EQUITY POLICY AND PRACTICE AT THE FEDERAL LEVEL

HUD's Rental Assistance Demonstration

Patrick Costigan

When Shaun Donovan became President Obama's initial Secretary of the Department of Housing and Urban Development in 2009, he immediately committed himself to overhauling the nation's failing public housing system. As the new administration dealt with the unyielding recession triggered by the collapse of the single-family housing market, the new HUD secretary faced a crisis-dominated agenda from day one. Righting the long-in-the-making decline of public housing was not his biggest problem.

Yet Donovan put this at the top of his agenda for any number of good reasons. His previous experience gave him considerable perspective on public housing's litany of problems—its regrettable history of racially discriminatory practices in isolating it to undesirable areas and skimping on its construction and upkeep; the fact that housing authorities struggled with unpredictable and less-than-needed funding from Congress in doing their jobs; and the sense that most of Congress had lost interest in doing anything about it. Mostly he knew that the residents of public housing bore the brunt of this lost support, enduring poorly maintained apartments and having to scramble to find other options when their housing became unlivable. Given his earlier roles, he was well aware that HUD's other forms of housing assistance were oversubscribed and afforded little in the way of alternative help, and that the private market offered virtually no housing for the elderly, disabled, or the chronically underemployed and poor who compromised the vast majority of public housing residents (Center on Budget and Policy Priorities 2017). At the same time, it was confounding to Donovan that so much public housing was demolished each year due to deteriorating conditions

when the need for it was so great. Waiting lists for public housing apartments soared into the millions at agencies across the country. At the New York City Housing Authority alone, with which he was quite familiar, the waiting list exceeded 257,000 households (NYCHA 2017). Donovan saw public housing as a failing system that most egregiously failed the residents who were truly dependent upon it. They had virtually no other housing choices and no effective power to change it.

To Donovan's way of thinking, not doing something to fundamentally address these inequities was not a choice. What he did and how he shaped the Rental Assistance Demonstration by responding to them from the outset of his tenure at HUD can arguably be seen as a classic equity policy approach—a notable and perhaps encouraging message that it could be (still) undertaken at the federal level.

Federal Equity Agenda?

Overhauling the federally directed public housing system might seem a long-odds bet at best for even the most seasoned equity-minded leader. Public housing is a large, unwieldy federal program with many masters across Congress, within HUD—which oversees public housing management through nearly sixty field offices—along with the 3,100 state-chartered but locally constituted housing authorities that administer it. Unsurprisingly, accountability is too often diffused and effects circular-pointing in face of problems.

Similar to most federal systems, public housing is looked after by a contingent of established stakeholders whose roles have largely been defined by the need to petition Congress annually for funding and to help agencies comply with a complex maze of federal statutes and regulations. Public housing's low-income residents are largely codependent upon these stakeholders, including a diminishing number of congressional supporters, to bolster their voices and advocate for their interests.

All of this works to reinforce a protective, status quo bubble around how public housing works at the federal level. When reforms are needed—even when grounded in socially progressive goals—the bubble favors incremental steps over deeper, structural change; this is further constrained by the realities of a four- or even eight-year term of a presidential administration.

The meld of these challenges in taking on a federal system may partly explain why most social equity policies and practice—and nearly all of the literature, including this book, *Advancing Equity Planning Now*—have tended to address specific issues and actions at the local and regional levels more than at the massively complex federal level.

Nonetheless, matters of social and economic equity have worked their way onto the national stage and succeeded as social and political movements and economic

threats pushed them forward. As Norman Krumholz's introduction to this book points out, the beginnings of equity planning efforts at the national level can be seen in the turn of twentieth century Progressive-Era urban reforms that influenced some of President Roosevelt's New Deal antidotes to the Great Depression in the late 1930s. As the civil rights movement gained momentum in the late 1950s and early 1960s, equity-minded federal officials seized on opportunities to advance more equitable public education, housing, and community development policies in programs under the banner of the Johnson administration's War on Poverty. Decades later, HUD Secretary Henry Cisneros in the Clinton administration directed several billion dollars into replacing some of the nation's most troubled public housing under the HOPE VI program. At the right time, with compelling circumstances and with committed and determined leaders and supporting actors, it has been possible to advance progressive, equity-oriented policies and new programs on the national agenda.

Whether by instinct or by lessons learned along the way or both, when Secretary Donovan and his HUD colleagues in the Obama administration set out to transform public housing, they somehow followed nearly all of the equity-oriented planning principles and strategies. They also struggled with the practice lessons that Krumholz and others had in waging equity planning and practices in local and regional battles. Donovan and his team were able to accomplish the following.

- They *analyzed* the long-worn inequities of the public system—the declining funding, poorly located and racially segregated properties, inferior-quality living conditions, poor management, and dwindling support in Congress—and contrasted them to the funding, conditions, and support of all other forms of affordable housing and how the larger housing system worked more generally. They concluded that pursuing piecemeal reforms would only produce the same inequitable results.
- In response, they *seized an opportunity* and offered a *non-status quo vision for change* that was more basic than radical, calling for public housing to be made to work comparably to other forms of affordable housing so that its residents could enjoy benefits similar to those offered to residents of assisted housing.
- Secretary Donovan assembled a HUD team that *drew on outside help* to help guide the change process, particularly in persuading both internal and external stakeholders that there was a better option than just continuing to press Congress for more funding into the same poorly performing system.
- Beyond a new approach, Donovan pushed his staff to make new housing options available to public housing residents as part of the changes being

sought—essentially insisting that “*more choices be offered to those who have few.*”

- And when they initially stumbled, the secretary and his key staff quickly responded to warranted criticism, *made needed course corrections*, and ultimately *persisted in mobilizing diverse constituencies* in both passing needed legislation and then implementing a major, new approach to public housing with broad support.

Within a few years, this approach would culminate in HUD’s Rental Assistance Demonstration, or what has now simply become known as “RAD.” Five years after being given initial approval by Congress, a long-time affordable housing practitioner marveled that, “In just a few years, RAD has achieved results nobody . . . thought possible. Allowed to grow, it will finish revolutionizing and revitalizing an inventory and a system that many had quietly given up for dead” (Smith 2017, 6–7).

It is too soon to tell if RAD will be allowed to grow into something that can truly resuscitate public housing as an enduring form of affordable housing for the future. It is equally premature and perhaps an unreasonable expectation in any event to look to RAD as a major new strategy for achieving housing equity in the United States. Its aims, and perhaps its smart focus, were much less grandiose. In an era of rapidly declining federal support for conventional public housing, Secretary Donovan and his HUD team sought to enable public housing to function like other well-established forms of affordable housing in order to turn around its decline. It was hoped that RAD would improve the quality of public housing and offer residents additional choices beyond what the conventional public housing system has been able to offer them in recent decades. Whether in fact it delivers will be a reasonable test of RAD’s promise.

Regardless of its ultimate potential, how RAD became a promising new federal initiative seems worthy of review. It surely offers insights for practitioners on the process and realities of advancing equity objectives through the thicket of federal policy, Congress, and a bureaucracy like HUD. And it seems to show that tried-and-true equity planning principles, strategies, and lessons applied in other settings can be made to work even on the national stage.

Broken System

When Donovan took over HUD in 2009, public housing funding had been substantially decreasing for nearly a decade. He proved unable to stem this trend in his initial years as secretary. According to the Center on Budget and Policy Pri-

orities, in the period from 2000 to 2014, the annual funding that Congress provided to the nation's 3,100 housing authorities to meet operating and capital needs lost a quarter of its inflation-adjusted value (Fischer 2014). The long-term funding cuts for making necessary improvements to the then-1.2 million unit stock of public housing over roughly the same period was particularly debilitating: federally provided public housing capital funds had decreased over 50 percent (Rice 2016). By 2011 these reductions led to a reported accumulated capital funding backlog that exceeded \$26 billion across the inventory (Abt Associates Inc. 2010).

When basic repairs are deferred too long, housing authorities are perversely forced to demolish nearly irreplaceable stock while thousands of families remain on public housing waiting lists. Until just recently, HUD routinely approved and ultimately paid for the demolition of well over 10,000 units of public housing across the country each year. Just in the last two decades over 300,000 units, or more than a fifth the total public housing stock, had been torn down or disposed of as another form of housing (Collinson, Gould Ellen, and Ludwig 2015). Compounding this, when a household must be relocated from public housing due to demolition, it is usually awarded a more costly publicly subsidized voucher to secure housing elsewhere (PHADA n.d.), including initial moving and relocation expenses. Beyond calculable costs to HUD are the less apparent disruptions to thousands of families that are uprooted from their homes each year: children are forced to abruptly change schools; seniors are displaced from their established communities and supports with which they are familiar; and working adults have to rearrange their commutes.

Prior to becoming HUD secretary, Donovan was the director of the Department of Housing Preservation and Development in New York City for five years under Mayor Michael Bloomberg. Earlier on he had served as deputy assistant secretary for Multifamily Housing in the Clinton administration. In both positions, Donovan was responsible for administering assisted rental housing programs—but not public housing. Yet each of these roles enabled him to see public housing's chronic issues and political fate—a marked contrast to the assisted multifamily housing that he administered.

He came away from these experiences convinced that the best way to assure public housing's long-term availability to those who depended on it was to find a way to enable public housing to function more like the better-performing assisted multifamily housing with which he was familiar. He had concluded that multifamily housing was generally newer, in better shape, and not as dense or as concentrated in undesirable locations as was public housing. Little of it was demolished each year. It received better and more stable funding from Congress than did public housing. And perhaps most tellingly, it enjoyed a formidable

political constituency tied to the larger housing sector that comprised a substantial component of the overall economy.

Many long-time affordable housing policy analysts, including Donovan, thought the discrepancy between the conditions and political realities of public and multifamily assisted housing were largely due to the relatively limited capacity and messaging of the traditional public housing constituency. Comprised mostly of staff, board members, and residents of agencies, public housing industry associations, and organizations that advocated for an array of issues affecting low-income people, public housing's primary constituency was no match for the firepower of other stakeholders petitioning the Transportation, Housing, and Urban Development (THUD) appropriations subcommittee each year—particularly the transportation industry or even that of the broader housing sector—the mortgage bankers, other lenders and investors, home builders, developers, legal and accounting firms, and other deep-pocketed actors.

Compounding this, public housing advocates tended to repeat the same message about the need for more public funding year after year. This seemed to make it harder for Congress to hear that message in an era when “public-private partnerships” were more the norm. Whereas other affordable housing interests pointed to their ability to leverage limited public funds with tax credits, excise and density bonus fees, transit-oriented development set-asides, philanthropic funds, and other diverse sources in preserving and producing more affordable housing, public housing advocates continued to demand more federal formula dollars to flow to public housing agencies. Fairly or unfairly, when so much of the public housing inventory appeared poorly managed, their requests seemed to be throwing good money after bad with little or no political upside. One message pointed to innovative ways that nonprofit and for-profit developers could produce additional housing in which it was easy to see growing families—and therefore more-inclined voters. The other message reinforced the perception of complete dependence on public funds of public agencies struggling to meet the needs of very poor households and fragile individuals and—unfortunately—fewer active voters.

Different Fixes

By the time he arrived at HUD a second time, now as secretary, Donovan was already persuaded that the anachronistic public housing system—especially its near total dependence on public funding—needed to be changed. Along with many other affordable housing analysts, he believed that it should be converted to something similar to the long-term Section 8 project-based contracts that un-

derpinned the comparatively better-functioning multifamily assisted-housing system. This strategy ran flat against the prevailing notion among most advocates that what public housing really needed was more public funding and that Congress should and could be persuaded to provide it.

However, Donovan and many of his new senior HUD team read the downward trend line in public housing appropriations in recent years (especially for much needed capital improvement funds) not only as an indication of a failing funding strategy but also as evidence that Congress was losing confidence in the public housing system more broadly. Many members routinely saw public housing in their own districts and heard more about its poor conditions and management across the country from their colleagues and the media. Others picked up on the narrative of poorly run public housing for political or ideological reasons. In reaction, more and more members became increasingly reluctant to go out on a limb for additional funding for public housing, with fewer and fewer defenders among their colleagues.

At the outset of the new administration and in face of the continuing recession and the still-fragile housing market, this debate lingered. Nearly all affordable housing interests—including public housing advocates—expected that the new secretary, in face of this recession, would finally do something to help public and assisted rental housing in the years ahead. And they were prepared to support him in doing whatever he could.

Opportunity and Action

At the outset of the Obama administration, for the first time in decades, a new HUD secretary had a large, consequential role in dealing with a spiraling national crisis—one that owed mostly to the collapse of the single-family home ownership market. Immediately, Secretary Donovan was called on to direct Federal Housing Administration (FHA) resources to help home owners, which mostly benefited more affluent Americans and helped ease the pressure of large financial institutions that were increasingly seen as having triggered the housing crisis. This and other actions the secretary undertook in conjunction with the Treasury Department to help the larger housing sector fortuitously created an opening to also bolster rental housing—including public housing. Secretary Donovan, urged on by affordable housing stakeholders, made the most of the opportunity.

Early on, Donovan began to seamlessly press the case for supporting affordable rental housing along with housing reforms. Smartly and out of basic conviction, he and other affordable housing advocates argued that investing in rental housing, particularly as growing numbers of households that had lost homes to

foreclosure were now increasing pressure on the rental market, was both a fair and equitable action and a reasonable policy response to the needs of the larger housing sector.

Secretary Donovan proved quite able at knitting these themes together. In nearly every forum or setting where he had a chance to do so, he made the pitch for supporting rental housing in the stimulus legislation that the new administration was preparing for Congress as a matter of basic equity for lower-income citizens who were also very much hurt by the recession. Along with the advocates, he argued that making needed repairs to the public and multifamily assisted-housing inventories was an ideal “shovel-ready” stimulus measure. With a strong push from affordable housing stakeholders, the new secretary delivered.

In the Obama Administration’s large economic recovery package rolled out in 2009, Secretary Donovan managed to direct billions to ready-to-go public and assisted housing renovation projects, including \$4 billion into public housing and another \$2 billion for the assisted-housing inventory that were central to HUD’s primary mission. Beyond this one-time injection of additional capital funds, Donovan also found a way in the administration’s first two annual budgets to increase public housing funding each year by over \$425 million above the amount offered in the last year of the Bush Administration. (CLPHA 2013, 1)

Policy Challenges

Paradoxically, Donovan began his effort to transform public housing by pumping as much additional public funding as possible into the current system—a system he considered broken and too dependent upon public resources. He did this because he had a chance to do so and because it modestly improved HUD’s budget baseline for rental housing (which had been cut in the previous administration) going forward. He may have also done this, wittingly or not, to show the limits of what could be done to prop up the current public housing system just as he was drafting a plan to transform it.

Along with promoting the stimulus bill and shoring up FHA in his first months as secretary, Donovan had also assembled an experienced senior team within HUD and charged it with “transforming rental assistance” for public housing to function more like multifamily assisted housing. This was a formidable task, especially when the secretary directed his team to include a limited number of multifamily housing programs, since they lacked a viable subsidy renewal option in the effort. Taking on both of these charges would require devising a painstakingly comprehensive policy initiative in the ways of Washington, which generally is more suited to incremental policy steps.

The first challenge that the HUD team had to figure out was how to jettison public housing's antiquated funding structure while retaining and converting committed resources into a workable form of Section 8 project-based contracts. This involved reworking how Congress annually provided public housing funds to HUD in large buckets of operating, capital, and administrative funds, from which HUD then allocated to agencies according to mechanistic formulas. Housing authorities received the formula funds at the entity or enterprise level and were left to direct them to maintaining their properties and running their operations as they thought best.

Yet agencies could neither predict the level of funding they would get in the annual appropriations process nor know at what point in a fiscal year that they would receive it. As appropriations levels for public housing tended to decrease more than increase from year to year, each new budget cycle posed an "appropriations risk" as to the actual amount an agency would receive. Even more complicating, when the annual appropriations process was delayed or purposively forestalled through temporary "continuing resolutions" that constrained next year's funding to current-year levels—or worse, the threat or actual shutdown of government—agencies sometimes would not learn the actual amount of funding they would receive from HUD until the middle or even near the end of the current fiscal year.

While the enterprise-funding method offered housing authorities some measure of flexibility in applying funds, the chronic unpredictability of the appropriations process forced HUD to provide less-than-needed or a pro-rated amount of funds to housing authorities most years. When forced to make do with varied "pro-rations" from year to year, agencies could not properly plan, let alone commit, any funding to needed near- or longer-term capital repairs, major redevelopment projects, administrative needs, or any type of future expenditures common to most businesses. More than a few properties in an agency's portfolio would have to defer needed capital repairs for later attention. If the repairs failed to happen, many of these properties were triaged—vacancies were not filled and units (and then eventually entire buildings) were boarded up and left to stand; these inevitably became blighting influences on the surrounding community. Eventually the properties would be demolished. Ultimately, when properties were subjected to a triage cycle, too many residents would have to bear the burden of temporary relocations and/or permanent displacement from their homes and neighborhoods.

Although inadequate federal funding underlies public housing's problems, in a cruel irony, housing authorities are usually left to shoulder the blame. The enterprise-funding method makes it relatively painless for Congress when facing budget constraints to reduce funding to the large, amorphous buckets instead of

having to directly cut funds for the identifiable homes of families, children, and the elderly. And when the funding flows through HUD and onward to agencies according to mechanistic formulas, it's harder for local communities to see Congress's responsibility, let alone hold their representatives accountable for the conditions or fates of individual properties. From the vantage point of residents, local officials, the media, and, conveniently, Capitol Hill itself, it mostly seems that housing authorities cannot properly maintain or manage their properties. In a "catch-22," agencies are consistently underfunded yet are still held accountable to HUD and Congress through a maze of compliance and reporting requirements in which the poor conditions of their properties negatively impact their funding formulas—and lead to reduced entity funding in subsequent years.

The next complicating constraint that the HUD team had to grapple with was supplanting the statutory requirement of placing a problematic federal encumbrance on local housing authority property when public funds were allocated to it. The decades-old "declaration of trust" (DoT), or long-term superior lien placed on public housing land and improvements, discouraged private or even other public sources from lending to public housing as they would have to accept lien subordinate to the DoT. So little or no such financing had been available to housing authorities. Originally conceived as a means to protect the public investment in public properties, the DoT actually worked to undermine it. Unable to access conventional capital markets in the way that all other forms residential real estate were able to, agencies were mostly left to depend on less-than-sufficient federal funding to maintain their properties as best they could.

By the time Donovan became HUD secretary in 2009, the cumulative impact of all of these issues had become overwhelming to most agencies. Nearly all housing authorities had enormous backlogs of needed capital repairs to their properties. The director of the city of Baltimore's housing authority estimated that it would take nearly two hundred years to aggregate annually allocated capital funds from Washington in order to fully address an estimated \$800 million in improvements needed across the agency's 11,000-unit inventory (HABC n.d.) To help quantify the extent of this problem across the public housing inventory, Secretary Donovan directed HUD to commission an independent assessment of the accumulated backlog of capital repairs across public housing nationwide. When completed a few years later, the extent of needed improvements was shown to exceed \$26 billion and was estimated to grow by \$3.6 billion a year (Abt Associates Inc. 2010). Unfortunately, that estimate appears to be bearing out. The New York City Housing Authority recently reported its capital backlog alone to exceed \$17 billion (NYCHA 2015).

As if unraveling these constraints and reassembling them more in the mold of established Section 8 project-based programs were not challenging enough, Sec-

retary Donovan tasked his HUD team with a further policy objective in remaking public housing. Donovan came to HUD with a strong belief that public-housing residents were effectively trapped in public housing with no other real housing options. He and many housing advocates thought that residents might be better served by the ability to vote with their feet, potentially nudging housing authorities to improve management of their properties where they could, and ideally for Congress to better see its responsibility where they couldn't.

Convinced that this was the right and politically smart thing to do, the secretary directed his HUD team to include a new "choice and mobility" option for public housing residents in the design of the transformation initiative. This would enable them to claim a Housing Choice Voucher or "mobile" voucher to seek other available housing after a limited tenure. Although this was not currently a feature of the long-established multifamily Section 8 project-based program, it was an option under the more recently enacted Project-Based Voucher program operated by housing authorities. While an equitable and seemingly reasonable gesture, extending the mobility option to public housing residents as part of the reforms to be made would prove to freight them with greater complexity and challenges down the road.

Crafting Legislation

Although the work to be done was daunting, Secretary Donovan and the team he assembled at HUD to remake public housing believed, if overconfidently, that the time was right to promote comprehensive rather than incremental reforms. They began work in 2009 on framing a broad set of policies and detailed legislation under the rubric of "transforming rental assistance" (TRA). A senior adviser for rental assistance was detailed to lead the transformation effort out of the secretary's office. Dozens of new political appointees and senior career staff were convened into highly focused working groups to plan through various TRA components.

While its primary focus was on transforming public housing, the TRA framework also sought to address other complementary affordable housing objectives. Contract extensions for a number of older Section 8-like multifamily programs with terminating subsidies were tacked on. An effort to "streamline" over a dozen variations of Section 8-based contracts that had evolved over the years was conceptualized. Needed administrative reforms to housing vouchers that had been stalled in pending legislation on Capitol Hill were also taken up. The long-standing HOPE VI program, which had provided large capital grants to tear down and rebuild the most-deteriorated public housing and which then came under a fair

measure of criticism, was extensively reworked as the Choice Neighborhoods Initiative and taken under the TRA umbrella.

Early on, HUD focused less on engaging affordable housing's broad constituency in the details of what it was crafting than it did on how to graft needed challenges to current statutes and regulations governing the public and assisted housing. Much of the major policy development work was presumed to have already been considered and endorsed by key stakeholders in the run-up to change in administrations. Beyond similar recommendations made in the 2002 Millennial Housing Commission report (Millennial Housing Commission 2002), in a 2008 public-housing summit convened by the well-regarded Council of Large Public Housing Authorities (CLPHA), shifting conventional public housing from the unpredictable Section 9 form of funding to the more reliable long-term contracts afforded by the Section 8 multifamily assisted-housing platform was a top priority conveyed to the incoming Obama administration (CLPHA 2009).

HUD worked intently in the latter half of 2009 on turning what it thought to be already-endorsed policies into needed legislation, with much of the real work going on behind closed doors. Along the way HUD periodically briefed and sought input from a range of stakeholders—housing authorities and owners of other affordable housing and their industry groups; residents and their policy advocates; financing sources; legal counsel and technical advisers; and housing developers and managers—on what it was devising. Yet more than a few stakeholders would later remark that it seemed these briefings were mostly to solicit their support on matters that had already been decided.

Within a year, HUD formally introduced its comprehensive blueprint for transforming public housing and selected multifamily assisted-housing programs. Framed as the “Preservation, Enhancement, and Transformation of Rental Assistance” (PETRA), this fifty-seven-page blueprint made good on the secretary's pledge to transform how public housing worked while offering its residents new housing options in three basic ways.

- *Conversion of Assistance.* PETRA called for combining and then converting public-housing operating and capital funds that were annually provided to housing authorities at the enterprise level into a new form of Section 8 operating subsidy, obligated to individual properties' fifteen- to twenty-year contract periods. The long-term contracts eliminated the appropriations risk to unpredictable operating and capital funding. The new contracts were renewable and coupled with low-income housing use restrictions throughout their duration, which supplanted the need for the antiquated DoT-encumbering public housing properties that lenders found unworkable. Taken together, these changes would enable housing

authorities to access additional private capital to manage and improve their housing much in the way that other forms of affordable housing did.

- *Resident Choice and Mobility.* PETRA granted residents, after a limited tenure in any converted public housing unit, the right to claim a mobile Housing Choice Voucher (HCV) to secure privately owned, managed housing of their choosing. Now as matter of right, a family or elderly or disabled public-housing residents would have the ability to move elsewhere with a subsidized voucher. To facilitate voucher sharing and help reduce redundant administrative costs, smaller housing authorities were encouraged to enter into regional consortia.
- *Transfer of Assistance.* As another new way to afford residents better housing options, PETRA allowed housing authorities to transfer the subsidy stream from a poorly functioning property to another development in good condition or to one that would be constructed to replace it. While preserving the inventory of “hard units,” transferring assistance in this way would enable agencies to build or locate public housing in better locations, including within new mixed-income developments favored in many communities, potentially offering residents access to improved education, transportation, or employment options.

Beyond public housing reforms, PETRA’s scope also included an ambitious effort to streamline HUD’s many forms of multifamily Section 8 project-based contracts; it also extended new contract authority to assisted-housing programs whose subsidies were terminating—the so-called multifamily “orphans.” Owners and managers of these properties, along with resident advocates, would now also have an interest in PETRA and presumably join the traditional public housing constituency in supporting it on Capitol Hill.

After introducing PETRA to stakeholders, HUD featured the new rental assistance initiative as the centerpiece of its fiscal year 2011 budget request to Congress. In a proposed first phase of the initiative, \$350 million in new funding was requested to back key elements of the plan, which was projected to extend to about 300,000 public and assisted-housing units. The bulk of the new monies was for needed “incremental” funding to augment deficient public-housing funding levels prior to converting them to long-term Section 8 contracts. Approximately \$50 million was sought to increase the number of HCVs to be made available to housing authorities to support the new “choice-mobility” component. Another \$10 million was earmarked for technical assistance, resident education, and evaluation.

To spread the word about PETRA, from late 2009 through 2010 HUD conducted dozens of regional briefings and roundtables—and even an Internet-based

comment process—to get input from stakeholders. HUD also made several presentations to industry association meetings in Washington. As PETRA laid out highly detailed public-housing reforms and a fix for multiple forms of multifamily Section 8 contracts that most did not consider broken, it got considerable input and suggestions from housing authorities and affordable housing practitioners along the way.

Most stakeholders generally understood the need to fix how public housing was funded and to offer its residents better and additional housing options. Many seasoned housing practitioners offered initial support. Despite taking issue with some of its more prescriptive provisions, CLPHA (the respected public housing industry association) played an early leadership role in backing PETRA. Others, including affordable housing developers, lenders, management groups, and resident advocates followed suit in offering modestly qualified support. In considering PETRA, most seemed inclined to give the new HUD secretary the benefit of the doubt and the space to try to achieve something beyond incremental reforms.

Mounting Questions and Opposition

Nonetheless, the initial support offered to HUD began to give way as PETRA's many detailed prescriptions were shared more broadly and reviewed more closely. Plus, whenever a federal agency proposes to increase its year-over-year budget, the level of scrutiny about who might benefit and who might lose under a potential offset intensifies. Inevitably, varied HUD stakeholders began to raise multiple issues, many of which proved to be at cross-purposes and difficult to reconcile.

Some housing authorities were anxious that their autonomy and some of their administrative funding could possibly be lost under PETRA's comprehensive changes, particularly as regional consolidation was encouraged in the plan. Others questioned the fairness of some public housing residents now being able to claim a new "choice-mobility" voucher ahead of others on the very long waiting lists for HCVs. More were concerned about PETRA's ambitious push to move nearly one-third of the public housing inventory from its unique Section 9 funding method to Section 8 contracts in an initial phase of converting assistance. It seemed a bit too much too quickly.

Many owners and managers of multifamily assisted-housing resisted the provision to adopt the newly proposed, streamlined form of Section 8 "project-based contract" when seeking to renew rental assistance, which varied from the long-used Project-Based Rental Assistance (PBRA) contract that they were comfortable using. Others were concerned about now having to include converted public housing properties in "their" well-established line item for PBRA in the federal

budget, potentially making it a bigger target for budget cutting by Congress down the road.

Some residents, their tenant councils, and more of their advocates worried about residents being displaced as public housing was converted and rehabilitated under the less familiar multifamily housing system that, up to now, had been operated by for-profit and nonprofit owners and managers. Despite PETRA's guarantees otherwise, similar promises had been made and broken under HOPE VI and a few earlier HUD programs. They were also concerned that resident rights and processes under public housing might be different under the Section 8 requirements, especially the provision providing annual funding for tenant councils.

More than a few members of Congress who had tirelessly fought for increasing public housing funding over the years—including then-Chairman Barney Frank of the House Financial Services Committee—thought that introducing private mortgage debt into public housing risked the prospect of default and foreclosure; this would possibly subject public assets to private taking and ownership. Despite the limited historical record of foreclosure under the Section 8 program and PETRA's proposal for HUD to purchase and maintain foreclosed properties, Chairman Frank pointedly grilled Secretary Donovan over the mortgage-lending elements of PETRA in a hearing on HUD's FY 2011 budget. Congressional appropriations staff and budget analysts were likewise concerned about the PETRA provision to permanently add \$300 million to HUD's annual budget for incremental Section 8 funding needed to set public housing subsidies comparable to Fair Market Rent levels in higher-cost markets.

In face of these and other concerns, by the summer of 2010, HUD found itself increasingly on the defensive about what PETRA would and wouldn't do. One explanatory document widely circulated by HUD during this period was titled "PETRA Myths and Facts" (U.S. HUD 2010). Perhaps more tellingly, in the best form of Washington's peculiar humor, critics and even HUD loyalists began to suggest that the TRA acronym actually stood for "Terrorizing Rental Assistance," and PETRA to mean "People for the Ethical Treatment of Rental Assistance."

Even within Secretary Donovan's senior HUD team there was growing disagreement about the scope of PETRA, differing strategies for cultivating stakeholder and Hill support, and who would be responsible for what going forward. Conventional public housing was under the domain of the Office of Public and Indian Housing. But PETRA would convert its subsidy stream—and budget authority—to the Office of Multifamily Housing under the responsibility of the FHA commissioner.

As debate about PETRA mounted in mid-2010, and with a highly detailed HUD-drafted bill already in hand, Secretary Donovan had difficulty in recruiting congressional sponsors for needed authorizing legislation for PETRA. Nonetheless,

Representative Keith Ellison, a progressive Democrat from Minnesota who had been long involved in affordable housing and social equity issues, thought that PETRA could help preserve public housing stock and offer its residents some promising new choices that they otherwise might not get. He agreed to work with HUD in making changes to some of the more confusing and controversial elements of the PETRA concept.

Adding his own legislative imprimatur, PETRA was recast as the “Rental Housing Revitalization Act of 2010” (RHRA) and introduced by Representative Ellison in the House in November. Despite Mr. Ellison’s sponsorship, most critics and even many supporters were not satisfied that much had changed in RHRA when compared to what HUD had detailed in its original proposal. Regrettably, Mr. Ellison’s bill only seemed to intensify less-veiled criticisms that HUD had faced with PETRA. Toward the end of 2010, the political support for PETRA and the companion RHRA legislation were seriously foundering, perhaps because it had not been effectively cultivated in the first place.

Step Back and Redirection

One attribute of an equity-minded leader observed by Krumholz and others is the ability in the face of criticism from key constituencies to recognize when a basic strategy is not working, and then to step back and make necessary changes. Another is to seek help from outside actors in correcting one’s course. And perhaps the most essential characteristic is for a leader to be persistent in working through and around obstacles, be they self-made or occurring out of resistance to change. Along with a few people in his inner circle, Secretary Donovan revealed each of these instincts, as PETRA-RHRA failed to take hold and needed to be reworked.

By the winter of 2010, a new senior adviser with a fair measure of experience in both the public- and assisted-housing worlds and a good understanding of how Capitol Hill worked was brought into the secretary’s office to help redirect the TRA strategy. The secretary’s charge to his new adviser reaffirmed his determination to deliver what he set out to do nearly two years earlier, only with a reflective flexibility. He affirmed PETRA’s main goals but was open on how to best achieve them. He realized that both external stakeholders and Congress needed to be more purposively involved in revising the approach. He was also willing to reorganize HUD’s internal TRA team and to make himself available whenever needed. Mostly, he was determined that a revamped initiative get approval from Congress within its FY 2012 legislative calendar (Donovan and Costigan 2011).

With the secretary's redirection, the new adviser and a revamped group of senior HUD staff working on TRA began to reframe PETRA-RHRA with greater external input and help. Dozens of quiet conversations were conducted with well-respected affordable housing leaders, resident advocates, and congressional staff to review just how things had unraveled with HUD's initial efforts and to assess their willingness to work with HUD in making needed changes to PETRA. Their input underscored a few themes about HUD's efforts to date.

- *Laudatory Goals, Overreaching Design.* Nearly all were supportive of PETRA's main goals of transforming public housing's funding system to preserve and improve it while offering its residents better housing choices. Yet most felt that PETRA had overreached in attempting to craft a "master stroke" policy that included periphery reforms such as creating a new form of Section 8 contract or pushing housing authorities to form regional consortia.
- *Poor Process.* Although nearly all offering feedback had participated in one or more of HUD's dozens of briefings or input sessions, most felt that HUD had skipped over more customary give-and-take deliberations with important constituencies common to other policy reforms. Many thought that PETRA was more of an overly detailed legislative proposal presented to them mostly for perfunctory input and endorsement rather than a collaborative reform effort.
- *Hill Missteps.* While echoing much of the critical feedback that they had heard directly from stakeholders, staff to HUD's authorizing and appropriations committees took umbrage at not having been properly involved in drafting the needed legislation, especially when PETRA-RHRA posed a hefty \$300 million annual increase in HUD's funding.

If discouraged about what the feedback implied about his leadership of the process to date, Secretary Donovan was not defensive about it. He actually seemed to anticipate or share most of it. He readily endorsed the recommendations made by his new TRA advisers on what needed to be done to turn things around. This included some politically delicate steps.

One was to immediately ask Representative Ellison to not reintroduce his RHRA bill in the new session of Congress. It was thought that the bill had become too big of a distraction to keep in play. It was greatly appreciated that Mr. Ellison had gone out on a political limb for Secretary Donovan in introducing RHRA amid some controversy. Nonetheless, when the secretary asked him to hold his legislation for the time being, the congressman proved surprisingly amenable and could not have been more gracious—and apparently politically astute—in agreeing to do so.

Another was that, although PETRA-RHRA was no longer active legislation, it remained a central part of HUD's budget that had been drafted several months earlier. It was also to be included in the administration's official FY 2012 budget request that was to be presented shortly to Congress. It had to be maintained as a placeholder for something else to be reworked to mollify reasonable critics, including many on the Hill. Nearly overnight, HUD struck the PETRA budget language in favor of a reduced \$200 million request for a vaguely defined "demonstration of HUD's proposed Transforming Rental Assistance initiative" (U.S. HUD 2011). With its revised budget language, HUD adroitly announced that it was backing away from the details of PETRA-RHRA and yet intended to persist in its efforts.

Next, the TRA team began to signal in various forums and meetings HUD's intention to drop some of PETRA-RHRA's more controversial provisions in favor of some of the alternatives offered in recent feedback sessions. It would rely on established forms of Section 8 project-based contracts rather propose a new form of project-based assistance; housing authorities would not be prodded to form regional consortia; no initial participation targets needed to be set (rather, agencies would simply be encouraged to test converting assistance for as many properties as they thought best); a more workable approach to maintaining public ownership and control of public housing assets in the unlikely event of foreclosure would be devised; further efforts would be made to reinforce how tenant rights, processes, and tenant council funding would be maintained in the conversion process; and the demonstration would be limited to public housing properties and a defined set of multifamily properties lacking contract renewal authority and not "streamlined" to a dozen or so other multifamily properties.

Inside of HUD, the original broadly representative but unwieldy TRA team was winnowed and reorganized as a more focused "TRA-RAD Steering Committee" that regularly met with Secretary Donovan to discuss issues and review progress. HUD also began to insinuate the acronym for a "rental assistance demonstration"—or RAD—in its communications. In suggesting something new but simple, "RAD" became a half-clever way for HUD to say that it intended to focus on the basics in way that was very different from PETRA-RHRA.

Redux RAD

To back its new words with new deeds, HUD moved quickly to repair PETRA-RHRA's Achilles' heel—the failure to genuinely engage important stakeholders and Congress early enough—in working through the concepts and many complexities of the public housing changes it envisioned. HUD enlisted fourteen

Washington-based organizations that were representative of national public housing and multifamily leadership associations, resident advocacy groups, policy centers, affordable housing counsel, and intermediaries to join a working group in devising a new rental assistance demonstration. Participants included those who had been modestly supportive of PETRA-RHRA, along with those who criticized it most loudly—many of whom were mistrustful of the motives of one another as well as HUD over the PETRA process to date. Self-anointed as the “RAD stakeholders’ working group,” HUD’s representatives pointedly agreed to facilitate the group rather than try to direct it.

The newly convened RAD working group met regularly in the spring of 2011. It agreed to come up with a framework for a new rental assistance demonstration that could pass muster with their respective constituencies and be considered by Congress within its 2011 legislative calendar. Underscoring that PETRA-RHRA’s problems owed more to process than substance, the group readily endorsed what had been HUD’s basic policy goals all along: that the deteriorating public housing inventory needed to be preserved; that converting public housing subsidies to long-term, Section 8 project-based contracts to leverage private capital would be the best way to offset declines in public funding; and that residents of public housing deserved additional housing choices and greater mobility.

While a few issues weren’t readily resolved and required more back and forth negotiation, within a few months of intensive and good-faith discussions, the RAD working group agreed on the main components to be recommended back to Secretary Donovan and to Congress for a “new” rental assistance demonstration—which the group also referred to simply as “RAD.” Many of the components drew from and improved on what had been offered in PETRA-RHRA, while others posed significant differences that were thought to be more politically expedient or more sensible. They included:

- *Scope:* Enabled public housing and a limited set of the so-called multifamily “orphans” most at risk of being lost from the assisted-housing inventory—known as the Rent Supplement (Rent Supp), Rental Assistance Program (RAP), and Section 8 Moderate Rehabilitation Programs (Mod Rehab)—to convert their current forms of subsidy to project-based Section 8 contracts. HUD’s earlier ambition to streamline over a dozen multifamily assisted-housing programs into a new form of project-based contract was scrapped.
- *Choice of Contract Assistance:* Housing authorities and owners of eligible multifamily properties would be offered the option to convert assistance to either the well-established forms of project-based Section 8 assistance.

- *Choice and Mobility:* Public-housing residents could request a Housing Choice Voucher after limited tenures in converted housing to find other available housing options. Also, subsidy contracts could be transferred from poorly functioning properties to existing or newly constructed properties in neighborhoods with better amenities.
- *Voucher Commitments:* As required under the existing PBV program, residents could request choice-mobility vouchers from an agency's current voucher pool after one year of tenure for properties that had converted assistance. In a new measure, if a property was converted under the Section 8 PBRA option, residents would be required to maintain two years of tenure before being eligible for a choice-mobility voucher from a sponsoring agency. Housing authorities were granted limited exemptions from these requirements if they proved overly burdensome.
- *Voluntary:* Housing authorities would neither be encouraged to consolidate into regional consortia nor meet ambitious conversion targets; instead, participation for both housing authorities and owners of the eligible assisted-housing properties was to be completely voluntary.
- *Permanent Affordability:* RAD-converted Section 8 contracts for public housing would be mandatorily renewed by HUD so long as the housing authority performed satisfactorily over the initial fifteen- or twenty-year contract term. Companion use restrictions would be placed on converted housing that would be "long-term and renewable" and run co-terminus with the new Section 8 contracts, which exceeded the initial thirty-year use agreement for public housing.
- *Foreclosure Protections:* In the unlikely event of foreclosure on a public housing property by a private lender, RAD would require that the property be disposed of first to another public entity and, only if that proved unworkable, then alternatively to a qualified nonprofit or for-profit entity.
- *One-for-One Preservation:* While PETRA allowed for the reduction of public housing inventory under certain circumstances, RAD affirmed that units needing to be demolished be replaced on a one-for-one basis; aside from temporary relocation needed to accommodate renovations, residents could not be involuntary displaced from their housing.
- *Resident Rights, Processes and Funding:* Funding would still be made available to duly recognized tenant councils in the conversion process, and more familiar terminology about resident rights and processes would be included in newly issued Section 8 contracts.

- *Funding:* The \$200 million placeholder HUD had requested in its FY 2012 budget proposal for the now well-defined rental assistance demonstration was endorsed as a reasonable starting point in seeking funding from Congress.

With agreement on the basic components to a new demonstration, HUD and the RAD working group turned to codifying what they had agreed to into possible legislative language. Many of the stakeholders had significant experience in drafting legislation and regulations, and a few had worked for HUD previously. In a back-and-forth with HUD, the authorizing language ultimately adopted by the group was refined and finalized by the stakeholders themselves. In contrast to the fifty-six-plus pages of legislative language that HUD had drafted for PETRA on its own, the working group had distilled possible authorizing language for RAD into a little over a half-dozen pages.

With Secretary Donovan's ready support, the working group participants quickly garnered endorsements from the broader constituencies in which they were involved for proceeding with the new demonstration. Remarkably, despite the din over the PETRA-RHRA legislation introduced just months earlier, the new rental assistance demonstration bill crafted by multiple hands had garnered a chorus of support. Now it could be offered to Congress for consideration—along with strong stakeholder endorsement.

Courting Congress

In as much as HUD had re-engaged critical stakeholders, it also worked to overcome its earlier missteps on the Hill in shepherding RAD. Here, too, Secretary Donovan and his new HUD TRA-RAD team proved more adept in cultivating Congress's support the second time around. This time they were more attentive to the complexities of how a good idea actually becomes law in Congress.

The redesigned demonstration required statutory authority along with actual appropriations of any authorized funding, both of which required the blessings of selected members of Congress. Getting support for both is a delicate dance of courting majority staff and members of HUD's congressional committees in both the House and Senate while not neglecting their minority counterparts. The 2010 mid-term elections had shifted majority control of the House of Representatives from Democrats to Republicans. In any legislative scenario, it would be essential for HUD to work closely with the Republican majority of the House Financial Services Committee in cultivating support for RAD, especially with its then-new chairman, Representative Spencer Bachus of Alabama.

While continuing to work with Representative Ellison and attempting to court Democratic members of the Financial Services Committee who had been critical of PETRA-RHRA, Secretary Donovan and his team established a trusted, working relationship with Chairman Bachus and his staff that proved quite helpful. To hasten the introduction of needed authorizing legislation for the new demonstration, Mr. Bachus officially requested that HUD draft prospective authorizing legislation to be taken up by the Financial Services Committee. In an ironic twist, HUD was once again providing to Congress legislation for its rental assistance initiative. This time, however, Congress requested that it do so, and the RAD working group helped HUD detail the requested language.

With the new RAD proposal under review by a Financial Services subcommittee, ideally it could then be introduced as freestanding authorizing legislation, or its language could be attached to other germane housing legislation moving in the House. Plus, the authorizers' review served as a necessary legislative stamp for a parallel, fallback appropriations strategy. If the conventional authorizing path failed, HUD would have the procedural clearance from its authorizers to turn to its appropriations committees to make the demonstration into law in their annual funding bill.

In the spring of 2011 it seemed unlikely that Congress would take up RAD through a standard authorizing process. By then, housing-oriented stimulus and economic recovery bills had effected a fatigue on Capitol Hill about additional housing legislation. Unfortunate partisan bickering about the growing federal deficit and the role of government in stabilizing the economy had also overtaken the earlier bipartisanship in combatting the recession. HUD quietly began to position RAD for possible inclusion in the FY 2012 THUD appropriations bill, which Hill staff were beginning to mark up for consideration by the end of the federal fiscal year on September 30.

However, the central issue that had dogged PETRA-RHRA earlier remained an obstacle with RAD. A sizeable differential remained between what housing authorities received in annual appropriations (funding that could then be converted to long-term Section 8 contracts) and established "Fair Market Rents," or FMRs, provided under standard Section 8 contracts and offered to multi-family assisted-housing properties. Theoretically, this differential would have to be eliminated or reduced to motivate housing authorities to participate in the new demonstration, which was the reason for the \$200 million in "incremental" subsidies that HUD had proposed in its FY 2012 budget request. Although this was a significant decrease from the \$300 million that HUD had sought for same purpose for PETRA-RHRA, it was still an amount that appropriations staff balked at, given the constraints on the federal budget as the recession lingered in 2011.

After a few months of quiet back-and-forth with appropriations staff, HUD's negotiators were persuaded that Congress could not offer any additional funding to HUD's budget for RAD or much of anything else in the FY 2012 funding cycle. Anticipating this, HUD had thoroughly assessed the prospect of launching the rental assistance initiative without any incremental funding. According to its analysis, potentially as many as 400,000 or more public housing units could be preserved and improved, even on a cost-neutral basis, as their current public housing subsidies (when converted to Section 8 contracts) would be at or exceed the established FMRs in their market areas. Although additional incremental rent subsidies would likely be needed to reach the remaining two-thirds of the inventory, HUD believed that the demonstration could be started without additional subsidy on a current- or no-additional cost basis.

Indicative of its now-good-faith working relationship with stakeholders, Secretary Donovan convened the RAD working group in his office and sought their input about proceeding with the demonstration on a cost-neutral basis. Under-scoring the value of having reset RAD in a collaborative fashion, the stakeholders' group unanimously urged the secretary to launch RAD without additional funding. All agreed that it was better to start with available resources and see how they might be used more effectively than to tilt at congressional appropriators for the initial amount of funding that was unlikely to be forthcoming.

RAD Approved, Implemented, and Extended

Agreeing to a "no-additional cost" approach, HUD and Hill staff nimbly deployed an infrequent legislative maneuver to have RAD included in the final markup of the Transportation, Housing and Urban Development appropriations bill. Republican leaders of the House Financial Services Committee offered their authorizing stamp, enabling its consideration by House appropriators. HUD simultaneously worked closely with the Democratically controlled Senate's authorizing and appropriations committees to put forward RAD appropriations language. House appropriators, where Republicans constituted the majority, then agreed to the language. A highly unusual deal was struck in both chambers—one controlled by Republicans and the other by Democrats—by both authorizing and appropriations committees to take RAD into a moving appropriations bill.

After nearly three years of effort, in a divided Congress and less than a year from when Representative Ellison's RHRA bill had to be withdrawn, RAD was passed as part of the FY 2012 appropriations bill approved by the 112th Congress in November 2011—in nearly the same language as it had been proposed and drafted by the RAD stakeholders group at the request of Congress. However,

Congress limited RAD in one significant way that was not proposed in the language offered by HUD and the RAD working group. Owing to PETRA-RHRA concerns that converting public housing subsidies to Section 8 contracts might quickly become all-encompassing without some form of evaluation, some Democratic members sought to underscore the “demonstration” in RAD. They limited the number of public housing units that could convert assistance under RAD over a three-year time period to 60,000 units nationwide, or approximately five percent of the total public housing inventory, and included an evaluation requirement to assess if and how RAD’s design would work in practice.

While passing federal legislation of any sort is a good test of support for a new policy in Washington in these times, carefully implementing it to be practicable and quickly taken up is all the more crucial for its near-term success. After its halting start with PETRA-RHRA, HUD wisely continued to regularly engage the RAD working group while soliciting a wider range of input from diverse stakeholders and congressional staff as it drafted the notice to implement the demonstration. In working through the initial notice details, it looked to other HUD programs for workable practices or improvements; for example, how to incorporate some of RAD’s new requirements into existing PBV and PBRA contract forms.

Within four months of being authorized by Congress, HUD published the initial RAD notice to begin the program, which, beyond its quick publication, was cited for its practice-oriented tone of flexibility and responsiveness that came to be associated with RAD’s implementation (Smith 2015). The application process was structured as a two-step initial review and approval process both to set a low barrier to participation and to afford agencies a reasonable amount of time to bring forward completed plans for final approval. After a statutorily defined ninety-day period to encourage housing authorities of varying sizes across geographies to apply, HUD issued a revised notice to relax the previously required requirements in favor of a first-come, first-served application and approval process. It also introduced new flexibilities for larger housing authorities that it had previously held back so as not to disadvantage smaller and medium-sized housing authorities lacking the capacity of their larger counterparts.

In rolling out RAD, HUD conducted scores of trainings and application consultations around the country, devoting as many resources as it could to help housing authorities, their partners, and residents use the new program. It introduced needed financing, development, and transactional partners to housing authorities seeking help with their RAD projects. It offered on-demand technical assistance effort comprised of experienced internal staff and capable practitioners. It also sought help from tenant and advocacy organizations to work with public housing residents in understanding RAD’s changes, processes, requirements, and

benefits and in how to best to engage with their home housing authorities that were participating in the new program.

Many if not all of these customer-oriented steps paid off. Just a year after being approved by Congress, HUD had received applications from public housing authorities seeking to convert assistance under RAD in excess of 180,000 units—along with additional applications to convert assistance for thousands of units under the eligible multifamily legacy programs. Within another year, Congress responded to this level of demand and raised the cap on public housing units from 60,000 units to 185,000 units, while extending the application period for public housing and suspending it entirely for the multifamily legacy programs. In April 2017, Congress once again increased RAD's public housing cap by an additional 40,000 units, bringing RAD's total authority to 225,000 units. And in the recently passed omnibus appropriations bill for fiscal year 2018, the public housing cap for RAD was increased to 455,000 units, or now just over 40 percent of the inventory.

RAD So Far

In the six-plus years since it was first approved by Congress, RAD has already demonstrated proof of concept, as evidenced in a congressional required initial evaluation (Econometrica, Inc. 2016). RAD has also more than passed the primary tests set by Secretary Donovan and his HUD team—it has generated additional and more dependable funding to public housing authorities for improving and preserving their housing inventories, and it seems to be on the way to offering its residents not only better housing but also additional choices than are available under the conventional public housing system.

Through the end of 2017, nearly 115,000 units of public and assisted housing have been converted to long-term Section 8 project-based contracts, including 88,000 public housing units. More than \$5 billion in construction improvements (U.S. HUD 2018) were underway at the public housing developments—or about \$60,000 per unit on average—flowing mostly from new private sector debt and equity investments that had been inaccessible to housing authorities previously. This constitutes a remarkable leverage ratio of approximately \$19 of private capital for every \$1 HUD provided (U.S. HUD 2017a, 1). If this rate of leverage continues across the entire 455,000 units of public housing conversions authorized by Congress, over \$27 billion could be generated for needed public housing improvements. This would entirely cover the earlier-estimated \$26 billion backlog of public housing in just a handful of years, all without any additional outlays to the current level of public housing funding. Plus, just

the RAD-converted public housing that is currently under construction has already generated an estimated 94,700 direct and indirect jobs across the country (U.S. HUD 2018, 1).

What's more, RAD is making good use of available, typically underutilized public and private financing resources. Nearly three in ten RAD projects are tapping 4 percent Low-Income Housing Tax Credits and companion tax-exempt bond financing that are not fully used each year in nearly every state. Plus, 13 percent of projects financed through 2017 are relying on FHA-insured mortgages, which, prior to RAD's introduction, were hardly ever used in financing public housing developments (U.S. HUD 2017c, 3). Equally encouraging, despite not being able to convert subsidies at full FMR levels in most cases, RAD is being successfully applied in some of the country's most expensive housing markets, including San Francisco and Santa Barbara (CA), Portland (OR), Chicago, Boston, Cambridge (MA), New York City, Washington, DC, and Atlanta.

Underscoring that RAD is able to drive public housing preservation in an extremely high-cost area, the office of Mayor Ed Lee declared in September 2015, with then-HUD Secretary Julian Castro and House Democratic Leader Nancy Pelosi in attendance, that "RAD is an historic program that will allow San Francisco to leverage approximately \$700 million in investor equity, \$300 million in debt financing, and between \$50 and \$100 million in City funding for the rehabilitation of over 3,475 public housing units." Leader Pelosi added, "With the RAD initiative . . . we are unleashing new resources, protecting tenants' rights, and preserving a strong voice for our families in the housing policy decisions that affect their communities" (City of San Francisco, Office of the Mayor 2015).

Unseen in these results is something perhaps even more encouraging. Beyond initial improvements made under RAD, long-term renewable Section 8 contracts require (and for the first time give agencies) the resources to properly maintain and budget for long-term replacement reserves. With RAD contracts in place, they can now plan to recapitalize and upgrade their properties when needed. Fewer properties will likely suffer from year-to-year neglect owing to limited availability of Public Housing Capital Funds and accumulated capital repair backlogs, which would ultimately be lost to demolition. Already, RAD is reported to be slowing the amount of public housing that is demolished from over 10,000 units per year now down to less than 8,000 units annually (U.S. HUD 2017b).

Perhaps most importantly, the demonstration is just now progressing to the point where residents can begin to potentially claim the a RAD "choice-mobility" voucher after one or two years of tenure, which would enable them to move from housing converted under RAD to other available options of their choosing. At this writing, it is too early to assess if and how public housing residents might choose to exercise it. But their right to do so has been firmly established.

At the same time, housing authorities are beginning to embrace RAD's new "transfer of assistance" provision, which enables them to provide better public housing options for current residents in other locations. Current data show that over one hundred RAD conversions of assistance involved construction of new units to replace badly deteriorated properties or the transfer of assistance "to lower-poverty neighborhoods, with greater access to jobs, quality schools, and transportation" (U.S. HUD 2017a, 1).

While only a few dozen transfer of assistance projects have been completed to date, and resident reactions so far are only anecdotal, this new RAD feature may prove to be the hallmark of Secretary Donovan's determination to offer more equitable choices to public housing residents. The appreciable value of this new choice is perhaps best captured in the words of a long-time resident of a now-demolished public housing project in DeKalb County, Georgia, who described her experience in moving to new replacement housing in a less-dense, more amenity-rich part of the community that was completed under the new transfer of assistance provision:

I was not excited about the move at first because I really didn't want to move. I raised my children there and it was home to me . . . I had not moved in a very long time and didn't know what to expect. When the [housing authority] staff took me to see the place where I live now I thought I had died and gone to heaven . . . I love, love, love my new home. I feel safe and comfortable in my new surroundings. They have so much stuff to do here and I am in walking distance to food, shopping, and the bus, if I need it. I can't wait to start my garden. (U.S. HUD n.d.)

RAD as Federal Equity Policy and Practice

While RAD seems to have taken hold in practice, the work is by no means done. RAD's current authority to convert 225,000 public housing units reaches to approximately two-fifths of the total public housing inventory and now extends to an additional 180,000-plus units of assisted multifamily housing potentially at risk of losing subsidies with the recent increase of authority granted to this inventory in the FY 2018 appropriations act. What's more, RAD is not yet a fully approved HUD program duly authorized by the Senate Banking and House Financial Services committees; its initial and subsequent authorities were extended through appropriations rather than authorizing processes. And despite evidence to the

contrary, a few Democratic members of the consequential House Financial Services Committee—particularly its ranking member, Representative Maxine Waters of California—remain concerned that RAD could somehow effect the loss of public housing stock rather than help preserve it.

Nonetheless, the demonstration—launched by Secretary Donovan and then ably carried forward by Secretary Castro and dedicated HUD career staff, along with hundreds of housing authorities and dozens of stakeholder groups and a few of their exceptional leaders—has made a persuasive case for being made a permanent program. Following the Obama administration's efforts in its waning annual budget requests, the new Trump administration also called for making RAD permanent in an official administration request in its initial two budget submission to Congress. And more compellingly, Senate Transportation, Housing and Urban Development Chairwoman Susan Collins of Maine, one of RAD's earliest champions in the Senate, sought to make RAD a permanent option in the Senate's version of the HUD appropriation bill for FY 2018.

RAD's future fate may owe itself to how well Secretary Donovan and his HUD colleagues applied and rooted basic equity planning principles and practices—the same practices that Krumholz and other equity practitioners used in making lasting change at the local and regional levels in their times.

Secretary Donovan and his team seemed to have followed many of those principles in their efforts. The secretary led with a clear vision for moving public housing to the Section 8 platform with a belief that doing so would enable public housing authorities to access private capital and produce better results for their residents than could be done under the conventional system. While the sweep of the policy he proposed was not without controversy, he recognized and seized a rare opportunity to take bold action afforded by other housing policy changes that needed to be made in response to the historic recession gripping the country at the onset of the Obama administration. The impact on residents of the continuous loss of housing stock and the declining conditions of what remained helped make the case that a policy change to a more proven approach was warranted. While they stumbled initially with the TRA-PETRA legislation, HUD made the needed course corrections and persisted and delivered RAD in a more collaborative process.

Donovan's payoff has already delivered nearly three times as much investment as Congress was able to provide in capital funding to the *entire* 1.1 million units remaining in the public housing system in the FY 2017 budget (NH&RA 2017, 1). Considered another way, it would have taken participating housing authorities forty-six years to accumulate the same amount of funding under the conventional public housing system that RAD has already generated in a matter of few years to make critical improvements to their properties (U.S. HUD 2017a, 1). Even

more encouragingly, public housing residents now have two more housing choices than they did previously. As RAD further unfolds, they will increasingly be able to live in other communities, perhaps making it easier to secure a new job or attend a different school.

Possibilities for a More Equitable National Housing Policy

Hopefully, RAD will be allowed to build on its initial promise in the years ahead. Despite the antigovernment rhetoric, austerity policies, and ideological bent of the unfolding Trump presidency, there are indications that the new HUD team is mindful of these prospects.

In his written testimony to the Senate Banking Committee as part of his confirmation process, then-HUD Secretary-designate Dr. Ben Carson stated that “I have been very encouraged by early results from the last administration’s efforts in the Rental Assistance Demonstration program. I believe in building upon what works no matter whose idea it was. I look forward to working with Congress to expand this worthy program” (U.S. Senate n.d.). Once he took the helm at HUD, Secretary Carson has pointed to RAD as example of a new kind of public-private partnership with proven potential (Fitze 2017). Plus, there are some reports that the secretary and his new HUD team are working to establish a dedicated process within HUD to expedite viable public-private partnerships, including RAD.

Assuming that RAD continues to evolve in the current administration and beyond, it offers a few additional lessons for equity planners and practitioners in promoting more equitable federal housing policies going forward. Unsurprisingly, they, too, are not dissimilar from some of the lessons that Krumholz and others observed in their local and regional work. Perhaps they can be guideposts well into the future.

First is the difficulty of pulling back on a policy that generates momentum in early implementation. Although it took nearly three years to win initial statutory approval, once approved, RAD quickly produced the promised results—in the amount of additional investment in the public housing stock and the pace of improvements underway—especially when compared to the usual pace of typical federal program implementation. This was the result of a patient, inclusive policy development process. The process prepared HUD to move quickly to implementation once the program was approved. HUD then offered a well-designed, flexible application and initial review and approval process for interested housing authorities, which it actually marketed. It relied considerably on external stakeholders involved in devising RAD for support. All of this enabled RAD to

quickly gain traction in its initial implementation and will perhaps help it “stick” in continuing practice.

Assessing the department’s efforts to design and launch RAD, a long-time affordable housing policy analyst pointed to RAD as a model “for stealth reformers seeking to make constructive change in our otherwise sclerotic government.” He then went on to outline ten reasons for RAD’s early success in a column entitled, “Why RAD Worked,” which future initiatives might consider modeling. Among the reasons cited:

RAD was voluntary: No housing authority is compelled to participate . . . it lets the enterprising and optimistic discreetly separate themselves from the larger observant herd. *HUD wanted RAD to work:* As a small demonstration, RAD could be and was staffed by a few HUD specialists, including some drawn into federal service explicitly for this purpose . . . [who] could and did create practical, encouraging guidance. . . . *RAD offered low-cost, low-risk intake:* Knowing that RAD was being greeted skeptically, the program designers wrote the rules for easy entry and no-risk exploration . . . this combination encouraged the curious and disarmed the fearful. . . . *As a demonstration, RAD could evolve quickly.* . . . RAD was governed by HUD administrative notices; these in turn were informed by early adopters’ suggestions. . . . Learning by doing is speedy; rule-writing by practitioners who are domain experts beats hollow the clanking machinery of full-blown program rollout. . . . *Liberated RAD properties could attract new resources:* Not only is legacy public housing encumbered by anachronistic regulatory chains, it is precluded from tapping . . . allocated LIHTC, volume-cap bonds, HOME and CDBG and state/local trust funds. Shedding the legacy public housing covenant made these RAD properties . . . eligible for new money. (Smith 2015, 20–21)

Second, RAD proved to be smart national policy that (eventually) realized considerable stakeholder support—and bipartisan appeal. In having little choice but to adopt a cost-neutral approach to launch the demonstration and then intentionally attempting to match RAD to less-used public resources such as tax-exempt bonds, 4-percent LIHTCs, and FHA insurance, HUD worked hard to have RAD make better use of existing, limited public resources. It then offered as much flexibility as it could in the subsidy-conversion process, partly in acknowledgement of its inability to augment those subsidies. Conversion of assistance under RAD also reduced the regulatory burden for public housing authorities, compared with the traditional public-housing operating and capital funds. Regardless of politics, it seems most policymakers can generally agree to reduce

regulation and use already allocated public funds to help leverage substantial private sector participation.

Third, as part of finding a way to appeal to Congress a second time, HUD built a constituency for RAD that has served it well. As one congressional staff person succinctly stated about the delicacy of the annual funding process, “it’s hard to make appropriations policy if there’s too much noise outside the room.” Furthermore, the HUD team that shepherded RAD through the legislative process was careful to build trusted working relationships with key congressional staff in order to facilitate their efforts inside the room. Little legislation of any stripe can get passed without minding these practices.

It was also not lost on Secretary Donovan and his colleagues that an expanded, more politically capable constituency than that which typically supported public housing would be crucial in expanding RAD beyond its initial authority—and the fate of public housing more generally. As HUD designed RAD, it engaged lenders, investors, developers, attorneys, tax accountants, construction services, and other potential transactional partners in thinking through how RAD could best put into practice. Their engagement—and subsequent involvement in the now hundreds of RAD projects with housing authorities across the country—has added their voices to the RAD constituency that has already worked to expand RAD on three occasions to date.

What’s more, many of these actors have been long involved in supporting and defending Section 8 project-based subsidies, LIHTCs, and other resources integral to the success of multifamily assisted housing. Secretary Donovan clearly understood that their clout was a distinguishing factor in why project-based Section 8 assistance consistently fared better in annual appropriations battles than did public housing subsidies. As an ancient African proverb underscores, when elephants fight, it is the grass that suffers. Now that many more able actors are involved in RAD projects that rely on continued, steady annual appropriations to maintain the viability of long-term project-based contracts, it is more than likely that their stewardship of the Section 8 project-based programs will grow on Capitol Hill.

Evidence of this can already be seen in the affordable housing industry’s concerted response to the Trump administration’s initial HUD budgets. To no one’s surprise, drastic cuts were proposed to both the public housing Capital Fund and Operating Fund levels integral to converting assistance under RAD *and* project-based Section 8 subsidies critical to honoring long-term multifamily housing contractual obligations in the administration’s initial budget submissions. Yet both the FY 2017 and FY 2018 appropriations bills passed by congress repudiated these cuts and actually increased funding for each of these programs.

A fourth lesson for future equity-oriented policy initiatives from the RAD experience might be that there is little value returned to the public sector in

dutifully insisting on the primacy of a pure public funding model when the evidence of its limitations and detrimental impacts become so clear. This is not to further the trope that private financing is always a more efficient and better approach than public investment can be. Rather, it is simply to acknowledge that when a long-standing public policy or approach fails to produce needed results, equity planners and practitioners should seek and advocate for better policies and approaches.

Secretary Donovan and other advocates for RAD recognized that much of public housing's failings owed to fact that its funding model was anachronistic and not aligned to the way that all other forms of assisted housing have been financed and performed for the last thirty-plus years. Continuing to wish only for increased public funding as the best means to turn around public housing's plight in face of its chronic challenges—many of them political in nature—is wishful thinking at best and arguably naïve in failing to comprehend political reality at worst.

Finally, the RAD team at HUD has been more than attentive to the true test of any equity-oriented policy that can and should endure. It worked assiduously in shaping RAD's legislative framework and detailing its initial and subsequent revisions to implementing notices, and it continues to maintain a strong vigilance in RAD's implementation, to see that all of the parties participating in RAD respect its original purpose—to provide public housing residents better outcomes than the conventional public housing system has been able to do. So far, those efforts seem to have helped RAD pass this consequential test. Tens of thousands of residents have had their homes improved. Most seem impressed with the results. Some have even planted new gardens. Regardless of the setting, assuring that those with few choices truly benefit and are afforded more options than before seems to remain the north star of equity planning and practice into future.

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