Community and Economic Development in North Carolina and Beyond Blog: 50 Years of HUD: Rental Assistance Demonstration Program

By CED Program Interns & Students

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As the CED blog ends its series celebrating the 50th anniversary of HUD (previous posts can be found here and here), it is only fitting that this post focuses on one of HUD's newest, and perhaps one of its most radical, programs: Rental Assistance Demonstration (RAD).

The RAD program serves a simple enough purpose. It addresses a major funding gap that is resulting in loss of public housing stock. Congressional cutbacks on HUD subsidies over the past 15 years have severely hampered maintenance of many of the nation's 1.2 million public housing units. HUD estimates it has a $26 billion backlog in deferred repairs. Due to ongoing lack of repair, units are becoming uninhabitable. As they do, they are demolished or sold. From 1990-2010, 300,000 units were lost from public housing stock due to continued lack of maintenance.

These losses come at a point in time when demand is vastly outpacing HUD's supply. Currently, public housing serves only about ¼ of eligible households. And as discussed earlier in this blog's HUD series, demand is likely to increase in the future due to rising housing costs.

Yet funding public housing has a political nonstarter in Congress. This is partly due to the legacy of failures of the earlier HUD housing projects, most notably Pruitt-Igoe in St. Louis, Missouri. Ironically, as the documentary The Pruitt-Igoe Myth pointed out, some of the failure of these early projects is due to lack of maintenance budgets. These early complexes fell into severe disrepair, leaving their inhabitants to feel "thrown out with the trash."

RAD addresses this issue of disrepair by allowing local housing authorities to seek funding sources for ongoing maintenance and upkeep beyond the federal government. The way in which the program does so is really simple – it allows units to convert to its Section 8 system, which already allows housing authorities to seek multiple funding sources. In this system, agencies can leverage the private debt/equity system as well as public to reinvest in its housing stock. Agencies can now mortgage their land and buildings, and renovate with access to funding sources such as low-income tax credits. Residents are moved from their current contracts to Section 8 contracts, which still guarantee them long-term, permanently affordable rents, for the 15-20 years of the contract.

The RAD pilot program collected applications in 2014. In this program, agencies could apply to convert existing public housing and Moderate Rehabilitation units to Section 8 contracts only. The program was limited to 60,000 units total. HUD received over 180,000 applications. Due to the program's early success and demand, HUD has continued the conversion program in 2015 and expanded it to also allow units operating under Moderate Rehabilitation, Rent Supplement, and Rental Assistance Payment programs to convert to tenant-based vouchers as contracts end. This expansion is only limited by the number of tenant protection vouchers available. Each application period also still allows for agencies to apply to convert their properties, but is still limited to 60,000 properties per application period.

Despite demand, the program does not come without some concern and criticism. Despite the program's simplicity, it is a quite radical shift in policy. The federal government is privatizing the funding of its existing federal housing stock. Some critics fear this move points to the first steps towards greater privatization, and potentially heralds the end of public housing as a public service.

The RAD program does not end public housing as a public service. The housing stock will still have public oversight and public funding, but can meet its funding gap on the private market. Yet, by opening their funding to private market sources, HUD does expose its stock to the whims of the private equity market – both its booms and busts. With this move coming so close to the recent housing crisis, in which Ginnie Mae and Freddie Mac suffered greatly due to their exposure to the private market, there is high concern that the move exposes our public housing stock to the same market forces that caused this crisis. Proponents of the program argue that the stock is exposed no more than in current federal practices.

Still, tenants in particular are worried about what happens if something does go wrong. In Baltimore, where 4,000 of the local housing authorities' 11,000 units were converted under the pilot program, this move was met with organized protests. Tenants there expressed fear of displacement, and future affordability on the contract system. They worried that the potential repairs and renovations might spell permanent displacements from their homes, or that the switch in contracts meant they might have to reapply for their homes and potentially not get them back.

Critics also raised concerns of what would happen if the agency defaulted or contracts were not renewed, and the property switched into private hands. The properties could still be lost from the public housing stock if that happened. Some critics even argue that some real estate investors could abuse the system and use it as a vehicle to acquire site control of properties in prime, or potentially prime, areas of cities, and eventually convert the properties to private, market-rate stock.

With the pilot program having only launched in 2014, and the first round of applications for the permanent program recently closed, it is too early to know exactly how RAD will affect our public housing stock. The move will require careful oversight in order to mitigate against the risks of the private market. If done right, the program could be an opportunity to rethink US public housing policy. If done wrong, it could remove more units from the stock at a time of great need. Baltimore, a city high demand and gentrification concerns, and now 40% of its stock converted under the RAD program, will be the place to watch in the coming years.

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