

Rental Assistance Demonstration (RAD) Program Factsheet

What is RAD?

- The federal Department of Housing and Urban Development (HUD) introduced the Rental Assistance Demonstration program (RAD) in 2012 in response to what it estimates is a \$26 billion backlog of repairs, updates, and renovations for public housing units across the US.¹
- Due to cuts made by members of congress, HUD claims that RAD is a possible solution to their lack of access to the necessary capital to make the necessary updates and renovations. In fact, over 300,000 units of public housing stock were removed between 1990 and 2010 due to a lack of funding made available to HUD by congress.² RAD attempts to address this capital shortage by leveraging “public-private partnerships” that use private investors’/developers’ capital while the federal government subsidizes the cost of the affordable units through tax credits to the developer. However, this requires that the buildings and land (in most cases) be sold to the private developers/investors, giving full control and ownership from the public housing authorities over to the private developers.
- One of the stated goals of the program is to preserve affordable housing by creating long-term, sustainable, mixed-income housing through private development, management, and ownership. However, in the case of Glendale Townhomes in the Prospect Park community, it already seems to reflect the end goals of the program by being a mixed-income community that has long-term affordable housing, only that it requires some updates, repairs, and renovations, but not an entirely new building that houses almost triple the number of units, which is what MPHA originally was proposing to do.

Why would RAD be bad for Glendale?

- Unfortunately, the contracts that HUD makes with the private developers through RAD are only intended to last 15-20 years, after which the private developer no longer has any legal obligation to maintain any affordable units in the property. It is also unclear what would happen to the property and to the residents if the private developer would later foreclose on the property, leaving major uncertainties about the long-term stability of the affordable housing affected by RAD. According to a report published by HUD, “When those agreements expire, [private developers] owners can either reenroll in the affordability programs or convert their properties to market-rate units. In some cases, private owners can leave subsidized programs before rent restrictions expire by prepaying their mortgages after a set number of years.”³
- By law, any residents living in a public housing unit that is converted through RAD are guaranteed the opportunity to return once the construction is completed. Once RAD is implemented and the public housing units have been sold to the private developer, the

¹ Stephens, Alexis. “Risks Vs. Rewards: Inside HUD’s New Favorite Program.” *Next City*. Oct. 9, 2014. <http://nextcity.org/daily/entry/public-housing-privatized-hud-rad-section-8>

² Ibid

³ Levitt, R. Summer 2013. “Evidence Matters.” Department of Housing and Urban Development. http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2375282

residents are then transferred into the Section 8 voucher program. Although HUD claims that this gives residents the option to either stay at the new property or go anywhere with your section 8 voucher, there are no laws in place in Minnesota to protect Section 8 voucher users from housing discrimination—meaning that a landlord can choose to either not accept a Section 8 voucher or remove someone from their housing simply based on their use of a Section 8 voucher.⁴ Furthermore, if residents need to be relocated during construction and renovation phases, the public housing authority is obligated to provide basic services to help residents find other alternative housing during that period. However, they are not obligated to ensure that every single person finds and *maintains* their housing, only that they attempt to assist residents in that process. This means that if any resident is unable to find alternative housing that accepts a Section 8 voucher, then the resident would be left without any housing until the construction is complete. In fact, during the first six months of 2015, 38% of those who received vouchers were unable to find an apartment that would accept their voucher before it expired.⁵

- Another concern with RAD is that the housing units which need the fewest repairs or are in the best condition are most likely to attract private developers, leaving the housing that is most desperate for repairs and updates the least likely to receive private developers' attention.⁶ In the case of the Glendale Townhomes, which recently received a 98% rating by MPHA/HUD, the major rise in housing prices and housing demand in Prospect Park in recent years may very well be the reason why private developers and the city have been quick to want to sell it: it is very valuable land.

RAD is an attempt to privatize public housing across the country, and we do not think this is the right decision for Glendale Townhomes. It creates unstable housing both in the short-term and long-term for residents, forces them into the increasingly difficult to use Section 8 voucher program, and turns the quiet 184-unit community into a 400-500 unit building that does not guarantee long-term affordable housing for the residents living there now. Tell City Council and MPHA to find alternative solutions to make the necessary updates, repairs, and renovations to the existing buildings and keep this community out of the hands of profit-driven, private developers.

MPHA's and the City of Minneapolis' claims that there are not enough public funds available to repair Glendale Townhomes are ***political*** choices, ***not*** simply financial "necessities." Tell City Council and MPHA to make the right political choice to find other sources of public funding for repairs and updates to Glendale Townhomes, and not just sell them to private developers who want to tear down the townhomes and this great community along with it.

⁴ <http://www.mprnews.org/story/2015/06/05/mps-section8>

⁵ <http://www.startribune.com/poor-families-struggle-to-find-housing-in-a-tight-market/295500301/>

⁶ Stephens, Alexis. "Risks Vs. Rewards: Inside HUD's New Favorite Program." *Next City*. Oct. 9, 2014