

## RAD CASE STUDY

# ANN ARBOR HOUSING COMMISSION

The Ann Arbor Housing Commission had 355 public housing units before participating in the Rental Assistance Demonstration (RAD) and closed its first RAD deal in 2014. Its final RAD deal was under construction at the time of this interview. The Commission has converted all of its public housing units to Project-Based Vouchers. Through its RAD conversion strategy, the Commission was also able to add 58 additional affordable apartments, for a total of 412 apartments. (They also sold a single-family home to Habitat for Humanity.) The Ann Arbor Housing Commission has 1,233 Housing Choice Vouchers, 226 Veterans Affairs Supportive Housing Vouchers for homeless veterans, 235 Non-Elderly Disabled Vouchers, and 32 Family Unification Vouchers.

We talked with Jennifer Hall, Executive Director of the Ann Arbor Housing Commission.



## Tell us about your housing authority. What kind of community is it?

Ann Arbor, Michigan, is one of the most expensive and wealthiest communities in Michigan. We are not as expensive as east and west coast cities, such as San Francisco and Boston, but we are very expensive for a Midwest city. Our local housing market is driven by the University of Michigan. The growing university has experienced increases in student enrollment and staffing and includes the University Medical Center. Ann Arbor has 113,000 residents, about 40 percent of whom are students. The area median income is \$101,900, which makes our income cap high for our U.S. Department of Housing and Urban Development-funded programs. Nevertheless, 90 percent of our tenants make less than \$25,000 per year and average around \$12,000 per year.



AAHC STAFF TRAINING ON CONFLICT MANAGEMENT





## What were some of the issues with your portfolio before you started with RAD?

When I started in 2011 and walked our properties, I was ashamed of their poor condition. When I looked at our finances, I completely understood why the buildings were in such poor condition. We desperately needed to replace two elevators that people were getting stuck in every day. The cost estimate was \$750,000, and we received only \$500,000 in capital funds each year. We had properties for which we needed to replace roofs, flooring, HVAC, windows, etc., and we did not have a way to pay for those improvements. We had four- and five-bedroom homes that sat empty for a year after families moved out because we could not afford to turn them due to the level of renovations needed.



## How did RAD help you get money into your properties?

When I explain the RAD program to our residents, public officials, and community members, I let them know that HUD is allowing us to convert our rental subsidy to a better funded part of the HUD budget called *project-based vouchers (PBVs)*. I let them know that HUD will not let us make this conversion unless we also secure the funds needed to bring the buildings up to an acceptable physical standard for 20 years. Everyone assumes HUD is paying for that, and I let them know that HUD does not provide all of the capital funding needed, so we have to apply for funding from other sources. Then I explain that the single largest source of funding for development of affordable housing is the Low-Income Housing Tax Credit, an IRS program. I raised \$66 million from a dozen sources over the past 5 years to redevelop our entire public housing portfolio.

The RAD program enabled us to slightly increase our rents so that we could take on debt for renovations, demolition, and new construction. RAD also enabled us to remove 18 units from the public housing program through de minimis reduction, but we continued to own and manage 17 of those units with our own project-based vouchers, which had higher rents than those in the RAD program. I highly recommend using de minimis reduction and rent blending, RAD program flexibilities, to increase the rent revenue at RAD-converted properties to help stabilize the operations. RAD enabled us to demolish and redevelop three sites at a higher density, adding 58 apartments (a 16-percent increase) due to the zoning allowance of the properties we owned. Although HUD did not provide the capital funding for us, HUD provided the approval and guidance to enable us to leverage other funds to reinvest in our buildings. The RAD PBV rents are predictable and increase by the cost-of-living adjustment factor annually, unlike public housing operating funds. We are now able to plan and budget for future expenditures, whether landscaping, major capital improvements, or staffing.



## ? Were you able to do any innovative things as a result of RAD?

The timing of the RAD program coincided with a major change to the HUD Continuum of Care (CoC) funding priorities. CoC started focusing on Housing First models rather than focusing on shelter models. Our CoC embraced that change, which caused a tremendous amount of painful budget cuts for our local shelters but did have the intended benefit of providing housing and services for homeless individuals and families. We changed our administrative plan to include a homeless set-aside, and we partnered with local service providers to provide onsite services and permanent supportive housing for homeless households. About 25 percent of our RAD-converted units are set aside for homeless households, and most of the service funding is from the HUD CoC program. Five years into this change, our shelters, housing providers, and service providers have a great collaboration to house more previously homeless households than ever before. The need still outpaces the supply of housing, but it is a better model than the previous one.

We also embraced green and energy-efficiency goals. We worked with a local environmental consultant, our architect, an engineer, and a general contractor to design our new construction buildings with greener and energy-efficient materials to increase tenant health and lower our utility costs. We not only installed energy-efficient windows, toilets, and so forth but we also built a community center with structural insulated panels, day lighting, and radiant heat flooring. We added solar panels, tankless hot water heaters, and so forth. Although air conditioning (A/C) is not energy efficient, our family sites greatly appreciated the addition of A/C to units that previously did not have it.

Our family sites were built in 1969 and were not accessible. All of our newly built apartments that have first-floor entries have barrier-free entries, first-floor bedrooms and bathrooms, and more than twice as many fully ADA-accessible units than are required by law. For one of our sites that is primarily one-bedroom units, we are building all the first-floor apartments as ADA accessible, including electronic door openers and other features above the ADA requirements because we have so many physically disabled tenants who are in wheelchairs.

We hired many tenants throughout our RAD conversion process to help with relocation, such as helping elderly and disabled tenants pack and move, cleaning out apartments, and assembling furniture that we purchased for our homeless households. We still have more than a dozen tenants who help with landscaping, gardening, food programs, trash pickup, cleaning of units, and other jobs on our properties.



HIKONE GARDENING PROGRAM



AAHC CELEBRATES A WIN (Annual Summer Games)



## Would you recommend RAD to other housing authorities and executive directors? How would a smaller housing authority such as yours start the process of thinking about whether RAD would work?

I do recommend that all housing authorities and executive directors at least explore what it would take and how their organization and tenants would be affected by converting under RAD. Now that HUD is again allowing disposition under Section 18 and has other streamlined processes for small public housing authorities [PHAs], there are even more incentives to convert from public housing to project-based vouchers or project-based rental assistance. If I had the opportunity 5 years ago, I believe I would have tried to use the Section 18 disposition process due to the higher rental rates than RAD PBV, but each community is different and needs to figure out what is best for its residents. It takes a tremendous amount of work and commitment—and a willingness to learn new regulations and new processes—but your properties will be financially sound moving into the future. We would be a failing organization without this complete transformation of our properties from deteriorated to structurally sound, energy efficient, and beautiful.



OPEN HOUSE WEST ARBOR (Ribbon Running)



## Do you think being a smaller housing authority should hinder you from participating in RAD?

I am sure that some PHAs have a small portfolio, with properties in good physical condition, and that operate in the black, with sufficient reserves. Those are the only PHAs that **do not need RAD right now**. But I would still consider RAD, Section 18 Demolition and Disposition, and Section 22 Streamlined Voluntary Conversion if that described my agency.

