



RENTAL ASSISTANCE DEMONSTRATION

RAD Spotlight on Macon-Bibb County, Georgia

U.S. Department of Housing and Urban Development

Secretary Julián Castro

RAD Spotlight on: Macon-Bibb County, GA Utilizing 223(f) for Long-term Financial Stability

RAD Pioneers

The Macon-Bibb Housing Authority was an early pioneer of the Rental Assistance Demonstration (RAD) program – they have five properties under RAD and one additional project in receipt of a Commitment to Enter into Housing Assistance Payment (CHAP) pending conversion later this year. Macon-Bibb's first RAD transaction was the fourth to close in the nation. Subsequently, two additional properties were converted to PBRA under RAD. Both properties only needed moderate rehabilitation work, which was financed using Federal Housing Administration (FHA) Section 223(f) loans. Section 223 (f) is a mortgage insurance program for the purchase or refinancing of existing multifamily rental housing. Macon-Bibb projects were some of the first conversions to use FHA 223(f) and RAD.

The two projects that used 223(f) financing, Anthony Homes and Bowden Homes/Pendleton Homes, have a combined total of 625 units and are located in Southeast Macon, in close proximity to a shopping mall, several public schools, and Mercer University. The properties are home to working families and some seniors. Many residents are single parents with children.



Residents Stay In Place

The properties were last renovated in the 1990s. As a result of RAD conversion, both properties were moderately rehabilitated and units were modernized with all new cabinets, HVAC units, flooring, hot water heaters, range hoods and water-saving faucets/shower heads and toilets, and a fresh coat of paint. Because the Housing Authority had been actively maintaining the properties, no

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.

major rehabilitation was needed, and all residents were able to remain in their units during construction.

The Need for Financial Stability

The Macon-Bibb County Housing Authority decided to participate in the RAD program in order for the properties to achieve financial stability. Their RAD properties were in good physical shape, but a declining operating subsidy for public housing was a concern. In addition, by securing a stable source of income and releasing the Deed of Trust (DOT), the Housing Authority was able to access private capital at Anthony Homes and Bowden Homes/Pendleton Homes which was needed to make repairs and maintain the units long-term while still preserving the affordability of the units.

The Macon-Bibb County Housing Authority financed the work using a 223(f) financing structure, as opposed to LIHTCs and a 221(d)4, because the units did not require substantial rehab.

Resident Participation

The Housing Authority staff met with residents on multiple occasions to explain RAD and to address resident concerns. Residents were concerned that their rents would increase or that they would be forced to move. The Housing Authority staff assured residents that no one would be forced to move-out as long as they remained income eligible and adhered to the lease.

At Anthony Homes and Bowden Homes/Pendleton Homes, the Housing Authority strived to minimize the inconvenience to the residents by completing the work over a 2-day period while residents were out of their unit, or at their job-site for the day. Temporary employees were hired to work closely with the contractors to expedite the rehab process and to add to the residents' peace of mind.

One resident, Ms. Mabel Pleasant, has lived at Anthony Homes for 8 years. She is very excited about the repairs that will be occurring at her apartment this year as a result of the RAD program. Her rent increased minimally (\$8 a month), and she is thrilled to continue to live at the property. She told Mike Austin, Director of Asset Management, "I can't wait to get my new flooring and cabinets and I plan on living here for a long time."

Lessons Learned

The Macon-Bibb County Housing Authority is active in helping other Public Housing Authorities (PHAs) in the RAD process. Mike Austin presented some 'Lessons Learned' at a recent conference for Housing Authorities, including:

- Develop a better understanding of the land survey requirements under the American Land and Title Association and cost – and prepare for additional costs due to the size and complexity of some public housing sites
- Choose a Physical & Capital Needs Assessment provider carefully and work very closely with them. Ours was good, but new. By now, there are many RAD experienced providers out there – shop around
- Insurance costs are different – most providers rate PH differently than Section 8 PBRA (more expensive), so check with your provider and figure it into your pro-forma
- Dedicate staff to the RAD transition project. It requires a substantial investment of time to complete a RAD transaction



PHA Director's Corner

Mike Austin, Director of Housing Assistance, emphasizes that "RAD is a terrific tool for agencies to bring additional and much needed new capital to a public housing development." He recommends that all housing agencies look at the RAD tool as a possible option to help combat diminishing public housing and capital fund subsidies.