



# RENTAL ASSISTANCE DEMONSTRATION

RAD Spotlight on Sharswood/Blumberg, PA

U.S. Department of Housing and Urban Development

*Secretary Julián Castro*

## RAD Spotlight on: Sharswood/Blumberg, PA Coupling RAD & Choice Neighborhood Implementation

The severely distressed Sharswood/Blumberg neighborhood provided the setting for the Philadelphia Housing Authority (PHA) to use the Rental Assistance Demonstration program (RAD) to jump start their comprehensive Choice Neighborhoods Initiative (CNI) Planning Grant housing strategy. The use of RAD and the flexibility of the Transfer of Assistance approach allowed a catalytic early start to 51 units of 9% Low Income Housing Tax Credits (LIHTC) new construction, both on site and in the surrounding neighborhood. A civil rights review of this new construction development in a minority concentration neighborhood was simplified because there was a strong CNI plan in place. The higher RAD rents created more opportunity for financing leverage. Most importantly, the residents who were involved in a much broader CNI planning process saw RAD not as the private sector taking over, but as an effective tool for accomplishing what the residents wanted.

The Sharswood/Blumberg residential building pattern is often referred to as an urban superblock---510 units and over 1200 residents in three towers (two family and one senior) as well as 18 low-rise buildings on a dense 8 acre site. The PHA won a \$500,000 CNI Planning Grant for Sharswood/Blumberg in 2012. Thus began a comprehensive planning process with over 40 resident meetings from 2013 through 2015. The chosen approach in the draft Transformation Plan is to demolish the family towers and low-rises and replace the units back on the site and on some of the over 1300 parcels acquired by the PHA throughout the neighborhood. The Housing component began with an application for Section 18 demolition/disposition approval for the family towers and the low rises in 2014. In the same year, CHA applied for 9% LIHTC for 57 units of new construction, consisting of 40 townhouses on site and 17 units in single family homes and a triplex on adjacent neighborhood parcels.

In 2015, the PHA made the determination that RAD would be a key part of the transformation of their public housing inventory. They received a Commitment to Enter into a HAP (CHAP) for the new construction units at Sharswood/Blumberg in mid-2015. The RAD award triggered a series of cooperative meetings among key divisions in HUD ---the RAD team in the Recapitalization Office, the CNI team in the Public Housing Office and the Special Applications Center (SAC), responsible for the Section 18 demo/dispo component. Combining the programs presented several unique challenges.

### 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. 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.

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





First, the RAD CHAP was in the form of a Transfer of Assistance. This means that RAD authorization must be transferred from existing public housing units to the new units to be constructed. However, the PHA had already applied for Section 18 demo/dispo on all the family units. A creative solution was found by amending the demo/dispo application to include 51 RAD units in the family towers that were long-term vacant units. The RAD authorizations from these 51 units could then be transferred to the 51 new construction units. It was determined that the remaining 6 of the 57 units would be subsidized through the PHA's own project-based vouchers.

Second, all the utilities for the superblock were connected. Demolishing the family units would cause the seniors' units to lose electricity and water, rendering the seniors' tower uninhabitable. A relocation plan had to be designed that would temporarily relocate the seniors in other public housing while the financing for the senior tower was assembled and the renovation work completed. Since such relocation prior to the filing of a RAD Financing Plan for the project is typically not allowed, it required a special exception due to the special circumstances presented by the utilities configuration and the strength of the PHA's commitment to the overall redevelopment (as reflected in the CNI Transformation Plan.)

Many PHAs with both CNI and RAD awards have questioned how projects using both funding mechanisms will be underwritten. Will projects be separately reviewed by both the CNI and RAD staffs? And where guidelines are in conflict, which program governs? In the case of Sharswood/Blumberg, because the PHA had a planning grant and not direct funding through an implementation grant, CNI staff's primary concern was that the early start for the Housing component be respectful of the planning process and accommodate any resident concerns. Because there were no CNI funds directly in the deal, the RAD team did the primary underwriting and RAD program rules governed. Although this transaction didn't face the challenge of how these deals are underwritten, HUD has a working group under way to streamline and clarify these processes.

Erik Solivan, PHA Senior Vice President, praised HUD for its willingness to bring the three teams (CNI, RAD and SAC) together to resolve issues quickly and in a collegial manner. In Erik's words, "All the HUD offices were willing to work together to get done in two months a process that might normally have taken six months."

When asked if PHA will replicate this winning combination of RAD and CNI, Solivan was quick to point out that Philadelphia is committed to RAD on a large scale. They plan to convert an additional 3800 units to RAD in 2016. The PHA has a second CNI neighborhood, North Central Philadelphia, which was the recipient of a \$30 million CNI Implementation Grant and they are working on closing the first phase of that redevelopment as a RAD transaction in 2016.

The next phase of the Sharswood/Blumberg redevelopment will be the conversion of the seniors' tower to RAD and the rehabilitation of those units.

Visit [www.sharswoodblumberg.com](http://www.sharswoodblumberg.com) for more information.

### What was it like working with both RAD and CNI?

Senior VP Solivan thought each program brought key advantages to the other. The CNI planning process simplified the Fair Housing and Equal Opportunity (FHEO) review piece of RAD because the parties were already working toward a strong revitalization plan. And CNI's requirement of extensive resident involvement ensured that the residents saw RAD as a way to accomplish the goals that the residents had already set. Also, RAD's higher rents on the more stable Section 8 platform created additional leverage, allowing the PHA to stretch the CNI funds to maximize housing production.