

## SF-RAD Revisited

**Two years later, how has it progressed?** By Scott Beyer

In 2015, San Francisco approved the largest privatization of public housing in U.S. history. The city decided to convert all of its government-run complexes into ones that would be repaired and managed by private and nonprofit developers. When I was last in San Francisco two years ago, I saw these projects during their redevelopment. Now nearly all the buildings have reopened, and are getting strong tenant and media reviews. If this positive story lasts, it will make San Francisco a case study in one way to do public housing redevelopment, and reflect nicely on the HUD policy that spearheaded the change.

San Francisco's conversion is indeed the largest utilization thus far of HUD's Rental Assistance Demonstration Program (RAD), an Obama-era policy meant to raise funds for the repair backlog in America's public housing stock. San Francisco's stock was built decades ago, and needed those repairs; it includes 29 buildings and 3,500 units, many of which were known for broken locks, vermin, water shutoffs and non-working elevators (which were especially problematic considering some units housed the elderly disabled).

Under the leadership of late mayor Ed Lee, the city replaced most of its Housing Authority commissioners and privatized the management of all this housing. The developers, which include affordable homebuilders, such as Denver-based Mercy Housing, use Low Income Housing Tax Credit (LIHTC) equity to make repairs, and a variety of government subsidies to manage the units. The money comes with a mandate to keep units affordable, maintain service quality and house tenants who had already been living in the public housing.

### BoA Assumes Big Role

As I wrote in my 2017 story on SF-RAD for this publication, the scale of the project was unusual—a wholesale conversion of every unit—as was the financing. Bank of America Merrill Lynch, which has a history of financing affordable projects in San Francisco, was the sole construc-



225 Woodside is a restored public housing project near the Twin Peaks neighborhood in San Francisco.

Photo: Clark James Mishler, courtesy of BRIDGE Housing

tion lender and LIHTC investor (Freddie Mac bought some of this debt, and is the project's permanent lender, while the seller-carryback lender and soft-lender, respectively, are the San Francisco Housing Authority and the city government).

For that piece, I toured the city with Ari Beliak, vice president of the bank's Community Development branch, which oversees SF-RAD. He showed me the old public housing projects that extended across the city, as we went through neighborhoods as diverse as Hunters Point, Chinatown and The Tenderloin. When I called recently to get an update, he enthusiastically explained the progress that's been made. Not only had most of the buildings reopened, but "the difference between the housing before and after repair is night and day."

Many of them have new counters, floors and finishes. There are a number of "value-adds," he says, that delineate the projects from before: new and improved public spaces, community centers and onsite counseling and social services.

According to several media accounts, unit quality is objectively nicer than before. The *San Francisco Chronicle*, focusing on a revamped project in Chinatown, described the new electronic gates, replaced piping and

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a renovated daycare. A piece by LISC.org, a social service consultancy, cited Luis Castillo, a wheelchair-bound resident of 350 Ellis Street in the Tenderloin, who called the new apartments he was about to be relocated into “beautiful.” And *Politico* writer Ethan Epstein, covering a project in the Jordan Park neighborhood, says “The decrepit apartments have been gutted, and the residents now have new kitchens, new floors, new windows and beautiful balconies. The infestations are over. No longer ignored, the residents now have access to services, like backrubs and field trips. The building, freshly painted, looks fabulous from the outside as well. Indeed, the average passerby would have no idea that 345 Arguello even is public housing.”

## Operations Competence

Whether or not this positive story endures depends less on how they look now, than how they function into the decades. The argument behind the RAD program is that they will function better, since the responsibilities for maintenance and repair are being shifted from an institution that does not have a comparative advantage in this industry, to one that does.

“The idea,” continues Epstein, “is that private managers possess the basic competence at operating housing that city governments all too often lack. The idea makes sense: Operating housing is literally what these companies do, unlike city governments, which have myriad responsibilities.”

Another potential best practice that came with San Francisco’s implementation of RAD was the relocation process. Beliak said that during renovations, developers were careful to repair buildings incrementally. That way tenants could stay in their units within the building, and move into the new units once they were complete, without having to leave the complex. In cases where tenants needed relocation, developers worked with city agencies and local landlords to move them into temp housing, and move them back when construction was complete. San Francisco thus avoided one criticism often leveled at public housing redevelopment, concerning where the tenants go during reconstruction.

Another possible best practice of SF-RAD was the aforementioned top-down quality. All 29 projects were subject to the same conversion policy, and organized under one big lender. This, writes Beliak by email, meant the project, “Attracted top pricing, enabled extensive efficiencies (underwriting, documentation, inspection, etc.), and the ‘package deal’ allowed weaker projects to benefit from stronger projects.”



Photo: David Lauridsen

BRIDGE Housing’s Holly Courts in Bernal Heights

Other cities will surely track how things go in San Francisco, as will the HUD officials and lawmakers who oversee RAD. As Epstein notes, “The program is still in ‘demonstration’ phase—hence the D in the acronym—so the number of units nationwide that can be converted is capped at a little more than 200,000....It will either be reauthorized or terminated in 2020.”

Cities that have applied RAD, include Baltimore, Austin, Chicago and Fort Worth. The New York City Housing Authority (NYCHA) is set to convert 62,000 apartments—over a third of its stock—to RAD. NYCHA was America’s last big holdout, running by far the largest remaining stock of public housing. But as I wrote in our February issue, NYCHA’s complexes, once a source of industry pride, had fallen into disrepair and were under threat of federal takeover. Now it, too, will leverage RAD to raise funds for restoration. The city can look to San Francisco, its West Coast peer, as a way to do this conversion effectively. **TCA**

### STORY CONTACT:

**Ari Beliak**  
Senior VP, Bank of America Merrill Lynch’s Community Development Banking Group  
ari.beliak@baml.com