



# RENTAL ASSISTANCE DEMONSTRATION

RAD Spotlight on Ann Arbor, Michigan

U.S. Department of Housing and Urban Development

Secretary Julián Castro

## RAD Spotlight on: Ann Arbor, MI

### A Portfolio Conversion Improves the Homes and Lives of its Residents

The Ann Arbor Housing Commission (AAHC) began converting its portfolio to project-based Section 8 beginning with an application to HUD in December 2012. Four of five separate financing phases have achieved closing to date, and the last phase is expected to close in Fall 2016, which will complete the conversion of all 355 of the Commission's public housing units, as well as adding 60 more affordable homes in the process.



#### 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. 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. Both components allow housing programs to convert their assistance to long-term, project-based Section 8 contracts, providing a more stable source of funding.

Learn more at : [www.hud.gov/rad](http://www.hud.gov/rad)

*Photo at left shows the Hikone family development post-rehabilitation through HUD's Rental Assistance Demonstration Program. This is one of 18 separate scattered sites included in the Commission's two Asset Management Projects. Photo Credit: AAHC.*

The Commission's projects date back as far as 1969, and suffered from underfunding for capital improvements. Speaking of a 2015 Low-Income Housing Tax Credit award, Executive Director Jennifer Hall said that she expects the Housing Commission will be able to sell all of the credits for about \$21 million, which becomes immediate cash. "We have secured \$43 million needed to renovate all our properties," she said. "It would take us 85 years to generate that amount of money from HUD through the public housing capital fund. So that's exactly why we're doing this. We can take all that money right now, fix all these problems that we're having with the properties, and modernize them."

Ann Arbor Conversion to RAD

Development	Total Units	RAD Units	Per Unit Hard Costs	Total Hard Costs	Total TDC
Colonial Oaks	25	25	\$ 32,306	\$ 807,650	\$ 1,062,025
Maple Tower	135	120	\$ 76,004	\$ 10,260,483	\$ 16,006,119
West Arbor	46	31	\$ 197,053	\$ 9,064,440	\$ 12,679,308
River Run	116	116	\$ 77,781	\$ 9,022,596	\$ 13,951,204
Swift Lane	64	44	\$ 169,944	\$ 10,876,415	\$ 14,982,284
	386	336		\$ 40,031,584	\$ 58,680,940

RAD is known for its flexibility with financing approaches and extent of renovations or redevelopment, which is reflected in the Commissioners' building program. Colonial Oaks is being supported with the Commission's capital funding and Federal Homes Loan Bank Funds. Maple Tower is a substantial rehab program with debt and tax credit financing for \$76,004 per unit in hard costs. West Arbor is new construction, with per unit hard costs of \$197,053. River Run is also a substantial rehabilitation of \$77,781 per unit, supported with both debt and tax credits. Average contract rent is \$580 per unit per month, with cash flow of \$59 per unit per month after paying project expenses, debt service, and setting aside reserves for replacement.

With nearly \$60 million in total development costs for all phases, this effort has numerous partners to help with financing and development, including: Ann Arbor Area Community Foundation; Ann Arbor Housing Development Corporation (501c3 subsidiary of AAHC); Ann Arbor Housing Trust Fund; Downtown Development Authority; HUD Continuum of Care; Ecology Center; Federal Home Loan Bank AHP Program; Great Lakes Capital Fund; CDBG; JPMorgan Chase Bank, N.A.; Michigan State Housing Development Authority; Mitchell and Mouat Architects; National Equity Fund; Norstar Development (Albany NY); Recap Advisors; RedStone Equity; and Washtenaw County.



Photo Credit: AAHC

**Energy Conservation and Healthy Buildings.** The Ann Arbor Housing Commission collaborated with the Ecology Center as well as an architect and engineer to research options and develop plans for installing energy conservation and generation measures such as the solar panels shown above, installed at West Arbor. A HUD Community Challenge Planning Grant of \$345,000 supported this effort.

Jason Bing of the Ecology Center, said: “We’re collaborating with the AAHC and Norstar Development on a new affordable housing project that models green and healthy residential construction. When complete, our Green and Healthy Housing project should lower utility costs and improve the quality of life for residents. . . Our main goals are to maximize energy efficiency, reduce or eliminate toxic chemicals, and use more durable materials that reduce operating costs and promote resource conservation.”<sup>1</sup>

Bing notes that energy costs are a very large burden—according to the Bureau of Labor Statistics, low-income households spend 17% of their total housing budget on energy—more than four times the average household. Also, average Americans spend about 90% of

their life indoors, so the materials used to construct homes have ripple effects related to disease and chronic health conditions. Improved ventilation and climate control have been shown to reduce cardiac and pulmonary ailments caused by poor indoor air quality, including asthma. Reducing childhood asthma has a direct impact on educational achievement, especially among low-income school-age children. Asthma disproportionately affects lower-income households and particularly people of color. Asthma is a leading cause of school absenteeism, and accounts for an estimated 14.4 million lost school days per year. <sup>1</sup>

**Housing and Resident Services for the Homeless and Unsheltered.** According to Ms. Hall: “The most powerful consequence of the RAD conversions is that we were able to house 75 chronically homeless households so far, after the renovations. We have a commitment to house another 10 homeless households on future phases which will end up being about 20% of our apartments set aside for homeless and special needs households.” AAHC is partnering with Avalon Housing, Inc., Community Action Network (CAN), Washtenaw County Community Health (WCCMH), and Peace Neighborhood Center to provide on-site and off-site services to these residents. Forty-five chronically homeless will have residences at Miller Manor, a former senior high-rise building.

**The Artist Within.** Dozens of colorful murals and framed paintings adorn the walls inside Ann Arbor’s Miller Manor, overlooking West Park. The works by Jane French, who has been Miller Manor’s unofficial artist in residence for 20 years, have become part of the aesthetic and charm of the building. “I started painting furniture because people didn’t have furniture. And then I started painting plants on the walls. And, then, I started thinking: ‘Well, just because we live in public housing doesn’t mean we’re not rich,’ so I started painting elegant things on the walls.”<sup>2</sup>



Photo Credit: Ryan Stanton, Ann Arbor News

Quotes featured in this case study were reproduced with permission.

1. [http://www.mlive.com/news/ann-arbor/index.ssf/2015/02/green\\_public\\_housing.html](http://www.mlive.com/news/ann-arbor/index.ssf/2015/02/green_public_housing.html)  
2. [http://www.mlive.com/news/ann-arbor/index.ssf/2015/02/miller\\_manor\\_artist.html](http://www.mlive.com/news/ann-arbor/index.ssf/2015/02/miller_manor_artist.html)