



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

**Office of Housing
Office of Public and Indian Housing**

Special Attention of:

Public Housing Agencies
Public Housing Hub Office Directors
Public Housing Program Center Directors
Multifamily Regional Center Directors
Multifamily Regional Satellite Office Directors
Regional and Field Office Directors
Regional Administrators
Performance Based Contract Administrators

Notice H-2025-01 PIH-2025-03 (HA)

Issued: January 16, 2025

Expires: This Notice remains in effect until amended, superseded, or rescinded.

Amends: H-2019-09/PIH-2019-23 as amended by H-2023-18/PIH-2023-19

Cross Reference: PIH-2021-07 (HA) and H-2016-17/PIH 2016-17

SUBJECT: Rental Assistance Demonstration – Supplemental Notice 4C

Purpose

This Supplemental Notice amends Notice H-2019-09 PIH-2019-23(HA) to implement certain changes to the Rental Assistance Demonstration (RAD) authorized under the Fiscal Year (FY) 2024 Appropriations Act as well as other changes.

Background

RAD is authorized by the Consolidated and Further Continuing Appropriations Act of 2012 ([Pub. L. No. 112-55](#), approved November 18, 2011), as amended by the [Consolidated Appropriations Act, 2014](#) (Pub. L. No. 113-76, approved January 17, 2014), the [Consolidated and Further Continuing Appropriations Act, 2015](#) (Pub. L. No. 113-235, approved December 16, 2014), the [Consolidated Appropriations Act, 2016](#) (Pub. L. No. 114-113, approved December 18, 2015), the [Consolidated Appropriations Act, 2017](#) (Pub. L. No 115-31, approved May 5, 2017), the [Consolidated Appropriations Act, 2018](#) (Pub. L. 115-141, approved March 23, 2018), the [Consolidated Appropriations Act, 2022](#) (Pub. L. 117-103, approved March 15, 2022), and the

[Consolidated Appropriations Act, 2024](#) (Pub. L. 118-42, approved March 9, 2024) (collectively, the “RAD Statute”).

MAJOR REVISIONS IN SUPPLEMENTAL NOTICE 4C

Implementation guidance for RAD is currently described in Notice H- 2019-09/ PIH- 2019-23 (HA) “Rental Assistance Demonstration – Final Implementation, Revision 4,” as amended (RAD Notice, Rev-4) and as amended by Supplemental 4B published July 27, 2024 (Housing 2023-08 and PIH 2023-19). This Supplemental Notice supplements and further amends RAD Notice, Rev-4 in the following respects:

Extension of Application Date. The Consolidated Appropriations Act, 2024 extended the date to September 30, 2029 by which a Public Housing Agency (PHA) may apply to convert public housing under RAD. Section I of this Supplemental Notice implements this statutory change, which impacts both stand-alone applications and applications for Portfolio Awards which allow a PHA to reserve RAD conversion authority for a set of projects (including for multiple phases of a large scale redevelopment effort and for planned projects) and that lock in the applicable contract rent in the year of the application.

RAD and Section 18 Blends. The RAD statute as amended by the Consolidated Appropriations Act, 2024 allows HUD to convert tenant protection voucher assistance to a RAD HAP Contract under either Project-Based Rental Assistance (PBRA) or Project Based Voucher (PBV) when a Converting Property partially converts Section 9 assistance under RAD and an event under Section 18 of the United States Housing Act of 1937 (the Act) occurs that results in the eligibility for tenant protection vouchers under Section 8(o) of the Act. Section II of this Supplemental Notice implements this statutory change.

Resident Services. The RAD statute as amended by the Consolidated Appropriations Act, 2024 provides waiver authority to facilitate the ongoing availability of services to residents for Jobs Plus, ROSS, and FSS programs. Section III of this Supplemental Notice extends the availability of these programs at Covered Projects, removes waivers with respect to the FSS program which are no longer needed due to the implementation of 24 CFR part 984, and clarifies the continuing availability of grant assistance through the Congregate Housing Services Program.

Waivers of Rent Adjustments by OCAF. Section IV of this Supplemental Notice describes the process by which Covered Projects may apply for a waiver to receive an exception to the requirement in RAD Notice, Rev-4 for annual adjustments to contract

rents during the initial contract term while limited to the Operating Cost Adjustment Factor.

Annual Financial Statements. Section V of this Supplemental Notice strengthens program requirements for Project Owners to submit annual financial statements to HUD or the Contract Administrator.

Extension from 14 to 30 Days' Notice for Non-payment of Rent. Section VI of this Supplemental Notice strengthens RAD resident protections by increasing termination notification timelines by adding 16 more days in the case of tenant nonpayment of rent.

Renewal After Initial Term. Section VII of this Supplemental Notice clarifies that each HAP Contract must be renewed/extended after its initial term of 15 or 20 years.

Leases. Section VIII of this Supplemental Notice provides guidance on security deposits, pet occupancy, and the use of plain language in resident leases.

Restore-Rebuild (formerly Faircloth-to-RAD). Section IX of this Supplemental Notice makes clarifying changes to resident notification requirements for Restore-Rebuild developments where the proposed project is occupied.

Financing Plan Requirements and Feasibility Benchmarks for Public Housing Conversions. Section X of this Supplemental Notice strengthens the Financing Plan Requirements and Feasibility Benchmarks for public housing properties undergoing a RAD conversion to ensure properties are sustainable and financially stable for the long term.

HOTMA PBV Rule conforming changes. Section XI of this Supplemental Notice modifies the RAD Notice, Rev-4 due to the publication of the Housing Opportunity Through Modernization Act of 2016 – Housing Choice Voucher and Project Based Voucher Implementation; Additional Streamlining Changes (HOTMA Voucher Final Rule), published in the Federal Register May 7, 2024 at [89 FR 38304](#), as corrected in a publication in the Federal Register on May 28, 2024 (89 FR 46020) and effective as of June 6, 2024.

Effective Date

Except as noted herein, the changes in this Supplemental Notice shall be effective immediately (the “Effective Date”). Further, these provisions are subject to a 30-day comment period. If HUD receives comment that would lead to the reconsideration of any of the changes contained in

this Supplemental Notice, HUD will notify the public in a new revision upon expiration of the comment period. Please submit all comments to RAD@hud.gov. Finally, any waivers or alternative requirements to statutory provisions shall take effect 10 days after such waivers are published in the Federal Register.

SECTION I: EXTENSION OF APPLICATION DEADLINE

1. Section 1.9.A is amended by adding at the end of the first paragraph the following sentence: “Applications must be submitted no later than September 30, 2029.”
2. All references to the date September 30, 2024 shall be replaced with the date September 30, 2029.

SECTION II: RAD AND SECTION 18 BLENDS

1. The Definitions section is amended to add the following definitions:

Converting Public Housing Assistance. The funding for units associated with a Converting Project whose public housing assistance is converting under RAD.

Converting TPV Assistance. The tenant protection voucher assistance resulting from an approval under Section 18 of the Act that is converting under RAD.

Legacy Non-RAD PBV. PBV assistance in a Covered Project that prior to December 31, 2024 replaced public housing at the time of conversion and that are subject to a non-RAD PBV HAP Contract.

Legacy Non-RAD PBRA. PBRA assistance in a Covered Project that prior to December 31, 2024 replaced public housing at the time of conversion and that are subject to a non-RAD PBRA HAP Contract.

RAD/Section 18 Blend. A public housing conversion that is combining RAD and Section 18 activities and that includes both Converting Public Housing Assistance and Converting TPV Assistance.

2. Section 1.5.B.2 is deleted and replaced with:

2. RAD/Section 18 Blends. A PHA can combine RAD and Section 18 activities towards the preservation of a project.

- a. In certain circumstances as determined by HUD (for additional details see Notice PIH 2021-07, or any amended or successor Notice), HUD will offer the PHA a streamlined process for securing HUD approval for a disposition under Section 18 and for a determination of eligibility for tenant protection vouchers (TPV) under section 8(o) of the Act.
- b. A PHA that has received a Section 18 approval under normal processing shall be subject to the provisions governing RAD/Section 18 Blends provided they request

and receive SAC approval to conditionally rescind the Section 18 approval for some portion of RAD eligible units (see paragraph 1.5.B.3.b below) and provided at least 10% of the total units in the Converting Project will be Converting Public Housing Assistance.

- c. If, at a Converting Project, a PHA is using 24 CFR § 970.17(b) or 970.17(c) to dispose of other units at the project justified on the grounds that disposition allows more efficient or effective on-site or off-site development (§ 970.17(b)) or to dispose for reasons and goals of the PHA in its PHA Plan (970.17(c)) (see Notice PIH 2021-07, as may be amended or succeeded, for more details), HUD may disapprove the conversion if HUD determines that the PHA's use of both RAD and disposition under sections 970.17(b) or 970.17(c) in a single project undermines the unit replacement requirements of the RAD program.
- d. Both the Converting Public Housing Assistance and the Converting TPV Assistance shall be converted to the selected form of Section 8 assistance (i.e., PBV or PBRA). All assistance converting under a RAD/Section 18 Blend will be placed under a single RAD form of HAP contract upon conversion, be subject to a single RAD Use Agreement, and be governed by the terms of this Notice for RAD PBV or RAD PBRA as applicable.
- e. All RAD relocation requirements (such as the resident notice and meeting requirements, the right to return and relocation assistance and payments as described in the Notice H 2016-17/PIH 2016-17 RAD Fair Housing, Civil Rights, and Relocation Notice, or successor notice) shall apply to residents of the units subject to a Section 18 action in lieu of the relocation requirements under 24 CFR § 970.21. The PHA must provide the same relocation rights and benefits to all residents of the Converting Project.
- f. Public housing properties that have been developed pursuant to the mixed-finance development method are eligible for RAD/Section 18 Blends.
- g. With HUD approval, for a Covered Project that previously entered into a RAD PBRA HAP Contract with Converting Public Housing Assistance and that also includes units assisted by a PBV HAP Contract, the Project Owner and PHA may request to terminate the PBV HAP Contract and enter into one single RAD PBRA HAP Contract for all of the assisted units for a term not less than the remaining term of the original RAD PBRA HAP Contract. Section 8(o)(F)(iv) of the Act and its implementing regulations in 24 CFR § 983.206(b) requiring provision of tenant-based assistance upon termination of a PBV contract shall not apply. Any residents of the PBV units shall not be re-screened for admission into the PBRA program and shall retain all choice-mobility rights of Section 1.6.D.8. of this Notice including counting the length of occupancy under the PBV HAP Contract toward the family's eligibility for choice-mobility.

Additionally, Section 8(c)(8)(A) of the Act and 24 CFR § 983.206(a) requires an owner to provide written notice of the impending Contract termination to residents not less than one year before the termination of any contract and, in the event the owner does not provide the notice required, prohibits the owner from evicting the tenants or increasing the tenants' rent payment until such time as the owner has provided the notice and one year has elapsed. An owner requesting to replace an eligible PBV contract with a PBRA contract under this Section of the Notice must comply with this requirement. However, placing the units formerly covered under a PBV contract under a PBRA contract will protect residents from displacement and protect them from an increase in the resident portion of the rent. Consequently, execution of the PBRA contract may be processed and completed during the one-year notification period.

Project Owners seeking to use this provision shall apply to HUD for approval pursuant to instructions to be separately provided by HUD at www.hud.gov/rad.

3. The second paragraph of Section 1.5.D is deleted and replaced with:

A PHA's Faircloth Limit will be reduced by the number of units that generate the Converting Public Housing Assistance. The units that generate Converting TPV Assistance shall not reduce the PHA's Faircloth Limit. For example, a PHA with a pre-RAD Faircloth Limit of 1,000 public housing units would have its Faircloth Limit reduced to 960 units if it entered into a 100-unit RAD HAP Contract utilizing Converting Public Housing Assistance from 40 ACC units and Converting TPV Assistance from 60 ACC units.

4. Section 1.6.B.5.a is deleted and replaced with:

a. MTW Fungibility. MTW agencies may use their MTW funds to set the initial contract rents higher than the normally applicable contract rent cap as described in this section. However, the initial contract rent set by the PHA is still subject to all other applicable program caps. The agency must use existing MTW funds to supplement the initial contract rent; HUD will only provide new incremental funding based on the normally applicable contract rent as described in this section. Any use of MTW funds in setting higher initial contract rents shall be subject to subsidy layering review and MTW continued service requirements, as calculated using the MTW Baseline Methodology described in Notice PIH 2013-02, or successor notice.

5. Section 1.6.B.5.c is deleted and replaced with:

c. Demolition Disposition Transition Funding (DDTF). PHAs that are scheduled to receive ongoing DDTF subsidy for an approved Section 18 action that was not part of the Converting Project may choose to forego any ongoing DDTF for the purpose of offsetting an increase to the initial RAD rent. In the case of RAD/Section 18 Blends, DDTF for which the PHA would become eligible for the units approved under Section 18 will immediately be cancelled and used to offset an increase to the initial RAD rents for the Covered Project that results from the RAD/Section 18 Blend, unless the resulting RAD rent would exceed the initial PBV contract rent cap (see Section 1.6.B.7.h) or HUD determines the Section 18 units would not have been eligible for DDTF. See [Attachment 1C](#) for the calculation of how HUD will determine the increase to the RAD rent.

6. Subsection Section 1.6.B.5.g is relabeled Section 1.6.B.5.h and a new subsection is added as Section 1.6.B.5.g, as follows:

g. Rents in RAD/Section 18 Blends. HUD will produce a single, blended rent schedule for all units resulting from a RAD/Section 18 Blend. The rent schedule will be calculated as the unit-weighted average contract rent by bedroom of:

- the Converting Public Housing Assistance using the RAD rents based on their “RAD rent base year” described in Attachment 1C, and
- the Converting TPV Assistance using the lower of 110% of the applicable FMR (or approved exception payment standard) minus any Utility Allowance or the Reasonable Rent.

The initial contract rent in a RAD/Section 18 Blend can use any of the flexibilities referenced in subsections a. through e. above.

7. With the exception to the references in Sections 1.5.L, 1.6.B.5.b, and the second paragraph in Section 1.6.C.9 all other instances of the phrase “Non-RAD PBV” shall be replaced with “Legacy Non-RAD PBV.”

8. The following sentence is added at the end of the 2nd paragraph in Section 1.7:

Conversions from a RAD/Section 18 Blend will result in a single form of RAD PBRA HAP contract for the Converting Public Housing Assistance and Converting TPV Assistance and will include all of the same requirements.

9. Section 1.7.A.5.c is deleted and replaced with:

c. Demolition Disposition Transition Funding (DDTF). PHAs that are scheduled to receive ongoing DDTF subsidy for an approved Section 18 action that was not part of the Converting Project may choose to forego any ongoing DDTF for the purpose of amending the initial RAD rent. In the case of RAD/Section 18 Blends, DDTF for which the PHA would become eligible for the units approved under Section 18 will immediately be cancelled and used to increase the initial RAD rents for the Covered Project that results from the RAD/Section 18 Blend, unless the resulting RAD rent would exceed the initial PBRA contract rent cap or HUD determines the Section 18 units would not have been eligible for DDTF. See [Attachment 1C](#) for the calculation of how HUD will determine the increase to the RAD rent.

10. A new subsection is added as Section 1.7.A.5.g, as follows:

g. Rents in RAD/Section 18 Blends. HUD will produce a single, blended rent schedule for all units resulting from a RAD/Section 18 Blend. The rent schedule will be calculated as the unit-weighted average contract rent by bedroom of:

- the Converting Public Housing Assistance using the RAD rents based on their “RAD rent base year” described in Attachment 1C, and
- the Converting TPV Assistance using the lower of 110% of the applicable FMR (or approved exception payment standard) minus any Utility Allowance or the Reasonable Rent.

The initial contract rent in a RAD/Section 18 Blend can use any of the flexibilities referenced in subsections a. through e. above.

11. The first paragraph of Section 1.13.B.6 is deleted and replaced, as follows, without any changes to sub-paragraphs a and b:

6. Funding Upon Closing. For the remainder of the first Calendar Year in which a HAP Contract is effective (the “year of conversion”), the contract will be funded as follows:

- Operating Funds and Capital Funds will be obligated to the PHA for the Covered Project at the level of public housing subsidy which the Converting Public Housing Assistance is eligible to receive regardless of the initial contract rent amount or OCAF;⁶⁵ and

⁶⁵ For example, a closing on December 10 will result in a HAP Contract that is effective on January 1 or February 1, as selected by the Project Owner. For the remainder of the Calendar Year which includes the January 1 or February 1 date, subsidy is paid from public housing funds obligated to the PHA regardless of the RAD HAP Contract rent amount or OCAF. Following conversion, the public housing units that are included in the RAD conversion will be removed from the Public Housing Information Center (PIC). This action will not impact public housing subsidy for the Covered Project for the balance of the Calendar Year.

- For a RAD/Section 18 Blend, the amount of funding available for Covered Projects will include the Converting TPV Assistance provided to the PHA (for PBV conversions) or obligated to the contract (for PBRA conversions).

12. Note 4 in Attachment 1C is deleted and replaced with:

For scenarios in which a PHA will forego DDTF to increase the initial RAD rent pursuant to Section 1.6.B.5.c and 1.7.A.5.c., HUD will provide a forecast of total Anticipated DDTF based on the RAD Rent Base Year. The RAD rent may then be increased by the following amount:

$$[\text{Total Anticipated DDTF or Undisbursed DDTF}] \div 20 \div \text{Number of Units converting under RAD} \div 12 = \text{PUM RAD Rent Increase}$$

The PUM RAD Rent Increase would be reflected in the initial rents established in the HAP Contract. The contract rents will still be subject to applicable rent caps. PHAs electing to utilize this flexibility must acknowledge through a certification that HUD will cancel all affected obligations of DDTF.

Section III: Resident Services Programs

1. Section 1.5.G is deleted and replaced with:

G. Resident Opportunity and Self-Sufficiency Service Coordinators (ROSS-SC).

With respect to ROSS, current ROSS-SC grantees will be able to finish out their current ROSS-SC grants once their project is converted under RAD and the PHAs or the new Project Owners may apply for their ROSS-SC grant to be renewed, subject to requirements of the ROSS-SC NOFO. To implement this provision, HUD is using its RAD authority to waive and establish alternative requirements to the language in the Self Sufficiency Program account in the Appropriations Acts and to Section 34 of the Act that would limit ROSS-SC to serving only public housing units or residents.

In addition, Covered Projects where the project previously received a ROSS-SC grant prior to conversion but was ineligible to renew the grant after conversion are eligible to apply for a ROSS-SC grant, subject to requirements of the ROSS-SC NOFO. Authority for this provision is provided under recent Appropriation Acts (see, for example, the FY2023 and FY2024 Appropriation Acts under the heading “Self-Sufficiency Programs”) which allow a PHA or a new owner to continue to serve (or restart service to)

residents of a project with assistance converted from public housing to RAD PBV or RAD PBRA.

All information on specific eligibility and application requirements will be described in forthcoming ROSS NOFOs. Upon completion of a ROSS-SC grant, PHAs should follow the normal closeout procedures outlined in the grant agreement. To facilitate the uniform treatment of residents and units at a Covered Project previously served by a ROSS-SC grant, any Legacy Non-RAD PBV units in a Covered Project that replace former public housing at the time of conversion shall be subject to the terms of this provision.

2. A new Section 1.5.N is added:

N. Congregate Housing Services Program (CHSP). A Converting Project that is receiving congregate housing services assistance under the Congregate Housing Services Act of 1978 (42 USC 8001-8010) or section 802 of the Cranston-Gonzalez National Affordable Housing Act (42 USC 8011), will be able to finish out their current grant once the project is converted under RAD. To facilitate the uniform treatment of residents and units at a Covered Project, any Legacy Non-RAD PBV or Legacy Non-RAD PBRA units in a Covered Project that replace former public housing at the time of conversion shall be subject to the terms of this provision.

3. Subsection 1.6.C.4 is deleted and replaced with:

4. Family Self Sufficiency (FSS). PHAs and Project Owners must follow the FSS regulations at 24 CFR part 984. Public Housing residents that are currently FSS participants must be allowed to continue to participate in the PHA's FSS program for the duration of the grant's period of performance. The PHA may continue to use any FSS funds already awarded to serve those FSS participants who live in units converted through RAD. At the completion of the FSS grant, PHAs should follow the normal closeout procedures outlined in the grant agreement and any applicable 24 CFR part 200 requirements. If the PHA continues to run an FSS program that serves public housing, HCV (including PBV), and/or PBRA participants, the PHA will continue to be eligible (subject to FSS Funding Notice requirements) to apply for FSS funding. Due to the program merger between public housing FSS and HCV FSS that took place pursuant to the FY2014 Appropriations Act (and was continued in the subsequent Appropriation Acts), no special provisions are required to continue serving FSS participants that live in public housing units converting to PBV through RAD.

4. Subsection 1.7.B.4 is deleted and replaced with:

4. Family Self Sufficiency (FSS). PHAs and Project Owners must follow the FSS regulations at 24 CFR part 984. Public Housing residents that are currently FSS participants must be allowed to continue to participate in the PHA's FSS program once their housing is converted through RAD for the duration of the grant's period of performance. The Project Owner must ensure that these participants continue to be served by an FSS program: The PBRA owner may administer their own FSS program or enter into a Cooperative Agreement with the PHA, another PHA or another owner, allowing the partner entity to provide service coordination to PBRA participants in accordance with the requirements of 24 CFR parts 984 and 877, and current and future guidance published by HUD. In all program administration scenarios, the Project Owner must submit an FSS Action Plan to HUD for approval upon RAD conversion where there are converted participants. Under a Cooperative Agreement, the Project Owner must assume responsibility for the administrative duties associated with FSS such as calculating and crediting escrow and reporting. The Project Owner may choose to continue to enroll new participants but is not required to continue enrollment if they plan to phase out the FSS program.

If, upon conversion, the PHA ceases to be a PHA and no longer has public housing or HCV participants, or if the PHA converts all units that were eligible for FSS and no longer wishes to run an FSS program, the FSS grant may be transferred to the PBRA Project Owner for the remainder of the FSS grant period of performance. Following such a transfer, an otherwise eligible entity will be identified as a renewal or new applicant under future FSS Funding Notices.

5. Subsection 1.6.C.8 is deleted and replaced with:

8. Jobs Plus. Jobs Plus grantees awarded FY2014 and/or subsequent fiscal year funds that convert the Jobs Plus target project(s) under RAD will be able to finish out their Jobs Plus period of performance unless significant relocation and/or change in building occupancy is planned. If either is planned at the Jobs Plus target project(s), HUD may allow for a modification of the Jobs Plus grant agreement and/or work plan or may, at the Secretary's discretion, choose to end the Jobs Plus program at that project (see provisions in the relevant Jobs Plus NOFO and/or Grant Agreement). If the Jobs Plus program is continued, the grantee must agree to continue to implement the program according to HUD's program requirements. During the term of the Jobs Plus grant period after conversion, residents previously enrolled in the Jobs Plus rent incentive may continue their enrollment and any project resident may enroll in services or the rent incentive after conversion. To facilitate the uniform treatment of residents and units, any Jobs Plus program at a target project(s) may also enroll residents in any Legacy Non-RAD PBV units in a Covered Project that replaced former public housing at the time of conversion

in Jobs Plus services and in the Jobs Plus financial/rent incentive. To facilitate the ongoing availability of services for resident participants of Jobs Plus, HUD is waiving and establishing an alternative requirement to the “Self Sufficiency Programs” account in the Consolidated Appropriations Act, 2024 (and subsequent Appropriations Acts, as applicable) that restricts Jobs Plus grants to serving only public housing residents.

6. Subsection 1.7.B.8 is deleted and replaced with:

8. Jobs Plus. Jobs Plus grantees awarded FY2014 and/or subsequent fiscal year funds that convert the Jobs Plus target projects(s) under RAD will be able to finish out their Jobs Plus period of performance unless significant relocation and/or change in building occupancy is planned. If either is planned at the Jobs Plus target project(s), HUD may allow for a modification of the Jobs Plus grant agreement and/or work plan or may, at the Secretary’s discretion, choose to end the Jobs Plus program at that project (see provisions in the relevant Jobs Plus NOFO and/or Grant Agreement). If the Jobs Plus program is continued, the grantee must agree to continue to implement the program according to HUD’s program requirements. During the term of the Jobs Plus grant period after conversion, residents previously enrolled in the Jobs Plus rent incentive may continue their enrollment and any project resident may enroll in services or the rent incentive after conversion. To facilitate the uniform treatment of residents and units in a Jobs Plus program at a target project(s), any Jobs Plus program at a target project(s) may also enroll residents in any Legacy Non-RAD PBRA units in a Covered Project that replaced former public housing at the time of conversion in Jobs Plus services and in the Jobs Plus financial/rent incentive. To facilitate the ongoing availability of services for resident participants of Jobs Plus, HUD is waiving and establishing an alternative requirement to the “Self Sufficiency Programs” account in the Consolidated Appropriations Act, 2024 (and subsequent Appropriations Acts, as applicable) that restrict Jobs Plus grants to serving only public housing residents.

SECTION IV: WAIVERS OF RENTAL ADJUSTMENTS BY OCAF

The RAD Statute allows HUD to set annual rent adjustments by an operating cost factor. HUD uses the annually published Operating Cost Adjustment Factor (OCAF) for this factor. HUD acknowledges that this methodology may not fully capture increases in operating costs for all Covered Projects. HUD may consider individual waivers of the annual rent adjustment in extraordinary circumstances.

In extraordinary circumstances, a Project Owner may request a waiver of the rental adjustment by OCAF and receive a rental adjustment by an alternative operating cost factor. Project Owners requesting a waiver of the rental adjustment by OCAF must submit a request with documentation

demonstrating the need for an alternative operating cost factor rental adjustment in order to preserve the Covered Project. The submission to the Office of Recapitalization must be consistent with instructions published on www.hud.gov/rad. The documentation will allow the Office of Recapitalization to determine if there is good cause to grant the waiver. If the Owner has demonstrated the need for the waiver, the Office of Recapitalization may grant the waiver and will determine the appropriate alternative operating cost factor and resulting rents. For PBV, the Contract Administrator must consent to the request and their consent must be evidenced in the Project Owner's documentation.

SECTION V: ANNUAL FINANCIAL STATEMENTS

1. Section 1.6.D.2 is deleted and replaced with the following:

2. Review of Financial Documents. The Project Owner must submit to the administering PHA's Board the operating budget for the Covered Project annually. When timely requested by the Contract Administrator, the Project Owner must also submit property-specific audited year-end financial statements within a reasonable time established by the Contract Administrator. The Contract Administrator must confirm that the Project Owner is making deposits into the Reserve for Replacement account in accordance with the RCC as well as assess the financial health of the Covered Project.⁴⁰

2. Section 1.7.C.7 is deleted and replaced with the following:

7. Submission of Year-End Financial Statements. Projects converting assistance to PBRA must comply with 24 CFR part 5, Subpart H, as amended, revised, or modified by HUD and must file annual financial statements to HUD in accordance with the following provisions.⁵⁹ HUD may require the Project Owner to amend the HAP Contract to incorporate these requirements:

- a. Within ninety (90) days, or such alternative period established in writing by HUD, following the end of the Project Owner's fiscal year, the Project Owner shall prepare a financial report for the Project Owner's fiscal year, or the portion thereof that started with the Project Owner's assumption of the HAP Contract, based on an examination of the books and records of the Project Owner in

⁴⁰ For PBV conversions that are not FHA-insured, a future HUD notice will describe project financial data that may be required to be submitted by a PBV owner for purposes of monitoring and evaluation, given that PBV projects do not submit annual financial statements to HUD/REAC.

⁵⁹ This provision is included to clarify existing requirements for PHAs that own PBRA-assisted projects through Single Asset Entities. Such owners are considered reporting entities under 24 CFR § 5.801 (a)(3) and (a)(4).

accordance with generally accepted accounting principles and in such other form and substance as specified by HUD in supplemental guidance, and provide such report to HUD in such form, substance, and manner as may be specified by HUD under the Uniform Financial Reporting Standards at 24 CFR § 5.801 (“UFRS”), or any successor regulations.

- b. Unless specifically waived or modified by HUD or to the extent otherwise exempt, the Project Owner shall: (a) engage an independent, licensed Certified Public Accountant (“CPA”) to audit the Project Owner’s annual financial report and to produce an audit report in accordance with both Generally Accepted Government Auditing Standards and Generally Accepted Auditing Standards; (b) engage an independent, licensed CPA to perform an agreed-upon procedure, in accordance with the American Institute of Certified Public Accountants Statement on Standards for Attestation Engagements, to compare the financial data template information submitted electronically by the Project Owner to HUD against the annual financial report examined by, and the audit report prepared by, the independent, licensed CPA, and report any variances to HUD; and (c) furnish to the Contract Administrator and HUD (if a PHA is the Contract Administrator) the audit report, and any other reports relating to the annual financial report or the audit report as required by HUD, by such means and in such form, substance, and manner as may be specified by HUD under UFRS, or any successor regulations.
- c. To the extent certain non-profit Project Owners’ requirement to submit annual financial reports may be waived or modified by HUD, or such Project Owners may otherwise be exempt from compliance, such waiver, modification, or exemption shall not be construed to relieve the Project Owner of any requirements of this provision, except for those requirements specifically waived, modified, or from which they are exempt.
- d. If the Project Owner fails to perform as required pursuant to this provision, the Contract Administrator or HUD (if a PHA is the Contract Administrator) may, at its sole election, and in a manner determined by HUD, and without affecting any other provisions herein, and after first providing to the Project Owner a notice of default of the HAP Contract with a reasonable opportunity to cure, initiate or cause to be initiated a forensic audit of the Project Owner’s books, records, and accounts in such a manner as to provide to the Contract Administrator and HUD (if a PHA is the Contract Administrator) with as much of the same information that would have been provided had the Project Owner not failed to perform as required. Any such audit initiated by the Contract Administrator or HUD does not relieve Project Owner of the requirement to submit to the Contract Administrator and HUD (if a PHA is the Contract Administrator) an annual audited financial report as required pursuant to this provision.

SECTION VI: NOTICES FOR NONPAYMENT OF RENT

1. Section 1.6.C.6.a.ii is deleted and replaced with:

- ii. Not less than 30 days in the case of nonpayment of rent and in conformance with the terms of the Tenancy Addendum (HUD Form 52530c or replacement form); and

2. Section 1.7.B.6.a.i.2 is deleted and replaced with:

- 2. Not less than 30 days in the case of nonpayment of rent and in conformance with 24 CFR part 247; and

3. Attachment 1E, Paragraph a.i.2 is replaced with:

- 2. Not less than 30 days in the case of nonpayment of rent and in conformance with 24 CFR part 247; and

SECTION VII: RENEWAL AFTER INITIAL TERM

1. A new sentence is added at the end of Section 1.6.B.2:

After the expiration of a 20-year initial term of the HAP Contract, the HAP Contract shall be renewed on a form approved by HUD, which shall include language that requires rents to be re-determined in accordance with 24 CFR §§ 983.301 and 983.302. If the RAD PBV HAP Contract was renewed or extended prior to the 20th year after conversion, then starting with the 20th year after execution of the original RAD PBV HAP Contract, contract rents shall be re-determined in accordance with 24 CFR § 983.302 or successor regulation.

2. A new sentence is added at the end of Section 1.7.A.2:

The renewal contract shall have contract rents set in accordance with the renewal options available under MAHRAA (see [Section 8 Renewal Guide](#), as may be amended).

SECTION VIII: LEASES

1. Section 1.13.B.2 is replaced with the following:

2. Leases. PHAs must provide residents with notification of public housing lease termination in accordance with 24 CFR § 966.4(1)(3) and in accordance with local law, and shall enter into new Section 8 leases effective as of the effective date of the HAP Contract. As part of the RAD Closing package, PHAs must provide a copy of the sample Section 8 tenant lease including all riders and addenda (i.e., House Rules) for HUD review. For PBRA conversions, PHAs must use the HUD Model Lease (Form HUD-90105a), including an approved RAD lease addendum. For PBV conversions, there is no model lease. However, the PHA/Project Owner of a PBV Covered Project must ensure that the proposed tenant lease meets the requirements in 24 CFR § 983.256, that the required Tenancy Addendum (HUD Form 52530c or replacement form) is included, and that the lease incorporates the tenancy provisions provided under this Notice. For both PBRA and PBV properties, the lease terms and provisions, including all addenda and referenced documents such as House Rules, must:

- a. Be reasonable, use plain language, and must not contain provisions that conflict with resident rights described in this Notice or requirements of the PBV or PBRA programs (as applicable). The lease, including all riders and addenda, must also be available in multiple languages as needed and written in a manner accessible to people with disabilities. Furthermore, tenant leases and House Rules should not be onerous or difficult for residents to understand, and should not impose overly restrictive rules about what residents may or may not do in their homes. HUD reserves the right to reject or require revisions to leases if they are deemed unreasonable or otherwise do not conform to the aforementioned requirements.
- b. Not require a new security deposit for residents in-place at the time of conversion,
- c. Not prohibit residents' pets in-place at the time of conversion. Owners are encouraged to adopt reasonable policies permitting pets and are required to permit residents with disabilities to have service or assistance animals.
- d. For any residences that qualify as "target housing" under 42 U.S.C. 4851b, each lease must comply with the Lead Disclosure Rule, as codified in 24 CFR part 35, subpart A.

SECTION IX: RESTORE-REBUILD, FORMERLY KNOWN AS FAIRCLOTH-TO-RAD

1. All references to "Faircloth-to-RAD" shall be replaced with "Restore-Rebuild."
2. Section 1.8.I.1. is deleted and replaced as follows:

1. If the impacted property is occupied, Sections 1.8.A through 1.8.D shall apply with the following modifications unless otherwise approved by HUD. The PHA must have complied with resident notification and meeting requirements as described in Section 1.8.A. prior to submission of the public housing acquisition, mixed finance development, or other development proposal. References to the Concept Call in Section 1.8.B shall be deemed to be references to HUD approval of the public housing acquisition, mixed finance development, or other development proposal pursuant to the applicable provisions of 24 CFR part 905. References to Closing in Section 1.8.C shall be deemed to be the Closing of the RAD conversion.

SECTION X: FINANCING PLAN REQUIREMENTS AND FEASIBILITY BENCHMARKS FOR PUBLIC HOUSING CONVERSIONS

The provisions of this Section X shall be effective for any transaction that has not submitted a complete Financing Plan on or before the 90th day following the Effective Date, unless otherwise approved by HUD. All other transactions will be subject to the previous provisions of the RAD Notice, Rev-4.

1. Section 1.4.A.3. is deleted and replaced with:

3. Environmental Review. Under Federal environmental review requirements, proposed RAD projects are subject to environmental review under either 24 CFR part 50 or 24 CFR part 58, as applicable. HUD has made a determination under 24 CFR § 58.11(c) that all conversions will be subject to an environmental review under part 50. Environmental documents are required to be submitted no later than the applicant's Financing Plan.⁹ HUD will not issue an RCC if the project plan does not meet the environmental review requirements described in Attachment 1A. Once an awardee has submitted an application for a specific project, they may not make any choice limiting actions before the completion of the environmental review.¹⁰

⁹ Under Part 50, HUD staff complete the review in conjunction with the Financing Plan review and therefore the PHA should submit full environmental review documentation no later than the Financing Plan submission. HUD may require earlier submission in order to ascertain whether a conversion has sufficiently advanced (see Section 1.12 for discussion of the Concept Call).

¹⁰ A choice limiting action means an action that would have an adverse impact on the environment or limit the choice of reasonable alternatives. A choice limiting action may include, but is not limited to, real property acquisition, demolition, disposition, rehabilitation, repair, new construction, site preparation or clearance, and ground disturbance. For more information see the Environmental Review Requirements for RAD Conversions Quick Reference Guide: <https://www.hudexchange.info/resource/4216/environmental-review-requirements-for-rad-transactions/>.

2. Footnote 21 following the first sentence of Section 1.4.B.6 is deleted and replaced with:

²¹ PHAs, Project Owners, and the source of the grant funds shall determine, based on local conditions, whether funds are structured as grants or as loans pursuant to the terms of Section 1.4.B.1. The same source, such as CDBG funds or public housing Capital Funds, could be structured in either manner. Repayment may be required from cash flow when the debt is in good standing and from any available source with respect to balloon payments at maturity and accelerated payments following a declaration of default and expiration of any applicable cure period.

3. Subparagraph C.1. in Attachment 1A is deleted and replaced with:

1. Identify and address all repairs identified in the CNA as critical, immediate or required within the first two years following conversion (including all items identified in the CNA as not functioning at the time of the CNA site visit). Briefly discuss any differences between the proposed Work and the conclusions and recommendations of the CNA provider; any additional scope items not identified in the CNA; and the Project Owner's choices for replacement components.

4. Subparagraph C.8 in Attachment 1A is deleted and replaced with:

8. For all existing buildings located in a FFRMS floodplain as determined by 24 CFR § 55.7, the PHA must submit an appraisal. The appraisal must determine the market value of the building(s) either before the improvement or repair is started, or if this structure has been damaged and is being restored, before the damage occurred. If the total cost of work exceeds 50% of the market value, or if the conversion increases the total number of project units by 20%, the work is considered to be a substantial improvement in accordance with 24 CFR § 55.2(b)(12), and FFRMS requirements are triggered under 24 CFR § 55.20. Further, 24 CFR § 55.2(b)(12)(ii) states substantial improvement may not be defined to include either: (a) Any project for improvement of a structure to comply with existing state or local health, sanitary or safety code specifications that is solely necessary to assure safe living conditions, or (b) Any alteration of a structure listed on the National Register of Historical Places or on a State Inventory of Historic Places. If a building(s) will be new construction, an appraisal is not required and compliance with 24 CFR § 55.20 is required.

For buildings outside of FFRMS floodplains and therefore not covered under the FFRMS rule, PHAs are encouraged to consult other sources (e.g., historical flooding of neighboring sites, NOAA Sea Level Rise Viewer, Flood Factor) to consider and design to future flood risk.

5. Attachment 1A, Section D is deleted and replaced with:

D. Environmental Review. HUD cannot approve an applicant’s Financing Plan submission unless and until the required environmental review has been completed for the applicant’s proposed conversion project and found to meet environmental review requirements. The following describes the submission and approval steps for securing a completed environmental review.

All RAD transactions will be reviewed under 24 CFR part 50 (“Part 50 Reviews”) by HUD.

For multi-phase developments, the environmental documents submitted with the Financing Plan during the first phase must be submitted for the entire site (i.e. all of the phases of the multi-phase development) and the environmental review conducted during the first phase will cover the entire site.

For requests to transfer assistance from the Converting Project, the new site where the Covered Project will be located is subject to a Part 50 Review. For the Converting Project, as a condition of releasing the DOT on the Converting Project, the Converting Project must undergo a Part 58 Environmental Review, completed by the Responsible Entity. This Part 58 review is distinct from the required Part 50 requirements for the Covered Project.

The following table shows which review protocol a transaction will follow, along with who will conduct the review:

Transaction Type	Review Performed Under	Review Performed by
PBRA Non-FHA PBRA FHA Risk-Share PBV Non-FHA PBV FHA Risk-Share	Part 50	RAD Transaction Manager
PBRA FHA Non-Risk Share PBV FHA Non-Risk Share	Part 50	FHA Production Underwriter
Release of DOT following a Transfer of Assistance	Part 58	Responsible Entity

For transactions receiving funding from other HUD programs (i.e. HOME, CDBG, non-RAD PBV), HUD encourages all parties to complete one review for all programs, even if these programs’ environmental reviews are conducted under a different review protocol (Part 50, Part 58). In cases where two Part 58 programs are combined, HUD encourages applicants to work with the Responsible Entity to see if environmental reviews can be combined. However, this is solely the Responsible Entity’s determination. In cases where

a Part 50 program and a Part 58 program are combined, HUD may determine that it will perform one Part 50 environmental review for both programs under 24 CFR § 58.11 if performing an additional Part 58 environmental review is not feasible in the time allotted. HUD must ensure that the Part 50 review considers the full scope of all activities and funding associated with all programs. When one review is used for both programs, the HUD Approving Officials for both programs must certify the review.

For all Part 50 reviews, the applicant must submit reports and documentation to HUD in accordance with 24 CFR part 50, as discussed in Chapter 9 of the MAP Guide, except as follows:⁷⁷

1. For all RAD conversions without FHA insurance and without any rehabilitation, construction, or demolition,⁷⁸ HUD has conducted the first (program-wide) tier of a tiered review of program-wide and site-specific compliance. HUD has made program-wide compliance determinations for most of the applicable environmental laws and authorities, and will complete a site-specific compliance review of the following:
 - A. Coastal protection pursuant to the Coastal Barrier Resources Act, as amended by the Coastal Barrier Improvement Act of 1990 (16 U.S.C. 3501);
 - B. Flood insurance and floodplain management pursuant to the Flood Disaster Protection Act of 1973, the National Flood Insurance Reform Act of 1994 (42 U.S.C. 4001-4128 and 42 U.S.C. 5154a), Executive Order 11988, particularly section 2(a), and 24 CFR part 55;
 - C. Contamination pursuant to 24 C.F.R. 50.3(i) (HUD Standard).
 - D. Radon pursuant to the protocols set by the American Association of Radon Scientists and Technologists, Protocol for Conducting Radon and Radon Decay Product Measurements in Multifamily Buildings (ANSI-AARST MAMF-2017) that includes testing 100% of ground floor units and at least 10% of upper floor units in all buildings included in the Covered Project. PHAs are to follow the radon requirements detailed in Section 9.6.3 of the MAP Guide (or successor versions).

⁷⁷ The MAP Guide is available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/guidebooks/hsg-GB4430. Additional guidance on environmental review requirements is available on the HUD Environmental Review website, at <https://www.hudexchange.info/environmental-review/>.

⁷⁸ This is further defined as those transactions that do not anticipate any reasonably foreseeable repairs or other physical activities beyond maintenance, as defined in HUD Notice CPD 2016-02 (or future successor Notice).

Additionally, while Historic Preservation (National Historic Preservation Act of 1966, particularly sections 106 & 110; 36 CFR part 800) is not included in the tiered review, for conversions that entail no physical activities or only activities that are limited to maintenance as defined in HUD Notice CPD-16-02, HUD has no further obligations under Section 106. HUD is not required to contact SHPO, THPO, and/or other interested parties or the public.⁷⁹

PHAs will be required to submit documentation to facilitate HUD's site-specific review. Refer to <https://www.hudexchange.info/resource/5799/site-specific-environmental-review-form-for-part-50-rad-conversions/> for additional information.

2. For all RAD Conversions that do not meet the requirements under paragraph 1 above, the awardee will follow the guidelines in Chapter 9 of the MAP guide. Awardees will upload all applicable documentation directly into HEROS at the time of Financing Plan submission. The following exceptions to the MAP Guide apply:

- In lieu of a Phase I Environmental Site Assessment (ESA) in accordance with ASTM E 1527-21 (or the most recent edition),⁸⁰ except for conversions involving substantial rehabilitation or new construction activities, Awardees may submit a more limited report on potential sources of contamination. Where a Phase I ESA is not required (i.e., projects without any associated substantial rehabilitation⁸¹ or new construction), the Awardees can submit a “transaction screen” in accordance with ASTM E 1528-22 (or the most recent edition). A transaction screen will identify potential environmental concerns based on questionnaires, owner/occupant inquiry, site visit, government records inquiry and historical sources inquiry. The transaction screen must be prepared by a qualified professional, in accordance with 24 CFR § 50.3(i)(4). As the definition of preparer in ASTM E 1528-22 does not meet this requirement, the environmental professional, as defined by the

⁷⁹ This Determination is detailed in the “Determination of ‘No Potential to Cause Effects’ under Section 106 of the National Historic Preservation Act for Rental Assistance Demonstration (RAD) Projects Limited to Maintenance Activities and Carried Out Under 24 CFR part 50.” See <https://www.hudexchange.info/resource/3865/no-potential-to-cause-effects-to-historic-properties-memos/>.

⁸⁰ The Transaction Screen does not meet the standard for “All Appropriate Inquiries” for CERCLA liability protection, as noted in ASTM E 1528-22 Section 4.2.1.

⁸¹ Substantial rehabilitation is any rehabilitation that does not meet the conditions in 24 CFR § 50.20(a)(2) for exclusion from review under the National Environmental Policy Act. Applications to RAD for conversion assistance involving substantial rehabilitation or new construction will always require a Phase I ESA in accordance with ASTM E 1527-21.

EPA's AAI Final Rule, must have either (a) A state- or tribal-issued certification or license and three years of relevant, full-time work experience, (b) A bachelor's degree or higher in science or engineering and five years of relevant, full-time work experience, or (c) Ten years of relevant, full-time work experience. If any potential environmental concerns are identified, an ASTM Phase I ESA in accordance with ASTM E 1527-21 (or the most recent edition) must be provided.

- Awardees may submit a Phase I ESA that is up to 5 years old upon submission; however, it must be updated by a Transaction Screen that is up to 1 year old upon submission.

PHAs (or their vendors) must submit environmental reports and documentation⁸² for HUD review into the HUD Environmental Review Online System (HEROS), where HUD will complete its review.

HUD staff will review the submissions and may require additional information in order to complete their review. HUD's review will result in a determination, which may stipulate the rejection of the site for this demonstration or may require the completion of mitigation measures. The RCC will include any conditions required to carry out any and all mitigation measures as may result from the environmental review. Any conditions or mitigation that cannot be satisfied before Closing will survive Closing and remain as a Covered Project Owner obligation to complete.

6. A new subparagraph F.7 in Attachment 1A is added, as follows:

7. To ensure that a PHA has adequate funds should operating expenses such as utilities, management fees, management staff salaries, maintenance, real estate taxes, and insurance exceed the gross rent potential of the Covered Project, HUD will require conversions without the use of Low Income Housing Tax Credits or commercial debt to include an operating reserve equal to six months of stabilized operating expenses, excluding monthly deposits to the replacement reserve.

The operating reserve may be held or escrowed at the Covered Project level and may only be used for the benefit of the Covered Project.

7. Subparagraph I.5.i. in Attachment 1A is deleted and replaced with:

⁸² PHAs and providers should take care to respond to all applicable laws and authorities and MAP-specific requirements when providing documentation for environmental review. For all maps, please clearly indicate where the project site is located. Information about HEROS and how to register can be found at <https://www.hudexchange.info/programs/environmental-review/housing/#heros>.

i. For non-leveraged transactions (i.e. transactions that will not be taking on any new hard debt as part of the conversion), the Operating Expense Ratio, calculated as all operating expenses and required deposits to the capital replacement reserve divided by gross potential income, must be no greater than 80% within the first five years of stabilized operations. For leveraged transactions (i.e. transactions that will be taking on new hard debt as part of the conversion), the debt-coverage ratio should not be less than 1.11 over a ten-year period using 2% growth in revenue and 3% growth in expenses.

SECTION XI: HOTMA CONFORMING CHANGES

This Notice makes the following changes to the RAD Notice due to the implementation of the HOTMA Voucher Final Rule. HUD is making technical changes to the RAD Notice to update regulatory references and language and certain non-technical changes to resolve conflicts between the RAD Notice and the HOTMA Voucher Final Rule. In the event that these technical changes to the RAD Notice do not resolve all apparent conflicts, HUD will continue to apply the RAD Notice's waivers and alternative requirements consistent with the PBV requirements in effect prior to the HOTMA Voucher Final Rule and the comparable provisions as they appear following the HOTMA Voucher Final Rule.

1. The following Definitions are modified:

- The definition for "HOTMA Implementation Notice" is deleted in its entirety.
- *The definition for "Housing Quality Standards" is replaced with "The minimum quality standards developed by HUD in accordance with [24 CFR § 5.703](#) for the PBV program, including any variations approved by HUD for the PHA under [24 CFR § 5.705\(a\)\(3\)](#)."*
- The footnote in "Project" is revised to read, "The definition of "project" in 24 CFR § 983.3 is used to determine how many PBV HAP Contracts must be entered into."
- The definition of "Tenant Protection Vouchers" is deleted.

2. The first paragraph of the introductory language appearing at Section 1.6 is deleted and replaced with the following, and the final paragraph is deleted:

Under the Demonstration, HUD has the authority to waive statutory and regulatory provisions governing the PBV program, or to establish alternative requirements for the effective conversion of assistance. Additionally, the RAD Statute imposes certain unique requirements and authorizes HUD to establish requirements for converted assistance under the Demonstration. Conversions of public housing properties through RAD, including conversions through a RAD/Section 18 Blend, will be subject to the requirements below and in this Notice, and as reflected in the RAD PBV HAP Contract. Consequently, there are fundamental differences in the process, structure and function in

RAD PBV conversions of public housing properties as compared to the traditional PBV program.

3. Section 1.6.A.1 is deleted in its entirety and replaced with

Maximum Number of PBV Units (Percentage Limitation). RAD PBV units in Covered Projects do not count against the percentage limitation (program cap) applicable to the PBV program. Per 24 CFR § 983.6(e), units that meet the requirements of 24 CFR § 983.59 that were previously subject to federally required rent restrictions or received one of the listed forms of HUD assistance do not count toward the program cap. Furthermore, HUD is waiving section 8(o)(13)(B) of the Act as well as 24 CFR § 983.6(a)-(b) with respect to RAD PBV units and Legacy Non-RAD PBV units within a Covered Project when such units replace public housing units at the time of the conversion at a new location. Any additional PBV units subsequently placed at the former public housing site would not be excluded from the percentage limitation applicable to the PBV program. In other words, the number of PBV units excluded from the PHA's PBV program cap cannot exceed the number of former public housing units that those PBV units are replacing through the course of the RAD conversion. All PBV units in a Covered Project that replace former public housing units at the time of conversion are excluded from both the numerator and the denominator when calculating the percentage of vouchers that may be project-based by a PHA.

4. Section 1.6.A.2 is deleted in its entirety and replaced with:

Cap on Number of PBV Units in Each Project (Income-Mixing requirement). There is no cap on the number of units that may receive RAD PBV assistance in each project. Under 24 CFR § 983.54(c)(3), units excluded under 24 CFR § 983.59 that were previously subject to federally required rent restrictions or received one of the listed forms of HUD assistance do not count toward the project cap. For any RAD PBV and Legacy Non-RAD PBV units in Covered Projects not already excluded under 24 CFR § 983.59, including transfers of assistance to a new location, HUD is waiving section 8(o)(13)(D) of the Act, as well as related provisions of 24 CFR § 983.54. Accordingly, units under the contract may not be "excepted" for a specified purpose.

5. Section 1.6.A.3 is deleted in its entirety and replaced with:

Proposal and Project Selection Procedures. A PHA is not required to follow competitive selection procedures for units that will be subject to a RAD PBV HAP Contract. Accordingly, HUD is waiving 24 CFR § 983.51(b) (which also renders the selection procedures at 24 CFR § 983.51(c), (d), (h), and (i) inapplicable) with regard to units that will be subject to a RAD PBV HAP Contract. 24 CFR § 983.51(e)(2) does not apply, since HUD has waived the definition of existing housing for RAD PBV projects

under the First Component of the Demonstration. HUD is also waiving 24 CFR § 983.51(f), such that no written notice of proposal or project selection is required for units that will be subject to a RAD PBV HAP Contract. HUD is establishing an alternative requirement at 24 CFR § 983.51(g) to specify that the proposal or project selection date (as the term is used throughout 24 CFR part 983, where applicable) is the date of execution of the RAD PBV HAP Contract. 24 CFR § 983.51(a) (General Procedures), (e)(1) (inspection required prior to selection to determine site selection standards compliance), (j) (inapplicability of previous participation clearance) and (k) (exclusions from Federal procurement) continue to apply, except that the PHA is not required to describe in the PHA Administrative Plan the procedures for owner submission of RAD PBV proposals and PHA selection of PBV proposals for RAD PBV projects. To facilitate the uniform treatment of residents and units at a Covered Project, any Legacy Non-RAD PBV units in the same Covered Project, shall be subject to the terms of this provision. Any additional PBV units placed at the Covered Project would be subject to all of the requirements of 24 CFR § 983.51.

5. Section 1.6.B.9 is deleted in its entirety and replaced with:

Applicability of PBV Housing Types, Execution of RAD PBV HAP Contract, and RAD Rehab Assistance Payments. For public housing conversions to PBV, the project will not be classified as one of the housing types defined in the PBV regulations (i.e., “existing housing,” “rehabilitated housing,” or “newly constructed housing”). Accordingly, regulations as well as other requirements that stem from a project’s classification as “existing housing,” “rehabilitated housing,” or “newly constructed housing,” shall not apply until HUD has accepted the certification of Work completion under the RCC. Following the completion of Work, the contract shall be subject to all PBV requirements that apply to “existing housing.”

The PHA and Project Owner will enter into a RAD PBV HAP Contract and will follow the requirements in this Notice with regard to conditions for entering into the HAP contract, executing the HAP contract, and conducting any Work. Except as provided under Section 1.4.A.12 (Transfers of Assistance), the RAD PBV HAP Contract will take effect before any Work begins.

During the period of Work identified in the RCC, standard HAP Contract funding procedures will be used for occupied units. Units covered under the RAD PBV HAP Contract that are not occupied at any point during the period of Work identified in the RCC may be eligible, subject to the conditions below, for Rehab Assistance Payments equal to the Public Housing Operating Fund and the Capital Fund amounts that formed the basis for the calculation of initial contract rents (see Attachment 1C). During the period of rehabilitation or construction as identified in the RCC, the maximum number of

units for which a Project Owner can receive RAD Rehab Assistance Payments is limited to the number of units eligible for Operating Fund or Capital Fund subsidy prior to conversion. As a result, some units in the Covered Project may not be eligible for Rehab Assistance Payments.

The Project Owner will no longer be eligible to receive RAD Rehab Assistance Payments upon the earlier of completion of the Work or expiration of the time period identified in the RCC for completion of all Work, which date is specified in the RAD PBV HAP Contract. After such date, all units under the HAP Contract will be eligible for payment only for occupied units or for vacancy payments, as applicable. MTW agencies may not alter this requirement.

To effectuate the above requirements, the definitions of “existing housing,” “rehabilitated housing,” and “newly constructed housing” at 24 CFR § 983.3(b), the definitions of “development activity” and “substantial improvement” at 24 CFR § 983.3(b) with respect to Work completed under the RCC, and 42 USC 1437f(o)(13)(A) and 24 CFR § 983.5(a)(2) describing the housing types for which a PHA enters into a HAP Contract in the PBV program, are waived. The requirements of this Notice shall apply with regard to the procedures for attaching PBV assistance to a Covered Project or to Work completed under the RCC in place of the PBV requirements stemming from the housing type classifications, such as: 24 CFR § 983.5(a)(3) (procedure for developing housing), 24 CFR § 983.10(b)(6)(i)-(ii), (8), and (10) (Administrative Plan policies), 24 CFR § 983.11 (Subsidy Layering Review), 24 CFR § 983.51(e)(2) (requirements before entering into a HAP Contract), 24 CFR § 983.52(d) (commencement of construction), 24 CFR § 983.56(a)(2) (environmental review), 24 CFR § 983.103(a)-(c) (pre-selection and initial inspections; see Section 1.6.B.10 for alternative inspection requirements), 24 CFR Subpart D (governing development activity), and 24 CFR § 983.204(a)-(c) (procedure for executing the HAP Contract). With respect to site selection standards, HUD requires site selection standards in compliance with this Notice and Notice PIH 2016-17/H 2016-17.

2. The second paragraph of Section 2.3.2.B is deleted and replaced with:

For PBV conversions, except as modified in this Notice, the converting project must qualify as existing housing or rehabilitated housing (as defined in 24 CFR § 983.3(b)) to be selected for conversion under the Second Component of RAD. The PHA must comply with all applicable housing quality standards of 24 CFR part 983.

3. A new Section 2.5.K is added:

K. Execution of RAD PBV HAP Contract and Rehabilitation. Work on Mod Rehab units that convert to PBV through RAD will generally be conducted under the PBV

program requirements applicable to rehabilitated housing, except as modified by this Notice (e.g. Section 2.5.I Davis-Bacon Wages). However, until such time as 24 CFR § 983.157 is effective, allowing a Project Owner to undergo rehabilitation after the HAP Contract is effective, this section provides alternative requirements for projects completing Work. Mod Rehab projects converting to PBV through RAD shall be considered existing housing under 24 CFR part 983 so long as they meet the criteria of paragraph (i) of the definition of existing housing in 24 CFR § 983.3. Such projects shall follow the requirements governing “substantial improvements” under 24 CFR § 983.212 when conducting Work, except as modified below. Accordingly, HUD is providing a limited waiver to the requirement under paragraph (ii) of the definition of existing housing in 24 CFR § 983.3(b), which requires a PHA determination and owner certification regarding substantial improvement in order for a project to qualify as existing housing, the provision of 24 CFR § 983.212(a) prohibiting the owner from requesting PHA approval before the effective date of the HAP contract, and 24 CFR § 983.212(a)(1)(ii) which requires that PHAs do not approve substantial improvement to commence until after the first two years of the effective date of the HAP Contract. These waivers shall remain in effect for any projects where the Project Owner has submitted a Conversion Plan (which includes the substantial improvement request and approval) prior to 60 days after the implementation of 24 CFR § 983.157. During the period in which these waivers are effective, references to “construction” or “rehabilitation” in paragraph 2.5.I shall include “substantial improvements.”

4. The following references are deleted or modified as follows:

- In Section 1.4.A.7., 1.6.A.4., 2.4.H., 2.5.D., 4.4.O., and 4.5.F., replace “24 CFR § 983.57” with “24 CFR § 983.55.”
- In Section 1.4.A.12.b, Footnote 18, the reference to “See the Housing Opportunity Through Modernization Act of 2016 (HOTMA) and HUD’s implementation notices including the January 18, 2017, HOTMA implementation notice, 82 Fed. Reg. 5458, and the July 14, 2017, technical correction and clarification notice, 82 Fed. Reg. 32461. Also see Notice PIH 2017-21.” is deleted.
- In Section 1.6.B.5.d, the reference to 24 CFR § 983.2(c)(6)(iii) is deleted and replaced with 24 CFR § 983.2(c)(7)(iii) and 24 CFR § 983.301(f)(4).
- In Section 1.6.B.5.g, the reference to 24 CFR § 983.301 is removed and the reference to 24 CFR § 983.303 is replaced with 24 CFR § 982.4.
- In Section 1.6.B.7 the reference to “in accordance with section 8(o)(11) of the Act as amended by HOTMA (see Attachment A in Notice PIH 2017-21 for guidance on PHA-owned units)” is replaced with “as defined at 24 CFR § 983.3”.
- In Section 1.6.B.7 the reference to 24 CFR § 983.59(b) is replaced with 24 CFR § 983.57(b).

- In Section 1.6.B.10, the first two sentences are replaced with: “Section 8(o)(8)(A) of the Act provides that HAP Contract units must be inspected to ensure compliance with HQS prior to payment of any assistance on behalf of a family.”
- In Section 1.6.B.10, the words “24 CFR § 983.103(b) and” are removed from the last sentence.
- In Section 1.6.C.1, the reference to “a household that was over-income at time of conversion” is replaced with “a public housing program participant that was over-income at time of conversion”.
- In Section 1.6.C.1, “, 24 CFR § 983.251(a)(2) and 24 CFR § 983.255(a)(1)” is added after the reference to 24 CFR § 982.201.
- In Section 1.6.C.9, all references to 24 CFR § 983.53(c) are changed to 24 CFR §§ 983.52(c) and 983.251(a)(2).
- In Section 1.6.C.9, in the second paragraph, “and 24 CFR § 983.353(b)(1)” is added after the reference to 983.301.
- In Section 1.6.C.9, the reference to 24 CFR § 983.259 is changed to 983.258.
- In Section 1.6.D.4, the reference to 24 CFR § 983.251(c)(2) is deleted and replaced with 24 CFR § 983.251(c)(2)(iii).
- In Section 1.6.D.10 the reference to 24 CFR § 983.3(c)(6)(iii) is deleted and replaced with 24 CFR § 983.2(c)(7)(iii).
- In Attachment 1B the reference to 24 CFR § 983.260 is deleted and replaced with 24 CFR § 983.261.

Further Information

Please check www.hud.gov/rad for the latest information on RAD or to join the RAD listserv. *Materials referenced in this Notice may be obtained from this RAD website.* Email questions to RAD@hud.gov. Additionally, HUD will develop informational materials to address various program elements that HUD will post on the RAD website.

Paperwork Reduction Act

Approved

The information collection requirements contained in this document have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) and assigned OMB control numbers 2502-0612, 2529-0013, 2506-0087, and 2577-0169. In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

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