RAD and the preference cascade

RAD comes at a critical juncture for the public housing inventory, because dramatic reinvention is needed. This could be the most exciting time in public housing in four decades.

– David A. Smith, State of the Market, June, 2012

The voluntary public housing revolution has yet to cost HUD a dollar: in fact, the Rental Assistance Demonstration (RAD) has leveraged $8.90 for every dollar of public housing funds deployed, generating $3.9 billion of construction investment on the 59,000 apartments that have closed, with another 126,000 on deck, which together are liberating 185,000 apartments from the 1.3 million home public housing inventory and awakening the hitherto squelched or sublimated entrepreneurial capacity of public housing authorities, many of whom may never have known they had it in them.

Did I mention RAD hasn't cost HUD a dime?

Equally important is that 15 percent of the inventory now in motion has become a RAD preference cascade. With its successes now widespread and the reasons why evident, a program that was greeted with skeptical hostility has changed the political and policy dynamic. Those not in the program wish they were – already 18,000 apartments are on the waiting list, a number that is certain to grow. What then still needs to happen? Just two things:

1. ***Congress: Lift the cap on total RAD apartments – better yet, eliminate it altogether.*** Because RAD was a pilot program, one feared by many (including many who should have known better), originally it was allowed for only 60,000 apartments, a figure that in short order was blown through, resulting in an increase to 185,000. Even that higher cap has inhibited activity, forcing HUD to create and then enforce processing milestones that do nothing to improve transaction quality, speed, or volume, and instead add only uncertainty and hence cost.

   If, instead, RAD were open-ended – no production cap, no sunset date – then processing under RAD would be as straightforward as a private developer applying for FHA insurance. Rules would be reliable, relevant financial information published and accessible. Housing authorities could then work at their own speeds, sequencing their filing to other calendars (e.g. state-level resources, such as LIHTC Qualified Allocation Plans, volume-cap bond allocations, or state housing trust funds), and external funders (e.g. service providers, philanthropies) could make forward commitments confident their money would be deployed.

David A. Smith

   Note to Congress: Were you aware that RAD hasn't cost the federal government a nickel?

2. ***HUD: Offer RAD-EZ for mini- and micro-housing authorities.*** Of the roughly 3,200 public housing authorities nationwide, roughly half of them are mini-authorities (100 apartments or less), and half of those are micro-authorities (under 50 apartments). Together the mini- and micro-housing authorities represent only seven percent of the total public housing inventory nationwide, yet they're governed by the same cumbersome regulations that have been put in place, paper ream by ream, to address perceived and real problems with mega-authorities.

   Virtually every other part of the government has de minimis exceptions – why not RAD-EZ, with these features:

   - ***Get-out-of-covenant free card.*** Allow mini- and micro-HA's in good standing to convert to Project-Based Vouchers (PBVs) or Project-Based Rental Assistance (PBRAs) without having to submit detailed RAD Capital Needs Assessments, a comprehensive development budget, and so on. Or if you're feeling truly deregulatory, let them speedily convert to vouchers (say on a majority vote of the resident households).

- *No mandatory refinancing review.* In RAD Part 2, Rent Supplement and RAP property owners are presumed to be intelligent enough to evaluate for themselves when to refinance. With publicly accountable housing authorities showing themselves adept at financial structuring, and with the multiple overlays of state-level financing and resource review, do we really need HUD as an additional truss?

In just a few years, RAD has achieved results nobody including me thought possible. Allowed to grow, it will finish revolutionizing and revitalizing an inventory and a system that many had quietly given up for dead.

Note to HUD: Has anyone told Secretary Carson that RAD isn't costing HUD a cent?

All RAD needs now is further room to grow – without picking up additional tertiary mandates or special-interest features by former naysayers who now want to festoon the program with their particular gewgaws.

With its successes now widespread and the reasons why evident, a program that was greeted with skeptical hostility has changed the political and policy dynamic. Those not in the program wish they were – already 18,000 apartments are on the waiting list, a number that is certain to grow.

Note to both Congress and HUD: When you make the two key changes, resist the temptation to 'fix' RAD. It ain't broken. TCA