

HUD's RAD Program: Lessons Learned So Far



Welcome and Introductions

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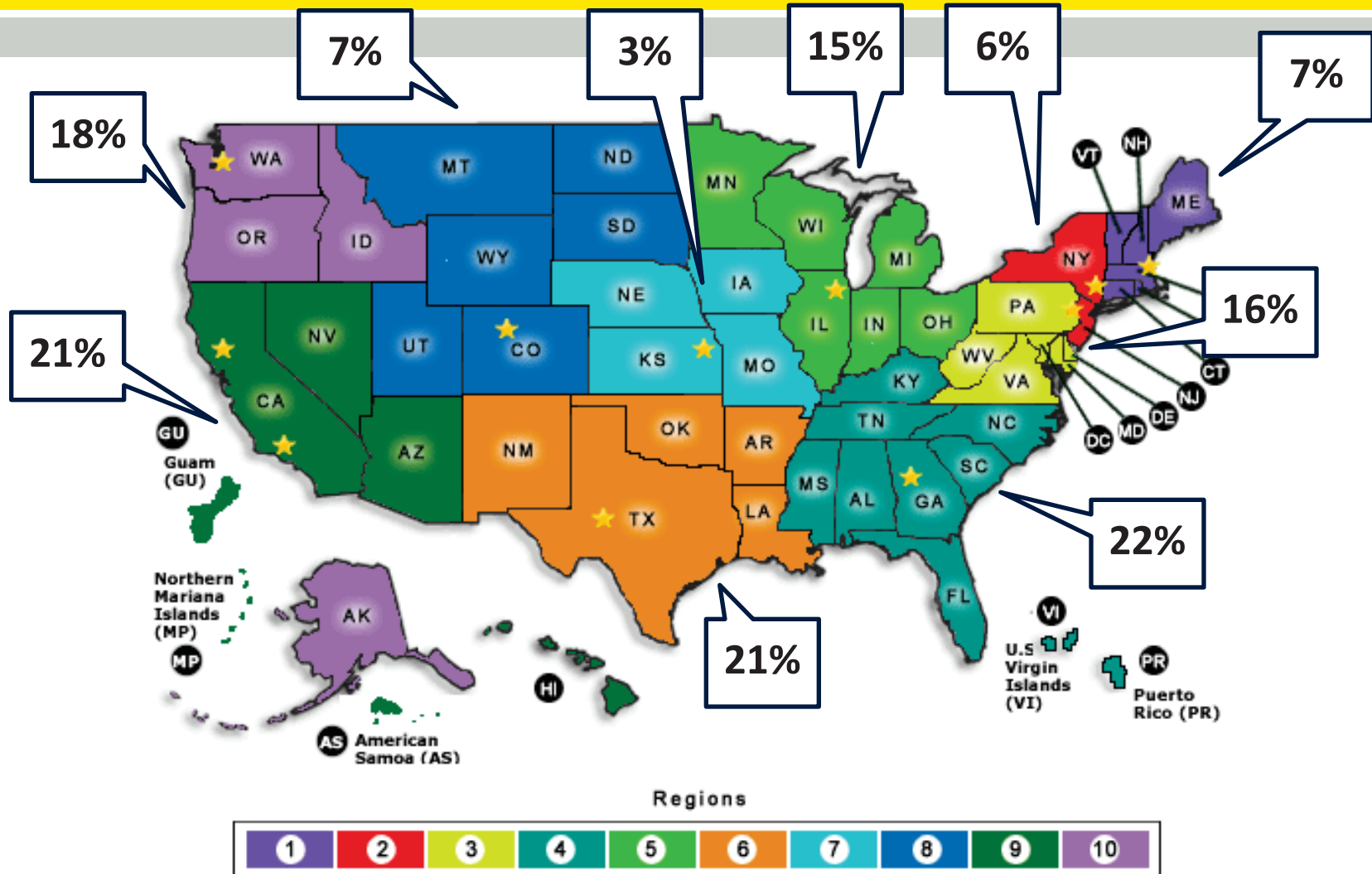
Current RAD Status

- First Component of RAD – Only PHAs may apply for public housing conversion to PBV or PBRA and all of the authorized units have been subscribed under the demonstration program
- Second Component of RAD – Allows owners of Rent Supplement, RAP, Mod Rehab projects with contract expiration that occur no later than December 31, 2014 (date extended) to convert to PBV
- Applications for over 176,000 units were received by HUD as of December 2013
- HUD is seeking to remove cap on number of RAD units and a \$10 million appropriation for project gap financing

Lessons Learned

Greg Byrne, HUD

Percentage of Current PH Units by HUD Region that have Applied for RAD



Note: This data reflects the percentage of PH units in each HUD region that have applied for RAD; note that units are considered public housing until the RAD closing is complete.

Early RAD Predictions

- “RAD will only work for public housing projects with low needs”
- “RAD is for PHAs in strong markets.”
- “RAD is for small PHAs”
- “Everyone will convert to PBRA”
- “Everyone will convert to PBV”
- “RAD only works with 9% Low Income Housing Tax Credits and there’s not enough to go around”
- “RAD will only work with FHA mortgage insurance – 99% of these transactions will go FHA”
- “RAD won’t work”

PIH Field Office and Regional Summary of RAD Awards and Applications (as of 12/31/13)

	Public Housing Units	CHAP Awards	Applications	Total Awards and Applications	% of Units Going RAD
Region 1	70,541	2,482	2,729	5,211	7%
Boston Hub Office	35,403	2,130	159	2,289	6%
Hartford Program Center	15,718	143	1,396	1,539	10%
Manchester Community Service Center	9,951	209	538	747	8%
Providence Community Service Center	9,469	0	636	636	7%

PIH Field Office and Regional Summary of RAD Awards and Applications (as of 12/31/13)

	Public Housing Units	CHAP Awards	Applications	Total Awards and Applications	% of Units Going RAD
Region 2	271,354	1,390	15,405	16,662	6%
Buffalo Hub Office	25,078	474	3,141	3,615	14%
New York City Hub Office	206,595	95	3,709	3,804	2%
Newark Hub Office	39,681	821	8,555	9,243	23%

PIH Field Office and Regional Summary of RAD Awards and Applications (as of 12/31/13)

	Public Housing Units	CHAP Awards	Applications	Total Awards and Applications	% of Units Going RAD
Region 3	119,876	8,327	11,774	19,627	16%
Baltimore Hub Office	16,980	4,457	2,796	7,192	42%
Charleston Community Service Center	6,507	0	0	0	0%
Philadelphia Hub Office	41,664	383	2,551	2,811	7%
Pittsburgh Hub Office	24,790	746	1,990	2,736	11%
Richmond Program Center	17,657	1,284	2,334	3,618	20%
Washington, DC Program Center	12,278	1,457	2,103	3,270	27%

PIH Field Office and Regional Summary of RAD Awards and Applications (as of 12/31/13)

	Public Housing Units	CHAP Awards	Applications	Total Awards and Applications	% of Units Going RAD
Region 4	297,013	23,190	42,132	64,604	22%
Atlanta Hub Office	42,034	7,770	3,296	10,666	25%
Birmingham Hub Office	39,760	3,080	14,152	17,232	43%
Columbia Program Center	15,154	559	2,512	2,994	20%
Greensboro Hub Office	35,821	7,180	7,209	14,339	40%
Jackson Hub Office	13,297	3,177	2,034	5,211	39%
Jacksonville Hub Office	11,509	0	325	191	2%
Knoxville Program Center	15,421	0	1,795	1,795	12%
Louisville Hub Office	22,797	263	214	477	2%
Memphis Hub Office	6,941	0	127	127	2%
Miami Hub Office	23,672	1,139	3,741	4,880	21%
Nashville Program Center	12,248	22	6,727	6,692	55%
San Juan Hub Office	58,359	0	0	0	0%

PIH Field Office and Regional Summary of RAD Awards and Applications (as of 12/31/13)

	Public Housing Units	CHAP Awards	Applications	Total Awards and Applications	% of Units Going RAD
Region 5	172,275	4,277	22,621	26,377	15%
Chicago Hub Office	54,333	821	14,662	15,483	28%
Cincinnati Community Service Center	10,169	0	1,491	1,457	14%
Cleveland Hub Office	26,788	954	1,288	2,242	8%
Columbus Program Center	7,985	324	797	1,121	14%
Detroit Hub Office	14,058	672	1,418	1,887	13%
Grand Rapids Community Service Center	9,485	100	381	481	5%
Indianapolis Program Center	16,053	1,269	1,618	2,630	16%
Milwaukee Program Center	12,440	84	582	639	5%
Minneapolis Hub Office	20,964	53	384	437	2%

PIH Field Office and Regional Summary of RAD Awards and Applications (as of 12/31/13)

	Public Housing Units	CHAP Awards	Applications	Total Awards and Applications	% of Units Going RAD
Region 6	107,976	7,194	15,600	22,317	21%
Albuquerque Program Center	4,468	374	237	611	14%
Fort Worth Hub Office	26,900	6,313	1,233	7,196	27%
Houston Program Center	8,674	89	1,358	1,447	17%
Little Rock Hub Office	14,148	288	4,061	4,275	30%
New Orleans Hub Office	21,791	40	3,299	3,286	15%
Oklahoma City Program Center	13,039	0	0	0	0%
San Antonio Hub Office	18,956	90	5,412	5,502	29%

PIH Field Office and Regional Summary of RAD Awards and Applications (as of 12/31/13)

	Public Housing Units	CHAP Awards	Applications	Total Awards and Applications	% of Units Going RAD
Region 7	37,729	679	384	1,063	3%
Kansas City Hub Office	19,899	148	174	322	2%
Omaha Program Center	7,242	306	0	306	4%
St. Louis Program Center	10,588	225	210	435	4%
Region 8	16,149	0	1,128	1,128	7%
Denver Hub Office	16,149	0	1,128	1,128	7%

PIH Field Office and Regional Summary of RAD Awards and Applications (as of 12/31/13)

	Public Housing Units	CHAP Awards	Applications	Total Awards and Applications	% of Units Going RAD
Region 9	53,976	6,261	4,854	11,115	21%
Los Angeles Hub Office	16,895	830	3,400	4,230	25%
Phoenix Program Center	6,526	439	285	724	11%
Sacramento Community Service Center	5,002	0	0	0	0%
San Francisco Hub Office	19,480	4,992	1,169	6,161	32%
Honolulu Hub Office	6,073	0	0	0	0%

PIH Field Office and Regional Summary of RAD Awards and Applications (as of 12/31/13)

	Public Housing Units	CHAP Awards	Applications	Total Awards and Applications	% of Units Going RAD
Region 10	22,297	1,993	2,095	4,088	18%
Portland Program Center	5,938	364	972	1,336	22%
Seattle Hub Office	15,101	1,629	1,123	2,752	18%
Alaska Community Service Center	1,258	0	0	0	0%
Grand Total	1,169,186	55,793	118,722	172,192	14.73%

Legal Considerations

Amy M. McClain, Ballard Spahr
Kathie Soroka, HUD

Legal Considerations

- Relocating tenants
 - Guidance in process!
 - PHAs must comply with Uniform Relocation Act (URA), Fair Housing considerations, RAD requirements and possibly public housing requirements.
- Tenants in converted units
 - Over-income residents: no re-screening
 - Even if no relocation, the public housing lease is still being terminated (will very likely require 30 days notice)

Legal Considerations

- Lender foreclosure rights
 - RAD statute requires a preference for public ownership
 - RAD Use Agreement survives foreclosure and termination of HAP contract
 - Clarifying addenda to RAD documents forthcoming
- Investor rights/provisions
 - GP/MM replacement & approval of special limited partner (SLP)
 - ILP transfer rights

Legal Considerations

- Title and survey review
 - Protection of HUD interests
 - Some flexibility allowed to waive survey requirement and make other accommodations
- FHA-insured deals
 - FHA process
 - HUD streamlining through creation of a Processing Center

Housing Authority and Developer Considerations

Ivy Dench-Carter, Pennrose Properties

Peter Engel, Housing Authority of Baltimore City



HABC RAD Program Outline

- Approximately 4,200 units in 21 developments and scattered sites
- Some privately owned ACC units included
- Developments that need Rehab, not Redevelopment
- Over \$380 million of capital work

HABC Phase I Projects

Phase I Projects	Units	Developer
Allendale	164	Enterprise
BE Mason	223	PIHIRL
McCulloh Extension	349	TCB
Pleasant View Gardens*	311	Michaels Group
Primrose Place	125	French/CHP
Chase House	189	Homes for America
The Brentwood	149	Telisis
Bel Park Tower	253	Landex
Wyman House	168	Penrose
Hollins House	130	CPDC
Lakeview Towers	301	Landex
Total Units	2,362	

* Owned but not managed by HABC

HABC Phase II Projects

Phase II Projects	Units	Developer
Ellerslie Apartments	117	Telisis
Somerset Court	60	Woda
Govans Manor	191	PIHRL
Monument East	170	TCB
Rosemont Tower	203	Michaels
J. Van Story Branch	357	French/CHP
Terrace Senior Building	49	Privately Owned
Townes at the Terraces	203	Privately Owned
Heritage Crossing	75	Privately Owned
Scattered Sites	184	HABC
Arbor Oaks	62	Privately Owned
Total Units	1,671	

RAD Challenges / Issues

- Right to return and no re-screening of residents at conversion
- Timing of closing relative to subsidy becoming effective (rehab)
- Additional RAD milestones – e.g. closing within 1 year of CHAP issuance
- Specific requirements for Physical Conditions Assessments/Energy Audits to satisfy all lenders. (rehab)
- Existing Energy Performance Contract Bond Obligations
- Public Housing Perspective – Staffing/Capital Reserve decrease
- Coordination of multiple funding sources/regulations

Lender Issues

Rania S. Arja, Ballard Spahr

FHA Forms & Specific FHA Requirements

- Construction Documents
 - Construction Contract (HUD-92442M)
 - Performance Bond (HUD-92452M) & Payment Bond (HUD-92452A-M)
 - Owner-Architect Agreement (AIA B108) & HUD Amendment (HUD-92408M)
- Subordinate Financing
 - Subordination Agreement (HUD-92420M)
 - Restrictive Covenants
- Title and Survey, Opinions, Organizational Documents

Hot Topics

One (1) Mortgageable and Manageable Project

- Scattered Sites
 - Across the street, townhomes, high-rise buildings
- Elderly versus Non-Elderly
 - Separate CHAPS and HAP Contracts
- Concept Meetings
 - Not required, but VERY beneficial
 - Opportunity to discuss deal structure, highlight potential deal-breakers and emphasize important deal deadlines

Coordination

- RAD Closing Coordinator from each OAHP office to reach out to PHA and FHA Lender's Counsel
- New RAD Checklist
- Working on a process, potential designated RAD Underwriting Team

Questions

Follow-up to today's presentation will be posted on our blog *Housing Plus* at www.housingplusblog.com.

A copy of these slides can be found at www.ballardspahr.com/RADwebinar2014.

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