



OFFICE OF HOUSING

Repositioning Options for PHAs – Exploring new RAD New Tools

OFFICE OF MULTIFAMILY HOUSING PROGRAMS

Tom Davis, Director
HUD Office of Recapitalization
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Who are we here for?

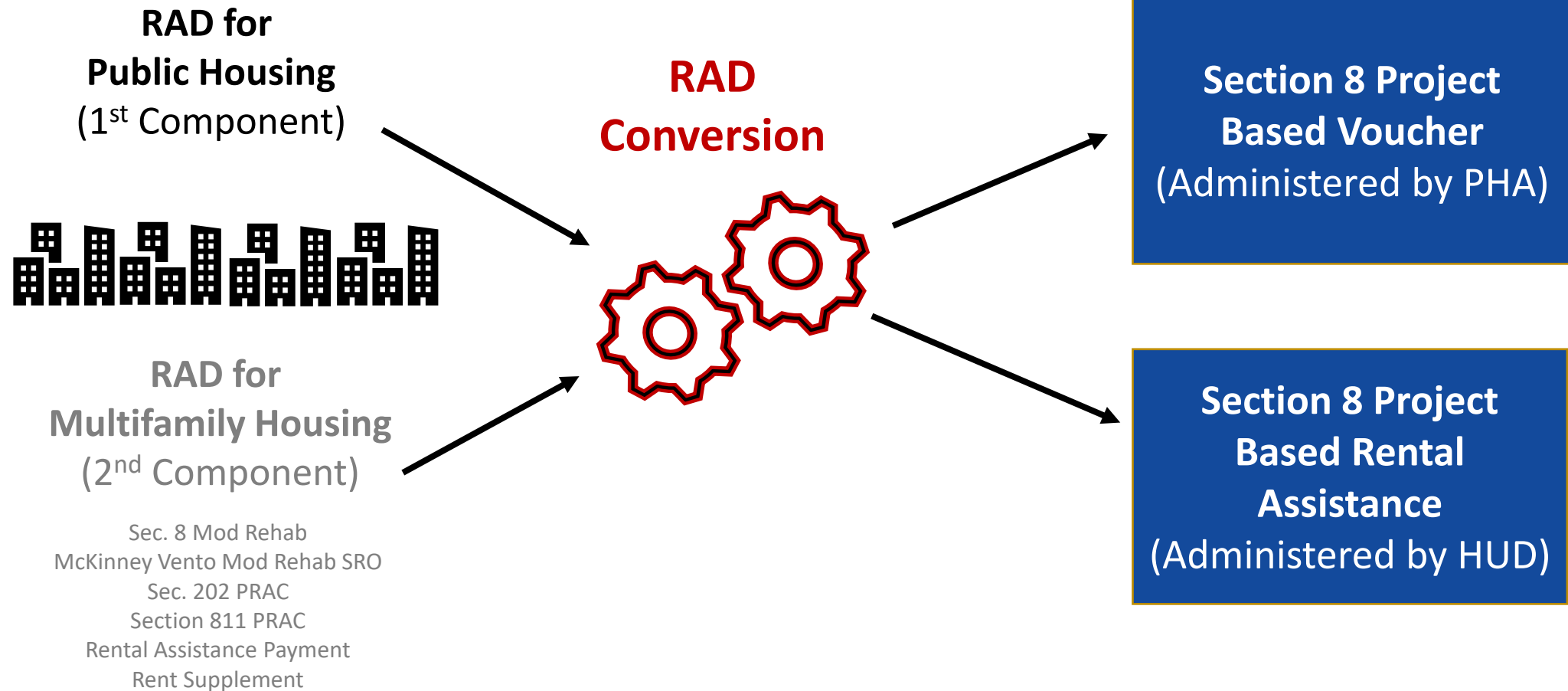


Melissa Solis, resident of Lyman Terrace,
a property in Holyoke, MA that was transformed through RAD

- Are the properties best serving the residents?
- Are the properties best serving the needs of the community?
- Is each property physically and financially stable for the long term?
- What would the PHA ideally like to do with each property?
- What are the tools they need to do that?

What is RAD?

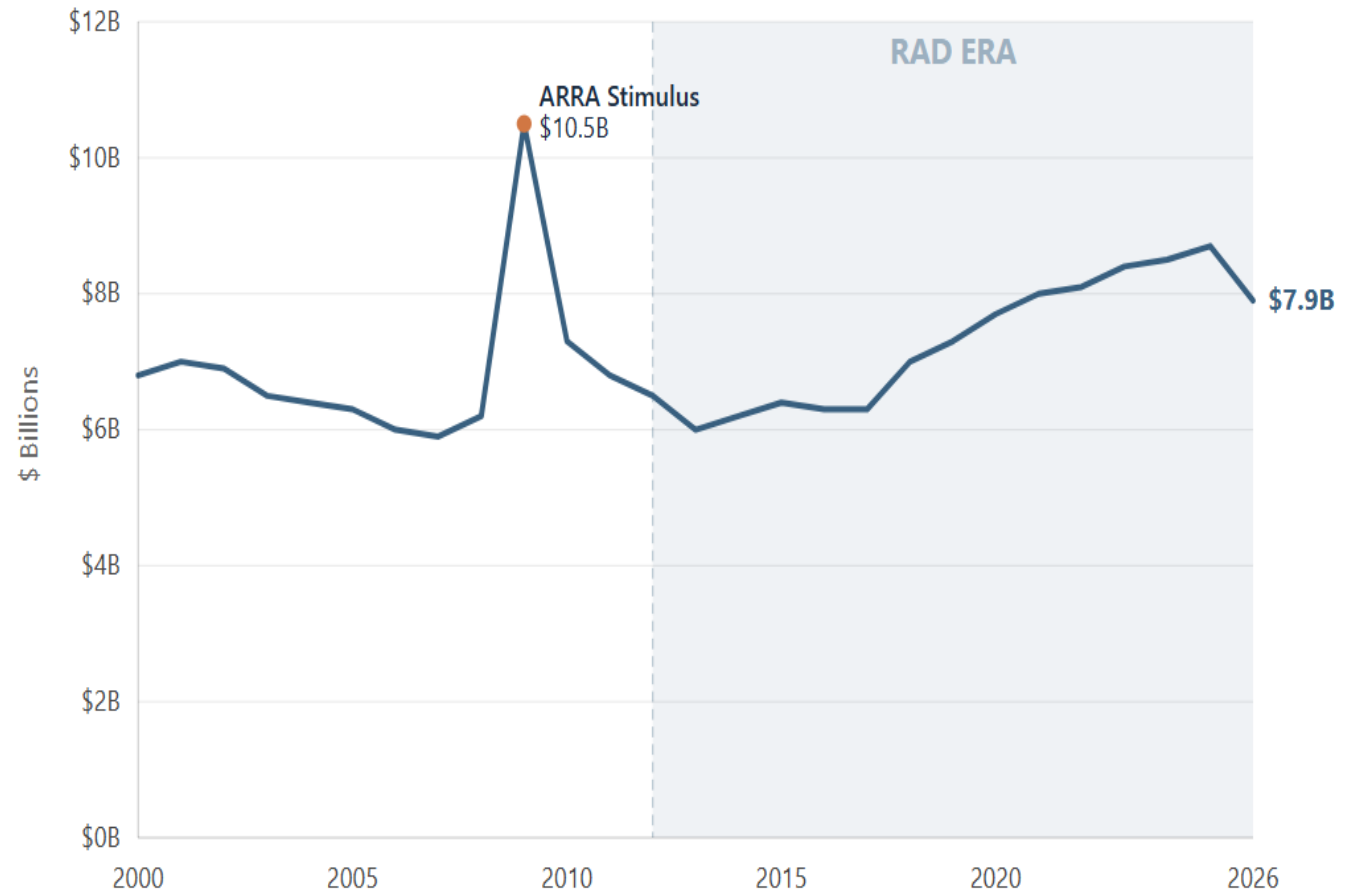
RAD “converts” a property from one form of rental assistance to another



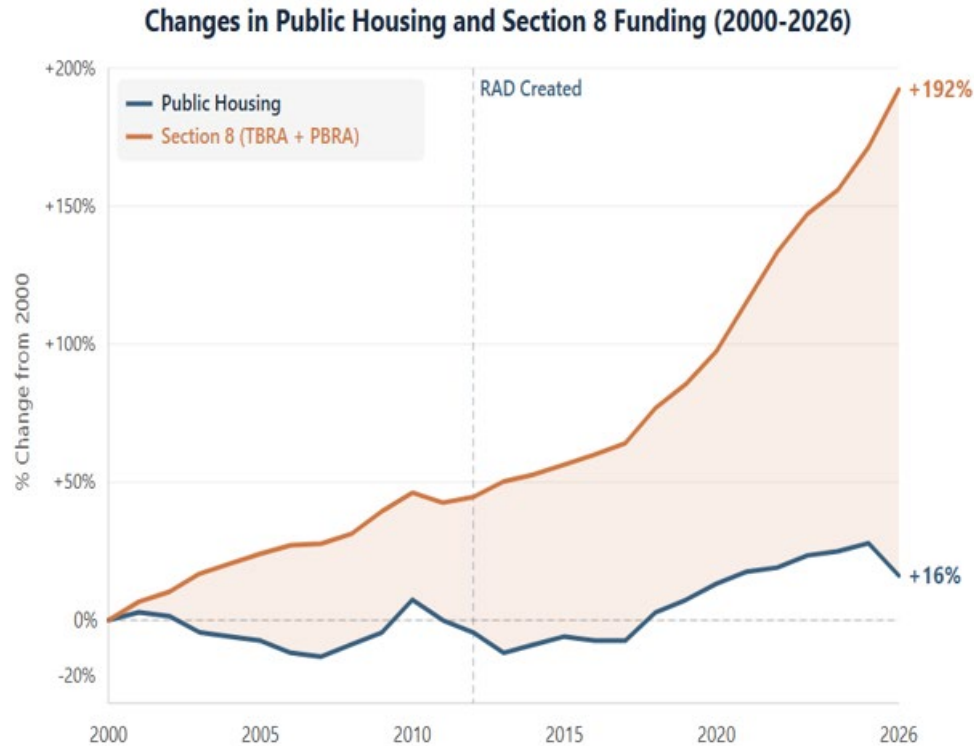
Why RAD for Public Housing?

- Designed to help address the capital investment needs in public housing, estimated at \$169 billion in 2025.
- Most recent public housing Capital Funds appropriation from Congress was \$3.2 Billion (\$3,600 per unit)
- Through conversion to a Project-Based Section 8 contract, PHAs can:
 - Stabilize and often increase property revenue
 - Access new funding source to address capital investment needs

Public Housing Funding 2000-2026 (Billions)

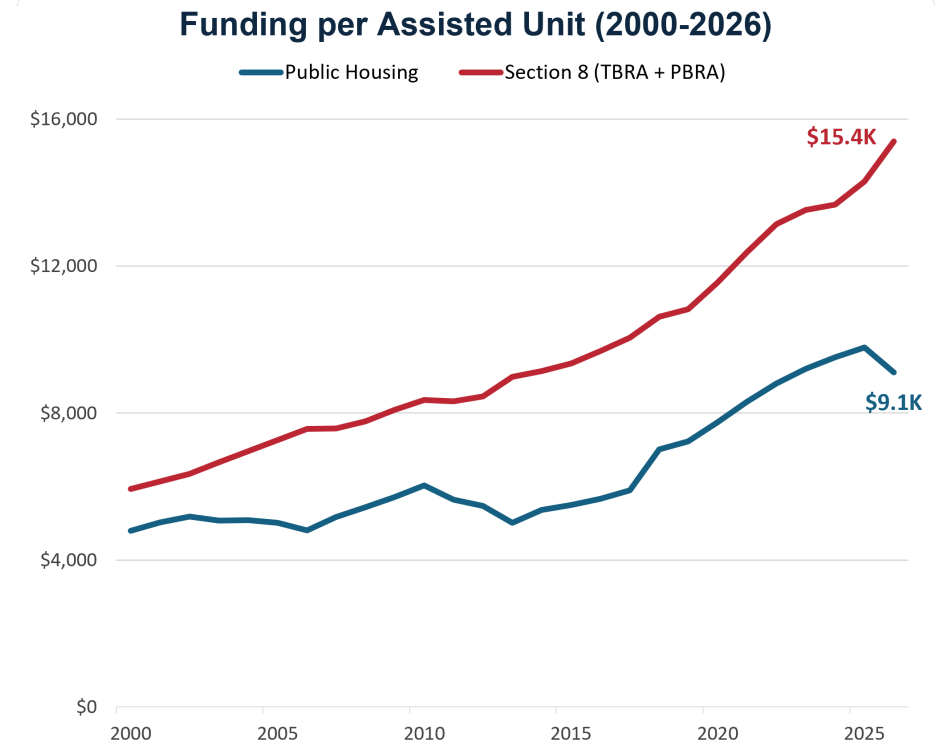


Why Project-Based Section 8?



- Cash flow is unrestricted
- Many public housing program requirements – e.g., Davis-Bacon, Section 3, BABA – do not apply under Section 8

- A Project-Based Section 8 HAP contract provides reliable and predictable revenue
- Section 8 HAP contracts are easily underwritten by lenders and LIHTC investors



How Are RAD Contract Rents Determined

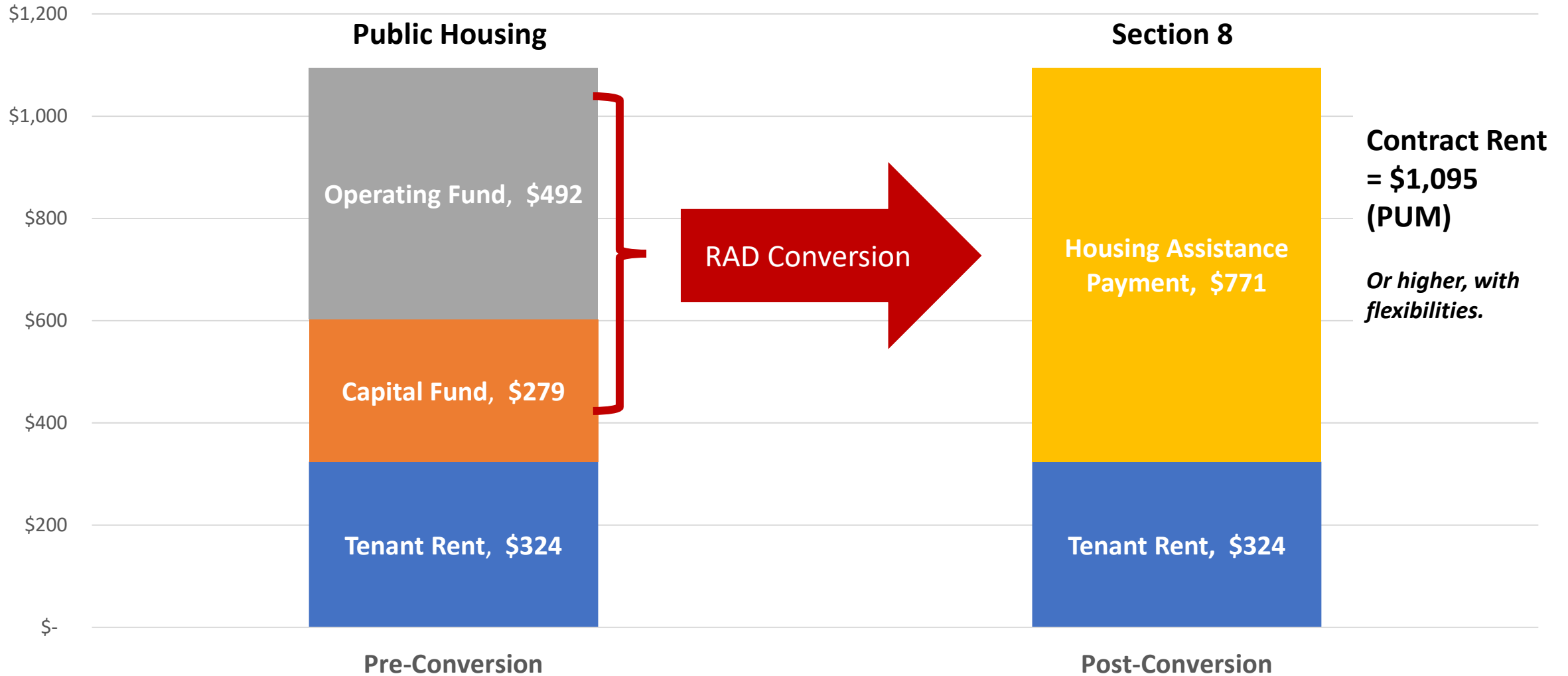
- Initial contract rent setting – HUD calculates initial contract rents based on public housing funding levels (with certain flexibilities)

For properties that qualify for a “RAD/Section 18 Blend,” a percentage of the contract rents are set based on traditional Section 8 TPV calculations, which are often higher than the RAD rents alone

- After conversion, annual increases by HUD’s operating cost adjustment factor (OCAF)
- After 20 Years:
 - PBRA: contracts renew under MAHRA (e.g., mark-up-to-market)
 - PBV: adjusted to standard PBV rents (lesser of reasonable rent or 110% of FMR)

Sample RAD Section 8 “Contract Rents”

Public Housing RAD Conversion – Sample Per Unit Monthly Funding



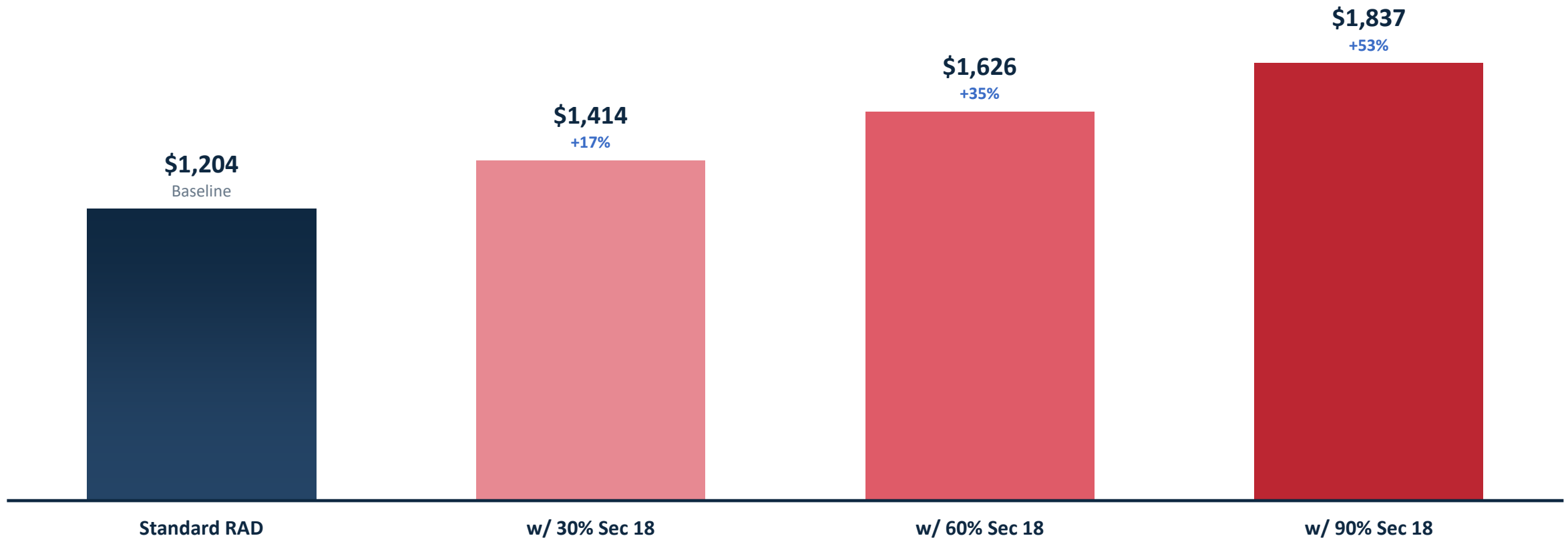
Figures based on 2024 weighted national averages.

What is a RAD/Section 18 Blend?

- In a RAD/Section 18 Blend, a percentage of the units convert through RAD and the remainder are disposed of through Section 18. The Tenant Protection Voucher (TPV) budget authority associated with the Section 18 disposition is converted to fund part of the RAD Section 8 HAP contract. All units get a blended rent.
- This can **increase the property's rental income**, allowing the PHA to undertake more extensive renovations/redevelopment than might be feasible with the RAD rent alone.
 - On average, RAD rents are about 80% of the FMR
 - RAD/Section 18 Blends close this gap, unlocking significantly more revenue
- Contract rents are also capped by PBV or PBRA program rules
- All residents benefit from the **robust RAD resident rights** regarding consultation prior to conversion, relocation, right of return, and, after conversion, ongoing public housing rights, such as the rights to organize

Contract Rents in Various RAD/Section 18 Blends

More Section 18 Units can mean Higher Contract Rents



Baseline figure is 2024 weighted national average (prior slide) and adjusted by OCAF for 2025 and 2026.
For reference, 110% of the weighted national average FMR is \$1,884.

Construction Blends

Under a Construction Blend, the contract rents are based on the proposed plans for the project.

- **Demolition and redevelopment** of a project OR **transfer of assistance** to a new location qualify for the highest blend rate (i.e., 90% Section 18 / 10% RAD)
- **Rehab** of a project qualifies for a blend on a sliding scale based on the level of construction

| Rehab Level as a percent of HUD-published “Hard Construction Costs” | Unit Mix Percentage |
|---|---|
| exceed 90% of HCC | Up to 90% Section 18 / at least 10% RAD |
| exceed 60% of the HCC | Up to 60% Section 18 / at least 40% RAD |
| exceed 30% of the HCC | Up to 30% Section 18 / at least 70% RAD |

"Workbook to Test HCC Threshold: For RAD Section 18 Blends" on the RAD Resource Desk to assess which Construction Blend tier the proposed rehab/construction level in a transaction qualifies for.

Small PHA Blends

- Under a Small PHA Blend, a PHA with 250 or fewer public housing units under its ACC **automatically qualifies** for a 90% Section 18 and 10% RAD blend.
 - **At this blend rate, nearly every project could achieve contract rents at or above the Fair Market Rents (FMRs)**
 - Sixty percent of small PHA properties could be eligible for contract rents above 110% of FMR
 - Small PHAs are not subject to the rehab thresholds associated with the “Construction Blends”
- PHAs with 50 or fewer public housing units also qualify for a “Streamlined RAD Conversion” with fewer requirements, reducing the processing burden.
- Under the Small PHA Blend, the PHA must submit a **repositioning plan** showing how the PHA will remove the remainder of its public housing assets from the public housing program.

Southeast Region Statistics

| State | Projects | PH Units | Average RAD Rent as % of FMR (weighted) | % of Units Below FMR | 90-10 Blend Rents as % of FMR (weighted) | Closed RAD Deals | Closed Units | Total Hard Costs (\$) |
|---------------------|--------------|----------------|---|----------------------|--|------------------|---------------|------------------------|
| North Carolina | 206 | 23,493 | 85.3% | 77.5% | 112.9% | 129 | 11,708 | \$552,842,279 |
| South Carolina | 89 | 11,831 | 86.1% | 71.8% | 113.2% | 32 | 2,058 | \$113,571,689 |
| Kentucky | 171 | 20,635 | 91.4% | 73.8% | 114.0% | 10 | 976 | \$146,418,642 |
| Tennessee | 127 | 18,657 | 81.6% | 87.7% | 112.2% | 108 | 14,810 | \$682,166,942 |
| Mississippi | 67 | 8,445 | 97.8% | 50.5% | 115.2% | 46 | 5,108 | \$86,634,122 |
| Georgia | 260 | 25,551 | 81.0% | 86.7% | 112.0% | 148 | 14,709 | \$917,912,033 |
| Florida | 212 | 24,142 | 60.6% | 98.0% | 108.1% | 82 | 8,040 | \$1,539,134,762 |
| Alabama | 238 | 30,276 | 100.4% | 47.7% | 115.2% | 73 | 10,069 | \$339,876,983 |
| Virginia | 100 | 13,238 | 76.1% | 88.4% | 111.3% | 64 | 4,253 | \$253,593,166 |
| West Virginia | 54 | 6,317 | 103.3% | 41.2% | 115.6% | 4 | 476 | \$0 |
| Puerto Rico | 297 | 53,007 | 136.9% | 0.3% | 122.7% | 1 | 168 | \$871,335 |
| U.S. Virgin Islands | 11 | 2,326 | 126.5% | 0.0% | 118.2% | 3 | 354 | \$145,632,421 |
| Total | 1,832 | 237,918 | 96.8% | 57.7% | 115.0% | 700 | 72,729 | \$4,778,654,374 |

How Do I Find My Contract Rents?

- HUD publishes the RAD contract rents every public housing property could receive.

RAD Rent Look-Up Tool available at <https://www.hud.gov/hud-partners/rad>

- After application and receipt of a "Commitment to enter into a HAP" (CHAP), PHAs can generate a more precise Blended Rent that can be shared with financing partners

Total Units: 116
Property Zip Code:

| | | |
|-----------|-----|-----|
| Blend: | 90% | 10% |
| Unit Mix: | 104 | 12 |

| Num Contract Units | Num Bedrooms | Utility Allowance | Reasonable Rents | Estimated Rents |
|--------------------|--------------|-------------------|------------------|-----------------|
| 35 | 2 | \$ 65 | \$1,470 | \$1,301 |
| 6 | 3 | \$ 75 | \$1,995 | \$1,807 |
| 10 | 4 | \$ 81 | \$2,097 | \$2,011 |
| 4 | 5 | \$ 99 | \$2,537 | \$2,307 |

After entering Zip Code and Reasonable Rents, Save S18 Blend Data before Calculating Estimated Blended Contract Rent.

Off-site Replacement Through Transfer of Assistance (TOA)

- RAD allows PHAs to transfer rental assistance from a poorly situated site to a better location
- TOA automatically qualifies for the highest blend rate (90%/10%), so the contract rents at the new site will typically be quite strong
- On average, TOA resulted in units being located in an area with approximately 25 percent less poverty.
- The new site is often newly constructed, but a PHA can also transfer the assistance to an existing site

Transfer of Assistance in Fort Worth, Texas

Butler Place was built in the 1940s when public housing was routinely segregated. While generations of residents build a resilient and supportive community, the property was land-locked between three highways and eventually succumbed to age and deterioration.

Over the multiple years, Fort Worth Housing Solutions used RAD to move the rental assistance from Butler Place to new Section 8 contracts across Fort Worth, deconcentrating poverty. Residents were able to select the properties and neighborhoods to which they would move.

The original Butler Place neighborhood had a poverty rate of nearly 80%. RAD enabled residents to access neighborhoods with poverty rates between 35 and 75 percentage points lower. Meanwhile, a community drive process is deciding the future use of the Butler Place land.



Key Features of RAD

Stable Funding

- Predictable initial contract rents
- Rents adjusted annually by Operating Cost Adjustment Factor (OCAF)

Recapitalization

- Capital Needs Assessment defines rehab scope of work (unless demo/ new construction)
- PHA must secure financing to address needs

Preservation

- One-for-one “hard unit” replacement (with de minimis exception)
- Ownership or control by a public or non-profit
- Long-term HAP contract must renew at each expiration
- RAD Use Agreement recorded on land

Resident Rights

- Resident right of return and prohibition against rescreening
- Public housing organizing and procedural rights continue
- “Choice-mobility” requirement

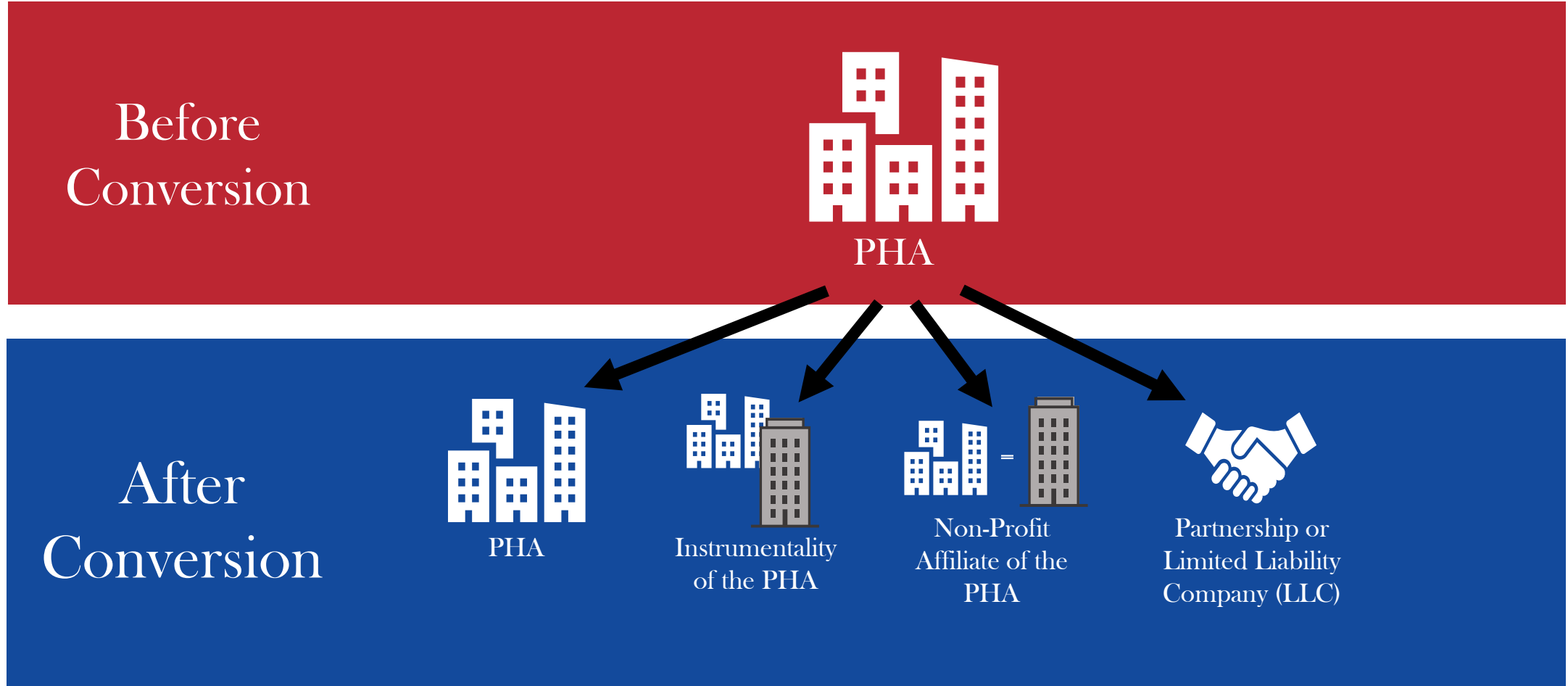
Recapitalization

- Capital Needs Assessment
 - Identifies all immediate and long-term capital needs
 - Appropriately sizes the Initial Deposit and Annual Deposits to the Replacement Reserve
 - Financing Plan must cover all needs through upfront recapitalization and/or ongoing capital “replacement reserve” deposits
- Environmental Review
 - HUD performs an Environmental Review under Part 50 for all conversions
- Substantial Conversion of Assistance
 - Conversion cannot result in a reduction of the number of assisted units by the greater of five percent or five units
 - Exceptions for consolidation of efficiencies or supportive services units
- Site and Neighborhood Standards
 - For all conversions, the owner (for PBRA) or the voucher administering agency (for PBV) will certify that the site meets site and neighborhood standards
 - All New construction subject to HUD FHEO Upfront Civil Rights Review and approval
 - Additional layers of review required when site is in an area of minority concentration

Preservation

- Through the RAD conversion, HUD will be underwriting the project to make sure that **all current and future capital needs** of the property are addressed:
 - At a minimum, all of the immediate needs of the project identified in a Capital Needs Assessment and Environmental Reports must be addressed
 - The project budget must include monthly replacement reserve deposits that over time will fund future capital repairs and replacements
- **One-for-one replacement** of subsidized, with allowance for “de minimis” reductions (e.g., up to 5%)
- Requirement for public or non-profit **mission-driven control**

Preservation - Ownership and Control



Preservation - Long-Term Affordability

- At conversion, the project will enter into a long-term Project-Based Voucher (PBV) or Project-Based Rental Assistance (PBRA) HAP contract
- HAP contract is required to be renewed at each expiration
- 20-year use agreement and subsidy contracts, which **must be** renewed every time they expire
- Affordability requirements apply to any lender or investor (i.e., in the event of foreclosure)
- HUD reviews any changes in ownership structure

Resident Protections Pre-Construction/Conversion

- All Residents will have the **right to return** to the RAD project with rental assistance if living on site at CHAP issuance
- Residents receive ample notice of the RAD conversion and the possibility of relocation (RIN and GIN)
- Tenants required to temporarily relocate will receive a URA Notice of Relocation Eligibility
- Tenants will be given at least 90 days notice (RAD Notice of Relocation) before being required to temporarily relocate
- Extensive **resident engagement** requirements



Resident Rights and Relocation

- Residents have extensive **relocation rights and protections** under both the Uniform Relocation Act and RAD
 - Notification requirements
 - Temporary housing standards
 - Development team is responsible for ensuring housing
 - No relocation can occur until RAD Conversion Commitment execution
- Common types of construction implementation and relocation:

Stay in the home

Live in a vacant unit on-site

One-time move to a renovated unit

Temporary moves to nearby public housing

Private housing the PHA rents directly

Private housing with a Housing Choice Voucher

Resident Protections Post-Construction/Conversion

- **No rescreening** of residents on “move-in” to Sec. 8
- Residents will pay 30% of adjusted income for rent and utilities
 - “Phase-in” increase if residents were paying <30% income before conversion
- Grievance and termination procedures for any adverse action
- Continued participation in self-sufficiency programs
- Right to maintain and establish a resident organization
- Right to request a tenant-based voucher after a period of residency at the converted property (“**choice-mobility**”)

RAD Conversion Process

Strategic Planning, Initial Application, and CHAP

+/- 60 days

- What do you want to do with your asset?
- Early conversations with residents and Board
- RAD application is just beginning the conversation – no commitments
- CHAP provides rent information and confirms eligibility

HUD Review and Issuance of the RAD Conversion Commitment (RCC)

+/- 90 days

- HUD reviews for long-term physical and financial viability
- HUD reviews for long-term preservation and resident protections
- Conditional approval of conversion plans
- RCC sets out terms of conversion and expected construction

Construction

0-18 months

- Work called for in the RCC is completed
- Resident relocation, if necessary
- Resident right to return
- Completion Certification

Financing Plan Development and Submission

6-24 months

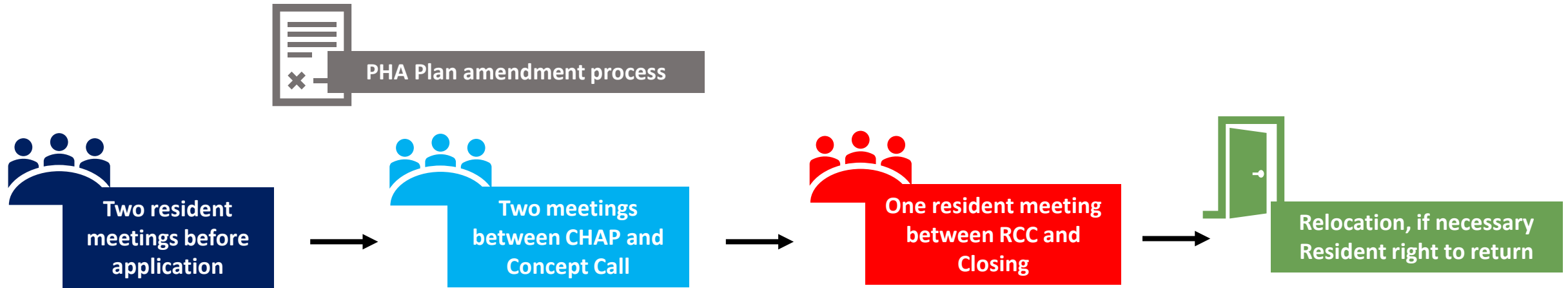
- Due Diligence (capital needs assessment, environmental, etc.) to develop scope of work
- Up-Front Civil Rights Reviews
- Resident consultation
- Secure financing commitments
- Submit Financing Plan for HUD Review

Closing and Conversion

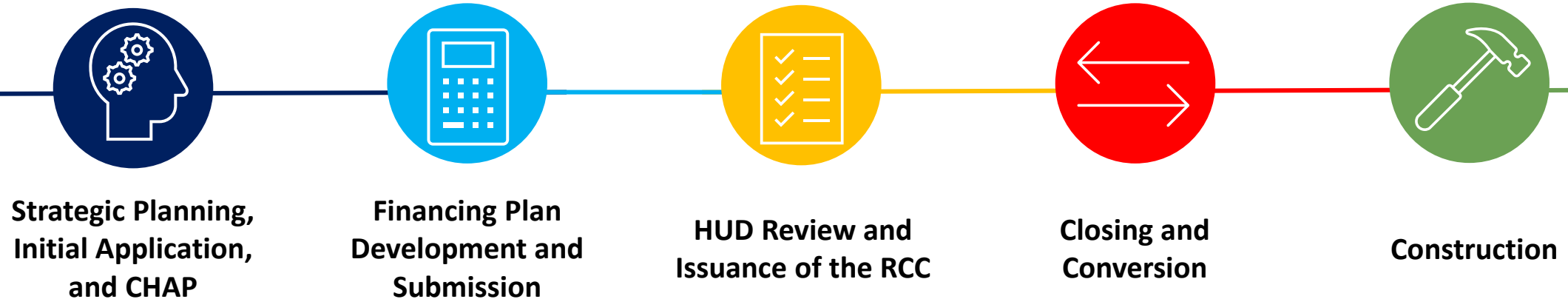
+/- 60 days

- Removal from public housing program
- Entry into Section 8 Housing Assistance Payments (HAP) Contract and RAD Use Agreement
- Residents sign new leases

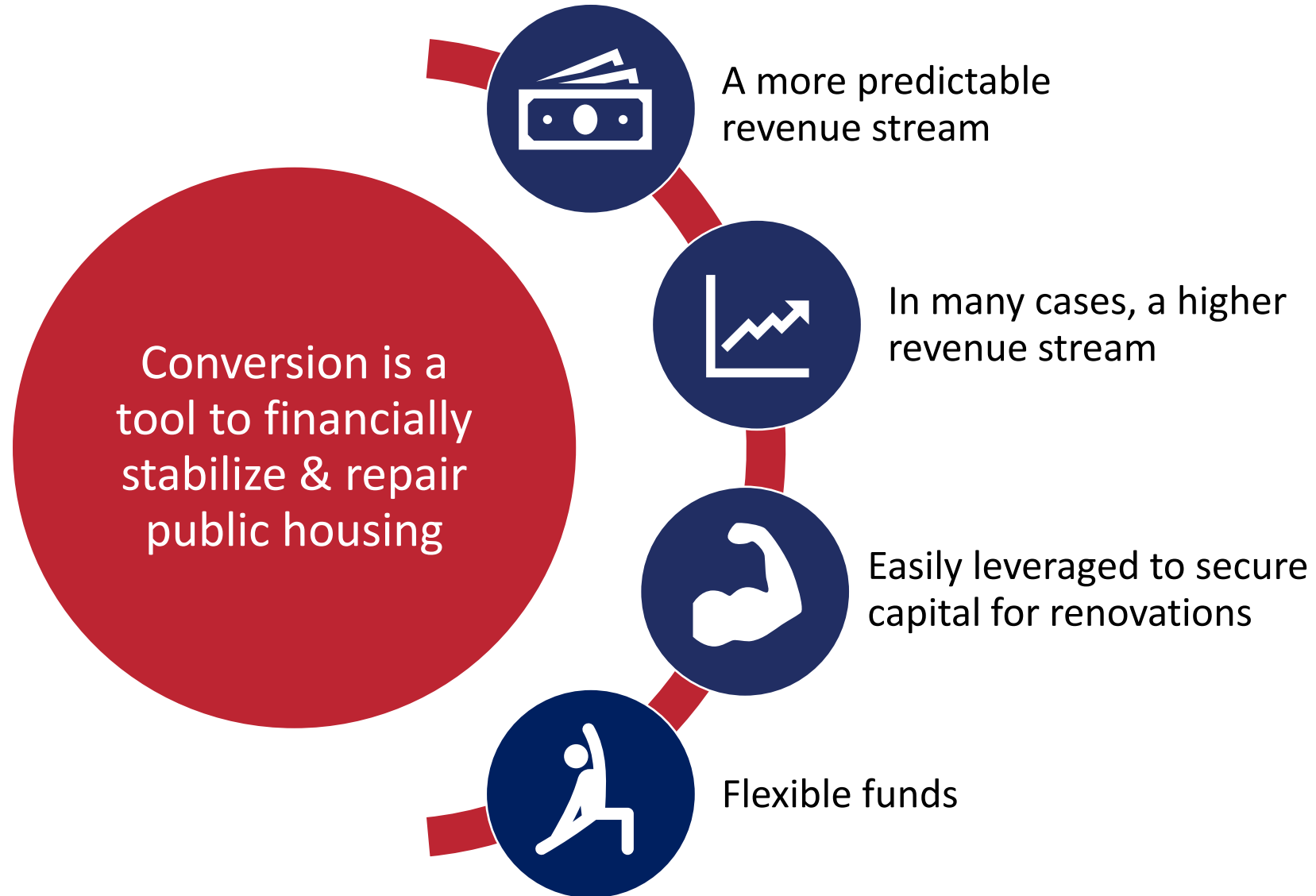
Resident Engagement



[Additional meetings may be required following any substantive changes in plans relative to what was previously discussed with residents]



Putting it Together



Key Considerations

- Potential rental revenue, considering:
 - ✓ PHA size (do you have fewer than 250 units?)
 - ✓ Extent of rehabilitation planned
- Improving the quality of the existing housing
 - ✓ Renovations
 - ✓ Tear-down and rebuild
 - ✓ Moving the rental assistance to a different property/location (“Transfer of Assistance”)
- Potential development revenue/cash flow
- Converting regulatory platform (PBV vs PBRA) and agency impacts

What have PHAs Done?

PHAs have used RAD to:

- **Modernize** aging family & elderly properties
- **Stabilize** property revenue
- **Substantial rehab** of deteriorated properties
- **Demolish and redevelop** distressed/obsolete properties
- **Transfer assistance** to better neighborhoods
- **Income mixing and thinning density** to address poverty concentrations
- **Streamline** operations

Explore Your Options

Repositioning Call

- A conversation with representatives from your HUD field office, the Office of Recapitalization (Recap), and the Special Applications Center (SAC) where you can discuss your options and receive immediate feedback on what is right for you.
- Email your HUD Field Office to set up a panel call.

Technical Assistance

- Request **free** Technical Assistance from HUD TA providers to walk you through different repositioning options and explore what meets your community's objectives.
- Email RAD@HUD.gov to request TA.

Self Service Resources

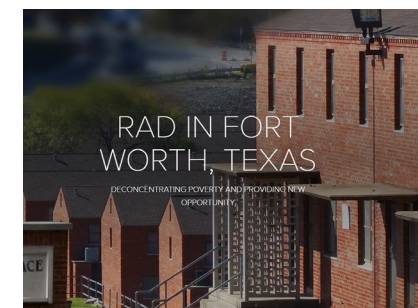
- Recap has developed a host of resources to help you walk through each step of the RAD process: <https://www.radresource.net/>

RADBlast

- Sign up for Recap's monthly newsletter [here](#) for policy and program updates and live trainings (be sure to subscribe to the "Rental Assistance Demonstration" topic)

Resources for Residents and PHAs

- Introductory Video in [English](#) and [Spanish](#)
- 15 fact sheets on various conversion topics, in 8 languages:
 - <https://www.hud.gov/hud-partners/rad-public-housing-residents#fact-sheet>
- Program overview presentations and guidebooks
- Sample resident [notices](#)
- [Choice-Mobility guidebook](#) for PHAs
- Additional products in process





<https://www.hud.gov/hud-partners/rad>

Email questions to
rad@hud.gov

We're here to help!