

HUD public housing program leverages outside funding

POLITICO NY - Brendan Cheney

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A federal program that seeks to stabilize public housing financing leverages \$9 of outside funding for every \$1 of public housing funding, according to an evaluation report released by the U.S. Department of Housing and Urban Development on Wednesday.

The report found that 185 projects with 19,255 public housing units have closed financing nationally through the Rental Assistance Demonstration project, putting together \$2.5 billion in financing with only \$250 million of that coming from public housing financing. The rest came from Low-Income Housing Tax Credit equity, grants, private debt and other sources of funding.

"We knew it was going to leverage the private sector, but I think it's even exceeded the expectations we had for the program," said Holly Leicht, regional administrator for New York and New Jersey at the Department of Housing and Urban Development. "So from that perspective, I think it's great for all public housing authorities."

The Rental Assistance Demonstration program is a HUD program that allows up to 185,000 units of public housing to convert from public housing funding to project-based Section 8, the latter of which is supposed to be a more politically stable long-term source of funding.

Projects that go through RAD can use private financing for rehabs. "To find a new innovative way that we can bring more money in and enable rehabs to start pretty much immediately after closing is something we haven't seen in public housing in a very long time," said Leicht.

Public housing funding has declined so much over time that public housing authorities across the country have at least \$43 billion in backlogged repair needs, according to the report.

The RAD program has received applications to fill all 185,000 units that were authorized by Congress and has a waiting list for over 16,000 additional units.

The New York City Housing Authority has one development —1,393 units in Ocean Bay Apartments in Far Rockaway— as part of the RAD process, with \$207 million planned in construction financing. On June 29, NYCHA added 18 developments totaling more than 5,000 units to the wait list.

In its Next Generation NYCHA report, which is Mayor Bill de Blasio's plan to save the city's public housing authority, NYCHA says it will convert 8,313 public housing units and 6,380 scatter site units to project-based Section 8 using RAD and HUD Tenant Protection Vouchers. NYCHA has 177,657 public housing apartments.

NYCHA has capital needs of \$17 billion over the next five years and a capital budget of \$2.5 billion over that time, a problem RAD is designed to help. NYCHA projected that its use of RAD would decrease its capital needs by \$3 billion.

However RAD cannot solve NYCHA's capital backlog problem. Even if NYCHA uses RAD as planned with other proposals in the Next Generation report, NYCHA will still be left with \$10.6 billion in unmet capital needs.

Four other public housing authorities in New York State, totaling 412 units and \$12 million, have closed on RAD financing. And 15 other public housing authorities are in the pipeline to transition 6,850 units and finance \$482 million.

Gov. Andrew Cuomo's housing plan, announced last winter, would use \$125 million in state money over five years to help housing authorities outside New York City transition using RAD. The money will help authorities that can't raise enough private financing due to local market conditions. This is the only statewide program in the country to help with RAD conversions, according to Leicht.

The state money cannot be allocated until Cuomo and the state's legislative leaders sign a memorandum of understanding agreeing on how to allocate \$2 billion of housing money, which includes money for the housing authority.

The HUD report found that 63 percent of RAD projects that closed financing are getting rehabilitation work while 19 percent are being demolished and rebuilt. Eighteen percent of projects have no immediate capital needs, but will use the conversion to fund capital reserves or simplify their operations. On average, the RAD projects are funding \$60,877 per unit in construction costs.

Vic Bach, senior housing policy analyst at the Community Service Society, questioned the significance of the leveraging numbers, pointing out that almost \$1 billion is Low Income Housing Tax Credit equity, which he says is just a different form of government subsidy.

Find the report here: <http://bit.ly/2cSqdwW>