Section 108 Guaranteed Loan Application

PREPARED BY THE OFFICE OF HOUSING

CITY OF ALEXANDRIA

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Executive Summary

CDBG Eligibility Category: Acquisition of Real Property (Matrix Code 01, Acquisition)

Section 108 Regulation Citation: 24 CFR 570.703(a)

CDBG National Objective: Benefit low- or moderate-income persons (24 CFR 570.208(a)(3))

Nonprofit developer Housing Alexandria (HALX) is developing two land parcels located in the Arlandria-Chirilagua neighborhood at 3600 Mount Vernon Avenue and 3660 Mount Vernon Avenue into a new construction, mixed-use community that incorporates 495 affordable apartment homes, flex space for City employees to meet with residents, and new publicly accessible open space. The development will increase the City's housing supply by offering 495 rental homes at various affordability levels and family sizes. In addition, this project will provide a substantial new housing resource in Alexandria's Arlandria-Chirilagua neighborhood which faces considerable development pressure as Amazon HQ2, and the Virginia Tech Innovation Campus located nearby draw new workers and students to the area. The land assemblage for the Project required a philanthropic seller, the purchase of City land, and acquiring privately owned parcels.

The City of Alexandria included the use of Section 108 funds in its 2022-2026 Consolidated Plan and has incorporated the anticipated use of the funds into each Annual Plan of the Consolidated Plan cycle. This project will further the Goal of Housing Affordability and help fill the Priority Need for Equitable Access to Housing.

In addition, the project meets objectives set out in the City's 2013 Housing Master Plan including the provision of long-term affordable and workforce rental housing, and providing safe, quality housing choices that are affordable and accessible to households of all ages and abilities, and it fully aligns with recommendations and principles of the Arlandria-Chirilagua Small Area Plan approved by City Council at a public hearing on December 18, 2021.

The City Council authorized the City Manager to submit this application as part of June 27, 2023, funding docket item for the project.

Alexandria is requesting $5,311,096 in Section 108 funds. The total development cost of the Naja Project (Building #2) is $80,804,844.

Amount of Section 108 Request

The City of Alexandria FY 2026 Action Plan allocation is $1,068,416. The requested amount of Section 108 Assistance is $5,311,096, which is five times the City of Alexandria's CDBG Entitlement Funds. The Section 108 financing fee is $30,984.00. The financing fee will be paid from the gross loan total.

The Section 108 loan will be used to acquire the parcels necessary for construction of Building #2 of the project (Naja), along with a portion of the podium of Building #1, which will include the parking necessary for Building #2.

General Project Description

The Sansé/Naja Project is a redevelopment of a former Safeway grocery store site, City land, and privately owned parcels into 495 units of housing affordable to households with incomes between 40-80% of AMI spread over two buildings. Building #1 (Sansé) will contain 416 rental units and Building #2 (Naja) will have 79 rental units. One hundred and twenty-six of the units (25% of rental units) will be reserved for households at or below 40% AMI, and thirty-eight units (8% of rental units) will be reserved for households between 40% and 50% AMI. Two hundred and twenty-four units (45%) will be reserved for households between 50% AMI and 60% AMI and one hundred and seven (22%) are reserved for households between 60% AMI and 80% AMI. The project is located at the intersection of West Glebe Road and Mount Vernon Avenue, two heavily traveled streets with transit connections to the new Potomac Yard Metro station, Old Town Alexandria, and other job centers around the region.

Total affordability mix for full project

	%	Units
40% AMI	25%	126
50% AMI	8%	38
60% AMI	45%	224
80% AMI	22%	107
Total	100%	495

Total affordability mix for Building #2 (Naja)

	%	Units
40% AMI	27%	21
50% AMI	0%	0
60% AMI	49%	39
80% AMI	24%	19

Total	100%	79

See Appendix 1 for table of unit types and affordability levels.

These units are supported by a strong amenity package including a gym, lounges/event rooms, classroom space, and terraces designed for outdoor recreation. In addition, the Project will provide flex space for City services. There will be a publicly accessible courtyard within a plaza and additional open space in the surrounding area, creating a total of 16,600 square feet of open space. This space will be open to the community through a public use easement.

The Section 108 loan will be used to acquire the parcels necessary for the construction of Building #2 of the project (Naja), along with a portion of the podium of Building #1, which will include the parking necessary for Building #2.

See below for a table of project funds for Building #2 (Naja):

Source	Amount	Percentage of total
Section 108	$5,311,096	6.6%
4% Tax Credit Equity	$28,349,862	35.1%
City Land Value	1,725,000	2.1%
City Housing Opportunity Fund	$24,592,178	30.4%
VHTF	$2,000,000	2.5%
HIEE	$2,000,000	2.5%
Deferred Developer Fee	$1,841,803	2.3%
First Trust Debt	$14,984,906	18.5%
Total	**$80,804,844**	**100%**

The physical structure of Building #1 will contain 9 stories of affordable rental housing built above a one-level commercial base, which will sit atop a two-level subterranean parking garage. The physical structure of Building #1 will be financed, owned, and operated as multiple separate condominium units both residential and commercial. The residential portion will include a 9% Low Income Housing Tax Credit (LIHTC) project and two 4% LIHTC projects. The physical structure of Building #2 will contain a 2-story podium comprised of 1 floor of community serving commercial space and 1 floor of affordable rental housing. An additional 5 stories of affordable rental housing will be built above the podium, resulting in 6 total stories of affordable rental housing. Amenities for the residential portion of the building include a lobby, club and event rooms, a bike room and tenant storage, and an outdoor terrace area on the third floor.

The Environmental Assessment for the Project was completed in July 2023 and the Authorization to Use Grant Funds was issued August 13, 2023. The Environmental Assessment included the Section 108 loan as one of the sources of funding for the Project.

Overall Project Funding

The project is being developed in four phases. Phase 0, the sitework phase, began construction in September 2023. In 2021, Housing Alexandria was awarded a $16.8 million grant from Virginia Housing (VH) to assist with a portion of the costs related to planning, financing, acquisition, site work and construction of Phase 0. HALX and VH have executed this grant agreement, and all funds have been disbursed. Phases I and II are the construction of Building #1. Funding for Building #1 consists of one competitive (9%) and two non-competitive (4%) LIHTC allocations. Construction of Building #1 began in November 2024 after the Project was awarded a 9% allocation for Phase I (in June 2022). Building #2 is currently anticipated to be funded as a 4% LIHTC development, with an application submitted on January 15, 2026, and construction scheduled to begin in July 2026, subject to funding availability. Section 108 funds will be used to acquire the parcels necessary for the construction of Building #2 along with a portion of the podium for Building #1 which will be used for the parking needed for Building #2. Collectively, HALX anticipates attracting approximately $117 million in tax credit equity for the project. The total cost of the Project is projected to be $315 million.

The City of Alexandria's City Council has reviewed and provided its commitment to the Sansé/Naja Project by committing $78 million for the Project (including these Section 108 funds) and by providing development approvals in February 2022. The funding comes from the City's Housing Opportunity Fund, which is comprised of funds from the local meals tax and federal HOME funds; the City's Housing Trust Fund, which is paid into by market-rate developers in exchange for density bonuses; local capital funds; and dedicated revenue from the penny tax on real estate transactions.

In addition to the Housing Opportunities Fund (HOF) loan, City Council approved the transfer to the developer of a city-owned parcel valued at $1.725 million, as well as a grant to enhance deep affordability in 10% of the rental units. The State has also shown its support through allocations of $17.5 million, through a combination of a VHDA Reach funds grant, both 9% and 4% LIHTC awards, and tax-exempt bond financing. Amazon is providing $14 million in financing through its Housing Equity fund.

An additional request of $4.0 million will be reviewed by the City of Alexandria's City Council in 2026 to fund the remainder of Building 2.

Portion of the overall project to use the Section 108 funds

1. *4% LIHTC portion of second building (Naja):* A second building on the site includes 79 rental apartments and a community service facility on the first floor.

	40% AMI	50% AMI	60% AMI	80% AMI	
Studio					
1BR	9	0	16	8	33
2BR	8	0	15	8	31
3BR	4	0	8	3	15
Total	21	0	39	19	79

Proposed construction schedule for Naja as follows:

Apply for Debt from VH	May 15, 2026
Section 108 and Loan closing	October 31, 2026
Receipt of building permits	June 26, 2026
Construction finance closings	October 31, 2026
Construction completion	January 27, 2028
Stabilization	May 31, 2028

The Project is being developed by Housing Alexandria (HALX), a Community Housing Development Organization which has worked in Alexandria for twenty years. They have a proven track record of developing, rehabilitating, purchasing, and managing affordable housing in the city and have developed multiple award-winning affordable housing projects.

Phase III Combined – 4% and Community Service Facility

Sources			Uses		
Equity			**Development Costs**		
Tax Credit Equity (4%)		28,349,862	Acquisition		5,311,096
			Architecture & Engineering		1,752,453
			Legal		423,477
Debt			Fees, Permits & Utilities		1,376,187
First Trust Debt - LIHTC		12,918,461	Other/Miscellaneous		2,444,967
First Trust Debt - Commercial		2,066,445	Financing Costs		4,268,378
			Reserves		791,181
			Construction Costs		
Soft Financing			Base Building		42,681,022
City Land Value		1,725,000	Fit Out		400,000
City HOF (Phase 0)		20,592,178	Developer Fee		4,350,000
VHTF / NHTF		2,000,000	Phase 0		
HIEE		2,000,000	Phase 0 Soft Costs		3,543,133
CDBG		5,311,096	Phase 0 Hard Cost		13,462,949
City Action #4		4,000,000			
Deferred Developer Fee		1,841,803			
Total Sources	**$**	**80,804,844**	**Total Uses**	**$**	**80,804,844**
			Surplus/(Deficit)		0.0
Total Permanent Debt	$	33,247,080	Residential		
Total Annual Debt Service		N/A	Total Cost / Unit		1,022,846
Terms (Years)		N/A	Hard Cost / Unit		545,329
Interest Rate		N/A	Soft Cost / Unit		477,517

Form of Assistance

Specifically, the Section 108 Loan Funds will be used for the Building #2 (Naja) portion of the Project which will provide 79 units and has total land acquisition cost of $5,311,096. The City of Alexandria will loan the Section 108 loan proceeds to Housing Alexandria, which will in turn loan the funds to the project to cover the acquisition costs. A full budget is included for Naja above.

The City of Alexandria is still working with HALX to finalize all underwriting details on Naja, such as the interest rate of the loan and financing closings. The CDBG loan will be secured by a deed of trust subordinated to the senior financing and a seller note and will be repayable from the Project's residual receipts/cash flow that would be due to the City of Alexandria. The City will pledge its current and future CDBG grant as collateral for repayment of the loan.

Description of Compliance with Eligible Activities and National Objectives

The Section 108 funds will be used for acquisition of real property (24 CFR 570.703(a)) and will meet the national objective of benefiting low- and moderate-income households by providing housing affordable to those households (24 CFR 570.208(a)(3)). The fund will be used as acquisition funds and added to the capital stack by the respective LIHTC partnership to develop housing for 100% low- or moderate-income residents.

The national objective of LMH will be met when the project is completed, and all households have entered leases for their units. All households in the project will be of low- or moderate-income; the project exclusively serves households at 80% AMI and below. Attachment 2 contains the full unit breakdown by AMI.

One hundred percent of Alexandria's entitlement funds are used to benefit low- and moderate- income residents. The receipt of Section 108 loan guarantee funds will not affect the distribution of CDBG expenditures among the national objectives.

Information on Organizational Arrangements

City of Alexandria: The City of Alexandria is a unit of general local government that has been a CDBG entitlement community since 1974 and has used its federal CDBG and HOME funds as well as its local Housing Opportunities Fund (HOF) to support affordable housing since the inception of the CDBG program.

Housing Alexandria is a nonprofit affordable housing developed that was founded in 2004 and is recognized throughout the city as a critical provider of affordable housing. HALX has grown from a small non-profit developer into a full-service organization with low- and mixed-income rental housing communities across the city and has delivered its first homeownership units in early 2026. They have been a long-time partner with the City of Alexandria to create and sustain affordable housing and are the city's only Community Housing Development Organization.

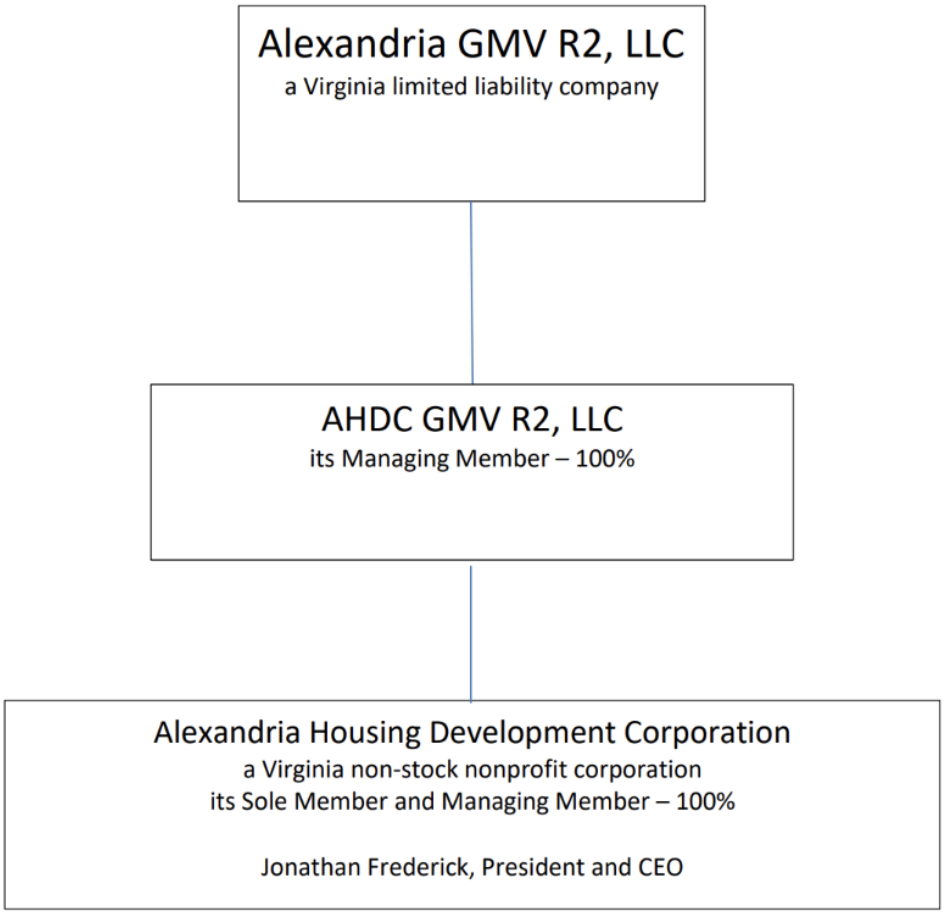
Ownership information

Housing Alexandria established a wholly owned subsidiary (AHDC Glebe Mt. Vernon, LLC) to complete Phase 0 of the project, which includes acquisition, subdivision, condo formation, and the construction of a parking garage and site work. AHDC Glebe Mt. Vernon has completed the acquisition (from the private landowner), subdivision, and condominium formation and is in the process of constructing the parking structure and site work. As part of the transaction scheduled for July of this year, Alexandria GMV R2, LLC (tax credit partnership entity) will purchase the land and development rights associated with Building #2 of the project (air condo units R2-t and C2-t and parking condos R2-p and C2-p) from AHDC Glebe Mt. Vernon, LLC. Housing Alexandria, a 501(c)3 nonprofit, acting as the subrecipient for the City, will receive the CDBG 108 funds from the City of Alexandria and will use those funds to secure acquisition needed to complete the affordable housing project by selling it in exchange for a note, ROFR, and Deed of Trust and convey it to the City. Alexandria GMV R2, LLC will then

complete the LIHTC project described in the application and become the wholly owned subsidiary.

OWNERSHIP CHART
Alexandria GMV R2, LLC

Pre Investor



Information for Financial Underwriting

Throughout the review process from pre-development to now, Housing Alexandria, Virginia Housing, LIHTC Investors and City staff have been reviewing proformas and feasibility studies. All City funds have been or will be applied for through the City's Housing Opportunities Fund application process as outline at https://www.alexandriava.gov/housing-services/developer-resources.

HOF guidelines review areas such as project feasibility and readiness, borrower experience and management capacity, project financial analysis, borrower financial capacity and creditworthiness as well as collateral and loan repayment guarantees have been underwritten for the project- initiated construction phases. The Building #2 structure is expected to have a loan to cost of 25% based on must pay loans (first and second trusts, and CDBG Section 108 loan) against the total project cost for Naja.

The City has a dedicated Asset Manager position to service and monitor loans for long-term compliance and it intends to use this capacity to service and monitor the Section 108 loan guarantee funds. All information pertinent to sources and uses regarding loan proceeds, local funds and other committed sources of project financing are detailed in the attached proforma cash flow analysis.

Information on other proposed and committed sources of project financing

Alexandria GMV R2 is a LIHTC project that will have a senior permanent loan with Virginia Housing, and LIHTC equity. The senior permanent loan with Virginia Housing will be in the amount of $14,984,906 with LIHTC equity at $28,349,862. Alexandria GMV R2 will also apply for $4,000,000 in combined funding from the Virginia Housing Trust Fund and Housing Innovations in Energy Efficiency funds, with an anticipated award in the first quarter of 2027.

Information on estimated revenue and operating expenses:

Income & Operating Expenses		
	Yr 1 Stabilized	
Revenue		
Potential Gross Income		1,779,528
Less: Vacancy Allowance		-88,976
Effective Gross Income		**1,690,552**
Other Income	-	
Total Income		**1,690,552**
Operating Expenses		
Administration		166,020
Payroll		138,764
Utilities		79,928
Supplies & Services		91,930
Maintenance		65,609
Taxes, Insurance & Escrows		224,624
Total Operating Expenses		**766,874**
Replacement Reserves		23,700
Net Operating Income		**899,977**
DSCR		**1.15**
OpEx per unit (incl RR)		**10,007**

Proposed collateral for the Section 108 guaranteed financing (in addition to the primary pledge of CDBG funds):

The CDBG loan will be secured by a deed of trust subordinated to the senior financing and repayable from the respective project's residual receipts/cash flow. Proposed Repayment Schedule

The Section 108 loan will be repaid $642,000 in the first 3 years, then Principal and interest in year 4- 20 in an amount of $432,000 annually. The following analysis uses a 4.023% interest rate, as was advertised for 01/20/2026, on the HUD Section 108 Loan Guarantee Program's Rates and Fees webpage.

Information on estimated proposed repayment schedule:

See pro forma loan amortization below.

	Loan Summary
Mortgage Amount:	$5,311,096.00
Annual Payment:	$432,000.00 for 20 payments
Interest	4.023 T-Bill variable rate
Interest Only Terms:	3 years
Total Terms:	20 years
Total # Of Payments:	20
Start Date:	Year 1
Payoff Date:	Year 20

3-YEAR INTEREST ONLY PERIOD AMORTIZATION SCHEDULE

Year Payment Num	Total Payments	Principal Paid	Interest Paid	Principal Balance
				$5,311,096.00
1	$214,000.00	$0.00	$214,000.00	$5,311,000.00
2	$214,000.00	$0.00	$214,000.00	$5,311,000.00
3	$214,000.00	$0.00	$214,000.00	$5,311,000.00
4	$432,000.00	$222,000.00	$210,000.00	$5,089,000.00
5	$432,000.00	$231,000.00	$200,000.00	$4,858,000.00
6	$432,000.00	$241,000.00	$191,000.00	$4,617,000.00
7	$432,000.00	$251,000.00	$181,000.00	$4,366,000.00
8	$432,000.00	$261,000.00	$171,000.00	$4,105,000.00
9	$432,000.00	$272,000.00	$160,000.00	$3,833,000.00
10	$432,000.00	$283,000.00	$149,000.00	$3,551,000.00
11	$432,000.00	$294,000.00	$137,000.00	$3,256,000.00
12	$432,000.00	$306,000.00	$125,000.00	$2,950,000.00
13	$432,000.00	$319,000.00	$113,000.00	$2,631,000.00
14	$432,000.00	$332,000.00	$100,000.00	$2,299,000.00
15	$432,000.00	$346,000.00	$86,000.00	$1,953,000.00
16	$432,000.00	$360,000.00	$72,000.00	$1,593,000.00
17	$432,000.00	$375,000.00	$57,000.00	$1,218,000.00
18	$432,000.00	$390,000.00	$42,000.00	$829,000.00
19	$432,000.00	$406,000.00	$26,000.00	$423,000.00
20	$432,000.00	$423,000.00	$9,000.00	$0.00
	$7,986,000.00	**$5,312,000.00**	**$2,671,000.00**	

Expected Source of Repayment and Loan Fee

The loan will be repaid through a combination of future CDBG entitlements, city dedicated revenue for affordable housing and residual receipts cash flow from the project. The City of Alexandria currently receives $1.1m annually in CDBG entitlements, $6.6m annually from a 1% meals tax dedicated to affordable housing and $4.7m annually from one penny on the property taxes rate for affordable housing. From these sources the City will pay the Section 108 interest and principal until the property begins to generate cash flow. The property's residual receipts will initially contribute ~$135k to the Section 108 repayments and will grow to over $400k annually by year 20.

Statutory and Proposed Additional Security

The CDBG loan will be secured by a deed of trust subordinated to the senior financing and repayable from the respective project's residual receipts/cash flow.

Contact Information

Local Point of Contact:	Aspasia Xypolia Deputy Director, Office of Housing aspasia.xypolia@alexandria.gov
Field/Regional Office Point of Contact:	Shaina Gaines, Senior CPD Representative Shaina.Gaines@hud.gov
Congressional District and Delegation:	Virginia 8th Congressional District Rep. Don Beyer

The Draft Application will be made available for public review and comment for a 30-day period from February 23- March 25, 2026. Comments can be submitted in the following ways:

- Via email to Aspasia Xypolia, Deputy Director, Office of Housing, aspasia.xypolia@alexandria.gov

- Via postal mail to Office of Housing, 421 King St., Suite 215, Alexandria, VA 22314

- Verbally at a public hearing at the Alexandria Housing Affordability Advisory Committee meeting on Thursday, March 5th at 7 p.m. Further information is available alexandriava.gov/Housing

Certifications

Certifications are attached.

Appendix 1

1. *Second building (Naja):* A 4% LIHTC building on the site that includes 79 rental apartments and a community service facility on the first floor. Amenities for the residential portion of the building include a lobby, club and event rooms, and an outdoor terrace area on the third floor and 129 parking spots in the underground garage reserved for this building.

	40% AMI	50% AMI	60% AMI	80% AMI	Total
Studio					
1BR	9	0	16	8	33
2BR	8	0	15	8	31
3BR	4	0	8	3	15
Total	21	0	39	19	79

2. *First building (Sansé):* A combination 4% and 9% LIHTC project that includes 250 underground parking spaces and 3 above-ground parking spaces, and 416 rental apartments of the following unit and affordability mix:

	40% AMI	50% AMI	60% AMI	80% AMI	Total
Studio					
1BR	50	8	88	43	189
2BR	55	19	56	45	175
3BR	0	11	41	0	52
Total	105	38	185	88	416

Appendix 2

2025 LIHTC Rent and Income Limits

HUD Designated Median Income $163,900.00

%AMI	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
40%	$45,920	$52,480	$59,040	$65,560	$70,840	$76,080	$81,320	$86,560
50%	$57,400	$65,600	$73,800	$81,950	$88,550	$95,100	$101,650	$108,200
55%	$63,140	$72,160	$81,180	$90,145	$97,405	$104,610	$111,815	$119,020
60%	$68,880	$78,720	$88,560	$98,340	$106,260	$114,120	$121,980	$129,840
80%	$91,840	$104,960	$118,080	$131,120	$141,680	$152,160	$162,640	$173,120
Source: HUD; Office of Housing								

2025 Restricted Gross Monthly Rent Limits (Excluding Utilities)

AMI	**Efficiency**	**1BR**	**2BR**	**3BR**	**4BR**
40%	$ 1,148	$ 1,230	$ 1,476	$ 1,705	$ 2,853
50%	$ 1,435	$ 1,537	$ 1,845	$ 2,131	$ 2,377
55%	$ 1,578	$ 1,691	$ 2,029	$ 2,344	$ 2,615
60%	$ 1,722	$ 1,845	$ 2,214	$ 2,557	$ 2,853
80%	$ 2,296	$ 2,460	$ 2,952	$ 3,410	$ 3,804
Source: HUD; Office of Housing					