

NAHMA HUD Update: HUD publishes revised RAD Notice

Dear NAHMA Members,

Last week, HUD released [Revision 3 of the Rental Assistance Demonstration \(RAD\) Notice](#), which builds on the program's success and lessons learned in recent years to continue the pace of the program. According to HUD, "under the First Component, the revisions serve to simplify certain program requirements, create new flexibilities to make more conversions feasible, and strengthen tenant rights. Under the Second Component, the revisions significantly improve the rent-setting options available to owners."

The revisions will not go into effect until a forthcoming Federal Register Notice is published, and changes related to selection and eligibility criteria will be subject to public comment (noted below).

Below, please find a summary of the major changes. More information and training webinars will be available in the coming weeks. HUD also posted a [blackline version](#) showing the changes made in Revision 3 as compared to Revision 2.

First Component (Public Housing Conversions)

1. Creating a new way in which public housing agencies (PHAs) can increase their RAD rents (see section 1.5.A).
2. Eliminating the cap on the number of project-based voucher (PBV) units at a project (see section 1.6.A.2).
3. Improving the quality of information that must be provided to residents of properties undergoing conversion (see section 1.8).
4. Extending the prohibition on re-screening so as to facilitate the right to return to the assisted property (see sections 1.6.C.1 and 1.7.B.1).
5. Consolidating the selection priority categories for new applications (see section 1.11.C). [subject to public comment]
6. Allowing PHAs to submit a simple letter of interest, rather than an application, when a waiting list has formed (see section 1.9). [subject to public comment]
7. Making eligible an entire contiguous HOPE VI project that was developed in phases as long as the earliest phase is greater than ten years old (see section 1.3.H). [subject to public comment]
8. Correcting the phase-in of rents for residents who may experience a rent increase as a result of conversion, in order to ensure a more even distribution across years (see sections 1.6.B.3 and 1.7.B.3).
9. Clarifying that a PHA is permitted to receive cash acquisition proceeds in excess of any seller take-back financing and that such proceeds must be used for Affordable Housing Purposes, a newly defined term (see section 1.4.7).
10. Establishing flexibility for requirements related to the Capital Needs Assessments, permitting certain exemptions when the assisted units are a small percentage of the total project (see section 1.4.A.1).
11. Requiring title reports to be submitted with the Financing Plan to avoid delays in closing (see section 1.15, Attachment 1A).

12. Modifying the maximum allowable developer fee (see section 1.14).
13. Establishing greater flexibility to underwrite to new loan products that have emerged in the market (see section 1.15, Attachment 2A).
14. Providing greater detail on the acceptable forms in which a public or non-profit can demonstrate ownership or control (see section 1.4.A.11).
15. Providing guidance on owners' responsibilities to treat lead-based paint hazards in the context of a RAD conversion (see section 1.4.A.15).
16. Encouraging PHAs and their partners to grant current workers whose employment positions may be eliminated during conversion the right of first refusal for new employment openings (see section 1.4.A.16).

Second Component (Mod Rehab, Mod Rehab SRO, Rent Supp, RAP Conversions)

1. Eliminating the cap on the number of PBV units at a project (see section 2.5.C, 3.5.C).
2. Permitting Mod Rehab conversions to PBRA to convert at comparable market rents, up to 110 percent of fair market rent (FMR) (see sections 2.6.C and D).
3. For Mod Rehab SRO conversions, authorizing the use of the efficiency FMR for SRO units, rather than 75 percent of the efficiency FMR, which is the existing SRO standard (see section 2.7).
4. Allowing all conversions to PBRA to achieve rents between 110 percent and 120 percent of FMR (up to the statutory maximum), if justified by comparable market rents and only in certain circumstances where preservation criteria have been met (see sections 3.6.C and D).
5. For conversions to PBRA, permitting the use of Small Area FMR (SAFMR) in the calculation of contract rent cap, with HUD approval (see sections 2.5 and 2.6).

Best,
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NAHMA is the leading voice for affordable housing management, advocating on behalf of multifamily property managers and owners whose mission is to provide quality affordable housing.*
