WHAT IS RAD?
The Rental Assistance Demonstration (RAD) allows public housing agencies (PHAs) and owners of HUD-assisted properties to convert units to project-based Section 8 programs, providing an opportunity to invest billions into properties at risk of being lost from the nation’s affordable housing inventory. The “first component” of the program allows properties funded under the Public Housing and Section 8 Mod Rehab programs to convert their assistance to long-term, project-based Section 8 contracts. The “second component” of RAD allows owners of projects funded under HUD’s legacy programs (Rental Supplement, Rental Assistance Payment, and Moderate Rehabilitation) to convert units to Section 8 project-based vouchers.

The 1.2 million units in the Public Housing program have a documented capital needs backlog of nearly $26 billion. As a result, the public housing inventory has been losing an average of 8,000 units annually through demolitions and dispositions. Meanwhile, the 38,000 units assisted under HUD’s legacy programs are ineligible to renew their contracts on terms that favor modernization and long-term preservation. The current conditions of many of these properties inhibit investment and recapitalization efforts in the communities with the most need. By drawing on an established industry of lenders, owners, and stakeholders, RAD allows PHAs and owners of HUD-assisted housing to preserve and improve affordable housing units that could be subject to vouchers and demolition. RAD creates greater funding certainty while allowing increased operational flexibility to empower PHAs and owners to serve their communities.

As of October 2014, 68 RAD applications have closed, covering some 6,048 units and representing over $150 million in new investment. PHAs have submitted over 1,000 applications covering close to 185,000 units. RAD’s initial statutory authority set a cap of 60,000 units of public housing and Mod Rehab housing that could seek to convert under RAD’s first component. PHA demand exceeds RAD’s current authority, and HUD has requested that Congress lift the cap on eligible units to allow more PHAs to participate in the program.

RAD Spotlight on Mission Towers:
A Second Component Preservation Project

Mission Towers is a 117-unit elderly high-rise project in Haverhill, Massachusetts. The project was built in 1974 under the Section 236 program by Bethany Community Services, Inc., a local non-profit affordable housing provider with century-old roots in the community. Similar to other HUD-assisted properties, Mission Towers faced a large capital repairs backlog in addition to an expiring rental assistance contract under the Rental Supplement (Rent Supp) program, both of which threatened Bethany Community Services’ ability to continue to provide quality and affordable housing to its residents. RAD’s second component presented Bethany Community Services with, as Jered Stewart, President and CEO of Bethany Community Services states, “just the fix for both.”

RAD Eligibility
The Section 236 program was created in 1968 to help promote the development of affordable housing. It offered developers a reduced interest rate to subsidize debt service costs, effectively operating as a subsidy to the developer to reduce the cost of the project and thus the rent levels needed to support it. Many Section 236 projects were assisted with a Rental Assistance Payment contract. Mission Towers received rental subsidies under the Rent Supp program for 30 units, both to stabilize the finances of the property, and to increase its affordability for low-income seniors. The Rent Supp program was, essentially, a precursor to the Section 8 rental assistance program; however, the subsidy contract was only for a fixed annual amount. Therefore, over the years, as tenant incomes dropped, and as rents increased, the Rent Supp subsidy served fewer and fewer households, placing the long-term affordability of these units in jeopardy.

When a Rent Supp contract terminates due to expiration or mortgage prepayment, HUD has no authority to offer long-term extensions of the rent subsidy. As a result, all eligible residents of the property will have the opportunity to obtain Section 8 Tenant Protection Vouchers (TPVs). “Although we knew that the tenants would receive TPVs, we were deeply concerned about the loss of hard units. We wanted to find a way to preserve Mission Towers as affordable housing for years to come,” says Stewart.

Under RAD’s second component, owners of expiring Rent Supp contracts can choose to convert the TPVs that will be issued to resi-
“Mission Towers is a hugely important affordable housing asset in Haverhill. We needed a way both to preserve its affordability but also undertake some much needed capital repairs. RAD was just the fix for both.”

- Jered Stewart, Bethany’s President & CEO.