

CITY OF MADISON
INTER-DEPARTMENTAL
CORRESPONDENCE

DATE: December 12, 2013
To: CDA Board
From: Agustin Olvera
Subject: RAD

RAD is basically a new funding mechanism. HUD will take the per unit Operating Subsidy and the per unit Capital Fund grant award and pay these combined revenues in the form of a voucher payment to the housing authority. No additional funding has been made available.

One of HUD's selling points is that the Housing Authority can lock into 2012 funding which is higher than 2013's sequestered funds allocation. In 2012 HUD prorated Operating Subsidies at 94.9% of eligible funding. In 2013 the proration was 82%. It should be noted the eligibility dollar amounts were not the same so you cannot make a direct comparison based on the % differences.

HUD realizes that there is a huge backlog of repairs needed and that they do not have sufficient funds available under the Capital Fund program to address the need. HUD will remove declarations of trust to enable housing authorities to borrow against their properties. They are also urging housing authorities to couple RAD conversion with other funding, like Sec 42 Tax Credit dollars, to address the repair and renovation work needed. It is hoped that the renovation work will lower the operating costs and increase the revenues of the redeveloped units to make them more financially feasible.

HUD is also promising administrative relief as an incentive to convert to RAD. Annual plans, REAC (physical) inspections, Capital Fund reports etc. Will not be needed for those units converted under RAD. Units not converted would still need to submit reports, so unless all units are converted there is little administrative relief.

A RAD contract is for 10 years with a requirement to renew. A housing authority can request all units or something less, to be converted under RAD. Since this is a demonstration program, this is a competitive application process and not all applicants may be awarded the opportunity for conversion.

In a RAD conversion, housing authorities with Sec8 vouchers will be required to offer available vouchers to RAD residents who want to leave their units after 24 months in the unit. The housing authorities have some discretion in limiting the numbers.

A replacement reserve payment will be required based on HUD's determination of need.

A RAD contract will look similar to a Section 8 Project Based Voucher contract.

A resident input process is required. Two (2) meetings of residents, at least a week apart are required.

RAD
example of converting 40 units as part of Phase 2 of Truax LLC

| | | | |
|--------------|----|--------|---|
| 2013 revenue | \$ | 197 | per unit Operating Subsidy (at 82%) |
| revenue | \$ | 96 | per unit Capital Fund allocation |
| revenue | \$ | 209 | per unit average rent paid |
| | \$ | 503 | total revenue per unit per month (PUPM) |
| 2012 | \$ | 534 | total revenue per unit per month RAD /HUD amount (at 95%) |
| | \$ | 31 | difference between 2012 and 2013 PUPM |
| | \$ | 12 | months |
| | \$ | 40 | units converted to RAD |
| | \$ | 14,880 | annual additional revenue above 2013 allocation |