RAD Program Overview
August 17, 2017

Presented By:
Richelle Patton, Tapestry Development Group
Erika Ruiz, Enterprise Community Partners, Inc.
INTRODUCTIONS

• **Presenters**
  • Richelle Patton
  • Erika Ruiz

• **Audience**
  • Name
  • Position
  • Agency
  • Experience with RAD
  • What would you like to learn today?
• **What is RAD?** Authorized in 2012, it is a HUD demonstration program that combines public housing operating and capital subsidy into a Section 8 HAP contract, and is authorized for the conversion of up to 225,000 units of public housing.

• **Why was RAD established?** HUD’s public housing inventory of 1.2 million units is aging, becoming more obsolete, and has increasing backlog of unmet capital needs. $26 billion in backlog grows by net $1 billion per year. Capital Funding has declined 29% over the past decade. Capital grant funding is insufficient to meet the growing backlog of capital needs.
Loss of Public Housing

Their Public Housing at the End of Its Life, Residents Ask: What Now?

Published Friday, June 30th 2017, 11:30 pm EDT
Updated: Saturday, June 31st 2017, 12:16 am EDT
By: Mozina Bathurst

Hundreds of public housing units sit empty — and in need of major repairs

HUD: West Calumet demolition will protect human health

Worst public housing complex in Richmond, Calif., to be emptied
• **Why RAD?** It provides an extended life and permits some redevelopment of public housing.

**After Rehab,** projects build reserves, to address capital needs of out-years. No HUD “Claw-Back”!

**Extended Life. Not Eternal Life.**
Why was RAD Established: 80% of Public Housing was Placed in Service before 1980. Major systems of nearly all of this housing have reached the end of their useful life and need replacement.
What resources are available to PHAs for addressing capital needs of their aging, obsolete or distressed properties?

- **Business as Usual** as Public Housing—Capital Funding.
- **Capital Fund Financing Program**—Borrowing against future capital funding.
- **Mixed-Financing**—leveraging with Tax Credits.
- **RAD**—converting to Project-Based Section 8 Assistance, to support debt and leveraging when needed.
- **Choice Neighborhoods Implementation Grants**—highly competitive & expensive, with only 3 or 4 awards per year.
- Any Other Approaches? Section 18 demo/dispo for qualifying properties.
How RAD Works—1st Component

1st Component: Competitive, 225,000 Units

PBRA

Mod Rehab & SROs

PBV

Rent Supp & RAP

2nd Component: Non-Competitive, No-Cap (subject to availability of TPVs)

PBV or PBRA
RAD Program Features

- One for One Replacement: By phase; By Bedroom Size; De minimis
- PHA Control on LIHTC deals
- Transfer of Assistance (for density reduction, or to allow income mixing)
- Site and Neighborhood Standards approval needed for New Construction, either off-site or on-site
- RAD is flexible: new or rehab; financing “neutral” – virtually any source; FHA Fast Track
- NO RELOCATION UNTIL RAD Conversion Commitment
- DAVIS-BACON WAGE RATES Required for redevelopment
RAD PROVISIONS

- Voluntary, competitive
- PHA can choose: Project-Based Rental Assistance (PBRA) or Project-Based Vouchers (PBV)
- Projects convert at current funding or PBRA-PBV limit, if lower Choice-Mobility is required With limited exemptions
- Resident Protections (See RAD Fact Sheets)
### Resident Provisions

<table>
<thead>
<tr>
<th>No Re-Screening of Residents at Conversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-for-One Replacement</td>
</tr>
<tr>
<td>• Must convert all or substantially all units in covered project</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Family Self Sufficiency</th>
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</thead>
<tbody>
<tr>
<td>• Current FSS participants continue in program</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Resident Participation &amp; Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>• PHA must recognize legitimate tenant organizations</td>
</tr>
<tr>
<td>• PHA must provide $25 per occupied unit annually for resident participation ($15 per occupied unit &gt; legitimate tenant organization)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Resident Procedural Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Consistent with Section 6 of the 1937 Housing Act</td>
</tr>
<tr>
<td>• <strong>Resident Relocation</strong></td>
</tr>
<tr>
<td>• Consistent with Uniform Relocation Act</td>
</tr>
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</table>
Converting Rents from Section 9 to Section 8

Sample Public Housing Conversion
Per Unit Monthly (PUM)

Pre-Conversion
ACC

- Tenant Payment $318
- Capital Fund $144
- Operating Fund $330

Post-Conversion
Section 8

- Tenant Payment $318
- Housing Assistance Payment $474

At conversion, PHAs will convert funding to a Section 8 contract rent.
CHOOSING THE TYPE OF SECTION 8

**PBRA**
- Provided to owners by HUD’s Office of Housing via a HAP (Part of HUD Multifamily)
- Projects monitored by PBCA’s; No administrative fee to PHAs
- 20 years, renewal requested, must accept
- Subject to annual appropriations, but strong history of full funding
- Often has higher contract rents than PBV.

**PBV**
- Component of PHA’s Housing Choice Voucher Program in which the PHA attaches a voucher to specific units via a HAP (Part of HUD Public Housing)
- Voucher funding administered by PHA; PHA can earn administrative fee
- 15 years (up to 20 with approval), renewal requested, must accept
- Subject to annual appropriations but with a history of funding reductions
Reasons why PHAs convert to RAD

- Each development stands on its own
- PHAs have the tools of other affordable housing developers
- Property Managers can be empowered to manage their own operating budgets with their own replacement reserves
- Significantly more private leverage
- Properly structured projects generate unrestricted cash from cash flow, developer fees and loan payments
- Funding is more predictable
- RAD units:
  - Require no Annual Plan
  - Are not in PIC
- Staff follow one set of requirements – either PBV or PBRA
- Site based waiting lists
CONSIDERATIONS FOR OPERATIONS

• Managing Operating Expenses
  • Lower, post-rehab
  • Will have separate replacement reserves per project
  • Comparable to other local, nonprofit operated affordable housing
  • Powerful impact on the ability to leverage
    • Compare RAD rents to revised OpEx (Operating Expenses): If OpEx are 60% or less of rents, significantly increases feasibility
  • Retaining real estate tax PILOT arrangements
  • Section 8 rent includes utilities; incentives to PHAs to reduce utilities by incorporating green measures
As of June 2017
Construction Dollars Invested - $4.07 Billion
Inventory Comparison by PHA Size

<table>
<thead>
<tr>
<th>PHA Size</th>
<th>RAD Inventory</th>
<th>PH Inventory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large PHA</td>
<td>47%</td>
<td>56%</td>
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<tr>
<td>Medium PHA</td>
<td>38%</td>
<td>27%</td>
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<tr>
<td>Small PHA</td>
<td>15%</td>
<td>17%</td>
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</table>

Inventory Comparison by Geography

<table>
<thead>
<tr>
<th>Geography</th>
<th>RAD</th>
<th>PH</th>
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<tbody>
<tr>
<td>Northeast</td>
<td>23%</td>
<td>38%</td>
</tr>
<tr>
<td>West</td>
<td>14%</td>
<td>8%</td>
</tr>
<tr>
<td>South</td>
<td>50%</td>
<td>36%</td>
</tr>
<tr>
<td>Midwest</td>
<td>14%</td>
<td>19%</td>
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</table>
RAD DATA TO DATE, A PROGRAM FOR ALL

**Inventory Comparison by Urban/Rural**

- **RAD**: 89% Urban, 11% Rural
- **PH**: 77% Urban, 23% Rural
- **USA**: 85% Urban, 15% Rural

**Inventory Comparison of Published RAD Rents Relative to Fair Market Rent**

- **RAD**: 71%
- **PH**: 73%

0% 20% 40% 60% 80% 100%
• $4 billion in new private and public funds have been leveraged by RAD with an average of $61,000 invested in construction per unit.
• The construction activity has simulated an estimated 75,000 jobs.
• RAD transactions have leveraged $19.00 for every $1 in public housing funds.
• It would have taken these PHAs 46 years to accumulate enough public housing Capital Funds to complete a similar level of construction.
• 61,472 units (571 projects) have completed conversions.
• FY16 saw a 71% increase over FY15 conversions and FY17 is expected to see a 50% increase over FY16.
• The remaining 125,000 units currently authorized have been awarded to properties that are securing financing necessary to complete conversion.
• The FY17 HUD appropriations law recently authorized another 40,000 public housing units to convert to RAD.
• 70 transaction involved the demolition of distressed housing and construction of new units.
• 35 transaction involved the transfer of assistance to lower-poverty neighborhoods, with greater access to jobs, quality schools, and transportation.
• Over 4,500 additional market rate and affordable units have been created in 63 new mixed-income properties.
• 89 PHAs have converted all of their public housing inventory, streamlining their operations onto a single Section 8 platform.
RAD Nuts and Bolts
RAD APPLICATION PRIORITIES

• **Priority One Projects: High Investment Projects**
  • Demo/new construction
  • CNI projects
  • Comprehensive redevelopment plan
  • Imminent danger of losing funding w/out CHAP (9% LIHTC award)

• **Priority Two Projects**
  • All other projects
  • Can submit an Letter of Interest
  • Full application to be submitted within 60 days after HUD notifies PHA of upcoming RAD authority for units
RAD APPLICATION

- Application located on RAD Resource Desk
  - Download application template for your state
  - 2012 application – your info may need to be updated

- PHA App Form
  - Choose AMP from drop-down menu
  - **Section 1**: Can revise PHA contact info: Sample PIC Data tab
  - **Section 2**: Unit distribution, UAs, Reasonable Rents
    - Don’t enter Market Rate or Other Affordable units due to bug that causes “fatal error” note
  - **Section 3**: De minimis reduction
  - **Section 4**: Existing PHA debt, capital needs, reserves
  - **Section 5**: Vacancy Loss and bad debt
    - Must propose minimum 3% vacancy and 2% bad debt
    - List vacancy and bad debt rates for past 3 yrs in comments
• **Section 6**: Other Rent Potential
• **Section 7**: Other Income
  • Input difference between ‘12 rents and ‘16 rents +’17 OCAF
• **Section 8**: Operating Expenses
  • Input annual budget amounts for past 3 years in comments
  • Provide explanations for any budget line item that is less than 85% of current year budget line item
• **Section 9**: NOI – no inputs, but a helpful summary
• **Section 10**: First Mortgage Loan Sizing
• **Section 11**: Development Uses
  • Likely will need to consolidate budget line items
• **Section 12**: Development Sources
• **Section 13**: LIHTCs – no longer need to submit HFA letter

• **Section 14**: Ranking Factors no longer applicable; Choice Mobility receiver/provider still important

• **Section 15**: Narratives

• **Section 16**: Required Attachments
  1. Board Approval Form
  2. Financing Letter of Interest
  3. Mixed Finance Affidavit, if applicable
  4. Choice Mobility Letter Agreement, if applicable
  5. Notes/Q and As from 2 resident meetings
  6. Confirmation of ability to administer PBVs, if applicable
  7. 9% award or LIHTC self-score from current QAP
1. **Multi-Phase Award Application**
   - Last RAD app to be submitted by July 2020

2. **Portfolio Application**
   - All RAD apps for 2\textsuperscript{nd} tranche projects to be submitted 365 days after Portfolio Award letter

3. **Rent Bundling Worksheet**

4. **Many-to-One Application**

Submit all applications to RADapplications@hud.gov
1. Issuance of CHAP Award
2. Submission of PIC Removal Application
3. Due diligence: RAD Financing Plan and project financing
4. Receipt of financing commitments
5. Submission of Financing Plan on RRD
6. Underwriting review and approval memo by TM
7. Approval of Financing Plan by HUD HQ
8. Issuance of RAD Conversion Commitment (RCC) by HUD
9. Execution of RCC by PHA (within 30 days of RCC date)
10. Relocation may begin after RCC issuance and required notices
11. Submittal of RAD closing docs to HUD CC and attorney
12. Review, request revisions, and final approval of closing documents by HUD CC and attorney
13. Execution of RAD documents by HUD
14. Closing of financing and execution of RAD docs by PHA
15. Recordation of RAD documents = *THE RAD CLOSING!*
16. Submittal of executed RAD documents to HUD HQ
17. Post-closing tasks, such as:
   • Submittal of 50058s EOPs
   • Processing of “dummy” vouchers for rest of calendar yr
   • Changing property operations and systems
RAD FINANCING PLAN OVERVIEW

- Collection of forms and documents, not one document
- 3 Types
  1. No Debt or Debt-Only
  2. Non-FHA LIHTCs
  3. FHA (with or without LIHTCs)
- FP submission due dates – depends on project financing
  - No Debt or Debt-Only: 180 days after CHAP
  - Non-FHA 9% LIHTCs:
    - Must submit 9% app in next round following 90 days after CHAP
    - FP due 180 days after 9% award date
  - Non-FHA 4% LIHTCs:
    - Must submit 4% app 180 days after CHAP
    - FP due 90 days after 4% award date
  - FHA: FP and FHA application submissions at same time
    - If LIHTCs, same FP (and therefore FHA app) due dates
• All documents uploaded to RRD
• 3rd party due diligence
  • Capital Needs Assessment (CNA E-Tool)
  • Phase I Environmental Report for Part 50 or 58 Env Review
  • Title Report
  • PILOT Legal Opinion
• Financing commitment letters
• Development sources/uses and operating proforma
• HUD forms, such as:
  • Financing templates
  • Initial Year Funding Tool
  • Transfer of Assistance Worksheet
• FHEO documents
  • Accessibility and Relocation Checklist
  • New Construction (Site and Neighborhood Standards exception) request
  • Unit Reconfiguration request
  • Tenancy Change request
  • AFHMP (if PBRA)
• Transaction Log
• Ownership Info
RAD CLOSING STAKEHOLDERS

EXTERNAL STAKEHOLDERS

- PHA/New Owner
- Lender and/or Counsel (if applicable)
- PHA/New Owner Counsel
- Escrow Agent

INTERNAL STAKEHOLDERS

- Closing Manager
- Closing Coordinator
- Team Lead / Transaction Managers
- MF or PIH Field Office
- HUD Field Counsel
KEY RAD CLOSING DOCUMENTS

➢ RAD Conversion Commitment (RCC)
➢ RAD Use Agreement
➢ RAD Housing Assistance Payment (HAP) Contract (PBRA or PBV)
➢ Release of the Declaration of Trust
PREPARING FOR POST-RAD CONVERSION OPERATIONS

✓ Relocation
✓ Property operations during rehab and lease-up
✓ Resident communication
✓ New leases signed by residents
✓ House Rules
✓ Staff training
✓ New/upgraded software system for processing vouchers
✓ Rents from PH dollars through end of calendar year
✓ Agency strategic planning for future:
  • Mission
  • Operations
  • Financial sustainability
FACTORS TO CONSIDER

❖ Financial feasibility
❖ Securing a lender for small loans under $1.5MM
❖ Risk of competitive 9% LIHTCs allocations
❖ Multiple-phase projects’ timing with 9% LIHTC cycles
❖ Risk of 4% LIHTC/bond volume cap being reached
❖ Existing CFFP and EPC debt must be paid off or refinanced
Factors to Consider Cont’d

- One-for-one replacement, w/ deminimis provision
- Choice Mobility requirement
- Relocation requirements
- Extensive CNA criteria
- Davis-Bacon and Section 3 requirements
- If PBRA, no administrative fees to Housing Authorities
- If PBV, federal appropriations risk
RAD Resources

- HUD Website: [www.hud.gov/rad](http://www.hud.gov/rad)
- RAD Interim Evaluation (Released September 2016)
- RAD Talk Newsletter
- RAD Collaborative: [www.radcollaborative.org](http://www.radcollaborative.org)
- RAD Component 1 email: [rad@hud.gov](mailto:rad@hud.gov)
RAD Case Studies: Self-Financed Transactions
Lavonia, Georgia
Converted all 180 units in its portfolio to RAD in 2014
10 scattered sites, all within a 9-mile radius
Built in 1950s and 1960s - typical public housing built in Southeast during that era
Reason for RAD conversion:
➢ To secure a more stable funding platform for the properties over time
Does not operate a voucher program so chose PBRA
Used Capital Funds and operating reserves to undertake minor repairs
Development Budget = $737,482
LAVONIA HOUSING AUTHORITY SCATTERED SITES
## Lavonia Scattered Sites
### Development Sources and Uses

<table>
<thead>
<tr>
<th>Development Budget</th>
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<tbody>
<tr>
<td>Acquisition &amp; related costs</td>
<td>$ 4,000</td>
</tr>
<tr>
<td>Pre-development &amp; soft costs</td>
<td>$ 12,000</td>
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<tr>
<td>Development Fee &amp; Reserves</td>
<td>$ 675,523</td>
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<tr>
<td>Marketing &amp; Leasing</td>
<td>$ -</td>
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<tr>
<td>Construction Costs</td>
<td>$ 40,459</td>
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<tr>
<td>Finance Insurance &amp; Legal</td>
<td>$ 5,500</td>
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<tr>
<td><strong>TOTAL DEVELOPMENT BUDGET</strong></td>
<td><strong>$ 737,482</strong></td>
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<table>
<thead>
<tr>
<th>Sources of Development Financing</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Property Reserves</td>
<td>$ 418,159</td>
</tr>
<tr>
<td>Security Deposit CD</td>
<td>$ 64,329</td>
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<tr>
<td>Capital Funds</td>
<td>$ 254,994</td>
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<tr>
<td><strong>TOTAL DEVELOPMENT SOURCES</strong></td>
<td><strong>$ 737,482</strong></td>
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<tr>
<td>CASH FLOW</td>
<td></td>
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<td>-----------</td>
<td></td>
</tr>
<tr>
<td><strong>Total Potential Rental Income (PI)</strong></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>$1,037,088</td>
<td>$1,057,830</td>
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<tr>
<td>$11,000</td>
<td>$11,220</td>
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<tr>
<td><strong>Gross Potential Income (GPI)</strong></td>
<td></td>
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<tr>
<td>$1,048,088</td>
<td>$1,069,050</td>
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<tr>
<td><strong>LESS: Vacancy Allowance (residential)</strong></td>
<td></td>
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<tr>
<td>5% $ (51,854)</td>
<td>$ (52,891)</td>
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<tr>
<td><strong>Effective Gross Income (EGI)</strong></td>
<td></td>
</tr>
<tr>
<td>$996,234</td>
<td>$1,016,158</td>
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<tr>
<td><strong>LESS: Operating Expenses</strong></td>
<td></td>
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<tr>
<td>$ (5,282)</td>
<td>$ (950,686)</td>
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<tr>
<td><strong>Net Operating Income (NOI)</strong></td>
<td></td>
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<tr>
<td>$45,548</td>
<td>$44,082</td>
</tr>
<tr>
<td><strong>Cash Flow</strong></td>
<td></td>
</tr>
<tr>
<td>$45,548</td>
<td>$44,082</td>
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</tbody>
</table>
• Converted all 1,242 units in its portfolio to RAD in 2014
• 11 AMPs (includes 1 managed for Walnut HA) over large geography
• Reason for RAD conversion:
  ➢ To secure a more stable funding platform for the properties over time
• Chose PBRA due to history of stable appropriations
• Used Capital Funds and operating reserves to undertake minor repairs
• Combined development budgets = $8,545,000
TVRHA Properties: Hickory/Oak Terrace
### Development Budget

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Acquisition &amp; related costs</td>
<td>$</td>
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<tr>
<td>Pre-development &amp; soft costs</td>
<td>$</td>
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<tr>
<td>Development Fee &amp; Reserves</td>
<td>$174,564</td>
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<td>Marketing &amp; Leasing</td>
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<td>Construction Costs</td>
<td>$51,346</td>
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<td>Finance Insurance &amp; Legal</td>
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<tr>
<td><strong>TOTAL DEVELOPMENT BUDGET</strong></td>
<td><strong>$ 225,910</strong></td>
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### Sources of Development Financing

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<tr>
<th>Item</th>
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<tr>
<td>Property Operating Reserves</td>
<td>$225,910</td>
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<tr>
<td>Capital Funds</td>
<td>$0</td>
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<tr>
<td><strong>TOTAL DEVELOPMENT SOURCES</strong></td>
<td><strong>$ 225,910</strong></td>
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### CASH FLOW

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<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
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<tr>
<td><strong>Total Potential Rental Income (PI)</strong></td>
<td>$722,730</td>
<td>$737,344</td>
<td>$752,253</td>
<td>$767,463</td>
<td>$782,981</td>
<td>$798,813</td>
<td>$814,965</td>
<td>$831,444</td>
<td>$848,256</td>
<td>$865,407</td>
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<tr>
<td><strong>ADD: Other Income</strong></td>
<td>$12,000</td>
<td>$12,243</td>
<td>$12,490</td>
<td>$12,743</td>
<td>$13,000</td>
<td>$13,263</td>
<td>$13,531</td>
<td>$13,805</td>
<td>$14,084</td>
<td>$14,369</td>
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<td><strong>Gross Potential Income (GPI)</strong></td>
<td>$734,730</td>
<td>$749,586</td>
<td>$764,743</td>
<td>$780,206</td>
<td>$795,982</td>
<td>$812,076</td>
<td>$828,497</td>
<td>$845,249</td>
<td>$862,340</td>
<td>$879,776</td>
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<td><strong>LESS: Vacancy Allowance (residential)</strong></td>
<td>5%</td>
<td>(36,137)</td>
<td>(36,867)</td>
<td>(37,613)</td>
<td>(38,373)</td>
<td>(39,149)</td>
<td>(39,941)</td>
<td>(40,748)</td>
<td>(41,572)</td>
<td>(42,413)</td>
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<td><strong>Effective Gross Income (EGI)</strong></td>
<td>$698,594</td>
<td>$712,719</td>
<td>$727,130</td>
<td>$741,833</td>
<td>$756,833</td>
<td>$772,136</td>
<td>$787,748</td>
<td>$803,677</td>
<td>$819,927</td>
<td>$836,506</td>
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<tr>
<td><strong>Net Operating Income (NOI)</strong></td>
<td>$110,057</td>
<td>$109,469</td>
<td>$108,799</td>
<td>$108,043</td>
<td>$107,198</td>
<td>$106,260</td>
<td>$105,226</td>
<td>$104,091</td>
<td>$102,852</td>
<td>$101,504</td>
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</table>
• Understand how to use the CNA e-Tool
• Remember CFP obligation deadlines and ask for extensions as needed
• Secure title report early to address/resolve problems well in advance of closing date
• If converting whole portfolio of many properties, consider hiring a consultant or a full-time staff person to oversee all the RAD work
RAD Case Studies: Debt-Only Transactions
Anthony Homes: Macon, GA
Overview of Property

- Macon-Bibb County Housing Authority (Georgia)
- 1st project in Eastern US to close FHA 223(f) loan and RAD
- MHA did not want to undertake LIHTCs
- Borrowed less than maximum qualified loan – did not want to overleverage the property
- Reasons for RAD conversion:
  - To secure a more stable funding platform for the properties over time
  - To secure debt to undertake a moderate amount of interior repairs – very little upgraded externally
- Development Budget = $6.1 million
## Development Uses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition, Loan Payoff, &amp; Related Costs</td>
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</tr>
<tr>
<td>Pre-development &amp; Soft Costs</td>
<td>$ 90,500</td>
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<tr>
<td>Development Fee &amp; Reserves</td>
<td>$ 782,357</td>
</tr>
<tr>
<td>Rehabilitation Costs</td>
<td>$ 4,957,271</td>
</tr>
<tr>
<td>Finance, Insurance, &amp; Legal</td>
<td>$ 271,619</td>
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<tr>
<td><strong>TOTAL DEVELOPMENT BUDGET</strong></td>
<td><strong>$ 6,101,747</strong></td>
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## Sources of Development Financing

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHA 223(f) Mortgage</td>
<td>$ 4,370,421</td>
</tr>
<tr>
<td>MHA Operating Reserves</td>
<td>$ 422,273</td>
</tr>
<tr>
<td>MHA Capital Funds</td>
<td>$ 1,309,053</td>
</tr>
<tr>
<td><strong>TOTAL DEVELOPMENT SOURCES</strong></td>
<td><strong>$ 6,101,747</strong></td>
</tr>
</tbody>
</table>
# Anthony Homes Pro-Forma

## Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Potential Rental Income (PI)</strong></td>
<td>$1,785,384</td>
<td>$1,825,555</td>
<td>$1,866,630</td>
<td>$1,908,629</td>
<td>$1,951,573</td>
</tr>
<tr>
<td><strong>ADD: Other Income</strong></td>
<td>$19,545</td>
<td>$19,985</td>
<td>$20,434</td>
<td>$20,894</td>
<td>$21,364</td>
</tr>
<tr>
<td><strong>Gross Potential Income (GPI)</strong></td>
<td>$1,804,929</td>
<td>$1,845,540</td>
<td>$1,887,065</td>
<td>$1,929,524</td>
<td>$1,972,938</td>
</tr>
<tr>
<td><strong>LESS: Vacancy Allowance</strong></td>
<td>5% $89,269</td>
<td>$91,278</td>
<td>$93,332</td>
<td>$95,431</td>
<td>$97,579</td>
</tr>
<tr>
<td><strong>Effective Gross Income (EGI)</strong></td>
<td>$1,715,660</td>
<td>$1,754,262</td>
<td>$1,793,733</td>
<td>$1,834,092</td>
<td>$1,875,359</td>
</tr>
</tbody>
</table>

| **LESS: Operating Expenses** | $ (4,871) | $ (1,334,739) | $(1,368,107) | $(1,402,310) | $(1,437,368) |
| **Net Operating Income (NOI)** | $380,921    | $386,155     | $391,423     | $396,724     | $402,057     |
| **Cash Flow** | $150,278    | $155,511     | $160,780     | $166,081     | $171,414     |
| **DCR 1st Loan** | 1.65         | 1.67         | 1.70         | 1.72         | 1.74         |

<table>
<thead>
<tr>
<th></th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,995,484</td>
<td>$2,040,382</td>
<td>$2,086,291</td>
<td>$2,133,232</td>
<td>$2,181,230</td>
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<tr>
<td></td>
<td>$21,845</td>
<td>$22,337</td>
<td>$22,839</td>
<td>$23,353</td>
<td>$23,878</td>
</tr>
<tr>
<td></td>
<td>$2,017,329</td>
<td>$2,062,719</td>
<td>$2,109,130</td>
<td>$2,156,585</td>
<td>$2,205,109</td>
</tr>
<tr>
<td></td>
<td>$(99,774)</td>
<td>$(102,019)</td>
<td>$(104,315)</td>
<td>$(106,662)</td>
<td>$(109,062)</td>
</tr>
<tr>
<td></td>
<td>$1,917,555</td>
<td>$1,960,700</td>
<td>$2,004,815</td>
<td>$2,049,924</td>
<td>$2,096,047</td>
</tr>
</tbody>
</table>

|                       | $(1,510,135) | $(1,547,888) | $(1,586,585) | $(1,626,250) | $(1,666,906) |
|                       | $407,420     | $412,812     | $418,230     | $423,674     | $429,141     |
|                       | $176,777     | $182,168     | $187,587     | $193,031     | $198,498     |

| **DCR 1st Loan** | 1.77         | 1.79         | 1.81         | 1.84         | 1.86         |
Roswell Housing Authority (Georgia)
• 1st of 2 RAD conversions - converted all of its portfolio
• 95 units in duplexes, quads, and larger 3-story building
• Built in 1950s and 1960s
• Reasons for RAD conversion:
  ➢ To secure a more stable funding platform for the properties over time
  ➢ To position property well for future redevelopment
• Does not operate a voucher program, so chose PBRA
• Used community bank loan, City CDBG, and operating reserves to undertake moderate repairs
• Development budget = $1,102,000
# Pelfrey Pines

## Development Sources and Uses

### Development Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition &amp; related costs</td>
<td>$ -</td>
</tr>
<tr>
<td>Pre-development &amp; soft costs</td>
<td>$ 6,600</td>
</tr>
<tr>
<td>Development Fee &amp; Reserves</td>
<td>$ 439,000</td>
</tr>
<tr>
<td>Marketing &amp; Leasing</td>
<td>$ 20,800</td>
</tr>
<tr>
<td>Construction Costs</td>
<td>$ 626,330</td>
</tr>
<tr>
<td>Finance Insurance &amp; Legal</td>
<td>$ 9,912</td>
</tr>
<tr>
<td><strong>TOTAL DEVELOPMENT BUDGET</strong></td>
<td><strong>$1,102,641</strong></td>
</tr>
</tbody>
</table>

### Sources of Development Financing

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renasant Bank Loan</td>
<td>$ 802,086</td>
</tr>
<tr>
<td>City of Roswell CDBG</td>
<td>$ 210,563</td>
</tr>
<tr>
<td>RHA Operating Reserves</td>
<td>$ 89,992</td>
</tr>
<tr>
<td><strong>TOTAL DEVELOPMENT SOURCES</strong></td>
<td><strong>$1,102,641</strong></td>
</tr>
</tbody>
</table>
## CASH FLOW

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Potential Rental Income (PI)</td>
<td>$689,412</td>
<td>$703,200</td>
<td>$717,264</td>
<td>$731,610</td>
<td>$746,242</td>
<td>$761,167</td>
<td>$776,390</td>
<td>$791,918</td>
<td>$807,756</td>
<td>$823,911</td>
</tr>
<tr>
<td>ADD: Other Income</td>
<td>$38,610</td>
<td>$39,382</td>
<td>$40,170</td>
<td>$40,973</td>
<td>$41,793</td>
<td>$42,629</td>
<td>$43,481</td>
<td>$44,351</td>
<td>$45,238</td>
<td>$46,143</td>
</tr>
<tr>
<td>Gross Potential Income (GPI)</td>
<td>$728,022</td>
<td>$742,582</td>
<td>$757,434</td>
<td>$772,583</td>
<td>$788,034</td>
<td>$803,795</td>
<td>$819,871</td>
<td>$836,268</td>
<td>$852,994</td>
<td>$870,054</td>
</tr>
<tr>
<td>LESS: Vacancy Allowance (residential)</td>
<td>7.8%</td>
<td>(53,429)</td>
<td>(54,498)</td>
<td>(55,588)</td>
<td>(56,700)</td>
<td>(57,834)</td>
<td>(59,990)</td>
<td>(61,170)</td>
<td>(61,374)</td>
<td>(62,601)</td>
</tr>
<tr>
<td>Effective Gross Income (EGI)</td>
<td>$674,593</td>
<td>$688,084</td>
<td>$701,846</td>
<td>$715,883</td>
<td>$730,201</td>
<td>$744,805</td>
<td>$759,701</td>
<td>$774,895</td>
<td>$790,393</td>
<td>$806,201</td>
</tr>
<tr>
<td>Net Operating Income (NOI)</td>
<td>$67,864</td>
<td>$69,221</td>
<td>$70,605</td>
<td>$72,017</td>
<td>$73,458</td>
<td>$74,927</td>
<td>$76,425</td>
<td>$77,954</td>
<td>$79,513</td>
<td>$81,103</td>
</tr>
<tr>
<td>Renasant Bank Loan</td>
<td>$59,106</td>
<td>$59,106</td>
<td>$59,106</td>
<td>$59,106</td>
<td>$59,106</td>
<td>$59,106</td>
<td>$59,106</td>
<td>$59,106</td>
<td>$59,106</td>
<td>$59,106</td>
</tr>
<tr>
<td>Cash Flow</td>
<td>$8,757</td>
<td>$10,115</td>
<td>$11,499</td>
<td>$12,911</td>
<td>$14,352</td>
<td>$15,821</td>
<td>$17,319</td>
<td>$18,848</td>
<td>$20,407</td>
<td>$21,997</td>
</tr>
</tbody>
</table>

*DCR 1st Loan* | 1.15 | 1.17 | 1.19 | 1.22 | 1.24 | 1.27 | 1.29 | 1.32 | 1.35 | 1.37*
• Expect to invest significant time educating lender
• Will likely need to negotiate with lender for loan term of at least 17 years
• Be mindful not to over-leverage the property
RAD Case Studies: LIHTC Transactions
What is the Low Income Housing Tax Credit Program?

- A housing subsidy program for rental housing
- Created within Section 42 of the Internal Revenue Code
  - Modified by 2008 and 2009 Legislation
- Administered by each state’s housing finance agency
- Each state receives an amount of credits annually in tax credits to allocate to projects
How do tax credits work?

- Rental units with tenants earning no more than 60% of area median income
- Investors earn dollar-for-dollar credits against their federal tax liability
- Investors also get tax benefits from losses
- Generally, tax credits are received over the first 10 years of operation
- Some tax credits are recaptured by the IRS if the project does not comply for 15 years
LIHTC & RAD

RAD Conversions involving LIHTC

- 44% of transactions involve significant work – from $25K to new construction
- 42% of transactions involve either 4% LIHTC or 9% LIHTC
What types of projects are appropriate to pursue tax credits?
• More than $35,000/unit: New construction and/or substantial rehab usually requires 9% LIHTC
• Where 9% credits are scarce, larger cities have relied on 4% credits with gap financing provided by localities

What are some key considerations for PHAs?
• PHA can be managing member, co-managing member, land lessor, owner of right of first refusal, etc. (RAD requires strong measures of control by PHA).

• Investor often requires third party property management because of need for compliance with highly technical rules.
• Annual Amount available: $2.35 per capita
• Affordability Level up to 60% AMI
• Affordability period: 30 years- 15 years plus 15 year extended use agreement
• Eligibility: Corporations, LP, LLC
• Housing Type: Residential Rental properties (Rehab or New Construction)
• Development Size: Minimum of 24 units, exceptions can be granted for properties with less than 24 unit but minimum of 16 units
• Minimum Per unit costs: $10,000 unit
• Community Service Requirement for developments
• Maximum Credit Award: $750,000
• Important Dates: 9% round- once a year in Spring (last application deadline March 17th; 4% ongoing
• Set asides: Non profit, small allocation, state-wide
• Pennrose Properties and Griffin Housing Authority
• Demolition of 120 public housing units
• First of 3 new phases of master-planned project
• 9% LIHTC awards in 2013, 2015, and 2016
• 84 units of family housing
  • 42 units at 50% AMI with RAD
  • 42 units at 60% AMI
• Won 2016 Charles L. Edson Tax Credit Excellence Award in Public Housing category
• On RAD waitlist for Phases II and III
OAKS AT PARK POINTE - AFTER
## Development Uses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition, Loan Payoff, &amp; Related Costs</td>
<td>$ -</td>
</tr>
<tr>
<td>Pre-development &amp; Soft Costs</td>
<td>$ 762,109</td>
</tr>
<tr>
<td>Development Fee &amp; Reserves</td>
<td>$ 2,250,000</td>
</tr>
<tr>
<td>Construction Costs</td>
<td>$ 10,427,168</td>
</tr>
<tr>
<td>Finance, Insurance, &amp; Legal</td>
<td>$ 401,740</td>
</tr>
<tr>
<td><strong>TOTAL DEVELOPMENT BUDGET</strong></td>
<td><strong>$ 13,841,017</strong></td>
</tr>
</tbody>
</table>

## Sources of Development Financing

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>9% LIHTCs</td>
<td>$ 11,400,000</td>
</tr>
<tr>
<td>Ga Dept of Community Affairs HOME Loan</td>
<td>$ 1,800,000</td>
</tr>
<tr>
<td>FHLBA AHP Loan</td>
<td>$ 500,000</td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
<td>$ 141,017</td>
</tr>
<tr>
<td><strong>TOTAL DEVELOPMENT SOURCES</strong></td>
<td><strong>$ 13,841,017</strong></td>
</tr>
<tr>
<td>Cash Flow</td>
<td>1</td>
</tr>
<tr>
<td>------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td><strong>Total Potential Rental Income (PI)</strong></td>
<td>$570,312</td>
</tr>
<tr>
<td><strong>ADD: Other Income</strong></td>
<td>$28,516</td>
</tr>
<tr>
<td><strong>Gross Potential Income (GPI)</strong></td>
<td>$598,828</td>
</tr>
<tr>
<td><strong>LESS: Vacancy Allowance</strong></td>
<td>7%</td>
</tr>
<tr>
<td><strong>Effective Gross Income (EGI)</strong></td>
<td>$558,906</td>
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<tr>
<td><strong>LESS: Operating Expenses</strong></td>
<td>$4,792</td>
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<tr>
<td><strong>Net Operating Income (NOI)</strong></td>
<td>$156,378</td>
</tr>
<tr>
<td><strong>Cash Flow</strong></td>
<td>$57,041</td>
</tr>
<tr>
<td><strong>DCR 1st Loan</strong></td>
<td>1.57</td>
</tr>
<tr>
<td>6</td>
<td>$629,671</td>
</tr>
<tr>
<td>7</td>
<td>$31,484</td>
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<td>8</td>
<td>$661,154</td>
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<td>9</td>
<td>$(44,077)</td>
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<tr>
<td>10</td>
<td>$617,077</td>
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<td>11</td>
<td>$(466,640)</td>
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<td>12</td>
<td>$150,437</td>
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<tr>
<td>14</td>
<td>$51,100</td>
</tr>
<tr>
<td>15</td>
<td>1.51</td>
</tr>
</tbody>
</table>
**TIPS FOR LIHTC RAD CONVERSIONS**

- Prepare a feasible “Plan B” if 9% LIHTCs not awarded, long before awards are announced
- Start Part 58 Environmental Review process early
- Submit FHEO requests early
- Submit RAD Financing Plan soon after 4% LIHTC app submitted – don’t wait for LIHTC allocation
- Prepare HUD closing docs prior to RCC issuance
- Push for drafts of LPA and loan docs ASAP
- Communicate with investor, lender, and HFA early re: Subordination to RAD Use Agreement
PARTNERSHIPS IN RAD

- Developers
- Residents
- City/County
- Service Providers
Developer Consultant versus Developer Partner

• What is the difference between these two arrangements?
• What are your needs?
• What experience do you require?
• Where do you find them?
PARTNERSHIP WITH RESIDENTS

• Advocacy
• Building Design
• Program Development
• Supportive Services
• Employment Opportunities
PARTNERSHIP WITH CITY/COUNTY

- Financing
- Joint Planning
- Expertise
- Relocation Assistance
- Leveraging other resources
PARTNERSHIP WITH SERVICE PROVIDERS

- Resident Engagement
- Programming
- Case Management
- Access to Community Resources
RAD Resources

- HUD Website: [www.hud.gov/rad](http://www.hud.gov/rad)
- RAD Interim Evaluation (Released September 2016)
- RAD Talk Newsletter and RAD Blast!
- RAD Collaborative: [www.radcollaborative.org](http://www.radcollaborative.org)
- RAD Component 1 email: rad@hud.gov
How to Prepare for a RAD Conversion While on the Waitlist
1. Continue to work with residents and other stakeholders to inform them of your on-going plans
2. Update your agency’s Annual Plan
3. Shore-up your financing plan and development budget
4. Assemble or identify needed development partners
5. Begin to secure your RAD Capital Needs Assessment (CNA) and Energy Audits
6. Update PIC Data to reflect current conditions
7. Review of Non-dwelling Assets
8. Work on PILOT/local Cooperation Agreement legal opinion, if needed
10. Review impact of RAD conversion on households currently paying flat rents and plan rent phase-in
11. Review plans to add or increase “green” upgrades
12. Explore additional funding sources
13. Understand procurement requirements related to RAD conversions
14. Prepare internal systems for changes related to RAD conversion
15. Draft any needed new policies, procedures, and forms that may be needed post-conversion
16. If using LIHTCs, track development of the State Housing Finance Agency’s Qualified Allocation Plan
17. Study CFFP documents for pre-payment penalties or lock-outs, if applicable
18. Consider your options on projects with EPC financing, if applicable
19. Survey residents on wants, needs, and preferences
20. Shore up relocation planning, as applicable
21. Assess proposed new construction on-site or on transfer site(s) in light of HUD’s Site and Neighborhood Standards
RENTAL ASSISTANCE DEMONSTRATION PROGRAM

RAD Bingo!
Questions?