Key Findings:

Lessons for the Future of Public Housing: Assessing the Early Implementation of the Rental Assistance Demonstration Program

Authorized by Congress in 2012, the Rental Assistance Demonstration (RAD) allows public housing agencies (PHAs) to convert units from their original sources of U.S. Department of Housing and Urban Development (HUD) financing to project-based Section 8 contracts. The primary benefit of RAD is that converted properties can secure private sources of capital financing for rehabilitation and preservation, addressing the long-term chronic underfunding of the nation's public housing stock. RAD has become a central tenet in the government's efforts to preserve long-term rental housing assistance.

In the related policy report, we summarize findings from more than 25 interviews with public housing authorities (PHAs) and other organizations across the country who have been engaged in the implementation of RAD at the local level. The goal of this report is to highlight the challenges that housing authorities have faced in implementing RAD in their markets, to share best practices that have emerged in RAD implementation, and to make recommendations for RAD going forward.

While still in its early stages of implementation, early results suggest that:

RAD is a powerful tool for the preservation of public housing. Across the country, PHAs are effectively using RAD to rehabilitate and preserve public housing units, units that would otherwise be demolished over time due to obsolescence. Importantly, RAD is successfully leveraging federal dollars with private funds to greatly increase investment in the nation's public housing stock. In addition, PHAs are adapting the program in innovative ways to tailor it to local needs.

RAD includes important protections against the loss of affordability in the event of foreclosure. While taking on private debt financing entails new risks, in designing RAD, federal policymakers built in important protections to ensure that RAD will not lead to the long-term loss of affordable housing, even as the original meaning of "public housing" evolves. While RAD entails a shift in how public housing units are financed, RAD units must convert back to public stewardship even in the event of foreclosure; units are further protected by requiring that the affordability contracts are renewed.

In many cases, local efforts have strengthened tenants' rights and can help to minimize the negative impacts of relocation. In addition to the protections in the RAD statute itself, city governments and public housing authorities are adding restrictions on ground leases and committing significant resources to ensure that RAD is successful. For example, some are developing strong partnerships with local affordable housing groups committed to the long-term preservation of these units and improved resident outcomes.

PHAs and developers are also working to minimize the disruptions and negative impacts of relocation. Lessons learned include: reaching out to tenants and advocacy organizations early in the process, working closely with residents to understand their needs and concerns, and collaborating with other city systems (such as schools or public transportation agencies) to ensure that tenants' needs are met during relocation.

To strengthen and improve the effectiveness of the program moving forward, policymakers and practitioners should consider the following recommendations:

Additional funding would expand RAD's reach and effectiveness. While RAD has effectively leveraged public dollars for public housing renovation and preservation—with no additional expenditures on the federal balance sheet—in many jurisdictions, it is difficult, or impossible, to make RAD conversions pencil financially. Congress has expressed support for RAD by lifting the cap on the number of units allowed for conversion, but the potential positive impact of this expanded authority will be limited if it at the same time reduces funding for public housing and/or other affordable housing programs. Appropriating additional funds to enable HUD to increase rents under RAD is one way to expand the program's effectiveness and viability in more places. Policymakers should also explore other financing sources to help close the financing gap, including considering expansions to the Low Income Housing Tax Credit (LIHTC) program and set-asides for RAD as part of housing finance reform.

Because local capacity is critical to RAD's long-term success, HUD should better assess and address gaps in the institutional capacity of local actors. Effectively managing affordable housing—including asset management, property maintenance, and resident services—requires a breadth and depth of experience and skills. In some markets, PHAs have high capacity and can undertake these multiple roles. In others, local nonprofit and affordable housing organizations are well suited to take over the long-term ownership of public housing sites. But in some areas, neither of these conditions exist, and the shift of assets to entities without the capacity or mission to effectively manage properties and provide housing for vulnerable families could lead to the program's failure.

Systematic monitoring is necessary to ensure that RAD does not lead to resident displacement over the long term, particularly as more RAD conversions are completed. While the cities we studied were all undertaking significant initiatives to engage and educate residents and minimize the impacts of relocation as much as possible, effective implementation of such strategies likely varies across jurisdictions. HUD should institute data collection and monitoring mechanisms to track and report on resident outcomes, and to ensure that the program's tenant protections are functioning as intended.