

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 2, 2018

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'S LOAN FOR THE REDEVELOPMENT OF RAMSEY
HOMES FROM \$2 MILLION TO \$3.6 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 up to "\$2 million" to up to \$3.6 million (Attachment 1).

RECOMMENDATION: That AHAAC recommend that City Council approve a permanent loan to ARHA of up to \$3,600,000 for redevelopment of Ramsey Homes which is to be funded from proceeds of ARHA's repayment of the City's 2008 Glebe Park loan (\$5 million).

BACKGROUND: In February 2017, with AHAAC's support, City Council approved a loan of up to \$2 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). City Council had previously approved a loan of \$1 million at the time of the DSUP for Ramsey Homes was approved in November 2016.

In May of 2017, the development was awarded Low Income Housing Tax Credits by VHDA and ARHA has been working toward a financial closing this Spring, along with the preliminary start of construction. In February, ARHA held an Open House as part of the Section 106 process and it has completed asbestos removal on the site. Demolition and archeological work will begin soon.

DISCUSSION: ARHA's request for the loan increase cites several factors that have impacted 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 receives. ARHA notes that the price of steel and lumber have increased by over 20% each during the year since its tax credit application. In addition, changes in tax credit prices paid by investors (resulting from the lowering of the corporate tax rate in the December Tax Reform Act) have caused ARHA's tax credit pricing for Ramsey to drop from \$1.01 to \$0.98.

Besides the additional \$1.6 million in funds being requested from the City, to close its project gap ARHA is deferring \$310,000 in developer fees and has had to increase the amount of funds ARHA is investing in the project (ARHA Loan B). Because the numbers may fluctuate until closing, Housing staff will continue to review the budget and proforma with ARHA on an ongoing basis, and additional City loan funds (out of the amount approved) will only be used as needed.

Below is a comparison of the Sources and Uses, including the budgets on which ARHA’s current request is based and those developed for the 2017 loan request. Subsequent to the February loan request, ARHA increased the amount of tax credits requested in its VHDA application. Also, Loan A is the value of ARHA’s sellers note, Loan B reflects additional ARHA investment in the project. This amount decreased as ARHA has less funds on-hand than anticipated due to delays in the Adkins project. The project would have generated some developer fees by now for ARHA’s use based on its original schedule.

Sources	2018	2017	Change
LIHTC	\$12,626,142	\$11,439,666	\$1,186,476
ARHA Loan A	\$3,710,000	\$3,710,000	\$0
ARHA Loan B	\$303,083	\$1,370,309	-\$1,067,226
HUD RHF	\$1,034,933	\$855,428	\$179,505
Deferred Developer Fee	\$310,256	\$0	\$310,256
ARHA Equity	\$1,265	\$0	\$1,265
VHDA Reach Loan	\$100,000	\$100,000	\$0
City Loan	\$3,600,000	\$2,000,000	\$1,600,000
Total	\$21,685,679	\$19,475,403	\$2,210,276
Uses			
Construction Costs	\$13,068,798	\$11,147,082	\$1,921,716
Financing Costs	\$543,014	\$215,258	\$327,756
Soft Cots	\$2,261,386	\$2,347,300	-\$85,914
Reserves	\$218,363	\$215,763	\$2,600
Developer Fee	\$1,884,118	\$1,840,000	\$44,118
Acquisition Costs	\$3,710,000	\$3,710,000	\$0
Total	\$21,685,679	\$19,475,403	\$2,210,276

FISCAL IMPACT: The new request of up to \$3.6 million will require an additional allocation of \$1.6 million of Housing Opportunities Fund dollars, from proceeds resulting from ARHA's repayment of \$5 million for the City's Glebe Park loan. The City's loan and ARHA's seller note (Loan A) 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 (estimated to be ~2033).

ATTACHMENTS:

- (1) ARHA Request for Ramsey Loan Increase (April 25, 2018)
- (2) February 2017 City Council Ramsey Loan Docket item

STAFF:

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