



Housing Alexandria
FOUNDATION FOR STRONGER COMMUNITY

1201 E Abingdon Drive #210
Alexandria, VA, 22314

February 22, 2023

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

By Hand & Email

Re: HOF Loan Application for Park Vue Apartments

On behalf of the Housing Alexandria Board of Directors, I am pleased to apply for a City of Alexandria Housing Opportunities Fund (HOF) loan in the amount of \$5.0 MM to assist with capital improvements at Park Vue Apartments. Housing Alexandria acquired the property in February 2022 using an acquisition loan from the Amazon Housing Equity Fund. We have been actively working on a refinance that would repay some of the Amazon money and move their loan to a second position. Attached to this letter is an overview of our request and a proforma that details the financial of the project.

We appreciate our continuing partnership with the City of Alexandria, and we look forward to working with you on this project in efforts to strengthen our relations with the Amazon Equity Fund and make a lasting impact in the Arlandria-Chirilagua neighborhood.

If you have any questions regarding this application, please do not hesitate to contact me at 703-739-7775 or at jfrederick@housingalexandria.org.

Sincerely,

Jonathan Frederick
President/CEO

Park Vue Apartments Acquisition and Capital Improvements

Overview

Housing Alexandria (HALX, formerly Alexandria Housing Development Corporation) worked with the Amazon Housing Equity Fund (Amazon) to acquire Park Vue Apartments (Parc Vue) in February 2022 for a cost of \$50 MM. The Project is 14-story residential tower consisting of 196 units located in the Arlandria-Chiralagua neighborhood within the City of Alexandria (the “City”). ParcVue is fully occupied and has several community features include significant open space for both residents and the neighborhood, a fitness facility, a business center, and attractive leasing/lobby area. Figure 1 below provides images of the common area amenities of the project.

Although a market rate property, as requirement of the acquisition HALX agreed to cap all rents at Parc Vue at 60% of the area median income (AMI) for a period of 99 years as attrition occurs and/or as units are re-leased. Half of the units will be rented to households at or below 60% AMI while the remaining units will all be required to have incomes under 80% AMI. This means that no household residing at Parc Vue will be required to leave due to the new income restrictions. As part of the acquisition HALX used a City of Alexandria predevelopment loan for the deposit and worked with the City and Amazon on a permanent funding strategy for the acquisition and capital improvements.

Figure 1: Park Vue Common Area Amenities



Funding Strategy

Acquisition loan and perm conversion

A current proforma and budget is attached. HALX acquired Parc Vue using an acquisition loan from Amazon with the understanding that a refinancing would occur in the short term. Since last year HALX has been working with M&T Bank, Amazon, and Fannie Mae to structure a first trust loan that would yield approximately \$20 MM in proceeds and reduce the amount of Amazon's initial acquisition loan. Amazon's loan would move to a second position and remain with the project for up to 30 years. During this process, Amazon has also agreed to convert \$2.5 MM of the original loan to a grant to help facilitate a more attractive loan for agency lenders. Currently HALX anticipates closing on the first trust loan in Q2 of 2023. This transaction will free up Amazon resources for use on other projects.

Capital Improvements

The previous owner of Parc Vue completed several improvements in the building that added value to the property. The most significant pertain to the interior finishes of the units and the addition of washer-dryers to each unit. Figure 2 below provides an overview of typical finishes within each unit. A previous owner also completed some repairs/updates to the mechanical systems (within the past decade) that, will have a significant useful life with proper maintenance, as scheduled.

Figure 2: Park Vue Standard Finishes



Even with some improvements, during the due diligence period of the acquisition, HALX identified the need for additional capital improvements at the Project to ensure efficient operations over time. Specially, HALX identified the need for elevator modernization, new energy efficient windows, and a creation of a capital reserve to address potential plumbing issues, over time, due to aging pipe infrastructure. As part of the property budget HALX identified the need for a \$5.0 MM capital expenditure budget to address needed repairs. Over the past year HALX has refined the budget and is now submitting an HOF application to assist with Parc Vue's capital expenditure plan. Table 1 provides a general overview of those expenditures. The City's investment will be advantageous to the terms of Parc Vue's refinancing, both in terms of the interest rate to be offered, and in terms of adding a City restrictive covenant further safeguarding long term affordability (Amazon requires 99 years). It also demonstrates Alexandria's financial commitment, which is highly regarded by Amazon.

Table 1: Park Vue Capital Expenditure Plan	
Soft Cost	
Architecture and Engineering	\$150,000
Construction Management / Oversight	\$200,000
Financing Fee	\$300,000
Developer Fee	\$330,000
Hard Cost	
Elevator Modernization (\$350-\$500K per cab)	\$1,050,000 - \$1,500,000
Windows	\$2,000,000
Contingency/ Other Repairs/Reserve	\$520,000 - \$970,000

Schedule

Table 2 provides a schedule for the completion of the refinance and the planned capital improvements. Depending on the anticipated schedule for City funding to be available to fund capital improvements, HALX will work with one its lending partners to bridge City monies to ensure improvements can be completed in an efficient and timely manner. HALX anticipates completing capital improvements by Q2 2024.

Table 2. Park Vue Schedule	
Acquisition	February 2022
COA Capital Improvements Loan Approval	March 2023
First Trust Refinance	June 2023
Capital Improvement Design	Jan 2023 – May 2023
Capital Improvement Permitting / Bid	May 2023 – October 2023
Capital Improvement Construction	October 2023 – August 2024

Park Vue Summary

Sources			Uses	
			Development Costs	
			Acquisition	51,528,571
			Architecture & Engineering	-
			Legal	-
			Fees, Permits & Utilities	-
			Other/Miscellaneous	-
			Soft Cost Contingency	-
			Financing Costs	255,583
			Reserves	5,000,000
			Construction Costs	-
			Hard Cost Contingency	-
			Developer Fee	193,411
Total Sources			Total Uses	\$ 56,977,564
			Surplus/(Deficit)	22,436
Permanent Debt	\$	20,000,000	Total Cost / Unit	290,702
Interest Rate		5.80%	City Subsidy / Unit	25,510
Mezzanine Debt Must Pay	\$	18,300,000		
Interest Rate (I/O)		1.5%		
Combine Must Pay Debt Service	\$	1,610,874		
Combined Rate		2.34%		

Unit Type / Affordability Mix					
	%	No. Units		%	No. Units
Efficiency	29%	56	30% AMI	0%	0
One Bed	57%	112	40% AMI	0%	0
Two Bed	14%	28	50% AMI	0%	0
Three Bed	0%	0	60% AMI	100%	196
Four Bed	0%	0	80% AMI	0%	0
			100% AMI	0%	0
Total Units	100%	196	Total	100%	196