



New Tools to Boost RAD Rents — HUD makes more funding available for PHA repositioning

By Kathie Soroka and Deborah VanAmerongen

An updated HUD Notice, [PIH 2021-17](#), revises guidance on the public housing demolition and disposition authority pursuant to Section 18 of the U.S. Housing Act of 1937, known as “Section 18.” Up to 80% of units in a Rental Assistance Demonstration (RAD) project may now be eligible for Section 18 authority. Section 18 units generate Tenant Protection Vouchers (TPVs), which typically can be project-based with rents at up to 110% of the area’s Fair Market Rent (FMR), instead of more-limited RAD rents, subject to certain limitations.

The updated notice has two new key components: (1) More units in projects meeting hard construction cost thresholds are eligible for Section 18 and (2) a new option for public housing authorities (PHAs) with fewer than 250 units makes up to 80% of that PHA’s units eligible for Section 18.

RAD/Section 18 Construction Blend

Since 2018, RAD projects planning substantial rehabilitation have been eligible to receive Section 18 authority, and therefore TPVs, which can be project-based at rents up to 110% FMR. This has been known as the 75-25 blend, because projects have gotten RAD rents for 75% of their units and Section 18 authority for 25% of their units if their rehab costs were at least 60% of the HUD-determined Housing Construction Cost (HCC) amount for a given jurisdiction. The updated guidance increases eligibility from 25% to 40% of units at this rehab threshold.

Projects involving more rehabilitation could get more Section 18 units. Rehab equal to 90% of the HCC would allow 60% of units to receive Section 18 in most areas. In “high-cost areas,” 80% of units could be eligible for Section 18. High-cost areas are defined as those where the local HCC exceeds 120% of the national average.

In addition, projects doing less rehabilitation are now also eligible for Section 18. Projects with hard construction costs of at least 30% of the HCC can receive Section 18 for 20% of their units.

RAD/Section 18 blends would continue to be processed primarily through HUD’s Office of Recapitalization (as the 75/25 blends had been).

RAD/Section 18 blend for PHAs with fewer than 250 units

A new authority allows PHAs with 250 public housing units or fewer to receive Section 18 authority, and therefore TPVs, for up to 80% of units in a RAD project. This conversion must be part of a plan to close out the PHA's public housing portfolio. This creates a new option for PHAs currently exploring HUD's Streamlined Voluntary Conversion program (also known as "Section 22" or "SVC"). While SVC converts public housing assistance to tenant-based vouchers and requires a PHA to take particular steps to secure tenant consent to project-basing, this new RAD-Section 18 option may allow PHAs to convert directly to project-based assistance.

The boost from these new tools also comes shortly after HUD announced the 2020 RAD rents, which generally increased RAD levels from the previous 2018 levels.

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