



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410

December 14, 2012

Jennifer Hall
Executive Director
Ann Arbor Housing Commission
727 Miller Avenue
Ann Arbor, MI 48103-3367

Dear Ms. Hall:

Thank you for your application under the Rental Assistance Demonstration (RAD) for the conversion of assistance of 116 units at PIC Development MI064000200 SCATTERED SITES.

We are pleased to approve your request for conversion as described in the application, subject to the conditions below.

This award letter serves as the Department's Commitment to Enter into a Housing Assistance Payments (CHAP) for the above-referenced project, provided the Owner meets all the requirements contained in PIH Notice 2012-32 ("Notice"), including all "CHAP Milestones" identified in section 1.12 of the Notice, as applicable, and attached herein.

This award is issued pursuant to the Consolidated and Further Continuing Appropriations Act, 2012, Pub. L. No. 112-55, approved November 18, 2011; section 8 of the United States Housing Act of 1937 (Act), 42 U.S.C. 1437 et seq.; and the Department of Housing and Urban Development Act, 42 U.S.C. 3531 et seq. The purpose of this award is to begin the process of effectuating the conversion of Public Housing to a form of project-based assistance under section 8 of the Act. This award cannot be transferred without the prior written consent of HUD.

The estimated initial contract rents for the subject project are established in Exhibit A of this letter. These estimated rents are based upon the Fiscal Year 2012 level of funding. The actual initial contracts rents will be determined based on the level of Federal Appropriations available at the time of conversion as well as applicable program rent caps, and, as such, may change.

In order to convert your project, the PHA must fulfill the CHAP milestones and deadlines identified in section 1.12 of the Notice, which are reproduced in Exhibit B of this award. HUD will rely solely on documents and certifications the PHA submits through the RAD Resource Desk to monitor compliance with the CHAP milestones. If HUD, in its sole judgment, determines that the PHA fails to meet any of these requirements, the CHAP will be revoked, unless the PHA

submits and HUD approves a request for a deadline extension. Any extension request must include both a justification and an explanation of why failure to meet the milestone will not jeopardize the PHA's ability to complete the RAD conversion. Approval of any request for an extension is at HUD's sole discretion.


As this award is a conditional commitment by HUD, HUD reserves the right to revoke or amend its commitment at any time prior to closing if HUD, in its sole judgment, determines that any of the following conditions is present:

- A. any of the contract units were not eligible for selection;
- B. the proposed conversion is not or will not be financially feasible;
- C. the Owner fails to meet any applicable deadline;
- D. the Owner fails to cooperate;
- E. there is any violation of program rules, including fraud; or
- F. the terms of the conversion would be inconsistent with fair housing and civil rights laws or a fair housing or civil rights court order, settlement agreement, or voluntary compliance agreement.

This award shall be interpreted and implemented in accordance with all statutory requirements, and with all HUD requirements, including amendments or changes in HUD requirements, the Notice, and all other applicable RAD guidance.

As you start the process of conversion, we urge you to continue to maintain an open dialogue with your residents and local officials. If you have any questions or concerns regarding the conversion process or fulfilling the CHAP Milestones, please contact your RAD Transaction Manager.

Sincerely,



Sandra B. Henriquez
Assistant Secretary
Office of Public and Indian Housing



Carol Galante
Acting Assistant Secretary for Housing—
Federal Housing Commissioner

Enclosure

EXHIBIT A

**IDENTIFICATION OF UNITS (“CONTRACT UNITS”)
BY SIZE AND APPLICABLE CONTRACT RENTS**

The Contract Rents below for the subject project were determined in accordance with PIH Notice 2012-32, based on Fiscal Year 2012 Federal Appropriations and assumptions regarding applicable rent caps. The final RAD contracts rents, which will be reflected in the RAD HAP contract, will be based on the level of Federal Appropriations available at the time of conversion, as well as applicable program rent caps, and, as such, may change.

Existing PIC Development Number: MI064000200

Number of Contract Units	Number of Bedrooms	Contract Rent	Utility Allowance	Gross Rent
64	1	466	37	503
18	2	567	87	654
25	3	713	102	815
9	4	734	113	847

EXHIBIT B

The following schedule of CHAP Milestones is an information collection. The information collection requirements contained in this award letter have been approved by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C 3520). In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number. The OMB control number for the CHAP Milestones is #2577-0278.

CHAP MILESTONES WITH ACTUAL DEADLINES

The CHAP requires each PHA to meet contractual milestones. Milestones generally apply to all RAD transactions; however, some milestones apply only to transactions that include debt and/or equity financing. In these cases, the PHA is responsible for ensuring the timelines are met by their lenders and/or investors. Your RAD application relies on an allocation of tax credits. As a result, for the purposes of CHAP Milestones, the "CHAP issuance" date is the later of January 1, 2013 or 10 days after you have received notification of the tax credit award. HUD will establish and memorialize the applicable date on the RAD Resource Desk following an initial telephone conference with the PHA. Milestones include the following (expressed in calendar days):

1. Within **30 days** following CHAP issuance the PHA must submit to HUD, **Deadline: TBD:**
 - a) **Accepted Lender Engagement or Commitment Letter** (if applicable), which must include language, specified by HUD, that the lender is aware of all relevant RAD policies including RAD Use Agreement provisions and ongoing requirements in the case of foreclosure or bankruptcy. The letter must include the proposed loan amount, proposed key business terms of the loan, pro forma sources and uses, and pro forma stabilized cash flow. The letter may be conditioned upon the lender's due diligence and underwriting determinations, and the lender's approval processes. If the PHA has paid a cash fee associated with this Engagement Letter, the amount of that fee must be reasonable and customary at this point in a loan transaction; and a
 - b) **Statement of development team capacity**, which must identify its proposed development team members, with evidence demonstrating, as applicable, the team's recent successful experience financing, developing, rehabilitating, constructing, owning, and operating similar properties. The statement must describe teaming partner relationships, including resumes. If multiple sources of financing have been identified for the project, the development team must have experience with at least three transactions with mixed or multiple sources of financing. If, in HUD's determination, the applicant does not

demonstrate it has sufficient relevant experience, HUD may require an applicant to bolster its development team as a condition of final approval of a RAD conversion application.

2. Within **60 days** following CHAP issuance, the PHA must submit to HUD, **Deadline: TBD:**
 - a) **The significant amendment to its Annual/Five Year Plan.** See section 1.5E of the Notice.
 - b) **The PHA's decision whether the project will convert its assistance to PBV or to PBRA.** For conversions to PBV, where the PHA does not administer a Housing Choice Voucher program, the PHA must submit a signed letter from a voucher agency evidencing their willingness to administer the PBVs.
3. Within **90 days** following CHAP issuance, the PHA must submit to HUD a **certification from the PHA that all industry-standard due diligence has been performed for and received by the Lender and/or other financing source, Deadline: TBD.** Due diligence must, in all cases, include a Physical Conditions Assessment (PCA) as described in section 1.4A of the Notice and appropriate environmental reports (with the exception of Phase II or other reports required by extraordinary circumstances).¹⁴² Other due diligence required of financing sources, which may include an appraisal, a current survey report, and a pro forma title insurance policy, must also be received within this timeframe. All conversions, with or without financing, must submit a copy of the completed PCA to HUD by this milestone.
4. Within **150 days** following CHAP issuance, the PHA must submit to HUD certification that it has **applied for firm commitments of all financing, Deadline: TBD.** For FHA-insured financing this must be in the form of the Firm Commitment Application to FHA.
5. Within **180 days** following CHAP issuance, the PHA must submit to HUD a **Financing Plan, Deadline: TBD.** (See Attachment 1A.1 of the Notice for Financing Plan Requirements.) FHA has released separate guidance detailing what elements of the Financing Plan may be waived for projects using FHA insurance.¹⁴³ HUD will have 60 calendar days from the date of submission of the Financing Plan to approve, reject, or request additional information. HUD's decisions regarding the acceptance of the Financing Plan will be made in HUD's sole discretion. If HUD

¹⁴² A PCA will be required on any units except those replaced with new construction.

¹⁴³ See Housing Notice 12-20. <http://portal.hud.gov/huddoc/12-20hsgn.pdf>

determines that a Financing Plan is not feasible, the PHA may make corrections that satisfactorily address HUD's concerns, or may appeal that decision to HUD within 30 days of notification. If a Financing Plan is disapproved, HUD's letter of disapproval will discuss changes that would result in an acceptable Financing Plan.

A PHA will be notified of HUD's acceptance of the Financing Plan via issuance of a RAD Conversion Commitment (RCC), conditioned upon firm commitment of financing from the lender on substantially the same terms as those presented with the Financing Plan.¹⁴⁴ (See Attachment 1A.2 of the Notice for the contents of the RCC Letter.) The RCC will outline the key components of the planned RAD conversion and will discuss the conditions that need to be satisfied in order to close the conversion. The RCC will be a template document not subject to negotiation by the PHA or by the lender.

The PHA will have 30 calendar days from the date of issuance of the RCC to execute the RCC and return it to HUD. If the RCC is not returned in this time period, the PHA will forfeit its award.

Once the RCC is executed, HUD expects that the RAD conversion will close in a timely manner. The RCC will allow 90 calendar days (from the date the RCC is issued to the PHA) in which to close the RAD conversion transaction. The PHA and lender will need to work diligently to achieve closing within the timeframe required under the Notice in order to avoid rescission of the RCC.

The RCC will be an attachment to the recorded RAD Use Agreement. Therefore, the terms of the RCC will survive the closing.

6. Within **320 days** following issuance of the CHAP (and no later than 40 days prior to closing), the PHA must submit evidence of **firm commitment for financing** or equivalent milestone in securing all sources of financing required to close the transaction, **Deadline: TBD**.
7. Within **360 days** following CHAP issuance **the PHA must reach closing**, upon which the RAD conversion is completed, **Deadline: TBD**. See Section 1.13.
8. The Financing Plan and RCC must include a reasonable timeline for **completion of all rehabilitation items** acceptable to HUD, generally 12 to 18 months from the

¹⁴⁴ Loan proceeds and other financing sources remain sufficient to cover immediate capital needs and, in comparison to the terms put forth in the original application, the debt service coverage ratio does not decrease by more than 0.05%, the amortization and term (maturity) of financing remain the same, and the interest rates are competitive with the market.

date of closing the conversion and any financing, depending on the scope of rehabilitation funded.

In addition to the milestones described above, any CHAP awarded to applicants proposing to use 9% LIHTCs or tax-exempt bonds and 4% LIHTCs, where a reservation has not been secured at the point of RAD Application, will include additional milestones, including, but not limited to:

- A date by which the RAD applicant must have submitted an application for LIHTC or bond authority, based on the deadlines for required application and related materials (e.g., inducement resolution for tax-exempt bonds) described in the applicable QAP, **Deadline: TBD.**
- A date by which the RAD applicant must notify HUD of the decision of the credit-issuing authority, 10 days after the Notification of award described in the applicable QAP **Deadline: TBD.**