

Appendix M

Detailed Instructions for Completing the Rental Assistance Assessment Plan

I. Project-based or Tenant-based Assistance

- A. **General.** The Restructuring Plan must identify whether a project will receive tenant- or project-based Section 8 assistance after restructuring. This decision should be made as early as possible in the process of developing the Restructuring Plan. For some projects, project-based assistance must be renewed; for others, the PAE must develop a Rental Assistance Assessment Plan (RAAP) which briefly explains the PAE's conclusion about the type of assistance.
- B. **Reporting Requirements.** The PAE must report semi-annually to OAHP on those projects that either:
1. Renew project-based assistance despite tenant support for tenant-based assistance during the tenant consultation process, or
 2. Renew with tenant-based assistance.

II. Mandatory Project-Based Assistance. There are three situations in which renewal of project-based Section 8 assistance is mandatory:

- A. **Projects in tight rental markets.** The market-wide vacancy rate is 6 percent or below.
1. If the project is in a city that is included in the Census Bureau statistics on rental vacancy rates for the 75 largest metropolitan areas, then the annual rate published on the Internet by the Census Bureau will be used to determine if the project is located in a tight rental market.
 2. If the city is not included in one of the 75 largest metropolitan areas, then the Census Bureau statistics on rental vacancy rates for the state in which the project is located will be used to make this determination.
 3. The Census Bureau annual statistics are published in February for the preceding year. Quarterly reports published by the Census Bureau will not be considered. To find the needed statistics on the Internet, go to:
 - a) web address <http://www.census.gov/hhes/www/hvs.html> a link can also be found on OAHP's web site (See Site Map).
- B. **Projects predominantly occupied by elderly or disabled families.** At least 50% of units are occupied by the elderly or by disabled families.
1. "Elderly" is defined as a family whose head, spouse, or sole member is a person who is at least 62 years of age; or two or more persons who are at least

62 years of age living together; or one or more persons who are at least 62 years of age living with one or more live-in aides.

2. A household is considered a “disabled family” in accordance with the Section 8 program’s definitions.

C. **Cooperative housing projects.** The project is owned by a nonprofit cooperative ownership housing corporation or nonprofit cooperative housing trust.

III. Rental Assistance Assessment Plan. The PAE must develop a Rental Assistance Assessment Plan (RAAP) for projects that do not qualify for mandatory renewal of project-based Section 8 assistance. Even though exception rents and tenant-based assistance are mutually exclusive, a RAAP is still required (unless the property is safe harbored.) The PAE determines whether to renew project-based assistance, provide residents with tenant-based assistance, or renew a portion of the units with project-based assistance and convert the remaining units to tenant-based vouchers. The PAE makes this decision only after consulting with the affected residents, the project owner and local government officials. The PAE may allow up to five years for conversion to tenant-based assistance, if a transition period is needed for the project’s financial viability. The RAAP must assess how converting to tenant-based assistance or extending project-based assistance will impact each of the eight factors listed below. A brief narrative description of the comments received and the PAE’s analysis must be included in the Restructuring Plan. The importance of each factor should be determined in the context of each project.

A. **Tenants' ability to find adequate, available, decent, comparable, and affordable housing in the local market.** Even if the market-wide vacancy rate is 6.0% or higher, the vacancy rate in the affordable housing sub-market may be below 6.0%. Many times the question is answered under the assumption that immediately upon closing all tenants will have to find alternative housing. A good restructure may in fact result in most tenants staying at the building using their vouchers. A good RAAP is forward looking, not just current conditions. If, for whatever reason, a tenant wanted to relocate in the future, including deteriorating property condition, would the tenant be able to obtain comparable or better housing using the voucher?

1. critical discussion point under this factor is vacancy rate and the PHA Voucher utilization rate, including trends. Even if the market-wide vacancy rate is 6.0% or higher, the vacancy rate in the affordable housing sub-market may be below 6.0% or vice-versa. In addition, just the vacancy rate may not address whether alternative housing is decent and/or comparable.
2. A general guideline (to be used as a starting point, not as a substitute for analysis) is that tenant-based Section 8 assistance should provide project residents with adequate affordable housing choices if at least 30% of the standard quality rental units in the relevant local housing sub-market have rents less than the applicable FMR. This guideline adds a neighborhood or

sub-market dimension to assessing the ability of residents to make housing choices using tenant-based assistance.

3. If there are no other rental housing options and tenants really don't have a choice of alternative housing in the relevant market, then project-based assistance is the preferred option under this criterion.
- B. The types of tenants residing in the project.** A project may not meet the definition of elderly and disabled housing but because it has a large minority of elderly and disabled residents it may be advisable to maintain its project-based status.
- C. Control in Multi-Layered Organizations.** For Purchasers and/or Sellers that have multi-layered organizational structures, Control refers to the level at which Control is actually held and/or exercised, without regard to structure (i.e., the determination of Control is not limited to a specific number of layers above the Purchaser entity itself).
1. This criterion relates to whether the tenants would be willing or able to move to better housing if they had a choice, either immediately or in the future.
 2. The statutory safe harbor provision presumes that elderly and disabled residents have a significantly higher desire not to relocate. Generally this is true, but except for safe harbored properties, this assumption should not be taken for granted.
 3. Under either question Number 1 or 2, issues relating to whether the property may serve large families or families with children in an area where there may be a shortage of that particular type of rental unit could be covered (i.e. 3 bedroom and larger units). Parking or access to public transportation could also be covered under either question.
- D. Local housing needs identified in the Community Development Block Grant Consolidated Plan and local market vacancy trends.** Any relevant excerpts from the Consolidated Plan should be attached to the RAAP. It will indicate whether the community is experiencing a shortage of affordable housing alternatives.
- E. The answer to this factor should support your answer under Factor 1. In addition, the word "trends" is important. Is new affordable housing being built? Is the area losing population so that the pool of affordable housing is increasing, and increasing in quality?
- F. The PAE's analysis** should opine on the relevance of the Consolidated Plan to the specific property situation; sometimes the local policies and preferences in the Consolidated Plan will be particularly relevant, but in other cases the Consolidated Plan will have focused on issues that are not directly relevant to the subject property.

- G. **The cost of providing assistance.** Compare the Section 8 cost per unit assisted using the tenant-based payment standard to the Section 8 cost per unit assisted using project-based Section 8.
- H. **If the payment standard is higher than the PAE determined market rents,** tenants may be tempted to move to better units, assuming market forces are at work, i.e. higher rents mean better units. If the payment standard is lower, over time the cost might be less under a tenant-based scenario. As tenants moved from the property, new voucher tenants would only receive up to the payment standard as a subsidy. However, immediately after conversion the costs might be equal, e.g. if the subject property is better than properties on the market accepting vouchers. Note that administrative costs are higher for tenant-based assistance (7% vs 3%).
- I. **The project's long-term financial stability.** Consider what impact the future loss of rental assistance caused by existing residents moving from the property will have on the owner's ability to generate enough cash flow to adequately maintain the property, fund any required operating deficit account, and support the property's overall debt obligation.
- J. **Refer to, and discuss,** the analysis in the underwriting/modeling, and the differences in project-based and tenant-based expenses and vacancy percentages.
- K. **If the PAE is concerned about the property's ability to survive an immediate conversion to vouchers,** MAHRA provides for phasing the conversion over a transition period of up to 5 years.
- L. **Residents' ability to make reasonable choices about their individual living situations.** As a general guideline, tenant-based Section 8 assistance should provide project residents with adequate affordable housing choices if at least 30% of the standard quality rental units in the relevant local housing submarket have rents less than the applicable FMR. The FMR is set so that 40% of the standard quality units cost less for rent and utilities than the local FMR for the applicable metropolitan area or non-metropolitan county. This guideline adds a neighborhood or submarket dimension to assessing the ability of residents to make housing choices using tenant-based assistance.
- M. **Evaluate the resident's participation in the tenant meetings.** Were the tenants knowledgeable about other housing choices and were they involved in the M2M process? Were their expectations reasonable? Also, do the tenants have access to outside resources to assist them in making decisions such as local community organizations?
- N. **Neighborhood quality.** Consider both the impact of the stability of the project's tenancy with project-based assistance, and the tenants' desire and ability to pursue other housing options. Consider the impact of the housing stock in areas with low poverty rates (e.g., less than 20%) and where the project promotes housing opportunities for minorities.

- O. **If the project is the most well maintained property in the neighborhood** (and operating expenses are historically reasonable), it might be best for the property to continue to be project based. Otherwise the owner may not have any incentive to maintain the above average condition. Conversely, if other properties are better, market and competitive forces (tenant based forces) should assist in maintaining a property that will be improved through the M2M restructure. If the neighborhood is undesirable, a tenant-based approach is likely to provide greater choice for residents.
- P. **The project's ability to compete in the marketplace.** Consider how the inability to provide rental assistance to tenants might impact the owner's ability to market the property to future replacement tenants.
- Q. **OAHP expects that Restructuring Plans will position the property to compete in the marketplace,** whether or not project-based assistance is renewed. Therefore, this criterion is not concerned with whether the property can compete, but rather whether the property would be better able to compete under project-based or tenant-based assistance