

The Rental Assistance Demonstration - Getting CHAP-PED Yet?

By Robert E. Hazelton, President of D3G

March 24, 2015

The 2015 Continuing Appropriations Act increased RAD authorization from 60,000 units to 185,000 units, effectively providing authorization for all 120,000 units currently on the “RAD Waiting List.” But where are the Commitment to Enter into a Housing Assistance Payment (CHAP) approval letters? I know from our current and pending PHA clients approximately 25% have received their paper, unconditional CHAP letters. Most of the CHAPs that were sent out already had ties to LIHTC applications or financing mechanisms that required the CHAP to be issued expeditiously. But many more are still waiting and wondering will the Easter Bunny be bringing my CHAP this spring? Don’t despair, because if you are on the waiting list you will get CHAP-PED! I have heard from HUD that the CHAPs are being sent out this month to the remainder of qualified waiting list participants.

I find it interesting that the newly released CHAPs identify *“This award letter serves as the Department’s Commitment to Enter into a Housing Assistance Payments (CHAP) ... provided the Owner meets all the requirements contained in the PIH Notice 2012-32, Revision 1 and all subsequent revisions. In addition, the Owner must comply with all ‘CHAP Milestones’ identified in section 1.12 of the Notice as applicable.”* However, the recently released HUD document **Welcome Guide for New Awardees: RAD 1st Component** clearly identifies that CHAP milestones for the recent awardees do not commence until issuance of the revised Notice 2012-32 guidance; specifically *“The Department is currently working on revisions to the RAD Notice, expected to be released in early Spring 2015. In response to requests from PHAs and their development partners, the start dates for any RAD milestones will not begin until publication of the revised Notice. As soon as the Notice is revised, HUD will issue subsequent materials summarizing the changes.”* So, I guess it is hurry-up-and-wait for the Notice to provide clarification.

But while you wait to get CHAP-PED, I feel it is beneficial to review some recent RAD processing developments, as well as pertinent recommendations to get ready for your RAD application:

- **Processing Initiatives**

We expect the revised RAD Notice to be issued sometime in late April or early May. We believe the RAD Notice may be delayed in part because HUD is completing their new RAD Physical Assessment Tool, the CNA e-Tool. Upon issuance of the new processing notice, your CHAP milestone clock will start ticking. So, if you already have your CHAP in hand you have a few extra weeks to get started! But the most important thing to remember is that your CHAP timeline does NOT start until the new processing memo is issued.

Some other key elements recently released by HUD include:

1. The March 13, 2015, [Welcome Guide for New Awardees: RAD 1st Component](#). The advisory document is divided into three sections: CHAP Processing, General RAD Requirements, and Special Transaction Issues.
 2. The February 27, 2015, [RAD Guide to Choosing Between PBVs and PBRA for Public Housing Conversions](#). This document provides both a concise summary of the PBV and PBRA programs, as well as a comparison grid of the similarities and differences between the two assistance programs.
 3. HUD provided an explanation of the determination of initial contract rents, confirming that rents will be set at FY 2014 levels for all awards made as a result of the increase of the cap to 185,000 units with the FY 2015 Operating Cost Adjustment Factors (OCAF) applied in those instances.
 4. HUD verbally provided confirmation at a recent industry conference that the revised RAD Notice will simplify the milestones, whereby all the early milestones are replaced with a Milestone 180 Financing Plan requirement. This simplification has been made in hopes of both streamlining the RAD conversion process, as well as reducing the time burden with compliance. PHAs are encouraged to benchmark internal milestones in preparation for the Milestone 180 Financing Plan requirement, but HUD will not hold PHAs to the former milestone requirements in advance of the Financing Plan.
 5. A summary of the 2015 budget request made earlier this week, including a request to eliminate the 185,000 unit cap and the submission deadline, provided \$50 million to support RAD conversion projects in targeted areas that are not otherwise financially feasible and clarified the elimination of the sunset dates under the second component of RAD.
- [Recommendations for PHAs about to get CHAP-PED](#)
If and when you get the CHAP, presumably weeks before the revised RAD Notice is released, we recommend the following actions:
 1. [Prepare Utility Data](#). The RAD Physical Needs Assessment requires that a Utility Consumption Baseline (UCB) be prepared, to include 12 months of utility consumption data from all sources (water, sewer, gas, electricity) and all meters (property and unit level meters). We have experienced that master metered properties provided data easily, but individually metered properties present complications. If you manage an individually metered property, we strongly recommend that you first try to contact the utility provider and ask, as the Landlord, if you can access resident usage data. We are finding that more

and more utility companies are willing to provide this data, and it is a much easier method than getting individual resident utility release forms!

2. Prepare Past Repair and Replacement Data. The RAD Physical Needs Assessment identifies both near-term and long-term future repairs. The RPCA is much different than PIH's Green Physical Needs Assessment in that the RPCA calculates future repair financing recommendations. As such, it is imperative to have quality data on past equipment repairs and replacements. We recommend to our PIH clients that they detail any significant repairs and replacements which have occurred in the past 10 years. Knowing the exact ages and costs of roofing to refrigerators will assist in creating accurate future financing plans.
3. Begin the PBRA vs. PBV Decision. The referenced guidance document between the two assistance contracts should be of great assistance in making your decision. But this decision should be made sooner not later, as the choice greatly affects the type of environmental assessment necessary for the Milestone 180 Finance Plan. And it is in the best interest of the housing authority to have the needs assessor provide the environmental site assessment, which will essentially "kill 2 birds with one stone", saving you time and money.
4. Coordinate a "Kick-off Call" with your Needs Assessor. We recommend a kick-off call with your needs assessor about the RAD assessment and their strategy for the pending revised RAD Notice. While we do not feel any new assessment requirements will be added by virtue of the pending memo, we do believe there may be report methodology revisions. Speaking only for D3G, we are currently doing many physical assessments of the waiting list participants, but we are now recommending a delay of the reporting until after issuance of the pending RAD Notice in anticipation of HUD's new CNA e-Tool platform requirement.

Do you have more questions? Feel free to ask (r.hazelton@d3g.com) and put our experience with greater than 25,000 units of RAD conversion to work for you!