

GAO Highlights

Highlights of [GAO-18-123](#), a report to the Ranking Member, Committee on Financial Services, House of Representatives

Why GAO Did This Study

HUD administers the Public Housing program, which provides federally assisted rental units to low-income households through PHAs. In 2010, HUD estimated its aging public housing stock had \$25.6 billion in unmet capital needs. To help address these needs, the RAD program was authorized in fiscal year 2012. RAD allows PHAs to move (convert) properties in the public housing program to Section 8 rental assistance programs, and retain property ownership or transfer it to other entities. The conversion enables PHAs to access additional funding, including investor equity, generally not available for public housing properties.

GAO was asked to review public housing conversions under RAD and any impact on residents. This report addresses, among other objectives, HUD's (1) assessment of conversion outcomes; (2) oversight of resident safeguards; and (3) provisions to help preserve the long-term affordability of units. GAO analyzed data on RAD conversions through fiscal year 2017; reviewed a sample of randomly selected, nongeneralizable RAD property files; and interviewed HUD officials, PHAs, developers, academics, and affected residents.

What GAO Recommends

GAO makes five recommendations to HUD intended to improve leveraging metrics, monitoring of the use and enforcement of resident safeguards, and compliance with RAD requirements. HUD agreed with our recommendations to improve metrics and build on existing oversight.

View [GAO-18-123](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or garciadiazd@gao.gov

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RENTAL ASSISTANCE DEMONSTRATION

HUD Needs to Take Action to Improve Metrics and Ongoing Oversight

What GAO Found

The Department of Housing and Urban Development (HUD) put procedures in place to evaluate and monitor the impact of conversion of public housing properties under the Rental Assistance Demonstration (RAD) program. RAD's authorizing legislation requires HUD to assess and publish findings about the amount of private-sector leveraging. HUD uses a variety of metrics to measure conversion outcomes. But, the metric HUD uses to measure private-sector leveraging—the share of private versus public funding for construction or rehabilitation of assisted housing—has limitations. For example, HUD's leveraging ratio counts some public resources as leveraged private-sector investment and does not use final (post-completion) data. As a result, HUD's ability to accurately assess private-sector leveraging is limited.

HUD does not systematically use its data systems to track effects of RAD conversions on resident households (such as changes in rent and income, or relocation) or monitor use of all resident safeguards. Rather, since 2016, HUD has required public housing agencies (PHA) or other post-conversion owners to maintain resident logs and collect such information. But the resident logs do not contain historical program information. HUD has not developed a process for systematically reviewing information from its data systems and resident logs on an ongoing basis. HUD has been developing procedures to monitor compliance with some resident safeguards—such as the right to return to a converted property—and begun a limited review of compliance with these safeguards. However, HUD has not yet developed a process for monitoring other safeguards—such as access to other housing voucher options. Federal internal control standards require agencies to use quality information to achieve objectives, and obtain and evaluate relevant and reliable data in a timely manner for use in effective monitoring. Without a comprehensive review of household information and procedures for fully monitoring all resident safeguards, HUD cannot fully assess the effects of RAD on residents.

RAD authorizing legislation and the program's use agreements (contracts with property owners) contain provisions intended to help ensure the long-term availability of affordable units, but the provisions have not been tested in situations such as foreclosure. For example, use agreements between HUD and property owners specify affordability and use restrictions that according to the contract would survive a default or foreclosure. HUD officials stated that HUD intends to develop procedures to identify and respond to risks to long-term affordability, including default or foreclosure in RAD properties. However, HUD has not yet done so. According to federal internal control standards, agencies should identify, analyze, and respond to risks related to achieving goals and objectives. Procedures that address oversight of affordability requirements would better position HUD to help ensure RAD conversions comply with program requirements, detect potential foreclosure and other risks, and take corrective actions.