



RENTAL ASSISTANCE DEMONSTRATION

RAD Spotlight on

U.S. Department of Housing and Urban Development

Secretary Julián Castro

RAD Spotlight on: Elgin, IL

Resident Seniors and Persons-with-Disabilities are Active in the Cause

The Housing Authority of Elgin is a small housing authority located northwest of Chicago. Elgin has 255 public housing units in two developments: 150 units in a high-rise building occupied by seniors and persons with disabilities, and 105 townhome units in a family development.

The 150 unit high-rise building, Central Park Tower, was built in 1969 and was in need of substantial repair and modernization by 2012. Soon after RAD was announced, the PHA sought to explore options under the demonstration so they commissioned a physical and capital needs assessment (PCA) to determine the extent of physical repairs and improvements needed. The PCA identified nearly \$7 million in existing repair and rehabilitation needs and nearly \$900,000 in a prospective 20-year reserve for replacement needs analysis.



Caption: Proposed mid-rise building superimposed on vacant lot with the adjacent Central Park Tower in the background.

The construction plan is to reconfigure the units in the tower from efficiencies to one-bedroom units. A new mid-rise building is being constructed adjacent to Central Park Tower to accommodate the reduction of units in the tower. When completed, 150 affordable units will be present, along with 14 market-rate units. Elgin, IL received one of the largest tax credit awards in the state for the project; however, money alone is not what makes this project a success.

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.

Resident Involvement

Under RAD, a public housing unit is converted to the Section 8 platform in the form of a Project-Based Housing Choice Voucher. Residents were excited about the initiative because of the program's use of Housing Choice Vouchers. The Project-Based Vouchers allow the development's units to be renovated and built new; later, the vouchers can be issued to the residents to use in accordance with the PBV or PBRA rules.

The Elgin PHA involved its residents when it began planning the project 18 months before any physical activity. The PHA held regular meetings with the residents to discuss design concepts. The residents assisted the PHA during public hearings and the rezoning process. As with most affordable housing projects, there usually is some opposition to



Caption: Residents Meet Regularly with Board Members and Staff.

change. The residents stood front and center to voice concerns and offer alternative ideas. This “partnership” boosted support and probably propelled the project ahead a few years.

Some residents expressed skepticism that the proposed project would actually come to fruition. They had been down the predevelopment path before, only for the financing to fall apart, putting an end to the project. Both Damon Duncan, Elgin PHA's Chief Executive Officer, and Ms. Elizabeth Odumuyiwa, the President of the Central Park Tower Resident's Association, stated that “most of the people did not believe the work would actually happen until the small building on the lot for the new mid-rise was demolished.” This simple action marked the real start of the project for many residents. Ms. Odumuyiwa added that because now there is activity, residents who moved away many years ago are asking to come back to the development.

Elgin PHA Staff and Leadership

Ms. Odumuyiwa provided a heartfelt and uplifting narrative about the project, giving it a human touch well beyond bricks and mortar. “Mr. Damon Duncan genuinely encourages residents to make their lives better.” Mr. Duncan took direct responsibility for the project, and incorporated the agency's vision and mission into the development. He also maintains an open door policy with all residents; they can come into the office any time and ask questions about the development. If the answer is not known, the Elgin PHA staff will research the answer and follow up with the resident. Resident engagement is an agency value – even the PHA's Board members make time to meet with the residents.

Relocation

Elgin began planning the relocation process early. Some residents were concerned about being permanently relocated somewhere else, but PHA staff assuaged fears with a well-designed relocation plan, paying careful attention to requirements specified under RAD and the Uniform Relocation Act. The plan involved completing the renovation of existing vacant units, which would then be turned over for re-occupancy to residents in the next phase of renovation. Staging like this takes a solid relocation plan to accommodate the residents' lives and the tight construction schedule. Relocation is an important activity for a RAD project, and the Elgin PHA used this activity as another resource for communication.

Continuing Communication

The Elgin PHA sent monthly newsletters to residents with updates about the project, the process, and the resident's rights and responsibilities. The newsletters also highlighted residents who successfully completed a training program, graduated from school, and other important life milestones. In the end, the physical improvements at the Central Park Tower development will provide a modern home for residents from which they



Caption: Damon Duncan, CEO of Elgin PHA and Residents at Rezoning Meeting.

SOURCES

1st Mortgage - 221(d)(4)	\$ 6,746,100
Seller's Note	\$ 7,850,000
Special Limited Partner Equity	\$ 3,349,500
Kane County Note	\$ 169,236
Elgin Housing Authority Loan	\$ 440,083
LIHTC Equity	\$ 13,798,620
Deferred Developer Fee	\$ 1,102,316

“You cannot satisfy everybody. Make an effort to meet people halfway, and listen to them.”

- Elizabeth Odumuyiwa, President of the Central Park Tower Resident's Association