard PBV rents
 - Property is exempt from PBV “income-mixing” requirement
 - Property does not count against PHA’s PBV program cap (20%)
 - Competitive selection of a PBV administrator is not required if former public housing property will be owned at least in part by the PHA that administers the contract and property will be improved



What is Voluntary Conversion?

- Voluntary Conversion authorizes conversion to vouchers where PHAs can demonstrate that it costs less to operate the property with vouchers than under public housing (24 CFR 972)
- The recently published Streamlined Voluntary Conversion (SVC) Notice waives the cost test for PHAs with 250 units or less that wish to close-out their public housing program
- Residents in units approved for Section 18 receive Tenant Protection Vouchers (TPVs)
 - Fair Housing review to make sure vouchers can be used in market
- Residents have a right to remain in the property with tenant-based voucher if the property will continue to be used for residential purposes

[Streamlined Voluntary Conversion Notice PIH 2019-05 \(HA\)](#)



Can PHAs use SVC as Preservation Tool?

Scenario	Outcome	Conclusions
1. All or substantially all residents consent to allow voucher to be project-based	Property under PBV contract	Effective preservation tool; PHA can secure financing
2. Some or few tenants consent to allow PBV; tenants remain in property with tenant-based voucher	Property filled with tenant-based voucher holders; more challenging to finance	Good option if property doesn't need financing
3. Some or few tenants consent to allow PBV; tenants leave property with tenant-based voucher	PHA may operate property as mixed-income property or backfill property with additional PBV	Unique challenges to operate mixed-income property; backfilling requires greater use of PHA's existing vouchers



Small & Very Small PHAs

Tool	Unit Threshold	Key Features
Streamlined Voluntary Conversion (Section 22)	250 units	<ul style="list-style-type: none">• TPVs issued• Tenant consent required to project-base
Section 18	50 units	<ul style="list-style-type: none">• TPVs issued• PHA may project-base without tenant consent• Requires sale to third party
Streamlined RAD Conversion	50 units	<ul style="list-style-type: none">• Does not require a Capital Needs Assessment; streamlined “Financing Plan”

Under each of these options for small PHAs, the PHA must commit to terminating, transferring, or consolidating their public housing program.



Did you know?

- RAD's transfer of assistance authority allows PHAs to move project-based assistance to neighborhoods of opportunity
- PHAs without a HCV program can still convert properties to Section 8 PBRA through RAD, or partner with a PHA with an HCV program to receive TPVs based on the SAC approval
- New authority to voucher up to 25% of assistance through a Section 18/RAD blend can increase the potential revenue of a RAD conversion
 - PHAs begin a Section 18/RAD blend conversion by submitting a regular RAD application



Where do I Start?

Step 1: Consider your local needs

Step 2: Consider your repositioning options

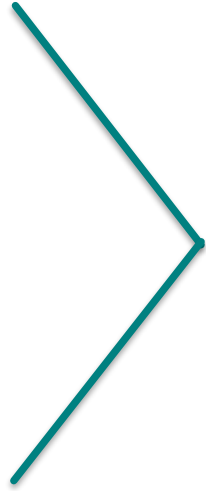
Step 3: Talk to your Board

Step 4: Talk to your residents and local stakeholders



Repositioning Strategies

1. Rental Assistance Demonstration (RAD)
2. Section 18 Demolition or Disposition
3. RAD/Section 18 blend
4. Voluntary Conversion



Which works best for your properties?



Program Characteristics

Section 18

- ✓ Justifications:
 - Unsafe/unhealthy location and infeasibility
 - Scattered Sites
 - 50 or fewer units remaining in PH inventory
 - Efficient and effective low-income housing
 - Physical obsolescence
- ✓ Replacement TPVs for any occupied units in past 24 months
- ✓ Can project-base TPVs
- ✓ No replacement housing required
- ✓ Eligible for Demolition or Disposition Transitional Funding (DDTF) and Asset Repositioning Fee (ARF)

RAD

- ✓ RAD Contract Rents = Current Public Housing Funding
- ✓ PBRA or PBV
- ✓ Preserve FSS Participation
- ✓ Can use PH \$\$ in development budget to support conversion
- ✓ Long-Term Use Agreement
- ✓ Resident Right to Return
- ✓ Replacement Housing Requirement
- ✓ Not eligible for DDTF or ARF

RAD/Section 18 “Blend”

- ✓ Eligible properties include those whose rehab or construction costs are at least 60% of Hard Construction Cost (HCC) limits, provided not using 9% credits
- ✓ 75% of the units convert through RAD and 25% disposed through Section 18 w/ PBV replacement
- ✓ Project will receive TPVs for 25% of all occupied units
- ✓ Residents receive all relocation and other protections of RAD

Voluntary Conversion

- ✓ Must demonstrate that vouchers cost less than cost of public housing or **have 250 or fewer public housing units and will close-out**
- ✓ Not eligible for ARF or DDTF
- ✓ PHA can project-base the TPVs, *but needs voluntary consent of residents*



Tools to Assess your Portfolio

Go to www.hud.gov/RAD/library/notices

- [2019 RAD Rents](#): The table includes HUD's calculations of RAD Contract Rents for each public housing property based on the latest appropriated levels, with a comparison of local Fair Market Rent (FMR) rates. These rents will form the basis of the conversion rents for properties awarded CHAPs or with amended CHAPs on or after January 1, 2019. For additional information on the process of revising RAD rents for existing CHAPs, the [FAQs on Securing RAD Rents](#) document is also available.
- [RAD Conversion Guide for Public Housing Agencies](#)
- [RAD Inventory Assessment Tool](#)



Local Public Housing Field Office

- Field Office staff will help you with applications for RAD, Section 18, and Streamlined Voluntary Conversion
- Field Offices may set up a Repositioning Panel call, where you can talk directly with program experts from the Special Application Center and Office of Recapitalization
- Field Offices will provide you the latest guidance, tip sheets, and inventory assessment tools to help you make the right decision for your community



Resources

Reading

- RAD Notice: [Notice PIH 2012-32 \(HA\), H 2017-03 REV-3](#)
- Section 18 Notice: [Notice PIH 2018-04 \(HA\)](#)
- Streamlined Voluntary Conversion Notice: [Notice PIH 2019-05 \(HA\)](#)
- Repositioning website coming soon

Talking

- Local field office
- Repositioning Panel discussions or Small PHA TA: sign up with your field office

Acting

- RAD Application: www.hud.gov/rad and www.radresource.net
- Section 18/Voluntary Conversion application: www.hud.gov/SAC and PIC

Asset Repositioning Overview

This chart highlights key differences in programs to help PHAs reposition public housing to a Section 8 platform and remove the Declaration of Trust (DOT). Refer to statutes, regulations, and HUD Notices for guidance. If anything in this chart conflicts with a statute, regulation, or HUD Notice, that authority supersedes this chart.

Program	Eligible for TPVs?	Eligible for DDTF?	Eligible for ARF?	Resident Right to Return?	Replacement Housing Required?	Disposition Required?	Use of Sales Proceeds	Use of PH Program Funds	Tenant Consent to PBV?	Close-out required? ¹	Reduces Faircloth?
RAD	No	No	No	Yes	Yes	No	Affordable housing per RAD Notice ²	Yes	No	No	Yes
Streamlined RAD (50 or Less Units)	No	No	No	Yes	Yes	No	Affordable housing per RAD Notice	Yes	No	Yes	Yes
Section 18 Disposition – • Obsolescence • Health and Safety • Scattered Sites	Yes	Yes	Yes	No	No	Yes	See footnote 3	No	No	No	No
Section 18 Disposition – • 50 or Less Units	Yes	Yes	Yes	No	No	Yes	See footnote 3	No	No	Yes	No
Section 18 Disposition – • Efficient and Effective	Partial	Yes	Yes	No	No	Yes	See footnote 3	No	No	No	No
Section 18 Disposition – • RAD/Section 18 Blend	Yes	Yes	Yes ³	No	No	Yes	See footnote 3	No	No	No	No
Voluntary Conversion	Yes	No	No	No ⁴	No	No ⁵	Low-income housing per 1937 Act	No	Yes	No	No
Streamlined Voluntary Conversion (250 or Less Units)	Yes	No	No	No	No	No	Low-income housing per 1937 Act	No	Yes	Yes	No
Required Conversion	Yes	No	No	No	No	No	Low-income housing per 1937 Act	No	N/A ⁶	No	No
Section 32 Homeownership	Yes	No	Yes	No	No	Yes	Low-income housing per 1937 Act	No	N/A	No	No

¹ Close-out refers to the requirement for a PHA to end their public housing program through ACC termination, transfer or consolidation. See PIH Notice 2019-13

² A PHA is prohibited from receiving excess sales proceeds if public housing funds are part of the development budget, except when it is the PHA's last remaining units.

³ PHAs are eligible for ARF for units with Section 18 approval for an entire project or entire building in a project. If some units in a building are being converted under RAD, the PHA is not eligible for ARF for the units in that building approved under Section 18.

⁴ PHAs can “voucher-out” families using tenant-based assistance. No hard unit replacement is required. However, if the project is used as rental housing after conversion, the PHA must ensure that each resident may choose to remain in the housing, using tenant-based assistance towards rent.

⁵ Section 22 does not require a disposition—a PHA may retain the property after a conversion. However, if the PHA plans to use the project as rental housing after conversion, since families have the right to remain in the unit using tenant-based assistance, and the PHA can't sign two sides of the Section 8 contract, it may need to dispose to another entity (including one it wholly controls) or otherwise ensure compliance with Section 8 HAP separate entity requirements.

⁶ If the project is used as rental housing after conversion, the PHA must ensure that each resident may choose to remain in the housing, using tenant-based assistance towards rent. However, the units cannot be project-based. See PIH Notice 2019-10.