

**ALEXANDRIA  
HOUSING  
DEVELOPMENT  
CORPORATION**

801 N. Pitt Street #116  
Alexandria, VA, 22314

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housingalexandria.org

April 26, 2018  
Ms. Helen McIlvaine  
Acting Director, Office of Housing  
City of Alexandria  
421 King Street, Suite 200  
Alexandria, VA 22314

**RE: Lacy Court City Loan Modification**

Dear Ms. McIlvaine:

This letter is to update you on the status of Lacy Court Apartments and request a modification on the City loan that was approved in February 2017. This modification request would allow for the \$500,000 that was planned to be paid back at the end of renovation to remain in the project as part of the City of Alexandria loan on the property. This request will allow AHDC to continue forward and achieve the renovation that was intended when the City first provided funds to RPJ Housing to acquire the property in 2006.

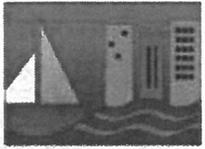
**Overview**

In January 2017, AHDC requested that the current \$7.1 M loan on Lacy Court Apartments be reduced to \$3.8 M to reflect the current value of property. This request was made in order to create a financeable project for which AHDC would submit a tax credit application in March 2017. In exchange for this loan forgiveness, AHDC agreed to include a right of first refusal for the City of Alexandria at the end of the tax credit compliance period and repay up to \$500,000 in proceeds remaining from the refinancing structure.

In June 2017, AHDC was awarded tax credits for this project and has been diligently working toward getting started on the project. However, due to rapidly escalating construction costs, AHDC is requesting that the \$500,000 originally scheduled to be repaid to the City at the end of the renovation remain in the project as part of the City's loan. The discussion below details the construction costs increases and AHDC's attempts to reduce cost of the project. In addition, I have attached to this letter the most recent sources and uses and 40 year cash flow projection for the property for your review.

**Construction Cost**

AHDC submitted a tax credit application for Lacy Court Apartments in March 2017 based on an estimated construction cost of \$4.3 M that was derived from work with our general contractor. At a cost of approximately \$100,000 per unit this was assumed to be a conservative budget for the renovation. However, to ensure that we were properly estimating costs we had a second general contractor provide AHDC with an estimate. This estimate came in within \$100,000 which allowed us to feel comfortable



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we were properly planning for construction costs.

In June 2017, AHDC was awarded LIHTC for the Lacy Court renovation and started to work with our team to refine scope and move our project to construction drawings. As part of this process we added a few items to the scope, namely additional electrical upgrades and the replacement of the sewer laterals from the building to the street. These improvements were estimated to add approximately \$150,000 to the cost of the renovation, but they were necessary and still within the contingency/escalation we had planned for as part of our budgeting. At this time we had our general contractor go back to the market and reprice the project in preparation to start construction. When pricing came back in December 2017 the cost of the renovation had increased to \$5.7M which was significantly above our construction budget. In order to address this cost increase we undertook a value engineering exercise that resulting in savings of about \$100,000 but did not result in a budget that would make the project feasible and AHDC decided to competitively bid the project to ensure we were getting correct pricing.

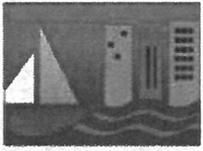
In March 2018 AHDC provided the construction drawings for the project to four reputable contractors and requested a guaranteed maximum price (GMP) proposal for the renovation. AHDC provided each general contractor four weeks to provide proposals and ended up receiving three bids. The pricing for the bids ranged from \$5.3 M to \$6.1 M and after vetting the low number to ensure the entire scope was included, we decided to move forward with the low bid. While this has helped to solve the financing gap it is still significantly higher than our original budget.

### **Financing Gap**

In order to address the financing gap presented by increased construction costs, AHDC has explored several options. First, AHDC has deferred the maximum amount of developer fee allowed by our investor. Second, we have continued to value engineer the project removing any costs we see as unnecessary. This has proved a difficult task as many of the upgrades anticipated as part of this renovation are basic structure and systems needs that will allow the property to operate in a sustainable manner over the next 30 years. Lastly, we have requested VHDA include additional REACH funding to this project which would decrease the interest rate therefore increasing the amount of permanent debt we can carry. After all these solutions we still have a gap that can be closed by leaving the City's \$500,000 in the deal as part of the final financing solution. It is worth noting that we are currently carrying a 10% contingency on this project which results in approximately \$525,000. AHDC is committed to working with the City to find solutions on this project and commits to any funds not expended on development will be repaid to the City after a 50% deferred fee is achieved.

### **Next Steps**

AHDC is working to move this project to construction as quickly as possible. Currently, one of the three buildings that make up Lacy Court is vacant and we are ready to start construction. We have been working with the City's Planning, T&ES, and Code departments to have permits in hand by June 1. With the approval of permits and the modification to the loan as requested in this letter we would anticipate being under construction by mid-June and completing the renovation by June 2019.



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We look forward to working with the City to fulfill the vision of renovating Lacy Court and establishing it as a long term committed affordable housing option in a wonderful neighborhood. We stand ready to answer any questions you have regarding the content of this letter or the project in general.

Sincerely,

Jonathan D. Frederick  
Executive Director

Cc: Eric Keeler, via email

Lacy Court  
Project Financials Summary

| Sources                       |                      | Uses                   |                      |
|-------------------------------|----------------------|------------------------|----------------------|
| <b>Equity</b>                 |                      |                        |                      |
| Tax Credit Equity             | 4,950,930            | Acquisition            | 7,030,000            |
| Sponsor Equity                | -                    | Development Soft Costs | 1,566,555            |
|                               |                      | Financing Costs        | 718,100              |
|                               |                      | Construction Costs     | 5,766,592            |
|                               |                      | Developer Fee          | 1,320,000            |
| <b>Debt</b>                   |                      |                        |                      |
| VHDA 1.95%                    | 2,000,000            |                        |                      |
| VHDA 2.95%                    | 4,925,000            |                        |                      |
| VHDA Taxable Bonds            | 5.60%                |                        |                      |
| City of Alexandria            | 3,800,000            |                        |                      |
| <b>Deferred Developer Fee</b> | <b>49.6%</b>         | <b>655,329</b>         |                      |
| <b>Interim Income</b>         |                      | <b>69,987</b>          |                      |
| <b>Total Sources</b>          | <b>\$ 16,401,247</b> | <b>Total Uses</b>      | <b>\$ 16,401,247</b> |
| Permanent Debt                | \$ 6,925,000         | Surplus/(Deficit)      | -                    |
| Annual Debt Service           | \$ 335,687           | Total Cost / Unit      | 372,756              |
| Terms (Years)                 | 30                   | Hard Cost / Unit       | 131,059              |
| Interest Rate                 | 2.71%                | Soft Cost / Unit       | 241,697              |

| Unit Type / Affordability Mix |             |           |             |
|-------------------------------|-------------|-----------|-------------|
|                               | %           | No. Units | %           |
| Efficiency                    | 5%          | 2         | 0%          |
| One Bed                       | 7%          | 3         | 9%          |
| Two Bed                       | 39%         | 17        | 41%         |
| Three Bed                     | 50%         | 22        | 50%         |
| Four Bed                      | 0%          | 0         | 0%          |
|                               |             |           |             |
|                               |             |           |             |
| <b>Total Units</b>            | <b>100%</b> | <b>44</b> | <b>100%</b> |

| Project Schedule             |          |
|------------------------------|----------|
| Development Start            | 06/22/18 |
| Community Opening            | 05/01/19 |
| Construction Period (Months) | 10       |
| Lease-up Period (Months)     | 3        |
| Perm Loan Conversion         | 05/31/19 |

| Income & Operating Expenses     |                 |
|---------------------------------|-----------------|
|                                 | Yr 1 Stabilized |
| <b>Revenue</b>                  |                 |
| Potential Gross Income          | \$768,492       |
| Less: Vacancy Allowance         | 5%              |
| <b>Effective Gross Income</b>   | <b>730,067</b>  |
| Other Income                    | 17,100          |
| <b>Total Income</b>             | <b>747,167</b>  |
| <b>Operating Expenses</b>       |                 |
| Administration                  | 60,146          |
| Maintenance Expenses            | 31,988          |
| Supplies & Services             | 24,499          |
| Utilities                       | 37,451          |
| Taxes & Insurance               | 105,592         |
| Payroll Expenses                | 85,830          |
| <b>Total Operating Expenses</b> | <b>345,507</b>  |
| Replacement Reserves            | 13,200          |
| <b>Net Operating Income</b>     | <b>388,460</b>  |
| <b>DSCR</b>                     |                 |
| <b>OpEx per unit (excl RR)</b>  | <b>\$ 1.16</b>  |
|                                 | <b>\$ 7,852</b> |



Lacy Court  
Development Costs

| Development Costs               | Total Budget     | Total Per SF  | Total Per Unit | Notes   | Eligible Costs |            |                                    |
|---------------------------------|------------------|---------------|----------------|---|----------------|------------|------------------------------------|
|                                 |                  |               |                |   | 4%             | 9%         |                                    |
| <b>Acquisition</b>              |                  | 52,033        | 44             |   |                |            |                                    |
| Structure                       | 4,800,000        | 92.25         | 109,091        |   | \$0            | \$0        |                                    |
| Land                            | 2,200,000        | 42.28         | 50,000         |   | \$0            | \$0        | not taking an acq credits          |
| Recording Fees                  |                  | 0.00          | 0              |   | \$0            | \$0        | Land                               |
| Closing Costs (title/surveyed)  | 30,000           | 0.58          | 682            |   | \$0            | \$0        | Title & Recording                  |
| <b>Acquisition Subtotal</b>     | <b>7,030,000</b> | <b>135.11</b> | <b>159,773</b> |   | <b>\$0</b>     | <b>\$0</b> |                                    |
| <b>Development Soft Costs</b>   |                  |               |                |   |                |            |                                    |
| <b>Architectural and Design</b> |                  |               |                |   |                |            |                                    |
| Past Work                       |                  | 0.00          | 0              | Potential seller note for: \$9985 to include past architectural | \$0            | \$0        | Arch./Engin. Design Fee            |
| Design Development              | 63,967           | 1.23          | 3,500          | ZA+D Proposal - 1-23-17; 10/3/17; 6/6/17; Love + Carrots De     | \$63,967       | \$63,967   | Arch./Engin. Design Fee            |
| Construction Drawings           | 62,436           | 1.20          | 750            |   | \$62,436       | \$62,436   | Arch. Supervision Fee              |
| Bidding/Negotiation             | 5,676            | 0.11          | 129            |   | \$5,676        | \$5,676    | Arch./Engin. Design Fee            |
| Construction Administration     | 22,704           | 0.44          | 516            |   | \$22,704       | \$22,704   | Arch./Engin. Design Fee            |
| <b>Engineering Fees</b>         |                  |               |                |   |                |            |                                    |
| Civil                           | 80,650           | 1.55          | 1,833          | Bowman LOD Exhibit (Actual); Grading Plan Proposal              | \$80,650       | \$80,650   | Arch./Engin. Design Fee            |
| Structural                      |                  | 0.00          | 0              |   | \$0            | \$0        | Arch./Engin. Design Fee            |
| ALTA Survey                     | 3,850            | 0.07          | 88             |   | \$3,850        | \$3,850    | Arch./Engin. Design Fee            |
| Geotech/Soils                   |                  | 0.00          | 0              |   | \$0            | \$0        | Arch./Engin. Design Fee            |
| Environmental                   | 7,345            | 0.14          | 167            | ECS Atlantic (2017) + HazMat survey (Jan 25)                    | \$7,345        | \$7,345    | Arch./Engin. Design Fee            |
| Sewer Analysis                  | 3,569            | 0.07          | 81             | Cafti (final)   | \$3,569        | \$3,569    | Arch./Engin. Design Fee            |
| <b>Legal - Owner</b>            |                  |               |                |   |                |            |                                    |
| Organization                    |                  | 0.00          | 0              |   | \$0            | \$0        | Other: Legal                       |
| Loan Documents                  | 50,000           | 0.96          | 1,136          | Emden suggestion  | \$50,000       | \$50,000   | Other: Legal                       |
| Zoning                          |                  | 0.00          | 0              |   | \$0            | \$0        | Other: Legal                       |
| Tax Credit                      | 40,000           | 0.77          | 909            | Emden Suggestion  | \$40,000       | \$40,000   | Legal Fees for Closing             |
| Other                           |                  | 0.00          | 0              | Past Work   | \$0            | \$0        | Other: Legal                       |
| <b>Gov Fees and Cert</b>        |                  |               |                |   |                |            |                                    |
| Building Permits                | 120,000          | 2.31          | 2,727          | Estimate based on fee schedule on COA website; includes: insp   | \$120,000      | \$120,000  | Building Permit                    |
| Plan Submittal Fees             | 1,146            | 0.02          | 26             | Grading Plan Fee, Engineering/Inspection Fee, VSMP Fee          | \$1,146        | \$1,146    | EarthCraft/Leads                   |
| Viridiant                       | 23,175           | 0.45          | 527            | Manon provided estimate (5/22)                                  | \$23,175       | \$23,175   | Other: Const Inspection            |
| Construction Inspection         |                  | 0.00          | 0              | included in permit fees   | \$0            | \$0        | Tap Fees                           |
| Nutrient Credit                 | \$2,000          | 0.04          | 45             | to meet stormwater requirements (per 2/16/18 letter)            | \$2,000        | \$2,000    |                                    |
| Payment and Performance Bond    |                  | 0.00          | 0              | Payment and Performance Bond (Reimbursable)                     | \$0            | \$0        |                                    |
| <b>Other/Miscellaneous</b>      |                  |               |                |   |                |            |                                    |
| Appraisal                       | 13,693           | 0.26          | 311            | Final number; Robert Paul Jones - Invoice 10/24/16 + 01/18      | \$13,693       | \$13,693   | Appraisal                          |
| Market Study                    | 3,125            | 0.06          | 71             | Final Number  | \$3,125        | \$3,125    | Market Study                       |
| Construction Management         | 131,500          | 2.53          | 2,989          | Lee Contract 1/18 (9 months pre-dev; 10 months construction     | \$131,500      | \$131,500  | Construction/Development Mgt       |
| Utility Study                   | 325              | 0.01          | 7              |   | \$325          | \$325      |                                    |
| FF&E                            | 25,000           | 0.48          | 568            |   | \$25,000       | \$25,000   | Fixtures, Furnitures and Equipment |
| Insurance: Builders Risk        | 5,357            | 0.10          | 122            | Quote from Clarke/Sampson 2 26 2018                             | \$5,357        | \$5,357    | Insurance During Construction      |
| Insurance: Umbrella             | 37,893           | 0.73          | 300            | Quote from Clarke/Sampson 2 26 2018                             | \$37,893       | \$37,893   | Insurance During Construction      |
| Marketing / Lease Up            | \$5,000          | 0.10          | 114            | Per Ann's E-mail 1/8  | \$5,000        | \$5,000    | Other: Marketing / Lease-up        |
| Management Start Up Costs       |                  | 0.00          | 0              |   | \$0            | \$0        |                                    |
| R/E Taxes During Con.           | 42,375           | 0.81          | 963            | 2017 RETA over 10 months  | \$42,375       | \$42,375   | Taxes During Construction          |
| Utilities During Construction   | 37,120           | 0.71          | 844            | 1 year of utilities   | \$37,120       | \$37,120   |                                    |
| Benchmarking                    | 35,000           | 0.67          | 844            | H2O proposal as of 7/28   | \$35,000       | \$35,000   |                                    |
| Security - Professional         | 69,000           | 1.33          | 1,568          | See Relocation Budget Detail                                    | \$69,000       | \$69,000   | Fixtures, Furnitures and Equipment |
| Relocation                      | 250,000          | 4.80          | 5,682          |   | \$250,000      | \$250,000  |                                    |
| Soft Cost Contingency           | 20,000           | 0.38          | 455            |   | \$20,000       | \$20,000   | Contingency                        |
| Interim Income                  |                  |               |                |   |                |            |                                    |

Lacy Court  
Development Costs

| Development Costs                    | Total Budget         | Total Per SF    | Total Per Unit    | Notes                             | 4%                  | 9%                  | LIHTC Application              |
|--------------------------------------|----------------------|-----------------|-------------------|-----------------------------------|---------------------|---------------------|--------------------------------|
| <b>Reserves</b>                      |                      |                 |                   |                                   |                     |                     |                                |
| Operating Reserve                    | \$172,753            | 3.32            | 3,926             |                                   | \$0                 | \$0                 | Operating Reserve              |
| Debt Service                         | \$167,843            | 3.23            | 3,815             |                                   | \$0                 | \$0                 | Operating Reserve              |
| Rent Cap Reserve                     | \$64,052             | 1.23            | 1,456             |                                   | \$64,052            | \$0                 | Other: Marketing / Lease-up    |
| Replacement                          |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 | Operating Reserve              |
| <b>Soft Cost Subtotal</b>            | <b>1,566,555</b>     | <b>30.11</b>    | <b>35,604</b>     |                                   | <b>\$1,217,893</b>  | <b>\$1,153,781</b>  |                                |
| <b>Financing Costs</b>               |                      |                 |                   |                                   |                     |                     |                                |
| <b>Tax Credit Fees</b>               |                      |                 |                   |                                   |                     |                     |                                |
| Tax Credit Application Fee           | 36,010               | 0.69            | 818               | Application Fee + Reservation Fee | \$0                 | \$0                 | Tax Credit Fee                 |
| Syndicator Legal                     |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 | Legal Fees for Closing         |
| Syndication Fee                      | 40,000               | 0.77            | 909               | LOI                               | \$30,000            | \$30,000            | Legal Fees for Closing         |
| Cost Certification                   | 30,000               | 0.58            | 682               | Debbie Suggestion                 | \$15,000            | \$15,000            | Cost Certification Fee         |
| Tax Credit Consultant Fee            | 15,000               | 0.29            | 341               |                                   | \$0                 | \$0                 | Other: Third Party Consultants |
| <b>Acq./Cons. Loan</b>               |                      |                 |                   |                                   |                     |                     |                                |
| Loan Origination Fee                 | 70,381               | 1.35            | 1,600             |                                   | \$70,381            | \$70,381            | Construction Loan              |
| Lender Legal/Due Diligence           | 24,000               | 0.46            | 545               |                                   | \$0                 | \$0                 | Other Permanent Loan Fees      |
| Inspections                          |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 | Other Permanent Loan Fees      |
| Cost of Issuance/Bond Expense        |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 | Letter of Credit               |
| Letter of Credit fees/rate           |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 | Construction Interest          |
| Interest Acq./Construction Loan      | 292,709              | 5.63            | 6,652             |                                   | \$292,709           | \$292,709           | Construction Interest          |
| Site work                            |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 | Permanent Loan Fee             |
| <b>Permanent Loan Costs</b>          |                      |                 |                   |                                   |                     |                     |                                |
| Loan Origination Fee                 | 60,000               | 1.15            | 1,364             | Per VHDA app/Ryne                 | \$0                 | \$0                 | Permanent Loan Fee             |
| Lender Legal                         | 50,000               | 0.96            | 1,136             | Ryne's broker fee                 | \$0                 | \$0                 | Permanent Loan Fee             |
| Recording/Title/Closing              | 100,000              | 1.92            | 2,273             |                                   | \$0                 | \$0                 | Title and Recording            |
| <b>Financing Subtotal</b>            | <b>718,100</b>       | <b>13.80</b>    | <b>16,320</b>     |                                   | <b>\$408,090</b>    | <b>\$408,090</b>    |                                |
| <b>Construction Costs</b>            |                      |                 |                   |                                   |                     |                     |                                |
| Construction/Rehab Costs             | 4,934,358            | 94.83           | 85,000            | Kinsley budget 4/6/18             | \$4,934,358         | \$4,934,358         | Unit Structures (New)          |
| Parking/Parking - Acq                |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 | Structured Parking Garage      |
| Construction Cost Escalation         |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 | Unit Structures (New)          |
| Demolition                           |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 | Site Work                      |
| Off-Site Improvements                |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 | General Requirements           |
| Utility Undergrounding               |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 | Builder's Overhead             |
| Site Work                            |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 | Builder's Profit               |
| Public Improvements                  |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 | Bonds                          |
| General Requirements                 |                      | 0.00            | 2,800             |                                   | \$0                 | \$0                 | Unit Structures (New)          |
| Builders Overhead                    |                      | 0.00            | 1,218             |                                   | \$0                 | \$0                 |                                |
| Builders Profit                      | 207,155              | 3.98            | 3,059             |                                   | \$207,155           | \$207,155           |                                |
| Bonding Fee & GC Liability Insurance | 100,843              | 1.94            | 2,292             |                                   | \$100,843           | \$100,843           |                                |
| Letter of Credit                     |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 |                                |
| County Taxes                         |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 |                                |
| Cost Certification                   |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 |                                |
| PM Software                          |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 |                                |
| Environmental Remediation            |                      | 0.00            | 0                 |                                   | \$0                 | \$0                 |                                |
| Contingency                          |                      | 10.08           | 11,914            |                                   | \$524,236           | \$524,236           |                                |
| <b>Construction Total</b>            | <b>5,766,592</b>     | <b>110.83</b>   | <b>139,059</b>    |                                   | <b>\$5,766,592</b>  | <b>\$5,766,592</b>  |                                |
| <b>Subtotal Project Costs</b>        | <b>15,081,247</b>    | <b>289.84</b>   | <b>347,756</b>    |                                   |                     |                     |                                |
| <b>Developer Fee</b>                 | <b>1,320,000</b>     | <b>25.37</b>    | <b>30,000</b>     |                                   | <b>\$1,320,000</b>  | <b>\$1,320,000</b>  |                                |
| <b>Total Development Cost</b>        | <b>\$ 16,401,247</b> | <b>\$315.21</b> | <b>\$ 372,756</b> |                                   | <b>\$ 8,712,515</b> | <b>\$ 8,648,462</b> |                                |

Lacy Court  
CF (Annual)

| Valuation:                               | 1       | 2       | 3       | 4       | 5       | 6       | 7       | 8       | 9       | 10      | 11      | 12      |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Year                                     |         |         |         |         |         |         |         |         |         |         |         |         |
| <b>Revenue</b>                           |         |         |         |         |         |         |         |         |         |         |         |         |
| Rental                                   | 786,492 | 802,222 | 818,266 | 834,632 | 851,324 | 868,351 | 885,718 | 903,432 | 921,501 | 939,931 | 958,729 | 977,904 |
| Vacancy                                  | 39,325  | 40,111  | 40,913  | 41,732  | 42,566  | 43,418  | 44,286  | 45,172  | 46,075  | 46,997  | 47,936  | 48,895  |
| <b>Total Revenue</b>                     | 747,167 | 762,111 | 777,353 | 792,900 | 808,758 | 824,933 | 841,432 | 858,260 | 875,426 | 892,934 | 910,793 | 929,009 |
| <b>Expense</b>                           |         |         |         |         |         |         |         |         |         |         |         |         |
| Administration                           | 60,146  | 61,951  | 63,809  | 65,724  | 67,695  | 69,726  | 71,818  | 73,972  | 76,192  | 78,477  | 80,832  | 83,257  |
| Maintenance Expenses                     | 31,988  | 32,948  | 33,936  | 34,954  | 36,003  | 37,083  | 38,195  | 39,341  | 40,521  | 41,737  | 42,989  | 44,279  |
| Supplies & Services                      | 24,499  | 25,234  | 25,991  | 26,771  | 27,574  | 28,401  | 29,253  | 30,131  | 31,035  | 31,966  | 32,925  | 33,913  |
| Utilities                                | 37,451  | 38,575  | 39,732  | 40,924  | 42,152  | 43,416  | 44,719  | 46,060  | 47,442  | 48,865  | 50,331  | 51,841  |
| Taxes & Insurance                        | 105,592 | 108,760 | 112,023 | 115,384 | 118,845 | 122,410 | 126,083 | 129,865 | 133,761 | 137,774 | 141,907 | 146,164 |
| Payroll Expenses                         | 85,830  | 88,405  | 91,057  | 93,789  | 96,602  | 99,500  | 102,485 | 105,560 | 108,727 | 111,989 | 115,348 | 118,809 |
| 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  |
| <b>Total Expenses</b>                    | 358,707 | 369,468 | 380,552 | 391,969 | 403,728 | 415,840 | 428,315 | 441,164 | 454,399 | 468,031 | 482,072 | 496,534 |
| <b>Net Operating Income</b>              | 388,460 | 392,643 | 396,801 | 400,931 | 405,030 | 409,094 | 413,117 | 417,096 | 421,027 | 424,903 | 428,721 | 432,474 |
| DSCR                                     | 1.16    | 1.17    | 1.18    | 1.19    | 1.21    | 1.22    | 1.23    | 1.24    | 1.25    | 1.27    | 1.28    | 1.29    |
| <b>Debt</b>                              |         |         |         |         |         |         |         |         |         |         |         |         |
| 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  |
| VHDA 2.95%                               | 247,577 | 247,577 | 247,577 | 247,577 | 247,577 | 247,577 | 247,577 | 247,577 | 247,577 | 247,577 | 247,577 | 247,577 |
| VHDA Taxable Bonds<br>City of Alexandria | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| <b>Total Debt</b>                        | 335,687 | 335,687 | 335,687 | 335,687 | 335,687 | 335,687 | 335,687 | 335,687 | 335,687 | 335,687 | 335,687 | 335,687 |
| <b>Net Sale Proceeds</b>                 | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| <b>Reversion Cash Flow</b>               | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       | -       |
| <b>Operating Cash Flow</b>               | 52,774  | 56,956  | 61,114  | 65,244  | 69,343  | 73,407  | 77,430  | 81,409  | 85,340  | 89,216  | 93,034  | 96,788  |
| <b>Total Cash Flow</b>                   | 52,774  | 56,956  | 61,114  | 65,244  | 69,343  | 73,407  | 77,430  | 81,409  | 85,340  | 89,216  | 93,034  | 96,788  |
| <b>Deferred Fee Balance</b>              | 655,329 | 615,662 | 571,020 | 521,326 | 466,508 | 406,495 | 341,218 | 270,613 | 194,616 | 113,168 | 26,216  | -       |
| <b>Residual Payment</b>                  | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 46,517  | 48,394  |

Lacy Court  
CF (Annual)

| Valuation:                  | Year | 13      | 14        | 15        | 16        | 17        | 18        | 19        | 20        | 21        | 22        | 23        | 24        | 25        | 26        |
|-----------------------------|------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Revenue</b>              |      |         |           |           |           |           |           |           |           |           |           |           |           |           |           |
| Revenue                     |      | 997,462 | 1,017,411 | 1,037,759 | 1,058,515 | 1,079,685 | 1,101,279 | 1,123,304 | 1,145,770 | 1,168,686 | 1,192,059 | 1,215,901 | 1,240,219 | 1,265,023 | 1,290,323 |
| Vacancy                     |      | 49,873  | 50,871    | 51,888    | 52,926    | 53,984    | 55,064    | 56,165    | 57,289    | 58,434    | 59,603    | 60,795    | 62,011    | 63,251    | 64,516    |
| <b>Total Revenue</b>        |      | 947,589 | 966,541   | 985,872   | 1,005,589 | 1,025,701 | 1,046,215 | 1,067,139 | 1,088,482 | 1,110,251 | 1,132,456 | 1,155,106 | 1,178,208 | 1,201,772 | 1,225,807 |
| <b>Expense</b>              |      |         |           |           |           |           |           |           |           |           |           |           |           |           |           |
| Administration              |      | 85,754  | 88,327    | 90,977    | 93,706    | 96,517    | 99,413    | 102,395   | 105,467   | 108,631   | 111,890   | 115,247   | 118,704   | 122,265   | 125,933   |
| Maintenance Expenses        |      | 45,607  | 46,975    | 48,385    | 49,836    | 51,331    | 52,871    | 54,457    | 56,091    | 57,774    | 59,507    | 61,292    | 63,131    | 65,025    | 66,976    |
| Supplies & Services         |      | 34,930  | 35,978    | 37,057    | 38,169    | 39,314    | 40,493    | 41,708    | 42,959    | 44,248    | 45,576    | 46,943    | 48,351    | 49,802    | 51,296    |
| Utilities                   |      | 53,396  | 54,998    | 56,648    | 58,348    | 60,098    | 61,901    | 63,758    | 65,671    | 67,641    | 69,670    | 71,760    | 73,913    | 76,130    | 78,414    |
| Taxes & Insurance           |      | 150,549 | 155,066   | 159,718   | 164,509   | 169,445   | 174,528   | 179,764   | 185,157   | 190,711   | 196,433   | 202,326   | 208,395   | 214,647   | 221,087   |
| Payroll Expenses            |      | 122,373 | 126,044   | 129,826   | 133,720   | 137,732   | 141,864   | 146,120   | 150,503   | 155,018   | 159,669   | 164,459   | 169,393   | 174,475   | 179,709   |
| Reserve Replacements        |      | 18,820  | 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    |
| <b>Total Expenses</b>       |      | 511,430 | 526,773   | 542,576   | 558,854   | 575,619   | 592,888   | 610,674   | 628,995   | 647,865   | 667,301   | 687,320   | 707,939   | 729,177   | 751,053   |
| <b>Net Operating Income</b> |      | 436,159 | 439,768   | 443,295   | 446,735   | 450,081   | 453,327   | 456,465   | 459,487   | 462,387   | 465,156   | 467,786   | 470,269   | 472,595   | 474,755   |
| <b>DSCR</b>                 |      | 1.30    | 1.31      | 1.32      | 1.33      | 1.34      | 1.35      | 1.36      | 1.37      | 1.38      | 1.39      | 1.39      | 1.40      | 1.41      | 1.41      |
| <b>Debt</b>                 |      |         |           |           |           |           |           |           |           |           |           |           |           |           |           |
| 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%                  |      | 247,577 | 247,577   | 247,577   | 247,577   | 247,577   | 247,577   | 247,577   | 247,577   | 247,577   | 247,577   | 247,577   | 247,577   | 247,577   | 247,577   |
| VHDA Taxable Bonds          |      | -       | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         |
| City of Alexandria          |      | -       | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         |
| <b>Total Debt</b>           |      | 335,687 | 335,687   | 335,687   | 335,687   | 335,687   | 335,687   | 335,687   | 335,687   | 335,687   | 335,687   | 335,687   | 335,687   | 335,687   | 335,687   |
| <b>Net Sale Proceeds</b>    |      | -       | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         |
| <b>Reversion Cash Flow</b>  |      | -       | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         |
| <b>Operating Cash Flow</b>  |      | 100,472 | 104,081   | 107,608   | 111,048   | 114,395   | 117,640   | 120,778   | 123,800   | 126,700   | 129,469   | 132,099   | 134,582   | 136,908   | 139,068   |
| <b>Total Cash Flow</b>      |      | 100,472 | 104,081   | 107,608   | 111,048   | 114,395   | 117,640   | 120,778   | 123,800   | 126,700   | 129,469   | 132,099   | 134,582   | 136,908   | 139,068   |
| <b>Deferred Fee Balance</b> |      | -       | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         | -         |
| <b>Residual Payment</b>     |      | 50,236  | 52,040    | 53,804    | 55,524    | 57,197    | 58,820    | 60,389    | 61,900    | 63,350    | 64,735    | 66,050    | 67,291    | 68,454    | 69,534    |

Lacy Court  
CF (Annual)

| Valuation:                  | Year             | 27               | 28               | 29               | 30               | 31               | 32               | 33               | 34               | 35               | 36               | 37               | 38               | 39               | 40       |
|-----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------|
| <b>Revenue</b>              |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |          |
| Rental                      | 1,316,130        | 1,342,453        | 1,369,302        | 1,396,688        | 1,424,621        | 1,453,114        | 1,482,176        | 1,511,820        | 1,542,056        | 1,572,897        | 1,604,355        | 1,636,442        | 1,669,171        | 1,702,554        |          |
| Vacancy                     | 65,806           | 67,123           | 68,465           | 69,834           | 71,231           | 72,656           | 74,109           | 75,591           | 77,103           | 78,645           | 80,218           | 81,822           | 83,459           | 85,128           |          |
| <b>Total Revenue</b>        | <b>1,250,323</b> | <b>1,275,330</b> | <b>1,300,837</b> | <b>1,326,853</b> | <b>1,353,390</b> | <b>1,380,458</b> | <b>1,408,067</b> | <b>1,436,229</b> | <b>1,464,953</b> | <b>1,494,252</b> | <b>1,524,137</b> | <b>1,554,620</b> | <b>1,585,712</b> | <b>1,617,427</b> |          |
| <b>Expense</b>              |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |          |
| Administration              | 129,711          | 133,602          | 137,610          | 141,739          | 145,991          | 150,371          | 154,882          | 159,528          | 164,314          | 169,243          | 174,321          | 179,550          | 184,937          | 190,485          |          |
| Maintenance Expenses        | 68,985           | 71,055           | 73,186           | 75,382           | 77,643           | 79,973           | 82,372           | 84,843           | 87,388           | 90,010           | 92,710           | 95,491           | 98,356           | 101,307          |          |
| Supplies & Services         | 52,835           | 54,420           | 56,052           | 57,734           | 59,466           | 61,250           | 63,087           | 64,980           | 66,929           | 68,937           | 71,006           | 73,136           | 75,330           | 77,590           |          |
| Utilities                   | 80,767           | 83,190           | 85,686           | 88,256           | 90,904           | 93,631           | 96,440           | 99,333           | 102,313          | 105,382          | 108,544          | 111,800          | 115,154          | 118,609          |          |
| Taxes & Insurance           | 227,719          | 234,551          | 241,587          | 248,835          | 256,300          | 263,989          | 271,909          | 280,066          | 288,468          | 297,122          | 306,036          | 315,217          | 324,673          | 334,414          |          |
| Payroll Expenses            | 185,100          | 190,653          | 196,373          | 202,264          | 208,332          | 214,582          | 221,019          | 227,650          | 234,479          | 241,514          | 248,759          | 256,222          | 263,909          | 271,826          |          |
| Reserve Replacements        | 28,467           | 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           |          |
| <b>Total Expenses</b>       | <b>773,584</b>   | <b>796,792</b>   | <b>820,695</b>   | <b>845,316</b>   | <b>870,676</b>   | <b>896,796</b>   | <b>923,700</b>   | <b>951,411</b>   | <b>979,953</b>   | <b>1,009,352</b> | <b>1,039,632</b> | <b>1,070,821</b> | <b>1,102,946</b> | <b>1,136,034</b> |          |
| <b>Net Operating Income</b> | <b>476,739</b>   | <b>478,538</b>   | <b>480,141</b>   | <b>481,537</b>   | <b>482,715</b>   | <b>483,662</b>   | <b>484,367</b>   | <b>484,818</b>   | <b>485,000</b>   | <b>484,900</b>   | <b>484,505</b>   | <b>483,799</b>   | <b>482,766</b>   | <b>481,392</b>   |          |
| DSCR                        | 1.42             | 1.43             | 1.43             | 1.43             | N/A              |          |
| <b>Debt</b>                 |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |          |
| VHDA 1.95%                  | 88,110           | 88,110           | 88,110           | 88,110           | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -        |
| VHDA 2.95%                  | 247,577          | 247,577          | 247,577          | 247,577          | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -        |
| VHDA Taxable Bonds          | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -        |
| City of Alexandria          | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -        |
| <b>Total Debt</b>           | <b>335,687</b>   | <b>335,687</b>   | <b>335,687</b>   | <b>335,687</b>   | <b>-</b>         | <b>-</b> |
| <b>Net Sale Proceeds</b>    | <b>-</b>         | <b>-</b> |
| <b>Reversion Cash Flow</b>  | <b>-</b>         | <b>-</b> |
| <b>Operating Cash Flow</b>  | <b>141,052</b>   | <b>142,851</b>   | <b>144,454</b>   | <b>145,850</b>   | <b>394,605</b>   | <b>395,552</b>   | <b>396,258</b>   | <b>396,708</b>   | <b>396,890</b>   | <b>484,900</b>   | <b>484,505</b>   | <b>483,799</b>   | <b>482,766</b>   | <b>481,392</b>   |          |
| <b>Total Cash Flow</b>      | <b>141,052</b>   | <b>142,851</b>   | <b>144,454</b>   | <b>145,850</b>   | <b>394,605</b>   | <b>395,552</b>   | <b>396,258</b>   | <b>396,708</b>   | <b>396,890</b>   | <b>484,900</b>   | <b>484,505</b>   | <b>483,799</b>   | <b>482,766</b>   | <b>481,392</b>   |          |
| <b>Deferred Fee Balance</b> | <b>-</b>         | <b>-</b> |
| <b>Residual Payment</b>     | <b>70,526</b>    | <b>71,426</b>    | <b>72,227</b>    | <b>72,925</b>    | <b>197,302</b>   | <b>197,776</b>   | <b>198,129</b>   | <b>198,354</b>   | <b>198,445</b>   | <b>242,450</b>   | <b>242,252</b>   | <b>241,899</b>   | <b>241,383</b>   | <b>240,696</b>   |          |

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Details Reports

File #: 16-6109 Name:  
 Type: Status: Agenda Ready  
 File created: 1/17/2017 In control: [City Council Legislative Meeting](#)  
 On agenda: 2/14/2017 Final action:  
 Title: Consideration of the Alexandria Housing Development Corporation's Plan to Refinance and Renovate Lacy Court Apartments and to Support its Application for Competitive Tax Credits and Approval of a Resolution Designating Lacy Court Apartments sites a Revitalization Area. [ROLL-CALL VOTE]  
 Attachments: 1. [16-6109 AHDC Lacy Court Resolution with Site.pdf](#), 2. [16-6109 Lacy Court Refinance - City Position.pdf](#), 3. [16-6109 After Items](#)  
 Text

## City of Alexandria, Virginia

### MEMORANDUM

**DATE:** FEBRUARY 8, 2017  
**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL  
**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**

**TITLE**

Consideration of the Alexandria Housing Development Corporation's Plan to Refinance and Renovate Lacy Court Apartments and to Support its Application for Competitive Tax Credits and Approval of a Resolution Designating Lacy Court Apartments sites a Revitalization Area. [ROLL-CALL VOTE]

**BODY**

**ISSUE:** Proposed plans from the Alexandria Housing Development Corporation (AHDC) to refinance and renovate Lacy Court Apartments.

**RECOMMENDATION:** That City Council:

- (a) Approve AHDC's plan to refinance and renovate Lacy Court Apartments utilizing competitive tax credits;
- (b) Approve a partial release of \$4.9 million in debt and accrued interest secured by an existing City loan in exchange for the City receiving an equity position through a future right of first option;
- (c) Approve repayment of \$500,000 by AHDC when the renovation is complete;
- (d) Approve provision of a grant of \$150,000 from the City to AHDC to fund a pilot rental subsidy program to create deep affordability for five units;
- (e) Approve a resolution designating the Lacy Court Apartments sites a Revitalization Area pursuant to Section 36-55.30:2A of the Virginia Code; and
- (f) Authorize the City Manager to execute documents related to the tax credit application and the refinancing plan.

**BACKGROUND:** In 2006, at the height of the real estate market boom, nonprofit developer, RPJ Housing, Inc. (RPJ) acquired Lacy Court Apartments for \$10.1 million to preserve it as affordable housing. The purchase included a first trust loan from a private lender of \$3.5 million, and the City provided a subordinate long term loan of \$6.6 million, including nearly \$1.8 of federal HOME funds. Federal stimulus grant funds received by the City in 2008-09, totaling \$500,000, were loaned to RPJ for repairs at Lacy Court, increasing the City's total principal investment to \$7.1 million. Accrued interest on the City loans amounts to \$1.6 million to date.

In 2011, at the City's request, in order to preserve these affordable units which were at risk of foreclosure, AHDC purchased Lacy Court, and two other Alexandria apartment properties, Arbelo (Bashford Lane) and Longview Terrace (Seay Street) from RPJ when that organization's financial and organizational problems imperiled the portfolio's long term sustainability and put the City's investment at risk. As part of the transfer negotiated by the City, AHDC assumed all of the existing debt on the properties.

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. AHDC waited until 2016 or later to take advantage of the additional equity potentially available through competitive credits to address Lacy Court's more substantial rehabilitation needs. It now wishes to undertake Lacy Court's permanent refinancing and renovation (estimated as approximately \$100,000/unit) as envisioned when the City first invested in the property's acquisition more than ten years ago.

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. Lacy Court 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. The property is fully occupied, and AHDC is developing a robust tenant relocation plan to mitigate the impact of the project to the households and families that reside at Lacy Court. The City is providing technical assistance for the relocation plan and it will be reviewed by the Landlord Tenant Relations Board.

**DISCUSSION:** The \$14.8 million refinancing and renovation structure proposed for Lacy by AHDC mirrors the same strategy that was approved by City Council in 2014 for Arbelo and Longview Terrace. To enable tax credit investment, it requires that the City release a \$4.9 million portion of the existing debt and accrued interest 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 for partial debt relief. 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. If the property appreciates at 2% a year, in 15 years the City's equity position would be \$3.9 million.

AHDC's refinancing plan for Lacy includes a repayment of \$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 to AHDC to create a pilot rental subsidy grant program that will serve five households for a five-year period. Rents on five of the 50% AMI units would be subsidized to 30% AMI. As with the Carpenter's Shelter development, creating a pilot rental subsidy program for 10% of the units will allow AHDC to maximize its score on a new point category in the 2017 LIHTC application. This will assist some very low income households that currently reside at the property to remain following renovation, when rents will be reset to tax credit levels.

Applying the 2014 refinancing structure endorsed by City Council to Lacy Court means that \$3.8 million of the existing City loan principal amount would remain secured after the first trust mortgage is repaid:

|                                       |                |
|---------------------------------------|----------------|
| AS IS VALUE (October 2016)            | \$ 7.0 M       |
| First Trust Mortgage (private lender) | - <u>3.2 M</u> |
| 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 are proposed to remain as part of the secured City loan amount, with AHDC continuing to operate the property subject to all related federal constraints and obligations.

From the City's total principal investment of \$7.1 million, \$3.3 million of the City's existing loan principal, along with accrued interest of \$1.6 million 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. 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.

AHDC's pro forma 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 prior to the Year 15 refinancing.

AHDC proposes that following renovation, \$500,000 from the remaining \$3.8 million secured second trust loan will be repaid to the City from refinancing proceeds available due to the adjusted post-renovation value and from AHDC deferring some of its developer fee.

AHDC requests that the City dedicate \$150,000 as a grant 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.

AHDC has also requested that City Council pass a resolution designating the Lacy Court sites a revitalization area pursuant to Section 36-55.30:2A of the Virginia Code (Attachment 1). This designation has been provided to other recent LIHTC projects 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 would not likely occur without government intervention and assistance (e.g., City financial support, federal tax credits) will help AHDC gain 10 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. Should AHDC's application for competitive credits for Lacy Court not be successful this year, it may explore other refinancing and rehabilitation options.

**FISCAL IMPACT:** Release of \$3.3 million of existing debt plus \$1.6 million in accrued interest owed to the City in exchange for Right of First Option, with \$3.8 million of existing debt secured pending repayment of \$500,000 in FY 2019 when renovation is complete. \$150,000 to be provided as a grant to AHDC to create a pilot rental subsidy program. Following the repayment, the secured amount will be reduced to \$3.3

million. The property improvements are anticipated to yield residual receipt payments on the secured amount by FY 2024 resulting in the repayment of approximately \$500,000 over the next ten years (Attachment 2). At that time (Year 15), any remaining debt and accrued interest, as well as the amount currently released will be repaid and/or refinanced and secured to the greatest extent then feasible based on the property's future value.

**ATTACHMENTS:**

- (1) Resolution Designating the Lacy Court Apartments Sites a Revitalization Area
- (2) Chart Showing City Loan Balances and Financial Position

**STAFF:**

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

|                                  | 2006<br>Acquisition | Current<br>Status | 2017-18<br>Financial<br>Restructuring<br>& Renovation  | Renovation<br>Completed | Year 15   | Post Year<br>15                             | By Year<br>40 |
|----------------------------------|---------------------|-------------------|--|-------------------------|-----------|---|---------------|
| RE Value                         | \$10.1 M            | \$7.0 M           | \$7.0 M  | \$9.8 M                 | TBD       | TBD   | TBD           |
| 1 <sup>st</sup> Trust            | \$3.5 M             | \$3.2 M           | \$5.5 M  | \$5.5 M                 | \$3.6 M   | \$6.3 M                                     | 0             |
| 2 <sup>nd</sup> Trust<br>(City)  | \$6.6 M             | \$7.1 M           | \$3.8 M  | \$3.3 M                 | \$2.7 M   | \$4.6 M+                                    | 0             |
| LIHTC                            | N/A                 | N/A               | \$5.7 M  | 0                       | 0         | 0   | 0             |
| City Loan<br>Principal<br>Repaid | N/A                 | 0                 | -\$4.9 M (\$3.3<br>M plus \$1.6 M<br>accrued<br>interest)<br>exchanged for<br>Right of First<br>Option | \$500,000               | \$500,000 | \$2.7 M,<br>plus TBD<br>accrued<br>interest | \$4.6 M+      |