



Resolution 830  
Working Group Meeting #2

1/31/18

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Reminder - Why are We Here?

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# Review, Update and Modernize Resolution 830 for Current Reality

# Key Themes/Questions from Module 1

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- What does “substantially equivalent” mean?
- Are there other local income streams that can fill the federal funding gap in operation and development costs?
- Does the City have a policy that establishes a criteria for the location of replacement housing?
- Are replacement housing units intended to house the same level of affordability that was demolished?

# Key Themes/Questions from Module 1

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- Can other entities provide Resolution 830 housing?
- Alexandria needs the full spectrum of housing that includes those that serve 20% - 80% of AMI.
- Are a certain percentage/amount of Resolution 830 units required to be accessible for persons with disabilities?
- Are there other communities that have been successful in creating mixed-income communities?
- Should Housing Choice Vouchers replace hard units as replacement housing?

# Development Models



# Mixed Income Development

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- Defined loosely as diverse types of housing for a range of income levels.
- No standard ratio of ELI, affordable (workforce), and market rate units
  - In most cases, all units owned and managed as a single project under a single property management entity
  - Allows for cross-subsidization of deeply affordable/subsidized units
- Focus should be on true integration, which looks different for every community depending on financing, local and regional market, community tolerance
  - Research shows that properties with the most diverse income mixes have higher investments in resident support services and higher impacts for residents <sup>1</sup>
  - Moving families from higher-poverty areas to lower-poverty neighborhoods may reduce intergenerational poverty and generate positive returns for taxpayers <sup>2</sup>

# Mixed Income Development Models

## Selling off land and hard assets

- PHA sells property (land and buildings)
  - Generates most upfront income
  - Loses asset for future development
  - Threatens long term affordability since PHA no longer has any control

## Selling hard assets but keeping land

- PHA sells buildings but retains land
  - Typically through ground lease structure
  - Can use land as equity
  - Retains first right of refusal
  - Can structure many ways to ensure ongoing revenue

## Project-Basing vouchers into private property

- PHA project-bases vouchers into private property
  - HAP contract with private owner ensures affordability
  - Owner receives contract for guaranteed rent
  - PHA receives no revenue benefit but can improve budget and voucher utilization

## (Re) Developing and retaining all ownership

- PHA owns, develops, and/or manages property
  - Structured many different ways
  - PHA can receive developer fee, property revenues, other fees such as bond costs
  - Administratively, most complicated but provides most long term rights to PHA

# Mixed Income PH Developer Models

PHA Responsibility



**Private Developer**

- Development:
  - Developer
- Ownership:
  - Developer
- Property Management:
  - Developer's Agent

**Fee-Based Developer**

- Development:
  - Developer
- Ownership:
  - PHA (after occupancy)
- Property Management:
  - PHA Agent

**PHA Partners with Private Developer**

- Development:
  - Developer is Managing GP
- Ownership:
  - Partnership
- Property Management:
  - Partnership's Agent

**PHA as Developer**

- Development:
  - PHA/Affiliate as GP
- Ownership:
  - PHA/Affiliate
- Property Management:
  - PHA Agent

Developer responsible for all development services including design, construction, and construction/ permanent financing

PHA in capacity-building role learning from private developer and/or program manager



# Development Financing



# Development Financial Resources

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- Formula Funding Available
  - Capital Fund Program/Demolition and Disposition  
Transitional Funding
- Other HUD Tools
  - Capital Fund and Operating Fund Financing Programs
  - Energy Performance Contracting
  - Rental Assistance Demonstration

# Development Financing Sources

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- Low Income Housing Tax Credit Equity (4% and 9%)
- Conventional Debt
- Housing Bonds
- Federal Home Loan Bank AHP
- Housing Trust Funds
- HUD MF products (221d4 and 223f)
- Project-Basing of Housing Choice Vouchers
- HUD Competitive Grants (CNI)
- New Markets Tax Credit
- Historic Tax Credits
- Tax Increment Financing
- Deferred Developer Fee
- Program Income
- Developer Equity
- Section 108 Loan Guarantee Program

# City of Alexandria Development Sources and Tools

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- Community Development Block Grant (\$850k annually)
- HOME (\$450K annually)
- TIF (proposed)
- Density bonuses and parking reductions
- Housing Opportunities Fund/Pre-development Funds (+\$4-\$6M annually)

# Other Tools/Ideas

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- Raise equity by Condo-ing (selling) market rate units <sup>3</sup>
- Decrease construction costs by eliminating parking structures/lots in car free affordable housing <sup>4</sup>
- Use below-market debt funds<sup>5</sup>
- Use of private equity vehicles <sup>5</sup>
- Use of real estate investment trusts (REITs) <sup>5</sup>
- EB-5 financing <sup>5</sup>

# Development Uses - Typical

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1. Public Infrastructure + Site Prep
2. Remediation + Demolition
3. Acquisition
4. Construction (hard and soft cost)
5. A&E
6. Financing Cost (application + syndication fees)
7. Insurance
8. Contingency (hard and soft cost)
9. Developer Fee
10. Professional Fee, Reports, Title
11. Relocation
12. Supportive Services
13. Administration, Consultants, Staffing
14. Construction Management
15. Master Planning
16. Marketing, Lease Up
17. MISC – insurance, other soft costs, plus

# Operating Income Sources

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1. Tenant Paid Rent/Tenant Charges
  - Assisted Units – tenant pays 30% of adjusted household Income
  - Tax Credit Units – occupancy restricted to those earning not more than 60% AMI
  - Unassisted Units – tenant pays market rate rent
  
2. City Subsidy – Rental Assistance Payment (City of Alexandria pilot program)
  
3. Federal Rental Subsidy
  - Unit-based Voucher Subsidy from HUD via HAP Contract
  - Tenant-based Voucher from HUD

# Operating Expenses – Typical

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1. Administration – staffing, accounting, legal, audit, reporting and compliance, property management fee, etc.
2. Operating Expenses – maintenance, cleaning, trash, security, insurance, operating reserve, etc.
3. Replacement Reserves
4. Real Estate Taxes  
(ARHA does not pay property taxes; pays a PILOT only if sole owner)
5. Utilities (common/public areas) – water, sewer, electricity, gas
6. Debt Service



# Case Studies

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# Case Study 1 – Park Place (public housing)

ANNUAL INCOME - \$279,686 = TENANT RENT (\$117,338) + OP SUBSIDY (\$160,50) + OTHER (1,498)

38 UNITS - CONDO

Expense	Amount
Admin*	\$225,071
Utilities + Maintenance	\$140,928
Taxes and Insurance**	\$13,464
Replacement Reserves	\$0
Total Expenses	\$379,463
Net Operating Income	(\$99,776)
Annual Debt Service	\$0
Available Cash Flow	\$0

PUBLIC HOUSING ASSET – RESIDENTS PAY ADJUSTED 30% OF HOUSEHOLD INCOME

CONDO BUILDING –

\*ADMIN FEES INCLUDE CONDO FEES OF \$151,986

\*\*PUBLIC HOUSING ASSETS PAY PILOT (PAYMENT IN LIEU OF TAXES)

# Case Study 2 – Chatham Square (Tax Credit with Public Housing)

TOTAL RENTAL INCOME - \$357,924 = TENANT RENT (\$209,657) + OP SUBSIDY (\$141,772) + OTHER (\$6,495)

52 UNITS – ALL UNITS @ 50% AMI RENT CEILING

Expense	Amount
Admin *	\$208,904
Utilities + Maintenance	\$117,912
Taxes and Insurance	\$64,252
Replacement Reserves	\$15,600
Total Expenses	\$406,668
Net Operating Income**	(\$48,744)
Annual Debt Service***	\$0
Available Cash Flow	\$0

DEVELOPMENT SOURCES - \$20.1M

Source	Amount
HOPE 6	\$2M
Tax Credit Equity – 9%	\$5.3M
Base Purchase Price	\$8M
Deferred Developer Fee	\$286K
Escrow Interest	\$355K
Capital Funds	\$744K
City Loan (Repaid at completion)	\$3.5M

\* Admin fees include HOA fees of \$100,877

\*\* Operating Deficit Loan to Owner Partnership

\*\*\* Annual Residual Receipts Payment based on Audit and total loan amount of \$10,775,000

# Case Study 3 – James Bland (Tax Credit with Project Based Vouchers)

TOTAL RENTAL INCOME - \$869,694 = TENANT & VOUCHER RENT (\$841,655) + OTHER (\$28,038)

54 UNITS – 11% @ 40%, 80% @ 50%, 9% @ 60%

Expense	Amount
Admin	\$268,756
Utilities + Maintenance	\$199,887
Taxes and Insurance	\$77,069
Replacement Reserves	\$16,200
Total Expenses	\$561,912
Net Operating Income	\$307,782
Annual Debt Service*	\$230,000 + \$77,782 (RR)
Available Cash Flow	\$0

DEVELOPMENT SOURCES - \$21.6M

Source	Amount
Base Purchase Price	\$9.1M
Additional Purchase Price	\$1.9M
Tax Credit Equity	\$10.7M

\*Annual Residual Receipts Payment based on Audit and set loan of \$230,000 + residual receipts

# Upcoming Meetings

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- Module 3: February 21 – Expansion of Resolution 830?
- Module 4: March 14 – Recommendations

**Website:** [www.alexandriava.gov/housing](http://www.alexandriava.gov/housing)

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# References

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1. [http://nimc.case.edu/wp-content/uploads/2015/08/NIMC\\_State-of-the-Field-Scan-2\\_Resident-Services-in-Mixed-Income-Developments.pdf](http://nimc.case.edu/wp-content/uploads/2015/08/NIMC_State-of-the-Field-Scan-2_Resident-Services-in-Mixed-Income-Developments.pdf)
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