

# Appendix M, Attachment 2: Sample RAAP Tenant-Based Assistance

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## Sample Transaction – Shady Place Apartments, Center City, AnyState

**RAAP Determination:** The PAE concludes that Shady Place Apartments should be converted to tenant-based assistance based on the following analysis.

**Property Highlights:** Urban family project, 70 2- and 3-bedroom units. Multiple building walk-ups; 6-8 units per building. Center City is in the heart of the industrial corridor of AnyState; it has a population of 75,000, a weak economy and a weak rental market. Shady Place Apartments is located in a stable to declining downtown neighborhood with a large concentration of subsidized housing. Crime rates are higher than in other downtown neighborhoods.

### Factor 1 - Tenant's ability to find adequate, available, decent, comparable, and affordable housing in the local market:

Due to a long-term decline in manufacturing jobs, unemployment has increased in the city, and its population has declined approximately 7% over the past ten years. Workers in the “new economy” jobs prefer the suburbs to downtown Center City, which is still lacking in services and entertainment facilities for a more affluent population.

Consequently, there is a significant vacancy rate of approximately 11% overall in Center City. The appraiser indicated that there is an even higher vacancy rate of 13% among comparable properties in the subject's submarket. The existing rental stock has adequate quality. Consequently, if project-based assistance is ended for this property, tenants who wish to move should have the ability to find adequate comparable or superior housing to the subject.

### Factor 2 - The types of tenants in the project:

Shady Place's resident profile consists exclusively of families with 1-4 children. In the property's submarket, there is significant vacancy of comparable 2 and 3 bedroom units; therefore, families living in the subject property could likely find adequate housing elsewhere in the market.

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

The CDBG Consolidated Plan for Center City acknowledges a need for additional assisted housing for the elderly, and devotes funds to conversion of some existing housing stock to elderly housing. The focus of the CDBG Consolidated Plan is to attract new industry to the City and provide job training to low-income people so that they can take advantage of the new economic drivers in the area, financial services and technology. A training center for call-center workers has opened in the subject's neighborhood; two tenants are participating in this training opportunity. The submarket vacancy rate is approximately 13%, and has increased slowly throughout the 1990's. There appears to be a possible

oversupply of housing in the market, and it is likely that local vacancy rates will remain at current levels or higher in the near future.

Factor 4 - The cost of providing assistance:

The market rent determined by the PAE for the subject property is \$420 for 2-bedroom units, and \$489 for 3-bedroom units. Vouchers for equivalent housing units issued by the local housing authority are \$410 and \$478. Therefore, the cost of providing housing assistance to the tenants of Shady Place would be lower if the building was vouchered and the tenants moved into other equivalent housing. A survey of the available units in the market indicates that there are comparable or superior units available at rents at or slightly above the voucher rates. In the opinion of the PAE, the tenants could obtain adequate alternative housing at a lower cost to the government.

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 lower ANOI. While the project should be financial stable under either scenario, the property's ability to attract tenants in the open market remains untested. The project would likely have greater financial stability under continued project-based assistance.

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

As discussed above, the high vacancy rate in the market indicates that the tenants should be able to obtain alternative housing in this market at voucher rates. Therefore, tenants do have the ability to make reasonable choices about their living situations.

Factor 7 - Neighborhood Quality:

Shady Place is near the industrial core of Center City. Its immediate neighborhood is dominated by subsidized housing properties of 30-140 units. The neighborhood is bordered on one side by a former car parts manufacturing plant that has been abandoned and fenced off to keep out vandals. There is evidence of dumping on the property. On the south side, US Route 86, an important arterial serving as primary access to the City from the southern and eastern suburbs, separates the neighborhood from the downtown. There is an elementary school within ¼ mile of Shady Place, and regular bus service provides access to grocery and other stores further to the north, or across Rt. 86 to the south. There is very little open space in the neighborhood; according to residents and management at Shady Place, the only nearby park is populated by drug dealers and is not safe for children. There is fairly high crime in the area, as evidenced by the prominent fences and gates around the subsidized housing including the subject. Also, local shops and businesses are protected by barred windows and doors. In the opinion of the PAE, the neighborhood would not be negatively affected by any change in status of the subject property under either tenant or projected-based assistance.

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

It is likely that Shady Place would suffer higher vacancy under tenant-based assistance, probably increasing to the current market rate of 13% in this submarket from its current 4% under project based

assistance. While the underwriting of the proposed transaction indicates that the property should still survive financially under tenant-based assistance, this will be dependent upon effective management of the property in future and attentive maintenance. Because of the dominance of subsidized housing in the sub-market and the general condition of the market, the most likely replacement tenants for any who leave with vouchers are other voucher-holding tenants, and it will be important for management to adequately maintain the property. The property's ability to compete in the market will most likely be negatively affected by a change to tenant-based assistance; however, this can be mitigated by responsible management of the property.

Tenants/Owner/Community Views:

In a survey of the tenants performed by the PAE, there was a relatively high response rate (28 out of 70 tenants). Among the respondents, 60% expressed an interest in receiving public assistance housing vouchers. In the first tenant meeting, many expressed their belief that they could find better housing than the subject with vouchers. Several tenants cited the experience of friends and relatives to support these views. The owner would prefer the continuation of project-based assistance, and expressed the view that the property will have difficulty competing in the market. The local OTAG, from Center City Lives, advocates vouchers so that those tenants who want to move are able to do so. A letter requesting the views of the community was sent to the Mayor and members of the City Council; however, no response was received.

Conclusion:

It is the opinion of the PAE that the most important considerations in the Rental Assistance Assessment Plan for Shady Place are:

**Availability of adequate affordable housing** (factors 1 and 2): This market has high vacancy, plentiful affordable housing, and an adequate supply of the unit types present in the subject property. This consideration points to tenant-based assistance.

**Neighborhood Quality** (factor 7): From the standpoint of crime, availability of opportunities, and an appropriate environment for children, the quality of the neighborhood is poor, and many tenants would probably be better served by moving to more attractive and safer parts of the market. The poor quality of the neighborhood indicates that tenant-based assistance is warranted.

**Resident Preference:** Many tenants have expressed a desire to move to better housing in other areas of the City by using vouchers. This important consideration points toward a conversion to tenant-based assistance.

**Long-Term Property Viability** (factors 5 and 8): Although the property likely would be more viable with project-based assistance, it should be quite capable of achieving long-term viability after a voucher conversion. This consideration points toward project based assistance.

**Taking all of the preceding into account, the PAE therefore concludes that Shady Place Apartments should be converted to tenant-based assistance. After considering whether to propose a staged conversion over a period of up to five years, as permitted under M2M program rules, the PAE recommends [describe recommendation and reasoning].**