

RENTAL ASSISTANCE ASSESSMENT PLAN - Attachment to Section B

Sample Transaction – Pleasant Place Garden Apartments, Centerville, AnyState

RAAP Determination: The PAE has concluded that project-based assistance should be continued on this property.

Property Highlights: Rural family project, 70 2-, 3-, and 4-bedroom units. Centerville is a small town (population 6,500), located in rural Farmin County (population 22,500) in the southwest corner of AnyState. Farmin County has no major industry, and agriculture dominates the economy.

Factor 1: Tenants' ability to find adequate, available, decent, comparable, and affordable housing in the local market:

The local housing market is largely comprised of single- family homes (80% of the market vs x% for AnyState and y% for USA);. 1990 Census data shows 3,000 housing units of which 600 are rental, with little if any new construction since 1990.

Although the overall vacancy in the market is moderate at 7%, the available rental housing stock is of very poor quality and substantially inferior to the subject. Among the more desirable rental units, including single-family and small multiple-unit properties, the occupancy rate is estimated to be close to 98%. The majority of the available rental units are in the trailer park on the outskirts of town, which is badly run down and suffers from high rates of crime and gang activity. It is estimated that there are approximately 40 residential units available in the local market, primarily in the trailer park. Therefore, there is very limited availability of appropriate alternative housing.

Factor 2: The types of tenants in the project:

All households currently residing in Pleasant Place Garden Apartments are families, with family sizes ranging from 2–8 people. The local housing market has few 3- and 4-bedroom rental units, while these unit sizes make up 70% of the subject property. It would be very difficult for tenants with larger families to find alternative housing in Centerville, or anywhere in Farmin County. Most of the trailer rental units have 3 bedrooms; however, the rooms are very small and are not well suited to occupancy by multiple children. The subject property has 3 and 4 bedroom units of 950 and 1,075 sf, respectively, which can accommodate larger families in adequate conditions. The larger families residing in the project therefore likely would have difficulty finding adequate alternative housing in the local market.

Factor 3: Local housing needs identified in the Community Development Block Grant Consolidated Plan and local market vacancy trends:

There is no ConPlan currently in place for Farmin County. The local housing authority has indicated that there are efforts underway to apply for funds to develop affordable housing for the elderly, although not for families

Information on local housing vacancy trends was supplied by the appraiser. The current vacancy rate of 7% has increased slightly over the past 2-3 years. This appears to be a result of the closing of a chicken processing plant in a nearby town in 1998, forcing a number of families to seek employment opportunities in other parts of the state or region. There appears to be an adequate supply of housing in

the local market and in the County, and it appears likely that local vacancy rates will remain at current levels or higher in the near future.

Factor 4: The cost of providing assistance:

The appraiser's market study (as reconciled by the PAE) determined that market rates for the units at the subject's 2-, 3-, and 4-bedroom units are \$417, \$490, and \$530, respectively. Vouchers for equivalent housing units issued by the local housing authority are \$410, \$478, and \$507. Therefore, the cost of providing housing assistance to the tenants of Pleasant Place would be lower if the building was vouchered and the tenants moved into other equivalent housing in the area. However, because there is a lack of housing in the market for both the large unit sizes and the relatively good quality offered by the subject, it is projected that most of the current tenants would remain in place. As a result, the cost of providing assistance would be expected to be about the same under either the project- or tenant-based scenario.

Factor 5: The project's long-term financial stability:

In accordance with the guidelines for the M2M program, the property has been underwritten based on the lower adjusted net operating income (ANOI) of either tenant- or project-based assistance. In the case of this project, tenant-based assistance resulted in a slightly lower ANOI. The project should be financially stable under either scenario. However, because the project would likely achieve a lower vacancy loss under project based assistance, the project likely would be more financially stable under project based assistance.

Factor 6: Residents' ability to make reasonable choices about their individual living situations:

Due to the low quantity and poor quality of comparable housing in the market, the tenants of Pleasant Place would not have a reasonable choice in housing if project-based Section 8 assistance were discontinued and they received vouchers. Most of the tenants likely would not find adequate affordable housing in the area.

Factor 7: Neighborhood Quality:

The immediate neighborhood in which Pleasant Place is located is dominated by small, older single-family residences. There are a small number of multi-family dwellings also in the neighborhood. Although the neighborhood is low-income and older, it is generally well maintained. There are community gardens close to Pleasant Place, and many of the tenants cultivate small garden plots of vegetables or flowers. The neighborhood has a strong ethnic identity, and the local church serves as a focal point of community events, festivals, and fundraisers. Because there would not likely be much movement of tenants from Pleasant Place if the property were vouchered, it is not likely that discontinuation of project-based assistance would have a significant impact on the neighborhood.

Factor 8: The project's ability to compete in the marketplace:

The project's ability to command the estimated market rents has not been tested. The market rents were relatively difficult to determine because there were no ideal comparable properties. Proformas for Pleasant Place apartments were run under both project-based and tenant-based assistance scenarios, as required under the M2M program. Under the tenant-based scenario, adjusted net operating income

is projected to be approximately 3.5% higher, primarily due to lower administrative costs. Although lack of other alternatives for housing in the market would likely mitigate the anticipated increase, a slightly higher vacancy rate would be likely under a tenant-based scenario. Taking all of the above considerations into account, the property likely has a below-average to average ability to compete in the market.

Stakeholder Views:

In a survey conducted by the PAE, the majority of tenants responding (87% out of 30 respondents) stated that they favored a continuation of project-based assistance, most because they did not want to move out of the neighborhood. The owner also prefers project-based assistance. The local community did not express a view.

Conclusion:

The PAE concludes the most important considerations in this property's RAAP are (most important first):

- ◆ Large Families (factor 2): Because of the lack of 3BR and 4BR units in the local market, this consideration points toward project based assistance.
- ◆ Housing Quality (factor 1): Despite the 7% rental vacancy rate, this consideration points toward project based assistance because of the very poor condition of most other rental stock.
- ◆ Project's long-term viability (factors 5 & 8): Because of the small size of the local market, its relatively weak economy, and the absence of ideal comparable properties from which to determine market rents, the project is more likely to be viable over the long term with project based assistance.

Therefore, the PAE concludes that project-based assistance should be continued on this property.