



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

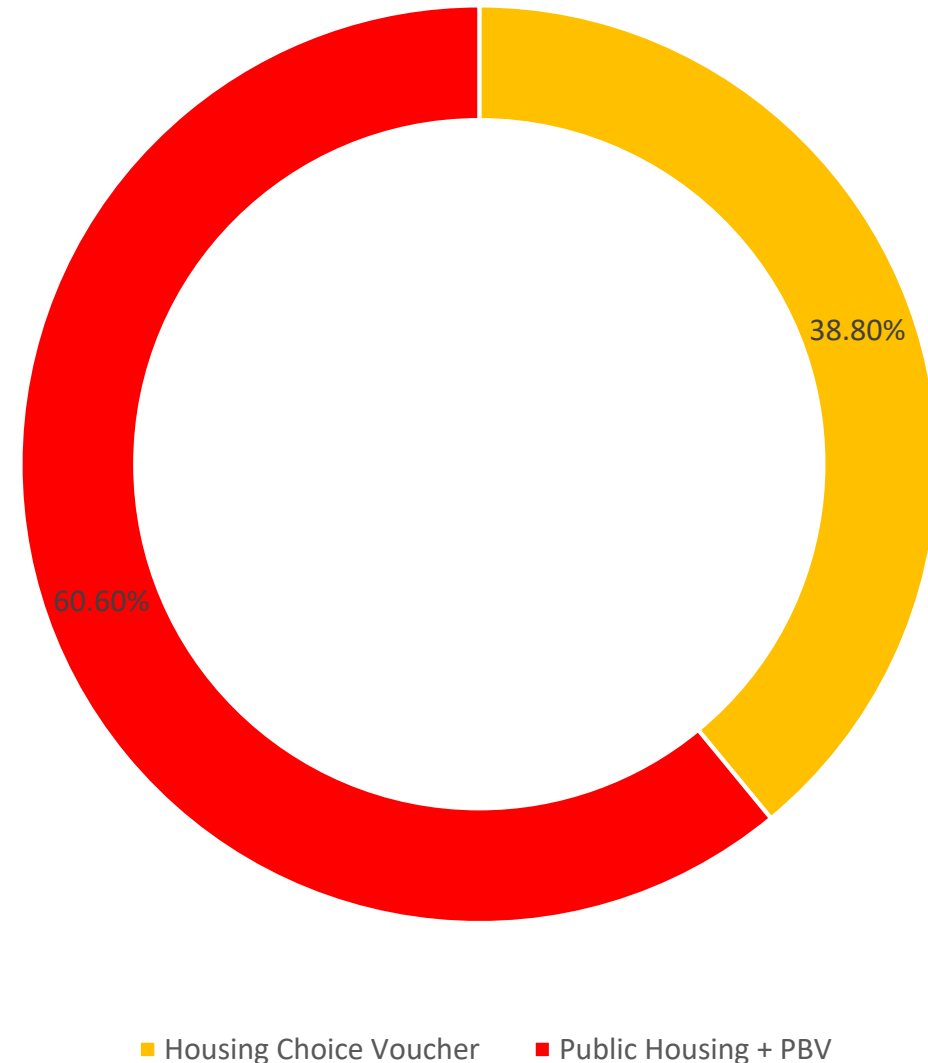


Facilitated four work
sessions with Senior
staff

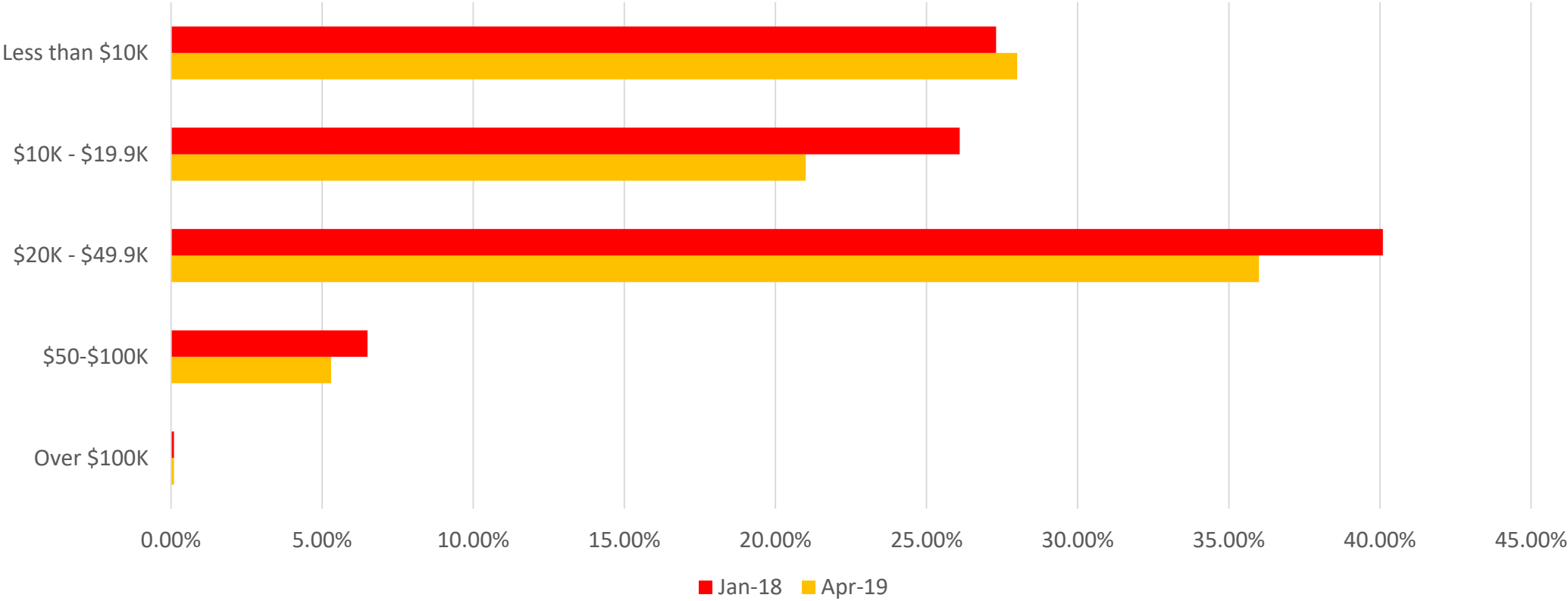
What we Found

ARHA Serves
2,747
Households as
of April 2019

62% are 1 + 2
person
households



Most Families Earn Less than \$50K



Portfolio Performs Unevenly (Operations)

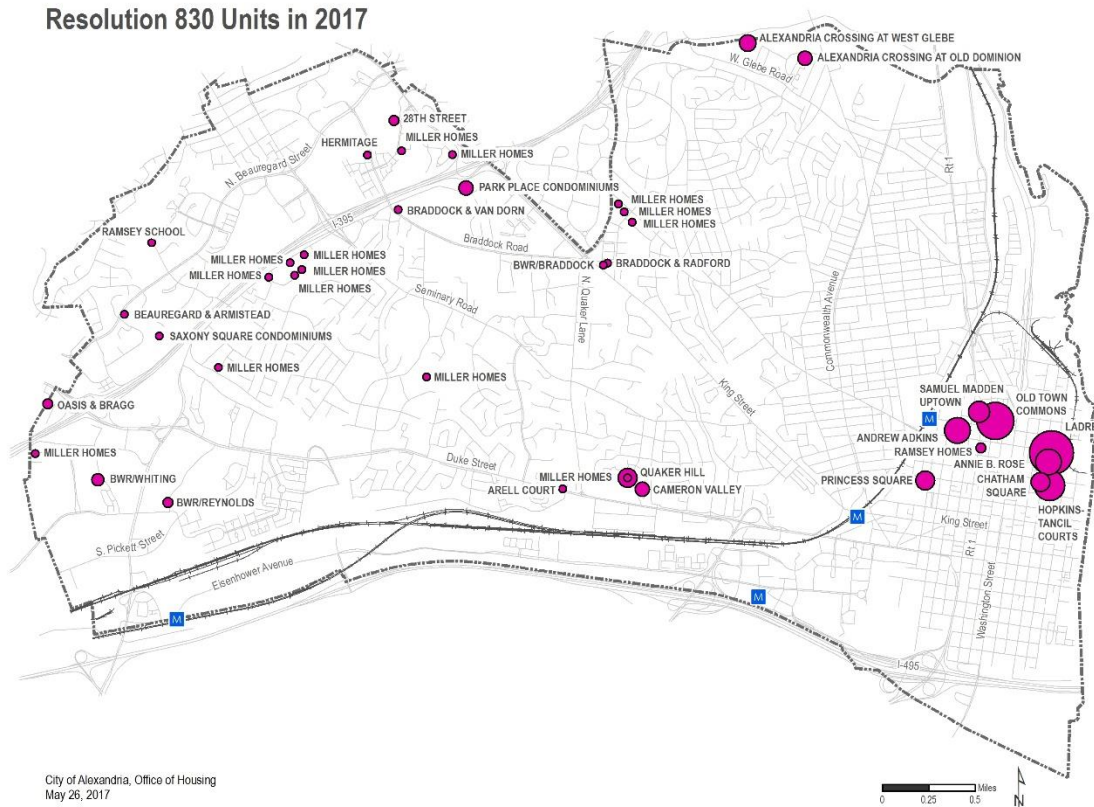
Some sites operate
at a deficit

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)

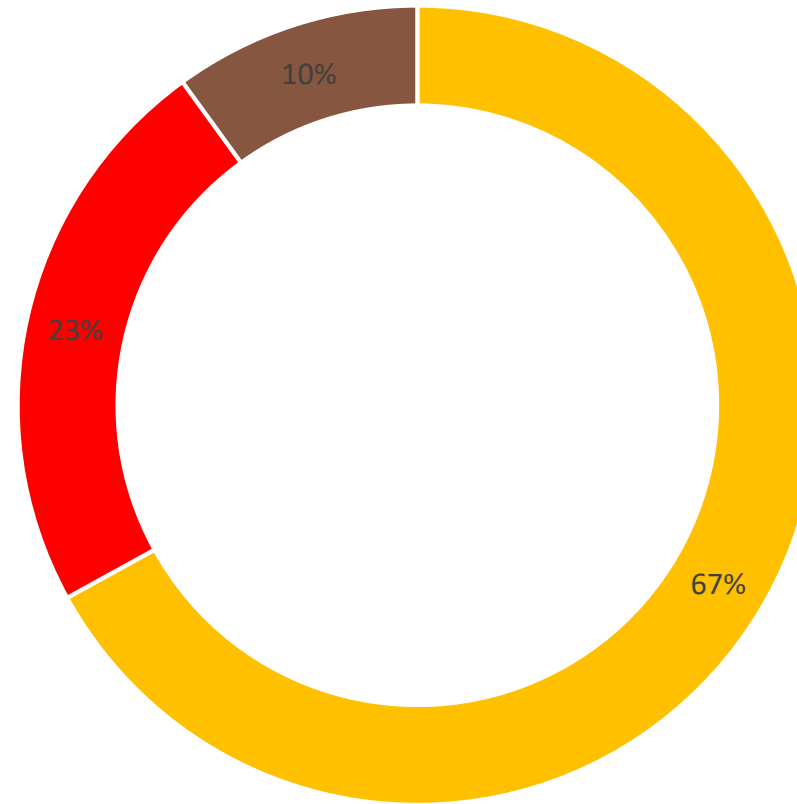
Strong Market Potential for Mixed Income Development

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?

Potential New Renters



- Young Singles + Childless Couples
- Empty Nesters and Retirees
- Traditional + Non Traditional Families

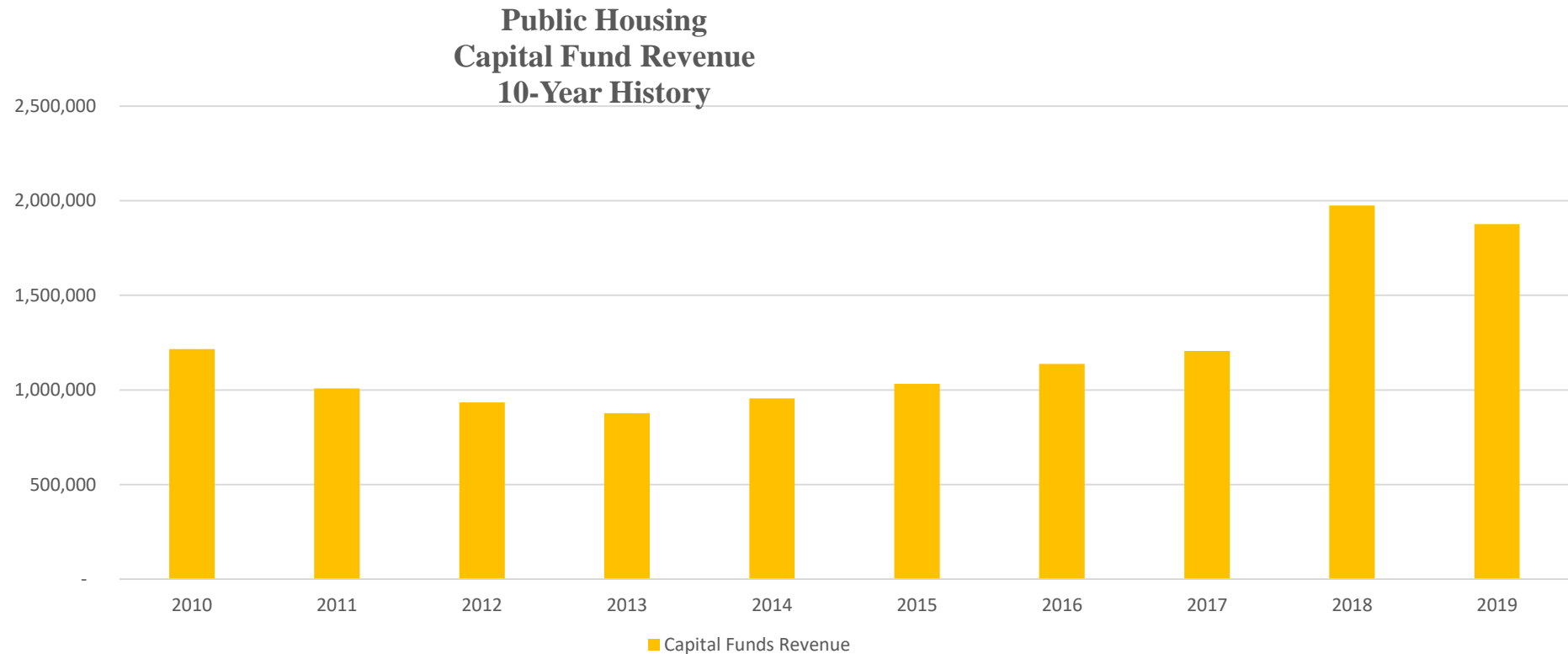
Where is Public Housing Capital Funds Headed?



Significant Deferred Physical Needs

DUE TO HUD UNDERFUNDING, CAPITAL NEEDS
FOR PUBLIC HOUSING UNITS ARE HIGH

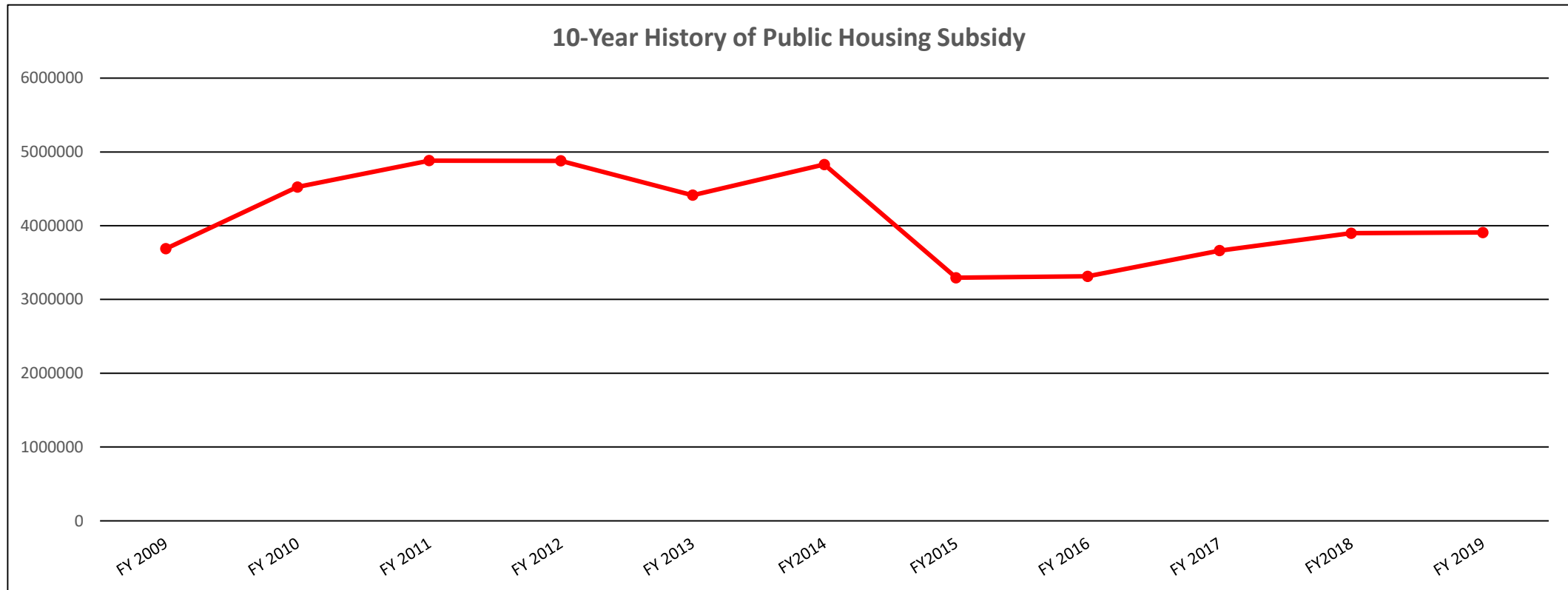
Capital Needs For PH Units Exceed Funding by nearly 4 Times



Capital Funds – National Trends

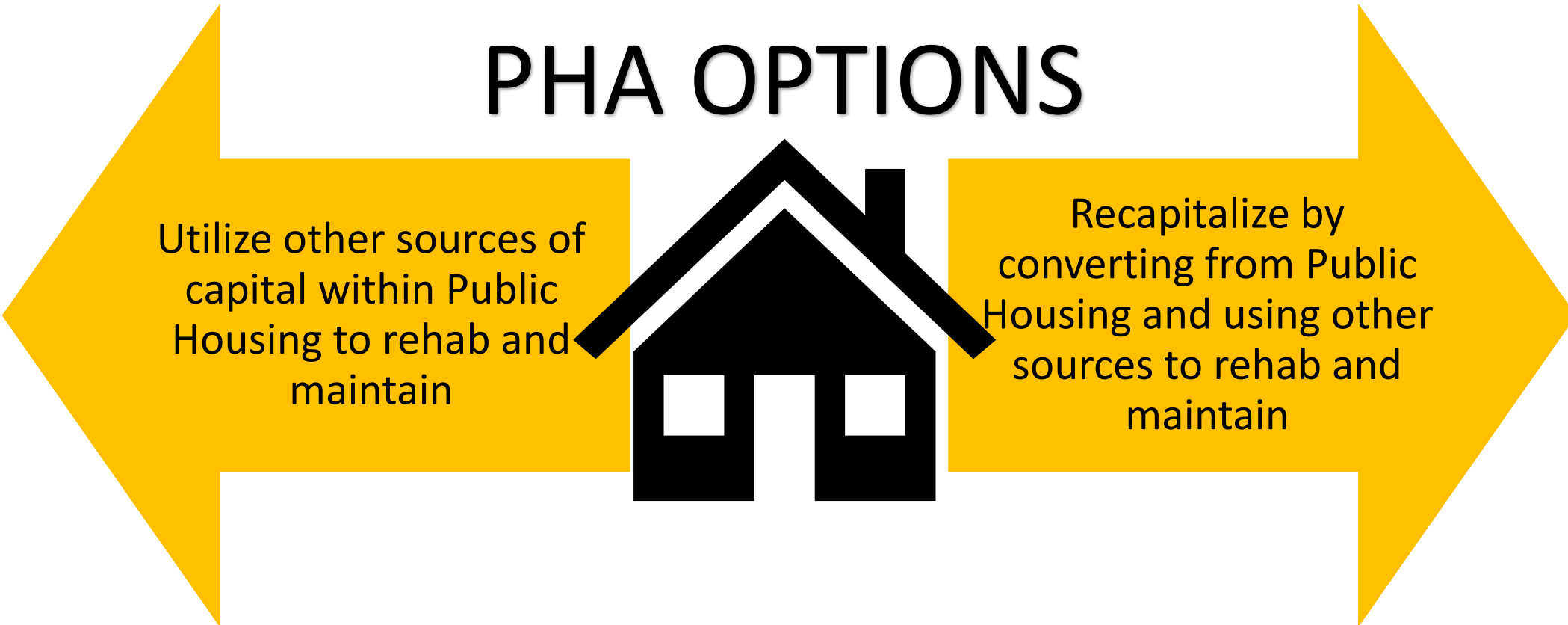
- Capital funding has declined 53% (in inflation adjusted terms) between 2000 and 2016 by nearly a billion dollars, to just \$1.9 billion in 2016, a level far below the amount that agencies need simply to cover new repair needs that accrue each year. ³
- HUD estimates the projected annual accrual of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

Asset Repositioning

Mechanisms

- Rental Assistance Demonstration (RAD)
- Section 18
- Redevelopment - Mixed Income + Mixed Finance developments

RECOMMENDATIONS

Major Takeaways

Staying the course is not an option given long term capital needs

ARHA needs to take proactive steps to reposition its public housing portfolio for long-term financial viability

Selling ARHA land limits options long-term

Replacing units in scattered condo structures is not financially viable long term

ARHA needs to diversify and grow rental portfolio to become financially sustainable; reduce operating cost

Comprehensive redevelopment plan by site should guide decision making

HUD has provided new asset repositioning tools

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?