DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR–6105–N–01]

Rental Assistance Demonstration: Implementation of Certain Fiscal Year (FY) 2018 Appropriations Act Provisions

AGENCY: Office of the Assistant Secretary for Housing-Federal Housing Commissioner and Office of the Assistant Secretary for Public and Indian Housing, HUD.

ACTION: Notice.

SUMMARY: This notice implements several changes to HUD's Rental Assistance Demonstration (RAD) program that were enacted in the Consolidated Appropriations Act, 2018 (2018 Appropriations Act). For participants under the First Component of RAD relating to Public Housing conversions, this notice increases the number of public housing units that may be awarded competitively and extends the application deadline. In order to implement the unit increase, the notice describes how HUD will set initial contract rents for awards made pursuant to the expansion of RAD, simplifies the process by which public housing agencies (PHAs) can withdraw and replace their existing awards, serves as notification to PHAs that have submitted Letters of Interest (LOI) that to reserve their position on the RAD waiting list they must take additional steps to secure their award, and modifies the latest possible date for PHAs to submit an application for the final phase of a project covered by a Multi-phase Award. For the Second Component of RAD, this notice implements two provisions of the 2018 Appropriations Act relating to initial rent setting for the conversion of Rent Supplement (Rent Supp) and Rental Assistance Payment (RAP) properties and to the prohibition against rescreening residents.

DATES: This notice is applicable on July 3, 2018.

ADDRESSES: Interested persons are invited to submit questions or comments electronically to *rad@hud.gov.*

FOR FURTHER INFORMATION CONTACT: William A. Lavy, Director, Program Administration Division, Office of Recapitalization, Office of Multifamily Programs, Department of Housing and Urban Development, 451 Seventh Street SW, Room 6230, Washington, DC 20410; telephone 202–708–0614. (This is not a toll-free number.) Individuals with speech or hearing impairments may access this number through TTY by calling the toll-free Federal Relay Service at 1–800–877–8339. To assure a timely response, HUD recommends that requests for further information be submitted electronically to the email address *rad@hud.gov.*

SUPPLEMENTARY INFORMATION:

I. Background

On March 23, 2018, section 237 of Title II, Division L—Transportation, Housing and Urban Development, and Related Agencies, of the Consolidated Appropriations Act, 2018 (Pub. L. 115–141) (2018 Appropriations Act), amended the RAD statute, as authorized in Title II, Division C, of the Consolidated and Further Continuing Appropriations Act, 2012, (Pub. L. 112–55) by, among other changes, (1) increasing the unit cap from 225,000 units to 455,000 units and extending the period for project applications until September 30, 2024, under the RAD First Component, which allows for the conversion of assistance under the public housing program to long-term, renewable assistance under Section 8; [1] (2) establishing that contracts provided through the conversion of properties currently assisted through the Rent Supp and RAP programs that are located in high-cost areas shall have initial contract rents set at comparable market rents for the market area; and (3) establishing that conversions of assistance under the Second Component may not be the basis for re-screening or termination of assistance or eviction of any tenant family in a property participating in the demonstration and such a family shall not be considered a new admission for any purpose, including compliance with income targeting.

The most recent version of the RAD program notice, Rental Assistance Demonstration—Final Implementation, Revision 3 notice (PIH 2012–32 (HA) H 2017–03, REV–3), was published on January 12, 2017 and can be found on RAD's website, *www.hud.gov/RAD.* Its publication was announced on January 19, 2017 at 82 FR 6615.

[1] The RAD statutory requirements were amended by the Consolidated Appropriations Act, 2014 (Pub. L. 113–76, signed January 17, 2014), the Consolidated and Further Continuing Appropriations Act, 2015 (Pub. L. 113–235, signed December 16, 2014), the Consolidated Appropriations Act, 2016 (Pub. L. 114–113, signed December 18, 2015), the Consolidated Appropriations Act, 2017 (Pub. L. 115–31, signed May 4, 2017), and the Consolidated Appropriations Act, 2018 (Pub. L. 115–141, signed March 23, 2018). The statutory provisions of the 2012 Appropriations Act pertaining to RAD, as amended, are referred to as the RAD statute in this notice.

II. First Component: RAD Unit Cap Increase and Rent Setting

This notice announces the following:

1. For Commitments to enter into a HAP contract (CHAPs), portfolio awards, and multi-phase awards issued on or after January 1, 2019, for which HUD has authority to make awards under the 455,000 unit statutory cap, HUD will use rent levels based on the FY 18 RAD rent base year, which will be published once the final public housing operating subsidy obligation is made for FY 18.

2. To permit the PHAs on the waiting list to commence their RAD conversions without delay, for CHAPs, portfolio awards, and multi-phase awards issued between the effective date of this notice and January 1, 2019, for which HUD has authority to make awards under the 455,000 unit statutory cap, HUD is modifying the FY 16 RAD rent base year methodology by replacing the PHA's FY 16 Capital Fund Formula Grant attributable to the project with the PHA's FY 18 Capital Fund Formula Grant attributable to the project once available for the Capital Fund component of the contract rent. All other components of the contract rent (*i.e.,* Operating Fund and tenant rents) will continue to be based on FY 16 levels. Rent levels continue to be subject to the rent setting limitations detailed in PIH 2012–32 (HA) H 2017–03, REV–3. Further, these rents will be adjusted each year by HUD's published Operating Cost Adjustment Factors (OCAF) starting in Calendar Year (CY) 19, rather than CY 17, and the adjusted rents will be established in the Housing Assistance Payment (HAP) contracts at the time of conversion.

3. HUD is now able to award RAD authority to certain projects where PHAs have submitted LOIs to reserve their position on the RAD waiting list if they submit a complete RAD Application, portfolio award request, or multi-phase award request for the number of units identified in their LOIs by September 4, 2018. By an email sent on or before the publication date of this notice, HUD will identify and notify each PHA that may submit an application or request for an award as a result of the expansion. Failure to make a complete submission for the reserved units (that is, submit a complete application or request) by September 4, 2018 will result in a forfeiture of the PHA's position on the waiting list.

4. For all multi-phase awards issued after March 22, 2018, PHAs will have until September 30, 2024, to submit an application for the final phase of the project covered by the multi-phase

award. For any multi-phase awards issued prior to March 22, 2018, HUD may approve extensions up to September 30, 2024 on a case-by-case basis.

5. When a PHA returns RAD authority to HUD by submitting a voluntary withdrawal of a project and subsequently requests new RAD authority for the same project within one month thereafter, provided that HUD has authority to make awards under the 455,000 unit statutory cap, HUD may approve issuance of a replacement CHAP without the requirement that the PHA submit the application materials that would otherwise be required. The replacement CHAP will include the original CHAP issuance date, but will have rents based on the applicable RAD rent base year as described above. For example, a withdrawal of a CHAP and subsequent request for new RAD authority that occurs in September of 2018 would have rents based on FY 16 rent levels as modified in Paragraph 2.

III. Second Component: Initial Contract Rents for Rent Supplement and RAP Conversions

For Project Based Rental Assistance (PBRA) conversions, properties currently assisted through the Rent Supp and RAP programs that are located in High Cost Areas as identified in Housing Notice 2017–06 shall have initial rents set at comparable market rents, without regard to any Fair Market Rent (FMR) cap, but as otherwise described in PIH 2012–32 (HA) H 2017–03, REV–3. Over the 20-year term of the HAP contract, contract rents will be adjusted using the processes described in the HUD Section 8 Renewal Policy Guidebook under Option 1A: Mark-Up-To-Market.

For Project-Based Voucher (PBV) conversions, HUD is not prepared to implement this modification to initial contract rent setting at this time.

IV. No Rescreening of Tenants Upon Conversion Under the Second Component

At conversion under the RAD Second Component, current households cannot be excluded from occupancy at the Covered Project (as defined in the RAD program notice) based on any rescreening, income eligibility, or income targeting. With respect to occupancy in the Covered Project, current households in the Converting Project will be grandfathered for application of any eligibility criteria to conditions that occurred prior to conversion but will be subject to any ongoing eligibility requirements for actions that occur after conversion. These protections also apply when a household is relocated to facilitate construction or rehabilitation work following conversion and subsequently returns to the Covered Project. Post-conversion, the tenure of all residents of the Covered Project is protected pursuant to PBV or PBRA requirements regarding continued occupancy. For example, a unit with a household that was over-income at time of conversion would continue to be treated as an assisted unit. Thus, 24 CFR 982.201, concerning eligibility and targeting of tenants for initial occupancy, and the first clause of section 8(c)(4) of the United States Housing Act of 1937 and 24 CFR 880.603(b), concerning determination of eligibility and selection of tenants for initial occupancy, will not apply for current households. Once the grandfathered household moves out, the unit must be leased to an eligible family.

V. Finding of No Significant Impact

A Finding of No Significant Impact (FONSI) with respect to the environment has been made in accordance with HUD regulations in 24 CFR part 50, which implemented section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)). The FONSI is available for public inspection during regular business hours in the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 7th Street SW, Room 10276, Washington, DC 20410–0500. Due to security measures at HUD Headquarters building, please schedule an appointment to review the FONSI by calling the Regulations Division at 202–708–3055 (this is not a toll-free number). Individuals with speech or hearing impairments may access this number via TTY by calling the Federal Relay Service at 800–877–8339.

Dated: June 22, 2018.

Dominique Blom,

General Deputy Assistant Secretary for Public and Indian Housing.

Brian Montgomery,

Assistant Secretary for Housing, Federal Housing Commissioner.

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR–6106–N–01]

Rental Assistance Demonstration: Supplemental Guidance on Final Notice

AGENCY: Office of the Assistant Secretary for Housing-Federal Housing Commissioner and Office of the Assistant Secretary for Public and Indian Housing, HUD.

ACTION: Notice.

SUMMARY: On July 26, 2012, HUD announced through notice in the **Federal Register** the implementation of the statutorily authorized Rental Assistance Demonstration (RAD), which provides the opportunity to test the conversion of public housing and other HUD-assisted properties to long-term, project-based Section 8 rental assistance. The July 26, 2012 notice provided for full implementation of RAD, and the posting of the Final Program Notice (Final Program Notice, PIH–2012–32) on HUD's RAD website. HUD subsequently issued a number of revised program notices, the most recent on January 12, 2017 (PIH 2012–32/Housing 2017–03 REV–3). This notice announces the posting of a supplement to the most current notice PIH 2012–32/Housing 2017–03 REV–3 (RAD Supplemental Notice, PIH 2018–11/H 2018–05). As provided by the RAD Statute, this notice addresses the requirement that the demonstration may proceed after HUD publishes the terms of the notice in the **Federal Register**. This notice summarizes the key changes made to the PIH 2012–32/Housing 2017–03 REV–3 through the RAD Supplemental Notice, PIH 2018–11/H 2018–05. This notice also meets the RAD statutory requirement to publish at least 10 days before they may take effect, waivers and alternative requirements authorized by the statute, which does not prevent the demonstration, as modified, from proceeding immediately.

DATES: The RAD Supplemental Notice, PIH 2018–11/H 2018–05, other than those items listed as new statutory or regulatory waivers or alternative requirements specified in this notice, is effective July 3, 2018.

The new statutory and regulatory waivers and alternative requirements are effective July 13, 2018.

ADDRESSES: Interested persons are invited to submit questions or comments electronically to *rad@hud.gov.*