

2025 Advocacy Priorities: Improving RAD for PRAC

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LEADINGAGE'S RAD ADVOCACY AT HUD

2022-2025

LeadingAge Comments and Meeting with HUD

- Building feasibility:
<https://leadingage.org/leadingage-urges-hud-to-improve-senior-housing-preservation/>

2022

Guidance from Recap for Public Housing Conversions, including rent adjustment waiver

Early 2025

2023

LeadingAge Feedback to HUD

- Preservation Rent Increases (improvements to thresholds)

Fall 2025?

Notice to implement RAD for 811, 202 improvements (including rent adjustment waiver, SPRACs,)

LeadingAge's Priorities for RAD improvements

- **Rent adjustment process**
 - **Initial rent-setting improvements**
 - **Infrastructure/Portfolio improvements**
 - **Process improvements during conversion**
 - **Process improvements post-conversion**
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Rent Adjustment Process

- Access to Rent Comparability Studies at five-year intervals for post-conversion properties, and/or
- Access to contract termination and renewal options (similar to Option 1b Mark Up to Markets).
- Also: access to alternate rent-setting mechanism (waiver process recently implemented for Public Housing conversions) as a “safety/release valve”, but LeadingAge is prioritizing a systemic initial rent setting process over an “emergency” waiver process.

Rent Adjustment Process

H-2025-01 PIH-2025- 03 (HA) **Waivers of Rent Adjustments by OCAF.** Covered Projects may apply for a waiver to receive an exception to the requirement in RAD Notice, Rev-4 for annual adjustments to contract 3 rents during the initial contract term while limited to the Operating Cost Adjustment Factor.

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 14 demonstrating the need for an alternative operating cost factor rental adjustment in order to preserve the Covered Project...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

Initial rent-setting improvements

- Moving away from PRAC rent levels to FMR, RCS or similar alternative; use market-based rents (FMR or RCS) as a floor, and allow PRAC rents to go above – switching from “lesser than test” to PRAC rents, but no lower than FMR/RCS
 - Example language from LeadingAge below
- Preservation Rent Increases in continued HUD budget
- Improvements to PRI process through reduced thresholds, improved processing, redefinition of PRI funds “spend down” (more on this below)

Initial Rent-Setting: LeadingAge Examples

Currently, the RAD Notice, Rev-4, sets out a “lesser of” test to establish initial contract rents for Second Component PBRA conversions: “The initial contract rents will be the lower of (a) the approved PRAC rents or (b) 120% of the applicable [Fair Market Rent].”

The current “lesser than” rent-setting approach sets a rent “floor” that relies not on the general market or market comparability, but on HUD’s annual budget-based adjustment process for PRACs, as requested by property staff and approved by HUD field staff on a property-by-property basis. This fails because of complexity, time-intensity, inconsistency, and downward pressure associated with BBRAs.

Initial Rent-Setting: LeadingAge Examples

We strongly urge HUD to utilize waiver authorities to shift instead to an **initial rent-setting process that considers comparable market rents to set a rent floor**, rather than relying on approved PRAC budgets alone. A similar authority was established through the amended RAD Notice for certain projects in high cost areas. For example, the current requirement could be adjusted to set initial contract rents at “the lower of (a) the approved PRAC rents, *not lesser than 100% of FMR*, or (b) 120% of the applicable FMR.”

In addition, lines 736 and 737 of the RAD Notice should be amended to read that HUD may “modify the PRAC Rents separate from the annual contract renewal process and prior to conversion, given the project budget, and subject to the availability of funding in the Housing for the Elderly account, *to adjust the rents to a minimum of 100% of FMR,*” (or to utilize an RCS to achieve a similar market-driven outcome).

Infrastructure Improvements

- Using RAD process to bring internet infrastructure into converting properties through R4R/Capital Needs Assessments
 - Property CNAs should include digital infrastructure needs assessments at the property and schedule reserves for internet installation
- Incentivizing energy efficiency/resiliency, senior housing design elements in RAD through stepped rent-setting (for example, rent setting up to 110% of FMR if certain energy efficiency elements are included in the rehab plan)
 - Example language from LeadingAge below

Infrastructure Improvements

- We share HUD's commitment to improving the efficiency of our housing programs – including energy efficiency - and we believe that recapitalization is the prime opportunity to elevate energy system upgrades throughout the RAD-preserved portfolio.
- With roughly 20% of HUD's rental assistance accounts currently going to utility costs, HUD urgently needs solutions for energy efficiency. Further, more than 80% of HUD's MFH stock was built prior to 1990, with most properties built prior to 1980; U.S. Census data shows that older multifamily housing buildings consume double the amount of energy per square foot and have 50% greater energy costs compared to buildings built after 2000.

Infrastructure Improvements

- Using RAD, many of HUD's inefficient or climate-vulnerable buildings are positioning to exist for another 50 or 100 years – at the same time as climate-driven disasters worsen and increase, making energy and climate solutions a crucial part of affordable housing portfolio preservation. RAD presents HUD with both a responsibility and an opportunity to achieve energy efficiency and smarter investments in America's assets.
- To further improve the initial rent-setting, and to incentivize the implementation of energy efficiencies at converting properties, **HUD could add an additional rent-setting threshold of no less than 110% of FMR for properties utilizing proven energy efficiency strategies in their rehabilitation plans or projecting a minimum level of energy utilization reduction**, as demonstrated through energy audits, over a determined timeframe.

Process improvements during conversion

- Improving overall timing, including approval of conversion plans; streamlining review and processing time by eliminating duplicate reviews with production
- Improving clarity of steps and procedures, including transparency around HUD's review process/checklist used with resource desk submissions
- Fostering consistency throughout approaches (including coordination between field staff handling BBRAs and Office of Recap handling conversion elements)
- Elevating RAD as a Policy Priority: Notice for Streamlined Processing? (example: post Hurricane Sandy HUD Notice on expedited processing for mortgage insurance [H 2013-05](#), reduced processing time and limited/streamlined reviews)

Process improvements post-conversion

- Reducing time/lapse in Service Coordinator grant payments post conversion
 - Reducing delays in initial subsidy payments post conversion
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Targeted Advocacy on Preservation Rent Increases

- Spend down deadlines
- Advocacy on the Hill and with HUD
- Changes process at HUD and with stakeholders

Issues Related to PRI Spend Down

Spend by deadlines:

- HUD has alerted us to the fact that the agency's PRI pipeline is not projected to meet the Congressional "spend-by" date at this time
 - Reasons include delay in launching program initially, complex/time-intensive deals due to high HCC thresholds, lack of awareness of the PRI availability, time delay in properties having to exhaust BBRA process first (HUD has now changed position)
- Sept 30, 2025, for first \$6 mil of PRI - HUD thinks they will meet this
- Sept 30, 2026, for second \$6 mil of PRI - HUD says there is a good chance they will not meet this date, and they will lose the funds

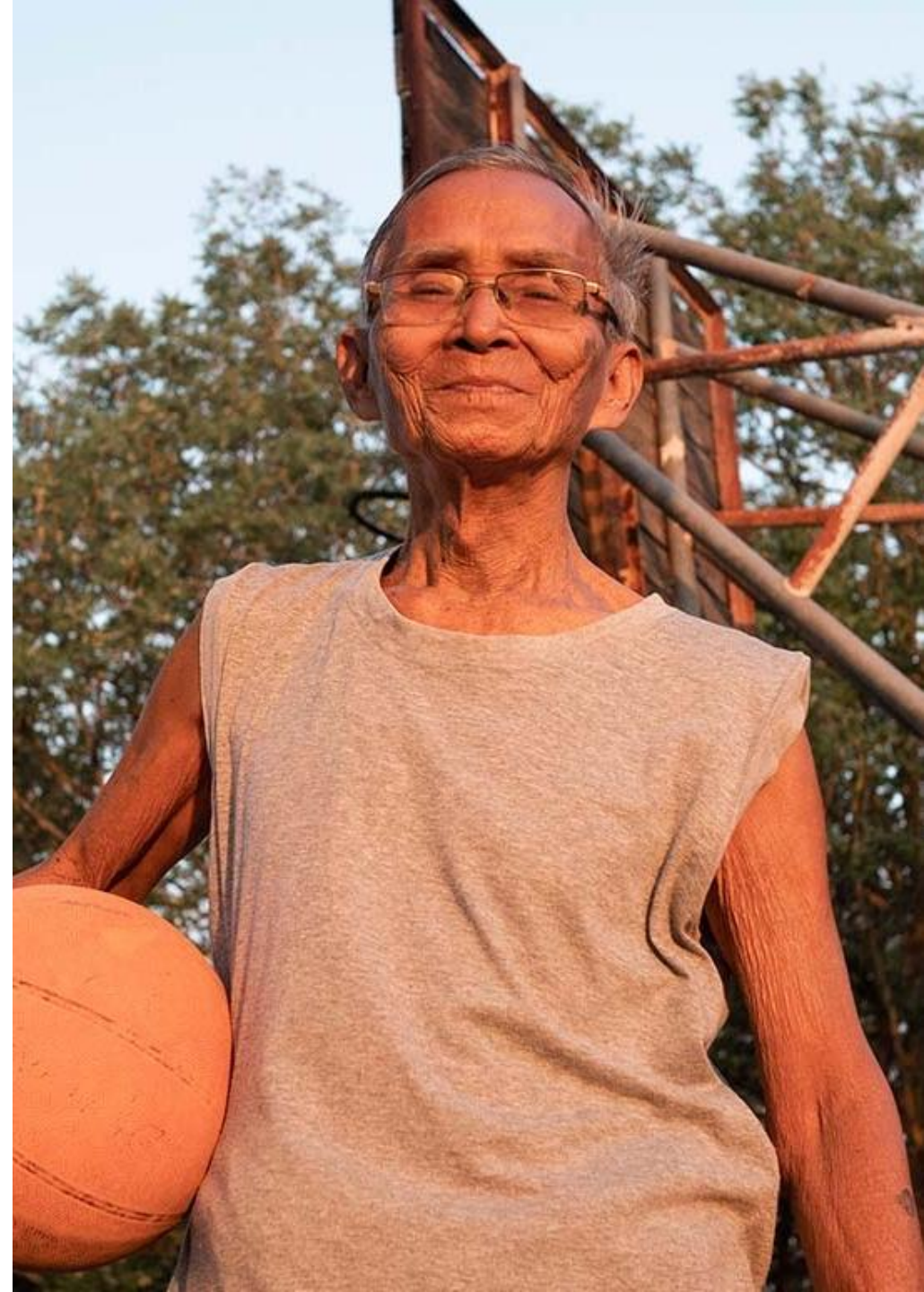
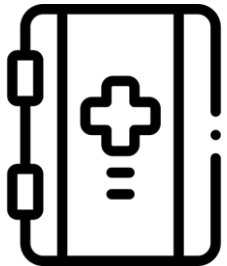
Issues Related to PRI Spend Down

Advocacy Options:

- Build awareness
- Redefine spend down at HUD – may only result in an additional few months of savings
- Speed up process, including by adjusting HUD procedures (HUD now allowing PRI access without first exhausting BBRA process), reducing HCCs or raising PRI amounts
- Allow alternate “funds lock” mechanism by HUD (similar to Chpt 15) that counts as “spent”?

Transformational Change

Big Picture Advocacy for Preservation



Transformational Change

New Central Office?

- Centralized portfolio-wide preservation transactions for the current housing stock that is quickly approaching expiration or disrepair
- Lead the charge to scale up senior housing supply through new production of elderly-designated housing units
- Explore and advance innovative models that create efficiencies for housing & services delivery across the country

Debt Service For PRACs? (eliminate the need for RAD for PRAC)

Major investment in RAD for PRI, staffing, other (no longer budget neutral)?



Thank You

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