ALEXANDRIA HOUSING AFFORDABILITY ADVISORY COMMITTEE
DATE: FEBRUARY 2, 2017
LOCATION: ROOM 2000 - CITY HALL

AGENDA

1.	Introductions and Chair remarks (Chair)	7:00 p.m.
2.	Consideration of January 5, 2016 meeting minutes (Chair) *Action Requested: Review and Approve Minutes*	7:10 p.m.
3.	Amendment to Tenant Assistance and Relocation Policy and Report on Committed Affordable Units in Southern Towers (Caridad Palerm) *Action Requested: Review and Endorse Amendment*	7:15 p.m.
4.	Ramsey Homes Loan Increase Request (Helen McIlvaine/Roy Priest) *Action Requested: Review and Vote on Loan Increase Request*	7:35 p.m.
5.	Lacey Court Refinancing Request (Helen McIlvaine/Jon Frederick) *Action Requested: Review and Vote on Refinancing Request*	7:50 p.m.
6.	Amendment to Section 7-700 (Tamara Jovovic) *Action Requested: Review and Endorse Amendment*	8:10 p.m.
7.	North Potomac Yard Update (Jon Frederick)	8:20 p.m.
8.	Alexandria Redevelopment and Housing Authority Update (Carter Flemming)	8:25 p.m.
9.	Alexandria Housing Development Corporation Update (Jon Frederick)	8:30 p.m.
10.	Information Items: Financial Reports (Eric Keeler) Housing Master Plan Progress Report (Tamara Jovovic)	8:35 p.m.
11.	Staff Updates	8:45 p.m.
12.	Announcements and Upcoming Housing Meetings (Staff) <u>North Potomac Yard Small Area Plan Update</u> Advisory Group Meeting, January 31, 2017, 7:00-9:00 p.m., Charles Houston Recreation Center, 901 Wythe Street Advisory Group Meeting, February 21, 2017, 7:00-9:00 p.m., Charles Houston Recreation Center, 901 Wythe Street	8:50 p.m.
13.	Other Discussion Topics of interest for future meetings	8:55 p.m.
	Adjournment (Chair)	9:00 p.m.

City of Alexandria, Virginia

AFFORDABLE HOUSING ADVISORY COMMITTEE MINUTES

City Hall Room 2000 | January 5, 2017

	Members Present	Members Absent	Staff
1	Michael Butler (m)		Tamara Jovovic, Housing Analyst
2	Katharine Dixon (m)		Eric Keeler, Division Chief
3	Carter Flemming		
4	Jon Frederick (m)		
5	Stephen Hales		
6	Bill Harris		
7	Robyn Konkel, Chair		
8	Michelle Krocker		
9	Jessica Lurz*		
10	Helen McIlvaine*		
11		Joe Ouellette	
12	Peter-Anthony Pappas		
13	Mary Parker (m)		
14	Yasin Seddiq		
15	Nechelle Terrell		
16	Eric Weiss		
17		Marian Wiggins (excused)	
18	Paul Zurawski		
19	vacant		
20	vacant		
21	vacant		
	Guests	Affiliation	
1	Roy Priest	ARHA	
2	Betsy Faga	Church of the Resurrection	
3	Kat Turner	Church of the Resurrection	
4	Alan Goldstein	AHC	
5	Haley Norris	AHC	
6	Dan Brendel	Alexandria Gazette	

*non-voting
(m) – took minutes during fiscal year

The meeting was called to order at 7:00 pm. Michael Butler volunteered to take minutes.

1. **Chair Remarks (Chair)**
   R. Konkyl asked the Committee to brainstorm ways in which the City's Boards and Commissions could collectively advocate. Members noted ongoing

collaboration among commissions, writing letters to council, submitting comments on the Strategic Plan, participating in small area plan updates, circulating existing publications, preparing op-ed pieces, and briefing councilmembers. Dan Brendel suggested conducting future committee meetings off-site, for example at local churches.

2. **Consideration of December 1, 2016 Minutes (Chair)**
   C. Flemming made a motion to approve the December minutes; K. Dixon seconded the motion. The minutes were approved with four abstentions by P-A Pappas, N. Terrell, R. Konkel, and M. Krocker.

3. **Update on Church of the Resurrection Affordable Housing Project (Helen McIlvaine/Alan Goldstein)**
   Alan Goldstein, Director of Multifamily Housing at AHC, provided an update on the Church of the Resurrection affordable housing project. He discussed the evolution of the project's design and structure noting that a Concept 1 application would be submitted shortly for review followed by a predevelopment loan request. H. McIlvaine indicated that it was anticipated that the project would be the City's tax credit project for 2018.

4. **Update on Rental Subsidy Program for Carpenter's Shelter (Helen McIlvaine)**
   H. McIlvaine noted that up to $250,000 from the Housing Trust Fund would be dedicated to support rental subsidies for five units deepening their level of affordability to serve households earning 30% AMI. Providing a local rental subsidy will also enhance the competitiveness of the project's LIHTC application. Staff is working closely with the Department of Community and Human Services to determine how the subsidies will be allocated and managed.

5. **Housing Master Plan Tools Update (Helen McIlvaine)**
   Staff circulated a progress report on the implementation of the Housing Master Plan tools for the Committee's review. J. Frederick underscored the importance of tools that incentivize affordable housing production and preservation without the use of City dollars, including predevelopment funding, parking reductions for affordable housing, and parking reductions for substantial renovations.

   Discussion ensued over the potential for accessory dwelling units to help increase the City's affordable housing stock. Staff committed to inviting a speaker from Arlington County to discuss the County's experience passing regulatory changes to allow for such units.

   M. Butler noted the importance of loan consortiums and tax abatement as ways to diversify financing and reduce tax burdens for affordable projects. M. Krocker highlighted the link between public health and housing and the opportunity for partnerships with organizations such as INOVA. J. Frederick encouraged the City to reconsider developer fee relief.

6. **Alexandria Redevelopment and Housing Authority Update (Roy Priest)**
   R. Priest briefed the Committee on the Andrew Adkins redevelopment project; the project conducted its first community open house in December and had

submitted a Concept 1 application for review. R. Priest also provided an update on Ramsey Homes, Ladrey, and the Old Town North Small Area Plan Update.

7. **Alexandria Housing Development Corporation Update (Jon Frederick)**
   J. Frederick informed the Committee that the Carpenter's Shelter redevelopment project had been approved by Council in December. AHDC is continuing to work on its strategic plan. The Gateway at King and Beauregard is under construction.

8. **Staff Updates (Helen McIlvaine)**
   H. McIlvaine encouraged Committee members to attend the following upcoming events:
   - January 12, 5:30 pm, City Hall, Council Work Room—ARHA Redevelopment Work Group
   - January 17, 6:30 pm—Boards and Commissions Training (one additional member was encouraged to attend along with the Chair)
   - January 23, 1:30, City Hall, Sister Cities Room—Panel discussion on universal design with Commission on Aging and Commission on Persons with Disabilities

9. **Other Discussion**
   Committee members expressed interest in learning about future changes to HUD funding and programs.

The meeting adjourned 8:59 pm.

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 26, 2017

TO: THE ALEXANDRIA HOUSING AFFORDABILITY ADVISORY COMMITTEE (AHAAC)

FROM: HELEN S. McILVAINE, DIRECTOR, OFFICE OF HOUSING

SUBJECT: PROPOSAL TO AMEND THE BEAUREGARD TENANT ASSISTANCE AND RELOCATION POLICY TO ALLOW THE COMMITTED AFFORDABLE UNITS AT SOUTHERN TOWERS TO BE MARKETED GENERALLY TO INCOME ELIGIBLE HOUSEHOLDS

Attached is a report from Housing's Beauregard Relocation Advisor, Caridad Palerm, regarding the City's ongoing efforts to refer Beauregard residents to the committed affordable units available at Southern Towers for the 10-year period through December 2027. Cari will be presenting her report to AHAAC at the February 2 meeting.

Due to limited demand for these units from Beauregard tenant households so far, staff is proposing that the Tenant Assistance and Relocation Policy (TARP) be administratively amended so that this affordable housing resource can be offered to all income-eligible persons seeking housing affordability. The City's agreement with Southern Towers allows the change and representatives of the property are amenable to such a change.

City Council has designated AHAAC and the Landlord Tenant Relations Board (LTRB) to advise staff regarding potential amendments to the TARP. The proposed amendment is being presented to the LTRB on February 1, so Cari can share their discussion with you during our meeting. If both groups endorse the amendment, City Council will be notified per their September 2014 guidance regarding future changes to the TARP.

OFFICE OF HOUSING
LANDLORD/TENANT RELATIONS DIVISION

421 King Street, Suite 200
Alexandria, Virginia 22314
Caridad.palerm@alexandriava.gov

Voice: (703) 746-4990
Fax: (703) 838-4309

January 25, 2017

Southern Towers Committed Affordable Units Report and Tenant Assistance and Relocation Policy

In 2012 the Beauregard Small Area Plan established a goal and funding plan to create or preserve 800 affordable rental units with rents affordable at 40% to 75% of the Area Median Income level. Affordability terms for these units are planned to be 40+ years, except for 10-year units at Southern Towers. Residents of future committed affordable and workforce units must qualify as "income eligible," and both the tenant income certifications and the lease agreements will be monitored by Housing to ensure compliance based on specific conditions incorporated during the development review phase.

<u>The Committed Affordable Units at Southern Towers</u>

An Agreement between the City of Alexandria and Southern Towers was signed on August 31, 2015. This Agreement provides 105 Committed Affordable Units with rents at 55% and 60% AMI to be available at Southern Towers for tenants from the Beauregard CAU waitlist, and/or from the general public. These units are at 55% and at 60% AMI. Based on AHAAC's recommendation, following a review of options offered by Southern Towers, the units/rents being provided are as follows:

- 56 Efficiency units – affordable at 55% AMI (rent at $1,045)
- 44 One-Bedroom units – affordable at 60% AMI (rent at $1,222)
- 4 Two-Bedroom units – affordable at 60% AMI (rent at $1,466)
- 1 Three-Bedroom unit - affordable at 60% AMI (rent at $1,694)

The agreement also stipulates that the rent includes utilities and the units will be affordable for 10 years, with that period tolled beginning in December 2017; the affordability period for all 105 units will end on December 31, 2027.

These affordable units at Southern Towers were planned to address some of the relocation needs of the first households that would be displaced when Beauregard redevelopment started (Seminary Hills was initially anticipated to start soon after the Plan was approved). Since the project has been delayed so far, the units have been offered to qualifying tenants on the waitlist that are not currently experiencing displacement but who wish to use this opportunity to have their housing situation stabilized for the next 10 years. Despite ongoing outreach and regular meetings with Beauregard area tenants as outlined below, currently only eight of the Southern Towers units are occupied or scheduled to be occupied in the near future.

Outreach Activities Completed

Completed/In Progress Activities

Activity	Date completed
Creation of CAU Pre-Qualification Application, Cover Letter, FAQ (In English and Spanish)	January - November 2014
Mailing of 2,550 CAU Pre-qualification Applications	November 2014
Create Waitlist Database	December 2014
Newspaper notifications for tenants who moved out (Washington Post and El Tiempo)	December 2014
Create abbreviated version pre-qualification application (can be sent by text or email)	April 2015
Door Knocking Campaign (2, 254 doors knocked) – Invitations to meeting and information posted on every building	April – July 2015, August 2015, November 2015, July 2016, January 2017
Meeting with Tenants /Community	November 2015 - June 2015 – July 2016 – January 2017
Received CAU Pre-applications and send receipt letters	Continuous
Update waitlist	Continuous
On- going communication with tenants via email, text and letters	Continuous

CAU Complete Pre-applications Received	430
Doors Knocked in the Community	2,254
One on one contact- meetings, appointments, on-site visits and phone calls	700
Community/Tenant Meetings	7

Staff believes that some of the residents who have responded are motivated by the likely housing affordability challenges they know they will face if/when displaced. The slowdown in the anticipated pace of redevelopment/demolition and the relatively static rents in Beauregard (moderated due to the new rental supply still being absorbed in Potomac Yard and elsewhere in the City) have depressed the expected response rates.

In August and September of 2016 the Office of Housing mailed more than 1,500 letters to Beauregard Area tenants with information about the Southern Towers Committed Affordable Units. Phone calls have been placed and emails sent to all the tenants in the waitlist that meet the Southern Towers criteria to let them know about the available units in Southern Towers.

Committed Affordable Units at Southern Towers and Challenges

Southern Towers may perform credit and rental history screening on residents that have not been certified as pre-approved or in good standing. The certification from the Participating Developer (JBG) only waive the credit and rental history screening if the certification is for prior rental rates of an equal or greater rental rate than the Southern Towers unit being leased (including utilities). When screening is required, Southern Towers may charge the household the actual cost of the screening.

Among the fees new tenants are facing are: Move-in Fee of $300, an Application fee of $65 and Renters Insurance of $100,000 minimum liability ($146 per year, payable in installments of $12 a month). Security deposits for units run from $100 to $400 depending on credit history.

As of January 2017, only 4 units have been rented (and 4 more are expected to be rented this month). Three are 1-BR units and one is a 2-Bedroom unit. All the tenants referred met the Southern Towers criteria and all 4 are Priority One tenants (who have been living in Beauregard since before 2012). A number of issues described below related to income, timing, occupancy requirements and lack of enough incentives have prevented more interest in these units from the Beauregard households.

The Beauregard CAU waitlist has 430 households. Most of the units in the Southern Towers CAU program are efficiencies (55) or 1 BR (46) units, however only 98 households of 1 or 2 people have indicated interest in moving to a Southern Towers unit. Qualification is further limited by the requirement that the tenant must be paying more or the same amount of rent that they will pay for the Southern Towers unit. Most of the current residents in Beauregard pay about the same rent or less than what they will pay at Southern Towers and many are not willing to go to the inconvenience of moving from a long time home if they are not experiencing displacement any time soon and they will lose the opportunity to get another committed affordable unit in the future. Also, tenants who move to a 10-year affordable unit in Southern Towers are removed permanently from the waitlist. Other issues include:

a. **Strict occupancy requirement.** Until recently the occupancy requirements at Southern Towers limited the One-bedroom units and some Efficiency units to two people households. Due to a change in management, three person households are now allowed in one bedroom units and in the larger efficiencies. This may induce more households to consider Southern Towers.
b. **Some households of 2 people are currently residing in a 1 and Den or 2 BR unit** and they would like to keep the same apartment size. These are households with two adults (not a couple) or one adult and a child who aren't appropriate for the "right-sizing" envisioned in the Plan.
c. **Their current rent is less** and they don't qualify.
d. **No sense of urgency**, as the tenants are not facing relocation/displacement, they just don't want to go through the inconveniences of moving to a unit that is not substantially subsidized. They prefer to wait for better opportunities in the future.
e. **Expectations, when receiving a phone call from the City's Office of Housing are that they will be moving to a unit where they will pay not more than 30% of their income in rent.**
f. **Rumors about maintenance and construction issues in Southern Towers**. Southern Towers is currently under renovations like replacing windows and renovating balconies and this activity and related inconvenience makes it unappealing.
g. **The units in Southern Towers are generally smaller** than the Beauregard Area Plan units.

h. **Residents don't want to lose the opportunity to get a more affordable apartment in the future** as they know that if they take a Southern Towers Unit they will be removed from the waiting list.

i. **Timing and coordination.** They may feel that is the right opportunity for them at a certain moment but they have a lease agreement with JBG. When the time comes for them to make the move – the apartment may not be available or the personal/family circumstances may not be ideal for a move.

j. **Cost.** Having to pay $300 in moving-fees, the renter's insurance and the deposit.

The tenants from the waitlist have learned, through our outreach process that 50% of the 800 committed affordable units that will be available in the Beauregard Area over the next 30 years will be affordable for tenants at the 40% AMI.

Next Steps and Recommendations

With the recent changes in the occupancy requirements at Southern Towers we will continue our outreach and marketing process for the Southern Towers units among residents of Beauregard. The change in occupancy standards has resulted in households eligible to occupy the 3-bedroom unit (a 7-person household can move to this unit in the next three months) and the remaining 2-bedroom unit can be occupied by a 5-person household.

TARP Amendment

However, to make sure that the City maximizes the use of all affordable housing resources available, staff believes that an administrative amendment to the Tenant Assistance and Relocation Policy is appropriate to allow the Southern Towers Units to be marketed to other income eligible households. When/if vacancies might occur in the future, the units would be offered first, again, to eligible Beauregard Tenants. The Agreement with Southern Towers allows such a change, and City Council has endorsed administrative amendments to the Tenant Assistance and Relocation Policy, when/as necessary, subject to "consultation with Participating Developers, CAU applicants from the plan area, the Landlord Tenant Relations Board and the Affordable Housing Advisory Committee, subject to notification to the City Council."

Current language	**Proposed language**
Priority and Referral to CAUs The coordinator will work with designated City staff in placing priority Households in available CAU's in the order of priority. Points will be assigned (as set forth above) to determine the priority order for relocating residents to a CAU. For each unit size, Households with identical points values will be determined by lottery. If a CAU that meets a Household's need is available, the Household will be relocated to the CAU. If no CAU is available, the Household will be referred to a Comparable Unit and remain or	**Priority and Referral to CAUs** The coordinator will work with designated City staff in placing priority Households in available CAU's in the order of priority. Points will be assigned (as set forth above) to determine the priority order for relocating residents to a CAU. For each unit size, Households with identical points values will be determined by lottery. If a CAU that meets a Household's need is available, the Household will be relocated to the CAU. If no CAU is available, the Household will be referred to a Comparable Unit and remain or

be placed on a waitlist for a future CAU if and when a suitable one (i.e., size, affordability level) becomes available.	be placed on a waitlist for a future CAU if and when a suitable one (i.e., size, affordability level) becomes available. ***If at any time there is not sufficient demand for the Committed Affordable Units available from residents displaced or expected to be displaced by demolition in the Beauregard Plan Area or, when current rental agreements prevent the non-displaced tenants on the waitlist to move to an available affordable unit, other income eligible residents from the waitlist and from the City at large may be referred to the available Committed Affordable Unit.***

The tenants on the waitlist and the Participating developers have been consulted about this proposed amendment and agree that a change is appropriate. The proposed amendment will be considered by The Landlord Tenant Relations Board on February 1, and by the Housing Affordability Advisory Committee on February 2.

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 26, 2017

TO: THE ALEXANDRIA HOUSING AFFORDABILITY ADVISORY COMMITTEE (AHAAC)

FROM: HELEN S. MCILVAINE, DIRECTOR

SUBJECT: CONSIDERATION OF A REQUEST FROM THE ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY (ARHA) TO INCREASE THE AMOUNT OF THE CITY LOAN FOR THE REDEVELOPMENT OF RAMSEY HOMES FROM $1.1 MILLION TO $2 MILLION

ISSUE: Consideration of an increase in the approved City loan amount to be provided to the Alexandria Redevelopment and Housing Authority (ARHA) for the Ramsey Homes redevelopment from of "up to $1.1 million" to $2 million (Attachment 1).

RECOMMENDATION: That AHAAC recommend that City Council approve a permanent loan to ARHA of up to $2,000,000 for redevelopment of Ramsey Homes which is to be funded from proceeds of ARHA's future repayment of the City's 2008 Glebe Park loan.

BACKGROUND: In November 2016, with AHAAC's support, City Council approved a loan of up to $1.1 million to pay for offsite infrastructure improvements and other amenities required for the proposed redevelopment of the existing 15-unit Ramsey Homes public housing development into a 52-unit mixed income community (Attachment 2).

ARHA's request cites several factors that have increased the potential project costs over the past few months, including increased construction costs and changes in the pricing of tax credits which will lower the equity ARHA expects to raise. Changes in tax credit prices paid by investors are widely anticipated due to proposed changes to the corporate tax rate. Although these are not recent developments, ARHA also cites costs related to delays in the project's approval and its related ability to apply for tax credits, as well as a change to VHDA's scoring system which provides additional points for housing authority-sponsored projects that use a financing structure being promoted by HUD to redevelop public housing.

DISCUSSION: Besides the additional $900,000 in funds being requested from the City, ARHA is also investing proceeds it controls from the James Bland project to offset the anticipated shortfall. ARHA's letter and proforma indicate that it expects to provide $1,370,309 which will help it maximize points for local support.

ARHA reports that its revised disposition application for James Bland has been approved by HUD, including ARHA's request that sales proceeds from Old Town Commons be used to repay the City loan. ARHA believes that the actual repayment may be delayed by the ongoing federal transition.

Staff has not yet reviewed ARHA's updated draft application for low income housing tax credits but hopes to before the AHAAC meeting so it can report on how ARHA's projections regarding tax credit equity have changed.

FISCAL IMPACT: The new request of up to $2 million will require an additional allocation of $900,000 of Housing Opportunities Fund dollars, contingent on ARHA's repayment of the City's Glebe Park loan.

ATTACHMENTS:

(1) ARHA Letter dated January 24, 2017
(2) City Council Docket item dated November 2, 2017

STAFF:

Eric Keeler, Division Chief, Program Administration, Office of Housing
Tamara Jovovic, Housing Analyst, Office of Housing

ARHA
BUILDING COMMUNITY PARTNERSHIPS

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

Roy O. Priest, *Chief Executive Officer*

January 24, 2017

Eric P. Keeler
Program Administrator
Division Chief
Office of Housing
421 King Street, Suite 200
Alexandria, VA 22314

RE: Housing Opportunities Loan (HOF) Application, REVISED January 24, 2017

Dear Mr. Keeler,

As you are aware, the Ramsey Homes project was originally forecasted to apply for funding in the 2016 Low Income Housing Tax Credit allocation round. Due to the need to further study preservation, the application was delayed to the 2017 round. Due to the delay and events related to same, we are requesting an increase in the City Loan from $1,100,000 to $2,000,000. The need for the increase was caused by the following changes in our project:

- Our costs have increased due to nation-wide increases in material and labor costs. Since our last update we have revised the hard costs to indicate adjustments in the land development costs; however, we do not have updated vertical cost pricing at this time. If there is a bright spot it would be that the designers have advanced the level of their plan documents to Schematic Design with an outline specification and we are scheduled within the next two weeks to meet with the designers and the Construction Manager in order to see what adjustments can be made to realign what we know will be an increase in the costs. With the advancement in the design relative to where it would normally be as of the date of a funding application we believe it can inform the cost analysis greatly. It is our goal to hold the current hard costs so that our application can remain competitive. Our soft costs have increased as a result of the protracted development process, despite the fact that the city absorbed the cost of the preservation related study period.

- Due to uncertainty caused by the recent election and the outcome of pending tax reform initiatives particularly, the price per credit we were previously offered by our syndicator has dropped significantly.

- Changes in the 2017 VHDA Qualified Allocation Plan specifically related to the scoring of Local Housing Authority projects that have HUD Rental Assistance Demonstration funding commitments has caused us to be at a 10 point deficit to other LHA project competing for the same limited funding. The only way to compensate for this is through efficiency points; reducing costs or increasing subsidy funding. There is no way to indicate this on a project Sources and Uses.

Please find enclosed updates to our Sources & Uses approved by Alexandria Housing Affordability Advisory Committee (AHAAC) initially on February 4, 2016 and again in September of 2016 in support of the above. Also note that ARHA is increasing its commitment to the project by $1,370,309. These funds would come from the surplus sales proceeds from James Bland, the same source as the repayment of the Glebe Park City Loan.

Please let us know if you have questions as you review this request. You may contact the COO for the Applicant, Connie Staudinger at 703-549-7115 ext. 164.

Thank you for your continued support of this project. We are excited that it will increase the availability of housing opportunities for low income households in the city.

Sincerely,

Roy Priest,
Executive Director and CEO

RAMSEY HOMES SOURCES AND USES

Last Updated 01-24-2017

USES		SOURCES	
Contractor Costs			
Unit Structures (New)	6,116,706	HUD Replacement Housing Funds	855,428
Structured Parking Garage	1,452,265	Equity	11,439,666
Land Development	1,468,602	ARHA Loan A	3,710,000
Off-Site Improvements	411,000	ARHA Loan B	1,370,309
Subtotal	9,448,573	City Loan	2,000,000
General Requirements	561,862	VHDA REACH Loan	100,000
Contractor Overhead	155,901		
Contractor Profit	508,317		
Hard Cost Contingency	472,429		
Subtotal	$11,147,082		
Financing Costs			
Construction Loan Origination Fee	119,258		
Construction Period Interest	96,000		
Capitalized Soft Debt Interest			
Permanent Loan Fees			
Closing Costs- Construction			
Closing Costs- Permanent			
Other Financing Costs			
Sub-Total	$215,258		
Soft Costs			
Building Permit Fees	5,000		
Architecture	668,605		
Site Engineering/Survey	245,075		
Construction/Developmt. Mgmt	2,880		
Structural/Mechanical Study	1,500		
Tap Fees	45,270		
EarthCraft/Leeds	18,000		
Environmental Study	9,290		
Soil Borings	9,960		
Traffic Engineer	2,835		
Land Use Attorney	175,120		
Land Development Bond	18,796		
Appraisal	17,000		
Market Study	7,000		
Legal (Tax and Real Estate)	200,000		
Title and Recording	26,000		
Insurance during construction	19,225		
Organization Costs	20,282		
Accounting	28,000		
Cost Certification	30,000		
Tax Credit Fees	90,124		
Relocation Assistance	37,500		
Fixtures, Furnishing & Equipment	150,000		
History Consultant	373,745		
HUD Disposition Fee	4,493		
Sundry	30,000		
Soft Cost Contingency	111,600		
Subtotal	$2,347,300		
Reserves			
Operating	200,163		
Replacement	15,600		
Subtotal	$215,763		
Developer Fees/Overhead	$1,840,000		
Acquisition Costs			
Land	3,710,000		
Building	0		
Subtotal	$3,710,000		
TOTAL USES	**$19,475,403**	**TOTAL SOURCES**	**$19,475,403**

File #:	16-5866	Name:	Ramsey Homes
Type:		Status:	Agenda Ready
File created:	11/3/2016	In control:	City Council Legislative Meeting
On agenda:	11/9/2016	Final action:	
Title:	Consideration of a Loan Request from the Alexandria Redevelopment and Housing Authority (ARHA) for the Redevelopment of Ramsey Homes and for Adoption of a Resolution Designating the Ramsey Homes Site a Revitalization Area Which Will be Considered for Council's Action Following Public Hearing on the Related Land Use Approvals.		
Attachments:	1. 16-5866 Ramsey Homes HOF Application.pdf, 2. 16-5866 2016 Income and Rents Limits (30 50 60 % AMI).pdf, 3. 16-5866 Ramsey Homes - Revitalization Area Resolution.pdf, 4. 16-5866 After Items		

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 2, 2016

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:
TITLE
Consideration of a Loan Request from the Alexandria Redevelopment and Housing Authority (ARHA) for the Redevelopment of Ramsey Homes and for Adoption of a Resolution Designating the Ramsey Homes Site a Revitalization Area Which Will be Considered for Council's Action Following Public Hearing on the Related Land Use Approvals.
BODY

ISSUE: Consideration of (1) a loan of up to $1.1 million to the Alexandria Redevelopment and Housing Authority (ARHA) to cover costs for certain elements of the Ramsey Homes redevelopment and (2) a resolution designating the Ramsey Homes site a revitalization area pursuant to the Virginia Code.

RECOMMENDATION: Contingent on land use approvals to be considered by City Council, that City Council on November 12:

(a) Approve a permanent loan to ARHA of up to $1,100,000 for redevelopment of Ramsey Homes which loan is to be funded from proceeds of ARHA's future repayment of the City's 2008 Glebe Park loan;

(b) Pass a resolution designating the Ramsey project site a revitalization area pursuant to Section 36-55.30:2.A of the Virginia Code; and

(c) Authorize the City Manager to execute documents related to the loan as well as those evidencing City support for ARHA's upcoming application for low income housing tax credits.

BACKGROUND: ARHA has requested a City loan of up to $1.1 million to support offsite infrastructure improvements required to enhance its application for land use approvals to enable the proposed redevelopment of the existing 15-unit Ramsey Homes public housing development into a mixed income community (Attachment 1). ARHA's proposal includes 15 new replacement housing units per Resolution 830 that are affordable to households with incomes up to 30% of the Area Median Income (AMI), including six that will be deeply subsidized with federal grant funds being dedicated to the project by ARHA, and 37 new units affordable to households at 50 and 60% AMI (Attachment 2). The units are consolidated in a single four-story multifamily building following guidance provided by City Council at its June 2016 hearing. The Alexandria Housing Affordability Advisory Committee recommended approval of the loan request at its October 6, 2016 meeting.

Among the improvements and amenities to be funded with the City loan are upgrades to the alley paralleling the site to reduce storm water runoff; sidewalk and crosswalk improvements; relocation of hydrants; and undergrounding of utilities. ARHA cannot finance these improvements within the anticipated funding package which is expected to be comprised of low income housing tax credit equity and a seller note from ARHA for the value of the site. It is noted that the City has provided grant funding totaling more than $200,000 for work by ARHA's consultants to study and develop various concepts, including that presented in the pending DSUP application.

ARHA has also requested that City Council adopt a Resolution designating the Ramsey Homes site a "revitalization area" pursuant to Section 36-55.30:2.A of the Virginia Code (Attachment 3). This designation will potentially enhance ARHA's score on its upcoming tax credit application by ten points. Council has made similar designations for other tax credit-funded affordable housing projects, including The Station at Potomac Yard and St. James Plaza. The City interprets the relevant language of the Code as confirming that "without government intervention" the development of affordable housing would not occur on this site.

DISCUSSION: ARHA proposes to redevelop the existing 15 public housing units at Ramsey Homes into a new 52-unit mixed income community through its development entity, Virginia Housing Development LLC (VHDLLC). The Ramsey Homes project is proceeding separately from a concurrent RFP through which ARHA seeks market rate development partners to help it redevelop five other ARHA-owned sites as mixed income communities. Although ARHA initially did not expect to request City financial support, standard requirements to improve infrastructure serving the site and to fulfill other conditions pursuant to ARHA's DSUP for Ramsey have necessitated an application for assistance.

With regard to the source of City assistance, in 2008 when City Council approved a $5.6 million loan to ARHA to pay off its mortgage on Glebe Park to facilitate that redevelopment, it was envisioned that the loan would be repaid from (a) property reserve funds immediately available at the financial closing (in fact, $600,000 was repaid soon after City loan funds were disbursed) and (b) future proceeds to be realized by ARHA on land sales and project upside shared with market rate partner EYA for the redevelopment of the James Bland sites as Old Town Commons (OTC). Given ARHA's future plans (subsequently memorialized in its Strategic Plan for Redevelopment as well as the City's Braddock Metro Neighborhood and Braddock East Plans) to redevelop the majority of its aging housing portfolio following completion of James Bland, at the time of the 2008 loan approval City Council agreed that when the loan was repaid by ARHA, these funds would be earmarked within the Housing Opportunity Fund as a potential revolving loan source to support ARHA's future redevelopment efforts.

ARHA has completed its final reconciliation of the OTC project and has submitted an amended disposition application to HUD seeking approval to use the OTC sales proceeds to repay the 2008 City loan. ARHA hopes to repay the loan before the end of loan repayment, anticipated in the fourth quarter of 2016. Therefore, the City's provision of a loan for Ramsey Homes is contingent upon ARHA's DSUP being approved, its successful application for tax credits in March 2017, repayment of the Glebe Park loan, securing other project financing, if/as necessary, completion of the ongoing federal Section 106 consultation process with a plan to mitigate potential historic and cultural impacts resulting from redevelopment, as well HUD's approval of ARHA's future request for disposition of the Ramsey Homes site.

FISCAL IMPACT: Up to $1,100,000 of Housing Opportunities Fund dollars to ARHA with the disbursement of the monies contingent on ARHA's repayment of the City's Glebe Park loan. Like other City loans for affordable housing, the Ramsey loan will be paid from the property's cash flow. The only hard-pay project debt is a $100,000 predevelopment loan from VHDA. ARHA is not deferring any developer fee. The City's loan, and ARHA's seller note will share the property's residual receipts on a 50/50 basis, with the City loan having payment priority. ARHA has stated its intention to fully repay any remaining balance due on the City loan when the project is refinanced after expiration of the initial affordability period, around Year 15 following stabilization (2033).

ATTACHMENTS:

(1) ARHA Loan Request for Redevelopment of Ramsey Homes as Mixed-Income Development
(2) HUD Income and Rent Limits for 30, 50 and 60% AMI
(3) Resolution Designating the Ramsey Homes Site a Revitalization Area

STAFF:

Emily A. Baker, Deputy City Manager
Helen S. McIlvaine, Director, Office of Housing
Karl Moritz, Director, Department of Planning and Zoning
Eric Keeler, Division Chief, Program Administration, Office of Housing
Christina Zechman Brown, Associate Attorney, City Attorney's Office
Tamara Jovovic, Housing Analyst, Office of Housing

ARHA
BUILDING COMMUNITY PARTNERSHIPS

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

Roy O. Priest, *Chief Executive Officer*

September 19, 2016

Eric P. Keeler
Program Administrator
Division Chief
Office of Housing
421 King Street, Suite 200
Alexandria, VA 22314

RE: Housing Opportunities Loan (HOF) Application, REVISED September 19, 2016

Dear Mr. Keeler,

Ramsey Homes, located at 699 North Patrick Street, consists of four buildings, three of which are quadraplexes and one a triplex, housing a total of fifteen (15) two bedroom units (the "Project"). The Project received approval in March, 2016 for a Master Plan Amendment and a rezoning and is currently the subject of a Development and Special Use Permit (DSUP) Application. The DSUP concept proposes a 3/4-story split, 52 unit multi-family building with an underground garage capable of parking 31 vehicles. The development review process requires approvals from the Planning Commission, and the City Council and the Board of Architectural Review.

It is anticipated that the DSUP Application will be heard by the Planning Commission on November 1, 2016 and the City Council on November 12, 2016.

As part of the development review process, the City of Alexandria is requiring certain offsite improvements including, pedestrian crossings, pedestrian signals, brick sidewalks, and undergrounding of utilities, that are ineligible in tax credit basis and are therefore restricted from being paid for with tax credit equity. As such, VHD LLC whose sole member is ARHA, on behalf of the owner, is requesting a loan from the HOF in the amount of up to $1,100,000 to fund the requested off-site improvements.

Please find enclosed updates to our earlier submission package approved by Alexandria Housing Affordability Advisory Committee (AHAAC) February 4, 2016 and in accordance with the checklist of required documents.

Please let us know if you have questions as you review this request and the supporting materials. You may contact the COO for the Applicant, Connie Staudinger at 703-549-7115 ext. 164, or the Project Manager, Leroy Battle at extension 150.

Thank you for your continued support of this Project. We are excited that it will increase the availability of housing opportunities for low income households in the city.

Sincerely,

Roy Priest,
Executive Director and CEO

Ramsey Homes Redevelopment Project Narrative

Project Overview

The redevelopment of the Ramsey Homes site (the "Project") is consistent with the ARHA 2012-2022 Strategic Plan, the City's Housing Master Plan and the Braddock East Master Plan ("BEMP"). The Project involves the redevelopment of an underutilized and obsolete public housing site into a mixed-income, affordable, multi-family rental housing site.

The Project site is .71 acres, occupying one half of a city block, the east side of the 600 block of North Patrick Street between Pendleton and Wythe Street. The site is currently improved with (15) two-bedroom townhomes in four buildings. Three of the buildings are quadruplexes and one is a triplex. The existing structures were built in 1942 as war housing for African American defense workers. The buildings' floors, walls and roof were built of 1-1/2" tilt-up precast concrete slabs.

The Project includes the removal of all existing improvements and the construction of a total of fifty-two (52) rental units in one, 3-4 story building. The parking will be accommodated below grade in a structured parking facility. The number of parking spaces required under the recently adopted Parking Standards for Multi-family Buildings is 26, this Project exceeds those standards by offering 31 spaces parking spaces. Two (2) of the spaces are handicap accessible.

The development team has worked closely with city staff to develop the Project size, massing, height and architectural character so as to achieve compatibility with the historic Parker-Gray District and to have a competitive tax credit application. The multi-family buildings have been skillfully designed in a contemporary vernacular of architecture; 3 to 4 stories in height. The proposed Project additionally complies with the fundamental intent and height envisioned by the Braddock East Master Plan (BEMP) by providing shoulders at the Wythe, Pendleton and Patrick Street faces of the building; effectively dropping the height to 3-stories where the Project addresses the scale of the adjacent buildings. The recent inclusion of single story height pergolas at Wythe Street and Pendleton Street further serve to provide a connection to the lower scale of the Watson Reading Room on Wythe and the residential scale townhomes on Pendleton Street. In addition to the pergolas, the entrances feature benches to encourage informal, short-term gathering.

ARHA proposes a mix of public housing and tax credit housing. This Project includes an approximate 28%/72% ratio of very low-income (30% AMI) households, to households with incomes up to a workforce housing income. Six (6) units will be subsidized by an Annual Contributions Contract (ACC) with HUD. The unit mix is driven by market factors, land value, public policy and funding availability and terms. The BEMP recognizes that these and other variables will drive the viability of redevelopment projects, and ARHA's ability to meet the BEMP's objectives. Specifically, the BEMP notes:

> *The precise ratio for this mix should be determined through the development planning process, as it will be influenced by the funding available at that time.*

Consistency with Applicable Plans

The focus of the ARHA Strategic Plan is on preserving ARHA's present affordable housing stock until opportunities arise that will enable ARHA to substantially improve conditions while complying with Alexandria's ordinance mandating preservation or replacement of ARHA's affordable housing (Resolution 830). ARHA recognized that it is not enough to provide sustainable affordable housing; we must also ensure that the housing we provide meets qualitative standards that are acceptable to ARHA, our funding providers and to the greater Alexandria community. We are actively pursuing opportunities that improve housing quality and add to the number of affordable units whenever economically and financially appealing prospects occur; this effort will add net 37 new affordable housing units. A further objective has been to improve the quality of our existing affordable housing stock in a manner where it becomes indistinguishable from other housing prevalent in the surrounding neighborhoods; this beautiful contemporary architecture looks like a Class A community and therefore absolutely achieves this objective.

More than 40% (14,353 households) of the overall rental housing demand in the city consists of households with incomes at or below 60% AMI. For extremely low-income households within this group (those at or below 30% AMI), there are no committed permanent affordable units or market affordable units subsidized to be affordable to this income level outside of a limited number of project-based Section 8 units, ARHA-owned public housing and some units operated by city or nonprofit agencies for the benefit of special needs clients. This mixed-income Project would be available to the extremely low-income families that reside at the Project today, as well as to households at up to 60% of the AMI which is the city Workforce Housing limit for rental housing.

This Project redevelops the Ramsey Homes public housing site into vibrant and sustainable mixed-income housing which is consistent with the BEMP. The Project provides an appropriate level of residential density given that it is within a ½-mile radius from the Braddock Road metrorail station, thereby better utilizing transportation infrastructure and potentially decreasing negative impacts of car traffic. The BEMP encourages greater mobility, especially for those with limited access to automobiles.

The interior of the buildings will function as multifamily rental units. Six of the units will be constructed as Accessible (as defined in the code) for individuals with special needs, meaning that all required accessibility features are present at first occupancy. The remaining units on the first floor will be designed to meet Type B units, consistent with the design and construction requirements of the American National Standards Institute (ANSI) and federal Fair Housing Act. A Type B unit is constructed to a convertible level of accessibility than an Accessible unit, geared more toward persons with lesser mobility impairments. In order to accommodate the Accessible units, there are two accessible parking spaces in the parking garage and elevator access on the garage level with stops on each of the four floors so that the amenities for the accessible units are identical to the other units.

52

		% Increase	Per Unit
Gross Income	$ 596,312	2%	$11,468
Expenses (Incld Replacement Res)	$ 400,325	3%	57,699
Net Income	$ 195,987		

	% of DS	Annual Payment	Loan Amt	Term	Interest
ARHA Loan	75%	($135,622)	$3,710,000	40	2%
City Loan	22%	($40,211)	$1,100,000	40	2%
VHDA Loan	2%	($3,875)	$100,000	30	1%
Total		($179,708)			

Starting DCR	1.00

	Stabilized Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Eff. Gross Income	$ 596,312	$ 608,239	$ 620,403	$ 632,811	$ 645,468	$ 658,377	$ 671,544	$ 684,975	$ 698,675	$ 712,648
Less Oper. Expenses	$ 400,325	$ 412,335	$ 424,705	$ 437,446	$ 450,569	$ 464,086	$ 478,009	$ 492,349	$ 507,120	$ 522,333
Net Income	$ 195,987	$ 195,904	$ 195,699	$ 195,365	$ 194,898	$ 194,291	$ 193,535	$ 192,626	$ 191,555	$ 190,315
VHDA Predevelopment Loan	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)
Cash Flow	$ 192,112	$ 192,029	$ 191,824	$ 191,491	$ 191,023	$ 190,416	$ 189,661	$ 188,751	$ 187,680	$ 186,440
DCR = 77/23 Split of Cash Flow	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Soft Loan Payments:										
ARHA Loan (77% of Cash Flow)	$ 147,927	$ 147,862	$ 147,704	$ 147,448	$ 147,088	$ 146,620	$ 146,039	$ 145,339	$ 144,514	$ 143,559
City Loan (23% of Cash Flow)	$ 44,186	$ 44,167	$ 44,119	$ 44,043	$ 43,935	$ 43,796	$ 43,622	$ 43,413	$ 43,166	$ 42,881
Final Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Eff. Gross Income	$ 726,901	$ 741,439	$ 756,268	$ 771,394	$ 786,821	$ 802,558	$ 818,609	$ 834,981	$ 851,681	$ 868,714
Less Oper. Expenses	$ 538,003	$ 554,143	$ 570,768	$ 587,891	$ 605,527	$ 623,693	$ 642,404	$ 661,676	$ 681,527	$ 701,972
Net Income	$ 188,898	$ 187,296	$ 185,500	$ 183,503	$ 181,294	$ 178,865	$ 176,205	$ 173,305	$ 170,154	$ 166,742
VHDA Predevelopment Loan	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)
Cash Flow	$ 185,023	$ 183,421	$ 181,626	$ 179,628	$ 177,419	$ 174,990	$ 172,330	$ 169,430	$ 166,279	$ 162,867
DCR = 77/23 Split of Cash Flow	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Soft Loan Payments:										
ARHA Loan (77% of Cash Flow)	$ 142,468	$ 241,234	$ 139,852	$ 138,314	$ 136,613	$ 134,742	$ 132,694	$ 130,461	$ 128,035	$ 125,408
City Loan (23% of Cash Flow)	$ 42,555	$ 42,187	$ 41,774	$ 41,314	$ 40,806	$ 40,248	$ 39,636	$ 38,969	$ 38,244	$ 37,459
Final Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
Eff. Gross Income	$ 886,089	$ 903,810	$ 921,887	$ 940,324	$ 959,131	$ 978,314	$ 997,880	$ 1,017,837	$ 1,038,194	$ 1,058,958
Less Oper. Expenses	$ 723,031	$ 744,722	$ 767,064	$ 790,076	$ 813,778	$ 838,192	$ 863,337	$ 889,238	$ 915,915	$ 943,392
Net Income	$ 163,057	$ 159,088	$ 154,823	$ 150,248	$ 145,353	$ 140,122	$ 134,542	$ 128,600	$ 122,279	$ 115,566
VHDA Predevelopment Loan	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)	$ (3,875)
Cash Flow	$ 159,182	$ 155,213	$ 150,948	$ 146,374	$ 141,478	$ 136,247	$ 130,668	$ 124,725	$ 118,405	$ 111,691
DCR = 77/23 Split of Cash Flow	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Soft Loan Payments:										
ARHA Loan (77% of Cash Flow)	$ 122,570	$ 119,514	$ 116,230	$ 112,708	$ 108,938	$ 104,910	$ 100,614	$ 96,038	$ 91,172	$ 86,002
City Loan (23% of Cash Flow)	$ 36,612	$ 35,699	$ 34,718	$ 33,666	$ 32,540	$ 31,337	$ 30,054	$ 28,687	$ 27,233	$ 25,689
Final Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
Eff. Gross Income	$ 1,080,137	$ 1,101,740	$ 1,123,775	$ 1,146,250	$ 1,169,175	$ 1,192,559	$ 1,216,410	$ 1,240,738	$ 1,265,553	$ 1,290,864
Less Oper. Expenses	$ 971,694	$ 1,000,845	$ 1,030,870	$ 1,061,796	$ 1,093,650	$ 1,126,459	$ 1,160,253	$ 1,195,061	$ 1,230,913	$ 1,267,840
Net Income	$108,443	$100,895	$92,905	$84,454	$75,525	$66,099	$56,157	$45,677	$34,640	$23,024
VHDA Predevelopment Loan	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Cash Flow	$108,443	$100,895	$92,905	$84,454	$75,525	$66,099	$56,157	$45,677	$34,640	$23,024
DCR = 77/23 Split of Cash Flow	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Soft Loan Payments:										
ARHA Loan (77% of Cash Flow)	$ 83,501	$ 77,689	$ 71,537	$ 65,030	$ 58,154	$ 50,896	$ 43,241	$ 35,171	$ 26,673	$ 17,728
City Loan (23% of Cash Flow)	$ 24,942	$ 23,206	$ 21,368	$ 19,424	$ 17,371	$ 15,203	$ 12,916	$ 10,506	$ 7,967	$ 5,295
Final Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

HUD FY 2016 Income Limits for Washington-Arlington-Alexandria, DC-VA-MD HUD Metro FMR Area

2016 Income Limits*	1 Person	2 People	3 People	4 People
30% AMI	$22,850	$26,100	$29,350	$32,600
50% AMI	$38,050	$43,450	$48,900	$54,300
60% AMI	$45,660	$52,140	$58,680	$65,160

Source: HUD

**Numbers are rounded pursuant to HUD guidelines.*

2016 Maximum Gross Rents

2016 Rent Limits*	1-bedroom	2-bedroom	3-bedroom
30% AMI	$611	$733	$847
50% AMI	$1,018	$1,222	$1,411
60% AMI	$1,222	$1,467	$1,694

Source: VHDA, Office of Housing

**includes utility allowance*

RESOLUTION

WHEREAS, pursuant to Section 36-55.30:2.A of the Code of the Virginia of 1950, as amended, the City Council of the City of Alexandria, Virginia, desire to designate the Site which will include the proposed Ramsey Homes Redevelopment as the area (the "Area") described on Exhibit A attached hereto, as a revitalization area;

WHEREAS, the proposed redevelopment Area is planned to include new rental housing affordable to households at a range of incomes, from 30 to 60% of the Area Median Income, including 15 units to replace existing public housing, thereby creating a mixed income community within an amenity-rich neighborhood (the Braddock Metro Neighborhood) that has seen a significant amount of commercial and market rate residential redevelopment over the past decade.

WHEREAS, the Area, if not rehabilitated, is likely to deteriorate by reason that the buildings in such area are subject to obsolescence since ARHA has represented that continued federal assistance or investment is threatened due to the property's age and condition, and private enterprise and investment are not reasonably expected, without assistance, to produce the construction or rehabilitation of decent, safe and sanitary housing and supporting facilities that will meet the needs of low and moderate income persons and families in such area and induce other persons and families to live within such area and thereby create a desirable economic mix of residents in such area.

WHEREAS, the affordable housing development proposed in this Area would not be economically feasible without the provision of federal low income housing tax credits, ARHA subsidy and City loan funds at advantageous rates and terms; and

WHEREAS, the proposed redevelopment will provide a critical source of affordable housing, including replacement public housing, for current and future low and moderate income residents at a range of incomes whose tenancy and local employment is essential to the Area's future economic development and sustainability, as well as to the City's strategic plan goal of maintaining neighborhoods that are diverse, inclusive and true mixed income communities;

NOW, THEREFORE, BE IT HEREBY DETERMINED as follows:

(1) the Area is blighted, deteriorated, deteriorating or, if not rehabilitated, likely to deteriorate by reason that the buildings, improvements or other facilities in such area are subject to one or more of the following conditions- dilapidation; obsolescence; overcrowding; inadequate ventilation, light or sanitation; excessive land coverage; deleterious land use; or faulty or otherwise inadequate design, quality or condition; and

(2) private enterprise and investment are not reasonably expected, without assistance, to produce the construction or rehabilitation of decent, safe and sanitary housing and supporting facilities that will meet the needs of low and moderate income persons and families in the Area and will

induce other persons and families to live within the Area and thereby create a desirable economic mix of residents in the Area.

NOW, THEREFORE, BE IT HEREBY RESOLVED that pursuant to Section 36-55.30:2.A of the Code of Virginia 1950, as amended, the Area is hereby designated as a revitalization area.

ADOPTED:

ALLISON SILBERBERG MAYOR

ATTEST:

Jacqueline M. Henderson, CMC City Clerk

RAMSEY HOMES

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 26, 2017

TO: THE ALEXANDRIA HOUSING AFFORDABILITY ADVISORY COMMITTEE (AHAAC)

FROM: HELEN S. McILVAINE, DIRECTOR, OFFICE OF HOUSING

SUBJECT: CONSIDERATION OF A PLAN TO REFINANCE AND RENOVATE LACY COURT APARTMENTS AND TO SUPPORT AHDC'S PROPOSED APPLICATION FOR COMPETITIVE TAX CREDITS, INCLUDING PROVISION OF GRANT FUNDS TO SUPPORT A PILOT RENTAL SUBSIDY PROGRAM

ISSUE: Support for a plan from the Alexandria Housing Development Corporation (AHDC) to refinance and renovate Lacy Court Apartments that includes a March 2017 competitive low income housing tax credit application.

RECOMMENDATION: That AHAAC recommend that City Council approve AHDC's plan to refinance and renovate Lacy Court Apartments utilizing competitive tax credits, including (i) a partial release of debt secured by an existing City loan in exchange for the City receiving an equity position through a future right of first option, (ii) repayment of $500,000 when the renovation is complete, and (iii) provision of a grant of $150,000 to AHDC from the repayment to fund a pilot rental subsidy program to create deep affordability for five units.

BACKGROUND: In 2011, at the City's request, AHDC purchased a portfolio of three Alexandria apartment properties, including Arbelo Apartments (Bashford Lane), Lacy Court Apartments (Commonwealth and Monroe) and Longview Terrace Apartments (Seay Street), from nonprofit housing developer, RPJ Housing (RPJ). The City had provided loans RPJ in 2006-07 to help it acquire the properties for their preservation as committed affordable housing. However, when financial and organizational problems at RPJ imperiled the portfolio's long term sustainability and the City's investment, the City intervened to negotiate the transfer of the properties from RPJ to AHDC, subject to AHDC assuming their existing debt. It is noted that RPJ's issues eventually led to that organization closing and to foreclosures of multiple properties financed by other jurisdictions.

AHDC has successfully maintained and operated the properties since the 2011 transfer and, in 2014, with City Council's endorsement, the organization was able to refinance and substantially renovate Arbelo and Longview Terrace using non-competitive 4% tax credits and tax exempt bond financing. Although Lacy Court was initially planned to be part of the 2014 transaction, a title issue that occurred prior to RPJ's ownership resulted in the property's refinancing and renovation being strategically deferred until 2016 or later when the issue would be deemed resolved in order to maximize the potential tax credit equity available for renovation. While AHDC has made repairs, as needed, using proceeds from the property's cash flow, it now wishes to undertake Lacy Court's permanent refinancing and substantial renovation (approximately $100,000/unit) as was envisioned when the City first invested in the property's acquisition more than ten years ago (Attachment 1).

Lacy Court Apartments, which is located in the Del Ray neighborhood at the intersection of Monroe and Commonwealth Avenues, contains 44 units, including 22 three-bedroom units. Since federal HOME funds were included as part of the City's original financing package, 18 of the units have rents affordable to households with incomes at or below 50% of the area median income (AMI), with the other 26 affordable at 60% AMI. If a rental subsidy pilot program is approved for Lacy Court, AHDC would use grant funds from the City to make five of the current 50% AMI units deeply affordable to households with incomes ranging up to 30% AMI for a five year period.

Lacy Court was constructed in the early 1950's and has never undergone a substantial renovation, thus the scope of work planned now is comprehensive, including replacement/upgrades of all building systems, including roofs; upgrades to unit interiors, including kitchens and bathrooms; improvements of hallways and common areas, as well as exterior enhancements and landscaping. The property is fully occupied, and AHDC is developing a robust tenant relocation plan to mitigate the impacts on for the households and families that reside Lacy Court. The City is providing technical assistance for the relocation plan and it will be reviewed by the Landlord Tenant Relations Board.

The $14.8 million refinancing and renovation structure proposed by AHDC mirrors one approved by City Council in 2014. To enable tax credit investment, it requires that the City release that portion of the existing debt that cannot be secured on the property based on the current (un-renovated) "as is" value as determined by a third-party appraisal. The debt that can be secured against the property is retained, with the shortfall addressed by AHDC providing the City with a Right of First Option in exchange. This means that the City will hold an equity position when the property is refinanced at the end of the initial tax credit affordability period in approximately fifteen years.

AHDC's refinancing plan for Lacy includes a proposal that would repay $500,000 to the City when the renovation is completed by deferring some its developer fee and using some of the then-adjusted increased property value to free up equity. To make its application for 9% low income housing tax credits (LIHTC) as competitive as possible, AHDC has requested that the City provide a grant of $150,000 (using the repayment as a source) to AHDC for a pilot rental subsidy grant program that will serve five households for a five-year period. This strategy will allow AHDC to maximize a new point category in its LIHTC application and the organization believes that the deep affordability created may enable some very low income households that currently reside at the property to remain affordably following the renovation when rents will increase to be closer to tax credit level rents.

AHDC has also requested that City Council pass a resolution designating the Lacy Court site a revitalization area pursuant to the Virginia Code. This designation has been provided to several recent LIHTC sites such as St. James Plaza, the Gateway at King and Beauregard and Carpenter's Shelter. The designation, which has been interpreted by the City Attorney as acknowledging that the development or preservation of affordable housing in this location will not likely occur without government assistance (e.g., City financial support, federal tax credits) will help AHDC gain additional points on the LIHTC application.

It is noted that AHDC will also submit an application for 9% tax credits for the Carpenter's Shelter redevelopment in March, however, that project will compete in different funding pools than Lacy Court which has been structured to compete within a pool limited to Nonprofit-sponsored projects where the total tax credit amount available is capped.

DISCUSSION: The City's 2006 loan for Lacy Court, which was acquired by RPJ at the height of the real estate market, totals $7.1 million. Applying the 2014 refinancing structure endorsed by City Council to Lacy Court means that $3.8 million of the existing City loan would be secured after the first trust mortgage held by BB&T is repaid:

AS IS VALUE (October 2016)	$ 7.0 M
BB&T First Trust Mortgage	- 3.2 M
Outstanding City Loan Amount Secured	$ 3.8 M

Since approximately $1.8 million in federal HOME funds were part of the City's original financing package for the acquisition of Lacy Court, these funds will remain as part of the secured City loan amount, with AHDC continuing to operate the property subject to all related constraints and obligations.

As indicated by the calculation above, $3.3 of the City's existing loan will be released and exchanged for a right of first option which assures the City will participate as a full equity partner when the property is refinanced in the future, including sharing in a potential increase in value to be repaid on any remaining outstanding debt while also recapturing the now-released debt at that point as a new loan or by continuing its investment in this affordable housing and real estate asset. While its partnership with AHDC practically assures the City's continued involvement in Lacy Court's provision of affordable housing, as the holder of a right of first option, the City is positioned legally to control and direct this future refinancing transaction because it can acquire the property outright, subject only to the outstanding debt.

With regard to the $3.8 million secured City loan, AHDC's proforma indicates that the renovated property will result in a significantly improved cash flow due to operational, energy and maintenance efficiencies that will begin yielding residual receipt repayments to the City beginning around Year 5, totaling an anticipated $500,000 in the ten year period before the Year 15 refinancing.

In its pro forma (Attachment 2), AHDC proposes that following renovation, $3.3 million of the City loan be retained as a second trust on the property, and that it repays $500,000 to the City from refinancing proceeds that will be available due to the adjusted post-renovation value and AHDC deferring some of its developer fee. AHDC requests that the City dedicate up to $150,000 from this source as a grant back to AHDC to fund five rental subsidies. These rental subsidies will enable deep affordability for some units (30% AMI), potentially enable some very low income households to remain, and will help AHDC's application gain 60 additional points on its application for competitive tax credits.

FISCAL IMPACT: No new City investment. Release of $3.3 million of existing City loan in exchange for Right of First Option, with $3.8 million of existing debt secured pending repayment of $500,000 in FY2019 when renovation is complete, with $150,000 to be provided as a grant to AHDC for a rental subsidy program. The property improvements are anticipated to yield residual receipt payments on the secured amount by FY2024 resulting in the repayment of approximately $500,000 over the next ten years.

ATTACHMENTS:

(1) AHDC Refinancing and Renovation Plan
(2) Lacy Court 40 Year Proforma
(3) Chart Showing City Loan Balances and Financial Position

STAFF:

Eric Keeler, Division Chief, Program Administration, Office of Housing
Tamara Jovovic, Housing Analyst, Office of Housing

Lacy Court Renovation and Financing Plan

Proposed Project

Alexandria Housing Development Corporation (AHDC) is the current owner of Lacy Court Apartments ("Lacy Court") which is located in the Del Ray neighborhood of the City of Alexandria ("the City"). The property is comprised of three buildings and includes 44 units. The Property was originally constructed between 1951 and 1955 has never undergone a substantial renovation. While AHDC has taken steps over the years to maintain the buildings, they are starting to show their age and AHDC proposes to complete a renovation of the property that will allow the units to continue operate as safe affordable housing for the long term.

Background

In June 2011, at the City's request, AHDC, acquired the Arbelo, Lacy Court and Longview Terrace Apartments (ALL Properties) from RPJ Housing (RPJ), also a nonprofit housing entity, which was experiencing financial and organizational difficulties. The City had provided three loans totaling approximately $13.8 million to RPJ in 2006 and 2007 to help the organization purchase and preserve the 119 units as affordable rental housing and to fund some interim improvements pending substantial rehabilitation. The City's loans were subordinate to short term first trust loans of $9.5 million provided by BB&T. When RPJ's difficulties made the planned refinancing of the BB&T loan impossible, in order to protect the City's investment and keep the affordable housing 119 units intact, AHDC stepped in and assumed RPJ's loans with BB&T and the City.

After acquisition of the properties from RPJ in 2011, AHDC began work on work on finding a permanent financing solution that would result in a renovation of ALL Properties and an amortizing long term mortgage. However, due to a change in ownership in 2006 prior to RPJ Housing's original acquisition, Lacy Court was ineligible to receive an allocation from Low Income Housing Tax Credit (LIHTC) Program. and plan moved forward without the Property. Since the LIHTC Program was the major source of equity for the proposed renovation, AHDC removed Lacy Court from the renovation plan and moved forward with Arbelo and Longview Terrace. AHDC finalized the renovation of Arbelo and Longview Terrace in 2015 and is now working to find permanent financing solution for Lacy Court.

Financing Structure

AHDC plans to submit a 9% LIHTC application in March to obtain the equity needed to renovate Lacy Court. In addition to LIHTC Equity AHDC will also seek a permanent loan from VHDA using their taxable bond and REACH program. AHDC's proforma for the proposed financing solution is included as Attachment A.

One of the challenges faced by AHDC and the City when they created the financing strategy for the renovation of Arbelo and Longview Terrace was that the properties had decreased in value since they were originally purchased by RPJ. The amount of debt that could be secured against the property was fixed by the AS IS value of the property established by a third party appraisal. Unfortunately Arbelo and Longview Terrace did not have enough value to support the entirety of the City's then current loans on the properties. In order to address this shortfall, a structure was created in which the City released some of the debt in exchange for a Right of First Option that would provide the City an equity position at the end of the initial tax credit affordability period (Year 15). This mechanism was approved for the entirety of the ALL Properties; however, as mentioned Lacy Court was removed from the package and

AHDC moved forward with Arbelo and Longview Terrace under the structure. AHDC proposes the use of the same structure for the renovation of Lacy Court.

The City currently has a loan of $7.1M on Lacy Court Apartments. In addition, AHDC is carrying a first trust mortgage of approximately $3.2 M with BB&T. AHDC had an updated appraisal completed which shows the AS IS value of Lacy Court is $7.0 M. The appraisal is attached to this document as Attachment B. Based on the financing structure accepted by tax credit investors for the renovations of Arbelo and Longview Terrace, this would result in Lacy Court being able to secure $3.8 M of the City's current $7.1 M loan as part of the transaction. AHDC would propose that the remainder of the City's current $3.3 M loan be released and exchanged for a Right of First Option similar to the structure for Arbelo and Longview.

AHDC's current proforma projects that approximately $3.3 M of the $3.8 M would be held as a second trust mortgage for the property. The remaining $500,000 would be paid back to the City at the completion of the renovation. Table 1 below shows the AHDC's projections of cash proceeds at the completion of the project.

TABLE 1: LACY COURT CASH PROCEEDS	
SOURCES	
LIHTC Equity	$5.70 M
Permanent Debt	$5.55 M
Deferred Fee	$0.35 M
TOTAL	**$11.60 M**
USES	
BB&T Loan	$3.2 M
Development Costs	$7.9 M
TOTAL	**$11.1 M**
Cash Proceeds to City	**$.5 M**

In addition to the $500,000 described above, the renovation would lead to increased cash flows from operations. AHDC currently projects that this increase in cash flow would yield annual payments to the City beginning in Year 6 after AHDC's deferred fee is paid. As shown in the 40 year cash flow portion of the proforma, these payments are projected to result in approximately $560,000 through Year 15. After Year 15 the City would have the right to exercise it's Right of First Option and potentially recapture some of the $3.3 M that will need to be released to allow this transaction to proceed.

<u>Scope of Work</u>

AHDC is proposing a full scope of renovation to the property. The improvements will include exterior enhancements and landscaping; replacement/upgrades of all building systems, including roofs; upgrades to unit interiors, including kitchens and bathrooms; and improvements of hallways and common areas. These improvements come with a substantial renovation cost of just under $100,000 per unit. A full list of all the improvements that will be included can be found in Attachment C.

Relocation and Construction Timing

One of the most important parts of this project will be the relocation of tenants during construction. Due to the substantial amount of work that will be completed, AHDC will need to relocate tenants off-site during construction. In order to limit the number of residents that dislocated at any one point of time, the current plan is break the renovation into two phases. The first phase would include the renovation of the two buildings that front Commonwealth with the second phase of the final building starting after tenants return to the first phase.

AHDC will implement a relocation plan that will be reviewed and approved by the City's Landlord Tenant Board and the Office of Housing. This plan will address proper notices to tenants, relocation payments and other assistance with moving, rent payments for any tenants that would not be able to come back to the project, along with many other details required by the City's Office of Housing.

Proposed Project Schedule (estimated to date):

- Submission of VHDA 9% LIHTC application – March 2017
- Award of 9% LIHTC application – June 2017
- Acquisition – November 2017
- Begin Construction – 1^{st} quarter 2018
- Completed Construction – 3^{rd} quarter 2018

Proposed Project Target Population:

AHDC currently operates this project as an affordable housing project. The project includes 18 units that are affordable at or below 50% of area median income (AMI) and 26 units affordable at 60% (AMI) and we plan to keep this affordability structure after the renovation. In addition, AHDC is requesting the use of the City's Rental Assistance Pilot Program to reach a deeper level of affordability for five of the units in the property. AHDC proposes to use the rent subsidy to decrease the five units from 50% AMI levels to down to an average of 15% - 30% AMI. Based on these rent subsidies the annual cost of the rent subsidy for this property would between $30,000 and $50,000.

Lacy Court
Project Summary

Sources			Uses	
Equity			**Development Costs**	
Tax Credit Equity		5,699,430	Acquisition	7,000,000
Sponsor Equity		-	Development Soft Costs	1,461,864
			Financing Costs	683,621
Debt			Construction Costs	4,338,030
VHDA 1.95%		2,000,000	Developer Fee	1,400,000
VHDA 2.95%		440,000		
VHDA Taxable Bonds		3,110,000		
City of Alexandria		3,284,084		
Deferred Developer Fee	25.0%	350,000		
Total Sources		**$ 14,883,514**	**Total Uses**	**$ 14,883,514**
			Surplus/(Deficit)	-
Permanent Debt		$ 5,550,000		
Annual Debt Service		$ 322,127	Total Cost / Unit	338,262
Terms (Years)		30	Hard Cost / Unit	98,592
Interest Rate		4.02%	Soft Cost / Unit	239,670

Project Schedule	
Development Start	11/01/17
Community Opening	10/01/18
Construction Period (Months)	10
Lease-up Period (Months)	3
Perm Loan Conversion	03/01/19

Income & Operating Expenses	Yr 1 Stabilized
Revenue	
Potential Gross Income	$736,200
Less: Vacancy Allowance	(36,810)
Effective Gross Income	**699,390**
Other Income	7,524
Total Income	**706,914**
Operating Expenses	
Administration	130,000
Repairs & Maintenance	22,000
Contract Services	35,000
Utilities	35,200
Taxes, Licenses, & Insurance	86,000
Miscellaneous	-
Total Operating Expenses	**308,200**
Replacement Reserves	13,200
Net Operating Income	**385,514**
DSCR	**1.20**
OpEx per unit (excl RR)	**$ 7,005**

Unit Type / Affordability Mix

	%	No. Units		%	No. Units
Efficiency	5%	2	30% AMI	0%	0
One Bed	7%	3	40% AMI	0%	0
Two Bed	39%	17	50% AMI	41%	18
Three Bed	50%	22	60% AMI	59%	26
Four Bed	0%	0	80% AMI	0%	0
			100% AMI	0%	0
Total Units	**100%**	**44**	**Total**	**100%**	**44**

Lacy Court Renovation
Financing Assumptions

Financing Assumptions

Investment Period	40		
LIHTC Assumptions		**Development Fee**	
9% Discount Rate	9.00%	Total Developer Fee	$ 1,400,000
4% Discount Rate	3.24%	Deferred Fee	$ 350,000
Equity Sale Price	$1.00	% Deferred Fee	25.0%
Basis Boost	0%	Deferred Fee Interest Rate	2.00%

Debt Assumptions

Tranche 1: VHDA 1.95%		**Tranche 3: VHDA Taxable Bonds**	
Principal	2,000,000	Principal	3,110,000
Loan-to-Value		Term (Years)	30
Terms (Years)	30	Interest Rate	5.50%
Interest Rate	1.95%	Structure (1-CPM, 2-I/O, 3-RR)	1
Debt Coverage Ratio	1.20	Origination Fee	0.0%
Structure (1-CPM, 2-I/O, 3-Custom)	1	Residual Receipts Repayment Terms	0%
Tranche 2: VHDA 2.95%		**Tranche 4: City of Alexandria**	
Principal	440,000	Principal	3,284,084
Term (Years)	30	Term (Years)	40
Interest Rate	2.95%	Interest Rate	2.00%
Structure (1-CPM, 2-I/O, 3-RR)	1	Structure (1-CPM, 2-I/O, 3-RR)	3
Origination Fee	0.0%	Origination Fee	0.0%
Residual Receipts Repayment Terms	0%	Residual Receipts Repayment Terms	50%
Construction Loan			
Principal	3,748,955		
Loan-to-Value	25%		
Terms (Years)			
Interest Rate	3.50%		
Debt Coverage Ratio			
Structure (1-CPM, 2-I/O, 3-Custom)	2		

Acquisition Costs

# of Existing Units	44	**Allocation**	
Debt Paydown Amount	$ 3,200,000	Structure	70.0%
Appraised Value	$ 7,000,000	Land	30.0%
# of New Units	0		
Cost / Unit	$ 150,000		

Operating Assumptions

Vacancy Rate	5%
Rent Escalation	2%
Expense Escalation	3%

Restricted Rent Assumptions

HUD AMI	109,200

Designated Income Limits

AMI Multiplier	0.7	0.8	0.9	BASE	1.08	1.16	1.24	1.32
%AMI	**1 Person**	**2 People**	**3 People**	**4 People**	**5 People**	**6 People**	**7 People**	**8 People**
30%	$ 22,932	$ 26,208	$ 29,484	$ 32,760	$ 35,381	$ 38,002	$ 40,622	$ 43,243
40%	$ 30,576	$ 34,944	$ 39,312	$ 43,680	$ 47,174	$ 50,669	$ 54,163	$ 57,658
50%	$ 38,220	$ 43,680	$ 49,140	$ 54,600	$ 58,968	$ 63,336	$ 67,704	$ 72,072
60%	$ 45,864	$ 52,416	$ 58,968	$ 65,520	$ 70,762	$ 76,003	$ 81,245	$ 86,486
80%	$ 61,152	$ 69,888	$ 78,624	$ 87,360	$ 94,349	$ 101,338	$108,326	$115,315
100%	$ 76,440	$ 87,360	$ 98,280	$ 109,200	$ 117,936	$ 126,672	$135,408	$144,144
120%	$ 91,728	$ 104,832	$ 117,936	$ 131,040	$ 141,523	$ 152,006	$162,490	$172,973

0.2

AMI		**Efficiency**	**One Bed**	**Two Bed**	**Three Bed**	**Four Bed**
30% AMI		$ 573.00	$ 614.00	$ 737.00	$ 851.00	$ 917.00
40% AMI		$ 764.00	$ 819.00	$ 982.00	$ 1,135.00	$ 1,223.00
50% AMI		$ 956.00	$ 1,023.00	$ 1,228.00	$ 1,419.00	$ 1,528.00
60% AMI		$ 1,147.00	$ 1,228.00	$ 1,474.00	$ 1,703.00	$ 1,834.00
80% AMI		$ 1,529.00	$ 1,638.00	$ 1,965.00	$ 2,271.00	$ 2,446.00
100% AMI		$ 1,911.00	$ 2,047.00	$ 2,457.00	$ 2,839.00	$ 3,057.00
120% AMI		$ 2,293.00	$ 2,457.00	$ 2,948.00	$ 3,407.00	$ 3,669.00

Utility Allowance by Bedroom Size	
Efficiency	$ 29.00
One Bed	$ 40.00
Two Bed	$ 54.00
Three Bed	$ 60.00
Four Bed	$ -

OpEx (see OpEx tab)	**Yr 1 Stabilized**	**PUPA**
Administration	130,000	2,955
Repairs & Maintenance	22,000	500
Contract Services	35,000	795
Utilities	35,200	800
Taxes, Licenses, & Insurance	86,000	1,955
Miscellaneous	-	-
Replacement Reserves	13,200	300
Total Annual OpEx	**$321,400**	
Expense/Unit (excluding RR)		**$ 7,005**

Lacy Court Renovation
Development Budget and Eligible Basis

Development Costs		Total Budget	Total Per SF	Total Per Unit
			52,033	44
Acquisition				
Structure		4,800,000	92.25	109,091
Land		2,200,000	42.28	50,000
Recording Fees			0.00	0
Closing Costs (title/surveyed)			0.00	0
Acquisition Subtotal		**7,000,000**	**134.53**	**159,091**
Development Soft Costs				
Architectural and Design				
Conceptual Drawings		-	0.00	0
Working Drawings		154,000	2.96	3,500
Construction Administration		73,000	1.40	750
Interior Design		-	0.00	0
Landscape		-	0.00	0
Engineering Fees				
Civil			0.00	0
Structural			0.00	0
MEP			0.00	0
Geotech/Soils			0.00	0
Environmental		40,000	0.77	909
Traffic			0.00	0
Legal - Owner				
Organization			0.00	0
Loan Documents		80,000	1.54	1,818
Zoning			0.00	0
Tax Credit			0.00	0
Other			0.00	0
Gov Fees and Cert				
Building Permits		50,000	0.96	1,136
Plan Submittal Fees			0.00	0
Green Building			0.00	0
Construction Inspection			0.00	0
Sewer Tap Fees	$0	$0	0.00	0
Sanitary Sewer Fee		-	0.00	0
Other/Miscellaneous				
Appraisal		15,000	0.29	341
Market Study		5,500	0.11	125
Construction Management		100,000	1.92	2,273
Project Management			0.00	0
FF&E		10,000	0.19	227
Insurance: Builders Risk		-	0.00	0
Insurance: Umbrella		13,200	0.25	300
Marketing / Lease Up		-	0.00	0
Management Start Up Costs			0.00	0
R/E Taxes During Con.		52,800	1.01	1,200
Utilities During Construction			0.00	0
Security - Professional		200,000	3.84	4,545
Relocation		250,000	4.80	5,682
Soft Cost Contingency		90,000	1.73	2,045
Interim Income				
Reserves				
Operating Reserve	6	154,100	2.96	3,502
Debt Service	6	161,064	3.10	3,661
Lease Up Reserve		-	0.00	0
Replacement	$300	13,200	0.25	300
Soft Cost Subtotal		**1,461,864**	**28.09**	**33,224**

Lacy Court Renovation
Development Budget and Eligible Basis

Development Costs		Total Budget	Total Per SF	Total Per Unit
Financing Costs				
Tax Credit Fees				
Tax Credit Application Fee		40,936	0.79	930
Syndicator Legal		-	0.00	0
Syndication Fee		20,000	0.38	455
Cost Certification		30,000	0.58	682
Tax Credit Consultant Fee		25,000	0.48	568
Acq./Cons. Loan				
Loan Origination Fee	1.00%	37,490	0.72	852
Lender Legal		45,000	0.86	1,023
Inspections		-	0.00	0
Cost of Issuance/Bond Expense			0.00	0
Letter of Credit fees/rate		35,000	0.67	795
Interest Acq./Construction Loan	3.50%	294,696	5.66	6,698
Site work			0.00	0
Permanent Loan Costs				
Loan Origination Fee	1.00%	55,500	1.07	1,261
Lender Legal			0.00	0
Recording/Title/Closing		100,000	1.92	2,273
Financing Subtotal		**683,621**	**13.14**	**15,537**
Construction Costs				
Construction/Rehab Costs		3,740,000	71.88	85,000
Parking/Parking - Acq	$0	-	0.00	0
Construction Cost Escalation	2.0%	81,628	1.57	1,855
Demolition		-	0.00	0
Off-Site Improvements			0.00	0
Utility Undergrounding			0.00	0
Site Work		-	0.00	0
Public Improvements			0.00	0
General Requirements		123,200	2.37	2,800
Builders Overhead		53,613	1.03	1,218
Builders Profit		134,588	2.59	3,059
Bonding Fee & GC Liability Insurance		30,000	0.58	682
Environmental Remediation			0.00	0
Contingency	4%	175,000	3.36	3,977
Construction Total		**4,338,030**	**83.37**	**98,592**
Subtotal Project Costs		**13,483,514**	**259.13**	**306,444**
Developer Fee	10.4%	**1,400,000**	**26.91**	**31,818**
Total Development Cost		**$ 14,883,514**	**$286.04**	**$ 338,262**

Lacy Court
40 Year Cash Flow

Valuation:														
Year		**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**
Revenue														
Rental		744,120	759,002	774,182	789,666	805,459	821,569	838,000	854,760	871,855	889,292	907,078	925,220	943,724
Vacancy		37,206	37,950	38,709	39,483	40,273	41,078	41,900	42,738	43,593	44,465	45,354	46,261	47,186
Total Revenue		706,914	721,052	735,473	750,183	765,186	780,490	796,100	812,022	828,262	844,828	861,724	878,959	896,538
Expense														
Administration		130,000	133,900	137,917	142,055	146,316	150,706	155,227	159,884	164,680	169,621	174,709	179,950	185,349
Repairs & Maintenance		22,000	22,660	23,340	24,040	24,761	25,504	26,269	27,057	27,869	28,705	29,566	30,453	31,367
Contract Services		35,000	36,050	37,132	38,245	39,393	40,575	41,792	43,046	44,337	45,667	47,037	48,448	49,902
Utilities		35,200	36,256	37,344	38,464	39,618	40,806	42,031	43,292	44,590	45,928	47,306	48,725	50,187
Taxes, Licenses, & Insurance		86,000	88,580	91,237	93,975	96,794	99,698	102,688	105,769	108,942	112,210	115,577	119,044	122,615
Miscellaneous		-	-	-	-	-	-	-	-	-	-	-	-	-
Reserve Replacements		13,200	13,596	14,004	14,424	14,857	15,302	15,761	16,234	16,721	17,223	17,740	18,272	18,820
Total Expenses		321,400	331,042	340,973	351,202	361,739	372,591	383,768	395,281	407,140	419,354	431,935	444,893	458,240
Net Operating Income		385,514	390,010	394,500	398,980	403,448	407,899	412,332	416,741	421,123	425,474	429,789	434,066	438,298
DSCR		1.20	1.21	1.22	1.24	1.25	1.27	1.28	1.29	1.31	1.32	1.33	1.35	1.36
Debt														
VHDA 1.95%		88,110	88,110	88,110	88,110	88,110	88,110	88,110	88,110	88,110	88,110	88,110	88,110	88,110
VHDA 2.95%		22,119	22,119	22,119	22,119	22,119	22,119	22,119	22,119	22,119	22,119	22,119	22,119	22,119
VHDA Taxable Bonds		211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899
City of Alexandria		-	-	-	-	-	-	-	-	-	-	-	-	-
Total Debt		322,127	322,127	322,127	322,127	322,127	322,127	322,127	322,127	322,127	322,127	322,127	322,127	322,127
Net Sale Proceeds		-	-	-	-	-	-	-	-	-	-	-	-	-
Reversion Cash Flow		-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Cash Flow		63,387	67,883	72,373	76,853	81,321	85,772	90,204	94,613	98,995	103,346	107,662	111,939	116,171
Total Cash Flow		63,387	67,883	72,373	76,853	81,321	85,772	90,204	94,613	98,995	103,346	107,662	111,939	116,171
Deferred Fee Balance	350,000	293,613	231,602	163,862	90,286	10,771	-	-	-	-	-	-	-	-
Residual Payment		0	0	0	0	35,275	42,886	45,102	47,307	49,498	51,673	53,831	55,969	58,086

Lacy Court
40 Year Cash Flow

Valuation:														
Year	**14**	**15**	**16**	**17**	**18**	**19**	**20**	**21**	**22**	**23**	**24**	**25**	**26**	**27**
Revenue														
Rental	962,599	981,851	1,001,488	1,021,517	1,041,948	1,062,787	1,084,042	1,105,723	1,127,838	1,150,394	1,173,402	1,196,870	1,220,808	1,245,224
Vacancy	48,130	49,093	50,074	51,076	52,097	53,139	54,202	55,286	56,392	57,520	58,670	59,844	61,040	62,261
Total Revenue	914,469	932,758	951,413	970,441	989,850	1,009,647	1,029,840	1,050,437	1,071,446	1,092,875	1,114,732	1,137,027	1,159,767	1,182,963
Expense														
Administration	190,909	196,637	202,536	208,612	214,870	221,316	227,956	234,794	241,838	249,093	256,566	264,263	272,191	280,357
Repairs & Maintenance	32,308	33,277	34,275	35,304	36,363	37,454	38,577	39,734	40,926	42,154	43,419	44,721	46,063	47,445
Contract Services	51,399	52,941	54,529	56,165	57,850	59,585	61,373	63,214	65,110	67,064	69,076	71,148	73,282	75,481
Utilities	51,692	53,243	54,840	56,486	58,180	59,926	61,723	63,575	65,482	67,447	69,470	71,554	73,701	75,912
Taxes, Licenses, & Insurance	126,294	130,083	133,985	138,005	142,145	146,409	150,802	155,326	159,985	164,785	169,728	174,820	180,065	185,467
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserve Replacements	19,385	19,966	20,565	21,182	21,818	22,472	23,146	23,841	24,556	25,293	26,051	26,833	27,638	28,467
Total Expenses	471,987	486,146	500,731	515,753	531,225	547,162	563,577	580,484	597,899	615,836	634,311	653,340	672,940	693,128
Net Operating Income	442,482	446,612	450,682	454,689	458,625	462,485	466,263	469,953	473,547	477,039	480,421	483,687	486,827	489,834
DSCR	1.37	1.39	1.40	1.41	1.42	1.44	1.45	1.46	1.47	1.48	1.49	1.50	1.51	1.52
Debt														
VHDA 1.95%	88,110	88,110	88,110	88,110	88,110	88,110	88,110	88,110	88,110	88,110	88,110	88,110	88,110	88,110
VHDA 2.95%	22,119	22,119	22,119	22,119	22,119	22,119	22,119	22,119	22,119	22,119	22,119	22,119	22,119	22,119
VHDA Taxable Bonds	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899
City of Alexandria	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Debt	322,127	322,127	322,127	322,127	322,127	322,127	322,127	322,127	322,127	322,127	322,127	322,127	322,127	322,127
Net Sale Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversion Cash Flow	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Cash Flow	120,355	124,484	128,555	132,562	136,498	140,358	144,136	147,826	151,420	154,912	158,294	161,560	164,700	167,707
Total Cash Flow	120,355	124,484	128,555	132,562	136,498	140,358	144,136	147,826	151,420	154,912	158,294	161,560	164,700	167,707
Deferred Fee Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residual Payment	60,177	62,242	64,278	66,281	68,249	70,179	72,068	73,913	75,710	77,456	79,147	80,780	82,350	83,854

Lacy Court
40 Year Cash Flow

Valuation:													
Year	**28**	**29**	**30**	**31**	**32**	**33**	**34**	**35**	**36**	**37**	**38**	**39**	**40**
Revenue													
Rental	1,270,128	1,295,531	1,321,442	1,347,870	1,374,828	1,402,324	1,430,371	1,458,978	1,488,158	1,517,921	1,548,279	1,579,245	1,610,830
Vacancy	63,506	64,777	66,072	67,394	68,741	70,116	71,519	72,949	74,408	75,896	77,414	78,962	80,541
Total Revenue	1,206,622	1,230,754	1,255,369	1,280,477	1,306,086	1,332,208	1,358,852	1,386,029	1,413,750	1,442,025	1,470,865	1,500,283	1,530,288
Expense													
Administration	288,768	297,431	306,354	315,544	325,010	334,761	344,804	355,148	365,802	376,776	388,079	399,722	411,714
Repairs & Maintenance	48,868	50,334	51,844	53,400	55,002	56,652	58,351	60,102	61,905	63,762	65,675	67,645	69,675
Contract Services	77,745	80,077	82,480	84,954	87,503	90,128	92,832	95,617	98,485	101,440	104,483	107,617	110,846
Utilities	78,189	80,535	82,951	85,440	88,003	90,643	93,362	96,163	99,048	102,019	105,080	108,232	111,479
Taxes, Licenses, & Insurance	191,031	196,762	202,665	208,745	215,007	221,457	228,101	234,944	241,992	249,252	256,729	264,431	272,364
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserve Replacements	29,321	30,201	31,107	32,040	33,001	33,991	35,011	36,061	37,143	38,257	39,405	40,587	41,805
Total Expenses	713,922	735,340	757,400	780,122	803,526	827,632	852,461	878,034	904,375	931,507	959,452	988,235	1,017,882
Net Operating Income	492,700	495,414	497,969	500,355	502,561	504,577	506,392	507,995	509,375	510,518	511,414	512,047	512,406
DSCR	1.53	1.54	1.55	1.67	1.68	1.68	1.69	1.69	2.40	2.41	2.41	2.42	2.42
Debt													
VHDA 1.95%	88,110	88,110	88,110	88,110	88,110	88,110	88,110	88,110	-	-	-	-	-
VHDA 2.95%	22,119	22,119	22,119	-	-	-	-	-	-	-	-	-	-
VHDA Taxable Bonds	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899	211,899
City of Alexandria	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Debt	322,127	322,127	322,127	300,009	300,009	300,009	300,009	300,009	211,899	211,899	211,899	211,899	211,899
Net Sale Proceeds	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversion Cash Flow	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Cash Flow	170,572	173,287	175,842	200,346	202,552	204,568	206,383	207,986	297,476	298,619	299,515	300,148	300,507
Total Cash Flow	170,572	173,287	175,842	200,346	202,552	204,568	206,383	207,986	297,476	298,619	299,515	300,148	300,507
Deferred Fee Balance	-	-	-	-	-	-	-	-	-	-	-	-	-
Residual Payment	85,286	86,644	87,921	100,173	101,276	102,284	103,192	103,993	148,738	149,310	149,757	150,074	150,254

REAL PROPERTY APPRAISAL REPORT

of

LACY COURT APARTMENTS
8 W. Nelson Street
Alexandria, Virginia 22301
RPJ No. 16-518

Date of Report

November 21, 2016

Effective Date of Value

October 5, 2016

Prepared For

Mr. Jonathan D. Frederick
Executive Director
Alexandria Housing Development Corporation
801 N. Pitt Street
Alexandria, VA 22314

Prepared By

W. Scott Gudely, MAI, and Page Smith, MAI
The Robert Paul Jones Company
11240 Waples Mill Road, Suite 203
Fairfax, Virginia 22030-6078

THE ROBERT PAUL JONES COMPANY, LLC
11240 Waples Mill Road, Suite 203, Fairfax, Virginia 22030-607
(703) 385-8556/Fax: (703) 385-1978/email: scottgudely@rpjco.com

November 21, 2016

Mr. Jonathan D. Frederick
Executive Director
Alexandria Housing Development Corporation
801 N. Pitt Street
Alexandria, VA 22314

Re: **LACY COURT APARTMENTS**
8 W. Nelson Street
Alexandria, Virginia 22301
RPJ No. 16-518

Dear Mr. Frederick:

In response to your request, we have prepared a Real Property Appraisal Report of the above-referenced property. The subject property consists of an affordable garden apartment complex located in the City of Alexandria. The purpose of this appraisal is to provide the appraisers' best estimates of (1) the leased fee value of the subject property in "as is" condition under the hypothetical condition that the property is leased and stabilized at market rents, (2) the leased fee value of the subject property in "as is" condition with the existing restrictive rents and restrictive covenants in place; (3) the prospective leased fee market value of the subject property under the extraordinary assumption that the property is renovated, leased, and stabilized at market rent, estimated to be as of October 1, 2018; (4) the prospective leased fee market value of the subject property under the extraordinary assumption that the property is renovated, leased, and stabilized at maximum restricted rents, estimated to be as of October 1, 2018; and (5) the current land value of the subject site assuming that it is vacant and available for development with a market rate rental apartment project of 44 units.

Attached is a Real Property Appraisal Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice 2016-2017* (USPAP) for an Appraisal Report. As such, it presents summary discussions of the data, reasoning and analysis that were used in the appraisal process to develop the appraisers' opinion of value. Supporting documentation concerning the data, reasoning and analysis is retained in our office files. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated herein. The appraisers are not responsible for unauthorized use of this report. The value conclusions are subject to the definitions, certifications, assumptions and limiting conditions included in the attached report.

This appraisal was prepared and reported in compliance with the Appraisal Foundation's USPAP, plus the *Standards of Professional Practice* and *Code of Professional Ethics* of the Appraisal Institute.

Based on our study and analyses, and subject to the contingent and limiting conditions contained herein, it is our opinion that the leased fee market value of the subject property in "as is" condition but assuming that property is leased and stabilized at market rents, as of October 5, 2016, is:

SEVEN MILLION DOLLARS
($7,000,000).

Further, it is our opinion that the leased fee market value of the subject property in "as is" condition and using the current restricted rents, as of October 5, 2016, is:

FOUR MILLION THREE HUNDRED FIFTY THOUSAND DOLLARS
($4,350,000).

Further, it is our opinion that the prospective leased fee market value of the subject property assuming that the property is renovated, leased, and stabilized at market rents, estimated to be as of October 1, 2018, is:

NINE MILLION SEVEN HUNDRED FIFTY THOUSAND DOLLARS
($9,750,000).

Further, it is our opinion that the prospective leased fee market value of the subject property assuming that property is renovated, leased, and stabilized at maximum restricted rents, estimated to be as of October 1, 2018, is:

SIX MILLION FOUR HUNDRED THIRTY-FIVE THOUSAND DOLLARS
($6,435,000).

Finally, it is our opinion that the land value of the subject property assuming that it is vacant and approved for development with 44 market rate apartments as of October 5, 2016, is:

TWO MILLION TWO HUNDRED THOUSAND DOLLARS
($2,200,000).

The value opinions reflect marketing and exposure periods of twelve months or less at the property's market value/price levels and represent values expressed

in terms of cash or financing arrangements equivalent to cash. This exposure period is considered reasonable in the current market.

Neither this engagement nor the prospect of future employment has been conditioned upon this appraisal producing a specific value or value within a given range.

We appreciate the opportunity to assist you with your appraisal needs.

Respectfully submitted,

W. Scott Gudely, MAI
President
Certification No. 4001 008133

Page Smith, MAI
Senior Appraiser
Certification No. 4001 001490

WSG/PS:jr

Attachment

ATTACHMENT C – LACY COURT DESCRIPTION OF IMPROVEMENTS

MECHANICAL SYSTEMS & ALLOCATION OF UTILITY COST

Existing

The buildings currently have central gas fired boilers for heating (radiators) and gas fired domestic hot water heaters. Air conditioning is by window units. Each apartment is separately metered for electric (AC and plug load). The landlord pays for trash removal, water & sewer and gas for heating, cooking and domestic hot water.

After Renovation

The planned renovation will include installation of individual electric HVAC systems and new kitchen appliances. As a result the tenant's electric bills will include the added costs for heating and cooking. The landlord will continue to pay water & sewer and gas for domestic hot water.

UNIT FINISHES & EQUIPMENT

Existing

Current apartment unit finish consists of painted drywall or plaster walls and ceilings and hardwood floors. Kitchens are equipped with vinyl floor, wood base and wall cabinets, laminate countertop, gas range/oven (wall vent), refrigerator and stainless steel sink. There are no disposals or dishwashers. Bathrooms have tubs with shower, ceramic tile floor and bath surround. The units have 40 amp electrical panels.

After Renovation

Living Areas

- New steel entry door with new lockset within existing frame and new unit door knockers with numbers
- Paint all walls, ceilings, doors and trim
- Existing hardwood flooring to be cleaned and remain (estimate 50% of total units)
- Units without existing hardwood floors to get vinyl plank flooring (IPG Protile Planking) in living room, dining room and hallway and wall-to-wall carpeting in bedrooms (Shaw Contract Group, Turnkey Collection)
- New horizontal window treatments
- New closet for HVAC system
- New hollow core, two panel interior doors
- New hard wired smoke detectors
- Install new bulkheads for mechanical ductwork

Kitchens

- Resilient tile flooring in kitchens over ¼" Luan board.

- New Smart Cabinetry (Maple Wood with Sheffield door style) and Wilsonart plastic laminate counters.
- New refrigerator, electric range, dishwasher, stainless steel backsplash behind range, and new sink, low flow faucet and disposal.

Bathrooms

- Remove existing lavatory/vanity base and faucet, toilet and tub completely and domestic and sanitary lines as necessary for reconnection of new fixtures
- Provide new cultured marble lavatory/wood vanity base and faucet, toilet and tub with new tile surround
- Install new moisture resistant drywall on new ceiling framing
- Remove existing ceramic floor tile for receipt of new finishes
- Provide new tile flooring, surrounds and base
- New bathroom accessory package

Site

Typical

- New seamless aluminum gutters and downspouts with PVC boot and drain pipe to daylight 5' beyond face of building
- New 8" concrete dumpster/recycling area pad
- New USPS approved cluster mail/parcel box unit and concrete pad
- Prune trees and repair bare grass areas

1502-06 & 1512-16 Commonwealth Avenue

- New area drain and laterals tied to SWM system
- New 2" asphalt topping, pavement markings, signage, bollards and concrete wheel stops in parking area
- Install new concrete front entry stairway and new steel handrails
- Provide new concrete sidewalk leading around to rear of building from front entrance walkway

4-6-8 W. Nelson Avenue

- Patch and seal coat existing asphalt pavement, provide new pavement markings, signage and concrete wheel stops in parking area
- Patch, repair and coat entire front concrete retaining wall
- Install new concrete retaining walls along front entry walkway and new steel handrails
- Provide new concrete sidewalks leading around to rear of building

Overall Building Plans

- Remove and replace existing windows with new vinyl replacement windows (single hung and sliders) minimum ½" thick, low E insulated, Energy Star certified with 10 year warranty
- Power wash/clean exterior of building
- Provide new TPO membrane roofing on R-38 polyiso insulation with 20 year manufacturer's warranty and new standing seam aluminum coping
- Install new steel awning over main entry doors projected 4' from face of building
- Remove and replace existing address numbers and associated signage

- Remove existing building front entry door slab and hardware, retain frame in-place and install new steel door within existing opening
- Remove existing hot water radiators, patch and repair wall and flooring
- Remove existing and install new electric load centers
- Laundry room area
    - remove existing outside door and frame and install new steel door and frame
    - remove existing flooring and install new resilient tile flooring with ¼” Luan board underlayment
    - provide new ½” GWB on 6” metal studs with sound insulation typical of laundry rooms
    - remove existing and install new storage cages

Lobby/Stairwells

- Repaint lobby/stairwell
- Clean existing tile on stair landings and provide new rubber treads
- Paint existing risers
- Provide wall mounted handrails and guardrails
- Provide new thermally-broken aluminum entrance door to each stairwell
- Provide fire extinguishers in stairwells
- Provide new access control terminal at entrance

AHDC Lacy Court Apartments Financial Restructuring
Loan Balances and City Financial Position

	2006 Acquisition	Current Status	2017-18 Financial Restructuring & Renovation	Renovation Completed	Year 15	Post Year 15	By Year 40
RE Value	$10.1 M	$7.0 M	$7.0 M	$9.8 M	TBD	TBD	TBD
1st Trust	$3.5 M	$3.2 M	$5.5 M	$5.5 M	$3.6 M	$6.3 M	0
2nd Trust (City)	$6.6 M	$7.1 M	$3.8 M	$3.3 M	$2.7 M	$3.3 M+	0
LIHTC	N/A	N/A	$5.7 M	0	0	0	0
City Loan Principal Repaid	N/A	0	-$3.3 M (exchanged for Right of First Option)	$500,000* *AHDC has requested $150,000 grant for rental subsidy	$500,000	$2.7 M	$3.3 M+

City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 18, 2017

TO: THE ALEXANDRIA HOUSING AFFORDABILITY ADVISORY COMMITTEE (AHAAC)

FROM: HELEN S. MCILVAINE, DIRECTOR

SUBJECT: CONSIDERATION OF AN AMENDMENT TO SECTION 7-700 TO INCENTIVIZE AND MAXIMIZE PRODUCTION OF AFFORDABLE HOUSING

ISSUE: Amendment of Section 7-700 of the Zoning Ordinance to increase the bonus density limit from 20% to 30% to incentivize and maximize the production of affordable housing.

RECOMMENDATION: That the Alexandria Housing Affordability Advisory Committee (AHAAC) recommend that City Council approve an amendment to Section 7-700 of the Zoning Ordinance increasing the maximum bonus density for affordable housing from 20% to 30% and to allow increases above 30%, when appropriate, through small area plan updates.

BACKGROUND: Section 7-700 incentivizes the production of affordable housing by providing bonus density of up to 20% and bonus height[1] of up to 25 feet in exchange for affordable rental or for-sale units or an equivalent monetary contribution to the Housing Trust Fund (Attachment 1). The program has created 89 affordable units in market-rate projects between 2005 and 2016; market-rate developers have pledged an additional 135 units during this period. Non-profit developers have also utilized the program at the Station at Potomac Yard, Alexandria Crossing at Old Dominion, and Jackson Crossing as well as in the recently approved Carpenter's Shelter redevelopment project (Table 1, Attachments 2 and 3).

Table 1

Projects	Completed Units Attributed to Sec 7-700	Pledged Units Attributed to Sec 7-700	Total
Market-rate	89	135	**224**
100% Affordable	178	98	**276**
Total	**267**	**233**	**500**

Source: Office of Housing, 2017

[1] Buildings using bonus height that are located in zones with a maximum height limit of 50 feet or less may not exceed their prescribed height.

The program was amended in January 2014 at the recommendation of the Housing Master Plan to introduce flexibility and enhance its impact by allowing an applicant to receive more than 20% additional density if authorized within the relevant small area plan. Under this provision, the 2015 Eisenhower West Small Area Plan permits bonus densities in excess of 20% to encourage the production of affordable units. Bonus densities of 30% are also being considered as part of the current planning updates for Old Town North and North Potomac Yard.

<u>DISCUSSION</u>: In 2015 staff conducted an analysis of the potential impact of an overall increase in the standard bonus density limit from 20% to up to 30%; it sought feedback from AHAAC (Attachment 4) and NAIOP's Alexandria Government Relations Subcommittee, the City's sounding board for issues and ideas relevant to the development community, in addition to the Planning Commission. At that time staff concluded that the increase would produce modest benefits due to a range of constraints. These included limits on height and floor are ratio (FAR); site-specific zoning requirements (regarding open space, parking, setbacks, etc.); the cost differential between construction techniques (e.g., stick-built versus concrete and steel); neighborhood compatibility concerns; and the lack of precise affordable housing requirements in Coordinated Development District (CDD) and rezoning applications. Staff however also found no negative implications to increasing the bonus density allowance in areas where a 30% increase was feasible and appropriate and considered that a non-financial tool that produced even incremental gains in affordable housing ought to be considered.

Building on this finding, staff consulted again with NAIOP's Subcommittee in February 2016. The Subcommittee unanimously agreed that an increase in bonus density should not be applied selectively to sections of the City, but rather citywide consistent with the parameters of the City's six height districts. Subcommittee members noted that limiting the bonus density increase constricts developers' and architects' ability to craft creative design solutions and inhibits the potential provision of additional affordable units. New hybrid construction techniques (such as Hambro and Structural Stud) which allow for additional height to be constructed more affordably than has typically been possible with steel or concrete, reduced parking requirements for affordable units which decrease overall project costs, and evolving housing trends (such as growing interest in smaller units, including micro units) all create opportunities for the development community to pursue context-sensitive bonus density or height.

Staff recommends Section 7-700 of the Zoning Ordinance be amended to increase the bonus density limit from 20% to 30% to incentivize and maximize the production of affordable housing in the City. It further recommends that the Zoning Ordinance be amended to allow increases above 30%, when appropriate, through small area plan updates.

<u>FISCAL IMPACT</u>: Amending Section 7-700 enhances the City's ability to its expand its affordable housing inventory in a budget neutral way.

<u>ATTACHMENTS</u>:

(1) Section 7-700
(2) List of Projects with Sec. 7-700 Units
(3) Map of Sec. 7-700 Units
(4) April 2015 Bonus Density Presentation to AHAAC
(5) 2016 Affordable Set-Aside Report

STAFF:
Eric Keeler, Division Chief, Program Administration, Office of Housing
Tamara Jovovic, Housing Analyst, Office of Housing

Attachment 1

Sec. 7-700 - Allowance for increases in floor area ratio, density and height and reductions in required off-street parking as incentive for provision of low- and moderate-income housing.

7-701 - Definitions.

For the purposes of this section 7-700, low- and moderate-income housing units shall be determined in accordance with regulations which are issued by the city manager and approved by the city council and which reflect the following guidelines.

(A) Low- and moderate-income rental units are rental units for which the combined cost of rent and utilities does not exceed 30 percent of the maximum income limits used by the United Sates Department of Housing and Urban Development for its section 8 and Housing Voucher programs, as adjusted for family size and corresponding number of bedrooms, and which are occupied by persons or households whose gross income does not exceed the limits applicable to the section 8 program.

(B) Low- and moderate-income sales units are units with sales prices for which a person or household whose gross annual income is at or below the median income for the Washington, D.C., Metropolitan Statistical Area, adjusted for family size, could qualify using the lending criteria applied by the Virginia Housing Development Authority in its single-family mortgage assistance program and which are occupied by persons or households whose gross annual income is at or below such median income level.

7-702 - When increases and reductions may be allowed.

Increases in allowable floor area ratio, density and height and reductions in required off-street parking may be allowed for a building which contains one or more dwelling units or a project which includes one or more such buildings through a special use permit when:

(A) The applicant for the special use permit commits to providing low and moderate income sales or rental housing units in conjunction with the building or project which is the subject of the permit application in compliance with the following:

1. Number of units required: The number of units required shall be equivalent to at least one-third (1/3) of the increase achieved by the bonus approved under this section 7-700. Equivalency can be established with a different number of units if the size (square footage or number of bedrooms) of the units provided achieves an equivalent contribution as determined by the director of housing and approved with this SUP.

2. Location of units: The units may be provided within the building or project which is the subject of the permit application, or with the consent of the applicant and the director of housing and the director of planning and zoning and approval of this special use permit, the units may be provided:

   i. at an off-site location provided that:

      1. a specific plan for the off-site location is approved with this SUP;

      2. the off-site location meets all zoning requirements to include the units; and

      3. the total contribution value of the off-site units is equivalent to the total contribution value of what would have been provided on site; or

   ii. by a cash contribution to the City of Alexandria Housing Trust Fund in an amount equivalent to the value of the units that would have been provided on-site, or

iii. A combination of i and ii above if the total contribution is equal to the value of the units that would have been provided on site.

(B) The applicant for the special use permit agrees and provides sufficient assurance, by way of contract, deed or other recorded instrument acceptable to the city attorney, that the low-and/or moderate-income housing units to be provided will remain in these categories for the period of time specified in the special use permit.

(C) City council determines that the building or project which is subject to the special use permit, with the increase in allowable floor area ratio, density and height and the reduction in required off-street parking, meets the standards for the issuance of a special use permit set forth in section 11-500.

7-703 - Limits on increases which may be allowed.

(A) Floor area ratio and density may not be increased pursuant to this section 7-700 by more than 20 percent of the floor area ratio and density otherwise permitted by this ordinance, unless a greater percentage increase is specifically designated in a small area plan chapter of the Master Plan. The increase permitted under this section 7-700 is exclusive of any other floor area ratio and density increases allowable under any other section of this ordinance.

(B) Height may not be increased pursuant to this section by more than 25 feet beyond the height otherwise permitted by this ordinance; provided, however, that no building located in any zone or height district where the maximum allowable height is 50 feet or less may be allowed to exceed such height limits.

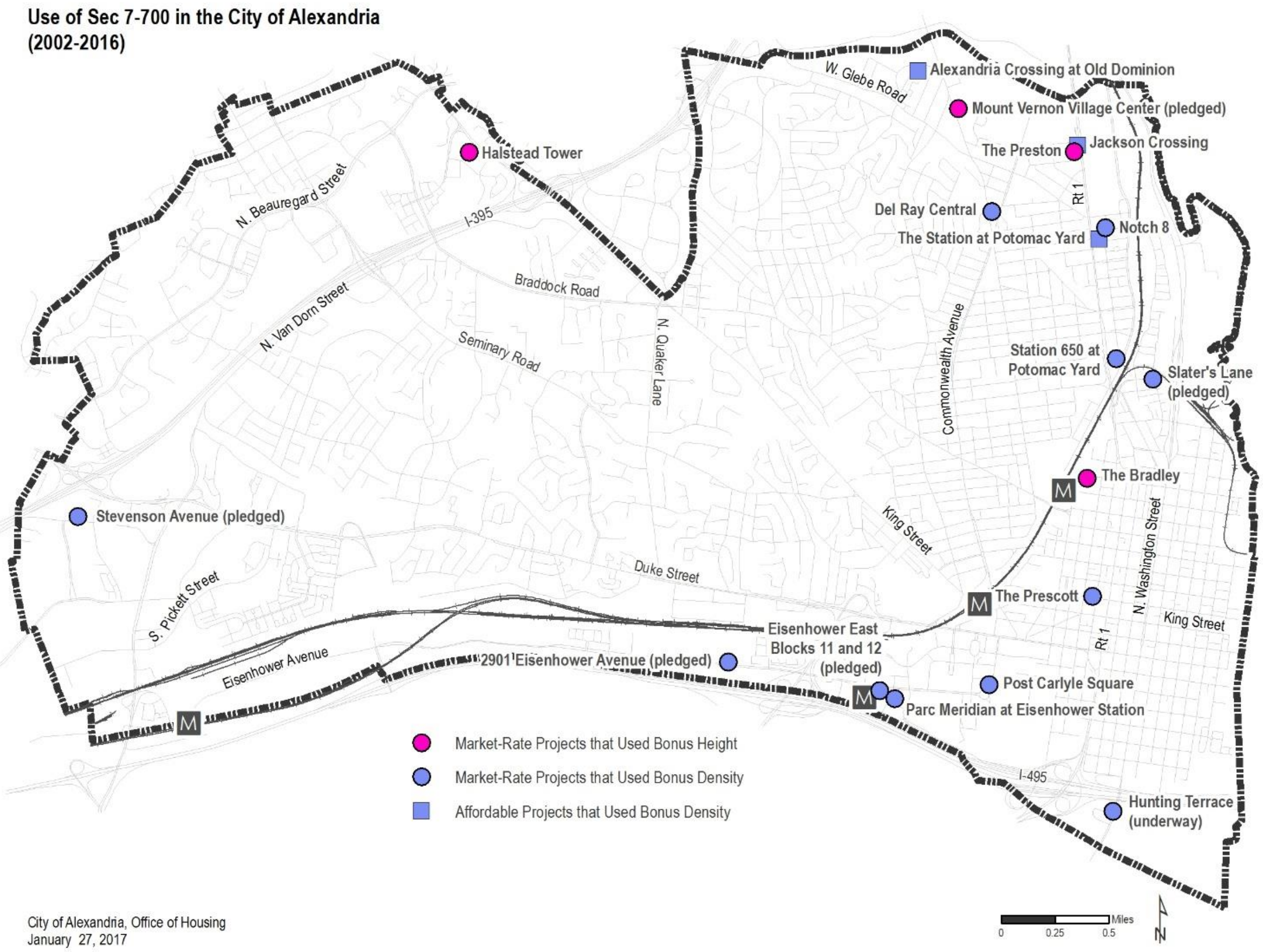
(Ord. No. 4858, § 1, 2-22-14)

Attachment 2

Market-Rate Housing Projects	Bonus Density	Bonus Height	Set-Aside Units Attributed to Sec 7-700	FY Pledged	FY Completed
The Preston	N	Y	3	2002	2005
Halstead Tower (Park Center)	N	Y	7	2004	2008
The Prescott	Y	N	3	2005	2008
Parc Meridian at Eisenhower Station	Y	N	33	2006/2013	2016
Del Ray Central (Mt Vernon Commons)	Y	N	9	2007	2010
Stevenson Avenue	Y	N	9	2009	n/a
Post Carlyle Square (Carlyle Block O)	Y	N	6	2010	2012
Hoffman/Eisenhower East Blocks 11 and 12	Y	N	56	2010	n/a
Mount Vernon Village Center	N	Y	23	2012	n/a
The Bradley	N	Y	8	2012	2015
Station 650 at Potomac Yard	Y	N	8	2013	2015
Notch 8	Y	N	12	2013	2015
Slater's Lane	Y	N	2	2014	n/a
Hunting Terrace	Y	N	24	2014	n/a
2901 Eisenhower Avenue project	Y	N	21	2016	n/a

Affordable Housing Projects	Bonus Density	Bonus Height	Set-Aside Units Attributed to Sec 7-700	FY Pledged	FY Completed
The Station at Potomac Yard	Y	N	64	2007	2009
Alexandria Crossing at Old Dominion	Y	N	36	2008	2010/11
Jackson Crossing	Y	N	78	2014	2016

Attachment 3



Bonus Density Analysis

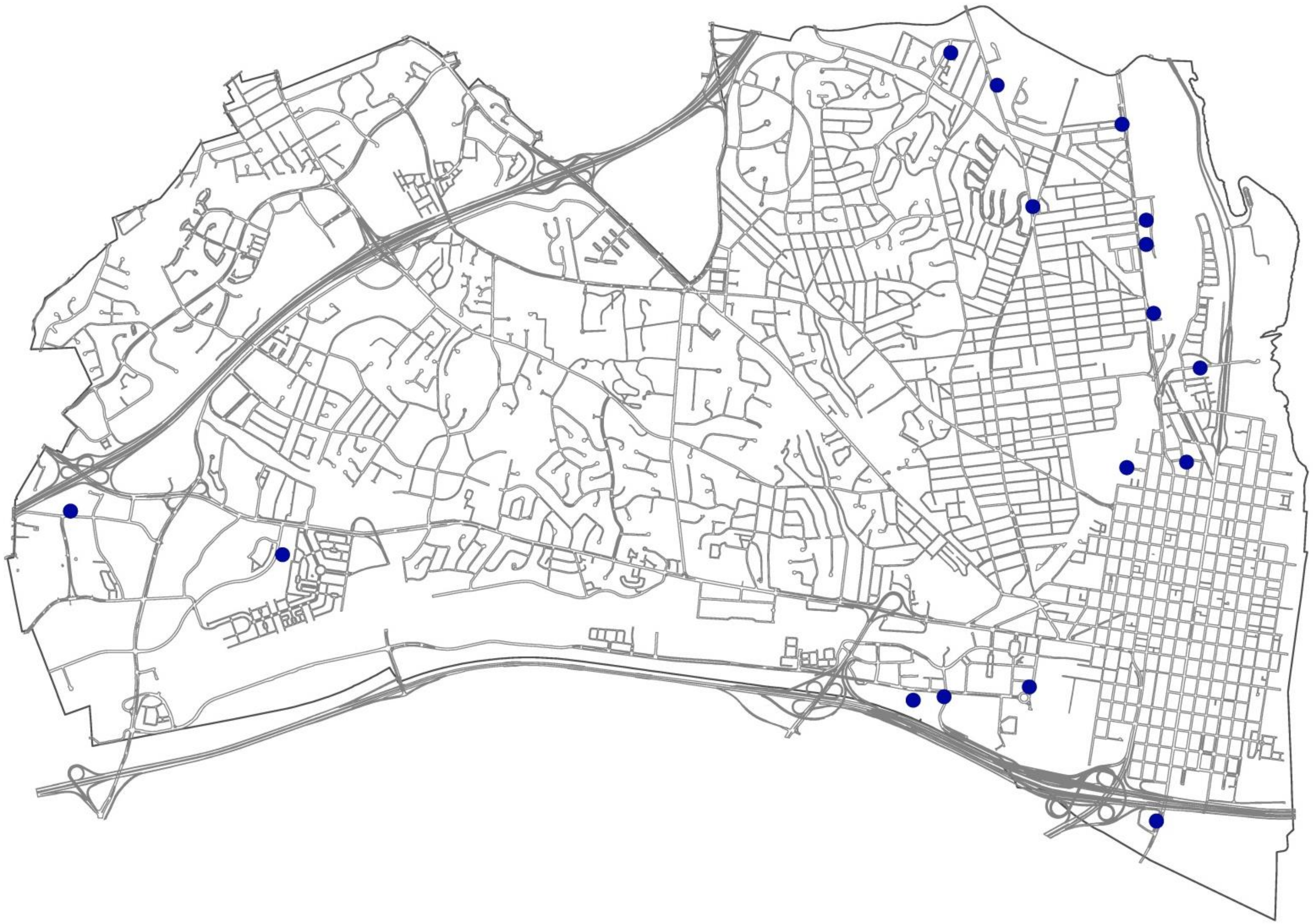
Affordable Housing Advisory Committee
Meeting

April 6, 2015

Analysis Methodology

- Zoning Analysis
  - FAR
  - Height Maximums
  - Height Districts
- Historic Research
- Market Realities
  - Construction Types/Cost
  - Associated Risk
  - Parking

Section 7-700 Projects



Map 1: Projects that Utilized Section 7-700 (2006-2014)

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Section 7-700 Projects

Year	DSP Number	Project Name	Bonus Density	Bonus Height	Units Created with Bonus Density	Percent of Bonus Density Applied	Dedicated Affordable Units		FAR/ Height Allowed per Zone	Bonus Density FAR/Height Delta*		Approved Project FAR	Approved Height	Building Type	Zoning Notes
							Sales	Rental		Net Increase	Allowed FAR per Zoning - FAR with Bonus Density				
2006	DSUP2004-0017 (DSUP2012-0028)	ATA - Lane (2012 Amendment)	Y			20%		34	3.2	0.8	3.2 - 4.0	4	284'	Concrete/Steel	CDD#2
2007	DSUP2005-0041	Mt. Vernon Commons (Del Ray Central)	Y			19.90%		9	1	0.25	1.0 - 1.25	1.25	45'	Wood	CDD#13
2007	DSUP2006-0026	Station at Potomac Yard	Y		64	20%		64				3.62	70'	Wood over Concrete Podium	CDD#10
2008	DSUP2006-0030	Old Town Crossing (Glebe Park)	N					62		0	0	0.74	42'		RA/Multifamily zone
	DSUP2006-0031	- Old Dominion East	Y					22	0.75	0.02	0.75 - 0.77	0.77	45'	Wood	RA/Multifamily zone
2009	DSUP2008-0013	Old Town Commons (James Bland)	Y			20%		134	0.49			1.63	Various	Wood	Rezoning RM to CDD#16
2009	DSUP2004-0028 (DSUP2012-0002)	Stevenson Ave Condos	Y		6.97	20%		9		0.3	1.5 - 1.8	1.8	77'	Wood	OCM(50)
2010	SUP2009-0081	Carlyle Block O (Post Carlyle)	Y			1.6%		6		0.05		3.23	65'-142'	Concrete	CDD#1
2010	DSUP2009-0004	Hoffman 11 & 12	Y			18.5%		55		0.62			277' - 339'	Concrete/Steel	CDD#2
2012	DSUP2009-0016	Mount Vernon Village Center		Y	28	N/A		28	50'-65'	61% up to 65', tower up to 74'	35' up to 50' w/Stepack; 50% up to 65'	3	65' - 74'	Wood over Concrete Podium	CDD#7
2012	DSUP2011-0024	Braddock Metro Place		Y	10	N/A		10	77'	77' to 99'	1.25 - 2.5	2.5	99'	Concrete	CRMU-H
2013	DSUP2011-0028	Jackson Crossing (East Reed AHC)	Y		77	20%		77	2	0.5	0.75 - 2.0 Rezoning 2.0- 2.5 Bonus Density	2.5	60'	Wood over Concrete Podium	Rezoning CDD#7/RB to CRMU-M
2013	DSUP2012-0012	Landbay J Multifamily	Y		28	19.80%		8	N/A	28 units	153 to 181 units	2.64	71'	Wood over Concrete Podium	CDD#10
2013	DSUP2012-0013	Giant at Potomac Yard	Y		42	20%		12	N/A	42 units	211 to 253 units	4.03	77'	Wood over Concrete Podium	CDD#10
2014	DSUP2014-0004	Pickett Place Townhomes (The Delaney)	N/A			0	4		1.0 (2.0 w/SUP)			1.16	50'	Wood	Rezoning to amend CRMU-M with no proffers. Previous rezoning from CG to CRMU-M with proffers
2014	DSUP2013-0007	Hunting Terrace	Y		73	20%		24	1.25	0.25	1.25 - 1.5	1.5	50'	Wood	RC/High Density Apartment
2014	DSUP2012-0031	Slater's Lane	Y		5	20%	2		1.25	0.24	1.25 - 1.5	1.49	63'	Wood	Rezoning to amend RC with proffers
Total							**6**	**554**							
					Total Affordable Units		**560**								

Indicates projects that utilize partial City funds

Project amended from previous approval

*FAR/Height Delta is the change in FAR/Height difference between the permitted zoning and the FAR/Height achieved through bonus density increase.

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FAR Zoning Analysis

	Zone	FAR	FAR w SUP	Max height	with an SUP	Notes
Townhouse / Multi-family Residential Zones	RA	0.75		45'		
	RB	0.75		45'		
	RCX	1.25		50'		
	RC	1.25		150'		
	RD	N/A		150'		No maximum FAR applies
	RM	1.5		35' - 45'		
	RS	0.75		35'		
	RT	0.5		35'		
Commercial Zones	CL	0.75		35'	45'	
	CC	0.75		35'	45'	
	CSL	0.75		50'		
	CG	0.75		50'		
	CD (MF)	1.25		50'		
	CD (TH)	1.5		35' - 45'		
	CD-X	1.25	2.0	50'		
Office Commercial Zones	OC	1.25		50'		
	OCM(50)	1.5		50'	77'	
	OCM(100)	1.5		100'	150'	
	OCH	1.25	2.0- 3.0*	100'	150'	If located within 1000 ft of Metro may develop to 2.0; *3.0 with an SUP
Commercial Residential Mixed-Use Zones	CRMU-L	1.0	1.5	SAP		
	CRMU-M	1.0	2.0	SAP		
	CRMU-H	1.25	2.5	SAP		
	CRMU-X	1.5	2.5	SAP		1.5 for townhouse use only. Multifamily will require a SUP and can use 2.5 FAR

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FAR

Map 3.1: Floor Area Ratio Maximum per Zone and Growth Areas

Height Maximums

Map 4.1: Height Limits Per Zone and Growth Areas

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Potential Opportunity Areas

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Case Study Areas

Under existing zoning, building height maximums range between 35' and 50' and may limit properties from achieving the additional density through 7-700 provisions. However, opportunities exist in this area where a potential density increase may be feasible given the following:

- Properties are located in a designated growth area of the city;
- Properties are located along a major arterial road and planned Transitway

These may be arguments for increased height and higher density. Challenges to increasing height in this area will be neighborhood compatability with surrounding residential communities.

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Case Study Areas

Opportunities along Duke Street where a potential increase may be feasible however, associated building heights (50' and up to 77' with SUP) may limit properties from achieving additional density through 7-700 provisions.

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Existing Opportunity Areas

Map 6: Opportunity Areas with Heights Greater than 77'

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Findings

- Allowing up to 30% increase would produce limited benefits to the provision of affordable housing citywide.
- Potentially feasible for projects in areas with height limits greater than 50’-77’ and FAR 2.5 and above.
- Setbacks, open space, and other zoning requirements may limit success.

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Findings

- Utilization is site specific (based on zoning, lot size/dimensions, etc.).
- Project assumptions (project type, construction type, parking) determine if usage is cost-beneficial to developers.
- Heights can be studies as part of comprehensive small area planning processes.

Housing Opportunities Fund Financial Status

As of December 30, 2016

	HTF	General Fund	HOME and Match	Tax Revenue	Authorized Bonds	TOTAL
Balance as of November 30, 2016	**5,028,025**	**0**	**1,740,601**	**1,329,584**	**6,800,000**	**14,898,210**
Allocation from the Housing Trust Fund	1,600,000					1,600,000
December 2016 Expenditures						
Alexandria Housing Development Corporation (AHDC)						
AHDC Carpenter's Shelter						
AHDC King and Beauregard						
ARHA Ramsey	(9,715)					(9,715)
AHC Inc. Filmore	(1,582,246)		(1,120,426)			(2,702,672)
Balance Available Before Outstanding Commitments	**5,036,065**	**0**	**620,175**	**1,329,584**	**6,800,000**	**13,785,824**
Outstanding Commitments						
Alexandria Housing Development Corporation (AHDC)	144,750	0	0	0	0	144,750
AHDC King and Beauregard	2,722,016	0	460,877	571,584	1,600,000	5,354,477
AHDC Carpenter's Shelter	1,659,594	0	159,296	758,000	4,341,787	6,918,677
AHC Inc. Fillmore	0	0	(0)	0	0	0
AHC Inc. Church of the Resurrection	400,000	0				400,000
ARHA Ramsey	19,827	0	0	0	0	19,827
Fees for Professional Services	41,850	0	0	0	0	41,850
Unreserved Balance as of December 30, 2016	**48,028**	**0**	**0**	**0**	**858,213**	**906,241**

Housing Trust Fund Programs Financial Status

As of December 31, 2016

Balance as of November 30, 2016		**9,387,426**
Revenues for December 2016		
Contributions	92,200	
Loan Repayments		
Moderate Income Homeownership Program (MIHP)	21,124	
Employee Homeownership Incentive Program (EHIP)	5,515	
HCS - Subordination Fee Deposits	150	
		118,989
Expenditures for December 2016		
Flexible Homeownership Program	0	
Homeownership Counseling	0	
Rebuilding Together Alexandria	0	
Housing Opportunities Fund - *see attached report*	(1,811,961)	
Rental Accessibility Modification Program (RAMP)	0	**(1,811,961)**
Balance Available Before Outstanding Commitments/Reservations		**7,694,454**
Outstanding Commitments/Reservations as of December 31, 2016		
Braddock Small Area Plan Fund	834,080	
Flexible Homeownership Program	796,429	
HOME/HOF Match	167,799	
Homeownership Counseling	117,716	
FY 2018 Budget Reservation	400,000	
Housing Opportunities Fund - see attached report	5,036,065	
RTA	0	
Rental Accessibility Modification Program (RAMP)	2,729	
		(7,354,818)
Unreserved Balance as of December 31, 2016		**339,637**

Housing Master Plan Progress Report

Period: FY17 Q1-Q2

City of Alexandria, Office of Housing

Updated: 01.23.17

TYPE OF ACTIVITY		FY17 Q1-Q2 Impact (Jul-Dec 2016)			Prior Reported Impact (Jan 2014-Jun 2016)	Total Impact (Jan 2014-Dec 2016)	Housing Master Plan (Jan 2014-Dec 2025)	
		Completed	Underway	Pipeline*	Prior Completed	Total Completed	Target	Balance
Rental Units Created or Preserved/Rehabilitated		**0**	**167**	**217**	**184**	**184**	**660**	**476**
Created	Jackson Crossing				78			
	St. James Plaza (Fillmore)		93					
	Gateway at King and Beauregard		74					
	Church of the Resurrection			113				
	New Hope Veterans Home (Aspen Street)				3			
	Carpenter's Shelter			98				
Preserved	Arbelo Apartments				34			
	Longview Terrace Apartments				41			
	Community Lodgings			6				
	Lynhaven Apartments				28			
Units Created through the Development Process		**1**	**29**	**103**	**63**	**64**	**336**	**272**
	Alexandria Memory Care Center		2					
	Goodwin House			6				
	Cambria Square (Pickett's Place/The Delaney)	1	3					
	Notch 8				12			
	Station 650 at Potomac Yard				8			
	The Bradley (Braddock Station/Braddock Metro Place)				10			
	Parc Meridian at Eisenhower Station				33			
	Hunting Terrace		24					
	Slater's Lane			2				
	2901 Eisenhower Avenue			21				
	Oakville Triangle Site			65				
	ABC/Giant site			9				
Beauregard Committed Units		**0**	**0**	**0**	**105**	**105**	**494**	**389**
	Southern Towers				105			
Units Created or Preserved through Redevelopment Support to ARHA		**0**	**0**	**222**	**0**	**0**	**174**	**174**
	Ramsey Homes			52				
	Ladrey Senior Highrise			170				

TYPE OF ACTIVITY	FY17 Q1-Q2 Impact (Jul-Dec 2016)	Prior Reported Impact (Jan 2014-Jun 2016)	Total Impact (Jan 2014-Dec 2016)	Housing Master Plan (Jan 2014-Dec 2025)	
	Loans Closed/Grants Issued	Prior Closed/Issued	Total Closed/Issued	Target	Balance
Rental Accessibility Modification Projects [Grants]	**1**	**8**	**9**	**24**	**15**
Homebuyer Loans	**2**	**21**	**23**	**72**	**49**
Homeowner Rehab Loans /RTA Projects [Rebuilding Together Alexandria Grants]	**5**	**51**	**56**	**240**	**184**

HOUSING MASTER PLAN PROGRESS REPORT SUMMARY	FY17 Q1-Q2 Impact (Jul-Dec 2016)	Prior Reported Impact (Jan 2014-Jun 2016)	Total Impact (Jan 2014-Dec 2016)	Housing Master Plan (Jan 2014-Dec 2025)	
	Created & Preserved (Completed) Units/Loans Closed/Grants Issued			Target	Balance
TOTAL	**9**	**432**	**441**	**2,000**	**1,559**