

Powerful Partners: The RAD program & PHAs

Tennessee Housing Development Agency
Rental Housing: Encouraging New Production

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Background

In 2015, THDA prioritized competitive housing credits to Public Housing Authorities (PHAs) participating in the Rental Assistance Demonstration (RAD) program. This response solidified THDA's public policy commitment to serve the very lowest income, hard to house, residents in Tennessee as identified in our Strategic Plan. THDA is the first HFA establishing a low income housing tax credit (LIHTC) set aside for RAD transactions. This commitment has resulted in 14 million dollars of annual housing credit earmarked for public housing preservation and the creation of nearly 1400 new affordable housing units.

PHAs serve the most vulnerable and lowest income populations in their public housing units. Much of Tennessee's public housing inventory is more than 50 years old. Many of the assisted units under HUD's legacy public housing programs are ineligible to renew their contracts on terms that favor modernization and long-term preservation. By drawing on an established industry of LIHTC lenders, investors, and stakeholders, THDA's LIHTC program provides the tools necessary to convert public housing to a privately owned and managed platform and improves outcomes for the transformation of public housing units. By improving the quality and quantity of public housing units using the LIHTC program, THDA achieves its mission to serve the lowest income residents in Tennessee, while PHAs, their residents, and communities recognize the long term impact of improved rental housing.

THDA's Longstanding PHA Commitment

THDA has a longstanding commitment to PHAs, providing a set-aside in the competitive housing credit program since 1998. These LIHTC collaborations have positively changed PHAs by building and renovating affordable, safe, and energy efficient units across Tennessee even without RAD.

THDA awarded the very first RAD competitive housing credit allocation of \$1,099,890 to the Franklin (TN) Housing Authority which resulted in the development of 64 new units targeting families with children. The City of Franklin and Williamson County, Tennessee has the 10th highest median income in the US. Low income households in Williamson County are virtually unrecognizable, making this RAD development one of the most significant in the state.

In 2019, THDA allocated \$1,700,000 in competitive housing credits to the Memphis Housing Authority and the City of Memphis for another HUD initiative, the Choice Neighborhood Implementation ("CNI") Grant. This allocation represented the third installment of a five part commitment to replace dilapidated public housing using CNI. This CNI Grant represents a \$30 million investment in the City of Memphis and will provide 700 new units of affordable housing.

RAD Set Aside Production

Since 2015, THDA has partnered with 10 PHAs completing LIHTC/RAD transactions. Our PHA partnerships have been with large and medium size PHAs with various LIHTC experience. In the early LIHTC/RAD developments, PHAs partnered with experienced for profit developers which did not always

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reward PHAs financially. Over time, our PHAs have gained immense knowledge and experience and are able to facilitate these complex LIHTC/RAD transactions in house or with the assistance of a LIHTC consultant reducing overall costs. These savings can be funneled back to the bricks and mortar of the RAD development or other PHA developments. Our PHA partners will most likely manage the developments themselves rather than outsource to third party management companies.

The chart below represents LIHTC/RAD partnership investments to date.

THDA Allocations: LIHTC & PHAs

QAP Year	Percentage of Allocation	Amount Allocated	Total Equity Proceeds*
2019-2020	20%	Potentially \$3 Million	\$26,400,000
2018	15%	\$2,530,000	\$22,264,000
2017	30%	\$4,867,900	\$42,837,520
2016	30%	\$3,569,912	\$31,415,225
2015	10%	\$3,037,047	\$26,726,013
*- approximated at \$0.88			