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Title:	Consideration of a Request from the Alexandria Redevelopment and Housing Authority (ARHA) to Increase the Amount of the City Loan for the Redevelopment of Ramsey Homes to $2 Million.		
Attachments:	1. 16-6110 ARHA Ramsey Homes HOF Revised Application Jan 2017.pdf		

History (0) 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 a Request from the Alexandria Redevelopment and Housing Authority (ARHA) to Increase the Amount of the City Loan for the Redevelopment of Ramsey Homes to $2 Million.
BODY

ISSUE: Increasing the previously approved City loan amount to be provided to the Alexandria Redevelopment and Housing Authority (ARHA) for the Ramsey Homes redevelopment to
$2 million (Attachment 1).

RECOMMENDATION: That City Council approve a permanent loan to ARHA of up to $2,000,000 for the redevelopment of Ramsey Homes which is to be funded from proceeds of ARHA's planned repayment of the City's $5.0 million 2008 Glebe Park loan.

BACKGROUND: In November 2016, City Council approved a loan of up to $1.1 million to ARHA 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.

ARHA's request for additional City loan funding derives from several factors that have impacted the cost of the project over the past few months, including increased construction costs and changes in the pricing of tax credits which will lower the equity ARHA expects to raise from investors due to fluctuations in tax credit value resulting from anticipated changes to federal corporate income tax rates. ARHA's request also is triggered by increased costs related to increasing costs of construction labor and materials in the D.C. region and 2017 changes to VHDA's scoring system which favor housing authority pool projects that use a HUD program that is not part of ARHA's financing plan for Ramsey.

Besides the additional $900,000 in funds now being requested from the City, ARHA will also invest some of the proceeds it has earned from the James Bland/Old Town Commons project to offset the anticipated shortfall. ARHA's letter states that the agency will provide $1.4 million to help close the funding gap in addition to providing the Ramsey Homes land estimated at a $3.7 million value. Funds from the City and ARHA will maximize the subsidized funding commitment points in the LIHTC application.

ARHA reports that its revised disposition application for James Bland has been approved by HUD which will enable sales proceeds from the Old Town Commons property to be used to repay the City's Glebe Park loan.

ARHA has continued to refine its LIHTC application to increase Ramsey's competitiveness for credits.

FISCAL IMPACT: The new request of up to $2 million will require an additional allocation of $900,000 contingent on ARHA's repayment of the City's $ 5.0 million Glebe Park loan.

ATTACHMENT: ARHA Request dated January 24, 2017

STAFF:
Emily A. Baker, Deputy City Manager
Helen S. McIlvaine, Director, Office of Housing
Eric Keeler, Division Chief, Program Administration, Office of Housing
Tamara Jovovic, Housing Analyst, Office of Housing

Attachment

ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

Roy O. Priest, *Chief Executive Officer*

January 24, 2017

Eric P. Keeler
Program Administrator
Division Chief
Office of Housing
421 King Street, Suite 200
Alexandria, VA 22314

RE: Housing Opportunities Loan (HOF) Application, REVISED January 24, 2017

Dear Mr. Keeler,

As you are aware, the Ramsey Homes project was originally forecasted to apply for funding in the 2016 Low Income Housing Tax Credit allocation round. Due to the need to further study preservation, the application was delayed to the 2017 round. Due to the delay and events related to same, we are requesting an increase in the City Loan from $1,100,000 to $2,000,000. The need for the increase was caused by the following changes in our project:

- Our costs have increased due to nation-wide increases in material and labor costs. Since our last update we have revised the hard costs to indicate adjustments in the land development costs; however, we do not have updated vertical cost pricing at this time. If there is a bright spot it would be that the designers have advanced the level of their plan documents to Schematic Design with an outline specification and we are scheduled within the next two weeks to meet with the designers and the Construction Manager in order to see what adjustments can be made to realign what we know will be an increase in the costs. With the advancement in the design relative to where it would normally be as of the date of a funding application we believe it can inform the cost analysis greatly. It is our goal to hold the current hard costs so that our application can remain competitive. Our soft costs have increased as a result of the protracted development process, despite the fact that the city absorbed the cost of the preservation related study period.

- Due to uncertainty caused by the recent election and the outcome of pending tax reform initiatives particularly, the price per credit we were previously offered by our syndicator has dropped significantly.

- Changes in the 2017 VHDA Qualified Allocation Plan specifically related to the scoring of Local Housing Authority projects that have HUD Rental Assistance Demonstration funding commitments has caused us to be at a 10 point deficit to other LHA project competing for the same limited funding. The only way to compensate for this is through efficiency points; reducing costs or increasing subsidy funding. There is no way to indicate this on a project Sources and Uses.

Please find enclosed updates to our Sources & Uses approved by Alexandria Housing Affordability Advisory Committee (AHAAC) initially on February 4, 2016 and again in September of 2016 in support of the above. Also note that ARHA is increasing its commitment to the project by $1,370,309. These funds would come from the surplus sales proceeds from James Bland, the same source as the repayment of the Glebe Park City Loan.

Please let us know if you have questions as you review this request. You may contact the COO for the Applicant, Connie Staudinger at 703-549-7115 ext. 164.

Thank you for your continued support of this project. We are excited that it will increase the availability of housing opportunities for low income households in the city.

Sincerely,

Roy Priest,
Executive Director and CEO

RAMSEY HOMES SOURCES AND USES

Last Updated 01-24-2017

USES	
Contractor Costs	
Unit Structures (New)	6,116,706
Structured Parking Garage	1,452,265
Land Development	1,468,602
Off-Site Improvements	411,000
Subtotal	9,448,573
General Requirements	561,862
Contractor Overhead	155,901
Contractor Profit	508,317
Hard Cost Contingency	472,429
Subtotal	$11,147,082
Financing Costs	
Construction Loan Origination Fee	119,258
Construction Period Interest	96,000
Capitalized Soft Debt Interest	
Permanent Loan Fees	
Closing Costs- Construction	
Closing Costs- Permanent	
Other Financing Costs	
Sub-Total	$215,258
Soft Costs	
Building Permit Fees	5,000
Architecture	668,605
Site Engineering/Survey	245,075
Construction/Developmt. Mgmt	2,880
Structural/Mechanical Study	1,500
Tap Fees	45,270
EarthCraft/Leeds	18,000
Environmental Study	9,290
Soil Borings	9,960
Traffic Engineer	2,835
Land Use Attorney	175,120
Land Development Bond	18,796
Appraisal	17,000
Market Study	7,000
Legal (Tax and Real Estate)	200,000
Title and Recording	26,000
Insurance during construction	19,225
Organization Costs	20,282
Accounting	28,000
Cost Certification	30,000
Tax Credit Fees	90,124
Relocation Assistance	37,500
Fixtures, Furnishing & Equipment	150,000
History Consultant	373,745
HUD Disposition Fee	4,493
Sundry	30,000
Soft Cost Contingency	111,600
Subtotal	$2,347,300
Reserves	
Operating	200,163
Replacement	15,600
Subtotal	$215,763
Developer Fees/Overhead	$1,840,000
Acquisition Costs	
Land	3,710,000
Building	0
Subtotal	$3,710,000
TOTAL USES	**$19,475,403**

SOURCES	
HUD Replacement Housing Funds	855,428
Equity	11,439,666
ARHA Loan A	3,710,000
ARHA Loan B	1,370,309
City Loan	2,000,000
VHDA REACH Loan	100,000
TOTAL SOURCES	**$19,475,403**