To: City Council, Mayor Gaskins

From: Alexandria Housing Affordability Advisory Committee (AHAAC)

Date: June 19, 2025

Re: ARHA Request for City Guarantee for Acquisition of The Alate

We are writing on behalf of AHAAC to support ARHA's acquisition of The Alate complex and its accompanying request for the City to provide a guarantee/moral obligation on the Virginia Resource Authority (VRA) loan ARHA would take out to complete the purchase.

Our support is contingent on two issues: 1) ARHA accepts the terms of the City's Performance Agreement by July 22, 2025, and 2) the City's moral obligation does not count against the City's bond capacity unless and until ARHA defaults on the VRA loan and the City is required to service that loan.

We also encourage the City to require that 119 of the apartments at The Alate be restricted as permanently affordable. The Alate currently has 9 units so restricted, and there is a question as to whether they would be counted among the 110 units that would receive project-based subsidy or would continue to be treated separately. Provided the property could still cover operating expenses, debt service, and basic capital needs, we would encourage Council and ARHA to add the existing 9 affordable units to the planned 110 voucher-based units to maximize the number of units affordable to low-income seniors.

Rationale

First and foremost, there is a practical and moral requirement to re-house the current residents of the Ladrey senior housing property. Ladrey is in dire need of considerable renovation, and its residents long have suffered from increasingly sub-par housing conditions. Acquisition of The Alate immediately creates an opportunity for ARHA to relocate up to 119 Ladrey households into modern, high-quality housing. The new property will enable the majority of the tight-knit Ladrey community to stay together within the city of Alexandria. It offers a permanent housing option for these households, precluding the need for them to move again. Moreover, by helping to empty Ladrey, it makes it possible for ARHA to embark more quickly on the necessary renovation / redevelopment of the property.

The city has a severe shortage of affordable housing generally, but especially for low-income senior citizens. Assuming that Ladrey is indeed renovated within the next few years, ARHA's acquisition of The Alate will add between 110 and 119 units to the city's supply of quality affordable senior housing.

The involvement of VRA as the mortgage lender represents a new source of (below-market rate) capital for affordable housing. Assuming The Alate proves successful, the transaction could open up additional – and sorely needed – financing for future affordable housing in the city.

There are several safeguards in place to ensure that the City would not need to service the debt on The Alate; these safeguards allow the City to provide the moral obligation without affecting its bond capacity (and presumably its bond rating).

Concerns

Our endorsement of the ARHA transaction and the accompanying City moral obligation notwithstanding, AHAAC has several concerns that we encourage the City to monitor:

- The Alate's current property manager, Greystone, has elected not to manage the property after ARHA's acquisition. While ARHA is actively soliciting new property managers, there is an inherent risk of turmoil with a management change in the midst of any relocation and lease up. We urge the Office of Housing to work with ARHA to ensure as smooth a transition as possible.

- There is currently no firm redevelopment plan for Ladrey. While acquisition of The Abate addresses the poor living conditions for existing Ladrey residents, it will have little to no effect on the city's affordable housing shortage until Ladrey is renovated and placed back into service. With the City having already committed virtually all its affordable housing funds for the next few years, Ladrey's redevelopment will need to rely on as-yet-unidentified capital sources.

- The uncertainty surrounding federal funding – and particularly HUD's support for housing vouchers – remains an existential risk. VRA's own underwriting shows that The Alate could absorb a 25% reduction in rental revenue and an increase in operating expenses of as much as 5.7% and still cover debt service. ARHA has acknowledged that a reduction in HUD funding could require it to reposition voucher funds away from other uses to support The Alate, an outcome that could put other low-income households at risk of losing their housing. We believe that meeting the needs of the current Ladrey residents warrants the City and ARHA taking this risk. In a worst-case scenario, the City could use Meals Tax revenue to cover debt service or other shortfalls. Yet that revenue is sorely needed for other affordable housing projects in the pipeline, and it is critical for the City to preserve those funds accordingly.

We would be happy to answer any questions you have or speak to you before or during the hearing on this development.

Respectfully,

Shelley Murphy McCabe
Co-chair, AHAAC

Sean Zielenbach
Co-chair, AHAAC