



# **Resident Information Meetings**

## **Rental Assistance Demonstration (RAD) Program**



July 2017

# Saint Paul PHA



The PHA owns and manages 4,274 houses and apartments for families and individuals with low income.

If you received a RAD notice, you live in one of the 3,856 homes that the PHA is considering converting to RAD.

(hi-rise and family developments)



# What is RAD?

- The Rental Assistance Demonstration (RAD) is a HUD program that will allow the PHA to **CONVERT** properties from conventional **PUBLIC HOUSING**, with traditional **Capital Fund** subsidies and **Operating Fund** subsidies, **TO PROJECT-BASED SECTION 8** with a **Housing Assistance Payment** (HAP) contract.



# PHA Funding

Every year Congress funds the PHA's capital fund and operating fund (amount determined by a HUD formula)

- Capital Fund

Money used for major maintenance projects and improvements of public housing, as well as for management activities.

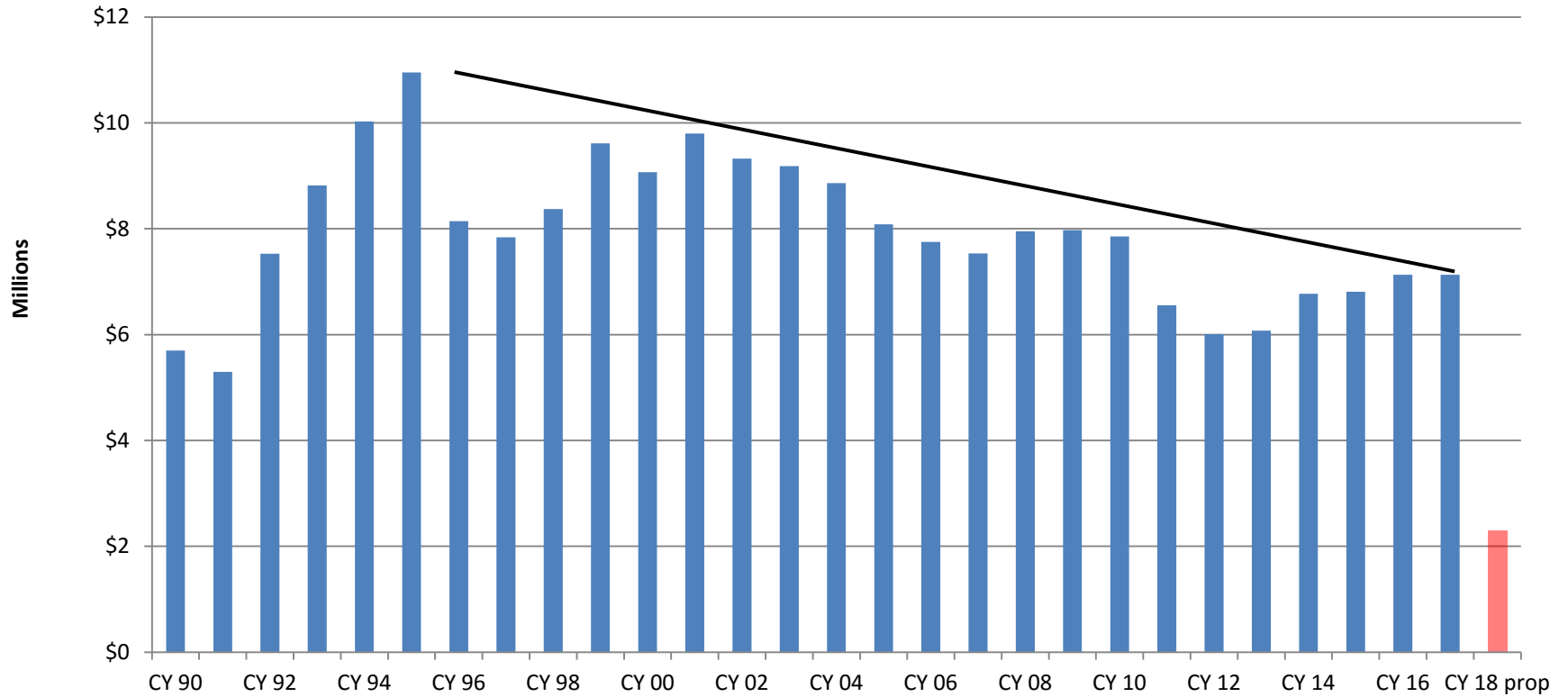
E.g., roof, windows, plumbing, and any new units built.

- Operating Fund

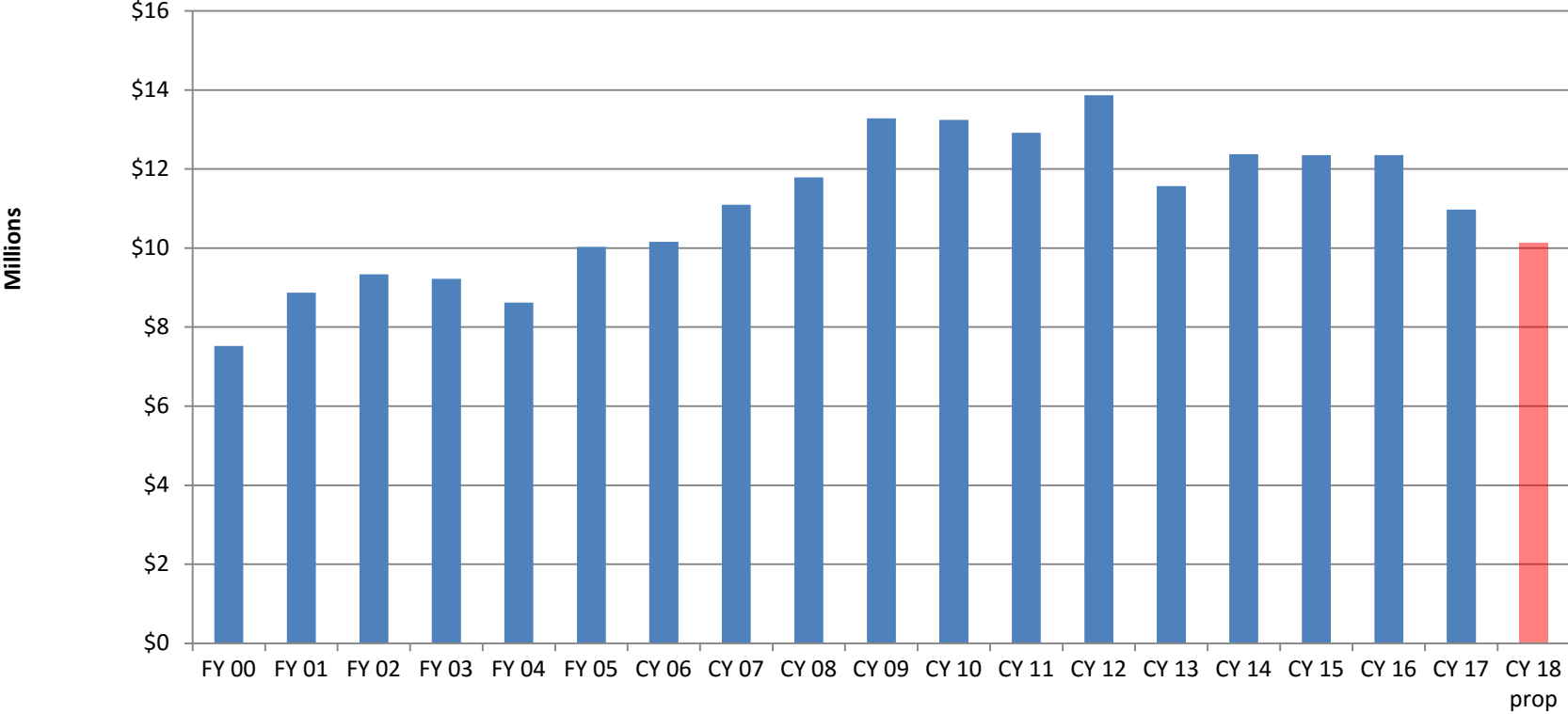
Money to cover the costs of operating and managing public housing.

E.g., routine repairs and maintenance, salaries for staff who are responsible for daily operations, utilities.

# St. Paul PHA's Capital Fund Program Grants



# St. Paul PHA's Public Housing Operating Subsidy



# Housing Assistance Payments (HAP)

- When housing units are converted to RAD, the HAP is the payment made by HUD to the PHA as agreed upon in the HAP contract.
- The HAP contract lasts for 15 to 20 years therefore stabilizing PHA funding, and also securing inflation adjustments via contract.
- HUD must renew the contract.

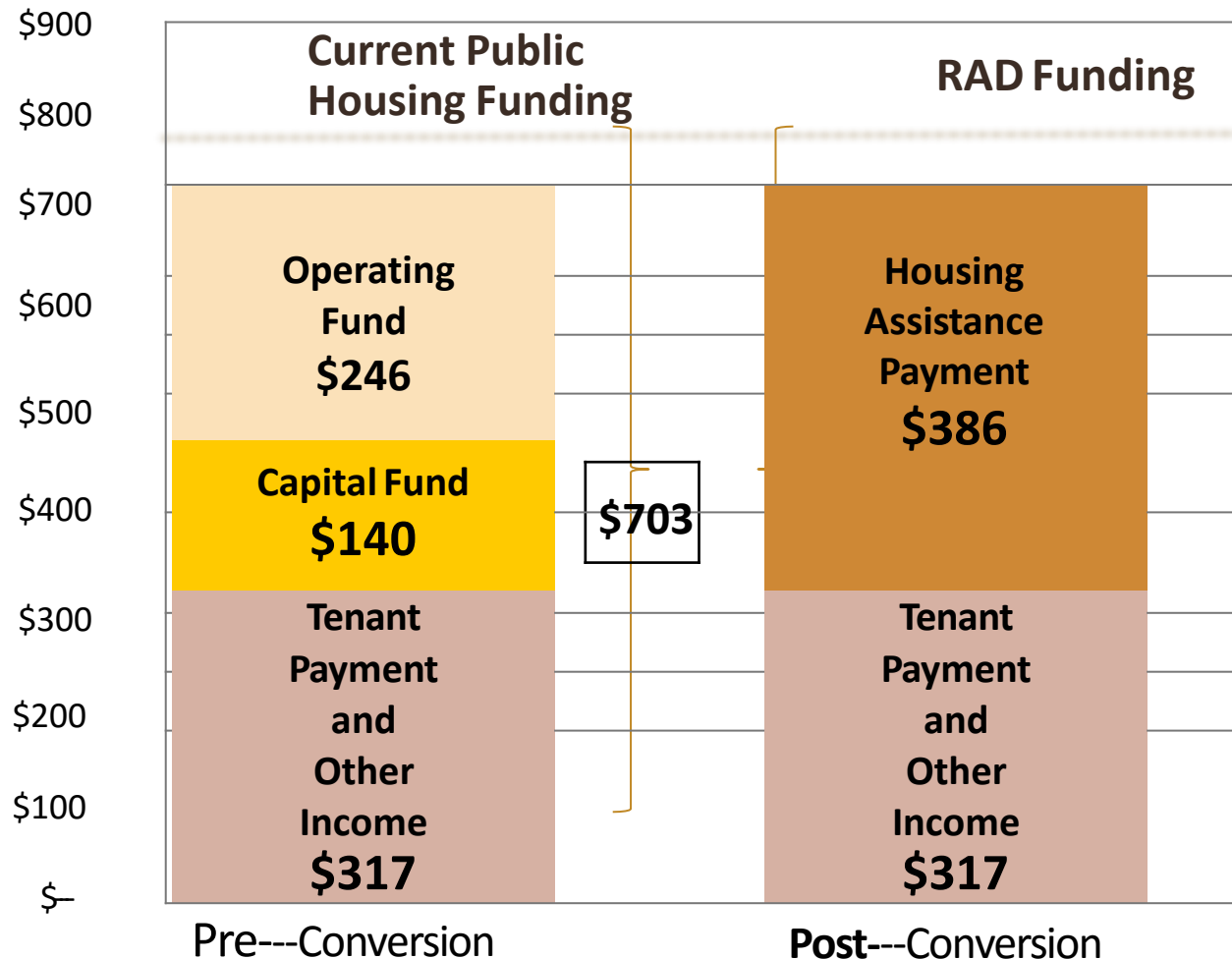
# Why was RAD established?

- Across the Country and here in St. Paul the public housing inventory is aging, with an increasing backlog of unmet capital funding needs. **Capital funding has declined 35%** over the last twenty years and is insufficient to meet the growing backlog of capital needs.
- RAD will provide a more stable project subsidy from HUD. RAD could also allow the PHA to more easily seek other financing tools to renovate public housing.
- RAD creates greater funding certainty while allowing increased operational flexibility for the PHA.



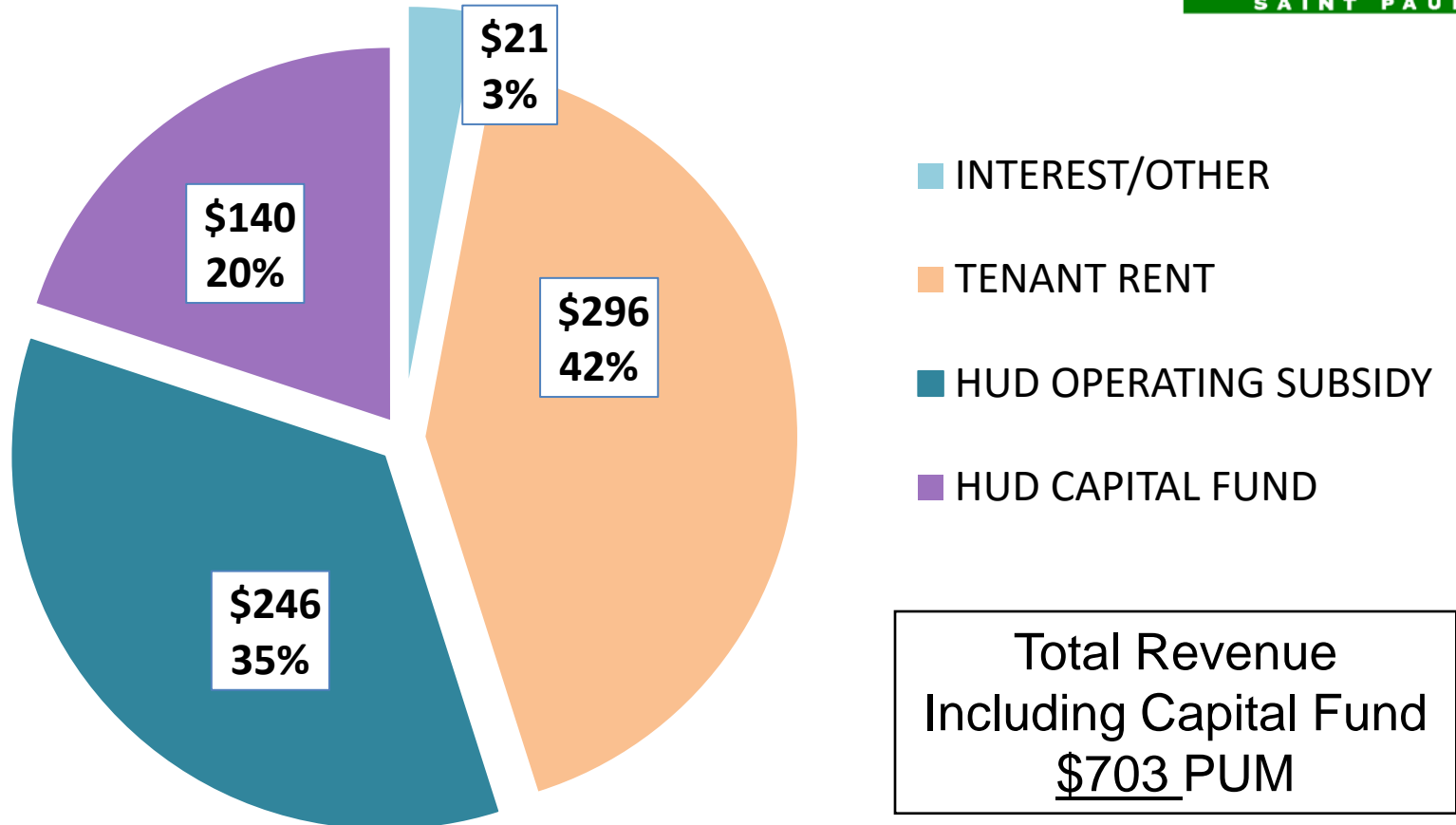
# How does RAD Work?

Sample Public Housing Conversion  
Per Unit Monthly Revenue

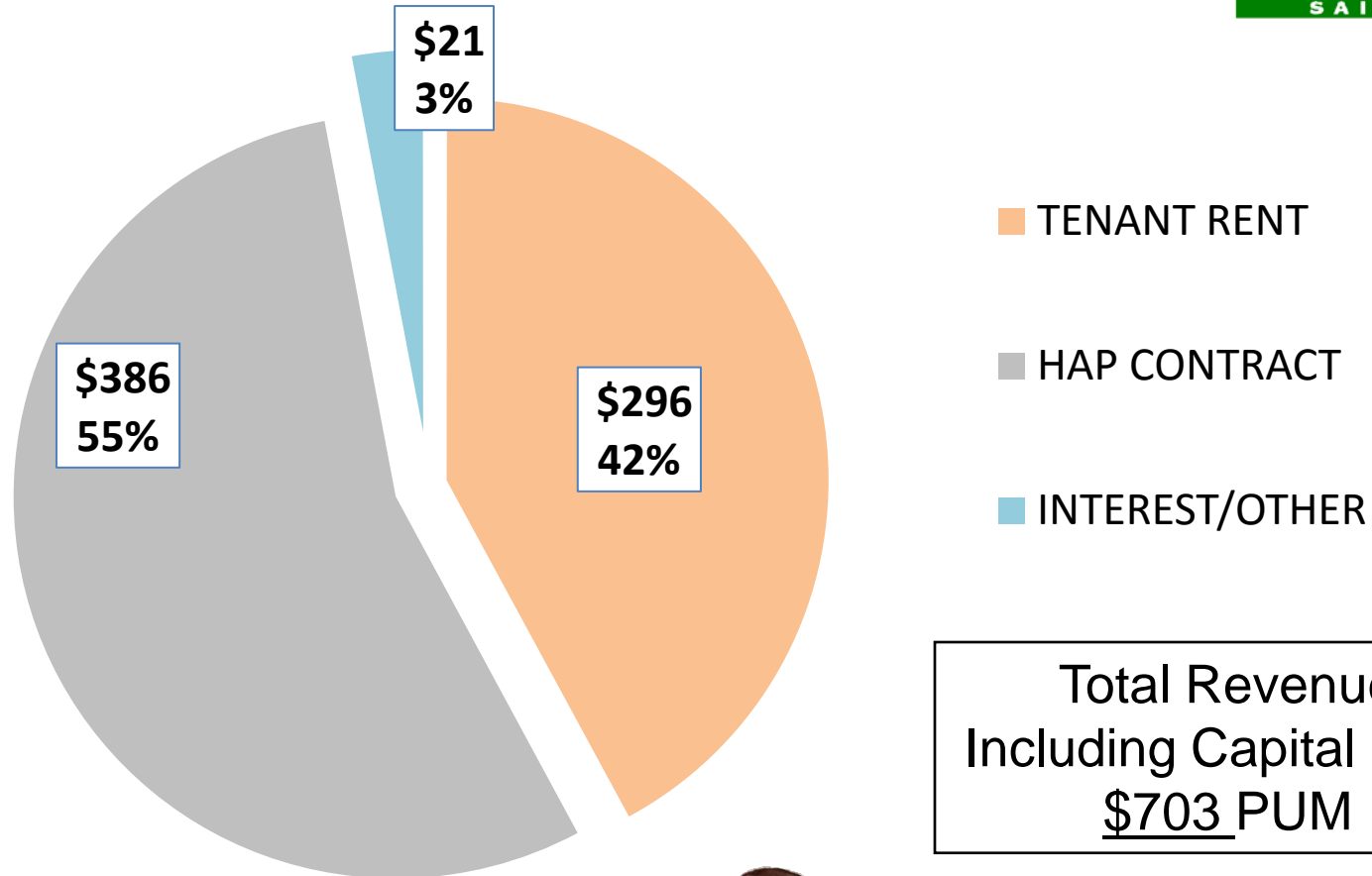


**RAD** combines the **Operating Subsidy** and **Capital Fund** into one payment for the property

# Current Sources of Funding for Public Housing (2016 FY/CY)



# Proposed Sources of Funding for RAD housing



# How does RAD work?

- Locks in the current level of project subsidies in a Section 8 “Housing Assistance Payments” (HAP) contract with built-in annual increases that would address inflation.
- Units are managed and operated under the Section 8 regulations.
- Replaces the HUD “Deed of Trust” with a RAD “Use Agreement” so the PHA can borrow against the property to fund renovations.

# No Impact on Residents.

- **Will residents have to sign a new lease?**

Yes, however, current public housing residents will not be rescreened, or face other income eligibility criteria. If you are “lease compliant” before RAD conversion you can not be displaced.

- **Will Residents be displaced?**

No. Not under the PHA’s draft RAD plan.

- **Will the rent residents pay change as a result of RAD?**

Residents will continue to pay no more than 30% of adjusted income under current law. If RAD conversion results in a flat rent payer's rent going up (5% of residents) by more than 10% or \$25 per month, the increase will be phased in over a 3 to 5 year period.

# No Impact on Residents.

- Requirements for adequate written notice of lease termination and access to grievance process are retained.
- Residents may still participate in Family Self-Sufficiency and Resident Opportunities and Self-Sufficiency programs.
- Residents can still operate tenant organization and PHA must still provide at least \$15 per occupied unit annually for the tenant organization.
- A resident's lease must be renewed unless the resident has violated it.

# No Impact on Residents.

- “Choice mobility” allows residents to leave the project after one year (if converting to PBV) or two years (if converting to PBRA).
- At that point, the PHA must provide a Housing Choice Voucher, if available, or place the resident at the top of the waiting list.
- The PHA’s draft plan contemplates a PBRA conversion.



# Steps for RAD Conversion

- PHA submits Application after PHA Board approval
- HUD reviews and if approved Awards “CHAP” (“Commitment to enter into a Housing Assistance Payment Contract”)
- PHA submits financing plan
- HUD accepts financing plan
- PHA Executes HAP Contract with HUD & Closes on Financing
- Conversion complete

**NOTE:** *PHA will have the option at any time in the process to withdraw its RAD applications and is not committed until it actually executes the HAP contract with HUD.*

# Next Steps

The number of RAD units is limited and more and more PHAs are opting to convert to RAD. PHA is in line (waiting list) so we can continue to evaluate the program.

For PHA to pursue RAD the following steps should be pursued

- Prepare application(s) for potential RAD projects
- Continue to meet with residents and discuss RAD
- Await HUD response
- Continue to brief PHA Board of Commissioners
- Continue to evaluate if RAD will benefit the residents

# Questions?