



RAD CASE STUDY

LAVONIA HOUSING AUTHORITY

The Lavonia Housing Authority (LHA) is one of the many small housing authorities in rural Georgia, with a total of 180 units in three cities: Lavonia, Carnesville, and Canon. LHA has 180 units and serves 420 residents. It does not have a Housing Choice Voucher program. The agency has converted all 180 units to a Section 8 Project Based Rental Assistance contract.

We talked with Rick Whitworth, Executive Director of the Lavonia Housing Authority.



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

We are rural Georgia, about 90 miles northeast of Atlanta, at the foothills of the Great Smoky Mountains. The area is mostly farming and agriculture, with some industry. Most of our housing authority residents work in low-skilled, low-income jobs, such as the food and hotel service industries. We are located right on Georgia Interstate 85, so we have access to several interstate exits, that provide job opportunities for our residents.



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

We had cut just about everywhere you could cut, and it was beginning to show in a number of places—none of which were good for our tenants or for the long-term sustainability of the agency.





How did RAD help you get money into your properties?

Just prior to RAD, our properties had received an influx of resources from reserves that would have been recaptured due to coordinating constraints between both HUD and state programs, so we didn't need financing for all of our properties as part of the RAD conversion.

The stable Section 8 funding stream post-conversion, however, has allowed us to complete the interior modernization of our units. RAD can help by authorizing Section 8 authorities to be able to source creative financing based on their size and locality. Our agency is not large enough to economize the use of tax credits or bond deals unless there is some creative mechanism to partner with other similar-size agencies nearby, which we have explored. We do, however—unlike other public housing agencies—now have the ability to seek out other financing options, such as conventional loans and other financing designed for smaller agencies.



Would you recommend RAD to other public housing authorities and executive directors?

Of course, I highly recommend considering RAD. Being an executive director for 25 years, I've seen programs come and go—some good and some not so good. RAD is the most promising program for agencies to grow and become more of a housing industry partner, with serious options at their disposal to match the needs of the local community. I tell people this program changes their agencies from being a quasi-government agency, with massive regulation, to more of a business, with decreased HUD regulation and oversight. One must understand, though, and accept the fact: with more freedom comes more responsibility and accountability for the decisions that are made on behalf of the agency—a challenge, certainly, but a very rewarding one.

How would smaller public housing authorities such as yours start the process of thinking about whether RAD would work?

We started by doing simple math. It sounds elementary, but it is a good place to start. First, find out what the RAD rents will be. Then, do the math to get the full year's potential funding level. We removed 10 percent to allow for vacancy loss and voucher adjustments (a lower percentage may be more realistic). From there, we continued with additional research and then moved forward with the RAD application to start the process. My board knew if we changed our minds as we moved forward, we could remove ourselves from the process if we didn't like something down the road.

At some point, the agency has to take a leap of faith. Test the warm water, if you will. They should recognize that the RAD rents they will receive are determined in part by the current PIH funding levels. Some have said that because PIH is funded at a higher level right now, they will wait and see; this is a short-sighted view. I believe today could be the best time in at least 5 years to submit a RAD application to get locked in with the higher RAD rents as a result of the recent increased PIH funding. Don't wait to see what happens or you may miss a grand opportunity for increased funding and reduced regulation, not to mention a 20-year contract with annual cost adjustments, which have historically been 2 to 4 percent.

I think HUD has demonstrated and further incentivized that small agency conversions are very important to them. Agencies with 50 or fewer units literally can convert with a minimal amount of effort in a matter of months. Of course, it can be a challenge, but the benefits, in my opinion, are far greater. And simply the process of conversion is a very rewarding and insightful. The agency learns a lot about itself during this process, which, in turn, lends itself to better management decisions and sustainability overall.

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

Absolutely and emphatically not! If anything, HUD has made small agency conversions more user friendly and easier to navigate.

I think some small agencies don't have the expertise or sheer staff numbers to be able to accommodate and comply with the massive and ever-changing regulations they are required to comply with. Converting to a Section 8 platform releases some of the burdensome regulations and allows the agency to operate more freely. There is and will always be a relationship with HUD as the primary funding source. The Section 8 funding stream has historically been more stable, and the relationship I see is one of support.

All you have to do is look where RAD came from and where it has gone since then. I think it should be obvious that RAD is a serious program to consider, and the continued evolution of RAD has been positive overall.

If you are a small agency today trying to decide whether or not to consider RAD, my advice would be to run the numbers and simple comparisons. If you like what you see, submit the simple application and move the process forward one step at a time. Through the process you will learn a lot about yourself and your agency, RAD, the benefits, and a few pitfalls to avoid, and in a short time I believe you will be glad you took that initial leap of faith.