



April 3, 2014

Ms. Helen S. McIlvaine
Deputy Director, Office of Housing
City of Alexandria, VA
421 King Street, Suite 200
Alexandria, VA 22314

Via Email and U.S. Mail

Re: St. James Church Site- Pre-development Loan Request

Dear Ms. McIlvaine:

I am pleased to present our application for the City of Alexandria Housing Opportunities Fund (HOF) for a pre-development loan of \$460,000 to pursue the redevelopment of the St. James Church site located at 5000 and 5001 Echols Ave into a new 92 unit affordable housing property. As outlined in Attachment A, the requested funds will pay for the land acquisition due diligence costs, architectural planning, civil engineering, and other entitlement related predevelopment costs expected to be incurred over the next several months as AHC completes the City's entitlement process.

This redevelopment will provide many benefits to the City, further outlined on Attachment B: (1) provide replacement affordable housing in the Beauregard corridor including some units at 50% AMI; (2) provide new educational programming for children and (3) generate real estate tax revenue on currently untaxed land.

AHC has site control of the properties and submitted a Concept 1 application to the City in early February 2014. We expect to take the land use application to the Planning Commission and City Council by November 2014 and will apply for tax credits from VHDA in March, 2015. Subject to an award of 9% LIHTC, AHC plans to begin construction the first quarter of 2016. Construction will take approximately 18 months and we will lease up all units by the end of 2017. Over the next 18 months, AHC will invest approximately \$1.25M of its own funds to see this project through the City's entitlement approval process and financial closing. The City loan will facilitate our capacity to create new affordable housing in Alexandria.

The AHC senior staff and board of directors are excited about this new, affordable housing project. We look forward to working with you to make this a reality. Your partnership is essential. If you have any questions, please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Nick Bracco", written over a light blue horizontal line.

Nick Bracco
Project Manager, Multifamily Group

cc: Jon Frederick, via email

Attachment A

St. James Church Site

Pre-development Loan Cost Allocation

Due Diligence Costs	40,000
Architecture and Planning	250,000
Civil Engineering	90,000
Legal Counsel (Land Use, Contract, Finance)	80,000
Total	460,000

NOTE: Funds requested from City of Alexandria will supplement AHC's investment of approximately \$1.25M in pre-development costs.

Attachment B

Benefits to the City of Alexandria

New Affordable Units

92 Dedicated Affordable Units

Project timing allows for the 46 units from Southern Towers to be absorbed

Break out of Fees to City of Alexandria

Application and Review Fees	250,000	Estimate based on Jackson Crossing
Water and Sewer Tap Fees	736,000	\$8,000 per unit
Water Meter Fees	90,000	Estimate based on Jackson Crossing
Sanitary Sewer Contribution	55,202	\$0.51 per square foot contribution
Total fees paid to City	1,131,202	

Real Estate Tax Value

As a church, the property is currently exempt from Real Estate Taxes. If redeveloped, the properties will generate approximately **\$352,000** in tax revenue the first year.

Present Value of additional tax basis for next 30 years

(Discounted at 6%) **\$ 6,779,626**

Original Gap (Dec 2013 Proforma)	(7,750,000)
City of Alexandria Loan (Includes Pre-development Loan)	4,000,000
AHC Partnership Loan (Proceeds from Market Rate Building)	1,000,000
(Gap)/Excess (Dec 2013)	(2,750,000)
Reduction in development budget from change in program and construction type	1,752,861
Increase in (Gap) resulting from upward pressure on perm debt interest rates	(320,000)
(Gap)/Excess (April 2014)	(1,317,139)

Please note this calculation does not include the costs associated with the off-site sanitary sewer upgrade estimated to cost upwards of \$1M. (Based on \$400 per linear foot)

Contribution to Housing Opportunities Fund

Market rate building will generate a affordable housing contribution of approximately \$660,000.