



**Traverse City
Housing Commission**
a Public Housing Authority

COMMISSION MEETING MATERIAL

FOR THE STUDY SESSION

Friday, July 20, 2018 at 8:00 A.M.

LOCATION:

SECOND FLOOR COMMITTEE ROOM – GOVERNMENTAL CENTER

400 Boardman Avenue, Traverse City, Michigan, 49684



**Traverse City
Housing Commission**
a Public Housing Authority

STUDY SESSION AGENDA

July 20, 2018



TRAVERSE CITY HOUSING COMMISSION

150 Pine Street, Traverse City, Michigan, 49684

T: (231) 922-4915 | F: (231) 922-2893

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TCHousing.org

NOTICE

**THE TRAVERSE CITY HOUSING COMMISSION WILL CONDUCT A STUDY SESSION
ON FRIDAY, JULY 20, 2018 AT 8:00 A.M. – 10:00 A.M.**

SECOND FLOOR COMMITTEE ROOM – GOVERNMENTAL CENTER
400 Boardman Avenue, Traverse City, Michigan, 49684
(231) 995-5150

POSTED: JULY 16, 2018

The Traverse City Housing Commission does not discriminate on the basis of disability in the admission or access to, or treatment or employment in, its programs or activities. Please, contact the Traverse City Housing Commission Office, 150 Pine Street, Traverse City, Michigan, 49684, (231) 922-4915, to coordinate specific needs in compliance with the non-discrimination requirements continued in Section 35.087 of the Department of Justice Regulations. Information concerning the provisions of Americans with Disabilities Act (ADA), and the rights provided hereunder, are available from the ADA Coordinator. If you are planning to attend and you have a disability requiring any special assistance at the meeting, please notify the Executive Director immediately.

AGENDA

I CALL TO ORDER & ROLL CALL

II APPROVAL OF AGENDA

III DISCUSSION ITEMS

- A. U.S. Department of Housing and Urban Development's Rental Assistance Demonstration (RAD) Program

NOTE: There will be a presentation by Jennifer Hall, Executive Director of the Ann Arbor Housing Commission on AAHC's experience with the RAD Program.

IV PUBLIC COMMENT

V COMMISSIONER COMMENT


VI ADJOURNMENT

NEXT SCHEDULED MEETING: Friday, August 24, 2018 at 8:00 A.M.

TRAVERSE CITY HOUSING COMMISSION

150 PINE STREET | TRAVERSE CITY | MICHIGAN | 49684

MEMORANDUM

DATE: July 20, 2018
TO: All Commissioners of the Traverse City Housing Commission
FROM: Tony Lentych, Executive Director 
SUBJECT: Rental Assistance Demonstration (RAD) Program Study Session

MESSAGE:

Attached you will find a number of items related to HUD's Rental Assistance Demonstration Program. I do not expect anyone to have all of this information committed to memory before Friday. I have selected material that is introductory in nature and will lead to a healthy conversation with our guest presenter. While I do not expect us to have a road map in place after this study session, I hope that we will have several strategic questions identified to help us make certain decisions as we evaluate our portfolio.

Our presenter today is Jennifer Hall, the Executive Director of the Ann Arbor Housing Commission. She has held this position since October of 2012. Prior to this, she served as Housing Manager in the Office of Community Development for City of Ann Arbor.

ATTACHMENT: HUD Handouts on RAD



RENTAL ASSISTANCE DEMONSTRATION

RAD Spotlight on Ilion, New York

U.S. Department of Housing and Urban Development

Secretary Julián Castro

RAD Spotlight on Ilion, New York:

A Small PHA Leverages Private Financing

The Ilion Housing Authority, in upstate New York, recently converted all 158 of its public housing units to long-term project-based vouchers (PBVs) under RAD. At the time of application to RAD, the agency estimated its immediate capital needs of just \$3,000 per unit, which it felt it could meet with existing operating reserves and unobligated Capital Fund proceeds. Consequently, its primary objectives in converting to RAD were to move to a more stable funding platform, one that would allow for a system of replacement reserve funding to pay for property needs as they accrue, and to simplify the agency's regulatory and operating environment. But, after award, as required under RAD, the agency commissioned a third-party physical needs assessment (PNA) that showed capital needs much greater than anticipated. These higher needs caused a shift in the agency's financing strategy.



"Initially, we were hoping to convert without any debt. But once the PNA came back, we knew we needed to obtain a first mortgage to finance some of these repairs," said Jeffrey McTiernan, Executive Director.

Ultimately, the total development budget (hard and soft costs) for these 158 units was \$3 million, or approximately \$19,000 per unit. The PHA funded about half of these costs with existing public housing funds and raised the balance in first mortgage proceeds, supported by RAD rents.

Although Ilion had no prior experience in financing affordable housing (it does not own other non-public housing and it has never participated in the HOPE VI or mixed-financing public housing programs), it was able to work with a local lender to secure favorable terms. "At first, we were concerned that things would be too complicated. But it was really not much different than taking out a loan on your own home," said McTiernan.

In-place Rehab: The agency's public housing includes three sites—London Towers, a 108-unit elderly hi-rise, Remington Park, a 32-unit family site, and Ilion Heights, a 20-unit complex. Work includes energy conservation measures, accessibility improvements, site-work and bathroom renovations (tubs, flooring, cabinets, and low-flow shower heads and aerators). Each family unit will have new awnings that will provide much better protection from rain and snow. The elderly hi-rise will have a new entrance awning that will provide residents with seating



What is RAD?

The Rental Assistance Demonstration (RAD) allows public housing agencies (PHAs) and owners of HUD-assisted properties to convert units to project-based Section 8 programs, providing an opportunity to invest billions into properties at risk of being lost from the nation's affordable housing inventory. The first component of the program allows properties funded under the Public Housing program and Section 8 Mod Rehab to convert their assistance to long-term, project-based Section 8 contracts. The second component of RAD allows owners of projects funded under HUD's legacy programs (Rental Supplement, Rental Assistance Payment, and Moderate Rehabilitation) to convert units to Section 8 project-based vouchers.

The 1.2 million units in the Public Housing program have a documented capital needs backlog of nearly \$26 billion. As a result, the public housing inventory has been losing an average of 10,000 units annually through demolitions and dispositions. Meanwhile, the 38,000 units assisted under HUD's legacy programs are ineligible to renew their contracts on terms that favor modernization and long-term preservation. The current conditions of many of these properties inhibit investment and recapitalization efforts in the communities with the most need. By drawing on an established industry of lenders, owners, and stakeholders, RAD allows PHAs and owners of HUD-assisted housing to preserve affordable housing units which would otherwise be subject to vouchers and demolition. RAD creates greater funding certainty while allowing increased operational flexibility to empower PHAs and owners to serve their communities.

As of August 2014, 58 RAD applications have closed, covering some 5,123 units and representing over \$150 million in new investment. PHAs have submitted over 1,000 applications covering close to 185,000 units. RAD's initial statutory authority set a cap of 60,000 units of public housing and Mod Rehab housing that could seek to convert under RAD's first component. PHA demand exceeds RAD's current authority and HUD has requested that Congress lift the cap on eligible units to allow more PHAs to participate in the program.

and protection from the weather, providing better comfort to residents as they wait for rides to various appointments. The hi-rise will also have modernized elevators and a new community room. Both complexes will have new parking lots and many new sidewalks. Importantly, because of the nature and sequencing of the work, the agency expects to avoid the need for any tenant relocation.

Replacement Reserve Funding: As part of its financing plan, the agency established an initial deposit for replacement reserves of about \$5,400 per unit and will set-aside almost \$1,000 per unit annually in replacement reserves, for a total of around \$25,000 per unit over 20 years in replacement reserve funding. Creating a system to fund future replacements was essential to the agency's plans to preserve these units long-term. "Because of the variability of congressional appropriations for public housing, it's very difficult for a public housing agency to conduct and carry out long-term capital planning. As such, we've always had to "patch" when what we really needed to do was "replace," which, of course, also increases our operating costs. But under RAD, we were finally able to catch-up, and now we expect to keep-up."

Ownership and Control: Because of the strong background of the agency and the authority's modest debt service payments relative to the net operating income, the lender did not require that the PHA create a new single-purpose entity, such as a non-profit subsidiary of the PHA, to own the project. Consequently, the Ilion Housing Authority will continue to own and operate the units post-conversion.

Why RAD? "The ability to leverage our assets to obtain private financing has provided us with a wonderful opportunity to really jumpstart many capital projects that would have taken us years to complete using the Capital Fund Program. This has allowed us to really put our focus back on our primary core skill, property management. We have a huge demand for affordable housing in our community. We're thrilled that we've been able to upgrade a tired asset and put it on solid financial footing for the future," says McTiernan.

Financial Impact:

Operating Pro-forma			Development Budget	Total	Per Unit
Revenue	Total	PUM	Sources		
RAD Rents	\$1,027,548	\$542	Operating Reserves	\$579,968	\$3,742
Vacancy Loss	\$14,386	\$8	Capital Funds	\$290,000	\$1,835
Other Income	\$99,239	\$52	Flood Insurance Proceeds	\$392,000	\$2,481
Effective Gross Income	\$1,112,401	\$587	Deferred Developer Fee	\$130,000	\$823
			Operating Cash	\$309,802	\$1,961
Expenses			First Mortgage Loan	\$1,300,000	\$8,228
Administrative	\$141,902	\$75	Total Sources	\$3,001,770	\$18,999
Tenant Services	\$5,005	\$3			
Utility Expense	\$121,250	\$64	Uses		
Ordinary Maintenance	\$342,790	\$181	Construction Costs	\$1,385,758	\$8,940
Protective Services	\$1,178	\$1	Relocation Contingency	\$24,000	\$152
Real Estate Taxes	\$40,000	\$21	Professional Fees	\$52,966	\$335
Property Insurance	\$17,470	\$9	Loan Fees and Costs	\$5,000	\$32
Liability Insurance	\$8,280	\$4	Initial Deposit to Replace- ment Reserve	\$855,000	\$5,411
Other General Expenses	\$10,250	\$5	Operating Reserve	\$270,000	\$1,709
Total Operating Expenses	\$688,125	\$363	Tax and Insurance Escrow	\$257,872	\$1,638
Replacement Reserve Deposit	\$151,000	\$80	Misc. Fees/Costs	\$20,874	\$132
Net Operating Income	\$273,276	\$144	Developer Fees	\$130,000	\$823
First Mortgage Debt Service	\$125,405	\$66	Total Uses	\$3,001,770	\$18,999
Operating Cash Flow	\$147,871	\$78			



RENTAL ASSISTANCE DEMONSTRATION

RAD Spotlight on Franklin, Virginia

U.S. Department of Housing and Urban Development

Secretary Julián Castro

RAD Spotlight on Franklin, Virginia: Full Conversion of a Small Portfolio

The Franklin Redevelopment and Housing Authority is a small public housing agency located in Franklin, Virginia, about three hours south of Washington, DC. The FRHA's public housing portfolio is composed of 150 total units, all in need of significant repairs and upgrades. According to the FRHA's Executive Director Philip Page, Jr., the housing authority's public housing stock was at a "tipping point." The FRHA had two options, either continue using capital funds for a few more years to maintain the properties at their current state, or completely renovate the portfolio, giving the units another lease on life.



In 2013, the FRHA was receiving \$196,000 per year in capital funding for all of their public housing units, an amount that was insufficient to address its \$7 million dollar capital needs backlog. The housing authority knew that continued reliance on capital funds would not afford them the ability to deliver quality affordable housing to its residents. However, in June 2013, the FRHA was awarded 9% low-income housing tax credits (LIHTC) by the state, which

provided a springboard for rehabilitation.



With the LIHTCs in hand, the FRHA needed a tool that would enable them to effectively leverage the tax credit equity to make much needed repairs to their portfolio of public housing units. The Rental Assistance Demonstration (RAD) provided a path forward. RAD allowed the FRHA to use both tax credit equity, as well as conventional financing and debt, to

generate enough capital to place their entire public housing portfolio on a stable funding platform. Converting under RAD enabled the FRHA to address its backlog of capital needs, thereby providing their residents with long-term stability, affordability, and high quality housing.

The State of FRHA's Portfolio

The FRHA's public housing portfolio is composed of three properties—Berkley Court Apartments, Pretlow Gardens, and Old Town Terrace—totaling 150 units. With the oldest development built over forty years ago, the FRHA found itself needing to conduct repairs and provide improvements of upwards of \$47,275 per unit, an amount that far exceeded the \$196,000 it received in capital funds.



WHAT IS RAD?

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The 1.2 million units in the Public Housing program have a documented capital needs backlog of nearly \$26 billion. As a result, the public housing inventory has been losing an average of 10,000 units annually through demolitions and dispositions. Meanwhile, the 38,000 units assisted under HUD's legacy programs are ineligible to renew their contracts on terms that favor modernization and long-term preservation. The current conditions of many of these properties inhibit investment and recapitalization efforts in the communities with the most need. By drawing on an established industry of lenders, owners, and stakeholders, RAD allows PHAs and owners of HUD-assisted housing to preserve and improve affordable housing units that could be subject to vouchers and demolition. RAD creates greater funding certainty while allowing increased operational flexibility to empower PHAs and owners to serve their communities.

As of December 10, 2014, 110 RAD applications have closed, covering 11,433 units and representing over \$500 million in new investment. PHAs have submitted over 1,000 applications covering more than 185,000 units. RAD's initial statutory authority set a cap of 60,000 units of public housing and Mod Rehab housing that could seek to convert under RAD's first component. PHA demand exceeds RAD's current authority and HUD has requested that Congress lift the cap on eligible units to allow more PHAs to participate in the program.

Due to the age of the properties and the growing unmet needs of the residents served, the FRHA's communities were in desperate need of immediate repairs, as well as a path to addressing long-term capital needs in the future. RAD affords public housing authorities (PHAs), like the FRHA, with the ability to utilize a variety of financial resources to facilitate renovations and, in some circumstances, new construction. Additionally, RAD provides PHAs with the ability to create a pool of funding to draw from for future capital needs.



Renovation Plan

Converting an entire portfolio requires close attention to the relocation needs of the residents and the requirements set out in the RAD Relocation Notice. The FRHA's planned renovations for each property require that no more than three to five buildings are renovated at a time, ensuring adequate vacancies throughout the renovation process. This will require temporary relocation for up to ten families at a time. The FRHA will move the tenants temporarily into vacant units in other developments owned by the authority, or cover temporary hotel expenses if other units are not available. When the units are completed, the FRHA will move those tenants back into their prior residences and begin the process over with the next ten tenants. It is anticipated that it will take three to four weeks for each grouping of units, and all of the residents will be back in permanent, renovated homes within seven to nine months. For each transaction, the development budget includes a provision for relocation expenses (estimated at \$50,000 for each transaction). This will be used to cover temporary moving expenses, storage expenses and hotel expenses if necessary.

Financing Overview

The rehabilitation will provide for \$51,060 per unit in construction costs. Debt, equity, grants and soft loans, along with \$526,000 in public housing capital funds combined provide \$68,580 per unit in sources, covering the hard



and soft costs of the transactions. This transaction leverages FRHA's capital fund contribution to raise over \$9.7 million in other sources, a ratio of \$18.55 for every \$1 in capital funding. In addition to initial repair funds, the FRHA is also able to contribute \$45,000 per year, or \$300 per unit per year, to an annual contribution to replacement reserve which will allow the housing authority to make needed capital repairs in the future.

A small PHA and a complex transaction

For smaller housing authorities like FRHA, pulling off a successful portfolio conversion requires collaboration between the housing authority staff and the development team, as well as a commitment by all involved to preserve long-term affordable housing. The FRHA's development team helped the agency navigate the complexity of redevelop-



ing its entire public housing portfolio. The FRHA's Executive Director, Philip Page, was formerly the Director of Development for a mid-sized PHA, but the team also included many sophisticated and experienced small firms that acted as an extension of the housing authority. FRHA worked with an architect on design and construction issues, a development consultant for financing and grant applications, and a local attorney with experience in tax credit and mixed-finance transactions.

Converting the entire portfolio of public housing units through RAD was the FRHA's plan from the start. For Page and the FRHA, RAD presented itself as a life line to the authority's public housing units. The FRHA's ability to bring together an experienced development team committed to preserving affordable housing combined with designing comprehensive relocation and financing plans led the way to a successful RAD conversion.

"The prime reason we chose to convert our housing using RAD was that it gave us the ability to reposition ourselves, and our housing stock, for the future. The numbers had to work, and they did, but the biggest benefit was being able to reposition away from the perceptions of dilapidated public housing into modern, high quality housing that just happens to be affordable."

- Philip Page, Jr., Executive Director



RENTAL ASSISTANCE DEMONSTRATION

RAD Spotlight on Broward County, Florida

U.S. Department of Housing and Urban Development

Secretary Julián Castro

RAD Spotlight on Broward County, FL:

Effective Resident Engagement is Key to Successful Conversion

The Broward County Housing Authority (BCHA) is in the process of converting its entire public housing inventory to RAD, totaling 374 units. The first two developments were converted in May 2014 and the remaining developments are expected to close this fall. For the agency, some of the major reasons for converting include: creating a more stable funding platform, developing a system of replacement reserve funding that will allow it to preserve its assets over the long-term, and reducing the regulatory burden. Ultimately, these changes are anticipated to translate into better housing for residents. Effective resident engagement and outreach has been key to the agency's conversion efforts.

Initial Resident Outreach

Prior to submission of a RAD application, a PHA is required to hold two meetings with the residents of each affected property. Rather than simply seeing this task as a requirement that needed to be "checked off," BCHA embraced the notion of getting feedback into the agency's plans. The first BCHA applications were for conversion of two senior housing developments. BCHA felt that these conversions necessitated a higher level of opportunity for resident feedback because of the needs of the population. BCHA decided to conduct the Resident Advisory Board Meetings at the senior sites to obtain comments and recommendations on the Annual Plan. Having the meetings at these sites in particular, assured maximum resident involvement and afforded the best opportunity for involved seniors to participate in the discussion.

In addition to holding the required meetings at each site specifically addressing RAD, BCHA included the topic in monthly resident meetings. At the RAD kick-off meeting, BCHA used a PowerPoint presentation to explain the basics of the conversion process and how residents would be affected. At each monthly site meeting, from the time of initial application until the RAD closing, conversion was continuously discussed. In this way, BCHA was able to reach the maximum number of residents.

Notices regarding RAD and changes to the lease were mailed to each resident. They were discussed in the resident meetings and posted on the bulletin boards at each site with a draft copy of the lease. The notices advised residents to speak with management staff about their questions and to review the new lease. Staff was regularly updated about the application progress so that they could answer questions and respond to residents' concerns.



What is RAD?

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As of August 2014, 58 RAD applications have closed, covering some 5,123 units and representing over \$150 million in new investment. PHAs have submitted over 1,000 applications covering close to 185,000 units. RAD's initial statutory authority set a cap of 60,000 units of public housing and Mod Rehab housing that could seek to convert under RAD's first component. PHA demand exceeds RAD's current authority and HUD has requested that Congress lift the cap on eligible units to allow more PHAs to participate in the program.

Responding to Resident Concerns:

- During the initial planning meetings, residents voiced a number of concerns. They asked about relocation, with some residents fearful that they would be displaced. Other residents wondered if RAD would provide them with an opportunity to move, as they had seen some of the successful relocations BCHA had guided during earlier redevelopment efforts. BCHA staff worked throughout the process to both allay residents' fears and carefully explain the mobility options available.
- Residents asked if they would be paying higher repair costs, whether the agency would continue to maintain the units and developments in the same high standard as adhered to under the Public Housing program, and if planned improvements and repairs to units would be abandoned or would take place as planned. Staff advised residents that the same high standards would be maintained and would not be reflected in increased fees to residents.
- Concerns about lease enforcement were significant with residents questioning whether protections afforded under the Public Housing program would continue under RAD. Staff advised residents that the protections would not change, that all affected residents would have a right to return to renovated units, and that BCHA planned to implement the RAD conversion in way that would continue to protect resident rights and respond to resident concerns.
- The residents on flat rent were among the most concerned about the RAD conversion. BCHA reassured these residents that conversion to RAD would often result in the resident paying less or having a smaller increase in their rent than they would have had if the property remained as part of the public housing inventory.
- Staff recognized that some residents might not feel comfortable raising their concerns in a group setting. To deal with this issue, BCHA provided a question/concern form at the end of each meeting that could be returned to management or dropped off in the site suggestion box. In this way, staff was able to address individual questions and concerns outside of the meeting forum.

Continued and Ongoing Engagement

Once the agency received its awards under RAD, it was required to hold a third meeting with residents in order to inform them of the PHA's acceptance into the program and "next steps." BCHA has continued to have multiple, ongoing resident meetings to inform them of the progress of the program and the impacts on each project. To bring about more transparency, the agency also kept residents informed by discussing RAD informally at every opportunity. By responding to resident concerns as they arise, whether in monthly meetings, during meetings with management or at other times, staff continues to keep residents engaged and to involve them as much as possible throughout the entire conversion process.



From "Partial" to Full-Agency Conversion

Since 2004, BCHA has redeveloped four public housing sites via the demolition/disposition model. Finding themselves in a situation where the remaining properties did not meet criteria for demo/dispo, there appeared to be no reasonable way to fund ongoing rehab and replacement needs. To continue the high level of service to residents BCHA knew it had to find an alternative. The Rental Assistance Demonstration seemed to be an excellent potential alternative to preserve public housing units.

The initial assessment of the portfolio, based on the information available at the time, revealed only two properties were feasible for conversion. BCHA submitted these applications during the competitive process and both were approved. As they proceeded through the financing process, it was decided that a reevaluation of the entire portfolio should be done. That evaluation revealed that all of BCHA's public housing developments were feasible for conversion. Quickly applying for the portfolio award to get in under the 60,000cap, BCHA was ultimately successful.

"Our residents were involved in the process throughout. We addressed all their concerns and assured them that in the end, this would be positive for all concerned. We feel that it has been a win for the agency and especially for the residents."

Beth Kinney, BCHA Chief Operating Officer



RENTAL ASSISTANCE DEMONSTRATION

RAD Spotlight on Lavonia, GA

U.S. Department of Housing and Urban Development

Secretary Julián Castro

RAD Spotlight on: Lavonia, GA

Leveraging RAD's Increased Income Predictability & Reduced Regulatory Burdens To Positively Impact The Stability & Operations of Small PHAs

On October 28, 2014, the Lavonia Housing Authority (LHA) closed on the RAD conversion of its entire 180-unit portfolio, which had recently undergone a full unit interior renovation project the previous year.

Although LHA's units were in great condition due to recent renovation and the authority did not need any loans, soft funding, or LIHTC equity to execute its long-term vision for the portfolio, their decision to embrace RAD was an easy one to make. Prior to RAD, LHA had operated its portfolio for over a decade at subsidy proration levels as low as 77% and repetitive short term CR's (Continuing Resolutions) made financial planning difficult. So when presented with the opportunity to be released from Public Housing regulations and simultaneously lock in a 95% subsidy proration level based on FY 2012 appropriations, the PHA quickly mobilized to secure the more stable funding platform and position itself to operate more efficiently.



"With historic Congressional underfunding in both PIH Capital and Operating fund programs, we felt like RAD was a means to stabilize our funding with a long term contract plus an annual inflation factor. RAD provided us with the means and opportunity to operate at a more efficient, economical, and entrepreneurial level."

- Richard A. Whitworth, ED of LHA

What is RAD?

The **Rental Assistance Demonstration (RAD)** allows public housing agencies (PHAs) and owners of HUD-assisted properties to convert units to project-based Section 8 programs, providing an opportunity to invest billions into properties at risk of being lost from the nation's affordable housing inventory. RAD 1st component transactions cover Public Housing units. Units that fall under this component are subject to a unit cap and are limited to current funding. RAD 2nd component transactions cover Rent Supplement (Rent Supp), Rental Assistance Payments (RAP), and Section 8 Moderate Rehabilitation projects. Both components allow housing programs to convert their assistance to long-term, project-based Section 8 contracts, providing a more stable source of funding.

Learn more at: www.hud.gov/rad

Prior to making the decision to leverage RAD, LHA was prepared to enter an Energy Performance Contract (EPC), then realized that an EPC would not be necessary since RAD would allow them to lock in much of their energy savings without having to go through the EPC program. With this in mind, LHA decided to move forward with the implementation of various energy and water saving initiatives that included, but were not limited to, replacing toilets, replacing all incandescent bulbs with LED light bulbs, and replacing refrigerators and other appliances with more efficient Energy Star Equipment.

Since LHA's units were in such great shape due to the recent \$900,000 interior renovation and their RAD Physical Condition Assessment (RPCA) did not uncover any surprises, LHA was able to stick to their existing capital projects schedule with the exception of a few items they wanted to address prior to closing. Their pre-closing activities included projects such as installing carbon monoxide detectors and replacing all smoke detectors with hard-wired versions to comply with multifamily regulations that are different than the public housing regulations.

LHA initially considered a Project Based Voucher (PBV) conversion, but settled on a Project Based Rental Assistance (PBRA) conversion. They did not have a voucher program, and after exploring the option of partnering with another Voucher Administrator, they quickly realized that most of the Voucher Administration fees would have been distributed to the partner anyway.

"Tenants like having a standardized model lease and management likes the streamline regulations that multifamily offers."

- Richard A. Whitworth, ED of LHA



Although it took LHA roughly a year to complete its conversion, many of the initial milestone management issues that small PHAs with limited resources found to be challenging have now been addressed via HUD's revised RAD milestone process. At the time of LHA's conversion, PHAs were required to meet various Financing Plan Milestones that were set at 30, 60, 90, 150, and 180-day intervals. These fragmented milestones proved to be a strain on the staffing resources of small PHAs and as a byproduct, HUD recently consolidated these intervals into one single 180-day milestone. This consolidation has greatly increased the flexibility of PHAs to prioritize the various requirements during their Financing Plan period based on their unique circumstances.

"By consolidating the Financing Plan Milestones, HUD has already addressed a bulk of the problems we faced during our RAD conversion process and for the sake of other Small PHAs that will convert in the future, I'm grateful that they did that."

- Richard A. Whitworth, ED of LHA



"We're very happy and pleased with how RAD has impacted our operations and outside of the fact that they have newly renovated units, nothing has really changed for our residents. "

- Richard A. Whitworth, ED of LHA



U.S. Department of Housing and Urban Development

Office of Multifamily & Public and Indian Housing



Rental Assistance Demonstration

**GUIDE TO CHOOSING BETWEEN
PROJECT-BASED VOUCHERS (PBVs) AND
PROJECT-BASED RENTAL ASSISTANCE (PBRA)**

February 27, 2015

I. Introduction

Under the Rental Assistance Demonstration (RAD) program, a public housing authority (PHA) may convert assistance under the public housing program to long-term, project-based Section 8 assistance. A PHA must choose between two forms of project-based Section 8 assistance: Project-Based Vouchers (PBVs) and Project-Based Rental Assistance (PBRA). To assist PHAs in making this decision, this guide compares key requirements between these two forms of project-based Section 8 assistance.

By way of background, this document provides a short summary of the PBV and PBRA programs, followed by a grid comparing key program elements.

II. The PBV Program

In 1998, the Congress added a new provision to the Section 8 voucher program, allowing PHAs to take a portion of their voucher budget authority and “project-base” that authority.¹ The PBV Program, as it became known, would allow PHAs to sponsor or promote the development of certain “hard” units of low-income housing. In creating this new authority, though, the Congress also established some limits or parameters, including:

- Not more than 20% of a PHA’s voucher budget authority may be project-based;
- Not more than 25% of the units in a project may be assisted, excepting single family properties (four or fewer units per structure), units serving elderly/disabled families, or families receiving supportive services; and,
- Each assisted household, after one year, is eligible for the next available voucher (also known as “Choice-Mobility”).

As such, the PBVs are administered by the local voucher agency, which enters into a Housing Assistance Payments (HAP) contract with the project owner. The voucher agency receives an Administrative Fee for these PBV units, in the same manner in which it receives an Administrative Fee for other voucher units. With a few exceptions, standard voucher rules apply, including resident eligibility, tenant rent calculations, housing quality standards, rent reasonableness, etc. Because PBVs are part of the voucher program, the voucher agency administers the PBV waiting list (although it is permitted to maintain separate PBV waiting lists for each PBV project). Where the voucher agency also has an “interest” in the PBV project – say, the PHA is part of the ownership structure – the voucher agency must seek a third party to perform the rent reasonableness determination and to conduct the annual Housing Quality Standards (HQS) inspections.

Since the passage of the 1998 legislation, it is estimated that there are now about 80,000 PBV units nationally (or less than 4% of the approximately 2.2 million vouchers that are in circulation). Regulations implementing the PBV program are found at 24 CFR Part 983.

¹ The project-based voucher law was initially enacted in 1998, as part of the statutory merger of the certificate and voucher tenant-based assistance programs. (See section 545 of the Quality Housing and Work Responsibility Act of 1998 (Pub L. 105–276) approved October 21, 1998) (QHWRA) amending 42 U.S.C. 1437f(o).) See also Section 8(o)(13) of the Housing Act of 1937.

As part of the RAD program, certain special PBV provisions were adopted to facilitate conversion. These include:

- The requirement that not more than 20% of a PHA's voucher budget authority be project-based was waived;
- The 25% income-mixing limitation was raised from 25% to 50%; and
- Various protections for existing residents at the time of conversion are provided, e.g., no "re-screening."

III. The PBRA Program

The Section 8 Project Based Rental Assistance Program (PBRA) was authorized by Congress in 1974 to provide rental subsidies for eligible tenant families residing in newly constructed, substantially rehabilitated, and existing rental and cooperative apartment projects. Under it, developers (for-profit or non-profit) would build low-income housing and HUD would make up the difference between the HUD-approved rent (Contract Rent) for the assisted unit and the HUD-required rental contribution from eligible tenant families.

The New Construction and Substantial Rehabilitation programs provided rental assistance for the development of newly constructed or substantially rehabilitated privately owned rental housing financed with any type of construction or permanent financing, including applicable FHA Multifamily Mortgage Insurance Programs. Later, the Section 8 Loan Management Set-Aside (LMSA) Program was developed primarily to provide financial assistance in the form of rental subsidies to multifamily properties subject to FHA-insured and HUD-held mortgage loans which were in immediate or potential financial difficulty.

Projects developed under PBRA were often supported at above-market rents. The Project Owner would enter into an Agreement to Enter into a Housing Assistance Payments (AHAP) contract with HUD, which, following acceptable completion of construction, would be replaced with a long-term HAP contract. Essentially, owners/developers were able to leverage private debt and equity through the guaranteed rents from long-term contracts.

In total, approximately 1.2 million low-income households are being served under the PBRA program. As the original contracts have expired (or are expiring), three key events have happened:

- First, some owners have decided to "opt-out." In most all instances, when an owner opt-outs the tenants are issued tenant protection vouchers, or TPVs.
- Second, beginning in/around FY2000, HUD stopped issuing fully-funded long-term contracts. Instead, long-term renewal contracts have been "subject to annual appropriations."
- Third, there has been a push to set rents at market, which could mean either lowering above-market rents (mark down to market) or raising below-market rents (mark up to market).

PBRA units are administered by HUD's Office of Housing, with the HAP oversight functions contracted to Performance-Based Contract Administrators (PBCAs). (Under RAD, the Department has decided to administer these contracts directly, at least for the near future.)

The PBRA program consists of "Old Regulation" and "New Regulation" Section 8 contracts.² Principally, the "Old Regulation" contracts did not have restrictions on dividends (cash flow). Under RAD, the Department decided to treat the units converted to PBRA as "Old Regulation" contracts, i.e., there is no restriction on cash flow.³

IV. Program Comparisons

The table that follows compares the PBV program with the PBRA program against key programmatic requirements, e.g., rent-setting, income-mixing, Choice-Mobility, etc. Again, this comparison is provided simply as a means of assisting PHAs in deciding, under RAD, whether to convert to PBV or PBRA.

² "Old Regulation contracts" include those where HUD issued the "notification of selection" before November 5, 1979 for the Section 8 New Construction Program or before February 20, 1980 for the Substantial Rehabilitation Program and should have Housing Assistance Payments (HAP) contracts that do not contain restrictions as described in existing 24 CFR Parts 880 and 881. Properties that submitted an "initial application" before February 29, 1980 to a State Agency are considered old regulation projects and should have HAP contracts that do not contain restrictions as described in existing 24 CFR Part 883.

³ See PIH Notice 2012-32, REV-1, July 2, 2013, Section 1.7, second paragraph as well as footnote 35.

COMPARISON OF PROJECT-BASED VOUCHERS (PBVs) AND PROJECT-BASED RENTAL ASSISTANCE (PBRA) UNDER THE RENTAL ASSISTANCE DEMONSTRATION (RAD) PROGRAM

Program Requirement	Project Based Vouchers (PBVs)	Project Based Rental Assistance (PBRA)
I. General Provisions		
Congressional Appropriations	<p>As a subcomponent of the Housing Choice Voucher (HCV) program, PBVs are subject to annual appropriations as approved by Congress and allocated by HUD through each PHA's Annual Contributions Contract. If Congress provides less than full funding for the HCV program, then PHAs administering HCV programs are faced with decisions regarding how best to absorb the impact of these cuts.</p> <p>If, in the event of insufficient funding, a voucher agency determines that it must terminate the contract, it must comply with the provisions of 24 CFR 983.205(c); however, the RAD Use Agreement would continue for what would have been the remaining term of the HAP contract.</p>	<p>PBRA HAP contract renewals are subject to annual appropriations as approved by Congress. To date, HUD has never failed to renew a PBRA contract. This record has been upheld even in years when HUD did not have enough funding to renew PBRA contracts for a full 12-month period.⁴</p>
Income Mixing	<p><u>Under RAD</u>, up to 50% of the units in a project may be assisted, excepting single-family homes (four or fewer units per building) or units serving elderly/disabled families or families receiving supportive services.</p> <p>Note: For existing public housing tenants, assistance may not be terminated if services are declined.</p>	<p>No limit on percentage of PBRA units in a project (i.e., can be 100% assisted).</p>
II. Contracts and Rents		
Initial Contract Term	<p>The initial contract term must be for at least 15 years but the voucher agency may increase it up to 20 years. The voucher agency may also automatically extend the contract for another 15 years.</p>	<p>20 year initial term.</p>
Contract Renewal	<p>Mandatory. Upon contract expiration, administering agency offers, and PHA accepts, contract renewal.</p>	<p>Mandatory. Upon contract expiration, HUD offers, and PHA accepts, contract renewal.</p>
Rent Caps	<p>Current public housing funding is limited by the lower of (1) reasonable rent or (2) 110%</p>	<p>Current public housing funding cannot exceed 120% of the FMR, except in the case where current</p>

⁴ During years where Congress has failed to appropriate sufficient funds to fully renew all PBRA contracts, it has allowed HUD instead to reduce the number of months of renewal funding to just the amount needed to extend the renewal into the next fiscal year.

	of the payment standard.	funding is below market, in which case the current funding cannot exceed 150% of FMR, but only if supported by a rent comparability study.
Contract Rent Increases	OCAF annual adjustments, as published in Federal Register, up to reasonable rent charged by comparable unassisted units in private market.	OCAF annual adjustments. Published annually in Federal Register.
Vacancy Payments	The voucher agency may provide up to two full months of vacancy payments per 24 CFR 983.352.	The project is eligible for 60 days of vacancy payments pursuant to 24 CFR 880.611.
Rehab Assistance Payments	Under RAD, unoccupied units undergoing rehab or construction are eligible for Rehab Assistance Payments equal to the subsidy the project received prior to conversion under the Operating Fund and Capital Fund programs. See Section 1.6.B.8 (Section 1.7.A.9 for PBRA) of the RAD Notice. These Rehab Assistance Payments are limited to units eligible for Operating Fund subsidy prior to RAD conversion.	Same.
III. Tenants		
Re-Screening of Tenants at time of Conversion	No re-screening of initial tenants.	Same.
Right to Return for Initial Tenants at Time of Conversion	Residents have right to return once rehab/new construction is completed.	Same.
Phasing of Rent Increase	PHA can implement phased rent increase phased over 3- or 5- year period if RAD conversion results in tenant monthly rent increases by more than 10% or \$25.	Same.
Resident Participation	Residents have right to establish and operate resident organization. The project shall also provide \$25 per occupied unit annually in resident participation funding.	Same.
Choice Mobility	<p>Resident right to move with voucher (or other comparable tenant-based rental assistance) after 12 months from occupancy. See 24 CFR 983.260.</p> <p>Tenant-based voucher comes from existing voucher supply from PHA, subject to availability. If no tenant-based rental assistance is available, family receives next available opportunity.</p> <p>There are no Choice Mobility exceptions in PBV.</p>	<p>Under RAD PBRA contracts, residents have the right to move with tenant-based assistance after the later of 24 months from date of execution of the HAP contract or 24 months after the move-in date.</p> <p>HUD allows PHAs to limit the number of Choice-Mobility moves under the PBRA program in two ways:</p> <ul style="list-style-type: none"> • A PHA is not required to provide more than one-third of its turnover vouchers to residents of RAD properties requesting them in any one year; and • A PHA can limit Choice-Mobility moves to no more than 15 percent of assisted units in each RAD property. <p>If a PHA invokes either of the above limits on Choice-Mobility, the PHA must establish and maintain a waiting list and place households</p>

		<p>requesting Choice-Mobility in RAD properties at the top of the waiting list.</p> <p>Choice-Mobility applies to all PBRA conversions <u>unless a project has received an exemption</u>. Under PBRA, HUD provides for good cause exemptions for up to 10 percent of all RAD units:</p> <ul style="list-style-type: none"> • PHAs that do not administer a voucher program either directly or through an affiliate. • PHAs that have more than one-third of their turnover vouchers set aside for veterans or homeless populations. This preference must be documented by the PHA's board prior to submission of the RAD application.
IV. Other		
Program Cap	Under the PBV program, not more than 20% of a voucher agency's budget authority can be project-based; however, this provision was waived for RAD units.	N/A
REAC Uniform Physical Condition Standards (UPCS) Inspections	N/A (there are no REAC UPCS inspections in the PBV program unless project has an FHA-insured loan)	Subject to REAC UPCS inspections and protocols.
Management and Occupancy Reviews (MORs)	N/A (there are no MORs in the PBV program unless project has an FHA-insured loan)	Subject to annual MORs and associated protocols, as administered by the Office of Housing.
REAC Annual Financial Statements (AFS)	N/A (there are no AFS submissions in the PBV program, unless project has an FHA-insured loan)	Subject to AFS requirements.
Cash Flow	No restriction.	Same.



Rental Assistance Demonstration

FINANCING PLAN GUIDE

VERSION: JULY 2017

Conventional Financing & No Debt Conversions

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About this Guide and the Financing Plan

The **Financing Plan Guide for Conventional Financing or No-Debt Conversions** (the “Guide”) will walk you through the requirements of the RAD Financing Plan (as outlined in Notice PIH 2012-32 (HA), REV-3) and assist you in making sure you upload the necessary documents to the RAD Resource Desk so your Transaction Manager can process your conversion. Each section of the Guide corresponds to the numbered matrix you will see in the Resource Desk as you submit your Financing Plan.

This Guide is specifically designed for RAD conversions that either have no new debt or are using conventional financing to fund the conversion. It is not intended for conversions using tax credits and/or FHA mortgage insurance. Please refer to the **Financing Plan Guide for Non-FHA LIHTC Conversions** if you are using tax credits but are not using FHA mortgage insurance. Use the **Financing Plan Guide for FHA Insured Conversions** if you are using FHA mortgage insurance with or without tax credits.

Where HUD has already issued specific guidance (e.g., in the form of HUD Notices) on the various components required as part of the Financing Plan, the Guide will provide limited information. However, each section of the Guide contains a “Resources” section with links to related guidance that will help you successfully complete each item. Where separate written guidance has not been issued, this Guide provides more detailed information. The Guide also provides a summary of HUD approvals that must be obtained prior to submission of the Financing Plan. Finally, Appendix A to the Guide consists of a streamlined checklist of the submission requirements.

Financing Plan Deadline

The RAD Financing Plan is due within 180 days of your Commitment to Enter into a Housing Assistance Payment Contract (CHAP) Award. However, you should begin compiling required documents as soon as your CHAP is awarded, as some of the requirements are complex and require long lead times (for example, obtaining a Capital Needs Assessment or environmental review documents). HUD expects one complete and accurate package with all of the required information; incomplete Financing Plan submissions will be rejected.

Pre-Financing Plan Approvals

Prior to submitting your Financing Plan, PHAs must submit certain documents so that HUD can review and approve them by the time the PHA is ready to submit the Financing Plan. Advance submission will help prevent delays and allow time to resolve any issues that may come up during HUD’s review. The items listed in the table below, along with recommended submission timeframes, are annotated with an asterisk (*) in the Guide and in Appendix A to the Guide.

Advance Approval Documentation	Recommended Submission Timeframe
Approval of Non-Dwelling Real Property	PHA must submit its draft PIC removal application in PIC inclusive of all non-dwelling building(s)/land within 30 days of CHAP issuance and enter the “DDA” number # assigned by PIC into the Resource Desk in the “PIC Removal Control No.” field.
Approved Significant Amendment to PHA/MTW Plan	Submit to your local PIH Field Office or MTW Coordinator as early as possible, but not later than 90 days in advance of your Financing Plan submission.

Advance Approval Documentation	Recommended Submission Timeframe
Approved Amendment to Attachment A of the MTW Agreement ("Alternative Subsidy" MTW agencies only)	Submit to your MTW Coordinator as early as possible, but not later than 90 days in advance of your Financing Plan submission.
Affirmative Fair Housing Marketing Plan (PBRA Only)	Submit to the Multifamily Account Executive at least 30 days in advance of your Financing Plan submission.
Transfer of Assistance	Submit via the RAD Resource Desk within 90 days of CHAP issuance.
RAD Accessibility & Relocation Checklist	Submit via the RAD Resource Desk as early as possible, but not later than 90 days in advance of your Financing Plan submission.
Upfront Civil Rights Reviews <ul style="list-style-type: none"> ▪ Site Selection & Neighborhood Standards for New Construction Only ▪ Unit or Configuration Change ▪ Change in Occupancy 	Submit via the RAD Resource Desk as early as possible, but not later than 90 days in advance of your Financing Plan submission.

How to Submit Your Financing Plan

Submit a complete set of your Financing Plan documents by uploading them to the RAD Resource Desk at www.radresource.net. You may upload the documents as they are ready or you may wait to upload them all at once. To upload documents, please follow the steps below.

1. Logon to the Resource Desk (www.radresource.net) using your assigned username and password. (Note: If you are unable to locate your login information, use the "**Forgot your login information?**" link or email resourcedesk@radresource.net for assistance.
2. Click on **My PHA Libraries**. You'll see a list of the PHA's properties that have a CHAP Award.
3. Click on the name of the property for which you're submitting a Financing Plan.
4. Locate the blue bar that reads Financing Plan and click on the **Upload Files** link on the right. You'll see a matrix that contains a list of all documents. This matrix will serve as your table of contents for uploading documents.
5. Use the **Browse** and **Add File** buttons next to each line item to select and upload the corresponding document(s). You'll know that you have successfully uploaded the file because it will appear in the matrix. If you need to upload documents not listed in the grid, there is a line item called **Other Documents** at the end of the grid. There is a text box called "**Other**" **Title** that enables you to type in the name of the document you are uploading which will help your Transaction Manager easily identify it. If you have uploaded a document in error and wish to delete it, please email resourcedesk@radresource.net and include the following in the body of your email: PHA name, project name, & the title of the document you wish to remove.
6. You are welcome to input any comments that you would like to share with your Transaction Manager by typing them in the **Comments** field to the right of each line item. You must click **Save Changes** at the bottom of the grid in order to ensure your comments save.

7. Once all documents are uploaded, and you are ready to notify your Transaction Manager that your submission is ready for review, click the **Submit Financing Plan** button. The Transaction Manager will then receive an email notification that the Financing Plan submission has been completed. **IMPORTANT:** Do NOT click **Submit Financing Plan** until you have successfully uploaded your entire Financing Plan submission. Clicking this button before then will result in your submission being marked incomplete. If you wish to return and complete your financing plan submission later, simply click **Save Changes** before exiting the page.

Questions

Your Transaction Manager should be your first point of contact. However, if you have questions regarding the RAD Resource Desk or uploading documents, please send an email to resourcedesk@radresource.net.

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Item 1: Conversion Overview

HUD has developed a Conversion Overview template that PHAs may use. The template can be downloaded from the RAD Resource Desk Document Library or via the link on the Financing Plan matrix. When completing the Conversion Overview template, please provide HUD with a summary of the proposed conversion. The information you submit will be used by your Transaction Manager to prepare various internal documents and ultimately, the RAD Conversion Commitment. It is therefore important to clearly describe your proposed RAD transaction as well as identify any potential issues and proposed mitigations. Be sure to provide a clear description of the property and conversion plan and address any unique or unusual features including:

- Changing bedroom/unit configurations
- Multiple/Scattered sites
- Transfers of Assistance
- Resident relocation
- Rent bundling
- Confirmation of the current utility allowances at the converting project and any proposed changes in responsibilities for utilities
- Proposed changes in ownership as a result of the conversion
- Any prior Section 18 approvals associated with the converting project, including the issuance of Tenant Protection Vouchers
- Units to be reduced under the de minimis allowance of the Notice
- If the property is part of a Choice Neighborhood Implementation grant
- How conditions of the Commitment to Enter into a Housing Assistance Payment (CHAP) award were met
- Any programmatic or regulatory waivers or special approvals you intend to request from HUD. (Note: Waivers should be discussed with your Readiness Transaction Manager prior to the submission of the Financing Plan.)

What to Upload

- ✓ The RAD Conversion Overview Template

Item 2: Conversion Type

The Financing Plan matrix is prepopulated with the type of subsidy that was selected in your original RAD application; either Project-Based Vouchers (PBV) or Project-Based Rental Assistance (PBRA). If you wish to change your original selection, click the box under “Check here if this is incorrect.” It is important to note that changing the conversion type at the Financing Plan submission stage will result in processing delays. Any change should be addressed well in advance of Financing Plan submission and discussed with your Readiness Transaction Manager.

What to Upload

- ✓ If you are converting to PBRA and did not request or do not qualify for a good cause exemption for Choice Mobility, upload a fully executed Choice Mobility Letter of Agreement template signed by the PHA converting the units and by the PHA that has agreed to administer the vouchers in order to comply with the

Choice Mobility requirement.¹ A copy of the Choice Mobility Letter of Agreement template can be found in the RAD Document Library.

Resource Desk Guidance

- RAD Guide to Choosing Between PBV and PBRA
- PBV Quick Reference Guide
- PBRA Quick Reference Guide

Item 3: Resident Comments

In addition to holding meetings, the RAD Notice requires substantive responses to comments received from tenants at various phases of the conversion process.

What to Upload

- ✓ Provide date(s) of the resident meeting (or meetings, where applicable) held following the issuance of the CHAP and a record of the responses (written or oral, or in subsequent actions/decisions) to resident comments on the proposed conversion that were received in connection with such meetings.

Item 4: RPCA or CNA and Scope of Work for Rehab or New Construction

The RAD Physical Condition Assessment (RPCA) and Capital Needs Assessment (CNA) both consist of two parts: a written Narrative and an Excel Tool (Note: Physical condition assessments submitted on or after October 1, 2017² must follow the format prescribed in Notice H2016-18, which implements HUD's new CNA e-tool. Additional guidance will be released in the future regarding what components need to be uploaded to the Resource Desk when utilizing the CNE e-tool. In the case of non-FHA RAD transactions, a PHA may request from the Transaction Manager permission to use the current RAD RPCA if the contract for the RPCA was executed by both parties prior to May 4, 2017) In addition to the RPCA or CNA, the RAD Notice requires the submission of a "Scope of Work." Both the RPCA tool and the e-CNA tool include rehab specifications which can be used to fulfill this requirement.

Most transactions will require both the narrative report and the tool. The narrative report is not required in these instances:

1. New construction or substantial rehabilitation projects
2. Projects less than five years old
3. Projects that will be financed with tax credits; and
4. Projects where the total number of assisted units (RAD and Section 8) will constitute less than 20% of the total number of units at the project.

Tips for Submitting a Satisfactory Assessment

- Begin the procurement process soon after receipt of CHAP because of the lead time needed for completion.

¹ If you are eligible for a good cause exemption for Choice Mobility but failed to request one or changed your selection to PBRA after applying for RAD, contact your Transaction Manager to determine if HUD has already awarded the maximum number of exemptions authorized under RAD.

² Date is subject to change based on official release date of the CNA e-tool.

- Do not upload the report and tool without carefully reviewing them first. There may be some discrepancies between the assessment, the Scope of Work, the Development Budget and the Reserves. Discuss any discrepancies with your third-party provider, your Transaction Manager and lender, if applicable.

What to Upload

- ✓ The final version of the assessment (RPCA or CNA) narrative report (if required) and tool/e-tool.

Resource Desk Guidance

- Physical Condition Guide
- RAD Physical Condition Assessment Statement of Work
- RAD Physical Assessment Tool
- RAD Physical Assessment Exhibit – Summary of HUD’s Responsibility Laws
- RAD RPCA Training Webinar

Other Guidance (https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/)

- Notice H 2016-18, ***Implementation of the CNA e-Tool: Automating Capital Needs Assessments, and Related Policy Changes***

Item 5: Environmental Review

An environmental review is required for all conversions but the type of review and submission documents vary based on the type of conversion (PBRA which requires a Part 50 review or PBV which requires a Part 58³ review). Please refer to the Environmental Review Requirements for RAD Transactions for additional information.

What to Upload

For PBV Conversions

- ✓ The completed HUD Form 7015.16; or
- ✓ A letter from the Responsible Entity conducting the Part 58 review indicating a finding of exempt activity under 24 CFR 58.34.

For PBRA Conversions

- ✓ An environmental report (consistent with instructions contained in Chapter 9 of HUD’s Multifamily Accelerated Processing (MAP) Guide); and
- ✓ A Phase I ESA in accordance with ASTM E 1527-1 (or the most recent edition). The Phase I ESA must be conducted within one year of the submission to HUD. This one-year requirement refers to the earliest of the date of the site visit, records review documents or interviews. A Phase I ESA that was conducted more than 180 days prior to the submission date to HUD, but within the allowable one-year period, must be updated pursuant to Section 4.6 of ASTM E 1527-05. A Phase I ESA prepared more than one year prior to submission to HUD, even if updated within 180 days of submission, is not acceptable. Note: For projects not undergoing substantial rehabilitation or new construction, you may instead submit a transaction screen in accordance with ASTM E 1527-18 (or the most recent edition) in lieu of a Phase I ESA.

Resource Desk Guidance

³ Environmental reviews for PBV projects will not be completed by HUD except in accordance with 24 CFR 58.11 in which case the review is done under Part 50 and will follow the guidance provided for PBRA conversions.

- Environmental Review Requirements for 1st Component Transactions
- RAD Environmental Review Process Training for CHAP Awardees (Webinar)
- RAD Environmental Review Process Training for CHAP Awardees (Slides)

Other Guidance (www.hudexchange.info)

- HUD Exchange Environmental Review

Item 6: Development Budget (Sources and Uses)

The Development Budget must include a reasonable, balanced and comprehensive presentation of all sources and uses of funds needed for the RAD conversion.

What to Upload

- ✓ Update the Transaction Log on the Resource Desk
- ✓ For projects with an Energy Performance Contract (EPC), upload a draft amended EPC approval letter from HUD's PIH Energy Center specifying the minimum amount of debt that will need to be addressed in the conversion.
- ✓ Subsidy Layering Review (SLR). Upload one if it has been performed by another agency. Note: If no SLR has been performed, HUD will complete one whenever multiple federal sources are proposed, when public housing funds are being used to fund the conversion or when a MTW agency is using MTW block grant funds to set their initial contract rents.

Item 7: Development Team

Successful RAD conversions require an experienced team that has the capability to process the property through the conversion process, manage any proposed rehab or construction and manage the project after closing. Note: Resumes are not required but may be requested if additional information is needed.

What to Upload

- ✓ Organization chart that clearly details all participants for each entity. If a ground lease is proposed, include the parties and the lease term on the org chart.
- ✓ A narrative description for each entity with the name of the entity, its role in the transaction, and a description of relevant experience. If multiple sources of financing are identified for the project, the development team must demonstrate that they have experience with at least three transactions with mixed or multiple sources of financing.
- ✓ *PBRA Conversions Only:* Upload evidence that all principals have Previous Participation Certification in the Active Partners Performance Systems (APPS) (also known as the 2530 Previous Participation Clearance) if required and evidence that principals are not debarred, suspended or subject to a Limited Denial of Participation. If the participants do not have prior HUD experience and are utilizing paper 2530s for the APPS submission, the 2530s should be mailed or emailed to the Multifamily Account Executive for processing. 2530s are **not** processed through the RAD Resource Desk or by your RAD Transaction Manager. If APPS/2530 approval has not yet been granted at the time of financing plan submission, the PHA should upload evidence of when the submission was made, such as a copy of the email transmitting the 2530s or a screenshot of the electronic APPS submission.

Resource Desk Guidance

- 2530 Guidance for RAD Transactions (Note: 2530 approval is not required for PHAs or affiliates that are 100% owned by the PHA.)

Item 8: Proposed Financing

All sources of funds (loans, tax credits, grants, etc.) must be disclosed and meet the requirements described in the RAD Notice. HUD has developed a Proposed Financing template that PHAs may complete and upload for each funding source shown on the Sources & Uses.

What to Upload

- ✓ A Proposed Financing Template for each funding source
- ✓ The latest lender, investor or grantor letter:
 - The letter must be dated no later than 60 days prior to Financing Plan submission.
 - The letter must include key terms such as funding amount, repayment terms, interest rate, amortization, maturity, prepayment restrictions, pay-in-schedule, etc. The key terms for any permanent financing must comply with the conditions (fixed interest rate, fixed term, fully amortizing over the term, balloon payments are not permitted before year 17; and the amortization term cannot exceed 40 years).
- ✓ The first mortgage lender's approval of all subordinate (or secondary) financing. All subordinate (or secondary) financing must be disclosed and then approved by the first mortgage lender as well as by HUD in accordance with Section 8.9 of the Mortgage Credit and Underwriting Processing Requirements of the ***Multifamily Accelerated Processing (MAP) Guide***.
- ✓ The first mortgage consent to the RAD Use Agreement and their consent to the fact that the lien of the new first mortgage loan will be subordinate to the RAD Use Agreement.

Item 9: Operating Pro Forma

In addition to completing the operating pro forma on the Transaction Log, an operating pro forma that matches the term of the PBRA or PBV contract must be uploaded to the Resource Desk. The pro forma must comply with the feasibility benchmarks shown below. If the pro forma fails one or more feasibility benchmarks, HUD may still accept the Financing Plan if HUD determines that, taken as a whole, the Financing Plan is consistent with the long-term physical and financial viability of the property and/or the PHA can provide adequate support through historical data or other means.

- Rents cannot exceed the amounts permitted under program rules.
- All other sources of income must be supported with a narrative or must not exceed the average for the last three years (other income should not include interest income on the reserve for replacement account which must remain in the reserve and is not available for other purposes).
- Vacancy loss cannot be less than the greater of the average over the past three years or three percent (3%).
- Allowance for bad debt cannot be less than the greater of the average over the past three years or two percent (2%).
- For public housing conversions where the PHA indicates the continuation of a Payment in Lieu of Taxes (PILOT), the PHA must provide a legal opinion based on state and local law regarding the continuation of the PILOT after conversion. Alternatively, the PHA may provide a written letter from the local taxing authority that the PILOT will continue. If there will not be a PILOT after conversion, provide documentation of the real estate tax estimates.
- All other operating expenses cannot be less than 85% of the average for the last three years.

- The annual replacement reserve deposit should be equal to that amount which if deposited annually, will be sufficient to fund all capital need as identified in the capital needs assessment, arising during the first 20 years and otherwise not addressed upfront in either the rehab scope of work or an initial deposit to the replacement reserve account. The PHA should use reasonable estimates in the inflation rate but in doing so, the rate for escalating the increase in repair costs should not exceed the rate of interest on reserve deposits by more than 1%. HUD may consider alternative arrangements with respect to the initial deposit to the replacement reserve if risks to the Covered Project can be adequately mitigated.
- For non-leveraged transactions, the stabilized cash flow should not be less than \$12 per unit monthly. For leveraged transactions, the debt coverage ratio should not be less than 1.11 over a ten year period using 2% growth in revenue and 3% growth in expenses.
- All conversions must allow for a minimum of \$25 per unit annually (PUA) for resident organization (of which at least \$15 PUA must go to the recognized tenant organization).

What to Upload

- ✓ A complete Operating Pro Forma that includes all major revenues and expenses. It must project out for the term of the initial HAP contract. You can use a format of your choosing; however, it's recommended that you use the same revenue and expense categories found in the Transaction Log to help maintain consistency.
- ✓ Supporting documentation for all major revenues and expenses, including 3 years of the most recent project financials to support proposed amounts (revenues, expenses, vacancy, & bad debt).
- ✓ A certification from the Owner stating that the proposed revenues and expenses are within 85% of the average for the last three years. If any categories do not meet this standard, include an explanation.
- ✓ Update the Transaction Log, including inputting the number of Market Rate, Affordable (Other than RAD), and LIHTC units at the project at the top of the Transaction Log (as applicable). These fields will appear if you input income in the following Transaction Log Fields: GPR Market Rate Apartments, GPR Affordable Apartments (other than RAD).

PHA Libraries - Pro Forma Template

Current Calculat Last Updated:

☐ Data has been reviewed and no changes have been made for . Transaction Log Last Modified:

☐ Application Changes Only

Property Name CHAP Issuance Date

Market Rate Apartments Units Affordable Apartments Units LIHTC Units
(other than RAD) (other than RAD)

- ✓ If applicable, upload a narrative discussion of the energy and water savings that are anticipated as a result of the rehabilitation or construction and the basis for those estimates. The discussion must explain to what extent anticipated savings in utility costs have been included in the pro forma operating expenses.
- ✓ For real estate taxes, upload one of the following: 1. A legal opinion regarding the continuation of the PILOT following conversion or; 2. Evidence of real estate tax estimates if there is no PILOT.
- ✓ Upload insurance cost documentation, such as quotes from an insurance agent, based on actual recent premiums for similar projects.
- ✓ For PBRA only and only applicable if current funding is greater than 120% of the Fair Market Rent and the PHA believes the rent is below the market rent: Upload a Rent Comparability Study (RCS). The RCS must be prepared in accordance with Chapter 9 of HUD's **Section 8 Policy Renewal Guide**.

Item 10: Market Study

A market study will only be required at HUD's request in cases where the project is currently experiencing a high vacancy rate or when project plans include unit reconfigurations or the inclusion of market-rate units.

What to Upload

- ✓ The completed market study, if applicable. If not required, check the "N/A" box.

Item 11: Title Report

A title report is now required to be uploaded at the Financing Plan submission stage in order to better identify potential issues prior to beginning the closing process. PHAs should begin the title search process well in advance of the financing plan submission deadline. Title will be subject to further review by HUD counsel after issuance of the RAD Conversion Commitment; approval of the Financing Plan does not indicate HUD's acceptance or approval of the submitted Title Report.

What to Upload

- ✓ Submit a complete title report tracing title back to the vesting deed. Include information on whether the converting project is currently subject to a Declaration of Trust or Declaration of Restrictive Covenant and any other liens, encroachments, easements or other encumbrances on the property.
- ✓ The title report should be reviewed by in-house counsel to determine if there are any issues that could adversely impact closing; any potential issues should be summarized and uploaded.

Item 12: Approved Significant Amendment to PHA Plan & Site and Neighborhood Certification

Conversion is considered a significant amendment to the PHA's Five-Year Plan for qualified and non-qualified PHAs, a significant amendment to the Annual Plan for non-qualified PHAs, and an amendment to the MTW Plan for MTW Agencies. PIH Field Offices will receive and review all Plans and provide written approval, with the exception of MTW Plans which are reviewed in conjunction with the MTW Office in Headquarters. Note: If any substantial change to the conversion plan occurs after HUD approval is received (e.g., a change in the number of assisted units, eligibility, transfer of assistance), the PHA must go through the significant amendment process to incorporate the changes and obtain HUD approval of the revised plan.

For all transactions that are converting the assistance of an existing structure (whether on-site or through a transfer of assistance), the PHA must provide a certification that the site complies with the Site and Neighborhood Standards for existing or rehabilitated housing. This certification must be included within the Plan. The following sample certification can be used:

"The site complies with the Site selection requirements set for at [24 CFR § 983.57 (for PBV conversions) **OR** Appendix III of PIH Notice 2012-32 (HA) H2017-03 REV-3 (for PBRA conversions)], the Fair Housing Act, Title VI of the Civil Rights Act of 1964, including implementing regulations at 24 CFR § 1.4(b)(3), Section 504 of the Rehabilitation Act of 1973 including implementing regulations at 24 CFR § 8.4(b)(5), and the Americans with Disabilities Act.

What to Upload

- ✓ A letter from HUD approving the Significant Amendment, Five-Year Plan, Annual Plan, or MTW Plan as appropriate.

Resource Desk Guidance

- Significant Amendment to the PHA Plan Frequently Asked Questions

Item 13: Approved Amendment to Attachment A of the MTW Agreement

MTW agencies with an “Alternative-Subsidy” Operating Fund formula are required to amend Attachment A of their MTW Agreement to the extent HUD determines is necessary to meet RAD’s statutory requirements. For MTW agencies that have not completed this step as part of a previously completed RAD conversion, the PHA must provide an executed amendment to Attachment A of their MTW Agreement with language provided by the PHA’s MTW coordinator and follow the instructions provided by the coordinator.

What to Upload

- ✓ The executed amendment to Attachment A of the MTW Agreement. Check “N/A” if your agency is not a MTW Agency or if this step was completed as part of a prior RAD conversion.

Item 14: Estimate of Public Housing Funds Available for HAP Subsidy

In RAD, Section 8 subsidy does not begin until the calendar year following the initial closing and thus HAP contract funding in the year in which closing occurs is provided from Public Housing funds. The PHA must provide an estimate of public housing subsidy that will be used to support HAP payments under the HAP contract from the date in which the HAP contract is effective (the first day of the first or second month following closing) until the end of the calendar year. To assist PHAs with this calculation, HUD has created an Initial Year Funding Tool that is prepopulated with certain funding information. A link to the tool can be found in the Financing Plan matrix and also in the RAD Resource Desk Document Library.

What to Upload

- ✓ A signed copy of the RAD Initial Year Funding Tool calculating the amount of revenue available to the property for the balance of the calendar year. The PHA should input an estimate for the HAP contract effective date; an updated version of this tool reflecting the actual HAP contract effective date will be collected as part of the closing process.

Resource Desk Guidance

- Initial Year Funding Instructions
- RAD Initial Year Funding Tool

Item 15: RAD Fair Housing Accessibility and Relocation Plan Checklist

All PHAs, regardless of whether or not the conversion involves relocation, must complete and submit the RAD Accessibility and Relocation Checklist. The template can be found in the Financing Plan matrix. The checklist includes a certification that the relocation plan complies with all applicable HUD requirements, including the Uniform Relocation Assistance and Real Property Acquisition Policies act of 1970 (URA) and its implementing regulations at 49 CFR Part 24, as well as Section 504 of the Rehabilitation Act of 1973 and its implementing regulations at 24 CFR 8.23.

What to Upload

- The completed and executed RAD Fair Housing Accessibility and Relocation checklist.

Resource Desk Guidance

- RAD Fair Housing Accessibility and Relocation Checklist
- RAD Relocation Notice Webinar
- Relocation Training Webinar
- Notice H 2016-17, ***Rental Assistance Demonstration (RAD) Notice Regarding Fair Housing and Civil Rights Requirements and Relocation Requirements Applicable to RAD First Component Public Housing Conversions***

Item 16: Affirmative Fair Housing Marketing Plan (AFHMP; PBRA ONLY)

This is a HUD form (935.2A) that is required for PBRA conversions only. The form is typically completed by the management agent or entity responsible for marketing (if different) and must be submitted to the local HUD Multifamily office as part of the Financing Plan. If the owner plans to adopt any local or residency preferences, it must also submit a Tenant Selection Plan along with the AFHMP. The AFHMP must be approved by HUD prior to the marketing of any units.

What to Upload

- ✓ If the AFHMP has been approved by the HUD Multifamily office with jurisdiction over the property, upload a copy of the approved, fully executed form (HUD 935.2A); **OR**
- ✓ If the AFHMP has been submitted to the HUD Multifamily office with jurisdiction but has not yet been approved, upload a copy of the AFHMP and a copy of the transmittal email or letter to HUD requesting approval.
- ✓ For PBV conversions, check “N/A” on the Resource Desk.

Resource Desk Guidance

- Quick Reference Guide to Multifamily Housing Requirements (PBRA)

Other Guidance (https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/)

- HUD Handbook 4350.3, ***Occupancy Requirements of Subsidized Multifamily Housing Programs***

Item 17: Transfer of Assistance

For conversions that involve a transfer of assistance, the PHA has 90 days from CHAP issuance to identify the site to which assistance will be transferred and submit to HUD documentation demonstrating that the site meets the criteria for transfers of assistance set forth in the RAD Notice, see paragraph 1.4.A.12). HUD has developed a Transfer of Assistance worksheet template that PHAs may use for requesting site approval. A copy of the template can be found in the Financing Plan matrix and in the document library. HUD will provide approval of the site through an approval letter.

At the time of Financing Plan submission, the PHA should also indicate whether they are making one or both of the following requests:

- 1) When the assistance will be transferred at closing, HUD will only release the Declaration of Trust or Declaration of Restrictive Covenants if the PHA's plan meets the criteria described in the RAD Notice.
- 2) The PHA and owner can request that HUD delay the execution of the HAP contract in cases where the new site will not be ready for occupancy until rehabilitation or construction is completed and residents will remain in the public housing site during construction. These requests should be submitted with the Financing Plan.

What to Upload

- ✓ Transfer of Assistance worksheet (upload as an Excel file)
- ✓ If applicable, a request to release the DOT/DORC at closing.
- ✓ If applicable, a written request to delay execution of the HAP. The converting project will remain public housing during the construction period.
- ✓ If your conversion does not involve a transfer of assistance, check "N/A" on the Resource Desk matrix.

Resource Desk Guidance

- Transfer of Assistance Approval Worksheet

Items 18-20: Pre-Financing Plan Approval of Specific Activities

Certain HUD approvals must be obtained prior to the submission of the Financing Plan. These include proposals with the following situations:

- The total number of units in the covered project is less than the original number of units in the converting project (including de minimis reductions).
- The covered project's unit configuration is different than the unit configuration of the converting project.
- The covered project serves a different population from the one served by the converting project (e.g., the current project serves a family population but the PHA would like to establish an elderly preference in the converted project).
- New construction, whether on a new site or the existing site.

HUD has developed templates to assist PHAs in making these submissions. Copies of the templates are available in the Financing Plan grid and in the RAD Resource Desk Document Library.

What to Upload

- ✓ FHEO Upfront Review Template – Change in Units
- ✓ FHEO Upfront Review Template – Change in Occupancy
- ✓ FHEO Upfront Review Template – New Construction
- ✓ If none of the above scenarios apply to your conversion, ensure "N/A" is selected on the Financing Plan matrix for each line item. If "N/A" is not selected and no document is uploaded, your Financing Plan submission will be considered incomplete.

Resource Desk Guidance

- FHEO Upfront Review Template – Change in Units
- FHEO Upfront Review Template – Change in Occupancy
- FHEO Upfront Review Template – New Construction
- Notice H 2016-17, ***Rental Assistance Demonstration (RAD) Notice Regarding Fair Housing and Civil Rights Requirements and Relocation Requirements Applicable to RAD First Component Public Housing Conversions***

Item 21: Financing Plan Certification and Submission

Once all of the documents have been uploaded, the PHA's Executive Director must execute and upload the Completion Certification. A copy of the certification is available on the Financing Plan matrix.

As a reminder, once the certification has been uploaded and you are ready to notify your RAD Transaction Manager that your Financing Plan is complete and ready to be reviewed, click the **Submit Financing Plan** button which will send a notification to your Transaction Manager. If you click on this button before the entire Financing Plan is complete, please contact your Transaction Manager so the button can be re-set and your submission is not flagged as incomplete.

Item 22: Other Documents

This section allows you to upload documents that are not covered in other sections of the matrix but are relevant to your transaction. As previously noted in this Guide, you can add a description of the document when you upload it to the Resource Desk. Examples of documents you may want to add in this category include, but are not limited to:

- The PHA's certification of current utility allowances (if different than the utility allowances shown on the CHAP).
- Utility allowance projections performed by a professional engineer when energy and water usage improvements are anticipated in PBRA conversions with tenant-paid utilities.

Inputting & Verifying Ownership Data

As part of Financing Plan submission, PHAs are responsible for ensuring that the RAD Resource Desk reflects the correct ownership and address information regarding the project. This information flows directly into the RAD Conversion Commitment (RCC) and thus an RCC cannot be issued until the PHA has completed this step. To view and input the Ownership information, click the **Ownership Data** button at the top of the Financing Plan Upload Files page.

PHA Libraries - Upload Documents -			
Property Name	View Application	CHAP Issuance Date	11/20/2015 Milestone Complete N/A
No Units Converting 136			
Ownership Data	Ownership Data Not Yet Confirmed		
180 Days Following CHAP Issuance		Due Date: 08/01/2017	HUD Review

Resource Desk Guidance

- [Resource Desk Webinar – Inputting Project Ownership](#)

Appendix A: Financing Plan Checklist

This optional checklist can be used as an aid to ensure your Financing Plan submission is complete. You are not required to upload this checklist as part of your submission.

Item	Required Submission Materials or Actions	
1	Conversion Overview	<input type="checkbox"/> Complete and upload the Conversion Overview template
2	Conversion Type	<input type="checkbox"/> If the current subsidy selection shown on the grid is not correct, indicate that you are switching subsidy types and upload all supporting documentation
3	Resident Comments	<input type="checkbox"/> Upload evidence of the resident meetings, comments received, and responses provided to the residents
4	RPCA/CNA and Scope of Work	<input type="checkbox"/> Upload completed Tool; AND <input type="checkbox"/> Upload written narrative (if applicable)
5	Environmental Review	<input type="checkbox"/> Upload completed environmental review
6	Development Budget	<input type="checkbox"/> Update the Transaction Log on the RAD Resource Desk; AND <input type="checkbox"/> Upload draft EPC approval letter from the PIH Energy Center (if applicable); AND <input type="checkbox"/> Upload completed Subsidy Layering Review completed by another agency (if applicable)
7	Development Team	<input type="checkbox"/> Upload an org chart and narrative description for the development team, including general contractor (if applicable); AND <input type="checkbox"/> Upload evidence of Previous Participation Certifications for all principals (if applicable)
8	Proposed Financing	<input type="checkbox"/> Complete and upload a Proposed Financing Template for each funding source; AND <input type="checkbox"/> Upload the engagement letter or commitments for each funding source; AND <input type="checkbox"/> Upload the first mortgage lender's consent to subordinate to the RAD Use Agreement; AND <input type="checkbox"/> Upload the first mortgage lender's approval of all subordinate (or secondary) financing (if applicable)
9	Operating Pro Forma	<input type="checkbox"/> Update the operating pro forma in the RAD Transaction Log; AND

Item	Required Submission Materials or Actions	
		<input type="checkbox"/> Upload a complete pro forma that projects out for the term of the initial HAP contract and conforms with the RAD Notice underwriting benchmarks; AND <input type="checkbox"/> Upload all supporting documentation for expenses including insurance documentation, PILOT opinion, Rent Comparability Study and documentation for Other Revenue
10	Market Study	<input type="checkbox"/> Check the "N/A" box if appropriate; OR <input type="checkbox"/> Upload the market study
11	Title Report	<input type="checkbox"/> Upload complete title report with confirmation if the project is subject to a Declaration of Trust or Restrictive Covenant; AND <input type="checkbox"/> Upload results of PHA's counsel's review of any issues that may impact title, if applicable
12	Approved Significant Amendment to PHA Plan & Site and Neighborhood Certification	<input type="checkbox"/> Upload HUD's letter approving the Significant Amendment
13	Approved Amendment to Attachment A of the MTW Agreement	<input type="checkbox"/> Check the "N/A" box if appropriate; OR <input type="checkbox"/> Upload HUD's letter approving Amendment to Attachment A of the MTW Agreement
14	Estimate of Public Housing Funds Available for Subsidy	<input type="checkbox"/> Upload the completed HUD tool
15	RAD Fair Housing Accessibility and Relocation Plan Checklist	<input type="checkbox"/> Complete and upload the RAD Fair Housing Accessibility and Relocation Checklist
16	Affirmative Fair Housing Marketing Plan	<input type="checkbox"/> Check "N/A" if appropriate (PBV conversions only); OR <input type="checkbox"/> Upload a copy of the approved AFHMP; OR <input type="checkbox"/> Upload evidence that the AFHMP was submitted to HUD for review
17	Transfer of Assistance	<input type="checkbox"/> Check "N/A" if appropriate; OR <input type="checkbox"/> Upload the completed Transfer of Assistance worksheet; AND <input type="checkbox"/> Upload a request and relevant plans if the PHA wants the DOT to be released from the existing public housing site at closing; OR <input type="checkbox"/> Upload a request for the project to remain as public housing during construction and for execution of the HAP to be delayed until the Covered Project is ready for occupancy
18 - 20	Pre-Financing Plan Approval of Specific Activities	<input type="checkbox"/> Check "N/A" if appropriate for each line item; OR

Item	Required Submission Materials or Actions	
		<input type="checkbox"/> Upload any required FHEO templates due to changes in unit configuration, occupancy, or for new construction projects
21	Financing Plan Certification and Submission	<input type="checkbox"/> Upload an executed Completion Certification; AND <input type="checkbox"/> Click the “Submit Financing Plan” button on the Resource Desk.
22	Other Documents	<input type="checkbox"/> Upload any documents not covered in the Items above.
N/A	Inputting & Verifying Project Ownership Data	<input type="checkbox"/> Click Ownership Data and complete the required information. Click Save & Submit once complete.



Rental Assistance Demonstration

FINANCING PLAN GUIDE

JULY 2017

FHA Insured Conversions (with or without LIHTC)

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About this Guide and the Financing Plan

The ***Financing Plan Guide for FHA Insured Conversions*** (the “Guide”) will walk you through the requirements of the RAD Financing Plan (as outlined in Notice PIH 2012-32 (HA), REV-3) and assist you in making sure you upload the necessary documents to the RAD Resource Desk so your Transaction Manager can process your conversion. Each section of the Guide corresponds to the numbered matrix you will see in the [Resource Desk](#) as you submit your Financing Plan.

This Guide is specifically designed for RAD conversions using FHA mortgage insurance *with or without* tax credit financing. Please refer to the ***Financing Plan Guide for Non-FHA LIHTC Conversions*** if you are using tax credits with a conventional (non-FHA) mortgage or refer to the ***Financing Plan Guide for No Debt-Conventional Conversions***.

Where HUD has already issued specific guidance (e.g., in the form of HUD Notices) on the various components required as part of the Financing Plan, the Guide will provide limited information. However, each section of the Guide contains a “Resources” section with links to related guidance that will help you successfully complete each item. Where separate written guidance has not been issued, this Guide provides more detailed information.

As an important reminder, HUD issued [Mortgagee Letter 2012-20](#) which provides FHA underwriting guidelines for FHA/RAD transactions; it is critical that the lender and PHA are familiar with these requirements as they prepare their FHA Firm Application and RAD Financing Plan submissions.

The Guide also provides a summary of HUD approvals that must be obtained prior to submission of the Financing Plan. Finally, Appendix A to the Guide consists of a streamlined checklist of the submission requirements.

Financing Plan Deadline

The RAD Financing Plan and the FHA Firm Commitment Application are due within 180 days of your Commitment to Enter into a Housing Assistance Payment Contract (CHAP) Award¹; both submissions must be made at the same time in order for either submission to be considered complete. The Lender should submit the FHA Firm Application electronically via the standard FHA submission process while the RAD Financing Plan submission must be done electronically via the RAD Resource Desk.

However, you should begin compiling required documents as soon as your CHAP is awarded, as some of the requirements are complex and require long lead times (for example, obtaining a Capital Needs Assessment or environmental review documents). HUD expects one complete and accurate package with all of the required information; incomplete Financing Plan submissions will be rejected.

Pre-Financing Plan Approvals

Prior to submitting your Financing Plan, PHAs must submit certain documents so that HUD can review and approve them by the time the PHA is ready to submit the Financing Plan. Advance submission will help prevent delays and allow time to resolve any issues that may come up during HUD’s review. The items listed in the table below, along

¹ If you are pursuing FHA financing in conjunction with 4% tax credits, the PHA must submit evidence that it has applied for LIHTC and completed the required components of the CNA (see Section 1.4.A.1 of the RAD Notice) no later than 180 days following CHAP issuance date. HUD may provide additional time for projects in states without rolling 4% LIHTC awards. The Financing Plan is then due within 90 days of the 4% award. If you are pursuing FHA financing in conjunction with 9% tax credits, the PHA must submit evidence that it has applied for 9% LIHTC within 30 days following the application submission deadline for the first available 9% LIHTC round in their state to occur after a 90 day grace period after the CHAP issuance date. Following notification of its 9% LIHTC award, the Financing Plan is then due within 180 days following the 9% LIHTC award.

with recommended submission timeframes, are annotated with an asterisk (*) in the Guide and in Appendix A to the Guide.

Advance Approval Documentation	Recommended Submission Timeframe
Approval of Non-Dwelling Real Property	PHA must submit its draft PIC removal application in PIC inclusive of all non-dwelling building(s)/land within 30 days of CHAP issuance and enter the "DDA" number # assigned by PIC into the Resource Desk in the "PIC Removal Control No." field.
Approved Significant Amendment to PHA/MTW Plan	Submit to your local PIH Field Office or MTW Coordinator as early as possible, but not later than 90 days in advance of your Financing Plan submission.
Approved Amendment to Attachment A of the MTW Agreement ("Alternative Subsidy" MTW agencies only)	Submit to your MTW Coordinator as early as possible, but not later than 90 days in advance of your Financing Plan submission.
Affirmative Fair Housing Marketing Plan (PBRA Only)	Submit to the Multifamily Account Executive at least 30 days in advance of your Financing Plan submission.
Transfer of Assistance	Submit via the RAD Resource Desk within 90 days of CHAP issuance.
RAD Accessibility & Relocation Checklist	Submit via the RAD Resource Desk as early as possible, but not later than 90 days in advance of your Financing Plan submission.
Upfront Civil Rights Reviews <ul style="list-style-type: none"> ▪ Site Selection & Neighborhood Standards for New Construction Only ▪ Unit or Configuration Change ▪ Change in Occupancy 	Submit via the RAD Resource Desk as early as possible, but not later than 90 days in advance of your Financing Plan submission.

How to Submit Your Financing Plan

Submit a complete set of your Financing Plan documents by uploading them to the RAD Resource Desk at www.radresource.net. You may upload the documents as they are ready or you may wait to upload them all at once. To upload documents, please follow the steps below.

1. Logon to the Resource Desk (www.radresource.net) using your assigned username and password. (Note: If you are unable to locate your login information, use the **"Forgot your logon information?"** link or email resourcedesk@radresource.net for assistance.
2. Click on **My PHA Libraries**. You'll see a list of the PHA's properties that have a CHAP Award.
3. Click on the name of the property for which you're submitting a Financing Plan.
4. Locate the blue bar that reads Financing Plan and click on the **Upload Files** link on the right. You'll see a matrix that contains a list of all documents. This matrix will serve as your table of contents for uploading documents.

5. Use the **Browse** and **Add File** buttons next to each line item to select and upload the corresponding document(s). You'll know that you have successfully uploaded the file because it will appear in the matrix. If you need to upload documents not listed in the grid, there is a line item called **Other Documents** at the end of the grid. There is a text box called "**Other**" **Title** that enables you to type in the name of the document you are uploading which will help your Transaction Manager easily identify it. If you have uploaded a document in error and wish to delete it, please email resourcedesk@radresource.net and include the following in the body of your email: PHA name, project name, & the title of the document you wish to remove.
6. You are welcome to input any comments that you would like to share with your Transaction Manager by typing them in the **Comments** field to the right of each line item. You must click **Save Changes** at the bottom of the grid in order to ensure your comments save.
7. Once all documents are uploaded, and you are ready to notify your Transaction Manager that your submission is ready for review, click the **Submit Financing Plan** button. The Transaction Manager will then receive an email notification that the Financing Plan submission has been completed. **IMPORTANT:** Do NOT click **Submit Financing Plan** until you have successfully uploaded your entire Financing Plan submission. Clicking this button before then will result in your submission being marked incomplete. If you wish to return and complete your financing plan submission later, simply click **Save Changes** before exiting the page.

Questions

Your Transaction Manager should be your first point of contact. However, if you have questions regarding the RAD Resource Desk or uploading documents, please send an email to resourcedesk@radresource.net.

[Remainder of the page intentionally left blank.]

Item 1: Conversion Overview

HUD has developed a Conversion Overview template that PHAs may use. The template can be downloaded from the RAD Resource Desk Document Library or via the link on the Financing Plan matrix. When completing the Conversion Overview template, please provide HUD with a summary of the proposed conversion. The information you submit will be used by your Transaction Manager to prepare various internal documents and ultimately, the RAD Conversion Commitment. It is therefore important to clearly describe your proposed RAD transaction as well as identify any potential issues and proposed mitigations. Be sure to provide a clear description of the property and conversion plan and address any unique or unusual features including:

- Changing bedroom/unit configurations
- Multiple/Scattered sites
- Transfers of Assistance
- Resident relocation
- Rent bundling
- Confirmation of the current utility allowances at the converting project and any proposed changes in responsibilities for utilities
- Proposed changes in ownership as a result of the conversion
- Any prior Section 18 approvals associated with the converting project, including the issuance of Tenant Protection Vouchers
- Units to be reduced under the de minimis allowance of the Notice
- If the property is part of a Choice Neighborhood Implementation grant
- How conditions of the Commitment to Enter into a Housing Assistance Payment (CHAP) award were met
- Any programmatic or regulatory waivers or special approvals you intend to request from HUD. (Note: Waivers should be discussed with your Readiness Transaction Manager prior to the submission of the Financing Plan.)

What to Upload

- ✓ The RAD Conversion Overview Template

Item 2: Conversion Type

The Financing Plan matrix is prepopulated with the type of subsidy that was selected in your original RAD application; either Project-Based Vouchers (PBV) or Project-Based Rental Assistance (PBRA). If you wish to change your original selection, click the box under “Check here if this is incorrect.” It is important to note that changing the conversion type at the Financing Plan submission stage will result in processing delays. Any change should be addressed well in advance of Financing Plan submission and discussed with your Readiness Transaction Manager.

What to Upload

- ✓ If you are converting to PBRA and did not request or do not qualify for a good cause exemption for Choice Mobility, upload a fully executed Choice Mobility Letter of Agreement template signed by the PHA converting the units and by the PHA that has agreed to administer the vouchers in order to comply with the Choice Mobility requirement.² A copy of the Choice Mobility Letter of Agreement template can be found in the RAD Document Library.

² If you are eligible for a good cause exemption for Choice Mobility but failed to request one or changed your selection to PBRA after applying for RAD, contact your Transaction Manager to determine if HUD has already awarded the maximum number of exemptions authorized under RAD.

Resource Desk Guidance

- RAD Guide to Choosing Between PBV and PBRA
- [PBV Quick Reference Guide](#)
- [PBRA Quick Reference Guide](#)

Item 3: Resident Comments

In addition to holding meetings, the RAD Notice requires substantive responses to comments received from tenants at various phases of the conversion process.

What to Upload

- ✓ Provide date(s) of the resident meeting (or meetings, where applicable) held following the issuance of the CHAP and a record of the responses (written or oral, or in subsequent actions/decisions) to resident comments on the proposed conversion that were received in connection with such meetings.

Item 4: RPCA or CNA and Scope of Work for Rehab or New Construction

The RAD Physical Condition Assessment (RPCA) and Capital Needs Assessment (CNA) both consist of two parts: a written Narrative and an Excel Tool (Note: Physical condition assessments submitted on or after October 1, 2017³ must follow the format prescribed in Notice H2016-18, which implements HUD's new CNA e-tool. Additional guidance will be released in the future regarding what components need to be uploaded to the Resource Desk when utilizing the CNE e-tool.). Both the RPCA and e-CNA meet the criteria of the MAP Guide PCNA report and should be submitted in lieu of the MAP Guide PCNA. In addition to the RPCA or CNA, the RAD Notice requires the submission of a "Scope of Work." Both the RPCA tool and the e-CNA tool include rehab specifications which can be used to fulfill this requirement.

PHAs should follow applicable requirements in the MAP Guide governing exemptions.

Tips for Submitting a Satisfactory Assessment

- Begin the procurement process soon after receipt of CHAP because of the lead time needed for completion.
- Do not upload the narrative report and tool without carefully reviewing them first. There may be some discrepancies between the narrative, Excel tool, Scope of Work, the Development Budget, and the Reserves. Discuss any discrepancies with your third-party provider, your Transaction Manager, and lender

What to Upload

- ✓ The final version of the assessment (RPCA or CNA) narrative report and tool/e-tool.

Resource Desk Guidance

- [RAD Physical Condition Guide](#)
- RAD Physical Condition Assessment Statement of Work
- RAD Physical Assessment Tool
- RAD Physical Assessment Exhibit – Summary of HUD's Responsibility Laws

³ Date is subject to change based on official release date of the CNA e-tool.

- [RAD RPCA Training Webinar](#)

Other Guidance

- [Notice H 2016-18, Implementation of the CNA e-Tool: Automating Capital Needs Assessments, and Related Policy Changes](#)

Item 5: Development Budget (Sources and Uses)

The Development Budget must include a reasonable, balanced and comprehensive presentation of all sources and uses of funds needed for the RAD conversion.

What to Upload

- ✓ Update the Transaction Log on the Resource Desk so that the Sources and Uses reflects what was submitted with the FHA Firm Application
- ✓ For projects with an Energy Performance Contract (EPC), upload a draft amended EPC approval letter from HUD's PIH Energy Center specifying the minimum amount of debt that will need to be addressed in the conversion.
- ✓ Subsidy Layering Review (SLR). Upload one if it has been performed by another agency. Note: If no SLR has been performed, HUD will complete one whenever multiple federal sources are proposed, when public housing funds are being used to fund the conversion or when a MTW agency is using MTW block grant funds to set their initial contract rents.

Item 6: Proposed Financing

All sources of funds (loans, tax credits, grants, etc.) must be disclosed and meet the requirements described in the RAD Notice. HUD has developed a Proposed Financing template that PHAs may complete and upload for each funding source shown on the Sources & Uses. As FHA takes the lead on reviewing all primary and secondary funding, the PHA only needs to complete and upload the Proposed Financing templates (one for each funding source shown on the Sources & Uses) and evidence that the first mortgage lender consents to subordinate to the RAD Use Agreement.

What to Upload

- ✓ A Proposed Financing Template for each funding source
- ✓ The first mortgage consent to the RAD Use Agreement and their consent to the fact that the lien of the new first mortgage loan will be subordinate to the RAD Use Agreement.

Item 7: Operating Pro Forma

Complete the operating pro forma on the Transaction Log that matches what was submit with the FHA Firm Application.

What to Upload

- ✓ Update the Transaction Log, including inputting the number of Market Rate, Affordable (Other than RAD), and LIHTC units at the project at the top of the Transaction Log (as applicable). These fields will appear if

you input income in the following Transaction Log Fields: GPR Market Rate Apartments, GPR Affordable Apartments (other than RAD).

PHA Libraries - Pro Forma Template		
Current Calculat	Last Updated:	
<input type="checkbox"/> Data has been reviewed and no changes have been made for		Transaction Log Last Modified:
<input type="checkbox"/> Application Changes Only		
Property Name	CHAP Issuance Date	
Market Rate Apartments Units	Affordable Apartments Units (other than RAD)	LIMTC Units (other than RAD)

Item 8: Title Report

A title report is now required to be uploaded at the Financing Plan submission stage in order to better identify potential issues prior to beginning the closing process. PHAs should begin the title search process well in advance of the financing plan submission deadline. Title will be subject to further review by HUD counsel after issuance of the RAD Conversion Commitment; approval of the Financing Plan does not indicate HUD's acceptance or approval of the submitted Title Report.

What to Upload

- ✓ Submit a complete title report tracing title back to the vesting deed. Include information on whether the converting project is currently subject to a Declaration of Trust or Declaration of Restrictive Covenant and any other liens, encroachments, easements or other encumbrances on the property.
- ✓ The title report should be reviewed by in-house counsel to determine if there are any issues that could adversely impact closing; any potential issues should be summarized and uploaded.

Item 9: Approved Significant Amendment to PHA Plan & Site and Neighborhood Certification

Conversion is considered a significant amendment to the PHA's Five-Year Plan for qualified and non-qualified PHAs, a significant amendment to the Annual Plan for non-qualified PHAs, and an amendment to the MTW Plan for MTW Agencies. PIH Field Offices will receive and review all Plans and provide written approval, with the exception of MTW Plans which are reviewed in conjunction with the MTW Office in Headquarters. Note: If any substantial change to the conversion plan occurs after HUD approval is received (e.g., a change in the number of assisted units, eligibility, transfer of assistance), the PHA must go through the significant amendment process to incorporate the changes and obtain HUD approval of the revised plan.

For all transactions that are converting the assistance of an existing structure (whether on-site or through a transfer of assistance), the PHA must provide a certification that the site complies with the Site and Neighborhood Standards for existing or rehabilitated housing. This certification must be included within the Plan. The following sample certification can be used:

"The site complies with the Site selection requirements set for at [24 CFR § 983.57 (for PBV conversions) **OR** Appendix III of PIH Notice 2012-32 (HA) H2017-03 REV-3 (for PBRA conversions)], the Fair Housing Act, Title VI of the Civil Rights Act of 1964, including implementing regulations at 24 CFR § 1.4(b)(3), Section 504 of the Rehabilitation Act of 1973 including implementing regulations at 24 CFR § 8.4(b)(5), and the Americans with Disabilities Act.

What to Upload

- ✓ A letter from HUD approving the Significant Amendment, Five-Year Plan, Annual Plan, or MTW Plan as appropriate.

Resource Desk Guidance

- Significant Amendment to the PHA Plan Frequently Asked Questions

Item 10: Approved Amendment to Attachment A of the MTW Agreement

MTW agencies with an “Alternative-Subsidy” Operating Fund formula are required to amend Attachment A of their MTW Agreement to the extent HUD determines is necessary to meet RAD’s statutory requirements. For MTW agencies that have not completed this step as part of a previously completed RAD conversion, the PHA must provide an executed amendment to Attachment A of their MTW Agreement with language provided by the PHA’s MTW coordinator and follow the instructions provided by the coordinator.

What to Upload

- ✓ The executed amendment to Attachment A of the MTW Agreement. Check “N/A” if your agency is not a MTW Agency or if this step was completed as part of a prior RAD conversion.

Item 11: Estimate of Public Housing Funds Available for HAP Subsidy

In RAD, Section 8 subsidy does not begin until the calendar year following the initial closing and thus HAP contract funding in the year in which closing occurs is provided from Public Housing funds. The PHA must provide an estimate of public housing subsidy that will be used to support HAP payments under the HAP contract from the date in which the HAP contract is effective (the first day of the first or second month following closing) until the end of the calendar year. To assist PHAs with this calculation, HUD has created an Initial Year Funding Tool that is prepopulated with certain funding information. A link to the tool can be found in the Financing Plan matrix and also in the RAD Resource Desk Document Library.

What to Upload

- ✓ A signed copy of the RAD Initial Year Funding Tool calculating the amount of revenue available to the property for the balance of the calendar year. The PHA should input an estimate for the HAP contract effective date; an updated version of this tool reflecting the actual HAP contract effective date will be collected as part of the closing process.

Resource Desk Guidance

- Initial Year Funding Instructions
- RAD Initial Year Funding Tool

Item 12: RAD Fair Housing Accessibility and Relocation Plan Checklist

All PHAs, regardless of whether or not the conversion involves relocation, must complete and submit the RAD Accessibility and Relocation Checklist. The template can be found in the Financing Plan matrix. The checklist includes a certification that the relocation plan complies with all applicable HUD requirements, including the Uniform Relocation Assistance and Real Property Acquisition Policies act of 1970 (URA) and its implementing regulations at 49 CFR Part 24, as well as Section 504 of the Rehabilitation Act of 1973 and its implementing regulations at 24 CFR 8.23.

What to Upload

- The completed and executed RAD Fair Housing Accessibility and Relocation checklist.

Resource Desk Guidance

- RAD Fair Housing Accessibility and Relocation Checklist
- RAD Relocation Notice Webinar
- Relocation Training Webinar
- Notice H 2016-17, ***Rental Assistance Demonstration (RAD) Notice Regarding Fair Housing and Civil Rights Requirements and Relocation Requirements Applicable to RAD First Component Public Housing Conversions***

Item 13: Transfer of Assistance

For conversions that involve a transfer of assistance, the PHA has 90 days from CHAP issuance to identify the site to which assistance will be transferred and submit to HUD documentation demonstrating that the site meets the criteria for transfers of assistance set forth in the RAD Notice, see paragraph 1.4.A.12). HUD has developed a Transfer of Assistance worksheet template that PHAs may use for requesting site approval. A copy of the template can be found in the Financing Plan matrix and in the document library. HUD will provide approval of the site through an approval letter.

At the time of Financing Plan submission, the PHA should also indicate whether they are making one or both of the following requests:

- 1) When the assistance will be transferred at closing, HUD will only release the Declaration of Trust or Declaration of Restrictive Covenants if the PHA's plan meets the criteria described in the RAD Notice.
- 2) The PHA and owner can request that HUD delay the execution of the HAP contract in cases where the new site will not be ready for occupancy until rehabilitation or construction is completed and residents will remain in the public housing site during construction. These requests should be submitted with the Financing Plan.

What to Upload

- ✓ Transfer of Assistance worksheet (upload as an Excel file)
- ✓ If applicable, a request to release the DOT/DORC at closing.
- ✓ If applicable, a written request to delay execution of the HAP. The converting project will remain public housing during the construction period.
- ✓ If your conversion does not involve a transfer of assistance, check "N/A" on the Resource Desk matrix.

Resource Desk Guidance

- Transfer of Assistance Approval Worksheet

Items 14-16: Pre-Financing Plan Approval of Specific Activities

Certain HUD approvals must be obtained prior to the submission of the Financing Plan. These include proposals with the following situations:

- The total number of units in the covered project is less than the original number of units in the converting project (including de minimis reductions).

- The covered project's unit configuration is different than the unit configuration of the converting project.
- The covered project serves a different population from the one served by the converting project (e.g., the current project serves a family population but the PHA would like to establish an elderly preference in the converted project).
- New construction, whether on a new site or the existing site.

HUD has developed templates to assist PHAs in making these submissions. Copies of the templates are available in the Financing Plan grid and in the RAD Resource Desk Document Library.

What to Upload

- ✓ FHEO Upfront Review Template – Change in Units
- ✓ FHEO Upfront Review Template – Change in Occupancy
- ✓ FHEO Upfront Review Template – New Construction
- ✓ If none of the above scenarios apply to your conversion, ensure “N/A” is selected on the Financing Plan matrix for each line item. If “N/A” is not selected and no document is uploaded, your Financing Plan submission will be considered incomplete.

Resource Desk Guidance

- FHEO Upfront Review Template – Change in Units
- FHEO Upfront Review Template – Change in Occupancy
- FHEO Upfront Review Template – New Construction
- [Notice H 2016-17, Rental Assistance Demonstration \(RAD\) Notice Regarding Fair Housing and Civil Rights Requirements and Relocation Requirements Applicable to RAD First Component Public Housing Conversions](#)

Item 17: Financing Plan Certification and Submission

Once all of the documents have been uploaded, the PHA's Executive Director must execute and upload the Completion Certification. A copy of the certification is available on the Financing Plan matrix.

As a reminder, once the certification has been uploaded and you are ready to notify your RAD Transaction Manager that your Financing Plan is complete and ready to be reviewed, click the **Submit Financing Plan** button which will send a notification to your Transaction Manager. If you click on this button before the entire Financing Plan is complete, please contact your Transaction Manager so the button can be re-set and your submission is not flagged as incomplete.

Item 18: Other Documents

This section allows you to upload documents that are not covered in other sections of the matrix but are relevant to your transaction. As previously noted in this Guide, you can add a description of the document when you upload it to the Resource Desk. Examples of documents you may want to add in this category include, but are not limited to:

- The PHA's certification of current utility allowances (if different than the utility allowances shown on the CHAP).
- Utility allowance projections performed by a professional engineer when energy and water usage improvements are anticipated in PBRA conversions with tenant-paid utilities.

Inputting & Verifying Ownership Data

As part of Financing Plan submission, PHAs are responsible for ensuring that the RAD Resource Desk reflects the correct ownership and address information regarding the project. This information flows directly into the RAD Conversion Commitment (RCC) and thus an RCC cannot be issued until the PHA has completed this step. To view and input the Ownership information, click the **Ownership Data** button at the top of the Financing Plan Upload Files page.

PHA Libraries - Upload Documents -			
Property Name	View Application	CHAP Issuance Date	11/20/2015 Milestone Complete N/A
No Units Converting 136			
Ownership Data	Ownership Data Not Yet Confirmed		
180 Days Following CHAP Issuance	Due Date: 08/01/2017	HUD Review	

Resource Desk Guidance

- [Resource Desk Webinar – Inputting Project Ownership](#)

Appendix A: Financing Plan Checklist

This optional checklist can be used as an aid to ensure your Financing Plan submission is complete. You are not required to upload this checklist as part of your submission.

Item	Required Submission Materials or Actions	
1	Conversion Overview	<input type="checkbox"/> Complete and upload the Conversion Overview template
2	Conversion Type	<input type="checkbox"/> If the current subsidy selection shown on the grid is not correct, indicate that you are switching subsidy types and upload all supporting documentation
3	Resident Comments	<input type="checkbox"/> Upload evidence of the resident meetings, comments received, and responses provided to the residents
4	RPCA/CNA and Scope of Work	<input type="checkbox"/> Upload completed Tool; AND <input type="checkbox"/> Upload written narrative
5	Development Budget	<input type="checkbox"/> Update the Transaction Log on the RAD Resource Desk; AND <input type="checkbox"/> Upload draft EPC approval letter from the PIH Energy Center (if applicable); AND <input type="checkbox"/> Upload completed Subsidy Layering Review completed by another agency (if applicable)
6	Proposed Financing	<input type="checkbox"/> Complete and upload a Proposed Financing Template for each funding source; AND <input type="checkbox"/> Upload the first mortgage lender's consent to subordinate to the RAD Use Agreement
7	Operating Pro Forma	<input type="checkbox"/> Update the operating pro forma in the RAD Transaction Log
8	Title Report	<input type="checkbox"/> Upload complete title report with confirmation if the project is subject to a Declaration of Trust or Restrictive Covenant; AND <input type="checkbox"/> Upload results of PHA's counsel's review of any issues that may impact title, if applicable
9	Approved Significant Amendment to PHA Plan & Site and Neighborhood Certification	<input type="checkbox"/> Upload HUD's letter approving the Significant Amendment
10	Approved Amendment to Attachment A of the MTW Agreement	<input type="checkbox"/> Check the "N/A" box if appropriate; OR <input type="checkbox"/> Upload HUD's letter approving Amendment to Attachment A of the MTW Agreement
11	Estimate of Public Housing Funds Available for Subsidy	<input type="checkbox"/> Upload the completed HUD tool

Item	Required Submission Materials or Actions	
12	RAD Fair Housing Accessibility and Relocation Plan Checklist	<input type="checkbox"/> Complete and upload the RAD Fair Housing Accessibility and Relocation Checklist
13	Transfer of Assistance	<input type="checkbox"/> Check "N/A" if appropriate; OR <input type="checkbox"/> Upload the completed Transfer of Assistance worksheet; AND <input type="checkbox"/> Upload a request and relevant plans if the PHA wants the DOT to be released from the existing public housing site at closing; OR <input type="checkbox"/> Upload a request for the project to remain as public housing during construction and for execution of the HAP to be delayed until the Covered Project is ready for occupancy
14-16	Pre-Financing Plan Approval of Specific Activities	<input type="checkbox"/> Check "N/A" if appropriate for each line item; OR <input type="checkbox"/> Upload any required FHEO templates due to changes in unit configuration, occupancy, or for new construction projects
17	Financing Plan Certification and Submission	<input type="checkbox"/> Upload an executed Completion Certification; AND <input type="checkbox"/> Click the "Submit Financing Plan" button on the Resource Desk.
18	Other Documents	<input type="checkbox"/> Upload any documents not covered in the Items above.
N/A	Inputting & Verifying Project Ownership Data	<input type="checkbox"/> Click Ownership Data and complete the required information. Click Save & Submit once complete.



Rental Assistance Demonstration

FINANCING PLAN GUIDE

JULY 2017

Non-FHA LIHTC Conversions

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About this Guide and the Financing Plan

The ***Financing Plan Guide for Non-FHA LIHTC Conversions*** (the “Guide”) will walk you through the requirements of the RAD Financing Plan (as outlined in Notice PIH 2012-32 (HA), REV-3) and assist you in making sure you upload the necessary documents to the RAD Resource Desk so your Transaction Manager can process your conversion. Each section of the Guide corresponds to the numbered matrix you will see in the Resource Desk as you submit your Financing Plan.

This Guide is specifically designed for RAD conversions that are not using FHA insurance but are using tax credit financing to fund the conversion. It is not intended for conversions with no debt or conventional financing or for conversions using FHA mortgage insurance (with or without tax credits). Please refer to the ***Financing Plan Guide for No-Debt/Conventional Conversions*** if you are using no financing or a conventional loan. Use the ***Financing Plan Guide for FHA Insured Conversions*** if you are using FHA mortgage insurance with or without tax credits.

Where HUD has already issued specific guidance (e.g., in the form of HUD Notices) on the various components required as part of the Financing Plan, the Guide will provide limited information. However, each section of the Guide contains a “Resources” section with links to related guidance that will help you successfully complete each item. Where separate written guidance has not been issued, this Guide provides more detailed information. The Guide also provides a summary of HUD approvals that must be obtained prior to submission of the Financing Plan. Finally, Appendix A to the Guide consists of a streamlined checklist of the submission requirements.

Financing Plan Deadline

For 4% LIHTC transactions, the PHA must submit evidence that it has applied for LIHTC and completed the required components of the CNA (see Section 1.4.A.1 of the RAD Notice) no later than 180 days following CHAP issuance date. HUD may provide additional time for projects in states without rolling 4% LIHTC awards. The Financing Plan is then due within 90 days of the 4% award.

For 9% LIHTC transactions, the PHA must submit evidence that it has applied for 9% LIHTC within 30 days following the application submission deadline for the first available 9% LIHTC round in their state to occur after a 90 day grace period after the CHAP issuance date. Following notification of its 9% LIHTC award, the Financing Plan is then due within 180 days following the 9% LIHTC award. If the PHA’s applications for 9% tax credits is unsuccessful, the CHAP will be terminated unless, within 30 days of notification, the PHA:

- Demonstrates that it diligently pursued 9% tax credits, as evidenced by the score and ranking in the unsuccessful 9% application or by other means at HUD’s discretion and
- Proposes a financing strategy that does not rely on 9% tax credits and that is feasible in HUD’s sole discretion. HUD will re-establish a Financing Plan due date based on the proposed financing.

HUD recommends that you begin compiling required documents as soon as your CHAP is awarded, as some of the requirements are complex and require long lead times (for example, obtaining a Capital Needs Assessment or environmental review documents). HUD expects one complete and accurate package with all the required information; incomplete Financing Plan submissions will be rejected.

Pre-Financing Plan Approvals

Prior to submitting your Financing Plan, PHAs must submit certain documents so that HUD can review and approve them by the time the PHA is ready to submit the Financing Plan. Advance submission will help prevent delays and allow time to resolve any issues that may come up during HUD’s review. The items listed in the table below, along with recommended submission timeframes, are annotated with an asterisk (*) in the Guide and in Appendix A to the Guide.

Advance Approval Documentation	Recommended Submission Timeframe
Approval of Non-Dwelling Real Property	PHA must submit its draft PIC removal application in PIC inclusive of all non-dwelling building(s)/land within 30 days of CHAP issuance and enter the "DDA" number # assigned by PIC into the Resource Desk in the "PIC Removal Control No." field.
Approved Significant Amendment to PHA/MTW Plan	Submit to your local PIH Field Office or MTW Coordinator as early as possible, but not later than 90 days in advance of your Financing Plan submission.
Approved Amendment to Attachment A of the MTW Agreement ("Alternative Subsidy" MTW agencies only)	Submit to your MTW Coordinator as early as possible, but not later than 90 days in advance of your Financing Plan submission.
Affirmative Fair Housing Marketing Plan (PBRA Only)	Submit to the Multifamily Account Executive at least 30 days in advance of your Financing Plan submission.
Transfer of Assistance	Submit via the RAD Resource Desk within 90 days of CHAP issuance.
RAD Accessibility & Relocation Checklist	Submit via the RAD Resource Desk as early as possible, but not later than 90 days in advance of your Financing Plan submission.
Upfront Civil Rights Reviews <ul style="list-style-type: none"> ▪ Site Selection & Neighborhood Standards for New Construction Only ▪ Unit or Configuration Change ▪ Change in Occupancy 	Submit via the RAD Resource Desk as early as possible, but not later than 90 days in advance of your Financing Plan submission.

How to Submit Your Financing Plan

Submit a complete set of your Financing Plan documents by uploading them to the RAD Resource Desk at www.radresource.net. You may upload the documents as they are ready or you may wait to upload them all at once. To upload documents, please follow the steps below.

1. Logon to the Resource Desk (www.radresource.net) using your assigned username and password. (Note: If you are unable to locate your login information, use the "**Forgot your login information?**" link or email resourcedesk@radresource.net for assistance.
2. Click on **My PHA Libraries**. You'll see a list of the PHA's properties that have a CHAP Award.
3. Click on the name of the property for which you're submitting a Financing Plan.
4. Locate the blue bar that reads Financing Plan and click on the **Upload Files** link on the right. You'll see a matrix that contains a list of all documents. This matrix will serve as your table of contents for uploading documents.
5. Use the **Browse** and **Add File** buttons next to each line item to select and upload the corresponding document(s). You'll know that you have successfully uploaded the file because it will appear in the matrix. If you

need to upload documents not listed in the grid, there is a line item called **Other Documents** at the end of the grid. There is a text box called **"Other" Title** that enables you to type in the name of the document you are uploading which will help your Transaction Manager easily identify it. If you have uploaded a document in error and wish to delete it, please email resourcedesk@radresource.net and include the following in the body of your email: PHA name, project name, & the title of the document you wish to remove.

6. You are welcome to input any comments that you would like to share with your Transaction Manager by typing them in the **Comments** field to the right of each line item. You must click **Save Changes** at the bottom of the grid in order to ensure your comments save.
7. Once all documents are uploaded, and you are ready to notify your Transaction Manager that your submission is ready for review, click the **Submit Financing Plan** button. The Transaction Manager will then receive an email notification that the Financing Plan submission has been completed. **IMPORTANT:** Do NOT click **Submit Financing Plan** until you have successfully uploaded your entire Financing Plan submission. Clicking this button before then will result in your submission being marked incomplete. If you wish to return and complete your financing plan submission later, simply click **Save Changes** before exiting the page.

Questions

Your Transaction Manager should be your first point of contact. However, if you have questions regarding the RAD Resource Desk or uploading documents, please send an email to resourcedesk@radresource.net.

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Item 1: Conversion Overview

HUD has developed a Conversion Overview template that PHAs may use. The template can be downloaded from the RAD Resource Desk Document Library or via the link on the Financing Plan matrix. When completing the Conversion Overview template, please provide HUD with a summary of the proposed conversion. The information you submit will be used by your Transaction Manager to prepare various internal documents and ultimately, the RAD Conversion Commitment. It is therefore important to clearly describe your proposed RAD transaction as well as identify any potential issues and proposed mitigations. Be sure to provide a clear description of the property and conversion plan and address any unique or unusual features including:

- Changing bedroom/unit configurations
- Multiple/Scattered sites
- Transfers of Assistance
- Resident relocation
- Rent bundling
- Confirmation of the current utility allowances at the converting project and any proposed changes in responsibilities for utilities
- Proposed changes in ownership as a result of the conversion
- Any prior Section 18 approvals associated with the converting project, including the issuance of Tenant Protection Vouchers
- Units to be reduced under the de minimis allowance of the Notice
- If the property is part of a Choice Neighborhood Implementation grant
- How conditions of the Commitment to Enter into a Housing Assistance Payment (CHAP) award were met
- Any programmatic or regulatory waivers or special approvals you intend to request from HUD. (Note: Waivers should be discussed with your Readiness Transaction Manager prior to the submission of the Financing Plan.)

What to Upload

- ✓ The RAD Conversion Overview Template

Item 2: Conversion Type

The Financing Plan matrix is prepopulated with the type of subsidy that was selected in your original RAD application; either Project-Based Vouchers (PBV) or Project-Based Rental Assistance (PBRA). If you wish to change your original selection, click the box under “Check here if this is incorrect.” It is important to note that changing the conversion type at the Financing Plan submission stage will result in processing delays. Any change should be addressed well in advance of Financing Plan submission and discussed with your Readiness Transaction Manager.

What to Upload

- ✓ If you are converting to PBRA and did not request or do not qualify for a good cause exemption for Choice Mobility, upload a fully executed Choice Mobility Letter of Agreement template signed by the PHA converting the units and by the PHA that has agreed to administer the vouchers in order to comply with the

Choice Mobility requirement.¹ A copy of the Choice Mobility Letter of Agreement template can be found in the RAD Document Library.

Resource Desk Guidance

- RAD Guide to Choosing Between PBV and PBRA
- PBV Quick Reference Guide
- PBRA Quick Reference Guide

Item 3: Resident Comments

In addition to holding meetings, the RAD Notice requires substantive responses to comments received from tenants at various phases of the conversion process.

What to Upload

- ✓ Provide date(s) of the resident meeting (or meetings, where applicable) held following the issuance of the CHAP and a record of the responses (written or oral, or in subsequent actions/decisions) to resident comments on the proposed conversion that were received in connection with such meetings.

Item 4: RPCA or CNA and Scope of Work for Rehab or New Construction

The RAD Physical Condition Assessment (RPCA) and Capital Needs Assessment (CNA) both consist of two parts: a written Narrative and an Excel Tool. All projects that will be financed with tax credits are exempt from submitting the written Narrative and are only required to complete and upload the Excel Tool. (Note: Physical condition assessments submitted on or after October 1, 2017² must follow the format prescribed in Notice H2016-18, which implements HUD's new CNA e-tool. Additional guidance will be released in the future regarding what components need to be uploaded to the Resource Desk when utilizing the CNE e-tool.) In the case of non-FHA RAD transactions, a PHA may request from the Transaction Manager permission to use the current RAD RPCA if the contract for the RPCA was executed by both parties prior to May 4, 2017) In addition to the RPCA or CNA, the RAD Notice requires the submission of a "Scope of Work." Both the RPCA Excel tool and the e-CNA tool include rehab specifications which can be used to fulfill this requirement.

Tips for Submitting a Satisfactory Assessment

- Begin the procurement process soon after receipt of CHAP because of the lead time needed for completion.
- Do not upload the Tool without carefully reviewing it first. There may be some discrepancies between the Tool, the Scope of Work, the Development Budget, and the Reserves. Discuss any discrepancies with your third-party provider, your Transaction Manager, and lender/developer, if applicable.

What to Upload

- ✓ The final version of the RPCA Excel Tool or CNA e-tool

¹ If you are eligible for a good cause exemption for Choice Mobility but failed to request one or changed your selection to PBRA after applying for RAD, contact your Transaction Manager to determine if HUD has already awarded the maximum number of exemptions authorized under RAD.

² Date is subject to change based on official release date of the CNA e-tool.

Resource Desk Guidance

- Physical Condition Guide
- RAD Physical Condition Assessment Statement of Work
- RAD Physical Assessment Tool
- RAD Physical Assessment Exhibit – Summary of HUD’s Responsibility Laws
- RAD RPCA Training Webinar

Other Guidance (https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/)

- Notice H 2016-18, **Implementation of the CNA e-Tool: Automating Capital Needs Assessments, and Related Policy Changes**

Item 5: Environmental Review

An environmental review is required for all conversions but the type of review and submission documents vary based on the type of conversion (PBRA which requires a Part 50 review or PBV which requires a Part 58³ review). Please refer to the Environmental Review Requirements for RAD Transactions for additional information.

What to Upload

For PBV Conversions

- ✓ The completed HUD Form 7015.16; or
- ✓ A letter from the Responsible Entity conducting the Part 58 review indicating a finding of exempt activity under 24 CFR 58.34.

For PBRA Conversions

- ✓ An environmental report (consistent with instructions contained in Chapter 9 of HUD’s Multifamily Accelerated Processing (MAP) Guide); and
- ✓ A Phase I ESA in accordance with ASTM E 1527-1 (or the most recent edition). The Phase I ESA must be conducted within one year of the submission to HUD. This one-year requirement refers to the earliest of the date of the site visit, records review documents or interviews. A Phase I ESA that was conducted more than 180 days prior to the submission date to HUD, but within the allowable one-year period, must be updated pursuant to Section 4.6 of ASTM E 1527-05. A Phase I ESA prepared more than one year prior to submission to HUD, even if updated within 180 days of submission, is not acceptable. Note: For projects not undergoing substantial rehabilitation or new construction, you may instead submit a transaction screen in accordance with ASTM E 1527-18 (or the most recent edition) in lieu of a Phase I ESA.

Resource Desk Guidance

- Environmental Review Requirements for 1st Component Transactions
- RAD Environmental Review Process Training for CHAP Awardees (Webinar)
- RAD Environmental Review Process Training for CHAP Awardees (Slides)

Other Guidance (www.hudexchange.info)

- HUD Exchange Environmental Review

³ Environmental reviews for PBV projects will not be completed by HUD except in accordance with 24 CFR 58.11 in which case the review is done under Part 50 and will follow the guidance provided for PBRA conversions.

Item 6: Development Budget (Sources and Uses)

The Development Budget must include a reasonable, balanced and comprehensive presentation of all sources and uses of funds needed for the RAD conversion.

What to Upload

- ✓ Update the Transaction Log on the Resource Desk
- ✓ For projects with an Energy Performance Contract (EPC), upload a draft amended EPC approval letter from HUD's PIH Energy Center specifying the minimum amount of debt that will need to be addressed in the conversion.
- ✓ Subsidy Layering Review (SLR). Upload one if it has been performed by another agency. Note: If no SLR has been performed, HUD will complete one whenever multiple federal sources are proposed, when public housing funds are being used to fund the conversion or when a MTW agency is using MTW block grant funds to set their initial contract rents.

Item 7: Development Team

Successful RAD conversions require an experienced team that has the capability to process the property through the conversion process, manage any proposed rehab or construction and manage the project after closing. Note: Resumes are not required but may be requested if additional information is needed.

What to Upload

- ✓ Organization chart that clearly details all participants for each entity. If a ground lease is proposed, include the parties and the lease term on the org chart.
- ✓ A narrative description for each entity with the name of the entity, its role in the transaction, and a description of relevant experience. If multiple sources of financing are identified for the project, the development team must demonstrate that they have experience with at least three transactions with mixed or multiple sources of financing.
- ✓ *PBRA Conversions Only*: Upload evidence that all principals have Previous Participation Certification in the Active Partners Performance Systems (APPS) (also known as the 2530 Previous Participation Clearance) if required and evidence that principals are not debarred, suspended or subject to a Limited Denial of Participation. If the participants do not have prior HUD experience and are utilizing paper 2530s for the APPS submission, the 2530s should be mailed or emailed to the Multifamily Account Executive for processing. 2530s are **not** processed through the RAD Resource Desk or by your RAD Transaction Manager. If APPS/2530 approval has not yet been granted at the time of financing plan submission, the PHA should upload evidence of when the submission was made, such as a copy of the email transmitting the 2530s or a screenshot of the electronic APPS submission.

Resource Desk Guidance

- 2530 Guidance for RAD Transactions (Note: 2530 approval is not required for PHAs or affiliates that are 100% owned by the PHA.)

Item 8: Proposed Financing

All sources of funds (loans, tax credits, grants, etc.) must be disclosed and meet the requirements described in the RAD Notice. HUD has developed a Proposed Financing template that PHAs may complete and upload for each funding source shown on the Sources & Uses.

What to Upload

- ✓ A Proposed Financing Template for each funding source
- ✓ The latest lender, investor or grantor letter:
 - The letter must be dated no later than 60 days prior to Financing Plan submission.
 - The letter must include key terms such as funding amount, repayment terms, interest rate, amortization, maturity, prepayment restrictions, pay-in-schedule, etc. The key terms for any permanent financing must comply with the conditions (fixed interest rate, fixed term, fully amortizing over the term, balloon payments are not permitted before year 17; and the amortization term cannot exceed 40 years).
- ✓ The first mortgage lender's approval of all subordinate (or secondary) financing. All subordinate (or secondary) financing must be disclosed and then approved by the first mortgage lender as well as by HUD in accordance with Section 8.9 of the Mortgage Credit and Underwriting Processing Requirements of the ***Multifamily Accelerated Processing (MAP) Guide***.
- ✓ The first mortgage consent to the RAD Use Agreement and their consent to the fact that the lien of the new first mortgage loan will be subordinate to the RAD Use Agreement.

Item 9: LIHTC Award/Allocation Letter

Upload a copy of the LIHTC Award or Allocation letter.

What to Upload

- ✓ The LIHTC award letter from the tax credit allocation agency.

Item 10: Subsidy Layering Review

Typically, the State Housing Finance Agency (HFA) or Participating Jurisdiction (PJ) will provide a subsidy layering review.

What to Upload

- ✓ A copy of the subsidy layering review completed by the HFA or the PJ; **OR**
- ✓ If the HFA or PJ is not willing or able to perform the subsidy layering review, upload a request for HUD to perform the review.

Item 11: Operating Pro Forma

In addition to completing the operating pro forma online via the Transaction Log, an operating pro forma that matches the term of the PBRA or PBV contract must be uploaded to the Resource Desk. It must comply with the feasibility benchmarks shown below. If the pro forma fails one or more feasibility benchmarks, HUD may still accept the Financing Plan if HUD determines that, taken as a whole, the Financing Plan is consistent with the long-term physical and financial viability of the property and/or the PHA can provide adequate support through historical data or other means.

- Rents cannot exceed the amounts permitted under program rules.
- All other sources of income must be supported with a narrative or must not exceed the average for the last three years (other income should not include interest income on the reserve for replacement account which must remain in the reserve and is not available for other purposes).
- Vacancy loss cannot be less than the greater of the average over the past three years or three percent (3%).
- Allowance for bad debt cannot be less than the greater of the average over the past three years or two percent (2%).
- For public housing conversions where the PHA indicates the continuation of a Payment in Lieu of Taxes (PILOT), the PHA must provide a legal opinion based on state and local law regarding the continuation of the PILOT after conversion. Alternatively, the PHA may provide a written letter from the local taxing authority that the PILOT will continue. If there will not be a PILOT after conversion, provide documentation of the real estate tax estimates.
- All other operating expenses cannot be less than 85% of the average for the last three years.
- The annual replacement reserve deposit should be equal to that amount which if deposited annually, will be sufficient to fund all capital need as identified in the capital needs assessment, arising during the first 20 years and otherwise not addressed upfront in either the rehab scope of work or an initial deposit to the replacement reserve account. The PHA should use reasonable estimates in the inflation rate but in doing so, the rate for escalating the increase in repair costs should not exceed the rate of interest on reserve deposits by more than 1%. HUD may consider alternative arrangements with respect to the initial deposit to the replacement reserve if risks to the Covered Project can be adequately mitigated.
- For non-leveraged transactions, the stabilized cash flow should not be less than \$12 per unit monthly. For leveraged transactions, the debt coverage ratio should not be less than 1.11 over a ten year period using 2% growth in revenue and 3% growth in expenses.
- All conversions must allow for a minimum of \$25 per unit annually (PUA) for resident organization (of which at least \$15 PUA must go to the recognized tenant organization).

What to Upload

- ✓ A complete Operating Pro Forma that includes all major revenues and expenses. It must project out for the term of the initial HAP contract. You can use a format of your choosing; however, it's recommended that you use the same revenue and expense categories found in the Transaction Log to help maintain consistency.
- ✓ Supporting documentation for all major revenues and expenses, including 3 years of the most recent project financials to support proposed amounts (revenues, expenses, vacancy, & bad debt).
- ✓ A certification from the Owner stating that the proposed revenues and expenses are within 85% of the average for the last three years. If any categories do not meet this standard, include an explanation.
- ✓ Update the Transaction Log, including inputting the number of Market Rate, Affordable (Other than RAD), and LIHTC units at the project at the top of the Transaction Log (as applicable). These fields will appear if you input income in the following Transaction Log Fields: GPR Market Rate Apartments, GPR Affordable Apartments (other than RAD).

PHA Libraries - Pro Forma Template

Current Calculated

Last Updated:

☐ Data has been reviewed and no changes have been made for

Transaction Log Last Modified:

☐ Application Changes Only

Property Name

CHAP Issuance Date

Market Rate Apartments Units

Affordable Apartments Units
(other than RAD)

LIHTC Units
(other than RAD)

- ✓ If applicable, upload a narrative discussion of the energy and water savings that are anticipated as a result of the rehabilitation or construction and the basis for those estimates. The discussion must explain to what extent anticipated savings in utility costs have been included in the pro forma operating expenses.
- ✓ For real estate taxes, upload one of the following: 1. A legal opinion regarding the continuation of the PILOT following conversion or; 2. Evidence of real estate tax estimates if there is no PILOT.
- ✓ Upload insurance cost documentation, such as quotes from an insurance agent, based on actual recent premiums for similar projects.
- ✓ For PBRA only and only applicable if current funding is greater than 120% of the Fair Market Rent and the PHA believes the rent is below the market rent: Upload a Rent Comparability Study (RCS). The RCS must be prepared in accordance with Chapter 9 of HUD's **Section 8 Policy Renewal Guide**.

Item 12: Title Report

A title report is now required to be uploaded at the Financing Plan submission stage in order to better identify potential issues prior to beginning the closing process. PHAs should begin the title search process well in advance of the financing plan submission deadline. Title will be subject to further review by HUD counsel after issuance of the RAD Conversion Commitment; approval of the Financing Plan does not indicate HUD's acceptance or approval of the submitted Title Report.

What to Upload

- ✓ Submit a complete title report tracing title back to the vesting deed.
- ✓ Include information on whether the converting project is currently subject to a Declaration of Trust or Declaration of Restrictive Covenant and any other liens, encroachments, easements, or other encumbrances on the property.
- ✓ The title report should be reviewed by in-house counsel to determine if there are any issues that could adversely impact closing; any potential issues should be summarized and uploaded.

Item 13: Approved Significant Amendment to PHA Plan & Site and Neighborhood Certification

Conversion is considered a significant amendment to the PHA's Five-Year Plan for qualified and non-qualified PHAs, a significant amendment to the Annual Plan for non-qualified PHAs, and an amendment to the MTW Plan for MTW Agencies. PIH Field Offices will receive and review all Plans and provide written approval, with the exception of MTW Plans which are reviewed in conjunction with the MTW Office in Headquarters. Note: If any substantial change to the conversion plan occurs after HUD approval is received (e.g., a change in the number of assisted units, eligibility, transfer of assistance), the PHA must go through the significant amendment process to incorporate the changes and obtain HUD approval of the revised plan.

For all transactions that are converting the assistance of an existing structure (whether on-site or through a transfer of assistance), the PHA must provide a certification that the site complies with the Site and Neighborhood Standards for existing or rehabilitated housing. This certification must be included within the Plan. The following sample certification can be used:

“The site complies with the Site selection requirements set for at [24 CFR § 983.57 (for PBV conversions) **OR** Appendix III of PIH Notice 2012-32 (HA) H2017-03 REV-3 (for PBRA conversions)], the Fair Housing Act, Title VI of the Civil Rights Act of 1964, including implementing regulations at 24 CFR § 1.4(b)(3), Section 504 of the Rehabilitation Act of 1973 including implementing regulations at 24 CFR § 8.4(b)(5), and the Americans with Disabilities Act.

What to Upload

- ✓ A letter from HUD approving the Significant Amendment, Five-Year Plan, Annual Plan, or MTW Plan as appropriate.

Resource Desk Guidance

- Significant Amendment to the PHA Plan Frequently Asked Questions

Item 14: Approved Amendment to Attachment A of the MTW Agreement

MTW agencies with an “Alternative-Subsidy” Operating Fund formula are required to amend Attachment A of their MTW Agreement to the extent HUD determines is necessary to meet RAD’s statutory requirements. For MTW agencies that have not completed this step as part of a previously completed RAD conversion, the PHA must provide an executed amendment to Attachment A of their MTW Agreement with language provided by the PHA’s MTW coordinator and follow the instructions provided by the coordinator.

What to Upload

- ✓ The executed amendment to Attachment A of the MTW Agreement. Check “N/A” if your agency is not a MTW Agency or if this step was completed as part of a prior RAD conversion.

Item 15: Estimate of Public Housing Funds Available for HAP Subsidy

In RAD, Section 8 subsidy does not begin until the calendar year following the initial closing and thus HAP contract funding in the year in which closing occurs is provided from Public Housing funds. The PHA must provide an estimate of public housing subsidy that will be used to support HAP payments under the HAP contract from the date in which the HAP contract is effective (the first day of the first or second month following closing) until the end of the calendar year. To assist PHAs with this calculation, HUD has created an Initial Year Funding Tool that is prepopulated with certain funding information. A link to the tool can be found in the Financing Plan matrix and also in the RAD Resource Desk Document Library.

What to Upload

- ✓ A signed copy of the RAD Initial Year Funding Tool calculating the amount of revenue available to the property for the balance of the calendar year. The PHA should input an estimate for the HAP contract effective date; an updated version of this tool reflecting the actual HAP contract effective date will be collected as part of the closing process.

Resource Desk Guidance

- Initial Year Funding Instructions
- RAD Initial Year Funding Tool

Item 16: RAD Fair Housing Accessibility and Relocation Plan Checklist

All PHAs, regardless of whether or not the conversion involves relocation, must complete and submit the RAD Accessibility and Relocation Checklist. The template can be found in the Financing Plan matrix. The checklist includes a certification that the relocation plan complies with all applicable HUD requirements, including the Uniform Relocation Assistance and Real Property Acquisition Policies act of 1970 (URA) and its implementing regulations at 49 CFR Part 24, as well as Section 504 of the Rehabilitation Act of 1973 and its implementing regulations at 24 CFR 8.23.

What to Upload

- The completed and executed RAD Fair Housing Accessibility and Relocation checklist.

Resource Desk Guidance

- RAD Fair Housing Accessibility and Relocation Checklist
- RAD Relocation Notice Webinar
- Relocation Training Webinar
- Notice H 2016-17, ***Rental Assistance Demonstration (RAD) Notice Regarding Fair Housing and Civil Rights Requirements and Relocation Requirements Applicable to RAD First Component Public Housing Conversions***

Item 17: Affirmative Fair Housing Marketing Plan (AFHMP; PBRA ONLY)

This is a HUD form (935.2A) that is required for PBRA conversions only. The form is typically completed by the management agent or entity responsible for marketing (if different) and must be submitted to the local HUD Multifamily office as part of the Financing Plan. If the owner plans to adopt any local or residency preferences, it must also submit a Tenant Selection Plan along with the AFHMP. The AFHMP must be approved by HUD prior to the marketing of any units.

What to Upload

- ✓ If the AFHMP has been approved by the HUD Multifamily office with jurisdiction over the property, upload a copy of the approved, fully executed form (HUD 935.2A); **OR**
- ✓ If the AFHMP has been submitted to the HUD Multifamily office with jurisdiction but has not yet been approved, upload a copy of the AFHMP and a copy of the transmittal email or letter to HUD requesting approval.
- ✓ For PBV conversions, check “N/A” on the Resource Desk.

Resource Desk Guidance

- Quick Reference Guide to Multifamily Housing Requirements (PBRA)

Other Guidance (https://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/)

- HUD Handbook 4350.3, ***Occupancy Requirements of Subsidized Multifamily Housing Programs***

Item 18: Transfer of Assistance

For conversions that involve a transfer of assistance, the PHA has 90 days from CHAP issuance to identify the site to which assistance will be transferred and submit to HUD documentation demonstrating that the site meets the criteria for transfers of assistance set forth in the RAD Notice, see paragraph 1.4.A.12). HUD has developed a Transfer of Assistance worksheet template that PHAs may use for requesting site approval. A copy of the template can be found in the Financing Plan matrix and in the document library. HUD will provide approval of the site through an approval letter.

At the time of Financing Plan submission, the PHA should also indicate whether they are making one or both of the following requests:

- 1) When the assistance will be transferred at closing, HUD will only release the Declaration of Trust or Declaration of Restrictive Covenants if the PHA's plan meets the criteria described in the RAD Notice.
- 2) The PHA and owner can request that HUD delay the execution of the HAP contract in cases where the new site will not be ready for occupancy until rehabilitation or construction is completed and residents will remain in the public housing site during construction. These requests should be submitted with the Financing Plan.

What to Upload

- ✓ Transfer of Assistance worksheet (upload as an Excel file)
- ✓ If applicable, a request to release the DOT/DORC at closing.
- ✓ If applicable, a written request to delay execution of the HAP. The converting project will remain public housing during the construction period.
- ✓ If your conversion does not involve a transfer of assistance, check "N/A" on the Resource Desk matrix.

Resource Desk Guidance

- Transfer of Assistance Approval Worksheet

Items 19-21: Pre-Financing Plan Approval of Specific Activities

Certain HUD approvals must be obtained prior to the submission of the Financing Plan. These include proposals with the following situations:

- The total number of units in the covered project is less than the original number of units in the converting project (including de minimis reductions).
- The covered project's unit configuration is different than the unit configuration of the converting project.
- The covered project serves a different population from the one served by the converting project (e.g., the current project serves a family population but the PHA would like to establish an elderly preference in the converted project).
- New construction, whether on a new site or the existing site.

HUD has developed templates to assist PHAs in making these submissions. Copies of the templates are available in the Financing Plan grid and in the RAD Resource Desk Document Library.

What to Upload

- ✓ FHEO Upfront Review Template – Change in Units
- ✓ FHEO Upfront Review Template – Change in Occupancy
- ✓ FHEO Upfront Review Template – New Construction

- ✓ If none of the above scenarios apply to your conversion, ensure “N/A” is selected on the Financing Plan matrix for each line item. If “N/A” is not selected and no document is uploaded, your Financing Plan submission will be considered incomplete.

Resource Desk Guidance

- FHEO Upfront Review Template – Change in Units
- FHEO Upfront Review Template – Change in Occupancy
- FHEO Upfront Review Template – New Construction
- Notice H 2016-17, ***Rental Assistance Demonstration (RAD) Notice Regarding Fair Housing and Civil Rights Requirements and Relocation Requirements Applicable to RAD First Component Public Housing Conversions***

Item 22: Financing Plan Certification and Submission

Once all of the documents have been uploaded, the PHA’s Executive Director must execute and upload the Completion Certification. A copy of the certification is available on the Financing Plan matrix.

As a reminder, once the certification has been uploaded and you are ready to notify your RAD Transaction Manager that your Financing Plan is complete and ready to be reviewed, click the **Submit Financing Plan** button which will send a notification to your Transaction Manager. If you click on this button before the entire Financing Plan is complete, please contact your Transaction Manager so the button can be re-set and your submission is not flagged as incomplete.

Item 23: Other Documents

This section allows you to upload documents that are not covered in other sections of the matrix but are relevant to your transaction. As previously noted in this Guide, you can add a description of the document when you upload it to the Resource Desk. Examples of documents you may want to add in this category include, but are not limited to:

- The PHA’s certification of current utility allowances (if different than the utility allowances shown on the CHAP).
- Utility allowance projections performed by a professional engineer when energy and water usage improvements are anticipated in PBRA conversions with tenant-paid utilities.

Inputting & Verifying Ownership Data

As part of Financing Plan submission, PHAs are responsible for ensuring that the RAD Resource Desk reflects the correct ownership and address information regarding the project. This information flows directly into the RAD Conversion Commitment (RCC) and thus an RCC cannot be issued until the PHA has completed this step. To view and input the Ownership information, click the **Ownership Data** button at the top of the Financing Plan Upload Files page.

PHA Libraries - Upload Documents -			
Property Name	View Application	CHAP Issuance Date	11/20/2015 Milestone Complete N/A
No Units Converting 136			
Ownership Data	Ownership Data Not Yet Confirmed		
180 Days Following CHAP Issuance	Due Date: 08/01/2017	HUD Review	

Resource Desk Guidance

- [Resource Desk Webinar – Inputting Project Ownership](#)

Appendix A: Financing Plan Checklist

This optional checklist can be used as an aid to ensure your Financing Plan submission is complete. You are not required to upload this checklist as part of your submission.

Item	Required Submission Materials or Actions	
1	Conversion Overview	<input type="checkbox"/> Complete and upload the Conversion Overview template
2	Conversion Type	<input type="checkbox"/> If the current subsidy selection shown on the grid is not correct, indicate that you are switching subsidy types and upload all supporting documentation
3	Resident Comments	<input type="checkbox"/> Upload evidence of the resident meetings, comments received, and responses provided to the residents
4	RPCA/CNA and Scope of Work	<input type="checkbox"/> Upload completed Tool
5	Environmental Review	<input type="checkbox"/> Upload completed environmental review
6	Development Budget	<input type="checkbox"/> Update the Transaction Log on the RAD Resource Desk; AND <input type="checkbox"/> Upload draft EPC approval letter from the PIH Energy Center (if applicable); AND <input type="checkbox"/> Upload completed Subsidy Layering Review completed by another agency (if applicable)
7	Development Team	<input type="checkbox"/> Upload an org chart and narrative description for the development team, including general contractor (if applicable); AND <input type="checkbox"/> Upload evidence of Previous Participation Certifications for all principals (if applicable)
8	Proposed Financing	<input type="checkbox"/> Complete and upload a Proposed Financing Template for each funding source; AND <input type="checkbox"/> Upload the engagement letter or commitments for each funding source; AND <input type="checkbox"/> Upload the first mortgage lender's consent to subordinate to the RAD Use Agreement; AND <input type="checkbox"/> Upload the first mortgage lender's approval of all subordinate (or secondary) financing (if applicable)
9	LIHTC Award/Allocation Letter	<input type="checkbox"/> The LIHTC award/allocation letter.
10	Subsidy Layering Review	<input type="checkbox"/> Upload the SLR completed by the State HFA or PJ; OR <input type="checkbox"/> A request for HUD to perform the SLR

Item	Required Submission Materials or Actions	
11	Operating Pro Forma	<input type="checkbox"/> Update the operating pro forma in the RAD Transaction Log; AND <input type="checkbox"/> Upload a complete pro forma that projects out for the term of the initial HAP contract and conforms with the RAD Notice underwriting benchmarks; AND <input type="checkbox"/> Upload all supporting documentation for expenses including insurance documentation, PILOT opinion, Rent Comparability Study and documentation for Other Revenue
12	Title Report	<input type="checkbox"/> Upload complete title report with confirmation if the project is subject to a Declaration of Trust or Restrictive Covenant; AND <input type="checkbox"/> Upload results of PHA's counsel's review of any issues that may impact title, if applicable
13	Approved Significant Amendment to PHA Plan & Site and Neighborhood Certification	<input type="checkbox"/> Upload HUD's letter approving the Significant Amendment
14	Approved Amendment to Attachment A of the MTW Agreement	<input type="checkbox"/> Check the "N/A" box if appropriate; OR <input type="checkbox"/> Upload HUD's letter approving Amendment to Attachment A of the MTW Agreement
15	Estimate of Public Housing Funds Available for Subsidy	<input type="checkbox"/> Upload the completed HUD tool
16	RAD Fair Housing Accessibility and Relocation Plan Checklist	<input type="checkbox"/> Complete and upload the RAD Fair Housing Accessibility and Relocation Checklist
17	Affirmative Fair Housing Marketing Plan	<input type="checkbox"/> Check "N/A" if appropriate (PBV conversions only); OR <input type="checkbox"/> Upload a copy of the approved AFHMP; OR <input type="checkbox"/> Upload evidence that the AFHMP was submitted to HUD for review
18	Transfer of Assistance	<input type="checkbox"/> Check "N/A" if appropriate; OR <input type="checkbox"/> Upload the completed Transfer of Assistance worksheet; AND <input type="checkbox"/> Upload a request and relevant plans if the PHA wants the DOT to be released from the existing public housing site at closing; OR <input type="checkbox"/> Upload a request for the project to remain as public housing during construction and for execution of the HAP to be delayed until the Covered Project is ready for occupancy
19-21	Pre-Financing Plan Approval of Specific Activities	<input type="checkbox"/> Check "N/A" if appropriate for each line item; OR

Item	Required Submission Materials or Actions	
		<input type="checkbox"/> Upload any required FHEO templates due to changes in unit configuration, occupancy, or for new construction projects
22	Financing Plan Certification and Submission	<input type="checkbox"/> Upload an executed Completion Certification; AND <input type="checkbox"/> Click the “Submit Financing Plan” button on the Resource Desk.
23	Other Documents	<input type="checkbox"/> Upload any documents not covered in the Items above.
N/A	Inputting & Verifying Project Ownership Data	<input type="checkbox"/> Click Ownership Data and complete the required information. Click Save & Submit once complete.

10 Key Takeaways

RAD Roadmap

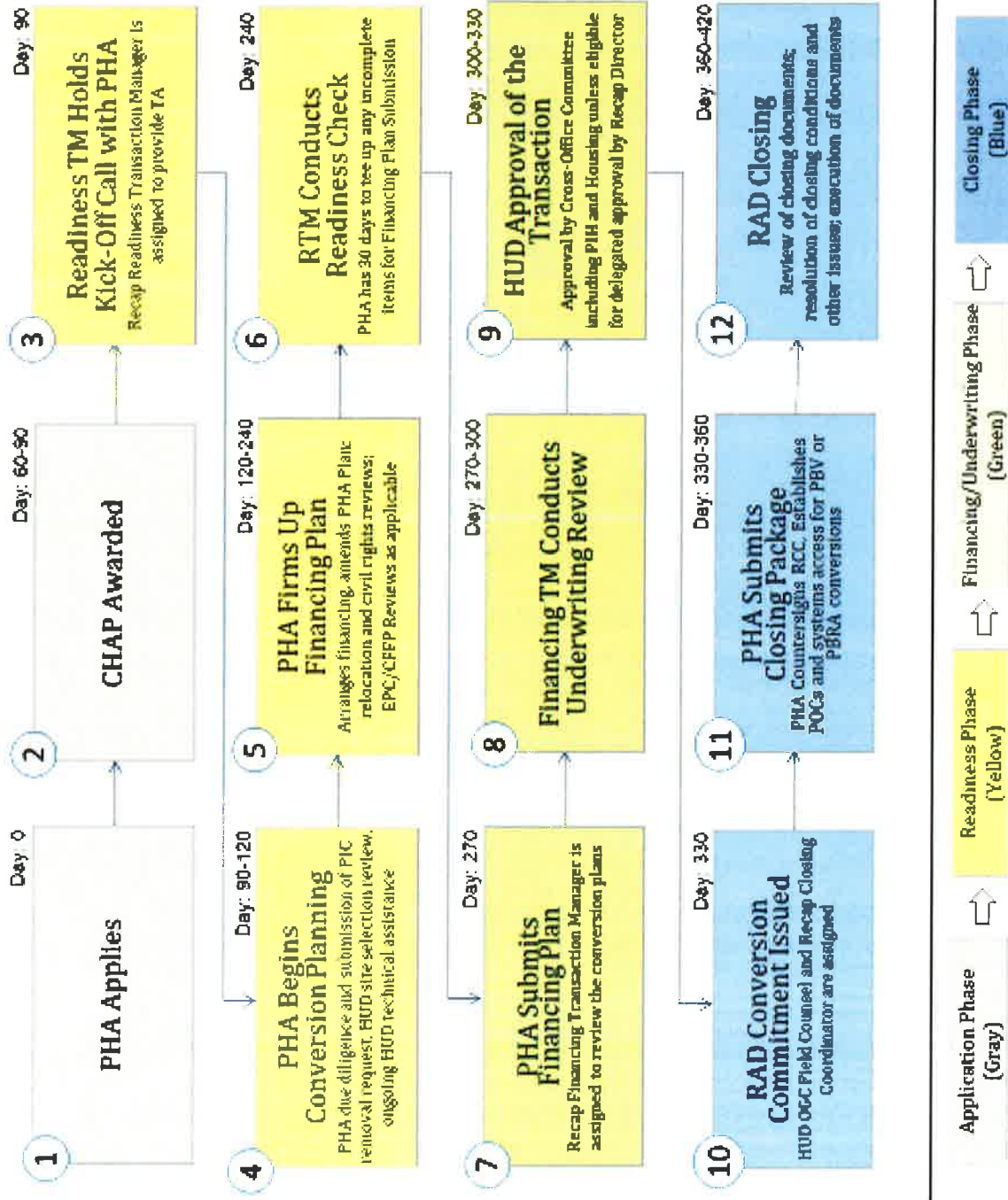
1. One of the main objectives of the RAD conversion process is to ensure the long-term physical and financial feasibility of converted properties.
2. The RAD Resource Desk is an online platform to be used from the time of CHAP award to the completion of rehabilitation/construction.
3. The first step in the RAD process is to submit a RAD application, which is now much simpler than the previous version.
4. The CHAP award is the initial reservation of RAD authority under the statutory cap and it establishes the RAD rents.
5. Once issued the CHAP, the PHA begins to compile all of the necessary components of the "Financing Plan." There are several approvals from HUD that should be requested prior to the Financing Plan submission.
6. A PHA does not need to secure outside financing in order to submit a feasible RAD Financing Plan. Financing is only required if needed to cover rehabilitation/construction depicted in the CNA E-Tool.
7. When the Financing Plan is approved, HUD issues a RAD Conversion Commitment (RCC), which is the contract that sets the terms and conditions of closing and memorializes the scope of work that must be completed after conversion.
8. Relocation cannot begin until the later of the issuance date of the RAD Conversion Commitment and the applicable notice of relocation (30 or 90 days) has expired.
9. The RAD closing includes the release of the public housing Declaration of Trust (DOT) and the recordation of the RAD Use Agreement.
10. A property is covered by a RAD HAP contract at close of construction financing (except when Delayed Conversion Agreements are used).

10 Key Takeaways

Setting Up for Success - Strategic Portfolio Planning

1. A RAD project may be defined in several different ways, including combining AMPs, splitting AMPs, and mixing and matching.
2. However a RAD project is defined by a PHA, HUD will evaluate whether it will be a single manageable, marketable entity.
3. There are several different types of conversion models: preserve, rehab, redevelop, and transfer of assistance.
4. A RAD conversion can involve many different types of financing sources, including only PHA funds (no outside financing).
5. It is important to decide either PBV or PBRA early in the RAD due diligence process.
6. It is important to weigh the pros and cons of self-developing and self-managing.
7. A PHA can combine Section 18 and RAD in one project.
8. There are several different approaches to using Section 18 on a property.
9. SAC must approve all uses of sales proceeds that a PHA may take from a RAD transaction.
10. Sales proceeds to PHAs may maintain their federal restrictions, depending on the use of funds.

Rental Assistance Demonstration Public Housing Conversion Summary Process Chart



10 Key Takeaways

Resident Consultation, Resident Rights, and Relocation

1. Frequent and regular consultation with the Residents is key to the success of a RAD conversion.
2. The Resident Information Notice (RIN) serves as the PHA's first RAD communication with the Residents and should be sent before submitting the RAD application – regardless of whether there is any relocation anticipated.
3. If there's any possibility of temporary or permanent relocation, the URA General Information Notice is required and should be sent as soon as possible.
4. At least three Resident Meetings are required: 2 before application and 1 before submitting the Financing Plan.
5. Topics for Resident meetings include transfer of assistance, construction scope, relocation, unit reconfiguration, potential development partners, and Resident rights.
6. RAD plans must be incorporated into the PHA's Annual Plan or a Significant Amendment. This requires standard resident consultation and public hearings.
7. Residents living at the Property at conversion are eligible for certain rights at conversion including the right to return and no re-screening. Keep track!
8. All Residents living at a RAD Property, existing and new move-ins, have certain Rights in Continued Occupancy such as Choice Mobility, Termination Notification, and Grievance Procedures.
9. Relocation requirements under RAD go beyond URA requirements.
10. Know the content of the RAD Fair Housing and Relocation Notice, H 2016-17 including Resident Log information, Resident Notices, requirements around offering housing alternatives and restrictions on the timing of relocation.