



Greater Dayton Premier Management

Enhancing Neighborhoods • Strengthening Communities • Changing Lives

Grand Voluntary Conversion Assessment

BACKGROUND:

The Dayton Metropolitan Housing Authority d/b/a Greater Dayton Premier Management (GDPM) proposes the voluntary conversion of the Grand Hi-Rise (“Grand”) to replace public housing with Section 8 subsidies under Section 22 of the U.S. Housing Act of 1937 and the regulations at 24 CFR 972, Subpart B..

Built in 1971, Grand is a nine-story hi-rise with 95 one-bedroom units located at 465 Grand Avenue in Dayton. Grand is officially designated as an elderly building within GDPM’s AMP OH005000001. A recent needs assessment identified \$2.8 million in necessary immediate repairs.

If authorized, GDPM intends to voluntarily convert Grand from the public housing program to the Section 8 Project-Based Voucher (PBV) Program. GDPM intends to request 95 Tenant Protection Vouchers and execute a long-term Section 8 Project Based Voucher HAP Contract between GDPM and its instrumentality, Invictus Development Group, Inc. (“Invictus”), as facilitated by the Housing Opportunity Through Modernization Act of 2016. Doing so will enable GDPM to pursue options for the redevelopment of the property that would not otherwise be available through the public housing program or through conversion under the Rental Assistance Demonstration program.

Repositioning Grand through voluntary conversion will facilitate GDPM’s use of tax credits and tax exempt bonds needed to fund its rehabilitation. Because GDPM intends to utilize project-based vouchers at the development, conversion will not result in resident displacement. Instead, voluntary conversion will result in the long-term preservation and affordability of the development.

CONVERSION ASSESSMENT:

In 2001, HUD required all housing authorities to complete a Required Initial Assessment (RIA) and identify any properties appropriate for voluntary and/or required conversion. At that time, GDPM’s RIA did not identify any such developments.

GDPM recently completed a comprehensive review of its properties and determined that voluntary conversion is appropriate for Grand. Grand’s Conversion Assessment was performed according to the HUD requirements set forth at 24 CFR 972.218 and includes the following

components: Cost Analysis; Analysis of Market Value; Analysis of Rental Market Conditions; Impact Analysis; and Conversion Implementation.

I. Cost Analysis

A voluntary conversion cost analysis compares 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. A housing authority must use HUD’s Cost Comparison Spreadsheet Calculator available on HUD’s website. The HUD Spreadsheet Cost Comparison Calculator uses a housing authority’s information on the development’s public housing operating, modernization, and accrual costs, market value, and voucher costs.

HUD’s Calculator indicates that the cost of administering tenant-based vouchers is 21% less than the cost of continuing to operate Grand as public housing. A copy of the Cost Comparison Spreadsheet is attached to this Assessment.

II. Market Analysis

In addition to completing a cost analysis, HUD requires GDPM to perform a market analysis of the development. The market value is to be determined both as-is and after rehabilitation for use as public and as assisted housing, and as highest and best use of the property.

To determine these values, GDPM procured independent appraiser Robin Holznecht of Mid-Miami Appraisal, LLP. The appraiser prepared the appraisals in accordance with 24 CFR 972 and *Notice PIH 2008-35, Cost-Test and Market Analysis Guidelines for the Voluntary Conversion of Public Housing Units Pursuant to 24 CFR Part 972*. The table below indicates the determined values:

(Needs finalizing after appraisal is revised)

Current Value “As-Is” Public Housing	\$3,175,000
Future Value “Post Rehab” Public Housing	\$4,850,000
Current Value “As Is” Assisted Housing	\$2,083,000
Future Value “Post Rehab and Conversion” Assisted	\$4,850,000
“Highest and Best Use Market Value”	\$3,150,000

III. Analysis of Rental Market Conditions

HUD requires a housing authority to conduct an analysis of the likely success using vouchers for the residents of the development. The analysis must consider the availability of suitable units, community-wide voucher use and success rates and particular characteristics of the residents that may affect their ability to use vouchers.

Because GDPM intends to request tenant-protection vouchers and project-base the units at Grand, resident displacement is not anticipated. However, if displacement were to occur, Grand residents would have a high likelihood of success when locating an affordable unit in the community. Further, the current rental market in the area could absorb an influx of vouchers. As demonstrated below, Grand market area as well as the City of Dayton have an adequate supply of quality one-bedroom rental units that would be available to lease at the current one-bedroom voucher payment standard.

Current Use of Tenant Based Vouchers under Lease

GDPM’s Housing Choice Voucher (HCV) Program administers 4,211 vouchers. Its utilization rate is 98.3%. Forty percent of GDPM’s voucher holders are elderly. On GDPM’s current waitlist 478 of the 7039 applicants are elderly.

Available Units

The City of Dayton has a rental vacancy rate that can support an influx of households to the rental market. Dayton’s vacancy rate is relatively high compared to Montgomery County and the State of Ohio. According to the 2010 Census, Dayton’s vacancy rate is 4% higher than the County and 7% higher than the State.

***Vacancy rates
Comparing City of Dayton, Montgomery County, and Ohio
2010 Census***

	Dayton	Montgomery County	Ohio
Total Number of Rental Units	29,269	82,921	1,492,381
Vacant Rental Units	5,475 (19%)	12,375 (15%)	184,143 (12%)

All units in Grand are one-bedroom units. In the primary market area where Grand is located, there is a sufficient supply of one-bedroom units. According to a recent market study of the immediate area, there is a disproportionally high ratio of one-bedroom rental units. As of January 2018, the Dayton Near-Northwest market area, where Grand is located, contained 1,277 rental units, of which 69% (887) are one-bedroom rental units.

Additionally, less than a mile from the Grand’s location is a new tax credit development, Audubon Crossing. Audubon Crossing contains 50 senior units in total, of which 22 are public housing. The management company, The Woda Group, is accepting Housing Choice Vouchers for the remaining units.

Another senior development, Dayton View Commons is located within a mile from Grand. Dayton View Commons has 55 units in total, of which 25 are public housing. The remaining units include project-based voucher units as well as Housing Choice Voucher units.

Quality of Rental Units

When finding a measurement of quality housing, GDPM referred to the American Community Survey. The survey analyzes the amount of units with low-housing quality by looking at units that lack plumbing facilities and/or kitchen facilities. According to the 2012-2016 American Community Survey, less than 1% of rental units within the City of Dayton lack adequate plumbing and/or kitchen facilities.

***Housing Quality
City of Dayton Rental Units
American Community Survey 2012-2016***

	No. of Rental Units in Dayton	
Lacking Plumbing Facilities	142	(0.5%)
Lacking Kitchen Facilities	171	(0.6%)

Units Rented at or Below the Established Payment Standard

Not only does the City of Dayton contain an adequate supply of available one-bedroom rental units to support an influx of voucher holders, the current one-bedroom payment standard exceeds Grand's market area's median rent. Currently, the market area's median rent is \$534. As of January 1, 2019, GDPM's current one-bedroom voucher payment standard is \$599. The following table shows the distribution of rental cost for one-bedroom units in the Grand Market Area:

***Grand Market Area
Cost of Rent
January, 2018***

Net Rent	Percent of Rental Units
\$799-\$779	12%
\$599-\$699	31.5%
\$555-\$575	6%
\$500-\$535	28.7%
\$395-\$495	21.8%

Rental Market Analysis Conclusion

Because GDPM intends to reposition Grand to the Section 8 Project-Based Voucher Program, it doesn't expect a need to find adequate housing for the current residents. However, as demonstrated above with GDPM's high utilization rate, the number of vacant units, the disproportionately high number of one-bedroom rental units, and the current one-bedroom

payment standard amount compared to the regular rental market, the community would be able to successfully absorb an influx of voucher holders.

IV. Impact Analysis

GDPM is required to analyze impact on the neighborhood. The voluntary conversion of Grand Hi-Rise will enable GDPM to reposition Grand and therefore, enable GDPM to rehabilitate the property. While the impact to the amount of affordable housing units presently will not change, repositioning Grand will preserve affordable housing units for the long-term. Ten subsidized multi-family developments are located within the primary market area. Each development has a waitlist and enjoys an average vacancy rate of 1%. Also located within the market area are three LIHTC developments with a 0% vacancy rate. All tax credit and subsidized developments have waitlists.

Although there is a high rental unit vacancy rate in the Dayton community, there is a low vacancy rate for affordable housing developments. Therefore, there is a demonstrated need for the preservation of affordable housing developments like Grand. Without the ability to obtain financing in order to address the \$2.8M backlog of capital needs, units will soon become physically and functionally obsolete and not habitable.

Preserving Grand Hi-Rise is important to GDPM, but more important is its resource as housing for elderly households. The most recent City of Dayton/City of Kettering HUD Strategic Plan states that elderly households represent the largest group of renters with a housing problem within the Dayton Community. Therefore, it's imperative that we preserve affordable housing options available to our elderly population. The repositioning of Grand effectuates this goal.

Because the conversion will lead to the preservation of the Grand, it will not have impacts on diversification of available housing opportunities or the concentration of poverty within the community. However, voluntary conversion will positively impact housing choice in the Dayton Community as it will ensure the continuation of available affordable housing options for our senior population. It will enable this vulnerable and hard-to-house population to continue to enjoy housing options. The inability of GDPM to preserve Grand would be detrimental to this special population as it would decrease the already low number of available affordable units at developments for elderly households.

V. Conversion Implementation

Once the development receives approval for tenant protection vouchers, GDPM will undertake the steps necessary to project-base the units under a long-term Section 8 HAP Contract. GDPM will remain the property owner. It will enter into a long-term ground lease with its related entity, Invictus Development Group, Inc. ("Invictus"). GDPM and Invictus will execute a long-term HAP Contract to provide the PBVs.

Conversion of Grand will facilitate the use of low income housing tax credits to rehabilitate the development. In approximately 18 months after conversion, GDPM intends to submit a tax

credit application to help fund the rehabilitation of the entire development. GDPM will continue to own the property and most likely will execute a long-term ground lease with the tax-credit owner entity.

The following table represents a time-line of implementation:

Action	Month
Approval of Voluntary Conversion	Month 0
Receipt of TPVs	Month 2
Execute HAP Contract	Month 3
Apply for Tax Credits	Month 18
Start Construction	Month 28

Since GDPM is retaining the property, relocation is not anticipated. If GDPM receives a tax credit award, it will phase the relocation floor by floor in order to minimize any displacement.

VI. Conclusion

GDPM's conversion assessment of Grand demonstrates that the voluntary conversion of the development is cost effective; will benefit the residents, GDPM and the community; and will not adversely affect the availability of affordable housing in the community. After approval of its voluntary conversion application, GDPM intends to request 95 tenant-protection vouchers and execute a long-term PBV HAP Contract at the development. This will facilitate the rehabilitation of Grand that it otherwise cannot currently fund. Repositioning Grand will ensure the long-term preservation of the property and ensure GDPM's elderly tenants have adequate affordable housing choices.

Grand Voluntary Conversion Plan

The Conversion Plan is a requirement of HUD's approval for voluntary conversion.

Conversion and Future Use

If authorized, GDPM intends to voluntarily convert the Grand from the public housing program to the Section 8 Project-Based Voucher (PBV) Program. It will request HUD approval for disposition via long-term ground lease to its related entity, Invictus Development Group, Inc. ("Invictus"). GDPM intends to request 95 Tenant Protection Vouchers and execute a long-term Section 8 Project Based Voucher HAP Contract between GDPM and Invictus. Doing so will enable GDPM to explore options for the redevelopment of the property that would not otherwise be available through the Public Housing program or through conversion under the Rental Assistance Demonstration program. GDPM will continue to manage the property after conversion.

Repositioning Grand through voluntary conversion will facilitate GDPM's use of tax credits and tax exempt bonds needed to fund its rehabilitation. Because GDPM intends to utilize project-based vouchers at the development, conversion will not result in resident displacement. Instead, voluntary conversion will result in the long-term preservation and affordability of the development.

Impact analysis of the conversion on the affected community

Because there is no change in the number of units or in the population served, there will not be an impact to the availability of affordable housing or to the concentration of poverty. Repositioning the Grand will lead to preservation of affordable units and, therefore, will positively impact the availability of affordable housing in the community. The 95 units will remain affordable to the current population via the PBV program. Further, successful conversion of the 95 units will not impact the concentration of poverty as the current tenants will be eligible to remain at the building under the PBV program.

Repositioning will facilitate the rehabilitation of the property. A recent needs assessment identified \$2.8M in needed repairs including mechanical system replacements, window replacement, and kitchen replacements. GDPM's capital funds are limited and cannot fund the entire cost of needed constructions. Therefore, GDPM must reposition the Grand to preserve the integrity and quality of the units.

Consistency with findings of conversion assessment

In view of the findings of the Conversion Assessment, the Conversion Plan implements the actions considered by the Conversion Assessment.

Summary of Resident Comments Consistency with findings of conversion assessment

<to be included after resident consultation>

Use of net proceeds

Any proceeds received from the conversion and/or disposition will be subject to the limitations under Section 18(a)(5) of the United States Housing Act of 1937, applicable to proceeds resulting from demolition and disposition. GDPM does not expect to receive net proceeds as part of the voluntary conversion or disposition via long-term ground lease contract with its related entity. In the event that net proceeds may be generated after the property is converted and later receives a tax credit award, GDPM will use the proceeds to assist with the financing, renovation, and preservation of Grand.

Support of necessary conditions of conversion

The Conversion Assessment of Grand supports the three conditions necessary for conversion described in the 24 CFR 972.224 which include:

1. Conversion is cost effective and is not more expensive to continue to operate as public housing.
2. Conversion will principally benefit the residents, GDPM and the community.
3. Conversion will not adversely impact the availability of affordable housing in our community.

Relative Expense: HUD's Cost Comparison Spreadsheet indicated that the total cost of administering tenant-based vouchers is 21% less than the cost of continuing to operate Grand as public housing.

Benefit to residents: Conversion promotes the long-term preservation of the affordability of the development and it benefits GDPM, the neighborhood, the Dayton community as a whole and, most importantly, the residents of Grand. The long-term PBV HAP Contract will facilitate much-needed rehabilitation to support and accommodate the elderly tenants' needs. Further, the conversion does not conflict with any outstanding litigation settlement agreement, voluntary compliance agreement, or other remedial agreements between HUD and GDPM.

When assessing the property and differing strategies for reinvestment, GDPM determined that voluntary conversion is the best repositioning strategy for the Grand and the Grand residents. As demonstrated in the Conversion Assessment, conversion will facilitate the much-needed rehabilitation and lead to the long-term preservation of the units.

GDPM explored the feasibility of a Section 18 disposition and mixed finance application, but that strategy is infeasible because generated rents will not support the debt coverage needed for a tax credit application to be successful. Conversion under the Rental Assistance Demonstration proved infeasible for the same reason: the rental structure will not enable GDPM to provide debt

coverage for the needed rehabilitation. Further, the recently published Section 18 RAD flexibilities were not enough to make the RAD conversion feasible. Because GDPM cannot address the backlog of needs or fund a needed replacement reserve, it would not be able to submit a successful or approvable RAD Financing Plan needed for HUD approval.

With neither Section 18 mixed-finance disposition nor conversion under the RAD Program feasible, GDPM is forced to either maintain the status quo or proceed with other repositioning strategies such as voluntary conversion. Maintaining the status quo is not feasible as the needed maintenance will continue to be deferred endangering the habitability of the units and the safety of the residents. Instead, voluntary conversion will enable GDPM to access additional capital that it can leverage to rehabilitation the building and extend its useful life and preserve its affordability.

<Insert resident consultation summary>

Relocation: No residents are anticipated to be temporarily or permanently relocated due to the voluntary conversion and long-term ground lease with Invictus at Grand. To the extent that future rehabilitation may lead to necessary temporary relocation, GDPM will phase the rehabilitation floor by floor in order to subject the fewest amount of residents, if any, to the temporary relocation. Any tenants subject to temporary relocation will be afforded all relocation resources and treatment that would be available under the GDPM RAD PBV Program to the extent allowable by law, including the payment of moving expenses and the right to return to the building upon construction completion.

A relocation plan addressing the possible future temporary relocation is attached, even though no relocation is required as a result of the voluntary conversion itself.

The Conversion Assessment and Conversion Plan meet all HUD requirements. HUD should join with GDPM to preserve critical low-income housing opportunities in Dayton, by promptly approving Grand's voluntary conversion.

ATTACHMENTS

- I. HUD Cost Analysis
- II. Appraisal
- III. Relocation Plan

Draft



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Grand Voluntary Conversion – Relocation Plan

The voluntary conversion and related disposition will not require relocation. Instead, Greater Dayton Premier Management (GDPM) will commit project-based vouchers (PBV) to Grand units. This will allow Grand residents to stay.

The rehabilitation of Grand is anticipated to occur several years after conversion which will assist in Grand eventually securing 4% tax credits to help fund Grand's rehabilitation. Grand is anticipated to be rehabilitated on a floor-by-floor phased basis. Therefore, residents may relocate to newly rehabilitated units as construction of each floor is completed. Prior to construction, GDPM will leave units vacant at turnover in order to minimize any needed displacement. If displacement occurs, residents will be relocated temporarily with GDPM paying all costs. After construction completion, the resident will have the right to return to the development. Elements of the relocation plan, as required by 24CFR 972.230(g) (the Relocation Regulation), are as follows:

(1) The number of households to be relocated, by bedroom size, by the number of accessible units.

Grand contains 95 (1) bedroom units. (89) are occupied as of 2/15/2019. There are 16 mobility accessible units throughout the building, 2 per occupied floor.

(2) The relocation resources that will be necessary, including a request for any necessary Section 8 funding and a description of actual or potential public or other assisted housing vacancies that can be used as relocation housing and budget for carrying out relocation activities.

At conversion, GDPM will request replacement tenant protection vouchers for all units, which will be used to provide ongoing PBV subsidy. Because the voluntary conversion and associated immediate disposition of CG will not require relocation of residents from their current units, additional costs will be limited to counseling and advisory services to assure that residents understand the transition from public housing to PBVs. GDPM staff will provide these services, which will fulfill the counseling and advisory services requirements for public housing conversion.

In connection with the subsequent rehabilitation, GDPM's goal is that phasing will allow all relocation to be to vacant units within Grand Apartment complex for residents who want to stay in that complex. If additional resources are needed, GDPM first would utilize units in other properties controlled by GDPM and second its tenant-based vouchers. In addition to the Section 8 tenant protection vouchers already awarded in connection with the voluntary conversion, the budget for carrying out those relocation activities will be \$2,500 per unit.

(3) A schedule for relocation and removal of units from the public housing inventory (including the schedule for providing actual and reasonable relocation expenses, as determined by the PHA, for families displaced by the conversion).

All units will be removed from the public housing inventory and converted to project-based vouchers upon HUD's approval of voluntary conversion and allocation of tenant protection vouchers. No households will be displaced.

The subsequent relocation in conjunction with rehabilitation would occur after GDPM obtains low-income housing tax credits for Grand. The phases of relocation will consist of approximately 12 units per phase, throughout the construction period. Each phase will last approximately 3 months. No families will be displaced as defined by the Uniform Relocation Act.

(4) Provide for issuance of a written notice to families residing in the development.

All resident households will be provided notice of relocation that complies with applicable requirements of the Relocation Regulation, as well as the requirements for public housing disposition. Notices will be required at the appropriate times for the voluntary conversion and initial disposition, as well as the later relocation related to rehabilitation.

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