

THE RENTAL ASSISTANCE DEMONSTRATION (RAD)

AN OVERVIEW










What is RAD?

RAD is an affordable housing preservation initiative developed in consultation with residents, public housing authorities (PHAs), property owners, lenders, investors, and many others. Through a RAD conversion, a property moves from its original regulatory platform to the project-based Section 8 platform. This act of regulatory conversion unleashes opportunities as the Section 8 platform provides for predictable, stable rental assistance; is flexible for owners; is well understood by lenders and investors; ensures long-term affordability for the residents; and increases resident choice. PHAs and other owners have flexibility in how they can achieve local affordable housing goals, provided they satisfy HUD’s requirements, including preserving the affordable housing and protecting the residents.

RAD has two components – the first addressing conversion of public housing properties and the second governing conversion of properties from several much smaller affordable housing portfolios.

RAD for Public Housing (Component 1)

Public housing faces a massive capital needs backlog, plus significant modernization challenges. Under Section 8, the property has access to the new financing tools safely used by the rest of the affordable housing industry and, with the long-term Section 8 contract, the property is insulated from the Federal funding decisions impacting public housing. Public housing properties that convert through RAD remain perpetually affordable through long-term HAP contracts required to renew at each expiration and Use Agreements that preserves HUD’s interest in the property. The property must be owned or controlled by a public or non-profit owner. Residents preserve the rights they had under the public housing program and gain a new right to request a tenant-based voucher after living at the property for a period.

Key Features of RAD	
	Properties must address 100% of their current capital needs , including repairing or replacing all building components that are broken or past their useful life.
	Every property must undergo an environmental review and must mitigate any issues to ensure residents are not exposed to hazardous substances.
	PHAs and owners must use the most energy or water efficient appliances that are economically feasible and must always use EnergyStar and WaterSense appliances.
	Every property must be brought into compliance with accessibility requirements, creating new housing options for people with mobility, hearing, or vision disabilities.
	PHAs and owners can transfer the assistance to lower poverty neighborhoods with access to better schools, jobs, transportation, services, and other amenities.
	PHAs and owners must notify and consult with residents prior to conversion.
	If construction requires relocation, every household has a right to return and may not be re-screened as they enter the Section 8 program. Any relocation must be conducted under the Uniform Relocation Act.
	The construction activity generated through RAD has generated hundreds of thousands of jobs , directly and indirectly, many of which are required to go towards assisted residents through “Section 3” requirements.
	All housing must be replaced , with allowance for limited reductions under certain circumstances.

PHAs have used RAD to:

- Secure over \$11.7 Billion in construction improvements across 1,380 properties.
- Attract over \$13 for each dollar of public housing funds the PHAs have received from HUD.
- Replace over 99% of the public housing units under new Section 8 contracts.
- Place over 8,000 affordable housing units in neighborhoods that, on average, have a 23% lower poverty rate than the original public housing sites.
- Ensure that all residents have the option to remain in or return to the property following conversion, with over 90% of residents choosing this option.
- Modernize their organizations and consolidate their work onto fewer regulatory platforms. Over 250 PHAs have converted all the public housing in their portfolios. In three states (MD, TN and VT), over half of the public housing that existed in 2012 has converted through RAD.



Cincinnati Metropolitan Housing Authority's Sutter View RAD Conversion – Before and After

RAD for Other Multifamily Housing (Component 2)

RAD Component 2 currently covers five property portfolios. The preservation risks facing each of these portfolios are diverse, ranging from looming capital needs to the pending loss of affordability altogether. In addition, four of the portfolios were tiny (less than 15,000 units each) consuming significant HUD administrative and oversight resources.

The Rent Supplement and the Rental Assistance Payments portfolios have been fully converted, preserving over 27,000 deeply affordable units. These programs, experiments from the late 1960s and early 1970s, were predecessors of the Section 8 program. Rent Supp and RAP properties were at risk of converting to market rate uses and residents would not receive rental assistance.

The Moderate Rehabilitation and the McKinney Vento Mod Rehab Single Room Occupancy portfolios stem from the 1980s and 1990s and are subject to annual subsidy contract renewals. Lenders cannot readily underwrite the annual subsidy contracts, leaving the owners with limited ability to finance improvements. Roughly one-third of these units have been converted, the pace impacted by the participation of many small, limited capacity owners in the program.

The Section 202 Housing for the Elderly Project Rental Assistance Contract (202 PRACs) properties are dependent on increases in Federal appropriations to address their capital needs. With a RAD option, HUD can avoid a deferred maintenance crisis at these 125,000 units. Newly added to RAD, the first conversion occurred in late 2020 and over 10,000 units are in the pipeline.

Current Opportunities

The challenges facing these portfolios are not static and RAD's flexible structure allows HUD to respond to emerging issues and opportunities. Each year, HUD suggests improvements to the RAD statute, most recently to ensure residents maintain access to services, to shore up the long-term affordability of non-RAD units when RAD is combined with other public housing disposition authorities, and to extend RAD conversion authority to the Section 811 Housing for Persons with Disabilities portfolio.