



# Faircloth-to-RAD

May 26, 2021

# Background

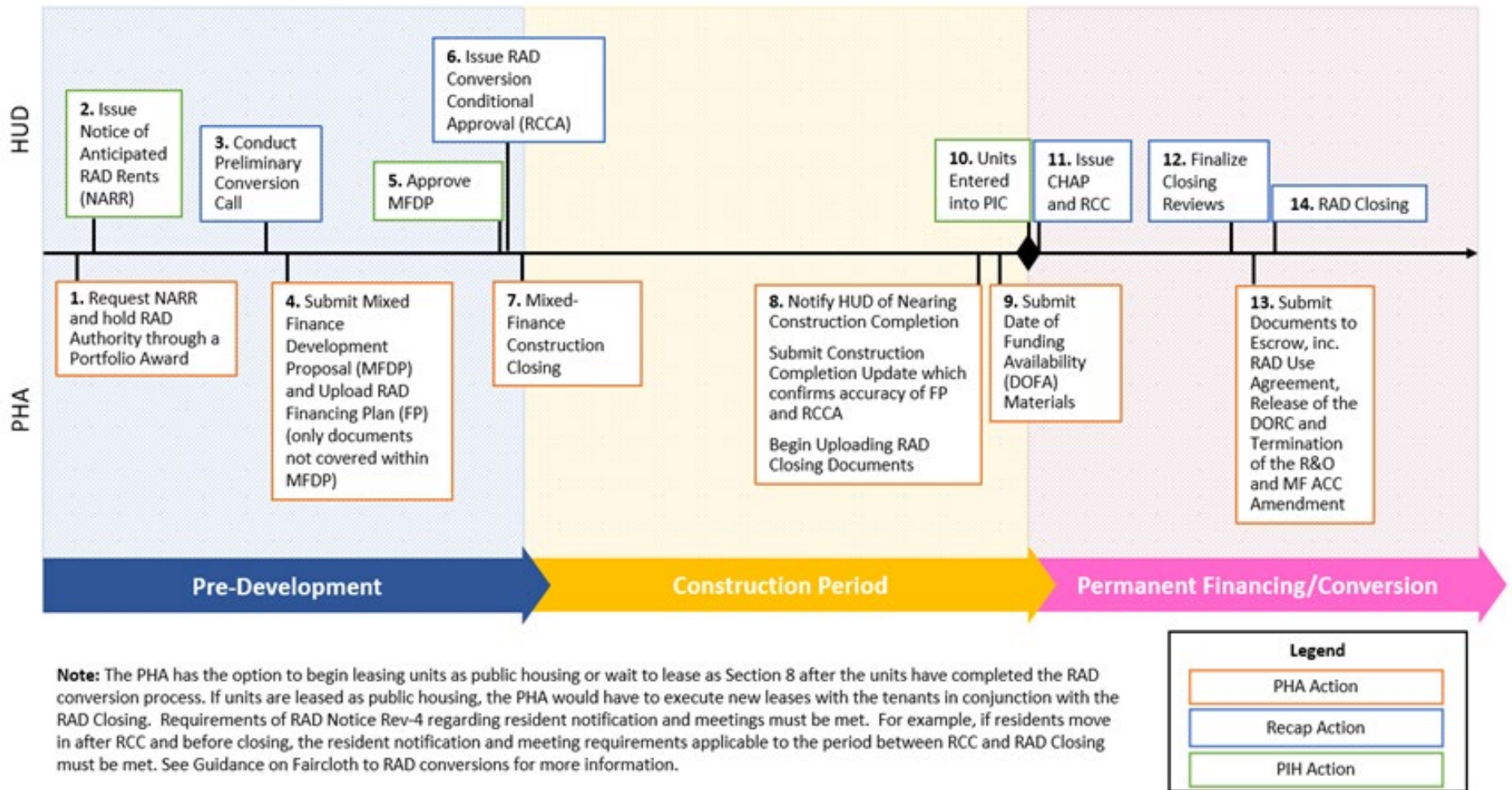
- PHAs have 220,000 units available under their Faircloth cap
- Financing the development of public housing units has been a barrier to activation of Faircloth authority
- **Faircloth-to-RAD conversions**
  - Develop units under the public housing mixed-finance program
  - Pre-construction approval to 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](http://www.hud.gov/program_offices/public_indian_housing/programs/ph/hope6/mfph)
- The RAD Resource Desk:  
[www.RADResource.net](http://www.RADResource.net)

# Thank You and Questions

For more information visit

[www.hud.gov/rad](http://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](http://www.hud.gov/rad) webpage)