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El Paso Closes Largest RAD Deal

By [Donna Kimura](#)

The Housing Authority of the City of El Paso (HACEP) has secured \$250 million in financing for the first phase of the largest Rental Assistance Demonstration (RAD) project in the nation.

The initial phase involves the redevelopment and refinancing of 1,590 units at 13 separate properties across the city. HACEP's development partner is Hunt Cos.



"The Rental Assistance Demonstration initiative is a game changer that will transform the way we think about public housing well into the future," said Gerald Cichon, HACEP CEO, in a statement. "The benefits to the city of El Paso are unprecedented, bringing \$500 million in public and private investment to our city with a \$1 billion local economic impact. We are proud that this is the first in the state of Texas and the largest in the country."

In 2013, the Department of Housing and Urban Development (HUD) approved HACEP's application to convert its entire portfolio of 6,100 units through the RAD initiative.

[RAD](#) is the centerpiece of HUD's strategy to preserve at-risk public and assisted-housing developments. The first component allows public housing and Sec. 8 Mod-Rehab properties to convert to long-term Sec. 8 rental assistance contracts. The 2015 federal budget [greatly expanded the RAD program by lifting the initial cap](#).

When a development obtains long-term rental assistance through RAD, it has a more stable funding platform, which puts the property in a better position to leverage additional financing to perform capital improvements.

El Paso's initial phase involves approximately \$80 million in 4% low-income housing tax credit (LIHTC) equity and \$125 million in bond proceeds. The deal is believed to be the largest single issuance of housing credits approved by the Texas Department of Housing and Community Affairs.

HACEP selected El Paso-based Hunt to be its development partner for phase one in 2014.

Hunt's subsidiaries and affiliates involved in the effort include Hunt Development Group, which will serve as development manager, and Moss Construction, the project's master subcontractor. Hunt Mortgage Group is providing the debt through a Freddie Mac tax-exempt loan direct purchase program, and Hunt Capital Partners secured the LIHTC equity from investors Aetna, MetLife, and USAA. Nixon Peabody represented Hunt Capital Partners. Ballard Spahr was also involved in the deal.

ABOUT THE AUTHOR



Donna Kimura

Donna Kimura is deputy editor of Affordable Housing Finance. She has covered the industry for more than a decade. Before that, she worked at an Internet company and several daily newspapers. Connect with Donna at dkimura@hanleywood.com or follow her [@DKimura_AHF](#).

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"This partnership enables both the Housing Authority of the City of El Paso and the Hunt team to leverage our collective strengths to develop high-quality affordable housing for families in need while helping the city of El Paso continue to thrive," said Robin Vaughn, president of Hunt's Public Infrastructure Capital Markets division.

HACEP is the 14th largest housing authority in the country and the largest in Texas. In addition to providing 6,100 public housing units, HACEP operates 495 Sec. 8 new construction units, 1,288 tax credit and non-subsidized units, and 5,600 housing vouchers.

Donna Kimura is deputy editor of Affordable Housing Finance. She has covered the industry for more than a decade. Before that, she worked at an internet company and several daily newspapers. Connect with Donna at dkimura@hanleywood.com or follow her [@DKimura_AHF](https://twitter.com/DKimura_AHF).



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