RAD
Collaborative

Finish the Job!—with Modest Investment & Recovery Jobs

Over the last decade, the nation's public housing authorities (PHAs) have re-asserted their valued roles as community-based owners, developers and managers of affordable housing in communities across the country. Especially now, when national resources are focused on stemming the Covid-19 pandemic, their capacity to cost-effectively produce high-quality, healthy housing and lead community redevelopment efforts is vital.

Using HUD's Rental Assistance Demonstration (RAD) and other HUD tools such as the Section 18 Demo/Dispo program, PHAs and their partners are on course to modernize about half of the nation's 1.1 million public housing units within the next 3-4 years. In doing so, they are making markedly better use of poorly-deployed public housing funds while tapping available Private Activity Volume Cap, FHA insurance and other under-used resources. Completed RAD projects have already leveraged nearly $10 billion in new debt and equity investment to shore up 150,000 public housing units. Another 36,000 units of RAD-eligible multifamily housing have also been preserved so far.

With a few policy changes and modest additional investment at the federal level, PHAs, their partners and other assisted housing owners can accelerate modernizing the remaining 600,000 or so public housing units and the balance of RAD-convertible multifamily housing in the same 3-4 year timeframe. This would also substantially boost the economy's recovery with tens of thousands of high-paying construction jobs. Here's how.

What HUD Could Do--Now

Flexibly Blend Rents & Streamline Approvals. Since launching RAD in 2012, HUD has steadily and creatively applied its authority to combine it with other programs such as LIHTCs and FHA insurance to extend its reach. The most recent of these efforts has been to blend RAD with Section 18 authority—via the so-called "75/25" and "last 50" provisions—which fuse higher Section 18-generated tenant protection voucher (TPV) rents with RAD rent levels for, respectively, 25% of units in a project and 50 or less units remaining in a PHA's inventory. The enhanced income stream bolsters a project's debt and/or equity leverage to support more extensive rehab costs than could be done solely with RAD rents. It's a smart strategy to make more projects feasible. It can easily be varied and amplified.

HUD has modified the blend equation in earlier, limited settings. Nearly all the deteriorating public housing in San Francisco was preserved and improved in this way. HUD should now flexibly blend up or down Section 18-generated TPVs with RAD to help higher-cost projects and large portfolio conversions as a matter of policy. For example, an older property in need of extensive rehab may require combining 45 percent of project units with higher-subsidy TPVs and 55 percent RAD rents to make it economically viable. Or a large portfolio conversion could benefit by fusing RAD rents with 10-20% TPVs for some projects, and greater or lesser amounts needed for the remainder of properties. This would aid hundreds of PHAs in repositioning their inventories in the way that San Francisco did.

At the same time, HUD should consolidate and streamline review and approval of such blends, which are now undertaken by multiple HUD offices. The Office of Recapitalization was originally designed to perform this role and has proven its capacity to readily do so. Given well-established conversion procedures, there is no need for many hands to process straightforward recapitalizations.

Declare Obsolete All Public Housing Past Its Useful Life. The public housing inventory not yet converted to the Section 8 platform is burdened with a fair number of evidently aging, physically or functionally obsolete "projects." These properties need to be demolished or rebuilt and creatively transformed to complement surrounding communities. Neither RAD alone nor RAD blended with any amount of Section 18-generated TPVs will support their redevelopment costs. Yet in most cases, they will pencil out if PHAs can combine 100% TPV-level subsidies with 9% LIHTCs and other available capital funds.

There is no good reason to continue slow walking the transformation of obsolete housing. Most of the properties eventually get demolished or disposed—often after years of being mothballed—with HUD providing TPVs to help residents find other housing. Yet HUD currently requires cumbersome and separate Section 18 and TPV application and approval processes to conclude that these properties have exceeded their useful life, need to be rebuilt and merit an award of TPVs to help.

An accelerated, more cost-efficient policy could simply declare that all buildings constructed, say, prior to 1970 automatically satisfy Section 18 Demo/Dispo criteria and will be awarded TPVs. Declaring the oldest public housing de facto obsolete would expedite an inevitable endgame. HUD could prioritize and pace TPV awards to PHAs able to move quickly in addressing properties most at risk of being taken offline and those posing immediate safety and health hazards to residents.

As needed ahead, Congress could be asked to ratchet up the supply of TPVs, which are authorized for exactly this purpose—to protect tenants against the loss of decent, affordable housing. Doing so would deploy TPVs in a preventive rather than reactive manner. Savings from PHAs not having to undertake separate Section 18 and TPV application and review costs could be applied to rebuilding budgets. Plus, recent HUD studies have underscored more of the obvious—that resident health and other family outcomes improve in new or substantially-modernized housing. Especially in these times, there is every good reason for expediting the redevelopment of better housing.

Offer Flexibility for Accountability. In return for accelerated Section 18 processing of obsolete properties, PHAs should commit to undertaking a well-planned program to transform them. Demolition and new construction or substantial rehabilitation activities should be realistically sequenced to assemble needed redevelopment resources and avoid prolonged construction-related relocation of residents. Failure to meet agreed-to redevelopment timelines would warrant revoking subsidy approvals.

At the same time, PHAs should be relieved from the patchwork of unnecessary Section 18 and related program requirements that impede quicker action. One is penalizing authorities under the Public Housing Assessment System, or PHAS, for not fully upgrading obsolete properties approved for demolition and rebuilding to the same standards as newer properties—even though requisite safety and health standards are maintained. Another is to forbid PHAs from using public housing funds on hand in support of Section 18 conversions to the Section 8 platform. Yet another is to withhold subsidy payments for properties undergoing in-place rehab work if tapping Project-Based Vouchers (PBVs) generated from Section 18 Demo/Dispo actions.

RAD has devised procedures for reasonably curbing unnecessary PHAS enforcement, allowing available public housing funds to facilitate conversions and providing PBV subsidy payments during rehab. These procedures could readily be extended to all public housing properties moving to the Section 8 funding system—regardless if converting under RAD or the Section 18 program.

Other helpful Section 18 actions that HUD recently introduced could be made more efficient by engaging affected agencies in devising wholesale approaches to common requirements. For example, a provision enabling PHAs to dispose of their often difficult to manage scattered-site, 1-4 unit dwellings in exchange for TPVs under a streamlined review process—many times involving hundreds of scattered-site properties often with similar building and location characteristics—could be streamlined. Instead of requiring property-by-property applications, environmental assessments and approvals, PHAs could bundle homes with similar features and submit evidence of generalized environmental impacts under a single application. Processing time and money would be saved—and better directed to repositioning those units in the marketplace.

What Congress Could Do—Next

Make RAD Permanent & Predictable for a Defined Period. Congress should take the "D" out of RAD and make it an ongoing initiative incentivized for faster take up. RAD has more than amply demonstrated proof of concept, which has been underscored in Congressionally-mandated evaluations and other assessments. Hundreds of PHAs and their partners in big and small markets have shown how to use RAD in preserving and enhancing properties that previously struggled with deferred maintenance or worse when no viable recapitalization options were available to them. It's now time to make the program predictably available without a declared sunset.

What's more, there's no need to re-hash well-established practices by subjecting permanent RAD authority to rulemaking that is typically required for a new program. Congress could codify RAD's proven procedures, periodic guidance and successive revisions and deem them as satisfying any rule making and regulatory processes when establishing it as a permanent program. RAD is a well-established and working program—not one needed to be worked through in new rules and regulations.

In making the program permanent, Congress should also take the uncertainty out of RAD's starting rent levels. This could be done through a multi-year appropriations commitment to provide a workable level of conversion funds for a defined period. Agencies still considering RAD relative to having to operate their housing with declining support in year-to-year funding processes would be offered a predictable conversion option—for a limited time. After that, Congress could re-assess appropriate funding levels for RAD as well as what remains of conventional public housing.

A time-limited deal would pose a clear choice for PHAs. One option would enable them to convert under-funded properties to Section 8 project-based contracts with incrementally increased subsidies and preserve inventory while maintaining their mission for the foreseeable future. The other would promise more of what has plagued PHAs for the better part of the last 30 years—chronically inadequate annual funding that has led to the deterioration and eventual loss of stock—which threatens its mission. RAD's uptake would be likely accelerated given this clear choice.

Integrate Dual Contracts. Blending RAD PBVs with agency-issued PBVs from project basing Section 18-provided TPVs has become more of a contracting morass than need be. Partly due to different statutes authorizing earlier and later iterations of PBVs, HUD has resorted to issuing one contract for the portion of a project using RAD PBVs while PHAs issue a separate contract for the PBVs they provide. Both contracts in blended projects must then be separately managed over time resulting in compliance redundancies and costs. As needed, Congress should clearly authorize HUD to combine varied forms of PBV contracts for blended projects and across portfolios into the more recent and flexible RAD contract format.

Extend RAD to Eligible Multifamily Properties. RAD has worked equally well when applied to HUD-assisted multifamily properties lacking a viable subsidy renewal option. The entire inventories of HUD's older Rent Supp and RAP programs have been successfully converted under RAD. The Section 8 Mod Rehab and the Section 202 PRAC programs are also using RAD to preserve at-risk properties. HUD has proposed next using RAD for Section 811 housing for the disabled. It would be better for Congress to simply authorize HUD to apply RAD to all multifamily housing in need of a subsidy renewal mechanism.

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If HUD and Congress were to take just the limited steps outlined above, the perennially declared goal of getting the public housing stock on stable footing for the future would be within reach. Improved, healthier housing would be produced. Neighborhoods pockmarked with run-down or boarded up public housing would see its redevelopment help catalyze surrounding renewal efforts. Jobs lost to the pandemic could be counter-balanced by the creation of thousands of good-paying construction and multiplier jobs. Communities and public housing residents typically neglected by broader stimulus efforts would benefit most.

RAD's cost-effectiveness has shown that doing all this need not demand much in the way of additional federal investment. This is in marked contrast to a few high-profile bills currently under consideration in Congress that call for pumping billions into the arguably broken conventional public housing system for quick, onetime fixes to the remaining inventory. Particularly in an environment where federal resources are needed to address the pandemic, a RAD-based approach affords long-term stewardship of public housing at substantially less cost than a short-acting bail-out.