

RENTAL ASSISTANCE DEMONSTRATION (RAD)

FACT SHEET #3: RENT

WHAT IS RAD?

The **Rental Assistance Demonstration (RAD)** is a program of the Department of Housing and Urban Development (HUD) that seeks to **preserve affordable housing**.

Public housing across the country needs more than \$26 billion in repairs and many public housing agencies (PHAs) do not have enough money to keep units in good condition. RAD provides PHAs a way to stabilize, rehabilitate, or replace properties.

HOW IS RENT CALCULATED IN PUBLIC HOUSING?

In public housing, there are two ways to determine rent payments:

- **Income-based rent** is generally calculated at 30% of your household's income.
- **Flat rent** is based on the rent charged for similar units in the private market. It is not affected by income changes.

Most public housing residents already pay an income-based rent – calculated at 30% of your household's "adjusted" income - so **most residents will not have a rent increase because of RAD**.

However, households who currently pay a flat rent may have their rent change because the PBV and PBRA programs do not allow flat rents. Under PBV or PBRA, you will pay an income-based rent.

WILL MY RENT INCREASE UNDER RAD?

In general, rent payments are very similar in the public housing, PBV, and PBRA programs. Residents generally pay an **income-based rent**

FACT SHEETS FOR PUBLIC HOUSING RESIDENTS

This series of fact sheets is intended to help residents of public housing learn about RAD. All fact sheets are posted on RAD's website at www.hud.gov/rad, under the 'Residents' tab. For most residents, your rent will not change because of RAD. This fact sheet describes changes in rent that are possible.

calculated at 30% of household income.

Residents who pay 30% of their income on rent will **not see an increase in their rent payments due to a RAD conversion**.

However, some public housing residents pay a flat rent established by the PHA that is not affected by income changes. Households who currently pay a flat rent may have their rent change because the PBV and PBRA programs do not allow flat rents.

If you are paying a **flat rent** in public housing, you will most likely have to pay a bit more in rent over time. In these limited cases, if your rent calculation would increase by more than the greater of 10% or \$25, your new rent will be **phased in**. This means you will not have to start paying the full amount of the new rent immediately. Instead, your rent will increase a little each year. Your PHA must phase in the rent increase over at least 3 years, but may choose to phase in the increase over 5 years.

If the increase in your rent is less than 10% or not more than \$25 per month, this change in rent will be effective immediately.

Increase Less than 10% or \$25 No Phase-In	Increase Greater than 10% or \$25 Three-Year Option
<p>Change in Rent: In public housing, you paid a flat rent of \$400 per month. Your “adjusted” income was \$1,400 per month and remained the same after conversion.</p> <p>In PBV or PBRA, you will pay an income-based rent of 30% of your income, which calculates to \$420 per month ($\\$1,400 \times 30\% = \\$420$).</p> <p>This is a difference of \$20 per month ($\\$420 - \\$400 = \\20), which is a 5% increase.</p> <p>No Phase-in of Rent Increase: The new rent of \$420 per month <u>will not be phased-in</u>, because your rent did not increase by more than 10% and your additional rent was less than \$25. You will begin paying \$420 per month when your property converts to PBV or PBRA.</p>	<p>Change in Rent: In public housing, you paid a flat rent of \$400 per month. Your “adjusted” income was \$1,500 per month and remained the same after conversion.</p> <p>In PBV or PBRA, you will pay an income-based rent of 30% of your income, which calculates to \$450 per month ($\\$1,500 \times 30\% = \\$450$).</p> <p>This is a difference of \$50 per month ($\\$450 - \\$400 = \\50), which is a 12.5% increase.</p> <p>Phase-in of Rent Increase: The new rent of \$450 per month <u>will be phased-in over 3 years</u>, because your rent increased by more than 10% and you have to pay more than \$25 per month in additional rent as a result of RAD conversion.</p>

WHAT IF MY INCOME CHANGES AFTER A RAD CONVERSION?

Your income and assets will be re-evaluated regularly under the PBV and PBRA programs. As your calculated “adjusted” income increases or decreases, your rent payment will change.

In addition, residents may be subject to interim re-examination. In the PBV program, PHAs set their own policy related to the frequency of re-evaluating income. Under PBRA, an owner must adjust your rent every time your adjusted income increases by \$200 or more per month.



DEFINITIONS

- **Annual reexamination** – A process that occurs each year where your income and family size are reviewed to ensure you are paying the correct rent and living in a right-sized unit.
- **Flat rent** – Rent set at a specific amount based on the rent charged for similar units in the private market. A flat rent does not increase or decrease when your income changes. Flat rents are only allowed in public housing.
- **Income** – Your income is calculated by taking your total income, minus any exclusions or deductions such as large medical expenses. Your income is determined at the time of admission and during any reexamination.
- **Income-based rent** – Rent generally calculated at 30% of your household's adjusted gross income. Project-based Section 8 programs only allow income-based rent.
- **Rent Phase-In** – If your rent increases by more than 10% because of RAD conversion and requires you to pay more than \$25 per month in additional rent, you will not have to pay this increase immediately. Instead, you will pay more in rent each year for either 3 or 5 years.