



RENTAL ASSISTANCE DEMONSTRATION

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U.S. Department of Housing and Urban Development

Secretary Julián Castro

"The affordable housing crisis is growing. RAD is part of the solution."
Secretary Julián Castro

Program News:

Initial RAD Evaluation Released

HUD contracted the research firm Econometrica of Bethesda, MD to perform an initial program impact analysis of RAD. On September 30, 2014, Econometrica released its "Status of HUD's Rental Assistance Demonstration (RAD) Evaluation and Results to Date" report, which contains data on both the initial awardees as well as those projects on the RAD waiting list. A more extensive program evaluation, which will present findings on the physical and financial characteristics of RAD sites, PHA approaches to RAD, and RAD project financing and use of leverage, will be produced in 2015.

Among RAD's early results, Econometrica found that, for applications approved as of August 2014, PHAs proposed construction costs of \$48,000/unit, and proposed raising \$19 in investment capital for every public housing dollar used for development and construction. As of August 2014, the first 57 closed RAD transactions have raised \$437 million in capital to improve the quality of housing for low-income families and seniors. The Interim Report also notes that the simplicity of the RAD program design allows PHAs access to a variety of approaches to conversion, including capital repairs utilizing a debt-only financial plan, capital repairs (or demolition and construction) with debt and tax credit equity, or the transfer of assistance (allowing a PHA to replace affordable housing through off-site acquisition or development).

A copy of the Status Report can be found [here](#).

RAD Case Studies

To provide more information about how public housing agencies and owners of HUD-assisted properties are utilizing RAD to preserve long-term affordable housing, HUD is preparing case studies of various RAD transactions from around the country. In September, HUD posted an initial set of case studies, which feature:

- **Ilion, NY**, where a small housing authority was able to leverage private financing to jumpstart its delayed capital projects;
- **Lexington, NC**, where a housing authority was able to layer multiple sources of public and private funds to finance substantial rehabilitation of its property;
- **Cambridge, MA**, where the Cambridge Housing Authority was able to combine RAD and Moving to Work to preserve affordable housing in a high rent area; and
- **Broward County, FL**, where extensive resident outreach smoothed the process of utilizing RAD to convert the agency's entire portfolio to the Section 8 platform.



The case studies can be accessed [here](#). Be on the lookout for more case studies in the coming months!

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 10,000 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.

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.

Closings Spotlight

Grandview Homes and Bakerview – Everett, WA

The Everett Housing Authority converted 299 units to Section 8 Project-Based Vouchers (PBVs). This complex consists of two sites: the Grandview family project (148 units), which was built in the early 1950s, and the Bakerview elderly high-rise (151 units), which was built in 1968. The RAD conversion allows Everett to utilize 4% low-income housing tax credits, where the PHA will serve as developer and continue to manage the property.

- Closing Date: September 29, 2014
- RAD Average Contract Rent: \$605
- Current Capital Funds (per unit) vs. Initial Repairs with RAD (per unit): \$1,306 vs. \$56,396
- Ongoing Repairs over 20 years: \$2,248,480

“RAD represents one of the most ingenious opportunities for PHAs to achieve the goals of improving the long-term well-being of residents, the properties, housing authorities, and their staff. With the assistance of our key partners, including JH Brawner Co., the Bakerview/Grandview RAD conversion has become a great example of local innovation combined with a unique financial opportunity to transform public housing.”

– Ashley Lommers-Johnson, Executive Director



RAD Stats To Date

RAD 1st Component*

9/30/14		
	Units	Projects
Waitlist:		
Active Applications	80,982	683
Multiphase/Portfolio Requests	35,353	270
Total	116,335	953
Average Construction Costs	\$29,255	
Awards:		
Active CHAPs	37,270	302
Multiphase/Portfolio Reservations	15,579	111
Closed Conversions	5,806	65
Prior Closings	4,902	56
Closed This Month	904	9
Total	58,655	478
Withdrawn/Revoked CHAP Awards	3,185	31
Total Construction Activity for Closed Projects	\$300,065,375	

RAD 2nd Component

9/30/14		
	Units	Projects
Active Conversions	12,365	68
Closed Conversions	7,662	71
Prior Closings	7,662	71
Closed This Month	0	0

*This excludes Mod Rehab

Anthony Homes – Macon, GA

The Macon Housing Authority converted this 274-unit family project, built in 1967, to Section 8 project-based Rental Assistance (PBRA). The agency is financing the improvements with an FHA 223(f) insured mortgage.

- Closing Date: September 30, 2014
- RAD Average Contract Rents: \$553
- Current Capital Funds (per unit) vs. Initial Repairs with RAD (per unit): \$1,388 vs. \$15,077
- Ongoing Repairs over 20 Years: \$3,178,400

“MHA utilized an FHA 223(f) loan to secure over \$4 million in new repairs that would not have been available under the current capital fund apparatus. The residents are thrilled at the prospect and the property is now positioned to serve families for many years to come. RAD has become a win-win for both residents and MHA.”

– Michael T. Austin, Director of Asset Management

For more information about RAD please visit our [website](#) and [resource desk](#). For specific questions please contact the RAD team at RAD@hud.gov. Click [here](#) to sign up for the RAD Mailing List!