



RAD 202 PRAC CONVERSION CASE STUDIES

CHRISTIAN CARE COTTONWOOD

Strengthening Supportive Housing for the Elderly



The changes to the apartments were thought out and came together very nicely, I appreciate all the upgrades from the bathroom to the new appliances. This makes me feel how much Christian Care really does care.

-Christina, Resident

PROJECT SUMMARY

Christian Care Cottonwood is a campus of 8 Section 202/Project Rental Assistance Contract (PRAC) properties built between 1996 and 2006, comprising 87 affordable units that provide U.S. Department of Housing and Urban Development (HUD) subsidized Independent and Assisted Living for Seniors.

Prior to the Rental Assistance Demonstration (RAD) program, each property was maintained through a single-asset ownership entity, which necessitated the annual renewal of eight separate PRAC contracts and conducting eight annual audits. The multiplicity of tasks was administratively burdensome and reduced cash flow. The 1-year term of the PRAC and the project’s low income made it difficult to obtain long term financing for major repairs and upgrades to the property.

Christian Care’s goals through the RAD program were to streamline administrative tasks and reduce costs by combining the 8 PRAC contracts into one Housing Assistance Payment (HAP) contract, combining the 8 single-asset, sole purpose owner corporations into one surviving ownership entity, and using the combined cashflow to obtain an FHA insured 223(f) loan to fund significant repairs and accessibility improvements.

KEY FEATURES

Christian Care is committed to expanding the supply of units that accommodate vulnerable and at-risk populations. The common areas in the Cottonwood II building will be made fully accessible, one unit will be fully accessible, and the other eight units will meet or exceed Type B accessibility standards.

Additional renovations include:

- Roof and window replacements
- New A/C units in 4 buildings
- Accessible cabinetry and countertops
- Energy efficient faucets and appliances
- Emergency call system upgrades
- Wi-Fi installation

The combination of existing design features and renovations will provide an environment suitable for meeting the needs of older adult residents and facilitating the ability to age in place.

PROJECT OVERVIEW

Owner

Christian Care

Location

Cottonwood, Arizona

Project Size

87 / 1-BR units

Year Built

1996-2006

Rehabilitation Budget

\$54K per unit

RAD Tools

RAD for 202 PRAC

CONVERSION FINANCING

FHA 223(f) loan	\$4.17M
Existing Reserves	\$290K
Owner Equity	\$228K
Total	\$4.69M



New covered patios

ADDITIONAL BENEFITS

- Forgiveness of the original Capital Advances used to construct the buildings.
- Over \$500K deposited into a new Reserve for Replacement account.
- \$27 per unit per month in contract rents for supportive services, which is used to provide residents with transportation to local banks, pharmacies, and grocery stores, thus enabling access to critical services and engagement with the community.
- Repayment of Sponsor debt invested to construct the properties.
- Earning a Developer Fee.



Renovated community room

CHALLENGES AND LESSONS LEARNED

Closing a RAD Conversion is a Separate Process. After the RAD conversion plan is approved, the project must still complete a formal closing process. The project owner must draft closing documents and submit them to HUD for review and approval. Any new financing associated with the conversion must close simultaneously, and the new HAP contract can only become effective on certain dates. Careful coordination with your RAD Closing Coordinator can help prevent a delay in the closing of your conversion or the commencement of your new HAP contract.

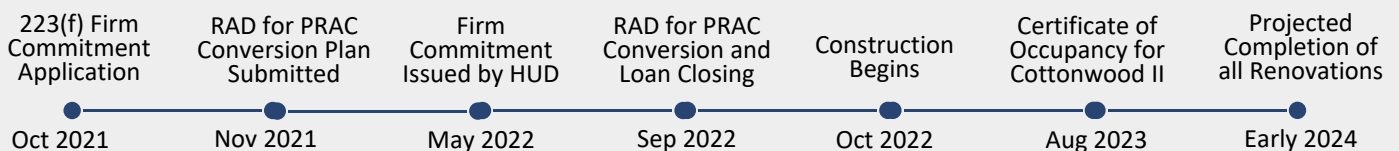


Residents love the new in-unit kitchen and accessible bathrooms with grab bars.

Talk with HUD about Closing Timelines. The renovation of Cottonwood II required temporary relocation of residents. Unfortunately, the building was fully vacated far in advance of closing of the RAD conversion, causing the project to experience financial strain due to units being vacant longer than necessary. Consult with your RAD Transaction Manager about HUD's anticipated timeline for closing your RAD conversion to ensure your timeline tracks with HUDs.

Consult with your Voucher Software Vendor. If your project is converting to Project Based Vouchers (PBVs), contact your voucher software vendor (e.g., OneSite, RealPage, Yardi) and discuss this with them well in advance of closing to ensure they are appropriately set up to be able to submit voucher payment requests.

PROJECT TIMELINE



WHAT IS RAD for PRAC?

RAD for PRAC allows owners of Section 202 properties with an annual PRAC contract to convert to a long-term Section 8, PBRA or PBV contract. These contracts provide a more reliable source of operating subsidy that enables property owners to access public and private capital markets and obtain debt and equity financing for use in the new construction and rehabilitation of rental housing. Residents benefit from consultation prior to conversion, have the right to return after construction, and maintain ongoing rights guaranteeing the affordability of housing. RAD requires the Section 8 contracts be renewed, thus helping to preserve our nation's affordable housing.

[Learn more about RAD for PRAC](#)