November 1, 2026

Repositioning Public Housing—Time to Finish the Job?

By Greg Byrne & Patrick Costigan

From its start, public housing in America has been charged with too many tough tasks and too little funding. House the poor, elderly and disabled alongside middle-class families; operate at market standards outside well-functioning neighborhoods; avoid upsetting the freighted cart of segregation; and carry the operating costs of cheaply built federal buildings without further subsidy. The results spoke for themselves. The political will to fix structural deficiencies ebbed. Public housing for decades has only survived through a patchwork of ad hoc, temporary fixes—all lacking adequate funding.

Any realistic hope of genuinely "fixing" public housing hinges on getting deficient operating subsidies on par with those afforded other multifamily assisted housing. A structural problem requires a structural fix. Period, full stop.

For over three decades HUD has done about as much as it can to help boost public housing subsidies. The Mixed Finance, Section 18 Demo/Dispo, HOPE VI and Choice Neighborhoods programs have each helped reduce capital requirements and/or augment net operating income. With the introduction of the Rental Assistance Demonstration, or RAD, in 2012, HUD committed to moving public housing onto the more stable, better-funded Section 8 platform—now referred to as repositioning—as the best way to bring about funding parity.

Unfortunately, RAD's ability to do this was constrained by a bargain struck in its enabling legislation. After having to pump billions into propping up the failing single-family housing market that triggered the Great Recession in 2008, Congress was unwilling to provide the necessary funding to equilibrate public housing rent levels with those offered under conventional Section 8 funding contracts. Under the RAD deal negotiated then, public housing agencies (PHAs) were allowed to convert their current operating assistance into long-term Section 8 project-based contracts—but without any additional federal funding.

The RAD Bet

Despite RAD's initial constraint, HUD's bet was that a demonstrable number of PHAs would be encouraged to convert assistance in return for long-term, renewable contracts with annual cost adjustments, which also promised residents their same means-determined rent contributions and continued tenancy. Though not fully funded, project-based Section 8 contracts would let PHAs attract substantially more private and public capital than previously while enabling them to take on deeper rehab and even new

construction projects. With these advantages it was hoped that early adopters would demonstrate necessary but not quite sufficient proof of concept so that Congress would eventually be encouraged to provide PHAs the same market-based rental contracts that owners of multifamily assisted housing get.

The upshot of RAD's founding deal is that RAD rents average just over 80% of HUD's Fair Market Rents (FMRs). Projects with modest capital needs pencil out. But most of the inventory requires deeper renovation or even replacement, which sends PHAs chasing hyper-competitive 9% LIHTCs, increasingly constrained 4% credits and a menu of state, local and other "soft" funds.

Stretching RAD

Since launching the demonstration, HUD has found creative ways to augment RAD rent levels within the bounds of RAD's initial authority, largely by issuing periodic departmental notices. While also relaxing application and processing requirements and clarifying tenant protections, early notices let PHAs keep resident utility allowance savings from energy improvements or bundle different property rent levels across multiple properties to achieve a higher average rent level when converting assistance for deeper-needs projects, among other flexibilities. But RAD's enabling statute can only be stretched so far.

To date, HUD's better and biggest boost to low public housing operating subsidies has come through expanding eligibility of the Section 18 Demo/Dispo program to include more and different types of public housing properties while unlocking better rents. When projects are approved for removal through Section 18 Demo/Dispo, Section 8 Tenant Protection Vouchers (TPVs) are triggered to replace terminated public housing subsidies. The add-on value of TPVs lies in the ability of PHAs to project-base them as long-term Section 8 contracts, which allows contract rents to be set at market, up to 110% of Fair Market Rents (FMRs).

From 2017 on, HUD has modestly enhanced the Demo-Dispo and TPV project-basing approach one notice at a time. It added new categories of Section 18 eligibility, including very small PHAs and scattered sites, and introduced a blended program of RAD and Section 18 for both small PHAs and for projects meeting certain construction thresholds. The resulting combined rents provide substantial net operating income able to leverage debt and attract equity investments comparable to other affordable housing projects. The construction blends alone now figure in about half of all RAD transactions. In many ways, project-basing TPVs has become the brass ring of HUD's repositioning efforts.

Half Steps Limits

At the same time, periodic, incremental changes to both RAD and the Section 18 Demo/Dispo program over the years are just that—a growing set of partial improvements that sum to less than what's fully needed. And they carry administrative baggage.

The most recent such notice—*PIH Notice 2026-23, Demolition and/or Disposition of Public Housing Property, Eligibility for Tenant Protection Vouchers, and Associated Requirements,* published last August—underscores the limits of half-steps in getting PHAs fully and fairly on the Section 8 platform. It advances repositioning by expanding Section 18 eligibility in four small measures, which even when taken together with previous notice improvements, still fall well short of the value of fully funded Section 8 contracts.

First, it *increases the threshold for meeting the definition of a "scattered site",* from four or fewer units not contiguous to other public housing to six or fewer units. While good data for the number of contiguous and non-contiguous units are not available, the number of units that will qualify under this expanded definition is not large.

Second, it *increases the threshold for Very Small PHAs,* from those with 50 or fewer units to those with 75 or fewer units. This modest, seemingly arbitrary change is likely to benefit about 20,000 additional units across the country,

Third, it allows *Mixed-Finance developments to qualify for Section 18* when their long-term viability is deemed "at risk." While enormously helpful, this measure also fails to get at the scale of the larger problem. There are an estimated 60,000 to 80,000 Mixed-Finance units nationally; it's unlikely that more than one-fifth of these units would now qualify.

Finally, it *adds functional obsolescence as grounds for Section 18 disposition or demolition,* which has been a long-standing omission. But only properties built before 1950 are eligible, and only if a PHA produces engineering estimates showing that curing obsolescence and making other needed repairs will cost more than new replacement housing. Why make a PHA prove, at considerable expense, what PHAs, residents and local communities can plainly see—that that a 75-year-old property requires redevelopment?

Although enhancing Section 18, and indirectly, RAD in helpful ways, the most recent notice seems to have suffered the common fate of earlier ones: more ambitious policy objectives get scaled back as they make their way through a multi-office HUD clearance process guided by current priorities of the Office of Management and Budget. A modest, cautious and inevitably, incremental set of changes result. It is the way of bureaucracy.

Serial notice changes also have a way of fostering complexity over user friendliness. Notice changes can be bound by two or more authorizing statutes, each with their own regulations

and, inevitably, review and approval requirements. This both exacerbates HUD's administrative burden and compromises later streamlining prospects.

For over 15 years, HUD's efforts in nudging helpful changes to RAD and Section 18 have moved the repositioning needle a fair measure. But they have also left the remainder of the public housing properties yet to be repositioned a maze of partial ways to do so relative to their size, rehab needs and ownership type. Consider:

- Very Small PHAs and scattered sites now have what amounts to categorical eligibility for Section 18 and 100% TPVs. But they can convert only to PBVs, not Project-Based Rental Assistance (PBRA) contracts, a fundamental choice under RAD. Residents must be re-screened with no right to return to their current or comparable housing, and PHAs are not allowed to direct available public housing funds toward the conversion, as RAD allows.
- Distressed Mixed-Finance projects and pre-1950 properties are also eligible for 100% TPVs, but not without hitches: Mixed-Finance projects must show how TPVs will cure indicated distress; and obviously obsolete properties must still prove they need to be replaced.
- Small PHAs are granted the Small PHA Blend, with 90% of units qualifying under Section 18. But the property must go through RAD processing, including a third-party physical needs assessment and a financing plan showing sources to meet identified needs for 20 years ahead.
- All other properties, with a wide range of capital needs, have more challenging opportunities to qualify for Section 18 Demo/Dispo and TPV-level rents: (1) they can apply for Section 18 if meeting thresholds for physical obsolescence, health and safety, or infeasible operations; or (2) they can seek a RAD/Section 18 construction blend that varies by rehab needs. Otherwise, they can convert via RAD at current funding levels.

Finishing the Job

RAD's starting bet that offered Section 8 contracts at reduced public housing funding levels was at the time the only available if uncertain path to the fully funded Section 8 platform. Yet it has paid off beyond what could have been reasonably imagined. Since 2012, some 245,000 units have been repositioned with Section 8 contracts, leveraging more than $31 billion in private debt and equity—which previously PHAs were hindered in accessing—for rehab and new construction. Well over 650,000 public housing residents now live in much better homes as a result.

The case has been more than made. The continuously tinkered with RAD and Section 18 initiatives have enabled public housing agencies to function as other owners of assisted multifamily housing, despite receiving comparatively lower amounts of operating subsidy. This could argue for letting the status quo run its course. Yet at the current pace of conversions of assistance, fully and fairly repositioning the remaining 850,000 legacy public housing units will take another 30 to 40 years to complete.

A structural problem still requires a structural fix. With strong proof of concept in hand, it's time to now fully push for what public housing is due: a permanent, streamlined way for PHAs to deploy Section 8 contracts at market-based rents under uniform program rules. As with establishing RAD in 2011, this will take new statutory authority that this time spells out both additional funding and requisite HUD authorities.

Start with funding. Bringing converted units up to FMR-level Section 8 contracts will take substantial new supplemental funding. Budget authority can be committed over a doable period, perhaps 10 years, and rationed annually to projects related to policy priorities such as preservation, new construction, and/or readiness to proceed. The inevitable budget debate should weigh the cost of supplemental funding against the real costs of deferring repairs and losing more existing stock to demolition. Neglected properties only grow capital needs. Assembling new sites, clearing entitlements, then financing and building low-income replacement housing in less-than-welcoming markets require increasingly deeper pockets as time goes on.

Then, capital. Fully funded Section 8 contracts command substantial leverage, but financing to pair them with still must be found. Expanding LIHTC authority and squeezing more from already underfunded public sources may be necessary, but it won't be sufficient. New and different financing mechanisms can and must be found:

- The Affordable Housing Preservation and Protection Act of 2026, recently introduced in the House, is a hopeful sign. It would authorize HUD to provide 1% long-term, forgivable financing for obsolescent or economically non-viable projects, including RAD conversions.
- Efforts to incentivize energy-efficient building techniques through tax credits and deductions that can be bundled and syndicated to investors as new equity products, recently de-prioritized federally, can be revived by states and localities—and reset the table for future federal participation.
- More and varied nonprofit bond mechanisms with minimized transaction costs are needed, coupled with changes to private-activity bond preferences.

- Public asset corporations like those emerging in Atlanta, Chattanooga, Cincinnati and other cities offer promising ways to rationalize and coordinate local public and private financing for low-income housing.
- And it's a good bet that today's advocates and policy makers can craft next-generation financing innovations to fill in gaps.

Finally, process. Iterative, patchwork improvements inevitably layer complexity and redundancy onto HUD review and approval processes across multiple offices, which can sometimes work at cross purposes. These can readily be trimmed and consolidated with significant savings by merging them into established Section 8 practices. A streamlined repositioning process delegated wholly to a single, proven HUD office within the Office of Housing, which has considerable capacity in administering Section 8 project-based contracts, is overdue.

Incremental changes to RAD and Section 18 have delivered tangible progress toward the basic goal underpinning public housing repositioning—getting PHAs operating and fully funded on the Section 8 platform. But doing more of the same slowly poses real opportunity costs in repositioning the balance of the legacy public housing inventory that demands attention today. The task now is to fairly define what it will take to finish the job, and then persistently advocate for it until it is completed.

Plenty remains to be figured out. It's tempting to think that solutions can't be found. Yet affordable housing advocates time and time again have creatively worked through then-current obstacles. That was RAD's strategic premise 15 years ago: mind the goal (the perfect); start with what's available, even if it's less than required (the good enough); show what's possible with that; then push for more and a better good that approaches the perfect.

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