

Required Conversion

Exercise #1 Winchester Heights Estates

Winchester Heights Estates was originally a 777 unit family development that contained a 90 unit elderly/disabled building near the center of the development. The original development received approval from HUD under the 202 program for partial demolition thus reducing the property to a total of 592 units including a 91 unit elderly/disabled building. The building does not have **designated** elderly/disabled status. Therefore, the units are considered “general” occupancy units. Except for the elderly/disabled building, the site contains mainly units for large families (3, 4 and 5 bedroom units).

Winchester Heights has on-site management and maintenance. The community contains several amenities including a health center, convenience store, senior center activity room, computer lab, full gymnasium, youth activity center, after school program, creative arts center, recording studio, dance center, elementary school, large well managed playground areas, basketball courts, baseball fields, gated security, and public transportation. This development is surrounded by some privately-owned homes that use the Sample Housing Authority (SHA) road system to access their homes. It is a multigenerational neighborhood the City of Sample recognizes as a distinct neighborhood servicing low and moderate income families. They are somewhat removed from commercial shopping and most of the amenities are maintained on-site for the community.

According to SHA staff, this development is desirable for many individuals because of the close proximity to the city, the amenities and the multigenerational families residing at the site creating stable and long-term residencies with only moderate turnover. Security and crime has been a problem on the site and the SHA has recently instituted a program of guard houses at the point of entry on the road leading to the site. The guard house implementation is only 2 months old and the SHA has not experienced a level of reduced vandalism on vacant units to date, but has experienced a perceived decrease in the level of the overt drug distribution and drug sale traffic on the property.

The design and construction provided adequate open space between the units, however defensible space and orientation to the street is lacking on several buildings. The site is 77 acres and this presents additional challenges on maintaining the grounds (cutting, trimming, erosion, etc.) on the rolling hillside development.

The units are of adequate size with some additional amenities including basements with laundry hook-ups and additional space for storage. The bedroom square footage is small for modern day standards; however the SHA has policies in place to allow for less density in the placement of applicants in this development. Because of the period in which the units were developed, the electrical configuration in the units would also be considered dated and require an upgrade to meet today’s current demands for electrical features.

Other additional positive features on the site include:

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- Significant green space in and around the community, including locations with fabulous views of the city.
- Unit configurations include mostly townhouses that are desirable for the area.
- Winchester has an active tenant council.
- Winchester has a strong neighborhood identity.

SHA maintains data on their inventory and this information is validated at the site by the Project Manager and the Asset Manager. The Director of Operations has authority to coordinate the functions of leasing efforts between the central intake area and the referral to the project site for placement into the apartment. SHA overall information in the HUD conversion system is accurate and there are currently 142 vacant units at the site, mostly in the family units which currently has an overall gross vacancy rate of 26.4%. SHA has unit status for Winchester Heights and Winchester Heights Hi-Rise for a ten year period from 1998 to present.

Winchester Heights Estates- Family Site

Family Site	Total Units	Adjusted Units	Occupied	Vacant	Admin	Adjusted Vacancy	Adj. % Vacancy	% Vacancy
Jan-98	687	610	495	192	77	115	19%	27.9%
Jan-99	687	595	526	161	92	69	12%	23.4%
Jan-00	687	562	536	151	125	26	5%	22.0%
Jan-01	687	548	500	187	139	48	9%	27.2%
Jan-02	687	541	453	234	146	88	16.30%	34.1%
Jan-03	579	542	416	163	37	126	23.20%	28.2%
Jan-04	579	545	397	182	34	148	27.20%	31.4%
Jan-05	579	488	373	206	91	115	23.60%	35.6%
Jan-06	579	469	388	191	110	81	17%	33.0%
Jan-07	501	470	382	119	31	88	18.70%	23.8%
Jan-08	501	468	361	140	33	107	22.90%	27.9%
May 15-08	501	468	354	147	33	114	24%	29.3%

Winchester Heights Estates- Hi-Rise Elderly and Disabled

Hi-Rise	Total Units	Adjusted Units	Occupied	Vacant	Admin	Adjusted Vacancy	Adj. % Vacancy	% Vacancy
Jan-98	90	87	74	16	3	13	15%	17.8%
Jan-99	90	87	70	20	3	17	20%	22.2%
Jan-00	90	87	70	20	3	17	20%	22.2%
Jan-01	90	87	70	20	3	17	20%	22.2%
Jan-02	90	87	69	21	3	18	21%	23.3%
Jan-03	90	87	72	18	3	15	17.24%	20%
Jan-04	90	87	72	18	3	15	17.24%	20%
Jan-05	90	88	72	18	2	16	18.18%	20%
Jan-06	91	89	79	12	2	10	11.24%	13.2%
Jan-07	91	90	78	13	1	12	13.33%	14.3%
Jan-08	91	91	88	3	0	3	3.30%	3.3%
May 15-08	91	91	82	9	4	5	5%	9.9%

Winchester Height Estates- Combined Family and Hi-Rise

Combined	Total Units	Adjusted Units	Occupied	Vacant	Admin	Adjusted Vacancy	Adj. % Vacancy	% Vacancy
Jan-98	777	697	569	208	80	128	18%	26.8%
Jan-99	777	682	596	181	95	86	13%	23.3%
Jan-00	777	649	606	171	128	43	7%	22.0%
Jan-01	777	635	570	207	142	65	10%	26.6%
Jan-02	777	628	522	255	149	106	17%	32.8%

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Jan-03	669	629	488	181	40	141	22%	27.1%
Jan-04	669	632	469	200	37	163	26%	29.9%
Jan-05	669	576	445	224	93	131	23%	33.5%
Jan-06	670	558	467	203	112	91	16%	30.3%
Jan-07	592	560	460	132	32	100	18%	22.3%
Jan-08	592	559	449	143	33	110	20%	24.2%
May 15-08	592	559	436	156	37	119	21%	26.4%

It should be noted that SHA's method for adjusted vacancies in the above tables differs from the regulatory provisions. Specifically the guidelines allow for vacancy adjustments for the following reasons:

Units in the following categories must not be included in the vacancy calculation:

- Vacant units previously approved by HUD independently for a demolition or disposition action under Section 18 of the Act;
- Vacant units where resident belongings have been abandoned, but only if state law requires the resident belongings to be left in the unit for some period of time, and only for the period of time stated in the law;
- Vacant units that have sustained casualty damage, but only until the insurance claim is adjusted;
- Units occupied by employees of the PHA and units used for resident services; and
- Units HUD determines, in its sole discretion, are intentionally vacant and do not indicate continued distress.

SHA table provides for the adjustments for previously approved demolition and disposition, and units occupied by employees and resident services. The SHA further adjusted for vacant units that have sustained casualty damage (fire). This is included in the admin portion of the table. In this situation, the SHA has adjusted for units that are not in the process of final resolution of the insurance claim. The SHA was self-insured for many years and has a long history on the site of not repairing units damaged by fire. The adjustment of units in this category can only occur until the claim is adjusted; therefore the SHA has overstated the adjustment rate by 33 units on the family site table and in the combined table. As a result of this adjustment, the vacancy rate on the family site should be 29.3%.

It is concluded that the occupancy data provided by SHA is reliable valid and further supports the fact that this development contains an adjusted vacancy rate above 15% for the previous 3-year period.

Determining if Winchester Heights Qualified for a Required Conversion:

Winchester Heights clearly meets the 24 CFR 972.124(a) definition of a cluster greater than 250 units and is open to “general occupancy” by families. Winchester Heights also fails the 24 CFR 972.124(b) occupancy test as it has had an adjusted vacancy rate greater than 15% for each of the last 3 years and has not significantly decreased the vacancy rate during that time. SHA acknowledges this situation.

To confirm that Winchester Heights must be converted per 24 CFR 972.124, the development must either be distressed housing that cannot not assure long-term viability or be more expensive to operate as public housing than providing tenant based assistance.

Public housing properties meet the long-term viability standard only if, with reasonable investment, for at least 20 years (or at least 30 years for rehabilitation equal to new construction), it is probable they can sustain structural/system soundness and full occupancy, will not be excessively dense by local community standards, can achieve a broader range of family income, and have no other disqualifying site impairments. In 2005, SHA completed a physical needs assessment of the property that indicates that \$37,823,408 will be required to correct all identified physical deficiencies. As this amount totals \$63,891 per unit, it is substantially less than the 24 CFR 972.127(a) thresholds of 90 % of the Total Development Cost (TDC) limit for public housing units in Sample City. Current Sample City TDC limits range from \$132,125 per unit for a one bedroom unit in a high-rise building to \$307,951 per unit for a five bedroom row-house unit. Thus, it appears that Winchester revitalizations costs would not be unreasonable. The current density of the site is low by normal standards. The 592 units are distributed on a 77.93 acre site providing a density of 7.6 units per acre. Finally, the average rent currently paid at Winchester is \$141 per month, with 62 households having incomes exceeding \$20,000 per year and one family having an income over \$51,000 per year.

Cost Calculator:

Public Housing exceeds Voucher Cost- SHA will need to proceed with a required conversion plan since the PH would be more expensive to operate than the voucher. Please see calculator sample.

**NOTE: PLEASE FOLLOW INSTRUCTIONS ON THIS TAB
BEFORE PROCEEDING TO THE COST COMPARISON CALCULATOR**

This spreadsheet contains macros that need to be enabled for the spreadsheet to have full functionality. Failure to enable the macros will result in the spreadsheet to function improperly. Follow these steps to enable the macros:

You may see a "Security Warning" box when opening the file. If you see the "Security Warning" box, click on "Enable Macros."

If you do not see a "Security Warning" box when opening the file: Close the spreadsheet and change the security level setting. To change the security level in MS Excel, go to toolbar and click on Tools / Macro / Security. In the Security box, go to the "Security Level" tab and click on "Medium" then click OK. After changing the security level, open the spreadsheet again and follow the instruction above to enable macros.

Cost Comparison Spreadsheet Required and Voluntary Conversions under 24 CFR Part 972

IMPORTANT: PLEASE READ THE START TAB FIRST

This spreadsheet is provided as a tool for public housing agencies conducting cost comparisons pursuant to 24 CFR Part 972, "Conversions of Public Housing to Tenant Based Assistance." The spreadsheet assists PHAs in comparing public housing costs to voucher costs using the methodology presented in the appendix to 24 CFR 972 for both Required Conversions (subpart A) and Voluntary Conversions (subpart B).

Spreadsheet cells shaded in green allow PHAs to enter information on the subject property's estimated market value, operating, modernization, and accrual costs, as well as information on voucher costs. A property's market or residual value is incorporated into the cost-test only for voluntary conversion determinations. Use the arrow keys to move from one cell to another. Enter numbers without commas and press "Enter" when you are done with each cell. Enter data only in the cells you need. Green cells may be left blank (you do not need to enter zeros). Cells shaded yellow contain formulas and cannot be changed.

The spreadsheet consists of seven tabs, including this introduction. To move from tab to tab, click on the tab name at the bottom of the screen.

Tab 2 -- Public Housing Operating Cost. At this tab, a PHA enters the projected operating costs for the revitalized property and also checks these costs for reasonableness by comparing them to current operating costs, using either the Development or the PHA-wide method.

Tab 3 -- Public Housing Capital Cost. At this tab, a PHA must indicate the degree of modernization necessary to keep a property viable based on the physical condition and repairs necessary to retain a viable property competitive in accordance with local, state, and Federal rehabilitation codes and its remaining useful life. A PHA will enter the anticipated costs of revitalization/modernization, relocation, and demolition (if any) and indicate the year in which costs are expected to be incurred based on a PHA's modernization plan for a property. Up to four years are permitted for this activity for the 30 and 40-year evaluation periods for required and voluntary determinations. If a PHA chooses to undertake light or moderate rehabilitation, a 20-year evaluation period must be used. PHAs will also enter data needed to estimate ongoing accrual costs and the estimated market or residual value for a property. The estimated market or residual value of a property must be included within these calculations as an addition to the public housing capital repair costs only for voluntary conversion determinations. This market value is calculated by PHAs who must hire an appraiser to determine the market value. The residual value for a property is determined by PHAs if demolition costs will be covered by a PHA.

Demolition and remediation costs are deducted from the estimated market value for a property to calculate any remaining residual value expected if a PHA were to sell a property proposed for conversion and removal from the inventory. However, under this cost-test, a property's market value is included within these capital costs whether or not a PHA intends to undertake a voluntary conversion and sell the proposed building or land.

Tab 4 -- Voucher Cost. At this tab, the PHA enters the average voucher cost (unit weighted average for the monthly payment standard for voucher units occupied by recent movers in the local area in accordance with the respective bedroom categories) and administrative fee in order to calculate annual Housing Choice Voucher (HCV) costs. PHAs will also estimate the relocation costs associated with a conversion.

Tab 5 -- Cost Comparison. At this tab, the PHA enters current OMB-specified discount rates found in Appendix C of OMB Circular A-94. These rates will be provided by HUD to PHAs by posting on the HUD website. Note that the rate used for 40-year evaluations is the same as for 30-year. Summary numbers are then presented from the previous tabs (e.g., first year operating cost, capital costs incurred in years 1 to 4, initial accrual, and voucher costs). Finally, the net present value of the costs is compared for Public Housing and for Vouchers.

Tab 6 -- Net Present Value Calculations for Required Conversions. This tab shows the costs of each line item in each year as well as the discounted totals for public housing and vouchers. The discounted totals are summed for the relevant period (20, 30, or 40 years) to create the cost comparison results at TAB 5.

Tab 7 -- New Budget Authority Calculations for Voluntary Conversions. This tab shows the costs of each line item in each year, including the effects of inflation. The inflated costs are summed for the relevant period (20, 30, or 40 years) to create the cost comparison results at TAB 5.

Public Housing Operating Cost

1. Calculation of Projected Operating Cost for the Revitalized Development

Enter the PHA's projected monthly costs for operating the development after revitalization or modernization in the green cells below. This estimate should reflect the costs of operating comparable developments and must be reasonable in light of the revitalization/modernization plan proposed.

a. Non-utility costs (including pro-rated share of overhead costs)	\$256,349
Utilities	\$248,000
Utility Allowances	
Total Projected Monthly Operating Costs for Revitalized Development	\$504,349
b. Total Number of Units in Revitalized Development	589
c. Projected Monthly Operating Costs Per Unit	\$856
d. Total Projected Annual Operating Costs	\$6,052,188

2. Reasonableness Tests

Projected operating costs must be shown to be reasonable. This test compares projected monthly per-unit costs (above) with the current operating costs of the property. If projected costs are more than 10% lower than current costs, a narrative description must be provided detailing how this reduction in costs will be achieved. Current operating costs are calculated using either the development-based method or the PHA-wide method. If the development has a current vacancy rate of less than 20% and there is reliable development-level data on operating costs, use the development-based method (A). If the development has a current vacancy rate of 20% or greater or there is no reliable development-level data available, use the PHA-wide method (B).

What is the current vacancy rate of the development?

Enter vacancy rate here:

23%

Is there reliable development based data available?

Enter Yes or No here:

Yes

Method to be used:

Use PHA-Wide Method

Go to Section

2A. Development-Based Method

A1 Total Current Operating Cost for the Development

A2 Calculation of Vacancy-Adjusted Units for the Property (Enter the number of units of each type.)

Occupancy Adjustment	Property Units - Current	
	Units	Adjusted
# of Occupied units (x1)		NA
# of Vacant Fully Funded (x1)		NA
# of Long-Term Vacant (x0.2)		NA
Total	NA	NA

NA

A3 Current Operating Costs Per Unit Per Month (PUM) ((A1/A2)/12)

NA

2B. PHA-Wide Method

B1 Total Current Operating Cost for the Agency

\$42,484,593

B2 Calculation of Vacancy-Adjusted Units for the PHA (Enter the number of units of each type.)

Occupancy Adjustment	PHA Units	
	Units	Adjusted
# of Occupied units (x1)	4,228	4,228
# of Vacant Fully Funded (x1)	1,370	1,370
# of Long-Term Vacant (x0.2)		0
Total	5,598	5,598

\$5,598

B3 Current Operating Costs Per Unit Per Month (PUM) ((B1/B2)/12)

\$632

B4 Calculation of Bedroom Adjustment Factor (Enter the number of units of each type.)

Bedroom Adjustment		PHA Units		Property Units - Current	
		Units	Unit Cost Factor	Units	Unit Cost Factor
0 BR	0.7	176	123	0	0
1 BR	0.85	1967	1,672	33	28
2 BR	1	1668	1,668	91	91
3 BR	1.25	1414	1,768	353	441
4 BR	1.4	285	399	87	122
5 BR	1.61	79	127	25	40
6 BR	1.82	9	16	0	0
Total		5598	5,773	589	722
Adjustment Factors		x	1.031	y	1.226

B5 Overall Bedroom Adjustment Factor (y/x)

1.189

B6 Current Monthly Operating Cost per Unit (B3*B5)

\$752

3. Comparison of Projected and Current Operating Costs (and Justification)

Projected Operating Costs (from Section 1)		\$856
Current Operating Cost	Using PHA-Wide Method	\$752
Percent difference		-12.2%

If current costs exceed the PHA's projection by more than 10 percent, the PHA must justify the use of the lower amount in the space below.

Not Applicable

Property is more expensive to operate due to increase security, expansive grounds, and building configurations, etc

Public Housing Capital Cost

1 Type of Modernization (Select one option)

- Light or Moderate Modernization (20 Yrs)
- Addresses All Backlog (30 Yrs)
- Equivalent to New Construction (40 Yrs)

2 Type of Conversion (Select one option)

- Required
- Voluntary

3 Initial Capital Costs (Enter costs over the appropriate time span)

	Year1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
a Modernization Cost	5660621	\$11,320,642	\$5,660,321								
b Total Initial Capital Cost	\$5,660,621	\$11,320,642	\$5,660,321	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$22,641,584
c Total Number of Units in Revitalized Development	589										
d Capital Cost per Unit	\$38,441										

4 Accrual (Enter the applicable HCC limits below, along with the bedroom distribution for the revitalized development.)

	Detached/Semi-Detached		Row House		Walkup		Elevator	
	# of Units	HCC Limit	# of Units	HCC Limit	# of Units	HCC Limit	# of Units	HCC Limit
0BR								
1BR							33	\$82,578
2BR					36	\$86,864	55	\$106,172
3BR			353	\$121,934				
4BR			87	\$143,389				
5BR			25	\$157,005				
	0	\$0	465	\$59,442,670	36	\$3,127,104	88	\$8,564,534

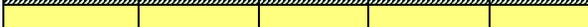
- a HCC, per unit average \$120,771
- b Total Number of Units in Revitalized Development 589
- c 50% of Capital Cost per Unit \$19,220
- d Adjusted HCC (HCC (a) minus 50% of Capital Cost per Unit (c)) \$101,551
- e Annual per Unit Accrual for 40 Year Replacement Cycle (Adjusted ACC (d) x 0.025) \$2,539
- f Annual Accrual after Modification (e x b) \$1,495,338

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
g Annual Accrual	\$0	\$0	\$0	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338

(Accrual begins in the year after modernization is complete.)

5 Opportunity Cost (If this is a voluntary conversion, enter the following costs)

- a Demolition Cost Paid for by PHA 
- b Remediation Cost (if not in demo) Paid for by PHA 

- c Market Value of Property 
- d Residual Value 

Voucher Cost

Voucher Cost

Enter the number of units in the revitalized development by bedroom size and corresponding voucher costs per month.

Unit Size Post Revitalization	a	b	c
	# of Units	Voucher Costs	Units X Cost
0BR	0		\$0
1BR	33	\$613	\$20,229
2BR	91	\$733	\$66,703
3BR	353	\$911	\$321,583
4BR	87	\$983	\$85,521
5BR	25	\$1,131	\$28,275
	589		\$522,311

d Monthly Voucher Cost Per Unit (c / a)

\$887

e Monthly Section 8 Administrative Fee (per unit)

\$45.27

f Annual Voucher and Administrative Costs

\$6,587,700

g Per Unit Relocation Costs

\$1,457

h Total Relocation Costs

\$858,173

Cost Comparisons

Assumptions

	20 Year	30/40 Year
OMB Nominal Discount Rate	4.9%	4.9%
OMB Real Discount Rate	2.8%	2.8%
Useful Life (20, 30 or 40 Years)	20	
Inflation Rate for the Selected Useful Life	2.04%	1.020
Real Discount Rate for the Selected Useful Life	2.80%	1.028
Units	589	

Uninflated/Undiscounted Cost Summary

Public Housing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Annual Operating Cost	\$6,052,188									
Capital Cost	\$5,660,621	\$11,320,642	\$5,660,321	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Annual Accrual after Modification	\$0	\$0	\$0	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338
Residual Value										

Vouchers	
Annual Voucher and Administrative Costs	\$6,587,700
Year 1 Relocation Costs	\$858,173

PUM Cost Comparisons:

	Net Present Value (Required Conversions Only)	New Budget Authority (Voluntary Conversion only)
Public Housing	\$957	
Vouchers	\$732	
Difference	23%	

Final Result	Public Housing Cost exceeds Voucher Cost
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Public Housing	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28
Operating	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188
Initial Capital															
Accrual	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338
Residual															
TOTAL	\$7,547,526														
Discount Rates	0.698376	0.679354	0.660851	0.642851	0.625341	0.608309	0.591740	0.575622	0.559944	0.544693	0.529857	0.515425	0.501386	0.487729	0.474445
Discounted Costs	\$5,271,013	\$5,127,445	\$4,987,787	\$4,851,933	\$4,719,779	\$4,591,225	\$4,466,172	\$4,344,525	\$4,226,192	\$4,111,082	\$3,999,107	\$3,890,181	\$3,784,223	\$3,681,151	\$3,580,886

Voucher	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28
Voucher	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700
Relocation															
TOTAL	\$6,587,700														
Discount Rates	0.698376	0.679354	0.660851	0.642851	0.625341	0.608309	0.591740	0.575622	0.559944	0.544693	0.529857	0.515425	0.501386	0.487729	0.474445
Discounted Costs	\$4,600,694	\$4,475,383	\$4,353,486	\$4,234,908	\$4,119,561	\$4,007,355	\$3,898,205	\$3,792,028	\$3,688,743	\$3,588,272	\$3,490,537	\$3,395,464	\$3,302,980	\$3,213,016	\$3,125,502

Public Housing	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Operating	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188	\$6,052,188
Initial Capital												
Accrual	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338	\$1,495,338
Residual												
TOTAL	\$7,547,526											
Discount Rates	0.461522	0.448952	0.436723	0.424828	0.413257	0.402001	0.391052	0.380400	0.370039	0.359960	0.350156	0.340619
Discounted Costs	\$3,483,352	\$3,388,475	\$3,296,182	\$3,206,403	\$3,119,069	\$3,034,114	\$2,951,472	\$2,871,082	\$2,792,881	\$2,716,811	\$2,642,812	\$2,570,829

Voucher	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Voucher	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700	\$6,587,700
Relocation												
TOTAL	\$6,587,700											
Discount Rates	0.461522	0.448952	0.436723	0.424828	0.413257	0.402001	0.391052	0.380400	0.370039	0.359960	0.350156	0.340619
Discounted Costs	\$3,040,371	\$2,957,560	\$2,877,004	\$2,798,642	\$2,722,414	\$2,648,263	\$2,576,131	\$2,505,964	\$2,437,708	\$2,371,311	\$2,306,723	\$2,243,894

**Voluntary Conversion Calculation
New Budget Authority**

Public Housing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Operating	\$6,052,188	\$6,175,822	\$6,301,982	\$6,430,719	\$6,562,086	\$6,696,136	\$6,832,925	\$6,972,508	\$7,114,943	\$7,260,287	\$7,408,600
Initial Capital	\$0	\$11,551,900	\$5,893,941	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accrual Residual		\$0	\$0	\$1,588,863	\$1,621,320	\$1,654,441	\$1,688,238	\$1,722,725	\$1,757,917	\$1,793,828	\$1,830,472
TOTAL	\$6,052,188	\$17,727,722	\$12,195,923	\$8,019,582	\$8,183,406	\$8,350,577	\$8,521,163	\$8,695,233	\$8,872,859	\$9,054,114	\$9,239,072
Inflation Factor	1.000	1.0204	1.0413	1.0625	1.0843	1.1064	1.1290	1.1521	1.1756	1.1996	1.2241

Voucher	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Voucher Relocation	\$6,587,700 \$858,173	\$6,722,274	\$6,859,597	\$6,999,725	\$7,142,715	\$7,288,627	\$7,437,519	\$7,589,453	\$7,744,490	\$7,902,695	\$8,064,131
TOTAL	\$7,445,873	\$6,722,274	\$6,859,597	\$6,999,725	\$7,142,715	\$7,288,627	\$7,437,519	\$7,589,453	\$7,744,490	\$7,902,695	\$8,064,131
Inflation Factor	1.000	1.0204	1.0413	1.0625	1.0843	1.1064	1.1290	1.1521	1.1756	1.1996	1.2241

Voluntary Conversion New Budget Authority	20 Year	30 Year	40 Year
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Public Housing PUM	\$1,394
Voucher PUM	\$1,143
Delta Dollar	\$251
Delta Percent	18%

Public Housing	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>	<u>Year 15</u>	<u>Year 16</u>	<u>Year 17</u>	<u>Year 18</u>	<u>Year 19</u>	<u>Year 20</u>	<u>Year 21</u>	<u>Year 22</u>	<u>Year 23</u>
Operating	\$7,559,943	\$7,714,378	\$7,871,967	\$8,032,776	\$8,196,869	\$8,364,315	\$8,535,181	\$8,709,538	\$8,887,457	\$9,069,010	\$9,254,272	\$9,443,318
Initial Capital												
Accrual	\$1,867,865	\$1,906,022	\$1,944,958	\$1,984,689	\$2,025,233	\$2,066,604	\$2,108,821	\$2,151,900	\$2,195,859	\$2,240,716	\$2,286,489	\$2,333,198
Residual												
TOTAL	\$9,427,808	\$9,620,399	\$9,816,925	\$10,017,465	\$10,222,102	\$10,430,919	\$10,644,002	\$10,861,438	\$11,083,316	\$11,309,726	\$11,540,761	\$11,776,516
Inflation Factor	1.2491	1.2746	1.3007	1.3273	1.3544	1.3820	1.4103	1.4391	1.4685	1.4985	1.5291	1.5603

Voucher	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>	<u>Year 15</u>	<u>Year 16</u>	<u>Year 17</u>	<u>Year 18</u>	<u>Year 19</u>	<u>Year 20</u>	<u>Year 21</u>	<u>Year 22</u>	<u>Year 23</u>
Voucher	\$8,228,865	\$8,396,965	\$8,568,498	\$8,743,535	\$8,922,148	\$9,104,410	\$9,290,395	\$9,480,180	\$9,673,841	\$9,871,458	\$10,073,112	\$10,278,886
Relocation												
TOTAL	\$8,228,865	\$8,396,965	\$8,568,498	\$8,743,535	\$8,922,148	\$9,104,410	\$9,290,395	\$9,480,180	\$9,673,841	\$9,871,458	\$10,073,112	\$10,278,886
Inflation Factor	1.2491	1.2746	1.3007	1.3273	1.3544	1.3820	1.4103	1.4391	1.4685	1.4985	1.5291	1.5603

Public Housing	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34
Operating	\$9,636,227	\$9,833,076	\$10,033,946	\$10,238,919	\$10,448,080	\$10,661,514	\$10,879,307	\$11,101,550	\$11,328,333	\$11,559,748	\$11,795,891
Initial Capital											
Accrual	\$2,380,860	\$2,429,497	\$2,479,126	\$2,529,770	\$2,581,448	\$2,634,182	\$2,687,993	\$2,742,904	\$2,798,936	\$2,856,112	\$2,914,457
Residual											
TOTAL	\$12,017,087	\$12,262,572	\$12,513,072	\$12,768,689	\$13,029,528	\$13,295,696	\$13,567,301	\$13,844,454	\$14,127,268	\$14,415,860	\$14,710,348
Inflation Factor	1.5922	1.6247	1.6579	1.6918	1.7263	1.7616	1.7976	1.8343	1.8718	1.9100	1.9490

Voucher	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34
Voucher	\$10,488,863	\$10,703,130	\$10,921,774	\$11,144,884	\$11,372,552	\$11,604,870	\$11,841,935	\$12,083,842	\$12,330,691	\$12,582,583	\$12,839,620
Relocation											
TOTAL	\$10,488,863	\$10,703,130	\$10,921,774	\$11,144,884	\$11,372,552	\$11,604,870	\$11,841,935	\$12,083,842	\$12,330,691	\$12,582,583	\$12,839,620
Inflation Factor	1.5922	1.6247	1.6579	1.6918	1.7263	1.7616	1.7976	1.8343	1.8718	1.9100	1.9490

Public Housing	<u>Year 35</u>	<u>Year 36</u>	<u>Year 37</u>	<u>Year 38</u>	<u>Year 39</u>	<u>Year 40</u>
Operating	\$12,036,857	\$12,282,746	\$12,533,658	\$12,789,696	\$13,050,964	\$13,317,570
Initial Capital						
Accrual	\$2,973,994	\$3,034,746	\$3,096,740	\$3,160,001	\$3,224,553	\$3,290,424
Residual						
TOTAL	\$15,010,851	\$15,317,493	\$15,630,399	\$15,949,697	\$16,275,517	\$16,607,994
Inflation Factor	1.9888	2.0295	2.0709	2.1132	2.1564	2.2005

Voucher	<u>Year 35</u>	<u>Year 36</u>	<u>Year 37</u>	<u>Year 38</u>	<u>Year 39</u>	<u>Year 40</u>
Voucher	\$13,101,908	\$13,369,554	\$13,642,667	\$13,921,360	\$14,205,746	\$14,495,941
Relocation						
TOTAL	\$13,101,908	\$13,369,554	\$13,642,667	\$13,921,360	\$14,205,746	\$14,495,941
Inflation Factor	1.9888	2.0295	2.0709	2.1132	2.1564	2.2005

Voluntary Conversion

Exercise #2 Washington Meadows

Greenville (GHA) Voluntary Conversion Application

GHA proposes to use the voluntary conversion process to deprogram a portion of the “public housing” units in a public housing funded development and to convert the units for use by residents with tenant-based Housing Choice Vouchers (HCV). A total of 183 of the units in this development will be converted and the development will be retained. Once these units have been deprogrammed, GHA will provide tenant-based HCV’s to the occupants of these units on a voluntary basis. The residents will be allowed to remain in their units to use their vouchers, move with the voucher, or if choosing to remain in public housing can be relocated to another GHA public housing development. If the household chooses to leave the building, the vacancy will be filled by another resident utilizing a tenant-based voucher selected from the waiting list. GHA proposes to use vouchers already allocated to the agency and will not request additional vouchers to implement this conversion. The targeted complex for the conversion is Washington Meadows.

Methodology

The statute stipulates two related documents must be developed and provided to HUD confirming the appropriateness of a voluntary conversion. The first is a conversion assessment which is to confirm the proposed conversion complies with HUD requirements. The second is a conversion plan which is to detail how the conversion will be implemented. An applicant must submit the required conversion plan within one year of submitting the required conversion assessment, but these two documents can be submitted at the same time. GHA chose to combine these two documents into one submission.

GHA initially proposed to convert 183 units at Washington Meadows as the appraisal and cost analysis information was provided by GHA for Washington Meadows only. This exercise addresses the GHA voluntary conversion application in general and the Washington Meadows conversion in detail.

Review of the GHA Conversion Assessment

Based on 24 CFR 972 Part B, a voluntary conversion assessment must include five elements: 1) Cost Analysis; 2) Analysis of Market Value; 3) Analysis of Rental Market Conditions; 4) Impact Analysis; and 5) Conversion Implementation. The following is an example review of the assessment of GHA’s compliance in providing the required information related to each of these elements. In addition, the process used by GHA to develop, request and receive stakeholder input, finalize, and submit this information to HUD was also assessed to ensure conformance with the requirements specified in 24 CFR 972, Part B. An evaluation is provided on GHA’s success in demonstrating the conversion meets the required conditions for HUD approval.

A. Compliance Analysis of the Conversion Assessment Information

Element I: Cost Analysis

Voluntary conversions are permitted only if they are cost-effective. An applicant must submit a Cost Analysis comparing the cost of continuing to operate the development as public housing for the remainder of its useful life to the cost of providing tenant-based assistance to the residents of the development. An applicant must use the methodology set forth in the Calculation Rule and the Voluntary Conversion Appraisal Notice to conduct the Cost Analysis, and should show cost figures and percentages, as applicable.

GHA provided a Cost Analysis using the SAC spreadsheet calculator for Washington Meadows. The initial and the updated Cost Analysis indicated that it will be less expensive to serve residents with HCVs than to operate these units as public housing. The following is an assessment of the Cost Analysis completed by GHA:

Tab 1. Projected Operating Costs: GHA notes that they will serve both the public housing and HCV households with staff assigned to the development. Maintenance will be provided for both the public housing and HCV units. GHA projects a monthly per unit operating cost of \$891 for Washington Meadows after conversion.

Tab 2. Reasonableness Test: GHA indicates that the current monthly operating cost (determined using the Development-Based Method) is \$957 per unit. This amounts to a very slight decrease in operating expenses after the conversion is completed. The projected operating cost for this development therefore appears to be reasonable.

Tab 3. Capital Costs: GHA indicates that Washington Meadows will be brought to a “new construction” condition. This will be accomplished by investing \$10,654,000 at Washington Meadows over the next four years. Approximately \$58,218 will be spent per unit. Per an independent appraisal prepared by Dunn and Kern Associates, the current market value of Washington is \$27,690,000.

Starting in year five, GHA projects that \$295,075 will be required each year at Washington Meadows to address the accrual needs based on a 30 year replacement cycle. These accrual costs are derived from HUD’s published 2007 Greenville City Housing Cost Cap (HCC) amounts for the Washington Meadows bedroom sizes and building type.

Tab 4. Voucher Costs: The Appendix to 24 CFR Part 972 provides the methodology for comparing the cost of public housing with the cost of tenant-based assistance. Section II of this Appendix indicates that the applicable bedroom size

payment standards for recent movers in the area shall be used for this calculation. GHA utilized the following per-month voucher costs for the corresponding sizes of occupied units in Washington Meadows to complete their Cost Analysis:

One bedroom units:	\$750
Two bedroom units:	\$833
Three bedroom units:	\$1025

GHA identifies the monthly Section 8 Administrative Fee to be \$45 per unit and relocation costs to be \$1,000 per unit. These two amounts appear to be reasonable.

Tab 5. Cost Comparison: Utilizing the voucher costs presented by GHA, the final results of the Cost Analysis indicates that Public Housing Costs Exceeds Voucher Costs. Utilizing the 2007 GHA payment standards in lieu of the amounts used in GHA’s calculation, Public Housing Costs Exceeds Voucher Costs.

Tab 7. New Budget Authority: Utilizing the voucher costs presented by GHA, the Cost Analysis indicates that there will be a delta dollar reduction of \$595 per-unit-month, Or 31 percent, if units are converted from public housing to tenant-based vouchers at Washington Meadows.

Element II: Analysis of Market Value

An applicant must complete an independent appraisal (market analysis) of the development before and after rehabilitation, based on the use of the development as public housing, with the market value of the development after conversion (depending on the applicant’s intended future use of the development). The appraisal must also determine the “highest and best use” or “market value” of the development. This value must be inserted at Section 5(c) of the spreadsheet calculator and is necessary to complete the Cost Analysis element of the conversion assessment.

Status: In compliance with 24 CFR 972, Part B for Washington only

On September 7, 2007, GHA submitted a July 3, 2007 independent appraisal of Washington Meadows prepared by Dunn and Kern Associates. This appraisal identifies the current “as is” value of the property as assisted housing, the “post rehab” value as assisted housing, and the “market” value of both the development and the land. The market value established by this appraisal was used to complete the Cost Analysis for Washington Meadows. GHA notes that an independent engineering analysis has been completed for Washington Meadows identifying the property’s long term capital needs. GHA will schedule and complete modernization activities on an as needed basis. The capital improvements necessary to maintain Washington Meadows in good repair will be funded with a combination of Federal and non-Federal dollars proportional to the mix of units in the development.

Element III: Analysis of Rental Market Conditions

An applicant must complete an analysis of the likely success of using tenant-based assistance for the residents of the public housing development. This analysis must address existing rental market conditions, including an assessment of rental unit availability located within the vicinity of the development.

Status: In compliance with 24 CFR 972, Part B

GHA indicated the use of tenant-based assistance will be assured because households receiving vouchers will be able to use them in their current unit. Washington Meadows residents choosing to move should be able to use their voucher for units in the private market. According to information provided by GHA, Section 8 families have a 65-70% success rate in finding eligible Section 8 units and 97% of GHA Section 8 rents are below the area's Fair Market Rent (FMR) by bedroom size. The average income of existing Washington Meadows families is over \$22,000 per year and 41% of these residents are employed. This will further assist these households in successfully utilizing a voucher in the private market.

Supplemental information provided by GHA indicated a rent reasonableness study has been completed in the neighborhoods near the developments proposed for conversion. This analysis confirms that there is a sufficient supply of apartments with rents below Greenville City FMRs to accommodate these voucher holders.

Element IV: Impact Analysis

An applicant must complete an analysis on the likely impact the voluntary conversion would have on the community in which the development is located. An applicant should provide a detailed discussion on how the voluntary conversion would impact: a) the availability of affordable housing in the community; b) the concentration of poverty in the community; and c) any other substantial characteristics of the community. In the impact analysis, an applicant should specifically address the projected impact of the voluntary conversion on market rental rates, the availability and diversity of housing in the community, and the demand for tenant-based assistance rental units in the community. The applicant must also address how the occupancy patterns and rental rates of the housing market will be affected by the new demand for tenant-based assistance units. Finally, the applicant must demonstrate how it believes the voluntary conversion will impact fair housing choice in the community. **If the development is to be retained and used as low-income housing as part of the conversion plan, the applicant must convincingly demonstrate why retention is a viable option versus relocating residents into the community.**

Status: Generally in compliance with 24 CFR 972, Part B

GHA indicates there will be no negative impact on the Washington Meadows neighborhood related to the proposed voluntary conversion. There is a demonstrated need to preserve low-income housing in the Greenville community. In addition, GHA notes this conversion plan

will enable the preservation of approximately 2,000 financially-threatened housing units throughout the City of Greenville. This application allows existing residents to retain access to financially stable affordable housing. They can choose to remain in their existing unit, move to another GHA development at GHA's expense, or use their voucher to move into private housing anywhere in the country.

GHA acknowledges there may be minimal negative impact on some residents. Transitioning residents in public housing funded developments to a HCV rent system should not result in a rent payment increase. The Washington Meadows families will also gain the security of having a voucher.

GHA does discuss the impact on fair housing and addresses the issues of diverting HCV's from serving new applicants to supporting households that are already being housed. GHA states the units will remain in GHA ownership and existing residents can remain in converted units.

Element V: Conversion Implementation

An applicant must describe the actions it plans to take to convert the residents of the development to tenant-based assistance. The description must include information on the planned future uses of the development and the means and timetable for accomplishing those uses. The applicant should provide information on its plans for the development after the voluntary conversion (e.g. whether the development will be demolished, disposed of, retained and used as assisted, unassisted, or market-rate housing). The applicant should also identify the resources that will be accessed and used to undertake the conversion, and how long will it take for the proposed voluntary conversion to be completed. Finally, the applicant must complete an analysis on the likely impact of the voluntary conversion.

Status: Generally in compliance with 24 CFR 972, Part B

As part of its submission, GHA outlined the actions that will be taken to convert units to tenant-based assistance. This information included a general description of how tenant-based vouchers will be offered to existing residents, the choices residents will have, the household eligibility requirements that will be used, how vacant units will be filled from the public housing waiting list utilizing tenant-based vouchers, the administrative changes that will be made (including the utilization of a new lease), and the financial adjustments GHA will make to reflect the changes in funding sources. GHA does provide a schedule for implementation and they will immediately begin to convert these units once HUD approval is received.

B. Compliance with the Conversion Assessment Process

Requirement I: Resident Involvement

In order to show the conversion will benefit the residents, the applicant must show it held at least one public meeting with the residents of the affected sites (including the duly elected Resident Councils, if any exist). At these resident meeting(s), the applicant must:

- (i) explain the requirements of the voluntary conversion program (including Section 22 of the Act and 24 CFR 972), particularly as they apply to the residents of the development; and
- (ii) provide draft copies of the conversion assessment and discuss the conclusions of this assessment to the residents.

An applicant must also show it has provided a reasonable period for the residents to comment on the draft voluntary conversion assessment. The conversion assessment must contain a summary of resident comments on the conversion assessment and GHA's responses to any significant issues raised by the residents.

Status: Generally in compliance with 24 CFR 972, Part B

GHA provides HUD with the dates the resident meetings were held on the voluntary conversion application. GHA reports that over 20 public meetings were held over a 6 ½ month period and there is documentation to support the number of attendees and the assessment plan was distributed at the meetings. The first resident meeting was held on at Washington Meadows. Copies of the draft conversion assessment and plan were available at each development office, common area, laundry room, etc. GHA indicates that information was shared and comments were received at these meetings. A major topic of discussion was the relocation options of this conversion plan. GHA indicates that these comments included those received from residents.

Requirement II: Conversion Assessment Submission

An applicant must include the conversion assessment as part of its Annual Plan.

Status: In compliance with 24 CFR 972, Part B

The conversion assessment and conversion plan were submitted as one application and the information was also included in the GHA Annual Plan.

C. Compliance with the Conversion Assessment Conditions

Condition I: Conversion Costs will be Reasonable

An applicant must indicate the conversion will not be more expensive than continuing to operate the development (or portion thereof) as public housing.

Status: In compliance with 24 CFR 972, Part B for Washington Meadows only

GHA states that the Cost Analysis demonstrates the cost to implement the proposed conversion is reasonable. This analysis was completed for Washington Meadows and the cost analysis indicates that the public housing is more expensive to operate than vouchers for this complex.

Condition II: The Conversion will be Beneficial

The applicant must indicate the conversion will principally benefit the residents of the proposed public housing development (or portion thereof), GHA, and the community.

Status: In compliance with 24 CFR 972, Part B for Washington Meadows

GHA notes there is a demonstrated need for affordable housing in Greenville, where Washington Meadows is located. Preserving the ability of this non-subsidized development to serve its current very-low income families through the voluntary conversion process will be of benefit to the community. Without the conversion and access to adequate public housing subsidies, Washington Meadows will not be able to continue to operate as public housing.

Condition III: Availability of Affordable Housing will not Suffer

An applicant must indicate the conversion will not adversely affect the availability of affordable housing in the community.

Status: In compliance with 24 CFR 972, Part B for Washington Meadows

Although taking a GHA HCV and using it in an existing GHA unit appears to result in a net reduction in the number of low-income families that can be served, GHA states the proposed conversion actually preserves housing units. Without adequate subsidy, all of the 183 units in Washington Meadows would be unable to continue serving the current very-low income families.

**NOTE: PLEASE FOLLOW INSTRUCTIONS ON THIS TAB
BEFORE PROCEEDING TO THE COST COMPARISON CALCULATOR**

This spreadsheet contains macros that need to be enabled for the spreadsheet to have full functionality. Failure to enable the macros will result in the spreadsheet to function improperly. Follow these steps to enable the macros:

You may see a "Security Warning" box when opening the file. If you see the "Security Warning" box, click on "Enable Macros."

If you do not see a "Security Warning" box when opening the file: Close the spreadsheet and change the security level setting. To change the security level in MS Excel, go to toolbar and click on Tools / Macro / Security. In the Security box, go to the "Security Level" tab and click on "Medium" then click OK. After changing the security level, open the spreadsheet again and follow the instruction above to enable macros.

Cost Comparison Spreadsheet Required and Voluntary Conversions under 24 CFR Part 972

IMPORTANT: PLEASE READ THE START TAB FIRST

This spreadsheet is provided as a tool for public housing agencies conducting cost comparisons pursuant to 24 CFR Part 972, "Conversions of Public Housing to Tenant Based Assistance." The spreadsheet assists PHAs in comparing public housing costs to voucher costs using the methodology presented in the appendix to 24 CFR 972 for both Required Conversions (subpart A) and Voluntary Conversions (subpart B).

Spreadsheet cells shaded in green allow PHAs to enter information on the subject property's estimated market value, operating, modernization, and accrual costs, as well as information on voucher costs. A property's market or residual value is incorporated into the cost-test only for voluntary conversion determinations. Use the arrow keys to move from one cell to another. Enter numbers without commas and press "Enter" when you are done with each cell. Enter data only in the cells you need. Green cells may be left blank (you do not need to enter zeros). Cells shaded yellow contain formulas and cannot be changed.

The spreadsheet consists of seven tabs, including this introduction. To move from tab to tab, click on the tab name at the bottom of the screen.

Tab 2 -- Public Housing Operating Cost. At this tab, a PHA enters the projected operating costs for the revitalized property and also checks these costs for reasonableness by comparing them to current operating costs, using either the Development or the PHA-wide method.

Tab 3 -- Public Housing Capital Cost. At this tab, a PHA must indicate the degree of modernization necessary to keep a property viable based on the physical condition and repairs necessary to retain a viable property competitive in accordance with local, state, and Federal rehabilitation codes and its remaining useful life. A PHA will enter the anticipated costs of revitalization/modernization, relocation, and demolition (if any) and indicate the year in which costs are expected to be incurred based on a PHA's modernization plan for a property. Up to four years are permitted for this activity for the 30 and 40-year evaluation periods for required and voluntary determinations. If a PHA chooses to undertake light or moderate rehabilitation, a 20-year evaluation period must be used. PHAs will also enter data needed to estimate ongoing accrual costs and the estimated market or residual value for a property. The estimated market or residual value of a property must be included within these calculations as an addition to the public housing capital repair costs only for voluntary conversion determinations. This market value is calculated by PHAs who must hire an appraiser to determine the market value. The residual value for a property is determined by PHAs if demolition costs will be covered by a PHA.

Demolition and remediation costs are deducted from the estimated market value for a property to calculate any remaining residual value expected if a PHA were to sell a property proposed for conversion and removal from the inventory. However, under this cost-test, a property's market value is included within these capital costs whether or not a PHA intends to undertake a voluntary conversion and sell the proposed building or land.

Tab 4 -- Voucher Cost. At this tab, the PHA enters the average voucher cost (unit weighted average for the monthly payment standard for voucher units occupied by recent movers in the local area in accordance with the respective bedroom categories) and administrative fee in order to calculate annual Housing Choice Voucher (HCV) costs. PHAs will also estimate the relocation costs associated with a conversion.

Tab 5 -- Cost Comparison. At this tab, the PHA enters current OMB-specified discount rates found in Appendix C of OMB Circular A-94. These rates will be provided by HUD to PHAs by posting on the HUD website. Note that the rate used for 40-year evaluations is the same as for 30-year. Summary numbers are then presented from the previous tabs (e.g., first year operating cost, capital costs incurred in years 1 to 4, initial accrual, and voucher costs). Finally, the net present value of the costs is compared for Public Housing and for Vouchers.

Tab 6 -- Net Present Value Calculations for Required Conversions. This tab shows the costs of each line item in each year as well as the discounted totals for public housing and vouchers. The discounted totals are summed for the relevant period (20, 30, or 40 years) to create the cost comparison results at TAB 5.

Tab 7 -- New Budget Authority Calculations for Voluntary Conversions. This tab shows the costs of each line item in each year, including the effects of inflation. The inflated costs are summed for the relevant period (20, 30, or 40 years) to create the cost comparison results at TAB 5.

Public Housing Operating Cost

1. Calculation of Projected Operating Cost for the Revitalized Development

Enter the PHA's projected monthly costs for operating the development after revitalization or modernization in the green cells below. This estimate should reflect the costs of operating comparable developments and must be reasonable in light of the revitalization/modernization plan proposed.

a. Non-utility costs (including pro-rated share of overhead costs)	\$85,000
Utilities	\$78,000
Utility Allowances	\$0
Total Projected Monthly Operating Costs for Revitalized Development	\$163,000
b. Total Number of Units in Revitalized Development	183
c. Projected Monthly Operating Costs Per Unit	\$891
d. Total Projected Annual Operating Costs	\$1,956,000

2. Reasonableness Tests

Projected operating costs must be shown to be reasonable. This test compares projected monthly per-unit costs (above) with the current operating costs of the property. If projected costs are more than 10% lower than current costs, a narrative description must be provided detailing how this reduction in costs will be achieved. Current operating costs are calculated using either the development-based method or the PHA-wide method. If the development has a current vacancy rate of less than 20% and there is reliable development-level data on operating costs, use the development-based method (A). If the development has a current vacancy rate of 20% or greater or there is no reliable development-level data available, use the PHA-wide method (B).

What is the current vacancy rate of the development?
Is there reliable development based data available?

Enter vacancy rate here: 5%
Enter Yes or No here: No

Method to be used:

Use PHA-Wide Method

Go to Section 2B (cell K50)

2A. Development-Based Method

A1 Total Current Operating Cost for the Development

\$1,956,000

A2 Calculation of Vacancy-Adjusted Units for the Property (Enter the number of units of each type.)

Occupancy Adjustment	Property Units - Current	
	Units	Adjusted
# of Occupied units (x1)	183	325
# of Vacant Fully Funded (x1)		0
# of Long-Term Vacant (x0.2)	0	10
Total	375	335

335

A3 Current Operating Costs Per Unit Per Month (PUM) $((A1/A2)/12)$

\$560

2B. PHA-Wide Method

B1 Total Current Operating Cost for the Agency

\$28,000,000

B2 Calculation of Vacancy-Adjusted Units for the PHA (Enter the number of units of each type.)

Occupancy Adjustment	PHA Units	
	Units	Adjusted
# of Occupied units (x1)	2,800	2,800
# of Vacant Fully Funded (x1)		0
# of Long-Term Vacant (x0.2)	200	40
Total	3,000	2,840

\$2,840

B3 Current Operating Costs Per Unit Per Month (PUM) $((B1/B2)/12)$

\$822

B4 Calculation of Bedroom Adjustment Factor (Enter the number of units of each type.)

Bedroom Adjustment		PHA Units		Property Units - Current	
		Units	Unit Cost Factor	Units	Unit Cost Factor
0 BR	0.7	230	161		0
1 BR	0.85	830	706	47	40
2 BR	1	1400	1,400	63	63
3 BR	1.25	480	600	100	125
4 BR	1.4	60	84	50	70
5 BR	1.61		0		0
6 BR	1.82		0		0
Total		3000	2,951	260	298
Adjustment Factors		x	0.984	y	1.146

B5 Overall Bedroom Adjustment Factor (y/x)

1.165

B6 Current Monthly Operating Cost per Unit (B3*B5)

\$957

3. Comparison of Projected and Current Operating Costs (and Justification)

Projected Operating Costs (from Section 1)

\$891

Current Operating Cost

Using PHA-Wide Method

\$957

Percent difference

7.5%

If current costs exceed the PHA's projection by more than 10 percent, the PHA must justify the use of the lower amount in the space below.

Not Applicable

Public Housing Capital Cost

1 Type of Modernization (Select one option)

- Light or Moderate Modernization (20 Yrs)
- Addresses All Backlog (30 Yrs)
- Equivalent to New Construction (40 Yrs)

2 Type of Conversion (Select one option)

- Required
- Voluntary

3 Initial Capital Costs (Enter costs over the appropriate time span)

	Year1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
a Modernization Cost	2663500	\$2,663,500	\$2,663,500	\$2,663,500							
b Total Initial Capital Cost	\$2,663,500	\$2,663,500	\$2,663,500	\$2,663,500	\$0	\$0	\$0	\$0	\$0	\$0	\$10,654,000
c Total Number of Units in Revitalized Development	183										
d Capital Cost per Unit	\$58,219										

4 Accrual (Enter the applicable HCC limits below, along with the bedroom distribution for the revitalized development.)

	Detached/Semi-Detached		Row House		Walkup		Elevator	
	# of Units	HCC Limit	# of Units	HCC Limit	# of Units	HCC Limit	# of Units	HCC Limit
0BR								
1BR					45	\$70,000		
2BR					60	\$90,000		
3BR					78	\$110,000		
4BR					0	\$0		
5BR								
	0	\$0	0	\$0	183	\$17,130,000	0	\$0

a HCC, per unit average	\$93,607
b Total Number of Units in Revitalized Development	183
c 50% of Capital Cost per Unit	\$29,109
d Adjusted HCC (HCC (a) minus 50% of Capital Cost per Unit (c))	\$64,497
e Annual per Unit Accrual for 40 Year Replacement Cycle (Adjusted ACC (d) x 0.025)	\$1,612
f Annual Accrual after Modification (e x b)	\$295,075

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
g Annual Accrual	\$0	\$0	\$0	\$0	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075

(Accrual begins in the year after modernization is complete.)

5 Opportunity Cost (If this is a voluntary conversion, enter the following costs)

a Demolition Cost Paid for by PHA	\$3,200,000
b Remediation Cost (if not in demo) Paid for by PHA	

	Year 2	Year 3	Year 4	Year 5
c Market Value of Property	\$27,690,000			
d Residual Value	\$24,490,000			

Voucher Cost

Voucher Cost

Enter the number of units in the revitalized development by bedroom size and corresponding voucher costs per month.

Unit Size Post Revitalization	a	b	c
	# of Units	Voucher Costs	Units X Cost
0BR	0		\$0
1BR	45	\$750	\$33,750
2BR	60	\$833	\$49,980
3BR	78	\$1,025	\$79,950
4BR	0	\$0	\$0
5BR	0		\$0
	183		\$163,680

d Monthly Voucher Cost Per Unit (c / a)

\$894

e Monthly Section 8 Administrative Fee (per unit)

\$45.00

f Annual Voucher and Administrative Costs

\$2,062,980

g Per Unit Relocation Costs

\$1,200

h Total Relocation Costs

\$219,600

Cost Comparisons

Assumptions

	20 Year	30/40 Year
OMB Nominal Discount Rate	5.3%	5.2%
OMB Real Discount Rate	3.0%	3.0%
Useful Life (20, 30 or 40 Years)	30	
Inflation Rate for the Selected Useful Life	2.14%	1.021
Real Discount Rate for the Selected Useful Life	3.00%	1.030
Units	183	

Uninflated/Undiscounted Cost Summary

Public Housing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Annual Operating Cost	\$1,956,000									
Capital Cost	\$2,663,500	\$2,663,500	\$2,663,500	\$2,663,500	\$0	\$0	\$0	\$0	\$0	\$0
Annual Accrual after Modification	\$0	\$0	\$0	\$0	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075
Residual Value	\$24,490,000									

Vouchers	
Annual Voucher and Administrative Costs	\$2,062,980
Year 1 Relocation Costs	\$219,600

PUM Cost Comparisons:

	Net Present Value (Required Conversions Only)	New Budget Authority (Voluntary Conversion only)
Public Housing		\$1,896
Vouchers		\$1,301
Difference		31%

Final Result

	Public Housing Cost exceeds Voucher Cost
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Public Housing	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28
Operating	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000
Initial Capital															
Accrual	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075
Residual															
TOTAL	\$2,251,075														
Discount Rates	0.680951	0.661118	0.641862	0.623167	0.605016	0.587395	0.570286	0.553676	0.537549	0.521893	0.506692	0.491934	0.477606	0.463695	0.450189
Discounted Costs	\$1,532,873	\$1,488,226	\$1,444,879	\$1,402,796	\$1,361,937	\$1,322,269	\$1,283,757	\$1,246,366	\$1,210,064	\$1,174,819	\$1,140,601	\$1,107,380	\$1,075,126	\$1,043,812	\$1,013,409

Voucher	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28
Voucher	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980
Relocation															
TOTAL	\$2,062,980														
Discount Rates	0.680951	0.661118	0.641862	0.623167	0.605016	0.587395	0.570286	0.553676	0.537549	0.521893	0.506692	0.491934	0.477606	0.463695	0.450189
Discounted Costs	\$1,404,789	\$1,363,873	\$1,324,148	\$1,285,581	\$1,248,137	\$1,211,783	\$1,176,489	\$1,142,222	\$1,108,953	\$1,076,654	\$1,045,295	\$1,014,849	\$985,291	\$956,593	\$928,731

Public Housing	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Operating	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000	\$1,956,000
Initial Capital												
Accrual	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075	\$295,075
Residual												
TOTAL	\$2,251,075											
Discount Rates	0.437077	0.424346	0.411987	0.399987	0.388337	0.377026	0.366045	0.355383	0.345032	0.334983	0.325226	0.315754
Discounted Costs	\$983,893	\$955,235	\$927,413	\$900,401	\$874,176	\$848,714	\$823,995	\$799,995	\$776,694	\$754,072	\$732,108	\$710,785

Voucher	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Voucher	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980	\$2,062,980
Relocation												
TOTAL	\$2,062,980											
Discount Rates	0.437077	0.424346	0.411987	0.399987	0.388337	0.377026	0.366045	0.355383	0.345032	0.334983	0.325226	0.315754
Discounted Costs	\$901,681	\$875,418	\$849,920	\$825,165	\$801,132	\$777,798	\$755,143	\$733,149	\$711,795	\$691,063	\$670,935	\$651,393

**Voluntary Conversion Calculation
New Budget Authority**

Public Housing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Operating	\$1,956,000	\$1,997,779	\$2,040,450	\$2,084,032	\$2,128,545	\$2,174,009	\$2,220,445	\$2,267,872	\$2,316,312	\$2,365,786	\$2,416,318
Initial Capital	\$0	\$2,720,390	\$2,778,496	\$2,837,842	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accrual		\$0	\$0	\$0	\$321,105	\$327,963	\$334,968	\$342,123	\$349,430	\$356,894	\$364,517
Residual	\$24,490,000										
TOTAL	\$26,446,000	\$4,718,169	\$4,818,945	\$4,921,874	\$2,449,650	\$2,501,973	\$2,555,413	\$2,609,994	\$2,665,742	\$2,722,680	\$2,780,834

Inflation Factor	1.000	1.0214	1.0432	1.0655	1.0882	1.1115	1.1352	1.1594	1.1842	1.2095	1.2353
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Voucher	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Voucher	\$2,062,980	\$2,107,044	\$2,152,048	\$2,198,015	\$2,244,962	\$2,292,913	\$2,341,888	\$2,391,909	\$2,442,998	\$2,495,179	\$2,548,474
Relocation	\$219,600										
TOTAL	\$2,282,580	\$2,107,044	\$2,152,048	\$2,198,015	\$2,244,962	\$2,292,913	\$2,341,888	\$2,391,909	\$2,442,998	\$2,495,179	\$2,548,474

Inflation Factor	1.000	1.0214	1.0432	1.0655	1.0882	1.1115	1.1352	1.1594	1.1842	1.2095	1.2353
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Voluntary Conversion New Budget Authority	20 Year	30 Year	40 Year
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Public Housing PUM		\$1,896	
Voucher PUM		\$1,301	
Delta Dollar		\$595	
Delta Percent		31%	

Public Housing	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>	<u>Year 15</u>	<u>Year 16</u>	<u>Year 17</u>	<u>Year 18</u>	<u>Year 19</u>	<u>Year 20</u>	<u>Year 21</u>	<u>Year 22</u>	<u>Year 23</u>
Operating	\$2,467,928	\$2,520,641	\$2,574,480	\$2,629,469	\$2,685,632	\$2,742,995	\$2,801,584	\$2,861,423	\$2,922,541	\$2,984,964	\$3,048,721	\$3,113,839
Initial Capital												
Accrual	\$372,303	\$380,255	\$388,377	\$396,672	\$405,145	\$413,798	\$422,637	\$431,664	\$440,884	\$450,301	\$459,919	\$469,742
Residual												
TOTAL	\$2,840,231	\$2,900,896	\$2,962,857	\$3,026,141	\$3,090,777	\$3,156,794	\$3,224,220	\$3,293,087	\$3,363,425	\$3,435,265	\$3,508,640	\$3,583,582
Inflation Factor	1.2617	1.2887	1.3162	1.3443	1.3730	1.4023	1.4323	1.4629	1.4941	1.5261	1.5587	1.5919

Voucher	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>	<u>Year 15</u>	<u>Year 16</u>	<u>Year 17</u>	<u>Year 18</u>	<u>Year 19</u>	<u>Year 20</u>	<u>Year 21</u>	<u>Year 22</u>	<u>Year 23</u>
Voucher	\$2,602,907	\$2,658,503	\$2,715,287	\$2,773,283	\$2,832,518	\$2,893,019	\$2,954,811	\$3,017,924	\$3,082,384	\$3,148,222	\$3,215,465	\$3,284,145
Relocation												
TOTAL	\$2,602,907	\$2,658,503	\$2,715,287	\$2,773,283	\$2,832,518	\$2,893,019	\$2,954,811	\$3,017,924	\$3,082,384	\$3,148,222	\$3,215,465	\$3,284,145
Inflation Factor	1.2617	1.2887	1.3162	1.3443	1.3730	1.4023	1.4323	1.4629	1.4941	1.5261	1.5587	1.5919

Public Housing	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34
Operating	\$3,180,348	\$3,248,278	\$3,317,659	\$3,388,521	\$3,460,898	\$3,534,820	\$3,610,321	\$3,687,434	\$3,766,195	\$3,846,638	\$3,928,799
Initial Capital											
Accrual	\$479,776	\$490,023	\$500,490	\$511,180	\$522,098	\$533,250	\$544,640	\$556,273	\$568,154	\$580,290	\$592,684
Residual											
TOTAL	\$3,660,124	\$3,738,302	\$3,818,149	\$3,899,701	\$3,982,996	\$4,068,070	\$4,154,961	\$4,243,707	\$4,334,350	\$4,426,928	\$4,521,484
Inflation Factor	1.6259	1.6607	1.6961	1.7324	1.7694	1.8072	1.8458	1.8852	1.9255	1.9666	2.0086

Voucher	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34
Voucher	\$3,354,292	\$3,425,937	\$3,499,112	\$3,573,851	\$3,650,185	\$3,728,151	\$3,807,781	\$3,889,112	\$3,972,181	\$4,057,023	\$4,143,678
Relocation											
TOTAL	\$3,354,292	\$3,425,937	\$3,499,112	\$3,573,851	\$3,650,185	\$3,728,151	\$3,807,781	\$3,889,112	\$3,972,181	\$4,057,023	\$4,143,678
Inflation Factor	1.6259	1.6607	1.6961	1.7324	1.7694	1.8072	1.8458	1.8852	1.9255	1.9666	2.0086

Public Housing	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Operating	\$4,012,715	\$4,098,424	\$4,185,963	\$4,275,372	\$4,366,691	\$4,459,960
Initial Capital						
Accrual	\$605,344	\$618,273	\$631,479	\$644,967	\$658,743	\$672,813
Residual						
TOTAL	\$4,618,059	\$4,716,697	\$4,817,442	\$4,920,339	\$5,025,434	\$5,132,773

Inflation Factor 2.0515 2.0953 2.1401 2.1858 2.2325 2.2801

Voucher	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Voucher	\$4,232,184	\$4,322,580	\$4,414,907	\$4,509,206	\$4,605,519	\$4,703,889
Relocation						
TOTAL	\$4,232,184	\$4,322,580	\$4,414,907	\$4,509,206	\$4,605,519	\$4,703,889

Inflation Factor 2.0515 2.0953 2.1401 2.1858 2.2325 2.2801

Voluntary Conversion

Exercise # 3 Season Meadows

Smithfield (SHA) Voluntary Conversion Application

SHA proposes to use the voluntary conversion process to deprogram a “public housing” development, demolish the development, retain the land, and to convert the resident’s assistance to the tenant-based Housing Choice Vouchers (HCV). A total of 260 of the units in this development will be converted and the land will be retained for future development of affordable housing. Once these units have been deprogrammed, SHA will provide tenant-based HCV’s to the occupants of these units on a voluntary basis. SHA proposes to request additional vouchers to fund the initiative to implement this conversion. The targeted complex for the conversion is Season Meadows.

Methodology

The statute stipulates two related documents must be developed and provided to HUD confirming the appropriateness of a voluntary conversion. The first is a conversion assessment which is to confirm the proposed conversion complies with HUD requirements. The second is a conversion plan which is to detail how the conversion will be implemented. An applicant must submit the required conversion plan within one year of submitting the required conversion assessment, but these two documents can be submitted at the same time. SHA chose to combine these two documents into one submission.

SHA proposes to convert 260 units at Season Meadows. The appraisal and cost analysis information was provided by SHA for Season Meadows. This exercise addresses the SHA voluntary conversion application in general and the Season Meadows conversion in detail.

Review of the SHA Conversion Assessment

Based on 24 CFR 972 Part B, a voluntary conversion assessment must include five elements: 1) Cost Analysis; 2) Analysis of Market Value; 3) Analysis of Rental Market Conditions; 4) Impact Analysis; and 5) Conversion Implementation. Following is an example assessment of SHA’s compliance in providing the required information related to each of these elements. In addition, the process used by SHA to develop, request and receive stakeholder input, finalize, and submit this information to HUD was also assessed to ensure conformance with the requirements specified in 24 CFR 972, Part B. An evaluation is provided on SHA’s success in demonstrating the conversion meets the required conditions for HUD approval.

A. Compliance Analysis of the Conversion Assessment Information

Element I: Cost Analysis

Voluntary conversions are permitted only if they are cost-effective. An applicant must submit a Cost Analysis comparing the cost of continuing to operate the development as public housing for the remainder of its useful life to the cost of providing tenant-based assistance to the residents of the development. An applicant must use the methodology set forth in the Calculation Rule and the Voluntary Conversion Appraisal Notice to conduct the Cost Analysis, and should show cost figures and percentages, as applicable.

SHA provided a Cost Analysis using the SAC spreadsheet calculator for Season Meadows. The initial and the updated Cost Analysis indicated that it will be less expensive to serve residents with HCV's than to operate these units as public housing. Following is an assessment of the Cost Analysis completed by SHA:

Tab 1. Projected Operating Costs: SHA notes that they will serve both the public housing and HCV households with staff assigned to the development. SHA projects a monthly per unit operating cost of \$835 for Season Meadows after conversion.

Tab 2. Reasonableness Test: SHA indicates that the current monthly operating cost (determined using the PHA Wide Method) is \$889 per unit. This amounts to a very slight decrease in operating expenses after the conversion is completed. The projected operating cost for this development therefore appears to be reasonable.

Tab 3. Capital Costs: SHA indicates that Season Meadows will be brought to a "new construction" condition. This will be accomplished by investing \$6,500,000 at Season Meadows over the next four years. Approximately \$25,000 will be spent per unit. Per an independent appraisal prepared by Smith and Thomas Associates, the current market value of Season Meadows is \$17,000,000.

Starting in year five, SHA projects that \$567,750 will be required each year at Season Meadows to address the accrual needs based on a 30 year replacement cycle. These accrual costs are derived from HUD's published 2007 Smithfield City Housing Cost Cap (HCC) amounts for the Season Meadows bedroom sizes and building type.

Tab 4. Voucher Costs: The Appendix to 24 CFR Part 972 provides the methodology for comparing the cost of public housing with the cost of tenant-based assistance. Section II of this Appendix indicates that that the applicable bedroom size payment standards for recent movers in the area shall be used for this calculation. SHA utilized the following per-month voucher costs for the corresponding sizes of occupied units in Washington to complete their Cost Analysis:

One bedroom units:	\$630
Two bedroom units:	\$780
Three bedroom units:	\$900
Four bedroom units:	\$1,050

SHA identifies the monthly Section 8 Administrative Fee to be \$48 per unit and relocation costs to be \$1,200 per unit. These two amounts appear to be reasonable.

Tab 5. Cost Comparison: Utilizing the voucher costs presented by SHA, the final results of the Cost Analysis indicates that Public Housing Costs Exceeds Voucher Costs. Utilizing the 2007 SHA payment standards in lieu of the amounts used in SHA's calculation, Public Housing Costs Exceeds Voucher Costs.

Tab 7. New Budget Authority: Utilizing the voucher costs presented by SHA, the Cost Analysis indicates that there will be a delta dollar reduction of \$351 per-unit-month, Or 22 percent, if units are converted from public housing to tenant-based vouchers.

Element II: Analysis of Market Value

An applicant must complete an independent appraisal (market analysis) of the development before and after rehabilitation, based on the use of the development as public housing, with the market value of the development after conversion (depending on the applicant's intended future use of the development). The appraisal must also determine the "highest and best use" or "market value" of the development. This value must be inserted at Section 5(c) of the spreadsheet calculator and is necessary to complete the Cost Analysis element of the conversion assessment.

Status: In compliance with 24 CFR 972, Part B for Season

On September 7, 2007, SHA submitted a July 3, 2007 independent appraisal of Season Meadows prepared by Smith and Thomas Associates. This appraisal identifies the current "as is" value of the property as assisted housing, the "post rehab" value as assisted housing, and the "market" value of both the development and the land. The market value established by this appraisal was used to complete the Cost Analysis for Season Meadows. SHA notes that an independent engineering analysis has been completed for Season Meadows identifying the property's long term capital needs. The capital improvements necessary to maintain Season Meadows in good repair were projected to be funded through Capital Funds.

Element III: Analysis of Rental Market Conditions

An applicant must complete an analysis of the likely success of using tenant-based assistance for the residents of the public housing development. This analysis must address existing rental market conditions, including an assessment of rental unit availability located within the vicinity of the development.

Status: In compliance with 24 CFR 972, Part B

SHA indicated the use of tenant-based assistance will be assured because households receiving vouchers will be able to use them in the market. Season Meadows residents will be required to move and should be able to use their voucher for units in the private market. According to information provided by SHA, Section 8 families have an 85-90% success rate in finding eligible Section 8 units and 92% of SHA Section 8 rents are below the area's Fair Market Rent (FMR) by bedroom size. The average income of existing Season Meadows families is over \$16,000 per year and 30% of these residents are employed. This will further assist these households in successfully utilizing a voucher in the private market.

SHA has further put a plan in place to assist those families that are least likely to be successful in finding units. These families include the disabled, elderly and large families.

Supplemental information provided by SHA indicated a rent reasonableness study has been completed in the neighborhoods near the developments proposed for conversion. This analysis confirms that there is a sufficient supply of apartments with rents below Smithfield City FMRs to accommodate these voucher holders.

Element IV: Impact Analysis

An applicant must complete an analysis on the likely impact the voluntary conversion would have on the community in which the development is located. An applicant should provide a detailed discussion on how the voluntary conversion would impact: a) the availability of affordable housing in the community; b) the concentration of poverty in the community; and c) any other substantial characteristics of the community. In the impact analysis, an applicant should specifically address the projected impact of the voluntary conversion on market rental rates, the availability and diversity of housing in the community, and the demand for tenant-based assistance rental units in the community. The applicant must also address how the occupancy patterns and rental rates of the housing market will be affected by the new demand for tenant-based assistance units. Finally, the applicant must demonstrate how it believes the voluntary conversion will impact fair housing choice in the community.

Status: Generally in compliance with 24 CFR 972, Part B

SHA indicates there will be no negative impact on the Season Meadows neighborhood related to the proposed voluntary conversion. The level of market units can readily absorb the increased number of vouchers that will be made available in the community. SHA has a softening of the market due to foreclosures that are driving the quality available housing

units back within the payment standards. In addition, SHA notes this conversion plan will enable the preservation of approximately 280 financially-threatened housing units throughout the City of Smithfield. This application allows existing residents to retain access to financially stable affordable housing. They can choose to remain in their existing unit, move to another SHA development at SHA's expense, or use their voucher to move into private housing anywhere in the country.

SHA acknowledges there may be minimal negative impact on some residents. Transitioning residents in public housing funded developments to a HCV rent system should not result in a rent payment increase.

SHA does discuss the impact on fair housing and addresses the issues of diverting HCV's from serving new applicants to supporting households that are already being housed.

Element V: Conversion Implementation

An applicant must describe the actions it plans to take to convert the residents of the development to tenant-based assistance. The description must include information on the planned future uses of the development and the means and timetable for accomplishing those uses. The applicant should provide information on its plans for the development after the voluntary conversion (e.g. whether the development will be demolished, disposed of, retained and used as assisted, unassisted, or market-rate housing). The applicant should also identify the resources that will be accessed and used to undertake the conversion, and how long will it take for the proposed voluntary conversion to be completed. Finally, the applicant must complete an analysis on the likely impact of the voluntary conversion.

Status: Generally in compliance with 24 CFR 972, Part B

As part of its submission, SHA outlined the actions that will be taken to convert units to tenant-based assistance. This information included a general description of how tenant-based vouchers will be offered to existing residents and the choices residents will have. SHA does provide a schedule for implementation and they will immediately begin to convert these units once HUD approval is received and additional vouchers are made available.

B. Compliance with the Conversion Assessment Process

Requirement I: Resident Involvement

In order to show the conversion will benefit the residents, the applicant must show it held at least one public meeting with the residents of the affected sites (including the duly elected Resident Councils, if any exist). At these resident meeting(s), the applicant must:

- (i) explain the requirements of the voluntary conversion program (including Section 22 of the Act and 24 CFR 972), particularly as they apply to the residents of the development; and

- (ii) provide draft copies of the conversion assessment and discuss the conclusions of this assessment to the residents.

An applicant must also show it has provided a reasonable period for the residents to comment on the draft voluntary conversion assessment. The conversion assessment must contain a summary of resident comments on the conversion assessment and SHA's responses to any significant issues raised by the residents.

Status: Generally in compliance with 24 CFR 972, Part B

SHA provides HUD with the dates the resident meetings were held on the voluntary conversion application. SHA reports that over 10 public meetings were held over a 4 ½ month period and there is documentation to support the number of attendees and the assessment plan was distributed at the meetings. The first resident meeting was held on at Season Meadows. Copies of the draft conversion assessment and plan were available at each development office, common area, laundry room, etc. SHA indicates that information was shared and comments were received at these meetings. A major topic of discussion was the relocation options of this conversion plan. SHA indicates that these comments included those received from residents.

Requirement II: Conversion Assessment Submission

An applicant must include the conversion assessment as part of its Annual Plan.

Status: In compliance with 24 CFR 972, Part B

The conversion assessment and conversion plan were submitted as one application and the information was also included in the SHA Annual Plan.

C. Compliance with the Conversion Assessment Conditions

Condition I: Conversion Costs will be Reasonable

An applicant must indicate the conversion will not be more expensive than continuing to operate the development (or portion thereof) as public housing.

Status: In compliance with 24 CFR 972, Part B for Season Meadows

SHA states that the Cost Analysis demonstrates the cost to implement the proposed conversion is reasonable. This analysis was completed for Season Meadows and the cost analysis indicates that the public housing is more expensive to operate than issuing vouchers.

Condition II: The Conversion will be Beneficial

The applicant must indicate the conversion will principally benefit the residents of the proposed public housing development (or portion thereof), SHA, and the community.

Status: In compliance with 24 CFR 972, Part B for Season Meadows

SHA notes there is a demonstrated need for affordable housing in Smithfield, where Season Meadows is located. Demolishing this public housing development to serve its current very-low income families through the voluntary conversion process will be of benefit to the community. The property has outlived its useful life and is currently distressing the neighborhood. Without the conversion and access to adequate public housing subsidies, Season Meadows cannot afford to continue to operate as public housing.

Condition III: Availability of Affordable Housing will not Suffer

An applicant must indicate the conversion will not adversely affect the availability of affordable housing in the community.

Status: In compliance with 24 CFR 972, Part B for Season Meadows

Although taking a public housing unit offline appears to result in a net reduction in the number of low-income families that can be served. SHA will only move forward if adequate vouchers are made available to assist the current families residing in the unit. Families will be offered a voucher as a replacement to preserve the level of assisted housing in the community.

**NOTE: PLEASE FOLLOW INSTRUCTIONS ON THIS TAB
BEFORE PROCEEDING TO THE COST COMPARISON CALCULATOR**

This spreadsheet contains macros that need to be enabled for the spreadsheet to have full functionality. Failure to enable the macros will result in the spreadsheet to function improperly. Follow these steps to enable the macros:

You may see a "Security Warning" box when opening the file. If you see the "Security Warning" box, click on "Enable Macros."

If you do not see a "Security Warning" box when opening the file: Close the spreadsheet and change the security level setting. To change the security level in MS Excel, go to toolbar and click on Tools / Macro / Security. In the Security box, go to the "Security Level" tab and click on "Medium" then click OK. After changing the security level, open the spreadsheet again and follow the instruction above to enable macros.

Cost Comparison Spreadsheet Required and Voluntary Conversions under 24 CFR Part 972

IMPORTANT: PLEASE READ THE START TAB FIRST

This spreadsheet is provided as a tool for public housing agencies conducting cost comparisons pursuant to 24 CFR Part 972, "Conversions of Public Housing to Tenant Based Assistance." The spreadsheet assists PHAs in comparing public housing costs to voucher costs using the methodology presented in the appendix to 24 CFR 972 for both Required Conversions (subpart A) and Voluntary Conversions (subpart B).

Spreadsheet cells shaded in green allow PHAs to enter information on the subject property's estimated market value, operating, modernization, and accrual costs, as well as information on voucher costs. A property's market or residual value is incorporated into the cost-test only for voluntary conversion determinations. Use the arrow keys to move from one cell to another. Enter numbers without commas and press "Enter" when you are done with each cell. Enter data only in the cells you need. Green cells may be left blank (you do not need to enter zeros). Cells shaded yellow contain formulas and cannot be changed.

The spreadsheet consists of seven tabs, including this introduction. To move from tab to tab, click on the tab name at the bottom of the screen.

Tab 2 -- Public Housing Operating Cost. At this tab, a PHA enters the projected operating costs for the revitalized property and also checks these costs for reasonableness by comparing them to current operating costs, using either the Development or the PHA-wide method.

Tab 3 -- Public Housing Capital Cost. At this tab, a PHA must indicate the degree of modernization necessary to keep a property viable based on the physical condition and repairs necessary to retain a viable property competitive in accordance with local, state, and Federal rehabilitation codes and its remaining useful life. A PHA will enter the anticipated costs of revitalization/modernization, relocation, and demolition (if any) and indicate the year in which costs are expected to be incurred based on a PHA's modernization plan for a property. Up to four years are permitted for this activity for the 30 and 40-year evaluation periods for required and voluntary determinations. If a PHA chooses to undertake light or moderate rehabilitation, a 20-year evaluation period must be used. PHAs will also enter data needed to estimate ongoing accrual costs and the estimated market or residual value for a property. The estimated market or residual value of a property must be included within these calculations as an addition to the public housing capital repair costs only for voluntary conversion determinations. This market value is calculated by PHAs who must hire an appraiser to determine the market value. The residual value for a property is determined by PHAs if demolition costs will be covered by a PHA.

Demolition and remediation costs are deducted from the estimated market value for a property to calculate any remaining residual value expected if a PHA were to sell a property proposed for conversion and removal from the inventory. However, under this cost-test, a property's market value is included within these capital costs whether or not a PHA intends to undertake a voluntary conversion and sell the proposed building or land.

Tab 4 -- Voucher Cost. At this tab, the PHA enters the average voucher cost (unit weighted average for the monthly payment standard for voucher units occupied by recent movers in the local area in accordance with the respective bedroom categories) and administrative fee in order to calculate annual Housing Choice Voucher (HCV) costs. PHAs will also estimate the relocation costs associated with a conversion.

Tab 5 -- Cost Comparison. At this tab, the PHA enters current OMB-specified discount rates found in Appendix C of OMB Circular A-94. These rates will be provided by HUD to PHAs by posting on the HUD website. Note that the rate used for 40-year evaluations is the same as for 30-year. Summary numbers are then presented from the previous tabs (e.g., first year operating cost, capital costs incurred in years 1 to 4, initial accrual, and voucher costs). Finally, the net present value of the costs is compared for Public Housing and for Vouchers.

Tab 6 -- Net Present Value Calculations for Required Conversions. This tab shows the costs of each line item in each year as well as the discounted totals for public housing and vouchers. The discounted totals are summed for the relevant period (20, 30, or 40 years) to create the cost comparison results at TAB 5.

Tab 7 -- New Budget Authority Calculations for Voluntary Conversions. This tab shows the costs of each line item in each year, including the effects of inflation. The inflated costs are summed for the relevant period (20, 30, or 40 years) to create the cost comparison results at TAB 5.

Public Housing Operating Cost

1. Calculation of Projected Operating Cost for the Revitalized Development

Enter the PHA's projected monthly costs for operating the development after revitalization or modernization in the green cells below. This estimate should reflect the costs of operating comparable developments and must be reasonable in light of the revitalization/modernization plan proposed.

a. Non-utility costs (including pro-rated share of overhead costs)	\$125,000
Utilities	\$92,000
Utility Allowances	\$0
Total Projected Monthly Operating Costs for Revitalized Development	\$217,000
b. Total Number of Units in Revitalized Development	260
c. Projected Monthly Operating Costs Per Unit	\$835
d. Total Projected Annual Operating Costs	\$2,604,000

2. Reasonableness Tests

Projected operating costs must be shown to be reasonable. This test compares projected monthly per-unit costs (above) with the current operating costs of the property. If projected costs are more than 10% lower than current costs, a narrative description must be provided detailing how this reduction in costs will be achieved. Current operating costs are calculated using either the development-based method or the PHA-wide method. If the development has a current vacancy rate of less than 20% and there is reliable development-level data on operating costs, use the development-based method (A). If the development has a current vacancy rate of 20% or greater or there is no reliable development-level data available, use the PHA-wide method (B).

What is the current vacancy rate of the development?

Enter vacancy rate here:

8%

Is there reliable development based data available?

Enter Yes or No here:

No

Method to be used:

Use PHA-Wide Method

Go to Section 2B (cell K50)

2A. Development-Based Method

A1 Total Current Operating Cost for the Development

\$7,965,000

A2 Calculation of Vacancy-Adjusted Units for the Property (Enter the number of units of each type.)

Occupancy Adjustment	Property Units - Current	
	Units	Adjusted
# of Occupied units (x1)	260	325
# of Vacant Fully Funded (x1)		0
# of Long-Term Vacant (x0.2)	0	10
Total	375	335

335

A3 Current Operating Costs Per Unit Per Month (PUM) ((A1/A2)/12)

\$560

2B. PHA-Wide Method

B1 Total Current Operating Cost for the Agency

\$18,000,000

B2 Calculation of Vacancy-Adjusted Units for the PHA (Enter the number of units of each type.)

Occupancy Adjustment	PHA Units	
	Units	Adjusted
# of Occupied units (x1)	2,000	2,000
# of Vacant Fully Funded (x1)		0
# of Long-Term Vacant (x0.2)	80	16
Total	2,080	2,016

\$2,016

B3 Current Operating Costs Per Unit Per Month (PUM) ((B1/B2)/12)

\$744

B4 Calculation of Bedroom Adjustment Factor (Enter the number of units of each type.)

Bedroom Adjustment		PHA Units		Property Units - Current	
		Units	Unit Cost Factor	Units	Unit Cost Factor
0 BR	0.7	210	147		0
1 BR	0.85	723	615	47	40
2 BR	1	835	835	63	63
3 BR	1.25	250	313	100	125
4 BR	1.4	62	87	50	70
5 BR	1.61		0		0
6 BR	1.82		0		0
Total		2080	1,996	260	298
Adjustment Factors		x	0.960	y	1.146

B5 Overall Bedroom Adjustment Factor (y/x)

1.194

B6 Current Monthly Operating Cost per Unit (B3*B5)

\$889

3. Comparison of Projected and Current Operating Costs (and Justification)

Projected Operating Costs (from Section 1)

\$835

Current Operating Cost

Using PHA-Wide Method

\$889

Percent difference

6.5%

If current costs exceed the PHA's projection by more than 10 percent, the PHA must justify the use of the lower amount in the space below.

Not Applicable

Public Housing Capital Cost

1 Type of Modernization (Select one option)

- Light or Moderate Modernization (20 Yrs)
- Addresses All Backlog (30 Yrs)
- Equivalent to New Construction (40 Yrs)

2 Type of Conversion (Select one option)

- Required
- Voluntary

3 Initial Capital Costs (Enter costs over the appropriate time span)

	Year1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
a Modernization Cost	800000	\$1,900,000	\$1,900,000	\$1,900,000							
b Total Initial Capital Cost	\$800,000	\$1,900,000	\$1,900,000	\$1,900,000	\$0	\$0	\$0	\$0	\$0	\$0	\$6,500,000
c Total Number of Units in Revitalized Development	260										
d Capital Cost per Unit	\$25,000										

4 Accrual (Enter the applicable HCC limits below, along with the bedroom distribution for the revitalized development.)

	Detached/Semi-Detached		Row House		Walkup		Elevator	
	# of Units	HCC Limit	# of Units	HCC Limit	# of Units	HCC Limit	# of Units	HCC Limit
0BR								
1BR					47	\$70,000		
2BR					63	\$90,000		
3BR					100	\$110,000		
4BR					50	\$120,000		
5BR								
	0	\$0	0	\$0	260	\$25,960,000	0	\$0

a HCC, per unit average	\$99,846
b Total Number of Units in Revitalized Development	260
c 50% of Capital Cost per Unit	\$12,500
d Adjusted HCC (HCC (a) minus 50% of Capital Cost per Unit (c))	\$87,346
e Annual per Unit Accrual for 40 Year Replacement Cycle (Adjusted ACC (d) x 0.025)	\$2,184
f Annual Accrual after Modification (e x b)	\$567,750

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
g Annual Accrual	\$0	\$0	\$0	\$0	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750

(Accrual begins in the year after modernization is complete.)

5 Opportunity Cost (If this is a voluntary conversion, enter the following costs)

a Demolition Cost Paid for by PHA	X
b Remediation Cost (if not in demo) Paid for by PHA	

	Year 2	Year 3	Year 4	Year 5
c Market Value of Property	\$17,000,000			
d Residual Value	#VALUE!			

Voucher Cost

Voucher Cost

Enter the number of units in the revitalized development by bedroom size and corresponding voucher costs per month.

Unit Size Post Revitalization	a	b	c
	# of Units	Voucher Costs	Units X Cost
0BR	0		\$0
1BR	47	\$630	\$29,610
2BR	63	\$780	\$49,140
3BR	100	\$900	\$90,000
4BR	50	\$1,050	\$52,500
5BR	0		\$0
	260		\$221,250

d Monthly Voucher Cost Per Unit (c / a)

\$851

e Monthly Section 8 Administrative Fee (per unit)

\$48.00

f Annual Voucher and Administrative Costs

\$2,804,760

g Per Unit Relocation Costs

\$1,200

h Total Relocation Costs

\$312,000

Cost Comparisons

Assumptions

	20 Year	30/40 Year
OMB Nominal Discount Rate	5.3%	5.2%
OMB Real Discount Rate	3.0%	3.0%
Useful Life (20, 30 or 40 Years)	30	
Inflation Rate for the Selected Useful Life	2.14%	1.021
Real Discount Rate for the Selected Useful Life	3.00%	1.030
Units	260	

Uninflated/Undiscounted Cost Summary

Public Housing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Annual Operating Cost	\$2,604,000									
Capital Cost	\$800,000	\$1,900,000	\$1,900,000	\$1,900,000	\$0	\$0	\$0	\$0	\$0	\$0
Annual Accrual after Modification	\$0	\$0	\$0	\$0	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750
Residual Value	#VALUE!									

Vouchers	
Annual Voucher and Administrative Costs	\$2,804,760
Year 1 Relocation Costs	\$312,000

PUM Cost Comparisons:

	Net Present Value (Required Conversions Only)	New Budget Authority (Voluntary Conversion only)
Public Housing	#VALUE!	#VALUE!
Vouchers	#VALUE!	\$1,245
Difference	#VALUE!	#VALUE!
Final Result	#VALUE!	#VALUE!

Public Housing	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28
Operating	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000
Initial Capital															
Accrual	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750
Residual															
TOTAL	\$3,171,750														
Discount Rates	0.680951	0.661118	0.641862	0.623167	0.605016	0.587395	0.570286	0.553676	0.537549	0.521893	0.506692	0.491934	0.477606	0.463695	0.450189
Discounted Costs	\$2,159,807	\$2,096,900	\$2,035,826	\$1,976,530	\$1,918,961	\$1,863,069	\$1,808,805	\$1,756,121	\$1,704,972	\$1,655,313	\$1,607,100	\$1,560,291	\$1,514,845	\$1,470,724	\$1,427,887

Voucher	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28
Voucher	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760
Relocation															
TOTAL	\$2,804,760														
Discount Rates	0.680951	0.661118	0.641862	0.623167	0.605016	0.587395	0.570286	0.553676	0.537549	0.521893	0.506692	0.491934	0.477606	0.463695	0.450189
Discounted Costs	\$1,909,905	\$1,854,277	\$1,800,269	\$1,747,834	\$1,696,926	\$1,647,501	\$1,599,515	\$1,552,928	\$1,507,697	\$1,463,783	\$1,421,149	\$1,379,756	\$1,339,569	\$1,300,552	\$1,262,672

Public Housing	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Operating	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000	\$2,604,000
Initial Capital												
Accrual	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750	\$567,750
Residual												
TOTAL	\$3,171,750											
Discount Rates	0.437077	0.424346	0.411987	0.399987	0.388337	0.377026	0.366045	0.355383	0.345032	0.334983	0.325226	0.315754
Discounted Costs	\$1,386,298	\$1,345,921	\$1,306,719	\$1,268,659	\$1,231,708	\$1,195,833	\$1,161,003	\$1,127,187	\$1,094,357	\$1,062,482	\$1,031,536	\$1,001,491

Voucher	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Voucher	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760	\$2,804,760
Relocation												
TOTAL	\$2,804,760											
Discount Rates	0.437077	0.424346	0.411987	0.399987	0.388337	0.377026	0.366045	0.355383	0.345032	0.334983	0.325226	0.315754
Discounted Costs	\$1,225,895	\$1,190,190	\$1,155,524	\$1,121,868	\$1,089,192	\$1,057,468	\$1,026,668	\$996,765	\$967,733	\$939,547	\$912,181	\$885,613

**Voluntary Conversion Calculation
New Budget Authority**

Public Housing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Operating	\$2,604,000	\$2,659,619	\$2,716,427	\$2,774,448	\$2,833,708	\$2,894,233	\$2,956,052	\$3,019,191	\$3,083,679	\$3,149,544	\$3,216,815
Initial Capital	\$0	\$1,940,583	\$1,982,032	\$2,024,367	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accrual Residual	#VALUE!	\$0	\$0	\$0	\$617,833	\$631,030	\$644,508	\$658,274	\$672,334	\$686,695	\$701,362
TOTAL	#VALUE!	\$4,600,202	\$4,698,459	\$4,798,814	\$3,451,541	\$3,525,263	\$3,600,560	\$3,677,465	\$3,756,013	\$3,836,238	\$3,918,177
Inflation Factor	1.000	1.0214	1.0432	1.0655	1.0882	1.1115	1.1352	1.1594	1.1842	1.2095	1.2353

Voucher	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Voucher Relocation	\$2,804,760	\$2,864,667	\$2,925,855	\$2,988,349	\$3,052,177	\$3,117,369	\$3,183,954	\$3,251,961	\$3,321,420	\$3,392,363	\$3,464,821
	\$312,000										
TOTAL	\$3,116,760	\$2,864,667	\$2,925,855	\$2,988,349	\$3,052,177	\$3,117,369	\$3,183,954	\$3,251,961	\$3,321,420	\$3,392,363	\$3,464,821
Inflation Factor	1.000	1.0214	1.0432	1.0655	1.0882	1.1115	1.1352	1.1594	1.1842	1.2095	1.2353

Voluntary Conversion New Budget Authority	20 Year	30 Year	40 Year
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Public Housing PUM	#VALUE!
Voucher PUM	\$1,245
Delta Dollar	#VALUE!
Delta Percent	#VALUE!

Public Housing	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>	<u>Year 15</u>	<u>Year 16</u>	<u>Year 17</u>	<u>Year 18</u>	<u>Year 19</u>	<u>Year 20</u>	<u>Year 21</u>	<u>Year 22</u>	<u>Year 23</u>
Operating	\$3,285,524	\$3,355,700	\$3,427,375	\$3,500,581	\$3,575,351	\$3,651,718	\$3,729,716	\$3,809,380	\$3,890,745	\$3,973,848	\$4,058,727	\$4,145,418
Initial Capital												
Accrual	\$716,343	\$731,643	\$747,271	\$763,232	\$779,534	\$796,184	\$813,190	\$830,559	\$848,299	\$866,418	\$884,924	\$903,825
Residual												
TOTAL	\$4,001,867	\$4,087,343	\$4,174,646	\$4,263,813	\$4,354,885	\$4,447,902	\$4,542,906	\$4,639,938	\$4,739,044	\$4,840,266	\$4,943,651	\$5,049,243
Inflation Factor	1.2617	1.2887	1.3162	1.3443	1.3730	1.4023	1.4323	1.4629	1.4941	1.5261	1.5587	1.5919

Voucher	<u>Year 12</u>	<u>Year 13</u>	<u>Year 14</u>	<u>Year 15</u>	<u>Year 16</u>	<u>Year 17</u>	<u>Year 18</u>	<u>Year 19</u>	<u>Year 20</u>	<u>Year 21</u>	<u>Year 22</u>	<u>Year 23</u>
Voucher	\$3,538,827	\$3,614,414	\$3,691,615	\$3,770,465	\$3,850,999	\$3,933,254	\$4,017,265	\$4,103,070	\$4,190,709	\$4,280,219	\$4,371,641	\$4,465,016
Relocation												
TOTAL	\$3,538,827	\$3,614,414	\$3,691,615	\$3,770,465	\$3,850,999	\$3,933,254	\$4,017,265	\$4,103,070	\$4,190,709	\$4,280,219	\$4,371,641	\$4,465,016
Inflation Factor	1.2617	1.2887	1.3162	1.3443	1.3730	1.4023	1.4323	1.4629	1.4941	1.5261	1.5587	1.5919

Public Housing	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34
Operating	\$4,233,961	\$4,324,395	\$4,416,761	\$4,511,099	\$4,607,453	\$4,705,864	\$4,806,378	\$4,909,038	\$5,013,892	\$5,120,985	\$5,230,365
Initial Capital											
Accrual	\$923,130	\$942,848	\$962,986	\$983,555	\$1,004,563	\$1,026,019	\$1,047,934	\$1,070,317	\$1,093,179	\$1,116,528	\$1,140,376
Residual											
TOTAL	\$5,157,091	\$5,267,242	\$5,379,747	\$5,494,654	\$5,612,015	\$5,731,884	\$5,854,312	\$5,979,356	\$6,107,070	\$6,237,513	\$6,370,741
Inflation Factor	1.6259	1.6607	1.6961	1.7324	1.7694	1.8072	1.8458	1.8852	1.9255	1.9666	2.0086

Voucher	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34
Voucher	\$4,560,385	\$4,657,792	\$4,757,279	\$4,858,890	\$4,962,672	\$5,068,671	\$5,176,934	\$5,287,509	\$5,400,447	\$5,515,796	\$5,633,609
Relocation											
TOTAL	\$4,560,385	\$4,657,792	\$4,757,279	\$4,858,890	\$4,962,672	\$5,068,671	\$5,176,934	\$5,287,509	\$5,400,447	\$5,515,796	\$5,633,609
Inflation Factor	1.6259	1.6607	1.6961	1.7324	1.7694	1.8072	1.8458	1.8852	1.9255	1.9666	2.0086

Public Housing	<u>Year 35</u>	<u>Year 36</u>	<u>Year 37</u>	<u>Year 38</u>	<u>Year 39</u>	<u>Year 40</u>
Operating	\$5,342,081	\$5,456,184	\$5,572,724	\$5,691,753	\$5,813,324	\$5,937,492
Initial Capital						
Accrual	\$1,164,734	\$1,189,612	\$1,215,021	\$1,240,973	\$1,267,479	\$1,294,551
Residual						
TOTAL	\$6,506,815	\$6,645,796	\$6,787,745	\$6,932,726	\$7,080,803	\$7,232,044

Inflation Factor 2.0515 2.0953 2.1401 2.1858 2.2325 2.2801

Voucher	<u>Year 35</u>	<u>Year 36</u>	<u>Year 37</u>	<u>Year 38</u>	<u>Year 39</u>	<u>Year 40</u>
Voucher	\$5,753,939	\$5,876,838	\$6,002,363	\$6,130,569	\$6,261,513	\$6,395,254
Relocation						
TOTAL	\$5,753,939	\$5,876,838	\$6,002,363	\$6,130,569	\$6,261,513	\$6,395,254

Inflation Factor 2.0515 2.0953 2.1401 2.1858 2.2325 2.2801