



# RENTAL ASSISTANCE DEMONSTRATION

RAD Spotlight on

U.S. Department of Housing and Urban Development

*Secretary Julián Castro*

## RAD Spotlight on: Fresno, California Resident Engagement & Community Investment

Facing substantial capital needs, the Fresno Housing Authority (FH) turned to the Rental Assistance Demonstration (RAD) Program as a means to finance the physical needs of its public housing. The conversion from public housing to Project Based Rental Assistance will allow FH to address significant capital needs, stabilize cash flow, and set aside capital reserves for future maintenance needs. FH closed the first phase of its RAD conversions covering 10 public housing developments with a total count of 447 units, which is approximately 25 percent of its portfolio, affecting over 1,500 residents. Construction is underway.



### Capital Needs

FH estimated the cost of its rehabilitation backlog to be over \$100 million; however, it only received approximately \$3 million annually from the public housing Capital Fund to address rehab needs. The RAD conversion will allow Fresno to bring 25 percent of its units up to current housing standards. The plan is to leverage \$40 million in low-income housing tax credits (LIHTC) with \$30 million in soft debt, seller take-back financing, and conventional debt. Under the traditional public housing program, acquiring comparable financing is not allowable.



### What is RAD?

The Rental Assistance Demonstration (RAD) allows public housing agencies (PHAs) and owners of HUD-assisted properties to convert units to project-based Section 8 programs, providing an opportunity to invest billions into properties at risk of being lost from the nation's affordable housing inventory. RAD 1st component transactions cover Public Housing units as well as Section 8 Moderate Rehabilitation projects. Units that fall under this component are subject to a unit cap and are limited to current funding. RAD 2nd component transactions cover Rent Supplement (Rent Supp), Rental Assistance Payments (RAP), and Section 8 Moderate Rehabilitation projects. Unlike 1st component transactions, 2nd component transactions are not subject to the cap, but are constrained by the availability of tenant protection vouchers (TPVs). Both components allow housing programs to convert their assistance to long-term, project-based Section 8 contracts, providing a more stable source of funding.

The 1.2 million units in the Public Housing program have a documented capital needs backlog of nearly \$26 billion. As a result, the public housing inventory has been losing an average of 10,000 units annually through demolitions and dispositions. Meanwhile, the 38,000 units assisted under HUD's legacy programs are ineligible to renew their contracts on terms that favor modernization and long-term preservation. The current conditions of many of these properties inhibit investment and recapitalization efforts in the communities with the most need. By drawing on an established industry of lenders, owners and stakeholders, RAD allows PHAs and owners of HUD-assisted housing to preserve and improve affordable housing units that could be subject to vouchers and demolition. RAD creates greater funding certainty while allowing increased operational flexibility to empower PHAs and owners to serve their communities.

As a result of the FY2015 appropriations bill, the Department has the statutory authority to convert up to 185,000 units through RAD's first component, representing a significant increase from the program's initial 60,000 unit cap. The additional authority will widen program participation, enabling more PHAs and HUD-assisted property owners to ensure access to quality, affordable housing for our nation's low-income families.

### Cedar Courts and Inyo Terrace

Cedar Courts, comprised of 149 family units, was built in 1951 and is one of the properties to be converted and renovated under RAD. It will be combined with Inyo Terrace, a 44 unit family development built in 1983. When completed, residents from both properties will benefit from energy efficient units, improved community facilities, an improved property management experience through onsite management staff, and better integration into the surrounding community. Residents will also benefit from enhanced supportive services focused on childhood educational success, the integration of health and wellness services, and resident employment and workforce training opportunities.

### Resident Engagement, and Input

Resident engagement was critical to success in Fresno. FH used a variety of communication and feedback methods such as community meetings, one-on-one resident/staff meetings, and small group conversations with focus on topics such as project design, community engagement, relocation, and construction timelines.

Residents participated in selecting the architect and relocation service provider. Over the course of 28 meetings and design charrettes, residents identified their priorities: modernized and energy efficient units to provide cost savings; the addition of community facilities (as there were none before); the need for an improved level of services; community safety; and integration with surrounding neighborhoods. By engaging the end users, the final design better met the needs of the residents, and the engagement process boosted resident pride for their community.

In addition to focusing on residents, Fresno involved multiple stakeholders including local school districts, other jurisdictions within the county, and service providers, as a means of meeting many of the residents' service needs and the communities' needs.



### Resident Relocation and Impact

Relocation is an important and challenging aspect of RAD for a number of reasons. Each resident's life is temporarily interrupted, and a tight schedule must be maintained to manage the construction and rehab activities. When planning for relocation, FH gave consideration to the availability of nearby housing, school transfers for children, and access to transportation.



Currently, 80% of the construction is complete, and residents are beginning to return to their homes. The National Center for Children in Poverty at Columbia University is performing a study on RAD focusing on Fresno.

From one resident:

“Before, my daughter would say, ‘I don’t want to live here. These houses are ugly.’ And now that we’ve come back, I ask her and she says, ‘I like it!’ I want to stay here, it’s pretty’ “

### Lessons Learned

Fresno has identified a number of lessons learned from the RAD conversion process. It is critical to educate internal resources for planning and implementation, and if necessary, fill the gap with third party consultants, such as relocation experts. PHAs must set parameters and priorities around design and construction requirements and needs through detailed analysis of existing conditions up-front.

Further, resident engagement is vital. FH found that there were always opportunities to communicate more with residents. Actively engaging residents helped to manage everyone's expectations. For instance, coordination with schools and community partners made the temporary relocation process less disruptive for the residents. When selecting third party services, such as a relocation consultant, FH ensured there were sufficient resources to work closely with and maintain consistent messaging to residents and community stakeholders.

“If we did things the traditional way it would take us 30 years to catch up on improvements, and that doesn’t even take into consideration normal wear and tear that happens.”

-Preston Prince, CEO/Executive Director