



RENTAL ASSISTANCE DEMONSTRATION

RAD Spotlight on Lavonia, GA

U.S. Department of Housing and Urban Development

Secretary Julián Castro

RAD Spotlight on: Lavonia, GA

Leveraging RAD's Increased Income Predictability & Reduced Regulatory Burdens To Positively Impact The Stability & Operations of Small PHAs

On October 28, 2014, the Lavonia Housing Authority (LHA) closed on the RAD conversion of its entire 180-unit portfolio, which had recently undergone a full unit interior renovation project the previous year.

Although LHA's units were in great condition due to recent renovation and the authority did not need any loans, soft funding, or LIHTC equity to execute its long-term vision for the portfolio, their decision to embrace RAD was an easy one to make. Prior to RAD, LHA had operated its portfolio for over a decade at subsidy proration levels as low as 77% and repetitive short term CR's (Continuing Resolutions) made financial planning difficult. So when presented with the opportunity to be released from Public Housing regulations and simultaneously lock in a 95% subsidy proration level based on FY 2012 appropriations, the PHA quickly mobilized to secure the more stable funding platform and position itself to operate more efficiently.



“With historic Congressional underfunding in both PIH Capital and Operating fund programs, we felt like RAD was a means to stabilize our funding with a long term contract plus an annual inflation factor. RAD provided us with the means and opportunity to operate at a more efficient, economical, and entrepreneurial level.”

- Richard A. Whitworth, ED of LHA

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

Prior to making the decision to leverage RAD, LHA was prepared to enter an Energy Performance Contract (EPC), then realized that an EPC would not be necessary since RAD would allow them to lock in much of their energy savings without having to go through the EPC program. With this in mind, LHA decided to move forward with the implementation of various energy and water saving initiatives that included, but were not limited to, replacing toilets, replacing all incandescent bulbs with LED light bulbs, and replacing refrigerators and other appliances with more efficient Energy Star Equipment.

Since LHA's units were in such great shape due to the recent \$900,000 interior renovation and their RAD Physical Condition Assessment (RPCA) did not uncover any surprises, LHA was able to stick to their existing capital projects schedule with the exception of a few items they wanted to address prior to closing. Their pre-closing activities included projects such as installing carbon monoxide detectors and replacing all smoke detectors with hard-wired versions to comply with multifamily regulations that are different than the public housing regulations.

LHA initially considered a Project Based Voucher (PBV) conversion, but settled on a Project Based Rental Assistance (PBRA) conversion. They did not have a voucher program, and after exploring the option of partnering with another Voucher Administrator, they quickly realized that most of the Voucher Administration fees would have been distributed to the partner anyway.

“Tenants like having a standardized model lease and management likes the streamline regulations that multifamily offers.”

- Richard A. Whitworth, ED of LHA



Although it took LHA roughly a year to complete its conversion, many of the initial milestone management issues that small PHAs with limited resources found to be challenging have now been addressed via HUD's revised RAD milestone process. At the time of LHA's conversion, PHAs were required to meet various Financing Plan Milestones that were set at 30, 60, 90, 150, and 180-day intervals. These fragmented milestones proved to be a strain on the staffing resources of small PHAs and as a byproduct, HUD recently consolidated these intervals into one single 180-day milestone. This consolidation has greatly increased the flexibility of PHAs to prioritize the various requirements during their Financing Plan period based on their unique circumstances.

“By consolidating the Financing Plan Milestones, HUD has already addressed a bulk of the problems we faced during our RAD conversion process and for the sake of other Small PHAs that will convert in the future, I'm grateful that they did that.”

- Richard A. Whitworth, ED of LHA



“We're very happy and pleased with how RAD has impacted our operations and outside of the fact that they have newly renovated units, nothing has really changed for our residents.”

- Richard A. Whitworth, ED of LHA

