U. S. Department of Housing and Urban Development

PHFA MAHC

HUD Updates Session

June 9, 2022
Randall Scheetz – Branch Chief
Account Executive Team, MF NE Region
Baltimore Satellite Office
Asset Management Division
Leadership Updates
Strategic Plan
Budget
REAC
State of the Portfolio
Renters in Crisis
CNA e tool
Preservation under Section 8bb
RAD for PRACs
HUD Leadership Update

Marcia L. Fudge, Secretary

Adrianne Todman, Deputy Secretary

Julia Gordon, Assistant Secretary for the Office of Housing and the Federal Housing Administration
Region III Leadership Update

Matthew Heckles, Regional Administrator, Region III

Jane Miller, Deputy Regional Administrator, Region III

Robert Ford, Field Office Director-Phila, Region III
The Strategic Plan lays out the Administration’s strategy for ensuring everyone has an affordable, healthy place to live.

Over the course of the next four years, we will focus on increasing equity and improving customer experience across all HUD programs.
There are five strategic goals in the Plan:

- Support Underserved Communities
- Ensure Access to and Increase the Production of Affordable Housing
- Promote Homeownership
- Advance Sustainable Communities
- Strengthen HUD’s Internal Capacity
## FY 2022 - Budget

### Budget Authority, Housing Programs

<table>
<thead>
<tr>
<th></th>
<th>2020 Enacted</th>
<th>2021 Enacted</th>
<th>2022 President's Budget</th>
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<td>Other Programs</td>
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<td>Housing for Persons with Disabilities (811)</td>
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</table>

Dollars (in Millions)
We have appropriations for this fiscal year.

**Project-based Rental Assistance**

- $13.94 billion for the PBRA program, which is $475 million more than the 2021 enacted level.
- $13.580 billion for renewals and amendments of PBRA Section 8 contracts
- $355 million for Project-Based Contract Administrators
FY 2022 - Budget

Housing for the Elderly Section 202

$1.033 billion - which is $178 million more than the 2021 enacted level.

- $780 million* to fund renewals and amendments of Project Rental Assistance Contracts (PRACs) and Senior Preservation Rental Assistance Contracts (SPRACs);

- $119 million* for new Capital Advances to increase the supply of affordable housing for seniors by approximately 1,300 units; $10 million of which will be affordable intergenerational housing units. (HUD is using $80 million to ensure that adequate funding is available to fully fund 202 PRAC renewals that occur during the first quarter of the fiscal year).
FY 2022 - Budget

Housing for the Elderly Section 202

- $125 million to fund the renewal of approximately 1,600 existing Service Coordinator and Congregate Housing Services grants plus new awards that will be determined based on the results of the 2021 Notice of Funding Availability (NOFA)
- $6 million for preservation of 202 PRAC properties in the RAD for PRAC program
- $3 million for property inspections and related administrative costs.
Section 811 program – Housing for People with Disabilities

$352 million - which is $125 million more than the 2021 enacted level.

- $190 million for Project Rental Assistance Contracts (PRAC), Project Assistance Contracts (PAC), and State Project Rental Assistance (State PRA) renewals and amendments.
- $160 million for Capital Advance and Project Rental Assistance to increase the supply of affordable, community-based housing for persons with disabilities; and
- $2 million for inspections and related administrative costs.
Timing of next 202 NOFA

- In September, we awarded $143 million for construction of new Housing for the Elderly under Section 202 supporting 30 properties and creating 1,484 new homes with deep rental assistance.

Service Coordinator Updates

The FY22 Service Coordinator Round was open through February 7, 2022, for owners to submit their annual budget, including increases in Service Coordinator costs up to the 5.9% cost of living adjustment (COLA). The budget review process will then be completed followed by the funding actions through Grant Solutions. Grantees will need to accept their awards around the first of May timeframe.
FY 2023 - Budget

Budget Authority, Housing Programs

<table>
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<tr>
<th>Program</th>
<th>2021 Enacted</th>
<th>2022 Annualized CR</th>
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Dollars (in Millions)
FY 2023 - Budget

- $400 million to remove dangerous health hazards from homes, including mitigating threats from fire, lead, carbon monoxide, and radon;
- $86 million for Fair Housing programs, and increased HUD staff capacity to redress discriminatory housing practices; and
- $2.2 billion for Management and Administration expenses, investing in critical staffing and information technology needs to strengthen HUD’s capacity to deliver on its mission.
- The President’s 2023 Budget supports authorizing the Community Development Block Grant—Disaster Recovery (CDBG-DR) program.
Office of Multifamily Housing Programs
Multifamily Leadership Update

Ethan D. Handelman, Deputy Assistant Secretary for MF Housing

Brett Wise, Northeast MF Region Director

Brenda J. Brown, Director, Asset Management Division, Baltimore Satellite Office
HUD continues to conduct inspections at its insured and assisted properties across the country, and REAC has completed over 8,000 inspections of Multifamily properties since the resumption of normal operations last June. This follows a suspension of inspections for over a year due to the pandemic.

We built in some flexibilities, and they are working. We do have a mechanism in place for reporting COVID outbreaks at properties. At this time, we are continuing to conduct on-site assessments to ensure the safety of residents.

We have made some resources available recently including a flyer that outlines the rights and obligations of residents, owners, and agents when a REAC inspection is scheduled at a property during the pandemic. There are also QAs posted.

We continue to evaluate our policies in light of the ever-shifting landscape, balancing the risk posed by the pandemic with those posed by potential physical condition deficiencies. We will adjust as needed.
NSPIRE Demonstration

- A property being approved for the NSPIRE Demonstration does not exempt it from a Uniform Physical Condition Standards (UPCS) inspection if the Department has reason to believe that such an inspection may be required in order to perform adequate oversight at the property.

- Participating owners and agents will generally not be subject to both an NSPIRE and a UPCS inspection. If during the NSPIRE demonstration, however, HUD believes substandard conditions exist, the Department, at its discretion, may order and execute a UPCS inspection to confirm substandard conditions and consequently apply any available remedies, sanctions, or other actions as determined by the results.

State of the Portfolio

MF Office of Recapitalization (RECAP)

Responsible for processing the competitive submissions under Section 202 NOFA

- Award of $143 Million for construction of new Housing for the Elderly
- 30 properties
- Creating 1,484 new homes with deep rental assistance.
State of the Portfolio

MF Office of Asset Management and Portfolio Oversight (OAMPO)

- Processed 5,600 COVID Supplemental Payment requests in FY 21, and a total of 13,700 since the passage of the CARES Act.

- Renewed over 1300 Service Coordinator grants and released funding for new Section 811 projects while improving grant processes and procedures.

- Continued smooth funding and oversight of nearly $14 billion in rental subsidies to vulnerable households in the project-based Section 8, Section 202, and Section 811 program while providing critical oversight and support to our PBCAs.
Renters in Crisis

The U.S. Department of Housing and Urban Development (HUD), held a virtual convening on eviction prevention and mitigation strategies in April 2022.

This event was designed to support communities in their efforts to minimize family displacements and evictions as the nation builds back from the devastating impacts of the coronavirus pandemic.
Renters in Crisis

Over the past two years, HUD has used every tool at its disposal to safeguard households in danger of losing their homes, including protecting those who may disproportionately face eviction through discriminatory policies and practices. I

In this virtual discussion, participants learned how to support families and individuals who are seeking help in avoiding eviction and need emergency rental assistance, as well as how to fight unfair evictions.
Delaware State Housing Authority Rent and Mortgage Assistance Program
• The Delaware Housing Assistance Program can assist eligible renter households with past-due rent, current and forward rent, as well as utility arrears and current bills.

University of Delaware Center for Community Research & Service
• Provides an overview of Eviction and Legal Representation in Delaware. Brief studying 300 eviction cases and conclusion regarding the importance of the right to counsel.
Renters in Crisis – Highlights and Links

Delaware Community Legal Aid Society
• Provides legal aid resources for renters, as well as information on next steps if they have had an eviction trial and lost during the COVID-19 pandemic, if their case is waiting to be scheduled, or if their landlord has not filed for an eviction yet.

Delaware Health and Social Services
• Delaware ASSIST is an online application to apply for health and social services programs, such as the Emergency Assistance Program and the Diversion Assistance Program.

Delaware Continuum of Care (CoC)
Renters in Crisis – Highlights and Links
Pennsylvania

PA Emergency Rental Assistance Program (ERAP)
• Pennsylvania received approximately $569 million to administer assistance to renters, landlords, and utility providers who have been affected by the COVID-19 pandemic and economic insecurity. Pennsylvanians can apply online through COMPASS. Some counties are not using the COMPASS application. If your county is not using COMPASS, you will be automatically directed to the local ERAP agency contact.

Pennsylvania Department of Human Services
• COMPASS is an online application to apply for health and social services programs, such as the Emergency Shelter Allowance Program and one-time diversion payment.
Renters in Crisis – Highlights and Links
Pennsylvania

Need Help Paying Bills
- The [Homeless Assistance Program](#) is a partnership between the Pennsylvania Department of Public Welfare and various nonprofit organizations across the state. These organizations provide financial support, case management services, as well as help to stop evictions or foreclosures from occurring.

Regional Housing Legal Services - Pennsylvania Utility Law Project
- The Regional Housing Legal Services—Pennsylvania Utility Law Project specializes in providing information for utility assistance programs throughout Pennsylvania, as well as legal assistance for those experiencing issues with their utilities.
Renters in Crisis – Highlights and Links
Pennsylvania

Housing Alliance of Pennsylvania
• The Housing Alliance is a statewide coalition working to promote common-sense solutions to balance Pennsylvania’s housing market and increase the supply of safe, decent homes for low-income people.
  • For People in Need of Assistance - Housing Alliance of Pennsylvania (housingalliancepa.org)
  • Eviction Prevention - Housing Alliance of Pennsylvania (housingalliancepa.org)
  • Eviction Mediation Toolkit
CNA e-Tool was developed to automate and standardize the preparation, submission and review of a capital needs assessment. Required use for:

- FHA multifamily mortgage insurance applications (mandatory November 1, 2017)
- Rental Assistance Demonstration (RAD) conversions
- 10-year update capital needs assessments for FHA-insured multifamily properties
- For partial payment of claims (mandatory February 1, 2018).

Find out more on https://www.hud.gov/program_offices/housing/mfh/CNA
Under Section 8(bb), if a PBRA Housing Assistance Payments (HAP) contract is terminated or expires and is not renewed, HUD is authorized to transfer any remaining budget authority to either a new or an existing PBRA HAP contract to provide assistance to eligible families, including those receiving project-based assistance at the time of the contract termination, under terms and conditions prescribed by HUD.

Three different types of 8(bb)

- Mutual termination
- Opt-outs
- Enforcement
Basic principle of budget neutrality

• HUD must perform an analysis to ensure that the transfer of budget authority from Project ‘A’ to Project(s) ‘B’ is budget neutral.

• The Department has no statutory authority to increase the budget authority to effectuate the transfer.
Challenges with the location of Property B

• Owner B must provide documentation to assist HUD in the review for:
  • Environmental review
  • Affirmative Fair Housing Marketing Plan
  • Market analysis
November 2017, we launched a new webpage for the Section 8(bb) Preservation Tool.

You can get to the link from the Multifamily Home page on:
https://www.hud.gov/program_offices/housing/mfh
Conversion of Section 202 PRACs under the Rental Assistance Demonstration (RAD)

Three Chapters of the Section 202 Program

1. Pre-1974 Section 202 Direct Loan
2. Section 202 Direct Loans with Section 8 contracts (“202/8s”)
3. Section 202 “Capital Advance” properties with Project Rental Assistance Contracts (202 PRACs)

Congress authorized the conversion of 202 PRACs under RAD in the FY 2018 Appropriations Act.
Why RAD for Section 202 PRACs?

RAD was designed to preserve and recapitalize an aging stock of HUD-assisted housing under Section 202 PRACs.

- 2,800 properties (120,000 assisted units) placed in service since 1993

RAD allows properties to convert to long-term, Section 8 rental assistance contracts, which:

- Allows owners to access debt and equity to finance capital needs
- Provides a strong platform for long-term preservation
- RAD ensures long-term housing for the elderly and applies a robust package of resident rights
Housing 2019-09/PIH 2019-23 ("RAD Notice Rev 4") was published September 5, 2019

Four Sections

1. Public Housing conversions
2. Mod Rehab/SRO conversions
3. Rent Supplement and Rental Assistance Payment conversions
4. **New!** 202 Project Rental Assistance Contract (PRAC) conversions
Structure of RAD

RAD for Public Housing
also known as the “1st Component”

RAD for Other Multifamily Housing
also known as the “2nd Component”

Public Housing

RAD Conversion

Sec. 8 Moderate Rehabilitation
Rent Supplement
Mckinney Vento SRO
Sec. 202 PRAC
Rental Assistance Payment

Section 8 PBRA
Section 8 PBV
Owner Objectives under RAD

Owners can use RAD to:

- Modernize aging elderly properties
- Stabilize property revenue
- Rehab deteriorated properties
- Transfer assistance to better neighborhoods
- Thin densities and mix-incomes
CONTRACTS and RENT

• Rents based on PRAC rents, which may be adjusted prior to conversion based on budget (e.g., justified by capital needs assessment or service coordinator salary)

• 20-year renewable contract

• Annual rent adjustment by operating cost adjustment factor (OCAF)
CONTRACTS and RENT

- No limitation on use of project cash flow
- RAD Elderly Housing Use Agreement replaces the Capital Advance Use Agreement and adds 20 years of required affordability
- HAP contract must be renewed throughout the term of the Use Agreement
## RAD Comparison of Contract Types

<table>
<thead>
<tr>
<th>Contract Type</th>
<th>Project Based Rental Assistance (PBRA)</th>
<th>Project Based Voucher (PBV)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contract Administration</strong></td>
<td>Perform by HUD</td>
<td>Perform by Public Housing Agency (PHA)</td>
</tr>
<tr>
<td><strong>Contract Start</strong></td>
<td>First of month at least 30 days after “closing”</td>
<td>Must align with PRAC anniversary date and be at least 90 days from “closing” date</td>
</tr>
<tr>
<td><strong>Inspections</strong></td>
<td>UPCS performed by REAC starting after any required work is completed</td>
<td>HQS performed by PHA</td>
</tr>
<tr>
<td><strong>Rent Setting</strong></td>
<td>Based on PRAC Rents, not to exceed 120% of FMR or Small Area FMR</td>
<td>Based on PRAC Rents, not to exceed 110% of FMR or Small Area FMR</td>
</tr>
</tbody>
</table>
Potential RAD Financing Sources

**First Mortgage Debt**
- FHA-Insured Debt
  - 223(f) for light or moderate rehab
  - 221(d)(4) for substantial rehab or new construction
- Conventional Debt

**Equity**
- 4% LIHTC
- 9% LIHTC
- Historic Tax Credits
- State Tax Credits
- Depreciation/Losses
- Other (NMTC, OZ, energy)

**Other Financing**
- HOME
- CDBG
- Housing Trust Fund
- Federal Home Loan Bank AHP
- State and local funds
- *Existing “Residual Receipts” or replacement reserves*
Transfer of Assistance

Transfer of assistance refers to a change in the geographic site of the assistance. It has the potential to improve the location and quality of housing.

HUD will assess:
- That the transfer does not place housing in neighborhoods with highly concentrated poverty;
- Whether conversion on-site is economically non-viable (physically obsolete or severely distressed);
- The impact on residents.
RAD Conversion Requirements

**Capital Needs Assessment (CNA)**
- Identifies all immediate and long-term capital needs
- Must be consistent with MAP Guide requirements (except eTool)
- Conversion Plan must cover all needs through upfront capitalization (if applicable) and ongoing capital replacement reserve deposits
- Must be consistent with CNA submitted for any recent BBRI

**Environmental Review**
- Part 50 for PBRA or FHA-insured conversions. HUD performs the review in HEROS.
- Part 58 for all other PBV conversions. Responsible Entity performs the review.
Ownership and Control

- Property must be owned or controlled by a non-profit entity (e.g. no change in ownership; transfer to another non-profit; or LIHTC entity controlled by a non-profit)
- Ownership structures that facilitate LIHTC use are allowed (e.g. non-profit is GP in a limited partnership; majority owner in an LP or LLC; long-term ground lease, control agreement, etc.)

Refinancing Sales Proceeds

- Net refinancing or sales proceeds, with certain allowable exclusions, during the remainder of the original Capital Advance term are restricted to Affordable Housing Purposes
RAD Conversion Requirements

**Davis-Bacon** (compliance with the Federal prevailing wage requirements)
- Not applicable for rehab of previously assisted PRAC units

**Operating Reserves**
- In lieu of residual receipt account, owner must establish and maintain an operating reserve account in an amount of $250 per unit to be used for project purposes (unexpected expenses, delinquent receivables, etc.) before taking any cash flow
- No upfront requirement to capitalize the reserve
- HUD approval is not required for withdrawal, but minimum balance is a condition of owner distributions of surplus cash
Supportive Services for Residents

- Owners must describe services plan in Conversion Plan and contractually commit to ongoing services.
- PRAC owners may already include a Service Coordinator and $15 PUPM for services in their PRAC budget, which would be captured in the Section 8 rent at conversion.
- For properties converting through RAD, HUD may approve an increase in the project budget line item for service costs from $15 (the current maximum) up to $27 per unit per month, if warranted by services.
RAD Resident Rights and Requirements

- **Resident notices** and **resident meetings** required prior to conversion

- **Prohibition of re-screening** residents for Section 8 eligibility upon “move-in” to the property

- If rehab requires any relocation, residents have a **right to return** post-rehab and **may not be involuntarily displaced**

- **Uniform Relocation Act (URA)** applies to any relocation
RAD Conversion Process – Getting Started

• Owner uploads Submission of Interest on www.RADresource.net with basic project and owner information
  • HUD assigns a Transaction Manager
  • HUD is available for guidance to owners

• Owner is governed by existing PRAC rules and asset management procedures until conversion
## RAD Conversion Process – Getting Started

<table>
<thead>
<tr>
<th>Step</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initial Submission of Interest</strong></td>
<td>- Submitted on the RAD Resource Desk</td>
</tr>
<tr>
<td></td>
<td>- Provides basic owner and property information</td>
</tr>
<tr>
<td></td>
<td>- HUD assigns a Transaction Manager to work with the owner</td>
</tr>
<tr>
<td><strong>Resident Notification and Consultation</strong></td>
<td>- Written notification of conversion proposal</td>
</tr>
<tr>
<td></td>
<td>- At least 2 resident meetings with opportunities to comment</td>
</tr>
<tr>
<td><strong>Conversion Plan</strong></td>
<td>- Submit detailed proposal after completion of the owner’s planning process</td>
</tr>
<tr>
<td></td>
<td>- Demonstrate the physical and financial viability of the project</td>
</tr>
<tr>
<td></td>
<td>- Demonstrate compliance with program requirements</td>
</tr>
<tr>
<td><strong>RAD Approval</strong></td>
<td>- Approves the Conversion Plan</td>
</tr>
<tr>
<td></td>
<td>- Sets out conditions to closing</td>
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<tr>
<td></td>
<td>- Outlines terms of the conversion and required construction</td>
</tr>
<tr>
<td><strong>Closing &amp; Conversion</strong></td>
<td>- Execution of Conversion Agreement</td>
</tr>
<tr>
<td></td>
<td>- Termination of PRAC and Capital Advance documentation</td>
</tr>
<tr>
<td></td>
<td>- Entry into Section 8 HAP Contract &amp; RAD Elderly Housing Use Agreement</td>
</tr>
<tr>
<td><strong>Rehabilitation/Construction</strong></td>
<td>- If applicable, work completed in accordance with Conversion Agreement</td>
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### Baltimore Region: RAD PRAC Conversions - Pipeline

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<th>State</th>
<th>Number of Transactions</th>
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<td>Maryland</td>
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<td>Virginia</td>
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<td>West Virginia</td>
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<tr>
<td><strong>Total Baltimore Region</strong></td>
<td><strong>15</strong></td>
<td><strong>1,039</strong></td>
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Staying abreast of changes

HUD
• Housing | HUD.gov / U.S. Department of Housing and Urban Development (HUD)

Multifamily
• Multifamily Housing | HUD.gov / U.S. Department of Housing and Urban Development (HUD)

Northeast Multifamily
• https://www.hud.gov/states/shared/working/northeast/mf