ARHA Portfolio Repositioning Assessment

Executive Summary – Joint Work Session of ARHA Board and City Council (5/2/19)
Purpose of the Assessment

REVIEW ARHA’S DEVELOPMENT PORTFOLIO AND MAKE RECOMMENDATIONS FOR ASSET REPOSITIONING TO ENSURE LONG-TERM SUSTAINABILITY
What we Did

- Analyzed Occupancy and Demand Data
- Toured Sites + Reviewed Small Area Plans
- Met with City departments of Planning and Housing
- Analyzed capital + operating cost data
- Conducted preliminary RAD feasibility assessment
- Completed residential market assessment
- Examined ARHA land value
- Facilitated four work sessions with Senior staff
What we Found
ARHA Serves 2,747 Households as of April 2019

62% are 1 + 2 person households
Most Families Earn Less than $50K

<table>
<thead>
<tr>
<th>Income Range</th>
<th>2018 Jan</th>
<th>2019 Apr</th>
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<tbody>
<tr>
<td>Less than $10K</td>
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<tr>
<td>$10K - $19.9K</td>
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<td>$20K - $49.9K</td>
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<tr>
<td>$50K - $100K</td>
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<tr>
<td>Over $100K</td>
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EJP CONSULTING GROUP, LLC
Portfolio Performs Unevenly (Operations)

- Some sites operate at a deficit
- Lack of income diversity in portfolio – 100% public housing or PBVs
- Sites with Project-Based Units cover their operating costs
Large Sites Clustered in Oldtown Area…

...but significant portion of portfolio is scattered across the city
Deconcentrating Poverty is a Goal; Scattered-Site Acquisition of Individual Condos Financially Unsustainable Over Long Term

- Disproportionately high operating cost
- No opportunity for cross-subsidization within project
- Loss of public housing land
Strong Demand for Affordable Housing

8,474 Families on ARHA Waitlists

Source: ARHA: 4/29/19 (includes Public housing, Housing Choice Voucher (HCV), Low Income Housing Tax Credit (LIHTC) and other properties)
Strong Market Potential for Mixed Income Development

OVER THE PAST TWO DECADES, THE CITY OF ALEXANDRIA HAS SEEN A STEADY DECLINE OF AFFORDABLE HOUSING

5,670 HOUSEHOLDS WITH POTENTIAL TO RENT/PURCHASE WITHIN MIXED-INCOME COMMUNITY ANNUALLY
Who Are the Potential Renters of Mixed-Income Rental Housing?

- Young Singles + Childless Couples: 23%
- Empty Nesters and Retirees: 10%
- Traditional + Non Traditional Families: 67%
Where is Public Housing Capital Funds Headed?
Significant Deferred Physical Needs

DUE TO HUD UNDERFUNDING, CAPITAL NEEDS FOR PUBLIC HOUSING UNITS ARE HIGH
Capital Needs For PH Units Exceed Funding by nearly 4 Times

Public Housing Capital Fund Revenue 10-Year History

- Capital Funds Revenue
Capital Funds – National Trends

- Capital funding has declined 53% (in inflation adjusted terms) between 2000 and 2016 by nearly a billion dollars, to just $1.9 billion in 2016, a level far below the amount that agencies need simply to cover new repair needs that accrue each year.³

- HUD estimates the projected annual accrual of needs is at least $3.4 billion per year on average over the next 20 years.

- As a result, the backlog of needed repairs — which HUD estimated in 2010 to be some $26 billion — continues to grow.
Public Housing Operating Fund Allocations Historically Underfunded
Conversion Methods

PHA OPTIONS

Utilize other sources of capital within Public Housing to rehab and maintain

Recapitalize by converting from Public Housing and using other sources to rehab and maintain
Mechanisms

- Rental Assistance Demonstration (RAD)
- Section 18
- Redevlopment - Mixed Income + Mixed Finance developments
RECOMMENDATIONS
<table>
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<th>Major Takeaways</th>
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<td>Staying the course is not an option given long term capital needs</td>
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<td>ARHA needs to take proactive steps to reposition its public housing portfolio for long-term financial viability</td>
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<td>Selling ARHA land limits options long-term</td>
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<td>Replacing units in scattered condo structures is not financially viable long term</td>
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<td>ARHA needs to diversify and grow rental portfolio to become financially sustainable; reduce operating cost</td>
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<td>Comprehensive redevelopment plan by site should guide decision making</td>
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<td>HUD has provided new asset repositioning tools</td>
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RECOMMENDATIONS GUIDED BY THE FOLLOWING GOALS AND PRINCIPLES

PRESERVE - No net loss of existing affordable housing opportunities

GROW - Add net new affordable rental units through combination of strategies (redevelopment, acquisition, partnerships)

DIVERSIFY - Diversify types of units, range of affordability, and income streams to ensure financial sustainability

EXPAND CAPACITY - for self-development (VHD, LLC); for public/private partnerships (private developers)
Opportunities and Challenges

**OPPORTUNITIES**

1. Significant and valuable land value
2. Strong demand for market and affordable housing
3. Zoning tools may be more favorable (changes to small area plan requirements, higher density, particularly at sites near transit)
4. Recent/planned developments create precedent for going to scale (WMATA Bus Barn)
5. Neighborhood quality is good across the portfolio
6. Proximity to Planned Virginia Tech campus near Adkins/Madden

**CHALLENGES**

1. Significant Capital Needs; declining capital funding
2. Existing debt
3. Fully occupied sites
4. High operating cost and deficit at some sites
5. Scattered assets challenging to manage
6. RAD/Section 18 strategies may not work for all sites
7. Ability to increase density given current zoning
8. Capacity and ability to secure development financing
5 Main Strategies

Demo and Redevelop at Larger Scale
- Large/conventional or strategic sites
- Significantly increase density
- Mixed-income, Mixed Finance and Mixed use

Replace PH Operating Subsidy
- Section 9 to Section 8 subsidy (ACC to PBV or RAD)

Explore Reposition of Scattered Sites
- Single units, condos & clusters – Affordable ownership

Preserve
- Expiring tax credit units
- Rehab Ladrey tower

Leverage
- Section 18
- RAD conversion
- Partnership with Local developers
Next Steps

- Complete current Physical Needs Assessment on all PH Properties
- Finalize Strategy to Purchase Expiring LIHTC Properties
- Meet with Procured Developers to Discuss Vision and Strategy
- Prepare and Submit RAD Application (multiphase) and/or Section 18 Dispo Application
- If needed, Procure Additional Implementation Partners
- Master Plan for all redevelopment sites (with companion Phasing, Relocation and Financing Plans)

Complete the Ramsey Project
What Will ARHA Require from the City?

- Actively support plans for increased density at targeted redevelopment sites
- Streamline approval process for redevelopment plan
QUESTIONS?