



ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

Roy O. Priest, Chief Executive Officer

February 2, 2016

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

RE: Housing Opportunities Loan (HOF) Application

Dear Mr. Keeler,

Ramsey Homes, located at 699 North Patrick Street, consisting of four buildings, comprised of four-two bedroom units in each building, is the subject of a rezoning application to rezone the subject property from RB (Townhouse Zone) to CRMU-M (Commercial Residential Mixed Use). The rezoning application and Development Special Use Permit proposes a 3-Story, 53 Unit Multi-family development with an underground garage suitable to park 29 spaces. The zoning entitlement process requires approvals from the Board of Architectural Review, the Planning Commission and City Council.

On November 25, 2015, the City of Alexandria Office of Planning and Zoning released its Verification of Completeness Letter for DSUP#2014-0035. ARHA's application will be heard by the Planning Commission on February 2, 2016.

As the City of Alexandria will require certain offsite improvements including, pedestrian crossings, pedestrian signalization, brick crosswalks, undergrounding of utilities, off-site parking for construction workers, and other improvements or exactions that are restricted from the use of tax credit equity, ARHA is requesting a loan from the HOF in the amount of \$1,000,000 to fund the requested improvements. Please find enclosed our submission package in accordance with the checklist of required documents.

Please let us know if you have questions as you review this request and the supporting materials. You may contact Project Manager, Leroy Battle at 703-549-7115 ext. 150 or Director of Development, Connie Staudinger at ext. 164.

Sincerely,

Roy Priest,
Executive Director and CEO

Ramsey Homes Redevelopment Project Narrative

The redevelopment of the Ramsey Homes site (the “Project”) is consistent with the ARHA 2012-2022 Strategic Plan, the City’s Housing Master Plan and the Braddock East Master Plan (“BEMP”). The Project involves the redevelopment of an underutilized and obsolete public housing site into a mixed-income, affordable, multi-family rental housing site.

The Project site is .71 acres, occupying one half of a city block, the east side of the 600 block of North Patrick Street between Pendleton and Wythe Street. The site is currently improved with (15) two-bedroom townhomes in four buildings. Three of the buildings are quadruplexes and one is a triplex. The existing structures were built in 1942. The buildings’ floors, walls and roof were built of 1-1/2” precast concrete slabs. Numerous modifications have been made to the structures since the initial construction, diluting the architectural historic significance of the Project.

The density of this site is specifically identified in the BEMP at a maximum FAR of 2.0; this represents an increase in the current FAR, necessitated by the goal of integrating the existing 15 households throughout a larger community of families with higher incomes. ARHA is requesting a 2.0 FAR.

A mix of public housing and market-rate housing and, where possible an element of affordable and/or workforce housing is recommended in the Plan. This Project includes an approximate 30%/70% ratio of low-income households to households with incomes up to a workforce housing income. The unit mix is driven by market factors, land value, public policy and funding availability and terms. The BEMP recognizes that these and other variables will drive the viability of redevelopment projects, and ARHA’s ability to meet the BEMP’s objectives. Specifically, the BEMP notes:

The precise ratio for this mix should be determined through the development planning process, as it will be influenced by the funding available at that time.

It is fair to say that the market conditions in the Fall of 2008, when the BEMP was published and the economy fell into a deep recession, is far different than current conditions. It is exactly for these reasons that the BEMP deliberately avoids being prescriptive and allows for the flexibility necessary to meet the Plan’s objectives, particularly with respect to the number and ratio of public housing units retained on the original site. The BEMP notes that “basing any recommendations regarding unit mix/unit retention on current (10/08) market conditions and current funding expectations would be unreliable.”

The focus of the ARHA Strategic Plan is on preserving ARHA’s present affordable housing stock until opportunities arise that will enable ARHA to substantially improve conditions while complying with Alexandria’s ordinance mandating preservation or replacement of ARHA’s affordable housing (Resolution 830). ARHA recognized that it is not enough to provide sustainable affordable housing; we must also ensure that the housing we provide meets qualitative standards that are acceptable to ARHA, our funding providers and to the greater Alexandria community. We are actively pursuing opportunities that improve housing quality and add to the number of affordable units whenever economically and financially appealing prospects occur. The overriding recent and present objective has been to pursue

these opportunities with caution in a manner consistent with ARHA's core mission and principles. A further objective has been to improve the quality of our existing affordable housing stock in a manner that it becomes indistinguishable from other housing prevalent in the surrounding neighborhoods.ⁱ We believe that the concept for this Project advances the ARHA Strategic Plan objectives. The Project, as it exists today, cannot be renovated to meet current codes. HUD requires that any renovation meet 504 Accessibility code and the Project, in its current configuration cannot be renovated to meet the code (see Rehabilitation versus Redevelopment below).

More than 40% (14,353 households) of the overall rental housing demand in the city consists of households with incomes at or below 60% AMI. For extremely low-income households within this group (those at or below 30% AMI), there are no committed permanent affordable units or market affordable units subsidized to be affordable to this income level outside of a limited number of project based Section 8 units, ARHA-owned public housing and some operated by city or nonprofit agencies for the benefit of special needs clients.ⁱⁱ This mixed-income Project would be available to the extremely low-income families that reside at the Project today, as well as to households at up to 60% of the AMI which is the city Workforce Housing limit for rental housing.

This concept redevelops the Ramsey Homes public housing site into vibrant and sustainable mixed-income housing which is consistent with the BEMP. The Project provides an appropriate level of residential density given that it is within a ½-mile radius from the Braddock Road metrorail station, thereby better utilizing transportation infrastructure and potentially decreasing negative impacts of car traffic. The BEMP encourages greater mobility, especially for those with limited access to automobilesⁱⁱⁱ. This Project achieves this.

The 15 public housing families that are being displaced will be given the option to move to another comparable public housing unit or, they can elect to accept a Tenant Protection Voucher ("TPV") that they can use to find housing available in the private sector where the landlord will accept a voucher. This relies on ARHA's ability to obtain the TPVs from HUD with the approval of a HUD Disposition Application that must be submitted for the site. ARHA will pay all costs of the move. The households displaced by the redevelopment of the Project will be given the first opportunity to return to the newly constructed Project.

Should the existing 15 households chose to return, they will be in community with an additional thirty eight (38) households with incomes up to 50% and 60% of the Area Median Income. This will provide for a mix of incomes to replace the exclusive public housing that exists on the site today, with the ultimate goal of providing improved residential and social conditions for the residents of the new Project, as well as the surrounding neighborhoods. ARHA has received a \$855,482 Replacement Housing Factor fund grant from HUD for its Glebe Park and James Bland efforts. These grant funds are only available for the redevelopment of new public housing units. In order to utilize these grant funds, ARHA must include four (4) PH unit rents in the redeveloped project. ARHA would also take the 50 points available in the Tax Credit Reservation Application for any development in which the greater of 5 units or 10% are assisted by federal project-based rent subsidies and will confirm to accessibility requirements of section 504 of the rehabilitation act. In this case then, ARHA would be building 6 units as PH; the remaining 9 Resolution 830 units would be rented to households at or below 30% of the Area Median Income. It is also intended that some households will continue to be subsidized through TPVs or the Housing Choice Voucher Program and yet others will pay rents set by the Low Income Housing Tax Credit (Tax Credit) funding for households at up to 50 – 60% of AMI.

Consistent with the BMNP and BEMP, this Project promotes a diversity of housing types at differing levels of affordability to accommodate households with a broad range of income levels within the community. Also consistent with the Plan, affordability is being maximized by this location-efficient Project.

The Project includes the removal of all existing improvements and the construction of a total of fifty-three (53) rental units in two, 3-story buildings. The parking will be accommodated below grade in a structured parking facility. While the number of parking spaces provided will not meet the BEMP suggested .75 spaces per unit, under the recently adopted parking standards, the 29 spaces being provided will exceed the required number of spaces and a parking reduction SUP will not be required.

The development team has worked closely with city staff to develop the Project size, massing, height and architectural character so as to achieve compatibility with the historic Parker-Gray District and to have a competitive tax credit application. The multi-family buildings have been skillfully designed in the Contemporary Classical vernacular of architecture; 3 stories high. The proposed Project complies with the fundamental intent and height envisioned by the Braddock East Master Plan.

The 3-story configuration and the relationship of height and width being proposed reflects the prevailing pattern along the blockface. The development proposal is for structures that are not higher than 39 feet. The 3 – story height is also consistent with the BEMP in that it recognizes the suggestion that new buildings should be generally no more than one-story higher than adjacent buildings.

The design includes pedestrian-friendly details in order to address the alleyway to the east and to give deference to the Watson Reading Room, and the Black History Museum which share the block and have entrances/exits that view some part of the rear of the buildings.

Wythe Street is noted in the Braddock Metro Neighborhood Plan as a “walking” street (between West and Washington), and is therefore being treated as such by providing an 18 foot street level setback from the curb to the face of the building.

The design team made decisions regarding the heights based on information included in the Zoning Ordinance, the Board of Architectural Review Work Sessions, the applicable Small Area Plans and ultimately, discussions with City staff. As a result, the proposed is considerate of all recommendations and balances the needs for open space, parking, a viable Project and setbacks. A green edge has been provided along all street edges. North Patrick Street sets back 14 to 15 feet and Pendleton Street sets back by 14 feet.

This creates a court for recreation and play and softens the edge on Patrick. The South Building fronts the sidewalk. Both buildings have entry doors to the ground floor units which help bring a human and pedestrian scale to the building. There is an approximately 40’ wide landscaped courtyard between the two buildings that provides a safe area for children and families to gather and play. The vocabulary is urban and transitional in style, with clean lines and simple geometry; there is 59% brick cover. There are indentations that become natural transition points for material breaks.

There is 16% open space at ground level which will be programmed to be meaningful with climbing walls, vertical gardens, tot lot, seat walls and lush landscaping. The balance of the required 40% open space will be made up with 2 rooftop terraces, one on each building. The rooftop terraces will have both active and passive spaces for gatherings and game playing.

The interior of the buildings will function as multifamily rental units. Six of the units will be constructed as Accessible (as defined in the code) for individuals with special needs, meaning that all required accessibility features are present at first occupancy. The remaining units on the first floor will be designed to meet Type B units, consistent with the design and construction requirements of the American National Standards Institute (ANSI) and federal Fair Housing Act. A Type B unit is constructed to a convertible level of accessibility than an Accessible unit, geared more toward persons with lesser mobility impairments. In order to accommodate the Accessible units, there are accessible parking spaces in the parking garage and one elevator, per building, on the garage level with stops on each of the three floors and the rooftop so that the amenities for the accessible units are identical to the other units.

ⁱ ARHA 2012 – 2022 Strategic Plan

ⁱⁱ City Housing Master Plan (December 14, 2013)

ⁱⁱⁱ Braddock East Master Plan (October, 2008)

USESContractor Costs

Unit Structures (New)	5,760,157
Structured Parking Garage	1,658,695
Land Development	1,138,058
Off-Site Improvements	850,000
Subtotal	9,406,910
General Requirements	676,019
Contractor Overhead	558,518
Contractor Profit	
Performance Bond	
Hard Cost Contingency	
Subtotal	\$10,641,447

Financing Costs

Construction Loan Origination Fee	103,528
Construction Period Interest	96,000
Capitalized Soft Debt Interest	
Permanent Loan Fees	
Closing Costs- Construction	
Closing Costs- Permanent	
Other Financing Costs	
Sub-Total	\$199,528

Soft Costs

Architecture	535,590
Site Engineering/Survey	155,450
Structural/Mechanical Study	1,500
EarthCraft/Leeds	18,000
Environmental Study	9,290
Traffic Engineer	2,800
Land Use Attorney	122,410
Building Permit	50,935
Appraisal	3,500
Market Study	3,500
Legal (Tax and Real Estate)	150,000
Title and Recording	26,000
Insurance during construction	19,225
Organization Costs	10,953
Accounting	28,000
Cost Certification	30,000
Tax Credit Fees	84,333
Relocation Assistance	45,000
Fixtures, Furnishing & Equipment	260,000
History Consultant	139,600
History Mitigation	50,000
HUD Disposition Fee	4,680
Soft Cost Contingency	25,000
Subtotal	\$1,775,766

Reserves

Operating	126,313
Replacement	15,900
Subtotal	\$142,213

<u>Developer Fees/Overhead</u>	\$1,720,000
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Acquisition Costs

Land	3,527,878
Building	264,682
Subtotal	\$3,792,560

TOTAL USES	\$18,129,301
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SOURCES

HUD Replacement Housing Funds	855,428
9% LIHTC	12,522,983
ARHA Loan A	3,792,560
City Loan Up to \$1M)	858,330
VHDA REACH Loan	100,000
TOTAL SOURCES	\$18,129,301

Cash Flow (First Year)

1. Annual EGI Low-Income Units		\$722,588
2. Annual EGI Market Units	+	\$0
3. Total Effective Gross Income	=	\$722,588
4. Total Expenses		\$399,218
5. Net Operating Income	=	\$323,370
6. Total Annual Debt Service	-	\$240,089
7. Cash Flow Available for Distribution	=	\$83,281

Projections for Financial Feasibility - 40 Year Projections of Cash Flow

Estimated Annual Percentage Increase in Revenue	2.00% (Must be \leq 2%)
Estimated Annual Percentage Increase in Expenses	3.00% (Must be \geq 3%)

	Stabilized				
	Year 1	Year 2	Year 3	Year 4	Year 5
Eff. Gross Income	722,588	737,039	751,780	766,816	782,152
Less Oper. Expenses	399,218	411,195	423,530	436,236	449,323
Net Income	323,370	325,845	328,250	330,580	332,829
Less Debt Service	240,089	240,089	240,089	240,089	240,089
Cash Flow	83,281	85,756	88,161	90,490	92,740
Debt Coverage Ratio	1.35	1.36	1.37	1.38	1.39

	Year 6	Year 7	Year 8	Year 9	Year 10
Eff. Gross Income	797,795	813,751	830,026	846,627	863,559
Less Oper. Expenses	462,803	476,687	490,988	505,717	520,889
Net Income	334,992	337,064	339,038	340,909	342,670
Less Debt Service	240,089	240,089	240,089	240,089	240,089
Cash Flow	94,903	96,975	98,949	100,820	102,581
Debt Coverage Ratio	1.40	1.40	1.41	1.42	1.43

	Year 11	Year 12	Year 13	Year 14	Year 15
Eff. Gross Income	880,830	898,447	916,416	934,744	953,439
Less Oper. Expenses	536,516	552,611	569,189	586,265	603,853
Net Income	344,315	345,836	347,226	348,479	349,586
Less Debt Service	240,089	240,089	240,089	240,089	240,089
ARHA Loan Paydown	104,226	105,747	107,137	108,390	109,497
Debt Coverage Ratio	1.43	1.44	1.45	1.45	1.46

	Year 16	Year 17	Year 18	Year 19	Year 20
Eff. Gross Income	972,508	991,958	1,011,797	1,032,033	1,052,674
Less Oper. Expenses	621,969	640,628	659,847	679,642	700,031
Net Income	350,539	351,330	351,951	352,391	352,643
Less Debt Service	240,089	240,089	240,089	240,089	240,089
Cash Flow	110,450	111,241	111,862	112,302	112,554
Debt Coverage Ratio	1.46	1.46	1.47	1.47	1.47

	Year 21	Year 22	Year 23	Year 24	Year 25
Eff. Gross Income	1,073,727	1,095,202	1,117,106	1,139,448	1,162,237
Less Oper. Expenses	721,032	742,663	764,943	787,891	811,528
Net Income	352,695	352,539	352,163	351,557	350,709
Less Debt Service	240,089	240,089	240,089	240,089	240,089
Cash Flow	112,606	112,450	112,074	111,468	110,620
Debt Coverage Ratio	1.47	1.47	1.47	1.46	1.46

	Year 26	Year 27	Year 28	Year 29	Year 30
Eff. Gross Income	1,185,482	1,209,191	1,233,375	1,258,043	1,283,203
Less Oper. Expenses	835,874	860,950	886,779	913,382	940,783
Net Income	349,608	348,241	346,597	344,661	342,420
Less Debt Service	240,089	240,089	240,089	240,089	240,089
Cash Flow	109,519	108,152	106,508	104,572	102,331
Debt Coverage Ratio	1.46	1.45	1.44	1.44	1.43

	Year 31	Year 32	Year 33	Year 34	Year 35
Eff. Gross Income	1,308,868	1,335,045	1,361,746	1,388,981	1,416,760
Less Oper. Expenses	969,007	998,077	1,028,019	1,058,860	1,090,626

Net Income	339,861	336,968	333,726	330,121	326,135
Less Debt Service					
Cash Flow	339,861	336,968	333,726	330,121	326,135

Debt Coverage Ratio

No Debt after Yr 30

	Year 36	Year 37	Year 38	Year 39	Year 40
Eff. Gross Income	1,445,096	1,473,997	1,503,477	1,533,547	1,564,218
Less Oper. Expenses	1,123,345	1,157,045	1,191,756	1,227,509	1,264,334
Net Income	321,751	316,953	311,721	306,038	299,884
Less Debt Service					
Cash Flow	321,751	316,953	311,721	306,038	299,884

Debt Coverage Ratio