Expand RAD now

Why, a four-year-old child could understand what to do. – Groucho Marx (almost)

Wouldn't it be refreshing, if only as a change of pace, if HUD developed an innovative new program that:

- Tackles a long-building federal housing crisis projected to cost in excess of $25 billion.
- Is purely voluntary – owners participate only if it makes sense to them.
- Has easy-intake processing rules that enable owners to explore the program cheaply and safely.
- Costs the federal government nothing.
- Helps obsolescent properties tap new non-federal money.
- Has three times as many applications as anticipated.
- Has broad bipartisan stakeholder support.

Actually, there is such a HUD program – RAD, the public housing Rental Assistance Demonstration. However, the program is in jeopardy of stalling for want of a simple legislative fix: Passage by Congress of a bill raising the current cap of 60,000 units to at least 185,000, or, better yet, eliminating the cap entirely.

Confounding predictions, RAD is going gangbusters.

When RAD was launched two years ago, skepticism abounded, chiefly because participating housing authorities would have to convert their public housing units to assisted units at effectively the same rents already in place. So, the skeptics asked, where could the value boost come from? They predicted minimal participation in RAD and only a small number of transaction closings.

The few proponents of RAD (Recap prominent among them) argued that:

- With the elimination of the restriction against public housing properties taking on debt, these projects could compete for and win new discretionary funding resources to pay for revitalization (volume cap tax-exempt bond financing, allocated tax credits, state and local grants/loans).

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- By investing needed capital in the properties, public housing managers could cut the utility costs for these developments and put an end to stopgap "Band-Aid" repairs.
- Freed from anachronistic overly prescriptive constraints, housing authorities could improve the quality of their housing units.
- By being able to act like an owner, public housing authorities could be every bit as entrepreneurial as incumbent nonprofits. As placed-based publicly-accountable Mission Entrepreneurial Entities[1], post-RAD PHAs could be among the most desirable developer/owners[2] of deep-subsidy affordable housing.

Finally, despite RAD's flaws, I argued that "the solution is its own salesware." By this I meant that the success demonstrated by a few initial closings would convince the skeptics, attract the cautious, and empower the reformers.

Today, just over two years later, all this has happened.

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[1] Via my nonprofit, the Affordable Housing Institute, we discussed these entities in a 236-page book, *Mission Entrepreneurial Entities, Essential Actors in Affordable Housing Delivery*, which is available for free download at http://www.affordablehousinginstitute.org/ahi-mee-report/ or by emailing me at dsmith@recapadvisors.com.

[2] I wrote about this at length in a July 2007 article, The Essential Housing Authority, published in NAHRO's *Journal of Housing and Community Development*. For a copy, email me.

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The program's performance has *exceeded* even my optimistic expectations. The proof is in the following:

The pipeline is full.

- RAD is popular all over the country.
- By September 30, 2014, HUD should have closed roughly 10,000 apartments' worth of RAD transactions. The pace of closings is accelerating.
- HUD has already approved Commitments for Housing Assistance Payments (CHAPs) for the full 60,000 demonstration limit.
- RAD applications have been filed for at least 184,685 apartments – 15% of the total public housing stock.

The program is doing what its advocates hoped.

- Properties closed so far have funded an average $45,000 per apartment in hard rehab costs.
- Properties with pending applications (before detailed work scoping) are projecting $25,000 per apartment in hard rehab costs.

Public housing authorities like it.

- 75% of housing authorities with RAD awards plan to convert *their entire public housing stock.*
- To keep up, HUD is implementing measures to streamline its RAD processing.

Doing nothing is a losing proposition.

- Public housing operating subsidies have been under-funded each year relative to need, resulting in a rising capital backlog (at least $25 billion pre-RAD) and the loss of 10,000-plus apartments annually.

It's the only game in town.

- Before RAD, PHAs had no transaction options for removing and preserving their public housing properties; the HOPE VI program hasn't been funded for several years.

So what are we waiting for?

Closed properties are being rehabbed and improved or replaced with new construction. Early adopters who applied for one or two test properties are now going all-in. The pipeline continues to grow. Those initially on the sidelines are now supporters. In short:

- All of the good things envisioned for RAD have happened.
- None of the bad things conjured by skeptics and foes have occurred.

Meanwhile, an arbitrary ceiling that Congress could raise in an hour is threatening not only to stop the program's momentum but also to send it into reverse. One launches a demonstration program to learn things, with the idea of expanding it if it works. RAD works, so Congress should expand it – now. TCA

> *Run out and find me a four-year-old-child;*
> *Congress can't make head nor tail out of it.*
>
> – Groucho Marx (almost)

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