

RENO HOUSING AUTHORITY

AGENDA ITEM NUMBER: 8

October 28, 2025

SUBJECT: Discussion of potential Rental Assistance Demonstration (RAD) Conversion and partial Transfer of Assistance at Myra Birch Manor as part of the Reno Avenue development project.

FROM: Executive Director

RECOMMENDATION: Discussion

Background

Staff anticipates using 9% Low Income Housing Tax Credits (LIHTC) as the primary financing tool for the Reno Avenue development. The equity raised through the sale of the project's tax credits is anticipated to fund 60-70% of the project, leaving a 30-40% gap to fill. Staff also anticipates applying for typical gap funding sources such as HOME, National Housing Trust Funds (NHTF), and Federal Home Loan Bank Affordable Housing Program (AHP) to help fill the funding gap. However, given the limited amount of these resources, it is also projected that the capital stack will need to include permanent mortgage debt. Therefore, staff have been exploring ways to maximize and support long-term, permanent debt.

This report outlines a proposed strategy utilizing HUD's Rental Assistance Demonstration (RAD) program, along with its allowable Transfer of Assistance (TOA) option to help support financing for the Reno Avenue development while providing a chance for some residents at Myra Birch to move to a high opportunity neighborhood.

Under RAD, agencies are able to complete a full or partial TOA from a converting public housing property to a new or existing property under certain conditions. For example, HUD allows for TOAs when it supports deconcentrating poverty and improving access to neighborhoods with increased socioeconomic opportunities. In a full TOA, all of the operating and capital fund subsidy associated with the current public housing units is transferred to the new or existing replacement property as part of the RAD conversion and new RAD rent. In a partial TOA, the housing authority identifies a specific number of units and only the subsidy associated with those units is transferred as a partial RAD conversion to the new or existing replacement property. Like all RAD conversions, the operating and capital fund subsidy is monetized into a long-term (initial 20-year term) project-based rental assistance contract which, along with the HUD estimated average tenant portion of rent, equals the HUD approved RAD rent for each unit size. Once the TOA and RAD conversion are completed, the initial units are removed from the public housing inventory, and the housing authority can repurpose the vacant units for naturally occurring affordable housing, sell them, if viable, or explore other uses.

Additionally, several years ago, HUD created another tool as part of the RAD program which allows for PHAs to blend components of a RAD conversion with a Section 18 Disposition. This tool enables PHAs to maximize permanent debt which, in turn, supports the financing needed to undertake substantial renovations or fully finance new construction projects. This is because units converted through HUD's Section 18 process are eligible for Tenant Protection Vouchers (TPVs) that are

project-based back to the property, thus offering higher rental subsidies based on local payment standards versus the HUD RAD rents. RHA and Brinshore successfully used this tool for the Silverada Manor rehabilitation, with 60% of units converting under a Section 18 approval and receiving TPVs for those units. This resulted in more projected annual net income for the project which, in turn, increased debt leverage. It is important to note that the TPVs still limit the tenant portion of rent to 30% of each household's income.

The RAD program guidelines allow TOAs to trigger a RAD/Section 18 blend in which 90% of converting units are eligible to receive TPVs. Furthermore, while this tool was previously only available for tax-exempt bond financed developments, new RAD program guidelines now allow developments financed through the 9% LIHTC to take advantage of RAD/Section 18 blends. Given these RAD program changes, RHA staff believe it would be beneficial to consider a partial RAD conversion and TOA from Myra Birch Manor to the Reno Avenue site. This strategy supports the agency's public housing repositioning goals while simultaneously increasing the estimated amount of debt that can be leveraged as part of the financing for the Reno Avenue development.

Public Housing Repositioning

Myra Birch Manor is a public housing complex located in southeast Reno. It was constructed in 1981 and consists of 56 two-bedroom, townhouse-style apartments. The property is situated on two parcels, bisected by Mazzone Avenue, with 32 units on the western parcel (APN 020-281-47) and 24 units on the eastern parcel (APN 020-281-44). (See Figure 1 below.) In 2023, AEI Consultants conducted a HUD Capital Needs Assessment at the property and found it to be in overall good condition and estimated that, with continued upkeep, the property had a remaining useful life of not less than 50 years. Despite its overall good condition, several site-specific and neighborhood challenges impact Myra Birch Manor. These challenges include:

- A clubhouse and leasing office were not included in the original construction, so two units on the western parcel have been converted for those purposes. While functional, these spaces offer limited amenities to the residents.
- There are no fully accessible units due to second-floor bedrooms and stair-only access to all buildings. Due to the age of the property, it is exempt from current accessibility standards, but any substantial rehab of the property would make it subject to current standards. This impacts the viability of redeveloping the public housing site from a cost and constructability standpoint.
- A high-density housing complex recently constructed next to the property has created a direct connection from Mazzone Avenue to Moana Lane. Current residents have raised concerns about site safety due to the anticipated increase in traffic flowing through the site.
- Myra Birch Manor is RHA's only Public Housing complex located in a HUD-designated Racially or Ethnically Concentrated Area of Poverty (R/ECAP). R/ECAPS are neighborhoods of extreme poverty with at least 40% of residents living at or below the poverty level and which have a non-white population of 50% or more.

Due to these site and neighborhood conditions, RHA staff believes Myra Birch is a strong candidate for a partial RAD Conversion with a TOA. This potential RAD conversion would positively impact the lives of the Myra Birch residents who move to the Reno Avenue development, which is in a higher income census tract with access to high performing public schools, public transportation, increased walkability, and other nearby socioeconomic opportunities. Staff have researched a partial TOA of the

24 units on the eastern parcel (outlined in red below). These 24 units would be incorporated into the current 40-unit Reno Avenue development concept.

Figure 1: Myra Birch Site Layout



The RAD conversion process would be similar to the process RHA completed for the Silverada Manor rehab project. Overall, staff anticipate the HUD approval process for this partial RAD conversion and TOA would take 9-12 months. Therefore, RHA would need to start the process in the near future to ensure the approval is received in line with projected Reno Avenue timelines assuming the project receives an allocation of 9% LIHTC in summer 2026.

There are several steps and significant resident engagement that must be completed before HUD will provide final approval and allow for the project to financially close and construction to begin at Reno Avenue. Under the RAD program, the impacted residents at Myra Birch would have specific rights including:

- *Right to a Comparable Unit at the New Site:* Residents must be offered a unit at the new property that is similar in size and features taking into account rightsizing of households.
- *Advance Notice and Relocation Assistance:* Residents must receive at least 30–90 days' notice before any move and be provided relocation support.
- *No Rescreening:* Residents cannot be rescreened for eligibility at the new site.
- *Rent Protections:* Residents' rent remains capped at 30% of adjusted income.

Following the RAD conversion, RHA would maintain ownership of the 24 units on the eastern parcel at Myra Birch, but with all HUD restrictions on the property lifted. At that point, the agency could choose to continue to rent the units under the same rental policy adopted for the CloudTen managed properties or pursue other options, including selling the property.

The 32 remaining units at Myra Birch would continue to be part of the agency's Public Housing portfolio. An initial analysis, which accounts for a loss of income and decrease in expenses, shows that the removal of 24 units will not substantially alter the financial viability of the site. In terms of long-term planning for the remaining units, staff had been considering a second partial TOA of the units as part of the potential 306 10th Street development. However, City of Sparks staff have recommended a different developer for selection to Sparks City Council, and, as of the time of writing, it does not

appear that RHA will be awarded the property. Moving forward, staff will continue to explore other preservation strategies for Myra Birch including an additional partial TOA.

Reno Avenue Financing

This strategy provides several benefits to the Reno Avenue development:

- The TOA provides a long-term rental subsidy that will enable RHA to serve a higher number of extremely low-income households at the site (i.e. 30% AMI and below).
- This deeper affordability makes RHA's 9% LIHTC application more competitive because points are awarded to applicants based on income targeting.
- The rental subsidy allows the development to maintain competitive income targeting without losing debt capacity. A preliminary analysis, using similar underwriting assumptions as RHA's previously financed projects, shows that the project can leverage at least \$1.2M more in debt with vouchers than without.

Overall, staff believe this strategy would advance the Board's goal of increasing the amount of affordable housing in the community while also preserving RHA's public housing units via repositioning and providing an opportunity for current public housing tenants to relocate to a high opportunity neighborhood. As part of this item, the Executive Director is seeking initial feedback on pursuing this strategy.