Why The South Dominates RAD

When you think of affordable housing innovation, do you think of the South? Perhaps not.

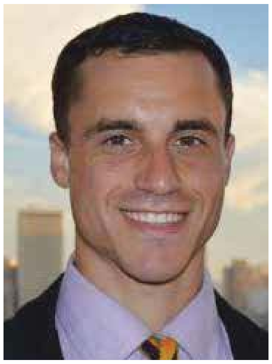
Many of today's affordable housing policies, from inclusionary zoning to strengthened tenant protections, are—whether you agree with them or not—growing out of coastal urban America. But one relatively new HUD program, Rental Assistance Demonstration (RAD), has become a Southern thing.

RAD is a privatization measure that allows public housing stock to be converted to private ownership and management. A mix of Low Income Housing Tax Credit equity and project-based vouchers help developers finance and underwrite repairs of old units, or construction of new ones on existing public housing sites, with the promise to rent them at subsidized rates. Originally authorized in 2011, it has become a popular tool nationwide, with 131,747 closed units so far.

RAD has been used in 44 states and the District of Columbia, and a database on the Novogradac website breaks the activity down by state. One column shows completed transactions, and the other shows transactions that are active or anticipated. Four of the seven top states for units completed under RAD are in the South (my use of the phrase is based on the popular definition of "The South," not the Census definition, which includes states, like Maryland, West Virginia and Texas). The nation's two most active RAD states are Georgia (5,970 units) and North Carolina (4,459 units); Mississippi is in fourth place (3,268); and Alabama is in seventh place (1,715). In the column showing current or anticipated RAD unit conversions, southern states take three of the top seven spots, including Alabama (7,377), North Carolina (6,805) and Tennessee (6,591).

Recently, I called some affordable housing consultants who have experience with RAD—and working in the South—to hear their take on why conversion activity is so strong there. One big reason—again, likely unbeknownst to most people—is that the South simply has a lot of public housing. Much of it was built by the Housing Act of 1937, or in proceeding bills meant to house people following post-World War II urban renewal.

According to some numbers crunching by Jaime Bordenave, president and CEO of The Communities Group, the South (based on the generalized definition that includes Virginia, Tennessee, Kentucky, the Carolinas, Georgia, Florida, Alabama, Mississippi and Arkansas) has 26 percent of the nation's public housing units. Those same ten states now hold 25 percent of the population – although it used to be far less, meaning that throughout the decades, the South had a disproportionately high share of America's public housing. But interestingly, notes Bordenave, 41 percent of closed RAD units are in these ten southern states.



Scott Beyer

There could be a number of reasons for this, several of which I heard during the interviews. One is that southern public housing is old—meaning it needs repair anyway—and is easier to convert than public housing elsewhere.

"In the North, you tend to have more high-rise buildings," said Bordenave. "And those are much harder to convert to RAD."

The South, by contrast, has large horizontal projects that may have significant density; but their space, separation and low-rise character makes them easier to phase. Developers can build new units on empty land that tenants then move into, enabling repairs of existing units. One example Bordenave cited was the recent RAD conversions in Norfolk, VA.

Another reason is that the South's public housing portfolio is top-heavy; while many small cities and towns have their own public housing agencies (PHAs), those have limited stock. Instead, units concentrate in the South's handful of big cities, such as Charlotte, Atlanta and Miami - all of which have seen major RAD conversions.

This is noted by Richelle Patton, founder of Collaborative Housing Solutions, an affordable housing consultancy based in Decatur, GA. She says the gaudy numbers coming from North Carolina are largely because both Greensboro and Charlotte are converting their entire public housing stocks to RAD. According to HUD.gov, this involved 3,400 units across 53 developments in Charlotte. Atlanta has converted 11 of its projects to RAD, and Patton says the housing authority's long-term plan is to make that conversion comprehensive. Then, of course, there's Miami Public Housing & Community Development agency, which I profiled in *Tax Credit Advisor*'s September 2019 issue. It is aggressively using RAD to build and repair public housing, in order to increase on-site densities.

Patton says that all this might be in part due to the institutional knowledge that has developed about RAD across the region. Many southern states have consultants with years of experience working in affordable housing finance, and who have developed familiarity with RAD. They have shared their knowledge with trade associations and PHAs, who also warmed to the policy.

"I do think that word-of-mouth makes a big difference with public housing authorities," says Patton.

Another factor may be political differences: the South is still a conservative area. While RAD was created by HUD during the Obama Administration, it has been embraced by the Trump Administration under Secretary Ben Carson's leadership, and is viewed as a privatization measure. Maybe that sounds attractive in southern cities, where the general public may have an ingrained hostility towards public housing.

In northern cities, meanwhile, the idea of public housing is more acceptable and familiar, and the PHAs are legacy agencies that aren't so easily disrupted. In New York City, for example, New York City Housing Authority (NYCHA) runs 173,762 public housing apartments. Only 2,991 families live in former NYCHA units that have been converted to RAD. The bureaucracy there has proven more willing to oversee terminally-mismanaged housing (NYCHA has won the city's "Worst Landlord" prize from the *Public Advocate* two straight years) than convert it to RAD. Within the Boston Housing Authority, public housing units still outnumber the rental assistance vouchers that the agency distributes.

But the South seems especially open for the business of RAD. And if developers and PHAs want to participate, there are industry leaders in the region who can help them through the conversion process. TCA

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