



# RAD 202 PRAC CONVERSION CASE STUDIES

## PALM HARBOR APARTMENTS

*Strengthening Supportive Housing for the Elderly*



*Since completion of our RAD rehabilitation, we have lots of residents thanking us for the beautiful community that we have built, and visitors on the wait list saying that it will be a dream to be able to live in our community.*

*-Yvonne, Site Manager*

### PROJECT OVERVIEW

**Owner**

National Church Residences

**Location**

North Fort Myers, Florida

**Project Size**

80 units, (20 Studio/60 1-BR)

**Year Built**

1993

**Rehabilitation Budget**

\$66K per unit

### CONVERSION FINANCING

LIHTC (Florida HFC)           \$7.85M

Seller Note                       \$3.41M

Owner Equity                   \$608K

Sponsor Note                   \$400K

Capital Magnet Fund           \$250K

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**Total                               \$12.5M**

### PROJECT SUMMARY

Palm Harbor is a 100% subsidized, rental housing community for seniors that was originally developed in 1993 through the Section 202 Project Rental Assistance Contract (PRAC) program. The community is owned and managed by National Church Residences (NCR), which owns and operates an extensive portfolio of over 330 senior housing communities across the nation.

Historically, 202 PRAC projects have not been eligible for refinance. Palm Harbor was maintained in ‘fair condition’, but NCR had never undertaken major rehabilitation of the property. As the backlog of needed capital improvements at the Palm Harbor continued to mount, NCR turned to the U.S. Department of Housing and Urban Development’s (HUD’s) Rental Assistance Demonstration (RAD) program.

RAD opened the door to private and public debt and equity markets. NCR took full advantage of this opportunity and obtained new financing and used it to address accessibility deficiencies, add new design features, and make major updates to building systems, interior common areas, and unit interiors.

### KEY FEATURES

#### Major Updates

Exterior improvements included a new roof, window replacements, and paint. Interior common areas, such as the laundry, restrooms, community kitchen, and elevator were modernized and brought to current accessibility standards. Unit interiors were updated with new appliances, cabinets, countertops, fixtures, and flooring.

#### Service Coordination

Palm Harbor employs a Service Coordinator, funded through rents, who provides on-site supportive services to residents, and connects them to available resources in the community. Residents are eligible to work with the Service Coordinator at no cost.



*Updated kitchen with new cabinets and countertops*

## ADDITIONAL BENEFITS

**Design Features.** The renovation incorporates design features that include fall prevention, enhanced accessibility, visitability, universal design, and electronic communication mechanisms. In combination with the provision of Supportive Services, these features will help ensure that residents are able to age-in-place, and promote housing stability by preventing premature moves to higher levels of care and accompanying higher-cost living environments.

## CHALLENGES AND LESSONS LEARNED

**Seek a Rent Increase Prior to Conversion.** Projects converting to Project-Based Rental Assistance (PBRA) will have initial Housing Assistance Payment (HAP) contract rents equal to their approved PRAC rents. Low rents can negatively impact a project's ability to pay operating expenses, fund capital reserves, and qualify for new mortgage loan debt. Thus, it's critically important for owners to submit a Budget Based Rent Adjustment (BBRA) package to the HUD Field Office at least 120 days prior to the renewal date of their existing PRAC contract. The BBRA rent adjustment process can be lengthy and timelines vary, so coordination with your RAD Transaction Manager (TM) and the HUD Field Office is essential.

**Your RAD Conversion and your Conversion Financing must close at the Same Time.** Timing a simultaneous closing of your RAD conversion and your conversion financing is a challenge. If your conversion includes tax credits or other funding sources with a hard deadline, be sure to maintain frequent communication with your RAD TM to ensure your Conditional Approval aligns with your financing deadlines.

**Consider On-site Relocation.** Even temporary relocation can be difficult for seniors. To minimize the impact, NCR was determined to avoid moving residents off-site and 'reserved' units as they became vacant for use as temporary housing. Residents lived in these units while their unit was being renovated, and then moved back into their unit once renovation in their unit was complete. Thus, minimizing both relocation costs and the strain on residents.



*Bathroom with enhanced accessibility*



*Common laundry with accessible washers/dryers*



*Community kitchen and meeting room*

## 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](#)