



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FISCAL YEAR 2013 PROGRAM AND BUDGET INITIATIVES
RENTAL ASSISTANCE DEMONSTRATION

In Fiscal Year 2013, HUD will continue efforts to put our nation's public and assisted housing units on solid financial footing through the Rental Assistance Demonstration (RAD).

Over the last 75 years, the Federal Government has invested billions of dollars in the development and maintenance of public and multifamily housing, which serves as a crucial resource for some of our country's most vulnerable families. Despite this sizable Federal investment and the great demand for deeply affordable rental housing, we continue to see a decline in the number of available affordable housing units. Today, our public housing stock of 1.1 million units is shrinking at a rate of 10,000 units per year, due to a growing **backlog of unmet capital needs, estimated at \$26 billion**. Beyond the public housing stock, the Moderate Rehabilitation (25,000 units), Rent Supplement (9,500 units), and Rental Assistance Payment (11,300 units) programs either offer no option to renew and risk being lost from the affordable housing stock or cannot renew on terms that attract sufficient capital to preserve long-term affordability. In the face of ongoing budgetary constraints, **RAD is a budget neutral solution to begin to address the pressing needs of the affordable housing inventory.**



RENTAL ASSISTANCE DEMONSTRATION

HUD's 2012 Appropriations Act authorized the Rental Assistance Demonstration to test new preservation tools for its assisted housing stock allowing for:

- 1) Public Housing and Moderate Rehabilitation (Mod Rehab) properties to convert to long-term Section 8 rental assistance contracts (capped at 60,000 units of converted assistance); and
- 2) Rent Supplement (Rent Supp), Rental Assistance Payment (RAP), and Mod Rehab properties, upon contract expiration or termination, to convert tenant protection vouchers (TPVs) to project-based vouchers (PBVs).

Unlike their current forms of assistance, these contracts offer a rental subsidy platform that **allows PHAs and owners to leverage current Federal appropriations with other private and public capital to finance much needed rehabilitation and preserve the assets as affordable housing.**

Rental Assistance Demonstration Goals

- Long-term stability and affordability of HUD-assisted housing
- Access to safe, proven tools to leverage private capital
- Increased housing choice for residents
- Strong resident rights
- Effective public ownership or stewardship

Participation in RAD is voluntary. Properties that convert assistance are subject to long-term rental assistance contracts and use restrictions, which will survive any disposition of the property, including foreclosure or bankruptcy. In addition, all properties that convert assistance must provide residents the choice to move with continuing tenant-based rental assistance within a reasonable time after conversion, with a limited number of good-cause exceptions for PHAs with insufficient vouchers to support this housing choice option.

In Fiscal Year 2013, HUD is not requesting additional RAD funding. Instead, RAD will make use of funds requested under:

- Existing programs—such as public housing operating and capital subsidies or Mod Rehab appropriations—to fund project-based rental assistance contracts at current funding levels; or
- TPVs that would have been issued to tenants upon contract expiration or termination in the Rent Supp, RAP, and Mod Rehab programs.

RAD is a limited demonstration, which will be evaluated to assess the success of these approaches in preserving affordable housing. Since HUD will use existing appropriation levels for implementation and anticipates strong interest in RAD, the Fiscal Year 2013 budget includes a **request to exempt Mod Rehab from the 60,000 unit cap on projects that could convert assistance, at no cost, to long-term Section 8 rental assistance contracts.** If enacted, the 60,000 unit cap would apply to public housing conversions alone, while the number of Mod Rehab conversions would not be constrained.

HUD is committed to being responsive to interest in RAD and working with its partners to ensure the program's success in order to support the preservation of our nation's affordable housing stock.