

GOING BEYOND RAD

Redevelopment Challenges and Opportunities for Public Housing

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Why/When are Alternatives to RAD Necessary?

- The RAD cap limit has been reached.
- One-for-one replacement requirements of HUD may be overly onerous in certain circumstances
- Current limitations on the ability to relocate residents in RAD prior to financial closing creates challenges with respect to phasing redevelopment opportunities.
- Some markets may require a reduction in the number of hard units.
- Certain deals do not pencil out with existing RAD contract rents.



Challenges to Address when Pursuing Alternatives to RAD - Demolition/Disposition

- Overview of Current Section 18 Demolition/Disposition Requirements
 - Section 18 - United States Housing Act of 1937, 24 CFR 970 and Notice HUD 2012-7
- Prospect for New Demolition/Disposition Rule
- Discussion of Flexibility in Implementing Current Demolition/Disposition Requirements



Challenges to Address when Pursuing Alternatives to RAD - Demolition/Disposition

- Discussion of Combining Demolition/Disposition with RAD
 - Generally not permitted under the RAD Notice
 - But....



Challenges to Address when Pursuing Alternatives to RAD - Lessons Learned From RAD?

- Maximizing equity through acquisition/rehabs
 - Increased support in the industry for market based appraisals
- Increased Streamlining of OFFP approvals to utilize operating subsidy to pay debt service
- Structuring mixed finance transactions to avoid future obstacles to RAD conversions
 - Structuring CFFP and EPC's to allow for prepayments or RAD conversions



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Challenges to Address when Pursuing Alternatives to RAD

- Utilizing excess public housing property
 - Still need to evidence commensurate public benefit
- Choice Neighborhoods
 - Limited Number of awards
- Access to existing capital funds



Recapitalizing/Addressing Existing Mixed Finance Deals

- Addressing Multiple Phase/Multiple Ownership Issues
- Challenges Opportunities
 - Existing debt
 - Negative capital accounts
 - Expense controls including utility management
 - Revenue Management
 - Income mixing:
 - Cross subsidization from non-PHA units
 - Income tiering of PHA Units
 - » Less dependence on subsidy prorations

