



Faircloth-to-RAD

May 26, 2021

Background

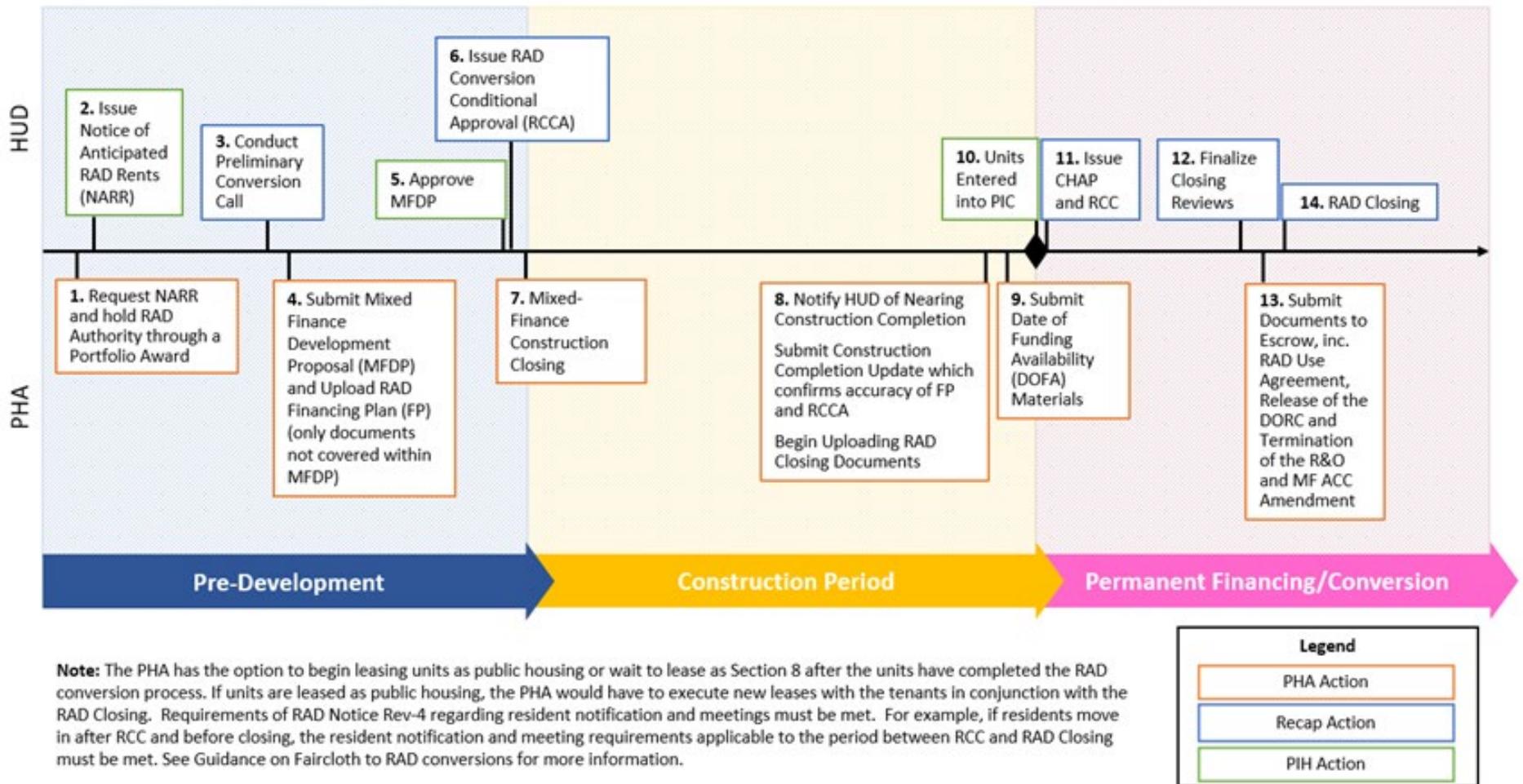
- PHAs have 220,000 units available under their Faircloth cap
- Financing the development of public housing units has been a barrier to activation of Faircloth authority
- **Faircloth-to-RAD conversions**
 - Develop units under the public housing mixed-finance program
 - Pre-construction approval to convert the property to a long-term Section 8 contract following construction
 - Notice of post-conversion RAD rents
 - RAD Conversion Conditional Approval with form of RCC
 - Approvals permit lender and investor underwriting of the Section 8 contract and Section 8 rents.

Rent Setting

- RAD rents for Faircloth units are based on the estimated Operating Fund and Capital Fund levels for new units
- RAD rents are locked in – not subject to continued uncertainty
- MTW agencies can use the RAD MTW flexibility to supplement the RAD rents, potentially to the normal PBV rent

Standard PBV	Faircloth-to-RAD
PHA can project base some of its existing voucher funding.	HUD provides new funding to the PHA based on the RAD rents
PBV HAP Rent = \$1,200 per unit, per month Tenant paid portion = \$300 HAP subsidy = \$900	PBV HAP Rent = \$1,200 PUM Tenant paid portion = \$300 HAP subsidy from RAD = \$600 HAP subsidy from MTW boost = \$300
PHA repurposes \$900 per unit from voucher ACC to project-based use. No change in the number of households getting rental assistance.	PHA repurposes \$300 per unit from voucher ACC to project-based use. Three households served instead of one.

Faircloth-to-RAD Process



Funding in the Year of Conversion

- **All** RAD projects are funded from public housing Operating and Capital Funds obligated in that year plus tenant rents
- **New** Projects are subject to the same general rule, but note:
 - Capital Fund – the property receives no Capital Fund allocation since the formula does not recognize new projects until the following year
 - Operating Fund – follow annual Operating Fund processing guidance; project must reach DOFA and submit materials prior to the “new project submission deadline” (generally in the Summer)
- Important to account for initial operating deficit in the development budget
- Beginning January 1 of first calendar year after conversion, project is funded according to Section 8 HAP contract rents

Lease-up and Resident Notification

Begin leasing as public housing or wait until conversion?

- If conversion occurs prior to lease-up, residents admitted into the property are placed directly under a Section 8 lease
- If leasing begins prior to conversion
 - Residents must be informed of pending RAD conversion and issued a RAD Information Notice (RIN)
 - Conduct all required resident engagement activities required following issuance of the RCC
 - Enter into leases contemplating the conversion from public housing to Section 8

Available Resources

- Guide on the sequencing of the RAD and mixed-finance development processes, which contains:
 - Template Notice of Anticipated RAD Rents (“NARR”) – like a CHAP
 - Template RAD Conversion Conditional Approval (“RCCA”) – like an RCC, issued simultaneous with the mixed-finance development approval
 - Mixed Finance Development Proposal (HUD 50157) modified for when RAD is contemplated
- The Mixed-Finance Webpage:
www.hud.gov/program_offices/public_indian_housing/programs/ph/hope6/mfph
- The RAD Resource Desk:
www.RADResource.net

Thank You and Questions

For more information visit

www.hud.gov/rad

Join the [RAD LISTSERV](mailto:RADLISTSERV@HUD.GOV) for news and updates

(link available at the bottom right of the
www.hud.gov/rad webpage)