Rental Assistance Demonstration (RAD) for Section 202 PRACs

May, 2019
The Section 202 Portfolio

Pre-1974 Section 202 direct loan properties

- New preservation options as of Spring, 2018.
- For maturing 202s – see Notice PIH 2018-02/H 2018-01
- For prepaying 202s – see Notice H 2018-02
- Prepaying 202s can also get SPRAC subsidy to fill in the gaps

Section 202/Section 8 properties

Section 202 capital advance properties with project rental assistance contracts

- RAD for PRACs authorized March 2018
- Implementing procedures to be published in RAD Notice Rev. 4
- Also note new capital advance Notice of Funding Availability on www.grants.gov
What is RAD?

• The Rental Assistance Demonstration (RAD) allows owners of certain types of properties to convert from their original regulatory platform to the Section 8 regulatory platform.

• RAD was created in the FY2012 Appropriations Act and has expanded since then. In the FY2018 Appropriations Act, the conversion of Section 202 PRAC properties was authorized.

• Once the implementing Notice is published, PRAC owners will be able to convert to long-term Section 8 Housing Assistance Payment (HAP) contracts.

• The Section 8 regulations make it an easier platform from which to access private investment to address capital needs – financing necessary recapitalizations, improving conditions for residents, creating jobs and stabilizing the assisted portfolio.

• Conversion is voluntary.
Structure of RAD

RAD for Public Housing
also known as the “1st Component”

Public Housing
(455,000 unit cap*)

* Administration’s FY2020 budget requests elimination of the cap on public housing conversions.

Section 8 PBRA

Section 8 PBV

RAD for Other Multifamily Housing
also known as the “2nd Component”

Sec. 8 Moderate Rehabilitation
Rental Assistance Payment
Rent Supplement
PRAC for Sec. 202
McKinney Vento SRO
Age of PRAC Properties

Year of Final Endorsement

Total Projects

Size of PRAC Properties

- Less Than 50 Units: 1,860; 65%
- 50-99 Units: 975; 34%
- 100-200 Units: 41; 1%
Rents at PRAC Properties

All PRACs Rent by reference to Fair Market Rent (FMR)

- < 80% FMR
- 80-100% FMR
- 101-120% FMR
- 121-130% FMR
- 131-140% FMR
- 141-160% FMR
- > 160% FMR
- Unknown

- < 80% FMR: 1,297 (45%)
- 80-100% FMR: 854 (30%)
- 101-120% FMR: 432 (15%)
- 121-130% FMR: 118 (4%)
- 131-140% FMR: 45 (2%)
- 141-160% FMR: 62 (2%)
- > 160% FMR: 64 (2%)
- Unknown: 4 (0%)
Replacement Reserve Deposits

Project Count

Monthly Deposit Per Unit

- 300+: 10
- 200-299: 21
- 150-199: 31
- 100-149: 168
- 75-99: 242
- 50-74: 539
- 25-49: 1289
- Up to 25: 494
- 0: 82
Thank You.

For more information visit www.hud.gov/rad

To get an e-mail when the RAD for PRACs implementing notice is published, sign up for our mailing list at the bottom right of the www.hud.gov/rad webpage.