



May 22, 2019

Ms. Helen McIlvaine, Director
Director, Office of Housing
City of Alexandria
421 King Street Suite 200
Alexandria, VA 22314
By Email at: Helen.McIlvaine@alexandriava.gov

Re: Housing Opportunities Loan Application for the Acquisition of Ellsworth Apartments located at 2801 Seay Street Alexandria, VA 22314

On behalf of the Alexandria Housing Development Corporation (AHDC) Board of Directors, I am pleased to submit an application for a City of Alexandria Housing Opportunities Fund (HOF) loan in the amount of \$1,800,000. This loan request would aid AHDC in the acquisition of the Ellsworth Apartment complex.

The Ellsworth is a 20 unit property that is located directly east of Longview Terrace Apartments which is currently owned by an affiliate entity of AHDC. The property currently has rents that are just above the 60% area median income. As many garden style apartments in Alexandria, the rents have continually increased over the years and we believe this is a good opportunity to preserve existing market affordable housing in a location that provides operational efficiencies for AHDC.

The current property owner has made significant investments in the property over the past six years. These improvements include upgrading all electric panels and service, new gas fired water heaters, a new chiller, replacement of individual heating and cooling units, and new kitchens, bathrooms, and flooring for the majority of the units.

AHDC plans to preserve four of the units (20%) at rents that serve residents at 50% AMI and the remaining 16 units (80%) serving a population at 60% AMI. This will allow AHDC to continue to serve the tenants in the building with very little interruption to their current rent structure.

AHDC plans to work with Virginia Community Capital (VCC) for a first trust loan on the property. The plan will be to secure permanent debt on the property for a period up to ten years. As part of the financing plan AHDC will work with VCC to include \$10,000 per unit as part of the funding plan. These funds will be available for AHDC to draw on to complete repairs during the first 18 months of ownership.

Attached to this letter is an overview of the property, a ten year proforma, and additional details needed for the HOF application. We appreciate our continuing partnership with the City of



Alexandria and we look forward to hearing from you regarding our newest proposed acquisition. 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

Executive Director

CC: Eric Keeler, Deputy Director, Office of Housing

Ellsworth Apartments Acquisition

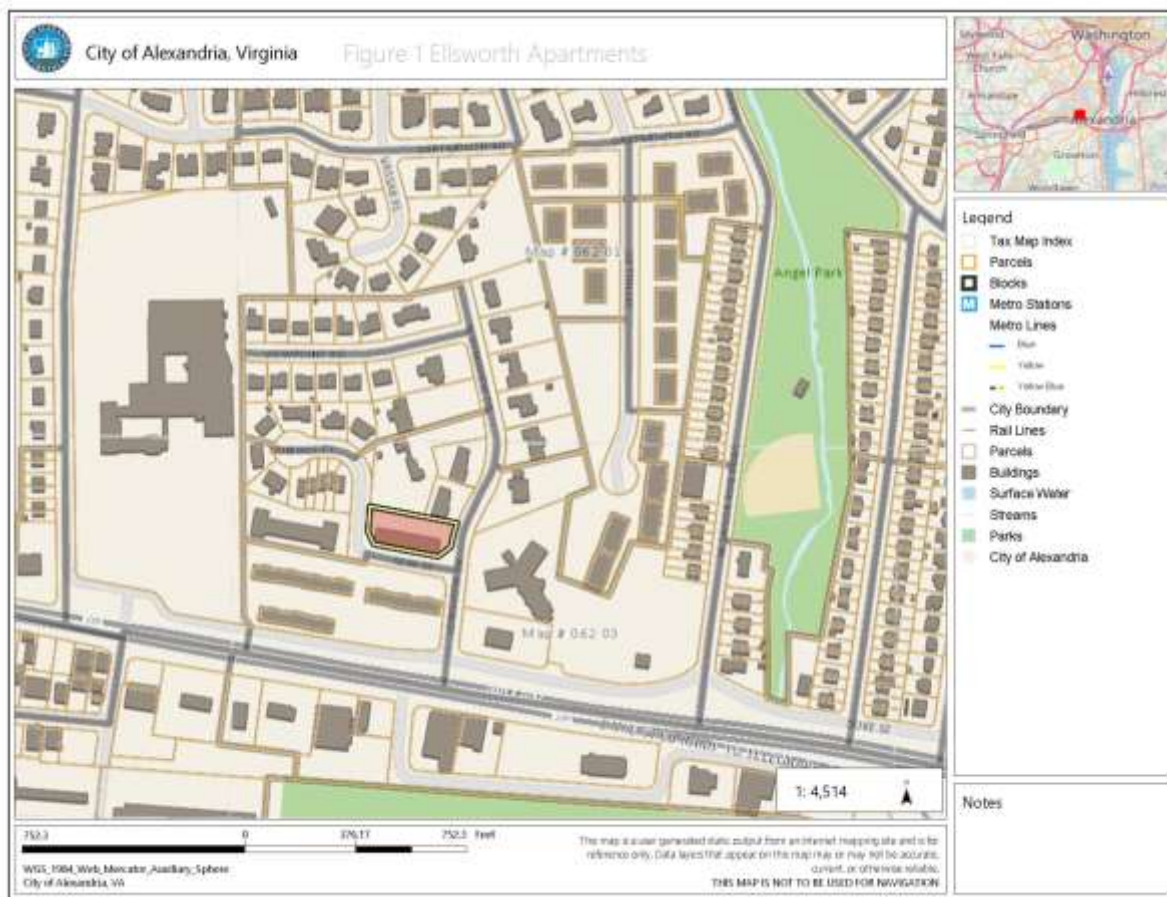
Proposed Acquisition

The Alexandria Housing Development Corporation (AHDC) has signed a letter of intent with the Linden Property Group to acquire the 20 unit Ellsworth Apartment complex that is located at 2801 Seay Street Alexandria, VA 22314. The property sits directly east of AHDC's Longview Terrace Apartments. The current property owner approached AHDC towards the end of 2018 regarding the organization's interest in an acquisition of the property. AHDC is currently working with the owner to finalize a purchase and sale agreement which would allow AHDC to acquire the property on or before August 1, 2018.

Property Overview

Ellsworth Apartments is located at 2801 Seay Street which is on north side of Duke Street east of Bishop Ireton High School (see Figure 1 Below). The property is comprised of 17-2BR units, 2-1BR units, and one efficiency and current rents for the building are just above 60% AMI. The current owner has renovated about 80 percent of the units and updated all the major systems (i.e. the boilers, water heaters, electrical heavy up, etc.) in the past five years.

As mentioned above the project is located just east of AHDC's Longview Terrace Property which has 41 units. In addition to the preservation opportunity offered by this acquisition, it also will provide an operational efficiency for AHDC with the ability to operate the two properties together as one 61 unit property with its own dedicated maintenance professional and an opportunity to include a satellite leasing office on site.



Proposed Target Population

The majority of the units at the property currently operate at rents just above the 60% of the Area Median Income. Four of the units (20%) currently rent at 50% AMI rents. The latter units are renting at a lower rate because they have not been renovated and owner has made the decision not to increase the rents on long term tenants some of which have been in their unit for over 20 years. Our goal for this property will be to maintain 16 units at 60% AMI and 4 units at 50% AMI. However, we will work with the long term tenants to renovate their units as per the financing plan identified in the next section. AHDC will not require any of the current tenants to vacate the property but will ensure all new tenants are in compliance with the proposed income designation.

Ownership Structure

AHDC is working with the current owner to execute a purchase and sale agreement (PSA) for acquisition of the property. Once we have an executed PSA, AHDC will form a single purpose entity to hold and operate the property. The current goal is to operate this under that single purpose entity until such time as the site would be grouped with other garden style apartments for a bond deal or a redevelopment option is available with Longview Terrace after its compliance period ends in 2030.

Financing Plan

In addition to the City HOF loan, AHDC will seek permanent financing from Virginia Community Capital (VCC) or another private lending institution. The goal is to underwrite the property at current rents and limit rent growth until it is in-line with the AMI designations detailed in the previous paragraph. The current projection is that all units will reach this target in year two of AHDC ownership. The current term sheet from VCC provides a loan with a 5% interest rate that amortizes over 30 years. The first 18 months of this loan would be interest only payments and will convert to a full 30 year amortization loan for five years. After five years AHDC will have the option to put a second five year loan on the project with a reset of the interest rate. AHDC is currently planning on \$10,000 per unit in rehabilitation for this project. These funds will be held back with the VCC loan and AHDC will have the ability to draw on these funds as improvements are made to the property based on a predetermined strategy.

Proposed Project Schedule (estimated to date):

- Execution of Purchase and Sale Agreement – May 2019
- City of Alexandria HOF Approval – June 2019
- Completion of Due Diligence – June/July 2019
- Completion of VCC loan application and prepare to close – June/July 2019
- Close on loan and acquire the property – August 2019
- Interest Only/Rehabilitation Timeframe – August 2019 – February 2020.

Ellsworth Apartments
Ellsworth 5.17.19_200K.xlsx
Summary & Inputs

Sources	4,349,841
Equity	-
0% Developer Equity	-
Debt	4,349,841
59% VCC Acquisition Loan	2,550,000
41% CoA Second Trust	1,799,841
Uses	
Development Costs	4,349,841
Acquisition Price	3,900,000
Architecture & Engineering	
Legal	25,000
Insurance	21,000
Closing Costs (Taxes, Title, etc.	85,341
Financing Costs (Origination Fee)	25,500
Reserves (Unit Renovation Cost)	200,000
Pre-Payment Penalty	63,000
Developer Fee	
Operating Reserve	30,000

Operations	# Units	Avg SF	Unit \$/Mo
Studio	1	388	\$ 1,075
1bd 1b	2	610	\$ 1,273
2bd 1b	16	795	\$ 1,555
2bd 2b	1	825	\$ 1,350
Total	20		
Vacancy			5.00%
Rent Escl			2.50%
AHDC Escl			5%
Loss to Lease			1.60%
Concessions			0%
Bad Debt			0.40%
Administration			60,085
Repairs & Maint.			12,358
Contract Services			14,728
Utilities			19,392
Taxes, Licenses & Insurance			38,419
Misc.			953
Reserves			6,000
Expense Escl			3.00%

Debt	I/P
VCC Acquisition Loan - 1	
Principal	2,550,000
Term (Years)	30
Interest Rate	5.00%
I/O Period (Yr)	1.5
Loan Maturity	6.5
LTV	59%
VCC Loan - 2	
Principal	2,325,439
Term (Years)	30
Interest Rate	7.00%
I/O Period (Yr)	0
Loan Maturity	
LTV	
CoA Second Trust	
Principal	1,799,841
Term (Years)	30
Interest Rate	2.00%
I/O Period	30
Loan Maturity	
LTV	41%
Payment	1

Valuation	%
Capitalization Rate (Acq)	4.9%
Capitalization Rate (Refi)	5.5%
Discount Rate	5.0%
Sales/Refi Exp	2.0%

Closing Date	1-Aug-19
Sales Period (Refi)	
Sale Refi/Loan 2	5.0

Ellsworth Apartments
Ellsworth 5.17.19_200K.xlsx
CF - Annual

Period Year	1 2019	2 2020	3 2021	4 2022	5 2023	6 2024	7 2025	8 2026	9 2027	10 2028	11 2029	12 2030
Revenue												
Studio	12,900	12,871	13,193	13,522	13,860	14,207	14,562	14,926	15,299	15,682	16,074	16,476
1bd 1b	30,545	31,115	31,893	32,690	33,508	34,345	35,204	36,084	36,986	37,911	38,858	39,830
2bd 1b	298,629	302,243	310,241	318,461	326,909	335,507	343,894	352,492	361,304	370,337	379,595	389,085
2bd 2b	16,200	16,282	16,689	17,106	17,534	17,972	18,422	18,882	19,354	19,838	20,334	20,842
Gross Potential Rent	358,274	362,511	372,015	381,780	391,811	402,031	412,082	422,384	432,944	443,767	454,861	466,233
Loss to Lease	(5,732)	(5,800)	(5,952)	(6,108)	(6,269)	(6,432)	(6,593)	(6,758)	(6,927)	(7,100)	(7,278)	(7,460)
Concessions	-	-	-	-	-	-	-	-	-	-	-	-
Vacancy	(17,914)	(18,126)	(18,601)	(19,089)	(19,591)	(20,102)	(20,604)	(21,119)	(21,647)	(22,188)	(22,743)	(23,312)
Net Rental Income	334,628	338,585	347,462	356,582	365,952	375,497	384,884	394,507	404,369	414,478	424,840	435,461
Bad Debt	(1,339)	(1,354)	(1,390)	(1,426)	(1,464)	(1,502)	(1,540)	(1,578)	(1,617)	(1,658)	(1,699)	(1,742)
Other Income	9,630	9,650	9,670	9,690	9,711	9,731	9,751	9,771	9,792	9,812	9,833	9,853
Effective Gross Income	342,920	346,881	355,743	364,846	374,198	383,726	393,096	402,700	412,543	422,633	432,974	443,573
		1.16%	2.55%	2.56%	2.56%	2.55%	2.44%	2.44%	2.44%	2.45%	2.45%	2.45%
Expenses												
Administration	60,085	61,887	63,744	65,656	67,626	69,655	71,744	73,897	76,113	78,397	80,749	83,171
Repairs & Maint.	12,358	12,729	13,111	13,504	13,910	14,327	14,757	15,199	15,655	16,125	16,609	17,107
Contract Services	14,728	15,170	15,625	16,094	16,576	17,074	17,586	18,114	18,657	19,217	19,793	20,387
Utilities	19,392	19,973	20,573	21,190	21,825	22,480	23,155	23,849	24,565	25,302	26,061	26,843
Taxes, Licenses & Insurance	38,419	39,572	40,759	41,981	43,241	44,538	45,874	47,251	48,668	50,128	51,632	53,181
Misc.	953	981	1,011	1,041	1,072	1,104	1,138	1,172	1,207	1,243	1,280	1,319
Reserves	6,000	6,180	6,365	6,556	6,753	6,956	7,164	7,379	7,601	7,829	8,063	8,305
Total Expenses	151,935	156,493	161,187	166,023	171,004	176,134	181,418	186,860	192,466	198,240	204,187	210,313
		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Net Operating Income	190,985	190,388	194,555	198,823	203,195	207,592	211,678	215,840	220,077	224,393	228,786	233,260
Debt												
VCC Acquisition Loan - 1	117,500	142,312	167,125	167,125	167,125	167,125	83,562	-	-	-	-	-
VCC Loan - 2	-	-	-	-	-	-	92,827	185,654	185,654	185,654	185,654	185,654
Reserve Draw	3,667	4,440	-	-	-	-	-	-	-	-	-	-
CoA Second Trust	-	-	-	-	-	-	-	-	-	-	-	-
Total Debt	121,167	146,752	167,125	167,125	167,125	167,125	176,390	185,654	185,654	185,654	185,654	185,654
Sale/Refinancing	Cap Rate	5.50%										
Sale/Refi Price	-	-	-	-	-	-	-	-	-	-	-	-
VCC Acquisition Loan - 1	-	-	-	-	-	-	-	-	-	-	-	-
CoA Second Trust	-	-	-	-	-	-	-	-	-	-	-	-
VCC Loan - 2	-	-	-	-	-	-	-	-	-	-	-	-
Net Sales Proceeds/Refi	-	-	-	-	-	-	-	-	-	-	-	-
Reversion FCF	-	-	-	-	-	-	-	-	-	-	-	-
Operating FCF	69,818	43,636	27,430	31,698	36,070	40,467	35,289	30,185	34,423	38,738	43,132	47,605
Total FCF	69,818	43,636	27,430	31,698	36,070	40,467	35,289	30,185	34,423	38,738	43,132	47,605
Net Cash Available	69,818	43,636	27,430	31,698	36,070	40,467	35,289	30,185	34,423	38,738	43,132	47,605
DSCR	1.58	1.32	1.16	1.19	1.22	1.24	1.20	1.16	1.19	1.21	1.23	1.26
Opex Per Unit	7,597	7,825	8,059	8,301	8,550	8,807	9,071	9,343	9,623	9,912	10,209	10,516



Non-Binding Term Sheet

May 16, 2019

Mr. Jonathan Frederick
Executive Director
Alexandria Housing Development Corporation
1201 Abingdon Drive, Suite 210
Alexandria, VA 22314

Re: Non-Binding Term Sheet- Ellsworth Apartments

Dear Mr. Frederick:

I am pleased to offer the following loan proposal to you for the acquisition and renovation of Ellsworth Apartments located at 2801 Seay Street, Alexandria, VA 22314 ("Property"). This proposal is being offered as an indication of our interest in working with you. The following terms are preliminary and should not be construed as a commitment for financing. The loan request will require complete underwriting and approval from the Virginia Community Capital ("VCC") loan committee.

Borrower:	TBD
Lender:	Virginia Community Capital ("VCC")
Property:	Ellsworth Apartments, 2801 Seay Street, Alexandria, VA 22314
Purpose:	Acquisition and renovation of the Property.
Collateral:	First Deed of Trust for the Property and assignment of all rents and leases.
Loan Amount:	\$2,550,000. The loan amount shall not exceed the lesser of 85% of the as built, stabilized appraised value, or 85% of acquisition and construction costs.

Use of Funds:	Ellsworth Apartments	
	Funding Towards Purchase Price	\$2,250,000
	<u>Renovation Holdback</u>	<u>\$300,000</u>
	Total Loan	\$2,550,000
Loan Origination Fee:	1% of the total loan amount.	
Term:	10 years total -5 year mini-perm plus an additional 5 years upon rate reset	
Interest Rate:	5.0% fixed rate for the first 5 years. Upon the 5-year review and rate reset the rate shall be set at the 5-year Treasury Constant Maturities plus 350 basis points.	
Payments/Amortization:	Interest only for 18 months then principle and interest payments thereafter. P&I payments based on a 30-year amortization period.	
Renovation Holdback:	Renovation holdback will be funded as a construction loan, without retainage, based on invoice and work-in-place and reconciled to a budget and scope of work/apartment repair matrix received and approved by Lender prior to closing. Each draw request will require review and approval by a VCC 3 rd party inspector.	
Replacement Reserve:	\$300/unit per year to be funded monthly via an ACH payment into an account with VCC.	
Prepayment Penalty:	Yr.1-3%, Yr. 2-2%, Yr.3 -1%; No fee years 4 and 5	
Guarantor:	Alexandria Housing Development Corporation	
Closing Conditions:	<ul style="list-style-type: none"> • A Phase I environmental report or required equivalent for the property commissioned by VCC paid for by the borrower and deemed satisfactory upon VCC Review. • An appraisal for the property commissioned by VCC paid for by the borrower and deemed satisfactory upon VCC Review. 	
Loan Covenants:	<ul style="list-style-type: none"> • Property must maintain a 1.20x DSC on annual NOI. Such DSC to be tested annually. • Capital Magnet Fund Covenants 	

- 20% of the units shall be occupied by Families at or below eighty percent (80%) of the Area Median Income (AMI), beginning when the Property achieves Initial Occupancy and consisting of the full ten (10) consecutive years thereafter.
- 100 % of the units shall be occupied by Families at or below one hundred twenty (120%) of the Area Median Income (AMI), beginning when the Property achieves Initial Occupancy and consisting of the full ten (10) consecutive years thereafter.
- The Borrower shall furnish reports to the Lender on an annual basis to confirm compliance with affordability requirements, beginning when the Property is achieves Initial Occupancy and consisting of the full ten (10) consecutive years thereafter.

Closing Costs:

Borrower shall pay all out-of-pocket costs and expenses, if any, incurred by Lender about the Loan (pre- and post-closing), including, but not limited to, all costs associated with documenting, recording, closing; and all fees and expenses of VCC's outside legal counsel and Borrower's legal counsel and the cost of any other reports deemed necessary by Lender, whether or not the Loan closes.

If you are satisfied with the terms above, please execute and return to me. Once this executed document is received by VCC we can continue underwriting and present to our loan committee on June 10th, 2019. VCC looks forward to working with you.

Very Truly Yours,
Virginia Community Capital



Corbin T. Anderson
Vice President, Loan Officer
804-793-0989

Acceptance signature on following page.

Accepted:
For the Borrower:

Signature	Title
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Name (Printed)

Date

RESOLUTION 19-002

RE: The submission of financing applications for the purchase of the Ellsworth Apartments located at 2801 Seay Street Alexandria, VA 22314 ("the Property").

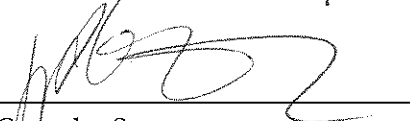
WHEREAS, Alexandria Housing Development Corporation ("AHDC") is a nonprofit affordable housing developer established by the City of Alexandria ("the City") for the purpose of serving as a developer and owner of affordable housing for low and moderate-income families in the City, and;

WHEREAS, in 2014 the City certified AHDC as a designated Community Housing Development Organization (CHDO) based on its demonstrated commitment to serving the housing needs of low income persons in the Alexandria community and;

WHEREAS, the City established the Housing Opportunities Fund (HOF) for the purpose of providing funds for affordable housing and for programs and services that contribute to the delivery of housing services for low- and moderate-income households within the City of Alexandria, Virginia and;

NOW THEREFORE, BE IT RESOLVED by the AHDC Board of Directors that the President of the Board, or his designee, be authorized to execute and submit all funding applications, loan documents and related documents on behalf of AHDC, or its designated AHDC development entity, to process and consummate the purchase of the Property.

Adopted this 20th day of May, 2019



John Corrado, Secretary