

RAD/Section 18 Small PHA Blends Training_December 2025

0:00

Great.

0:01

Well, welcome everybody to this training on RAD conversions through a RAD Section 18 blend.

0:10

Just to start with some introductions.

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My name is Will Levy with the Office of Recapitalization working on the policy side of RAD, joined here by John Arvini and the Transaction division and Tamika Green in the closing division, as well as Rachel Kai's behind me.

0:25

Also with the policy shop, just to let folks know, please don't use any AI recording or transcription services.

0:36

We're not permitted to do that.

0:38

We promise, though, we will be recording this session, and we'll distribute the recording as well as the slides afterwards.

0:47

So thank you very much for understanding.

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Let's dive in.

0:58

Yeah.

0:58

So RAD Section 18 blends, just to provide an overview for the uninitiated, under a RAD Section 18 blend, the PHA can convert public housing to one of two kinds of Section 8 contracts if they're a project based voucher contract or a project based rental assistance contract to an increase the revenue to the project on a going forward basis.

1:20

How does some do this?

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The background details is we're approving a portion of the units under Section 18 of the Act as a disposition which triggers tenant production voucher funding and we're capturing that funding and using it to create to establish higher contract rents in the Section 8 contract.

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We do as much as we can to shield users from the complexity involved there and do as much as that behind the scenes.

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But just so you're aware of the background of this higher funding, would you folks mind muting?

1:56

Make sure we're muting just so we can.

1:57

The recording is effective for other folks.

1:59

Thank you.

2:01

This higher funding increases the income stream for a converting project, which will allow housing authorities to undertake more extensive renovations or redevelopments than it's feasible with the normal RAD Rats.

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One of the beauties of RAD Section 18 blends is the all residents benefit from the robust RAD resident rights, including consultation and engagement prior to conversion, relocation rights, the right of return and then ongoing rights that continue after conversion.

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They're brought over from the public housing program such as the rights to organize and grieve and and receive that advance notice prior to an adverse action.

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The ability to continue to participate in resident services programs like Ross and FSS and other things.

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Now in a prior webinar, we covered the RAD Section 18 construction blends.

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This webinar is focused on the small PHA blend which is which allows any PHA with 250 or fewer public housing units to qualify for the highest blend rate which is 90% gets approved under section 18 and 10% out come out of public housing program through RAD.

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Again, a property can either convert to a project based rental assistance contract, which is a contract directly with HUD with 20 year contract directly with HUD where HUD is making the payments to the owner, or to a project based voucher contract where it's a contract between the owner, you the owner, and a Housing Choice Voucher Program Administrator.

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The contract administrator is required to have at least 250 voucher units under it's voucher ACC unless there's a determination by the field office that the contract administrator has sufficient capacity.

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The other eligibility criteria for small PHA blends is that the PHA must have repositioning plans submitted to us showing how the PHA has plans to remove the remainder of its public housing properties from the public housing program.

4:09

Just some background on small public housing programs over 6.

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About 2/3 of all public housing authorities are actually small PHASPHAS with 250 or fewer units.

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So over 2000 housing authorities across the country, they control about 185,000 public housing units.

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Just to dive a little bit deeper into this, of these small pH as most of them don't have a voucher program.

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So that's why this conversion option to project based rental assistance where HUD is the contract administrator and the PHA doesn't have to find another Housing Authority to partner with is really important.

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So most of these small housing authorities don't have a voucher program that's about representing about 104,000 public housing units throughout the country.

5:00

The rest do and they can still they can choose to convert to a project based voucher program and have their voucher agency their their voucher program administer the vouchers or they could also choose to convert to a project based rental assistance contract.

5:18

When we do a small PHA blend, HUD produces a single blended rent schedule for all units resulting from the combination of the public housing assistance that's converting into voucher assistance for small pH.

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As with this ends up meaning is nearly every project could achieve contract rents at or above the FMRS 60% could even be eligible for contract rents above 110% of the FMR.

5:46

Vast majority of cases this is a nice revenue increase to stabilize the property and to support needed repairs.

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As with all project based Section 8 contracts, there are rent caps that are built into those program rules for project based rental assistance properties.

6:03

That's 120% of the FMR, which can actually be higher if it's justified by a red cop study for the project based voucher program.

6:12

It's the lower of the reasonable rent or the OR 110% of the applicable FMR.

6:18

For this reason, again, it it's, it's a really good idea for housing authorities to look at project based rental assistance contracts or PBRA contract as an option because you might be able to get to a higher contract rent.

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How do you find your contract rents you ask?

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Well, we've published a RAD rents look up tool that's on our website.

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It has an easy way for housing authorities to search their look up their Housing Authority and find, select their property and look up what the rents might be.

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Then after you have applied for RAD, we have a more refined calculation that is available through the RAD resource desk and that produces that produces a print out that you can share with financing partners who will want to know what are the contract rents that are going to be available in conversion with Section 18 blends.

7:23

It used to be that there were two contracts that resulted.

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Nowadays though, we're on a single contract.

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All the units that result from a RAD in Section 18 blend.

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Even though some units are leaving the public housing program through RAD and some units are leaving the public housing program through Section 18, they all end up on a single contract, then either APBB or PPRA contract.

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All the contracts have a, All units under contract have a are subject to to the same rent schedule and follow the RAD requirements.

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Let's walk through some of what those route requirements are.

8:01

So under the contract, all the, as you said, all subsidized units will be on a single contract.

8:07

We sign the HAP contract at the start of construction or rehab and that's really important because that means if especially if you're doing an occupied rehab, you're getting subsidy payments during that rehab period to continue to support the operations of the property.

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We also, the contract also provides for what's called we have assistance payments that makes payments for unoccupied units that are still under construction.

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And we delay, we allow through rad waiver authority, we delay physical inspections to occur only after the completion of the rehab or construction so prop.

8:45

So the units don't necessarily need to have undergone an HQS or UPCS inspection in order for residents to continue to occupy the property after conversion.

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During that rehab.

9:00

Public housing residents are not re screened at conversion even though they are new to the Section 8 program that's also part of the RAD special RAD waivers.

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They're automatically admitted into the Section 8 program, which is a really important promise in order to to, to help to protect residents and make sure that they're RAD doesn't result in any adverse action.

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Contract rents are then adjusted annually over the term of the contract by an operating cost factor.

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And importantly, property cash flow is not is unrestricted.

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So you have your contract rents, properties will have their expenses.

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What comes out after that is not put into an operating reserve or residual receipts accounts.

9:46

The that cash flow is unrestricted.

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It it is, it is earned by the owner.

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I'm going to turn now to John who'll walk through a couple of examples.

9:57

Thanks a lot.

9:58

Will appreciate you covering the policy and let's see how that policy is put into practice.

10:04

So there are a couple ways we're seeing pH as utilize this type of rack conversion for what we consider our small PHA cohort that are 250 units or less, the public housing program.

10:15

One way is we're seeing pH as approach this type of rack inversion for a small PHA cohort is converting to stabilize the project.

10:22

The project's physical needs have been recently addressed usually either with public housing or other funding sources in Quincy, MA.

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They opted into this type of conversion they had.

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Over the years, we're able to address the physical needs of the project, either a unit turnover or as systems had to be replaced.

10:42

And so when they came in and did their RAT conversion, they did have a limited scope of work, right?

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And the key to Quincy's conversion was to then stabilize.

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So how did that look?

10:51

Well, if you wouldn't mind going to the next slide now, if I told you today that under the basic RAD rents, now remember those are size that your current public housing funding levels would net you say \$5.3 million.

11:06

But since you're a small PHA, converting under RAD could net you about \$7.1 million a year tomorrow, a difference of \$1.7 million in a revenue boost.

11:18

How many of you would be interested in converting from public housing to the Section 8 platform?

11:27

If you do the math over 20 years for Quincy, that's a \$35 million difference.

11:34

And I imagine with that increased revenue both at the onset of conversion and over that 20 year term, APHA can likely address any issues that come their way.

11:43

But I think we're having just a technical issue.

11:45

We're going to go back to sharing our screen and I think we're back at it.

11:47

Great, Perfect.

11:49

Thank you.

11:52

Now Quincy was able to convert and stabilize the project because, again, they had put, you know, money into the project with their public housing funds.

12:00

Property was in great condition.

12:02

There's another path that we're seeing and that is to leverage financing to address the needs of the property at conversion.

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And a prime example on the next slide is Ship Street.

12:13

So Ship Street is city of Canton, GA.

12:16

It had 70 total units between two public housing sites, 1 Jefferson Circle, 1 Ship St.

12:23

The ship sheets right, Ship St.

12:25

site actually had 15 acres.

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So the idea was, well, we can easily accommodate additional units on that could type of acreage.

12:32

Why don't we combine the unit counts one for one replacement, right, a core component of the rad program and we'll build 70 newly constructed units on the ship sheets right, Ship St.

12:43

site.

12:43

It's hard to say 3 s s in a row.

12:45

So they demolished all those units, replaced one for one and one of the reasons they were able to do this, right, Obviously, we're demolishing the units.

12:53

The units were in great condition.

12:54

Public housing funds haven't kept up historically with your capital needs right through the blends and that increased revenue.

13:01

They were able to leverage 9% tax credit equity, first mortgage debt with the commercial lender, state and local funds and pull off a beautiful newly constructed development.

13:13

Something to think about too is as we'll had laid out in the beginning, you know, it's all right, is in Georgia, there are only so many pH as that are also voucher agencies.

13:26

So as Canton and their partners thought about what type of conversion they wanted to opt into.

13:31

I believe this is actually the first PBR conversion under the blend if I'm not mistaken too as well, right, which is neat.

13:39

You know, they were thinking, well, you know, instead of partnering with another PHA who's going to be the contract administrator, that PHA would then emit applicants from the waiting list and manage that process.

13:49

Well, why don't we do that for ourselves?

13:51

Hud's going to be the contract administrator.

13:53

We can, we can, you know, manage that administrative process.

13:55

That's a big net benefit for us, you know, and something to think about long term too.

14:01

And I'm not sure if if this pushed them in that direction.

14:03

But long term as you're considering your choices between PVRA and PVV, something to think about is the 20 year outlook.

14:11

And I know that's a long way away when you're converting, but 20 years to do go by faster than you think.

14:17

And it can also help you set up for long sustained success as you're thinking about that 20 years as you're as you're going to that renewal under PBRA, we have something called mark up to market.

14:28

So at the end of the 20 years subject to appropriations your rents here and say then the markets here, you get to market up to market.

14:36

Now the neat thing about that is HUD covers that cost.

14:40

It funds that difference under the PBRA program, under the PBV program, if you have a gap to jump to that market standard, the pH as on the hook, that money has to come from their Section 8 PAP reserves for that first year to plug that gap.

14:55

So that comes out of the pH as pocket.

14:57

So again, something to dig about both at conversion, you can use it to leverage, right?

15:01

Because if you have deep physical needs on the look at this increased revenue, you can use now to leverage a transaction, a financial transaction.

15:09

And then the 20 year outlook.

15:10

Well, wow, this is great.

15:11

You know, I have a little more control over over managing my wait list, over managing my emissions.

15:16

And you know, Hud's going to maybe fund that.

15:18

Hud's going to fund that difference for me.

15:20

Where is on the on the PPV side?

15:21

I have to fund that difference.

15:24

So how does it all work?

15:26

What's the process for APHA blend?

15:28

A small PHA blend.

15:30

In all honesty, not that different from a regular RAD conversion.

15:33

What does it take?

15:35

You submit a RAD application for the entire project.

15:37

You get what we call a commitment to enter into a housing assistance payment contracts your ticket to the RAD program.

15:44

Once you get that chat, we automatically sign you HUD free technical assistance to the Housing Authority.

15:50

These are folks who are in the industry know the program and development backwards and forwards that can help you envision what you need to do.

15:57

You'll then develop your property plans.

15:59

Have I was I able to keep up with my needs and it will be more of a I'm just going to convert to stabilize.

16:06

Do I have deep needs and I actually have to leverage financing, right, So let's develop those property plans.

16:12

Do I need to transfer assistance to a new location because my location just doesn't work anymore?

16:16

I have an area of opportunity I have under site control.

16:19

You'll have to amend your PHA plan and consult with the residents.

16:23

The PHA plan is well, you have to note both the RAD and Section 18 actions.

16:26

So that's a little bit of a difference.

16:27

Under RAD, it would just be RAD.

16:30

You will have to procure your property due diligence.

16:32

Your capital needs assessment is going to dictate your RAD conversion.

16:37

The more needs your capital needs assessment show, the more likely you're going to have to leverage financing, which is OK, right?

16:42

We have higher rents now, right?

16:44

You can actually leverage a pretty decent amount of first mortgage debt with these new rents that you'll be seeing and you'll, you'll get your environmental reports after you know what, how you're going to go tackle your development plans, you'll try to leverage your financing sources, right?

16:59

And after you leverage your financing sources and next slide and when your deal is real, you'll walk in the door for what we call a concept call, which is just essentially a reality check of saying, OK, taking a peek at your package looks good.

17:10

Here's some feedback for you to consider.

17:13

And then why don't you go ahead and come and submit your financing plan when you submit that financing plan, Again, this is under the RAD program and the RAD resource test.

17:22

So we're going to, we're going to drive the process, but there are some Section 18 items required, right, like the local government support letter, but it's all part of the process.

17:30

We've really tried to streamline this and make it as simple as possible.

17:34

And I think as you're thinking about right as you're putting your RAD Section 18 blend transaction

together is that PHS can contribute public housing capital and operating funds into the development budget, right?

17:46

And that's an important fact under RAT that's we see this all the time as gap financing.

17:49

We're a single source of financing.

17:50

If folks are coming in to just stabilize the project upon conversion once once the pH as in with the financing plan, how does internal coordination, This is all behind the scenes, nothing that you have to do.

18:04

We create the Section 18 application from the submitted materials.

18:07

You do not need to submit a separate Section 18 application.

18:10

We do that all internally after the review, generally about 60 days give or take.

18:15

We should what we call our conditional approval or add conversion commitment that then triggers our colleagues at the Special Application Center to issue their Section 18 approval.

18:23

Again, all done internally.

18:24

You don't have to do anything to get that Section 18 approval letter.

18:28

And then after we should be conditional approval your work with the closing team, right?

18:32

And you'll have about around 60 days give or take to submit that closing package, get it reviewed and convert.

18:40

Again, this is an internal measure.

18:43

We now coordinate all the tender protection voucher funding.

18:47

Thank you from here.

18:48

Thanks, John.

18:50

So for closing, it's really just business as usual.

18:57

Are these my live notes?

19:01

OK, sorry.

19:02

So for closing, it's just business as usual.

19:04

You're assigned the closing coordinator, field council.

19:08

The closer will introduce themselves and just talk through what closing looks like for the Housing Authority.

19:14

You'll submit your closing package for review.

19:17

And once the deal has firmed up a little bit and we understand when closing is established and we have an idea of what the half effective date is, the closing coordinator will enter that information.

19:28

This is in the resource desk for you.

19:31

Based on that HAP effective date, the resource desk will calculate what your TPV funding would be and then they'll take the initiative to request funding on your behalf.

19:40

So no need to be in touch with the field office.

19:42

The closing coordinator will handle that next step for you.

19:46

What's required here is just to make sure that you've completed and submitted your the HUD 52552515 again once that amount has been requested and the amount is.

20:00

Firmed up, we'll enter that amount in the your single hat contract.

20:04

As you know, we've moved, as Will mentioned earlier, we've moved to the single rad hat contract.

20:08

It includes all the rad units in the Section 18 units.

20:14

We'll get to closing, we'll release the dot and then we'll record the rad use agreement.

20:21

Once those documents have been recorded and released, then the units will be removed and released from pick and then you'll close on any construction financing if applicable.

20:33

During the construction stage, your HAP contract stays in place.

20:36

So whatever your HAP effective date is.

20:39

And while the property's in construction, the units are eligible for subsidy payments as well mentioned earlier.

20:46

And then the construction.

20:47

We've seen ranges from, you know, two years to three years, sometimes even four years.

20:54

And so once you're at construction completion, this is where you've ensured that all the work that was in your RCC has been completed.

21:03

You will go on the resource desk and submit your completion package and ensure that all the work has been done and that all the residents were returned back to the property tied up in about.

21:18

Thanks, Tamika.

21:19

Thanks, John.

21:20

So I think we'll have time for some questions.

21:22

We'd love to hear your what's on your mind, but just to flag a couple of things before we go that way, we will make this recording available on the resource desk in the slides.

21:34

We also have an upcoming bad office, office hours or webinar for very small PHA's, PHA's with 50 units or less, which is really exciting because they, they not only get these benefits of the small PHA plan, but there's we also have a streamlined process for those housing authorities to make it as easy as possible.

21:52

So we're really looking forward to that session and hope, hope, hope, hope you tell your peers and, or, or you might be in that category yourself and also want to point you to a few key resources as you're starting out.

22:09

Again, there's the RAD that RAD rents look up tool where you can quickly look up what your contract rents would be and understand the revenue impact of a conversion.

22:19

All of the rules around RAD are contained within the RAD notice.

22:25

If you just Google it, RAD notice, you'll, you'll find the most updated version resource desk.

22:31

The RAD Resource Desk has all sorts of available trainings for pH AS and, and partners.

22:38

Then if you have questions, you can always reach out to rad@hud.gov and they're great at answering those questions.

22:44

Or if you just want to set up a ask for a call and a conversation, we're, we're always happy to do that too.

22:49

So let's go to questions if folks wouldn't mind raising your hand.

22:59

And we will call on you in the order in the order in which you are.

23:10

We see your angry.

23:21

OK, let's go to Naomi.

23:25

Hi everyone.

23:26

I hate raising my hand and asking questions because I know you guys get tired of hearing from me.

23:30

I'm glad that you guys are having another training and thanks for featuring Riverview, our project.

23:36

Really happy to see that.

23:37

My question is more post conversion related.

23:42

As you know, we do a lot of these red Section 18 blend especially with the smaller PHA.

23:47

And one of the things that we have run into recently is understanding the operational aspects of inputting the information into VMS, the voucher management system, ensuring that that information is appropriately reflected in VMS.

24:05

And then even recently one of the PHA as we worked with you have a cap on the maximum tenant protection voucher amount under these blends that the PHA that the Housing Authority can receive.

24:21

That TPV amount is based on a combination of things including understanding what your projected tenant rent portion is.

24:32

The challenge that a recent Housing Authority received is their tenant rent portion decreased significantly.

24:38

And so they essentially were in a shortfall type of situation because the voucher amount that had

been allocated under the RCC and the amended CHAP rent schedule was maximized at the higher rent portion, right, and didn't account for a tenant decrease and an increase needed for HAP.

24:57

So I say all that to have two questions.

25:01

One, would it be possible to get from FMC or FMDA step by step for converting the PB VS under the red blend or converting to PB VS under the red blend with instructions on VMS?

25:14

Because that has really been a challenge is understanding how we need to input this into VMS beyond the guide that's out there.

25:22

And 2nd, is there any way that if tenant rents decrease, housing authorities are able to access shortfall funding to offset that decrease in these blends in that initial year so that they can see a higher TPV amount received for that initial year of conversion?

25:41

Does that make sense?

25:42

Yep, Yep.

25:43

So first thing, just to make sure you and others are aware of, we've updated the funding instructions guide for RAD conversions in the in the last couple of months.

25:54

That has a lot of great information on how funding works during the year of conversion and then in the year after conversion.

26:04

So first look there, we'll take a look to see if the VMS instructions are in there.

26:11

But yeah, I didn't see them in their will.

26:14

And John, that's why we were asking the questions because VMS is not explicitly understood And and when I look at the VMS guide, the VMS guide hasn't been updated to catch up with the blends either.

26:29

Yeah, yeah, OK, good.

26:31

Thanks.

26:31

It's a good catch.

26:34

On the other question about the adequacy of the TPV funds, send, send us something in around that depends on when it occurred.

26:48

But one of the things that we've done in the last year is have much more coordination around the amount of TPV funding that is issued through blends so that it what better reflects the actual costs that we anticipate.

27:07

So I think that's helping a lot.

27:08

But there's still possibility that as you say, weird things can show up and and and maybe the funding amount doesn't quite work.

27:18

So Leah, let let us know, we'd be happy to explore that a little further with you.

27:23

OK, thank you.

27:28

OK, let's go to Lisa Petrosky.

27:32

Hi, how's everyone today?

27:34

My question is if you're a small PHA, do you have to do the transaction and close out your public housing?

27:43

So if I have 200 units, can I do 100 at the 9010 blend and then the 2nd 100 has a different transaction with the 9010 blend?

27:52

Or do I have to close out the authority with the that small that blend?

28:02

It's a great question.

28:03

You can absolutely do it in stages.

28:06

We do see PHA do it site by site.

28:08

You have 220 units, right?

28:11

Four sites, you do 4 different transactions.

28:14

The one thing that is going to be required when you submit your first transaction is something called a repositioning plan.

28:22

And we have guidance and a template that we can share if you want to e-mail us directly how that can look.

28:28

It's really straightforward.

28:29

Essentially it's just saying on this property, I'm anticipating to do X, on this property, I'm just in to do Y, right, kind of lines out the the development plans for each one with a a bit of a timeline.

28:41

We don't hold you to that timeline.

28:42

We know things get pushed back.

28:44

But yeah, as long as you're under 250 units, you're eligible for the 9010 blend at that increased revenue and you can do this step by step.

28:52

Thank you very much.

28:53

That's good.

28:55

Great question.

28:58

Let's go to Cheryl.

29:03

Hi, my name is Cheryl Hartnett.

29:04

I'm Executive Director for a Housing Authority in Narragansett, RI very small nine public housing units.

29:10

We do have a voucher program.

29:12

So I actually my my question is I have two questions.

29:15

Number one, I will it will be on vacation for your January 13th very small public housing rod conversion.

29:23

Will that be recorded?

29:26

Yes, OK.

29:28

And my, my second, my second question is the last time I attended a RAD conversion session was a very long time ago and at that time housing authorities could not maintain ownership of the properties once they were converted.

29:45

Is that still the case?

29:48

That is not the case.

29:50

Conversions can be structured in a number of different ways.

29:54

Sometimes the ownership changes, particularly if they're using tax credits and might go into a tax credit partnership.

30:00

But even then the Housing Authority might be a a general partner or managing member.

30:05

But there's no requirement that the Housing Authority has to exit ownership.

30:10

In plenty of RAD conversions, the Housing Authority continues to maintain full ownership of the property.

30:15

It's a it's a cornerstone of the program too.

30:18

It's you have to have a public or nonprofit ownership or control.

30:23

Great, Thank you.

30:24

I think the last time I went, it had to be converted.

30:26

It had to be converted to a nonprofit or transferred to a nonprofit in order to take part in red conversion.

30:32

So that shows how long ago it was that I actually turned in last.

30:37

Thank you.

30:38

Sure.

30:38

Thanks for joining.

30:43

Let's go to Janae.

30:57

Janae, if you're talking, we can't hear you.

31:17

Janae, maybe try dropping off and logging back in, and when we see you come back, just raise your hand again.

31:24

We'll try it then.

31:25

OK.

31:28

OK.

31:28

Beth.

31:29

Hey there.

31:33

This is Beth Brown, the Gainesville Housing Authority.

31:37

I have kind of a post closing operational question as well.

31:41

And Will, I know I had been emailing you, but it's kind of about how we I guess complete the voucher for our initial couple of months because we're also under a delayed HAP contract.

31:55

So we have wrap, we have pass through and we have HAP and we use a third party to help us with this, but they're not quite sure how to mostly the pass through, you know, units that are on there and we're not quite sure how HUD wants to see that.

32:18

Thanks, Beth.

32:18

I think we're going to, I'm going to need some help from some of our colleagues in asset management on that question that I was waiting on.

32:26

So I apologize.

32:27

We haven't gotten back to you yet and unfortunately I don't think we'll be able to help you on this call, but, but thank you also for being one of the case studies.

32:36

Yeah, no problem.

32:39

And then one other and this is more of a comment or maybe it's a question.

32:43

We're doing a Ross grant and now it's eligible on under this NOFA to include our PBRA, you know, and and PBV units on there.

32:54

But they didn't really contemplate these blends in, in their NOFA and they're considering our PBV units, well as PBV units and maybe they are, but under the blend.

33:10

So I can only apply as a Housing Authority for, well, we're under the 80% units, but 80% of the units that are there like under this conversion, are they still considered PBV or do they actually convert to PBRA and considered PBRA since it's under PBRA contract, right.

33:30

So the distinction is when the blend occurred.

33:37

So for some of your properties, for example, Beth, you are under a single rad hap contract.

33:45

And but for some of the older blends you've done in years past, you have one RAD HAP contract and one regular project based voucher contract, which is they're legally distinct.

33:56

So it's an unfortunate little nuance here, but the, the and that's going to impact their response because a regular project based voucher contract is not eligible to renew a Ross grant that had been provided under public housing, but a RAD project based rental assistance or project based voucher contract is.

34:18

So it's creating some, some complexity in your case.

34:25

We're in discussions with their office with, with, with the office that runs that around clarifying eligibility rules.

34:33

OK, because they're telling us we're eligible under the blend because it is under one PBR 8 contract, but they want us to use they're they're saying the definition of those units are PBVS even if it's under one PBR, if even it's under the PBR a contract or or is that correct?

34:54

Because it dramatically changes how we apply.

34:57

If it's under the RAD PBRA contract, it is it should be fully eligible.

35:03

But if it's only that case where if some units are under a RAD contract and some units are under a project based voucher contract, that's where there is some some issues.

35:15

OK, well, they're saying they're eligible, but they want me to apply for them as PBVS, which is fine, but that totally changes who applies.

35:24

Rather, do you get what I mean?

35:26

Yep, Yep, Yep, Yep.

35:27

I don't mean to belabor it.

35:29

No.

35:29

Yeah, let's Beth, you can also send us a separate note on this, just kind of laying out which which properties you're applying for with the HAP contract right down.

35:41

Those are if you don't mind.

35:43

Yep.

35:43

Thank you.

35:43

Appreciate it, Chris.

35:52

Hi, everyone.

35:53

Chris, with King County Housing Authority, we manage a small PHA that has 80 units that we're looking at converting to RAD.

36:02

I have some questions about the mobility vouchers.

36:05

So this smaller Housing Authority is outside of our our voucher jurisdiction, but I was assuming that we would continue to manage that the HAP contract after conversion to RAD PVV.

36:22

I'm wondering if there's other similar housing authorities that have gone through this and how they handle the mobility vouchers.

36:32

Got it.

36:32

So you are managing this Housing Authority and that you're thinking of converting the 80 units you would manage, you would administer the project based voucher contract, correct.

36:47

And you are wondering how to manage the choice mobility options so that residents after a period of living there could, could, can request a tenant base voucher?

37:03

Yeah, we can.

37:04

We could probably come up with some other housing authorities who might be in that same or a similar situation.

37:11

Would you mind Chris also sending us a separate note on that?

37:14

Yeah, I can send e-mail.

37:16

Thank you.

37:17

Want to talk about PBRA?

37:20

Sure.

37:20

Yeah.

37:20

But Johnny.

37:21

Yeah.

37:21

Yeah.

37:22

Chris, something else just to think about is under PBRA, you can request something called a good cause exemption for choice mobility, which is often granted and.

37:34

And then choice mobility would not be an option that you would have to service under, under PBRA.

37:40

So there is another option there.

37:42

I know PBRA is a little different, but it's it's something that can also if you're worried about choice mobility, the impact to your voucher program might be able to help.

37:51

OK, great.

37:52

Thank you, Wilbert.

38:05

Sir, can you hear me?

38:06

Sorry about that.

38:07

Yes, OK.

38:09

So I have 64 plus units available for converging and I've been, we've been doing major capital improvements with CFP funding as a are capital improvements required for a conversion?

38:25

Do we need to do ACNA?

38:28

Yes, you'll need to do a capital needs assessment because it's just as a basic condition of conversion.

38:34

We want to make sure that the properties, the, the capital needs of the property are addressed right.

38:40

And so if you've been doing work with with capital funds and properties in fine condition, the capital needs assessment will show there's not much work.

38:49

Maybe, maybe there's some additional things you need to do, but but maybe not, not not too much.

38:54

And you could do a pretty direct conversion without taking out new financing or you might find with the capital needs assessment.

39:01

Actually, there's, there's a bunch more work you, you to, to do or that you want to do that you want to really modernize the, the property more significantly and, and, and take out debt or use equity attached credit equity.

39:13

And that would, that would be your choice.

39:14

But at a minimum, we require for a property to convert that it addresses what's what's found in the capital needs assessment and we need to do an environmental review under this blend as well.

39:26

Yes, OK.

39:28

And I would imagine that these would be newer vouchers you would be issued issued, right, not using existing vouchers, right?

39:36

We would be providing new funding for the contract, OK.

39:41

And for this type of convergent, what if the Housing Authority is retaining ownership, would we need to hire legal counsel for this convergent to help support the closing?

39:57

No, assuming we don't, assuming there's no work, there's no improvement, there's no financing.

40:05

So I guess, yeah, I'm going to turn to Tamika Green, who who manages all of our Closings where often times that's where legal counsel is most often engaged.

40:17

So Tamika, can you speak to what you see?

40:19

I would recommend hiring legal counsel for the closing piece.

40:23

OK.

40:23

Because you got to transfer the dot, right, got to get a release in that releasing the dot, adding the use agreement.

40:30

So we would recommend just to review those documents in the ownership structure.

40:36

But it, I think it's more of a on the financing question is what he's asking.

40:42

Like a consultant, you know, the, as you get your capital needs assessment back.

40:48

It's, it's one thing I think if you're, if you're showing low needs, you know, we've seen other housing authorities try to tackle that on their own.

40:55

But as you see those needs grow, that's where we do see housing authorities looking for either a consultant or affordable housing attorney, a partner to kind of help them through thinking through what's my next step?

41:04

How do I have to tackle these needs?

41:05

So it'll depend on how your due diligence comes back, if there's any environmental items that come back that you might need some help with to that you might have to address.

41:14

But both I think on the transaction side and the closing side support is always a welcomed, A welcomed.

41:20

And one, one last quick question.

41:22

So these costs, would they, can those be financed through the CFP funds that's part of the convergent?

41:30

Yeah, it's very common, especially for small pH as where you're converting your last public housing property to use all your remaining capital funds, operating reserves and use it to cover the, the, the, the diversion budget, the development budget, which might just be legal fees or the cost of environmental reports and things like that.

41:51

And not actually need to be used for any, any construction activity.

41:55

Often times a few things are found in the capital needs assessment to that, that, that need to be addressed, but that they're low cost things.

42:05

Even when PHAS think the property is in in great condition, there's always something that's found as as you can, you can expect.

42:12

But yeah, you can you can use all your funds there.

42:15

All right, great.

42:16

Thank you so much.

42:18

Thanks for the call.

42:22

Let's go to Mel.

42:31

Hi.

42:32

Thank you so much.

42:33

First thing is I sent a request on Friday to get access to the RAD application and I'm curious what that process is.

42:44

I didn't get a confirmation e-mail or anything and I know sometimes these things are done by paper mail to to actually apply for RAD right?

42:57

Like I need access to the application site and that's what I'm waiting for so that we can apply.

43:03

Got it.

43:03

So you what you're getting account access?

43:05

Yes, got it.

43:06

So yeah, you know, if you don't hear back, I would say in another, if it's right with.

43:11

So give it another day or two.

43:12

And if you don't hear back, you can e-mail the resource desk on the road resource desk and e-mail them directly.

43:18

Just ask for a status update.

43:20

But you should get that sooner rather than later.

43:22

That's that's pretty straightforward protocol to establish.

43:26

OK.

43:27

And we are anticipating that when our capital needs assessment comes back that we're going to be able, like we've just been talking about to pay for all of the immediate necessary updates with funding that we already have.

43:45

So does that in any way streamline the process since we're not looking for any external funding at at the conversion time?

43:56

Yeah, it can, right, Because then what happens if, if you would have to leverage financing, then you have to find partners.

44:02

Is it just debt only?

44:03

Is it debt and tax credits?

44:05

That's just right.

44:05

Extends your time frame for sure, because you have to find those funding sources to cover those needs.

44:11

If it's more of a, we've done a good job taking care of the property.

44:16

We have enough money to cover, you know, the near term needs and maybe year one and two in that capital needs assessment and do a little bit of a scope of work, right.

44:24

That does make it a more streamlined, I would say approach.

44:27

But you know, capital needs assessment will take will will dictate all of that of how that looks.

44:33

OK, but there's no like streamlining specifically that happens.

44:39

It just shortens all the processes that still have to happen, right, because you cut down on the development timeline if you're just doing it all yourself.

44:47

Perfect.

44:47

And then the last question is around environmental reviews.

44:53

I am not completely clear on when we need our local planning department to do it versus when HUD does it.

45:02

And this is especially important for us because our county planning office is very unresponsive to our needs.

45:13

We've actually tried to engage with them for an environmental review so that we can possibly carve out some vacant land so that we can build on it.

45:23

And that process hasn't gone anywhere for like a year and a half.

45:28

So our concern is that we're going to have everything on our end done to move forward with conversion.

45:35

And if the county is not doing their piece with the environmental review, we're just going to be dead in the water.

45:44

Appreciate that.

45:44

So I think the good news for you then is all right, public housing transactions are subject to we call part 50.

45:52

Those reviews are actually done by HUD staff.

45:54

So that's amazing.

45:56

Yeah, yeah.

45:57

You'll want to go ahead and and and procure an environmental vendor, right.

46:00

And ensure they know the RAD and part 50 protocols.

46:04

We have a system called heroes where it's all uploaded to uploaded to.

46:08

We reveal all the laws and authorities associated with and we do that review in house so and if there's no work or no ground disturbance, those reviews become much more streamlined.

46:18

Excellent.

46:19

Thank you so much, Danny.

46:33

Danny, are you there?

46:39

Yes, I'm here.

46:42

Good afternoon.

46:43

I was interested in knowing we have a small Housing Authority that has 30 studio apartments and with their conversion they would like to eliminate the 30 studio apartments and do new construction of 31 bedroom apartments.

47:01

So I was wondering how does that impact funding is that is that even though they're still doing a one for one replacement, there are actually going from a studio to a one bedroom, but this is new construction.

47:15

We will establish contract rents and provide funding adequate for those one bedroom rents that you're not kind of locked in at the subsidy associated with the studio rents.

47:29

That is an excellent response.

47:31

Thank you so much.

47:38

OK, Joy, hello.

47:43

We have 197 public housing units and 159 HCV doctors.

47:51

We are looking at doing our public housing.

47:55

We want to convert that to PBD in different phases.

48:00

So our first one is 18 units and we were wanting to like demo dispose those units and rebuild with like tax credit help with that to to do the reconstruction.

48:14

My question is, is there a difference between a Rav section 18 for small housing agencies and just a section 18 demo dispo?

48:28

Thank you very much for answering that for asking my question.

48:31

So in your scenario, you're you, you're planning to demolish and rebuild the property and you have a voucher program.

48:40

So you have a, a, a program or HUD could provide new vouchers.

48:47

I think some of the key considerations for you are a, does the, does the property qualify for Section 18, under under, under Section 18, the primary, the, the most common justification is if it shows that it's obsolete.

49:05

So requires getting a, a physical needs assessment that shows that your rehab cost exceed a certain threshold.

49:14

And sometimes that takes a little bit of time for housing authorities to procure and then to demonstrate to the Special Applications center.

49:23

And if it and it doesn't always go result the, the, the, the way housing authorities expect.

49:31

So if there is some question, if you haven't started down that path yet or there's a question about whether it's going to qualify, the property might be an OK condition, but you know, locally it's not the property that you want to be operating for the long term.

49:49

That means it may not necessarily pass that Section 18 test.

49:54

Nice thing about blends is we don't, you don't qualify based on the condition of the property.

50:00

You the, the, the, this property will qualify just because you're a small PHA for the highest blend rate.

50:06

And now we're able to offer contract rents that are basically the same as if you went through Section 18 and then developed the property through the project based voucher program.

50:19

Some other advantages we have there are doing it through a blend are you can use capital funds or operating reserves in the development budget as doing new construction, you're likely get you're likely to have some gaps there that that they need plugging We there there's an ability for payments to be made throughout the construction.

50:41

Which can cannot make and also help the development budget and not to mention although the resident rights of the ability for residents to return to the price of the new property once constructed and rescreen rights and they won't be rescreened at the time of conversion.

51:01

Those are some of the considerations turn back to you to see if you have any questions on that.

51:12

But the, the, the good news is in, in the blends, you've got a really good option to get it done.

51:19

You might also, you might still find that hey, you'd rather go through section 18 and do it through the regular project based voucher program.

51:27

That's fine.

51:27

You're doing, you're doing great work.

51:29

However you get it done is, is, is wonderful.

51:32

There's just a few.

51:33

You just want to understand the difference is a little bit better and, and, and, and so doing a little bit more homework is, is probably the idea here.

51:42

But yeah, let me turn back to you to say any questions on what we've said so far that you want to explore a little further.

51:50

Yes.

51:50

So with our with what we're looking to do, we're wanting to add units.

51:55

So it's.

51:57

So I think that from what we've looked at, we can show that it would cost more to rehab than it would to to build new.

52:06

And to add the amount of units, we're adding 42 units to plan.

52:10

So as we're replacing the 18 units for the building of 60 or three different Billings of 60 altogether, does that change anything?

52:20

If we're adding units to that, that won't affect your Section 18 application and whether you qualify.

52:28

They're they're just going to look at if, if it's just Section 18, they're just going to look at the condition of the current property, not your, not your future plans as of as of today.

52:45

So let me let me say another thing it's worth doing right now is if, if you can access this rad rents look up tool, go for it.

52:59

If you can't, ping us, we'll send you the link.

53:02

Look up your Housing Authority and see what are the rents available through the small PHA blend.

53:08

Because if indeed the contract rents are stronger, if you just did a regular project based voucher contract, that's fairly compelling, right?

53:15

You can you'll, you'll be able to better finance the, the, the actual development of those replacement units.

53:23

If the rents are comparable, you're back in this mode of well, let's let's look at the the other considerations.

53:31

But yeah, as a as a first step, I'd say take a look at the work with you just to quickly compare the rents that you that you'd be able to get through either path to see if there's a just if there's a difference there.

53:46

OK, real quick also that something earlier in the seminar that was said.

53:52

So if we have only 159 HCV voucher, if we did go like for example, if we did choose to go Section 18 on this or the red section 18, would we be able to manage our own PVDS and the state properties since we're under 250 on the HCV side or are we working with another housing agency?

54:15

It typically in most cases where we find that the the field office takes a look at your voucher program and says that you are you managing it pretty well.

54:24

Do you have the capacity to take on this new project based voucher contract?

54:29

And if so, we there can be an exception to that rule of the PHA needing to have 250 or more voucher units in their program.

54:41

So most likely the answer is yes.

54:44

And we can also, you know, we can, we can work together with you in the field office to get that figured out beforehand, so you're not having to find out too late in the process.

54:55

Enjoy.

54:55

We we've seen that asked a number of times and that being granted a number of times.

55:00

So it's not an exception anymore.

55:02

It's probably more regular process at this point.

55:05

Great, great.

55:06

Thank you guys so much.

55:07

I appreciate it, Joy.

55:11

Yeah, let's go to Sean.

55:14

Hello.

55:15

We have a portfolio wide award and we're getting ready in the next three or four months to close the deal that will put us below 250 units and we are, you know, you know going to do the Section 218 rad blend.

55:29

However, how much of the pre development, pre financing plan work can we actually do prior to the units that are currently in pick coming out to put us below that?

55:41

You can do all your due diligence now.

55:42

All right, you want to get a sense of how you're going to tackle.

55:46

Do you need to redevelop?

55:47

Is are the units in good condition?

55:49

So you know, getting your due diligence, see what you're looking at right, is going to then takes time.

55:56

I'm talking about environmental, the CNA, can you go ahead and do all that stuff in advance?

56:02

You can't that you can they do have shelf life.

56:05

So you may need to get those updated, right.

56:07

But at least you then gain the sense once you do that due diligence, you'll kind of know what you have and how what transaction you're going to have to put together.

56:13

So yeah, there's nothing holding back from getting the due diligence now as you're as you're essentially closing out a transaction transaction that takes you under that 250.

56:21

OK, thank you.

56:23

And Sean, let me answer your question in a different way to say it's it's when you submit the financing plan that we confirm your eligibility for the blend.

56:32

So it's not, you can apply now, submit an application through for RAD for that that property.

56:40

Now we're going to give you a regular CHAP.

56:44

You start doing your due diligence with environmental and other things.

56:48

You get these other units out of pick and then you submit your financing plan for this next property.

56:54

That's when we'll say, Oh yeah, you're under 250 units and are eligible for the small PHA blend.

57:00

Perfect.

57:01

Thank you very much.

57:01

Sure.

57:05

OK.

57:06

Back to you, Chris.

57:09

All right, thanks.

57:10

So my other question was around very small PHA's with 50 or fewer units.

57:17

My understanding is that they can convert with 100% TPV's.

57:20

Is that accurate?

57:24

So under Section 18, one of the available criteria is any PHA with 50 units or less can go out through Section 18 as a Section 18 disposition that's out of rad and and yes, that's that's still on the table.

57:42

They can just go go through section 18.

57:45

They don't need to show the property is obsolete and get Section 18 approval, receive vouchers.

57:56

Oftentimes in project based those vouchers back at the site and, and, and go out that way.

58:03

Is that what you're referring to Sis?

58:04

Yeah, that's what I'm referring to.

58:06

And so it's also possible.

58:07

Oh, sorry, go, go ahead.

58:10

Oh, so my question is with our repositioning plan, if we had a property that was no fewer than 50 units, could we convert all of our portfolio over except for the last property to a small PHA blend and then do Section 18 on that last property?

58:29

Yeah, it's very common in the repositioning plans that John referred to earlier that the PHA says, I'm going to do a blend for this property and a blend for this property.

58:39

And I'm just going to do section 18 for my for my last property or I'm going to start with Section 18 to take care of my scattered site units, which is which is the strategy we see often.

58:51

So, yeah, the repositioning plan can include whatever tools are, are are work best for you.

58:59

Hey, Chris, come, come back in, come back in January and listen to us on the 50 and under because there'll be some useful information there as well you might want to listen to.

59:10

Absolutely will do.

59:11

Thank you to the woman who said because I wanted to come off for five days.

59:15

Mike, you're on.

59:19

Thank you for this information.

59:20

It's great.

59:21

So we have a total of 70 units at two different locations.

59:26

1 is a 40 unit family development, which I would say is in good condition and we have a 30 unit elderly and disabled property, which I would say is in excellent condition.

59:38

So I heard earlier that we could split this up and do two different developments at a time, taking the 30 unit 1, which is in excellent condition, which requires truthfully no capital improvements because we've spent our capital money efficiently and the property is in excellent condition.

59:59

And then the 40 family units who also spent quite a bit, all of our capital funds, you know, updating the property, the heating systems, the roofs, the windows, it's in very good condition, not quite as good as the elderly.

1:00:11

But my question is, is we have capital money?

1:00:15

Available, but we also have quite a bit of money in reserves.

1:00:20

Do we have to spend all of our reserves and all of our capital money before we can convert, save the 30 unit development very quickly?

1:00:32

Thank you for that question.

1:00:33

No, in RAD we have special waiver authority that allows the Housing Authority to bring those capital funds or operating reserves with you in the conversion.

1:00:44

So often times we see in your case you might use those funds to pay for some of the legal fees at closing and then you might use the balance to establish a new reserve at the property and that and now it's part of part of the the reserve for that Section 8 property going forward.

1:00:59

So you don't have to artificially spend the money down before you.

1:01:03

OK, that that's good news.

1:01:04

Second question is, can I get some, you know, a name or some guidance off of somebody who I could work with individually to get sort of the ball roll.

1:01:16

And for lack of a better phrase, we, we think that particularly the, the 30 unit elderly development would pass any capital needs assessment very, very well.

1:01:27

And then we'd like to get the ball rolling after that on the family development, which probably would have a few issues that we could work on with our own money.

1:01:34

So we wouldn't need to take out any lend, you know, any lender or any, any partner or anything, but will there be somebody that we could contact to work individually specifically with us to get this done, you know, sort of quickly.

1:01:50

So sure.

1:01:51

Are you looking for a consultant to work with and kind of work you through all the HUD steps and processes?

1:01:57

Is is that the kind of thing you're looking for?

1:01:59

100% yes.

1:02:01

OK, So we have technical assistance providers that can provide you a more limited set of help, but I think what you're looking for is yeah, to to to get somebody on board, have some short term capacity that can walk you through the whole process.

1:02:18

We can't recommend anyone specifically.

1:02:22

Often times housing authorities will put out a quick RFP for a rad consultants and, and, and, and select one that way.

1:02:34

We we can't recommend any specific partners though.

1:02:38

All right, one quick question, is there any, you know, prohibited by selecting somebody on your own or is there a process that you have to go through to get pricing for that?

1:02:50

So if you are going to pay them while still in the public housing program, you'd be following public housing procurement rules.

1:02:59

But if if this isn't usually a case for consultants, but if anyone who's going to get paid after the cat or after the conversion, you don't have to follow public housing procurement rules.

1:03:12

So not, not probably not applicable in your play case, but if if Housing Authority were procuring a developer, the developer that that procurement wouldn't necessarily need to follow public housing rules because the developer is usually not paid until the closing happens and and and fees are paid out at that point.

1:03:34

But if you're just getting a consultant, they're probably going to want to get paid now her along the way.

1:03:39

And yeah, you'd be following public housing procurement rules.

1:03:44

Timing is everything.

1:03:48

All right, guys, it's two O 5 we are overtime and because you've had such wonderful questions, let's just take one more cat question from Kate and then for others, Chris, Tazzy, Michelle, feel free to e-mail us your questions or if, if we need to get on a call with you guys individually.

1:04:07

That goes to for anybody, anybody on this call if you want to reach out to us because you you, your interest was piqued and you want more information where we try to make ourselves as accessible as possible.

1:04:19

But Kate, bring us home.

1:04:20

What do you got?

1:04:22

Hi, thanks for having me.

1:04:24

I'm actually a development partner with the PHA and I had a question just about the small PHA designation.

1:04:32

The PHA I'm working with is 267 units.

1:04:36

So is that 250 threshold a hard threshold or would you ever consider a waiver?

1:04:43

If we're so close to the IT, it, it is a hard threshold.

1:04:49

What we often see is a Housing Authority finds some units finds a way to get themselves below the 250.

1:04:56

As you you may have heard from some others on the call.

1:04:59

One my my favorite way is see if 1030 has a few scattered site units and get those out through Section 18.

1:05:08

Also, if if you guys are redeveloping and financing construction blends, you may not need to be a small PHA.

1:05:14

You may hit our certain bands and get that revenue stream from certain bands through the construction blends.

1:05:19

So if you're doing a tax credit transaction, usually you hit a pretty high hard cost in relation to hard construction costs and you might hit a certain band of 9010 that gets you there anyway.

1:05:37

Your question, Kate, Kate, that that cover it, the e-mail address, should they just reach out to therat.gov is the best way to reach out to us And and they'll that e-mail box is highly responsive and we'll we'll direct your questions if if it's a conversation you're looking for or something specialized.

1:06:03

So thank you everybody for joining this call.

1:06:07

This was really robust conversation, really satisfying for us and hopefully really helpful for you all as well.

1:06:16

Feel again, please feel free to reach out with further questions and we look forward to engaging with you.

1:06:22

Come back next month.

1:06:23

Y'all take care.