Guest Editor's Introduction

The Rental Assistance Demonstration

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Introduction

The Rental Assistance Demonstration (RAD) was authorized by Congress in 2012 to stem the potential loss of public housing and other subsidized housing units due to the growing backlog of unfunded capital needs. The program converts public housing properties to project-based Section 8 contracts—either project-based vouchers (PBV) or project-based rental assistance (PBRA)—with the expectation that this will provide a more predictable long-term annual funding stream. This should, in turn, allow PHAs to leverage external sources of capital to pay for rehabilitation costs and/or to create capital reserves to ensure that a property remains financially and physically viable. By preserving these affordable housing units, RAD ensures affordable housing units can continue to house assisted families in the future. A central component of RAD is that the conversions should not only benefit future assisted families but also the current residents of buildings undergoing RAD conversion. The program provides residents with rights, including the right to return after rehabilitation and the right to a choice-mobility voucher after living in a converted property.

This symposium features five articles studying the RAD program. One article assesses whether the use of Low-Income Housing Tax Credit (LIHTC) to finance RAD conversions crowds out other LIHTC program uses. Three articles consider how RAD impacts current residents by looking at a national survey, a conversion in a New York City Housing Authority (NYCHA) development where smoke-free housing measures were implemented, and a conversion in a California housing authority with a participatory planning strategy for resident engagement. The final article discusses how linking multiple administrative data sources allows researchers to address research questions that might otherwise be impossible to answer, such as the impact of RAD on the health and education of children.

The Backlog of Capital Needs

Public housing authorities (PHAs) receive funding from HUD to maintain public housing units. This funding comes from the Public Housing Capital Fund, which has been underfunded for many years.

The most recent Capital Needs Assessment report by Abt Associates revealed that in 2010, the public housing stock had a backlog of nearly $26 billion in unmet physical needs. Furthermore, they estimated that it would require $3.4 billion annually to keep pace with accruing capital needs (Finkel et al., 2010). Since 2010, the annual appropriations for the Public Housing Capital Fund have never exceeded $3 billion.

For families currently living in public housing, the large and growing capital needs backlog means many households live in units with substantial disrepair. It also means that some of these units will continue to deteriorate and may become unavailable for future families. RAD was designed to help address this crisis in public housing.

Prior Evaluation of the Rental Assistance Demonstration

The largest effort to examine the effects of RAD has been a HUD-funded evaluation of RAD conducted by Econometrica and the Urban Institute, with the final report published in December 2019. This evaluation examined the first 7 years of RAD conversions and focused primarily on the ability of these projects to secure financing and make physical improvements. During that timeframe (November 2011 through October 2018), a total of 956 public housing projects with 103,268 public housing units converted through RAD. These projects raised a total of $12.6 billion, for an average of $121,747 per unit. RAD projects used financing in a variety of ways, many taking on substantial rehabilitation efforts. Analysis of a sample of 17 RAD projects selected to be representative of RAD projects converting under the initial 60,000-unit cap showed that they improved their physical condition, as measured by a reduction in their short-term capital needs. On average, the sample projects had per-unit short-term needs of $12,981 before conversion and $4,608 afterward—a 65 percent reduction. A comparison sample of non-RAD projects had, on average, $3,740 in short-term capital needs before conversion and $8,710 afterward—a 133 percent increase over the same period. The study also found that following RAD conversions, projects had substantially lower critical needs (deficiencies concerning health, life, and safety such as accessibility deficiencies, structural defects, asbestos, or lead-based paint). This study also collected financial statements from a sample of 18 RAD projects and 46 non-RAD projects before and after conversions. Financial indicators show that the liquidity and viability of RAD projects improved after conversion and declined for the non-RAD projects over the same period (Stout et al., 2019).

The evaluation indicates that RAD has been successful at achieving its primary goal of helping subsidized housing properties get the funding they need for repairs. But less is known about how RAD affects residents of converted properties and how RAD has transformed the broader ecosystem of affordable housing finance. The articles in this symposium are a significant step toward building a more comprehensive understanding of RAD.

Featured Symposium Articles

RAD conversion allows projects to access private markets to raise financing for rehabilitation efforts. The largest source of financing for RAD projects is LIHTC. In their article, Schwartz and McClure (2021) measure the degree to which RAD use of LIHTC has crowded out other uses of LIHTC funding for affordable housing development and preservation. Their paper estimates that this crowd-out will deepen as RAD continues to convert public housing units up to the current cap of 455,000 units and projects the burden RAD would place on the LIHTC program if the remainder of the public housing portfolio were converted through RAD. The paper concludes by presenting several policy solutions for easing the tension between RAD and other demands for LIHTC funding (Schwartz and McClure, 2021).

Hayes, Gerken, and Popkin (2021) summarize the tenant survey conducted for the RAD evaluation. The researchers conducted surveys of 298 residents in 18 RAD developments. The authors find that the residents surveyed did not experience large effects because of RAD conversions. They found that most residents did not have to relocate, and most of those who did relocate returned to the property after conversion. Residents were generally satisfied with the conversion process, property management, and communication. However, a slight majority reported they had not been informed of their choice-mobility rights (Hayes, Gerken, and Popkin, 2021).

Moore, Lazzeroni, and Hernández (2021) describe a resident engagement effort implemented in a California housing authority where several properties were converted through RAD. The housing authority employed a participatory planning model to solicit meaningful input from residents in the planning process. This article documents the implementation of this strategy, highlighting the challenges and benefits of using a participatory planning strategy. In concluding remarks, the authors provide suggestions for further improving resident engagement through rehabilitation efforts to help ensure that current residents can benefit from RAD conversions. First, for PHAs seeking to engage residents, Moore, Lazzeroni, and Hernández (2021) recommend organizing meetings and outreach to account for residents' work schedules and caretaking responsibilities. Second, PHAs should set expectations early in the process to make sure all parties understand what input the housing authority is seeking and what it will, and will not, do with those suggestions. Third, the authors recommend that stronger accountability at the federal level could improve resident engagement. Finally, the authors note that resident engagement should be intentional and sustained during and after RAD conversions (Moore, Lazzeroni, and Hernández, 2021).

Hernandez et al. (2021) study the relationship between RAD conversions and smoke-free housing policy measures in NYCHA. The authors hypothesize that physical improvements made by RAD will improve enforcement and compliance with smoke-free housing policies. They explore multiple pathways for this effect, including (a) physical improvements decrease residents' stress and increase satisfaction; (b) these improvements also increase residents' pride in their housing; and (c) investments in the property will strengthen the social contract between property managers and residents. Following RAD conversion, authors found broad satisfaction with physical improvements, increased satisfaction with property management, and a significant reduction in secondhand smoke exposure (Hernández et al., 2021). While this research is largely exploratory, it describes a situation

in which unmet maintenance needs were largely resolved by RAD, and it appears that this aided enforcement and compliance with ongoing smoke-free housing policy measures.

Aratani, Charney, and Heflin (2021) demonstrate that linking multiple administrative data sources can allow researchers to answer questions that could not otherwise be addressed. The authors link data from the Fresno housing authority, Fresno emergency departments, and the Fresno school district to analyze how RAD conversions impacted the health and education of children. They argue that these questions could not have been addressed with other research methods. Employing a randomized control trial and conducting surveys or interviews would likely be cost-prohibitive to produce a large enough sample size, and no administrative data source in isolation would have all the variables necessary for addressing these research questions. From their demonstration, the authors drew two main conclusions. First, children in RAD Fresno Housing properties had higher school attendance and grade point averages than children in non-RAD assisted housing. Second, RAD implementation did not negatively impact the likelihood of children visiting an emergency department. The article concludes with a discussion about the challenges of linking administrative data and the potential benefits of doing so (Aratani, Charney, and Heflin, 2021).

Future Research Needs

RAD is authorized to convert 455,000 public housing units, and it is well on the way to reaching that cap. As more units are converted to PBV and PBRA, these programs will see a substantial increase in their portfolios. It will be important to study how these programs react and what additional changes they need to make. For example, the administrative data collected for PBV properties are sparse, which might limit HUD's ability to monitor these projects. RAD will only be an effective transition program if the PBV and PBRA programs are adequately managed and funded to maintain the converted units long-term. Future research should assess these programs' capacity to absorb the increase to their respective portfolios and determine whether the projects are well maintained and preserved long-term.

RAD is a viable solution for preserving much of the nation's public housing stock. However, there are also many public housing projects for which RAD will not work because future cash flows would be too small to pay for rehabilitation and modernization above and beyond routine maintenance. Policymakers and researchers will need to address how to rehabilitate the remaining projects.

While it is important to understand how RAD functions from a programmatic and federal level, it is also critical to understand how conversions operate on the ground. It will be important for future research to continue to study how specific housing authorities implement RAD conversions, what goals they have for the converted properties, how different RAD conversion strategies and goals impact current residents, and how physical and financial improvements will impact the housing authorities' ability to house future residents.

One advantage RAD has is that it is designed with built-in accountability. RAD provides residents the choice-mobility option so that they can get a housing choice voucher after living in a converted PBV property for 1 year or a converted PBRA property for 2 years. It will be important to study how the choice-mobility option is promoted by PHAs and used by residents. If a RAD property is not well

maintained, residents may use their choice-mobility option to leave the property. Does this incentivize property managers to keep up with maintenance and provide high-quality housing? PHAs could also promote Choice-Mobility as a program to help families move to areas of opportunity. Research should identify PHAs taking this approach and could use these sites to study mobility efforts.

Acknowledgments

The guest editors thank and acknowledge all of the authors who contributed to this symposium, the four anonymous peer reviewers who provided detailed and extremely helpful comments on the articles, as well as Mark Shroder, who suggested the idea for this issue.

Guest Editors

Nathan Bossie and Paul Joice are Social Science Analysts in HUD's Office of Policy Development and Research. They served as the government technical representative and the government technical monitor for the HUD contract under which Econometrica and Urban Institute evaluated the Rental Assistance Demonstration.

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