



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 18, 2014

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER/s/

DOCKET TITLE:

Consideration of a Community Development Block Grant (CDBG) Budget Transfer From the Home Rehabilitation Loan Program to Habitat for Humanity of Northern Virginia (Habitat).

ISSUE: Allocation of funding to support Habitat for Humanity of Northern Virginia (Habitat) in rehabilitating and selling a Habitat-owned home to an income-qualified first time buyer, and associated budget transfers.

RECOMMENDATION:

- 1) Approve a budget transfer of \$50,000 in Community Development Block Grant (CDBG) monies from the Home Rehabilitation Loan Program (HRLP) to the Housing Opportunities Fund (HOF), and
- 2) Approve the allocation of \$50,000 from the HOF to Habitat to assist in funding the rehabilitation of a resale restricted affordable homeownership unit.

DISCUSSION: Habitat is a local nonprofit affiliate of Habitat for Humanity International that works to build and sell safe, decent and affordable homes to low and moderate income buyers. Habitat constructed the residence at 1107 Princess Street in 1999 to provide an affordable homeownership opportunity to a lower income Alexandria household. Partial funding for the initial project and two other Habitat homes on Princess Street was provided through an earmark of federal funds through an initiative branded as “The Homes that Congress Built.” The original assisted purchaser resided in the home until 2013 at which time she moved out of the area and sold the home back to Habitat in accordance with the terms of her mortgage agreement. The property is a two-story, wood frame construction home with three bedrooms and one bath, and is located in the City’s Parker Gray District. Habitat wishes to preserve the home as an affordable homeownership unit. It has found that significant repairs must be completed before the home can be sold to another low to moderate income first time homebuyer and is requesting funds from the City to help it jump start the rehabilitation and

resale process so a now vacant affordable unit can be occupied as soon as possible (Attachment 1).

Based on its inspections of the property, Habitat staff notes water damage to both the interior and exterior of the home and anticipates that drywall and siding will need to be repaired or replaced. Mechanical systems, including the HVAC system, water heater and kitchen appliances, are no longer in working order. The storm water system located at the rear of the property is not functioning. It is also expected that some windows must be replaced. The proposed scope of work for the renovations is attached (Attachment 2). Habitat will follow design guidelines for the Parker Gray District.

The proposed scope of the rehabilitation work includes several items that will need to be completed by trade professionals, but Habitat plans to supplement this with volunteer labor, including the selected future homeowner(s), to the greatest extent possible. The value of the volunteer labor to be provided is estimated at \$74,688. Habitat will also leverage the City's investment through fundraising and fees from other programs. Habitat expects to provide approximately \$11,304 toward the total rehabilitation cost of \$61,304.

In accordance with CDBG program guidelines, Habitat will sell the home to a first time homebuyer household with income at or below the "HUD 80%" of Area Median Income (AMI). For a 4 person household, the 2014 applicable maximum income would be \$68,500 with a potential sales price up to \$295,000; for a 5 person household, the applicable maximum income would be \$74,000 with a potential sales price up to \$318,000. It is anticipated that the City funds would be converted into a loan for down payment and closing cost assistance to the buyer. By doing this, the City's current shared equity program will ensure that the Princess Street property remains an affordable homeownership opportunity into the future.

The Office of Housing recommends that the loan for the renovation of 1107 Princess Street be made through the transfer of HRLP funds to the HOF. In spite of loan activity in excess of projections during FY2014, staff has determined that adequate funding is still available to fund the proposed Habitat rehabilitation activity through the existing HRLP budget.

The proposed activity addresses Goal 4 of the City's Housing Master Plan by preserving an affordable homeownership opportunity through home rehabilitation. Habitat has requested the City loan assistance because it was faced with selling the property at market value to help fund other initiatives that are currently underway. The proposed loan will meet Goal 4 strategy 4.1 in assisting a household below 80% of the area median income, and strategy 4.2 in rehabilitating and improving the energy efficiency of the home to further decrease overall housing costs.

FISCAL IMPACT: Allocation of \$50,000 in CDBG HRLP funds to be transferred to the HOF. As of June 9, the CDBG Home Rehabilitation Loan Program has a balance of \$892,000, of which \$749,000 is committed to specific cases or reserved for pending cases, leaving an unreserved balance of \$143,000. The City's proposed investment for Princess Street will be leveraged by approximately \$85,688 from Habitat and its partner agencies. Converting the funds into a loan to the buyer will help ensure the unit remains part of Alexandria's affordable stock through the City's shared equity program.

ATTACHMENTS:

1. Habitat for Humanity Housing Opportunities Fund Application
2. Princess Street Residence Scope of Work

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