Voluntary Conversion Addendum

U.S. Department of Housing and Urban Development Office of Public and Indian Housing

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Public reporting burden for this collection of information is estimated to average 10 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is required to as a supplement to the HUD-52860 for all inventory removal actions that involve a Voluntary Conversion based on the requirements of Section 22 of the United States Housing Act of 1937 as amended ("Act") and 24 CFR Part 972 ("HUD Regulations"). HUD will use this information to determine whether, and under what circumstances, to permit PHAs to remove from their inventories all or a portion of a public housing development, as well as to track removals for other record keeping requirements. Responses to this collection of information are statutory and regulatory to obtain a benefit. Please refer to the instructions for each section for additional guidance on how to complete this application. HUD approval of the proposed removal from inventory action in this application does not constitute HUD approval for funding of the proposed action. All capitalized terms not defined in this form have the meanings as defined in the Act and HUD Regulations. The information requested does not lend itself to confidentiality.

PHAs applying for Section 22 Voluntary Conversion are required to complete this Voluntary Conversion Addendum (HUD-52860-E) ("VCA") as part of their Inventory Removal Applications (HUD-52860) and submit it to the SAC with their HUD-52860 on-line application. This VCA is required in addition to the HUD-52860 and may request some information that already exists in the Public and Indian Housing Information Center (PIC) system or in the PHA's Conversion Assessment. PHAs cannot proceed to voluntarily convert a public housing development until it receives a written approval to the conversion from the SAC. This approval will be separate from the approval that a PHA receives from HUD for its Agency Plan. This VCA will become part of the hard paper file of a PHA's approved Voluntary Conversion Plan.

(1) Cost Analysis:

Attach the results of the Cost Analysis in the form of the HUD-approved Excel Spreadsheet available on the HUD website at http://www.hud.gov/offices/pih/centers/sac/docs/costcomparison.xls.

(2) Future Use: How does the PHA propose the public housing development will be used after conversion?

(a) ___ Public Housing
(b) ___ Assisted Housing
(c) ___ Unassisted Housing
(d) ___ Market-Rate Housing
(e) ___ Other

Attach a narrative of the planned future use of the development proposed for conversion, and the means and timetable for accomplishing any planned demolition, disposition, or redevelopment and reference it as Item VCA #2.

(3) Complete the Matrix Below based on the appraisals/market analyses required by 24 CFR 972, the Appendix to 24 CFR 972, published on March 21, 2006 , and any applicable HUD Notice on appraisals for voluntary conversions.

Market Valuation	Approach Used (check one)	Value (complete dollar amount)
1. Current Value "As Is" Public Housing	(_) Income (_)Comparable Sale (_)Tax-Assessment (_)Cost Approach	
2. Future Value "Post-Rehab" Public Housing	(_)Income (_)Comparable Sale (_)Tax-Assessment	

Provide attachments as needed.
All attachments must reference the Section and line number to which they apply.

	(_) Cost Approach	
3. Current Value "As Is" (depends on proposed future use) Select One: Assisted Housing Unassisted Housing Market-Rate Housing Other	(_) Income (_)Comparable Sale (_)Tax-Assessment (_)Cost Approach	
4. Future Value "Post-Rehab" (depends on proposed future use) Select One: Assisted Housing Unassisted Housing Market-Rate Housing Other	(_) Income (_)Comparable Sale (_)Tax-Assessment (_)Cost Approach	
5. "Highest and Best Use" Value or "Market Value" (*Insert this value at Section 5(c) of the Cost Analysis Excel Spreadsheet as the "market value of property". Also insert this value whenever the "market value" of the property is requested in the calculation.)	(_) Income (_)Comparable Sale (_)Tax-Assessment (_)Residual Land/ Value	

(4) ***Attach the "Executive Summary" of the appraisal/market analyses used for Box #5 of the above referenced Matrix and reference it as VCA Item #4.***

Instructions: Voluntary Conversions Addendum (HUD-52860-E)

A PHA submitting an application for Voluntary Conversion must fulfill two primary requirements: (1) perform a conversion assessment in accordance with 24 CFR 972.218 - 24 CFR 972.224 ("Conversion Assessment"); and (2) prepare a conversion plan in accordance with 24 CFR 972.227- 24 CFR.233 within one year of performing the Conversion Assessment ("Voluntary Conversion Plan"). Both the Conversion Assessment and Voluntary Conversion Plan must be approved by HUD as part of the PHA's Plan. The SAC will not accept any applications for Voluntary Conversion until the PHA has completed a Conversion Assessment and Voluntary Conversion Plan and included them in its PHA Plan. The SAC will provide at least a preliminary response to each application for Voluntary Conversion submitted by PHAs within 90 days from the date it receives the application.

Item 1: Voluntary Conversions are permitted only if they are cost-effective. The cost methodology that PHAs must use to compare the costs of continuing to operate a development as public housing for the remainder of its useful life to the cost of providing tenant-based Housing Choice Voucher Assistance to the residents of that development was published as a final rule on March 21, 2006 (Appendix to 24 CFR 972) ("Conversion Calculation Rule"). In order to assist PHAs in completing the calculations and comparisons required by the Rule, a downloadable spreadsheet calculator is available on the HUD website. HUD will look for completed cost calculations in reviewing the PHA's cost comparison of providing tenant-based Housing Voucher Assistance with the cost of operating the Development as public housing. Note that the cost methodology for Required Conversion is different from that for Voluntary Conversion. When comparing the cost of tenant-based Housing Voucher Assistance versus public housing, PHAs should consider, as essential, the length of the remaining useful life for the public housing development that may be a 20 or 30-year period. (Typically, a 40-year period is used when rehabilitation is performed equal to new construction. A 30-year period is used when a PHA plans a modernization effort that addresses all backlog needs and any redesign that is necessary to keep a property viable and cost-effective for an ongoing useful life in accordance with the useful life of the building and its systems.) PHAs must use this calculation tool (spreadsheet) to compute the PHAs information on the Development's operating, modernization, and accrual costs, as well as information on voucher costs for Voluntary Conversion.

For Voluntary Conversions only, PHAs must have an appraisal performed for the "Highest and Best Use" (as a commercial or residential use) value or potential market value of the public housing development and whether any residual value may be generated from the sale of the Development or the land (after demolition). The information from this appraisal is required to complete the HUD Cost Analysis. Specifically, the value that must be inserted into Section 5(c) of the Cost Analysis Spreadsheet Calculator is the "Highest and Best Use" value or ("Market Value") (See applicable HUD Notice on appraisal guidelines for Voluntary Conversions) (See also the Instructions to Item #3 of this VCA for guidance on completing the Matrix in this Form).

Item 2: Public Housing is defined as properties built and operated under the Public Housing Act of 1937, as amended. Assisted Housing is housing with some form of subsidy provided by private, state or local agencies, the Rural Development Agency, Tenant-based Housing Choice Voucher assistance, or other non-public housing funding. The income levels of tenants in such properties may be regulated or limited by state or local regulations. Unassisted Housing has no subsidy, but provides for a rental cap such as with property with rent controls consistent with state regulated Low Income Housing Tax Credits or other statutory or regulatory cap such as rent control. The income levels of tenants in such properties may be regulated or limited by state or local regulations. Market Rate housing has no restrictions on rental rates, operating costs, profits, rental rate increases, or improvements that can be made to the property.

In the narrative describing the intended future use for the affected Development, PHAs must provide details of their specific plans for the Development after conversion (e.g., whether the property will be demolished, disposed of for other housing, retained and utilized to house low-

income residents, etc.). The narrative should provide creditable evidence of the capacity and capability of the PHA and its partners, if applicable, to complete the proposed future use of the property, especially in case where the PHA sells its property for Fair Market Value (FMV) and receives significant sales proceeds, or a PHA leases or sells its property for less than FMV and collaborates with a joint venture partner to develop other types of low-income housing.

Item 3: To satisfy the requirements of 24 CFR 972.218, a PHA must have an appraiser perform the distinct market analyses/appraisals outlined in this Matrix in accordance with the appraisal methods/instructions provided in the applicable HUD Notice on appraisal guidelines for Voluntary Conversion. All values must be based on appraisals performed by independent appraisers. Appraisals must be prepared for the development: (1) assuming that it will continue to be used as public housing (as-is and post-rehab); (2) assuming a specific proposed future use of the development (Assisted, Unassisted, or Market-Rate Housing) (as-is and post-rehab); and (3) assuming the "Highest and Best Use" or "Market Value" of the development and/or land. Note that if the appraiser is using the "Income Method" appraisal approach, the values for Boxes #1, 2, 3 (and possibly 4) of this Matrix may generate the same value.