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City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 5, 2019

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:
Consideration of a Loan of $450,000 to Sheltered Homes of Alexandria as Part of a Funding Package to Refinance, Renovate and Preserve Bellefonte Apartments as Affordable Housing

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ISSUE: A loan of $450,000 to Sheltered Homes of Alexandria to complete the funding package to renovate Bellefonte Apartments in Del Ray (Attachment 1).

RECOMMENDATION: That City Council:

1. Approve a loan of $450,000 from the Housing Opportunities Fund, including federal CDBG monies, to Sheltered Homes of Alexandria (SHA) for renovation of Bellefonte Apartments as part of its long-term preservation as affordable housing; and

2. Authorize the City Manager to execute related documents.

BACKGROUND: The Bellefonte Apartments, located at 417 E. Bellefonte Avenue in Del Ray, is a 12-unit apartment complex owned by Sheltered Homes of Alexandria (SHA), a local nonprofit entity that owns housing for adults with intellectual and development disabilities. The property was built in 1979, with financing from VHDA, and rent for the 12 households is subsidized with a federal Housing Assistance Payment (HAP) contract. The HAP contract supplements the difference between what the property's low-income residents can affordable to pay and fair market rents.

The 12 one-bedroom apartments that comprise Bellefonte Apartments are located in two garden-style buildings. In addition to a bedroom and bath, each unit has a kitchen, living room and washer/dryer. Besides the multifamily buildings, the site includes a single-family home that is operated as a group home for other adults with disabilities, and both buildings share green space and a 14-space parking lot accessed from E. Duncan Avenue. The City provides staffing, operational and capital support to Bellefonte and its residents through the

Department of Community and Human Services and the Department of General Services.
DISCUSSION: The proposed refinancing and renovation project comes forward through a partnership between two Alexandria nonprofits. Alexandria Housing Development Corporation (AHDC) is providing development consulting services to SHA to coordinate the renewal of the HAP contract with HUD, plan and manage the property renovation, including temporary relocation of the residents while the rehabilitation work occurs, secure financing for the renovation. The financing includes a new long term rental subsidy contract with HUD that will reflect the renovation improvements and change the rental structure to reflect subsidies that have been "marked up to market", providing a property cash flow that will meet future operating and capital needs and relieve some of the financial costs currently provided through the City's general fund and CIP budgets.

The renovation planned is substantial: all major building systems (roofs, windows, HVAC, electrical panels, kitchens, baths, floors) will be replaced and/or updated. The building entries will be closed to facilitate a secure access system. Most importantly, the renovation will make six of the units fully accessible to help residents age in place (Attachment 2).

While no City financial support was initially anticipated, an off-site stormwater improvement with an estimated cost of $300,000 is required to connect the building to the City's stormwater system. This will address a drainage issue that detracts from the residents' use of their outdoor green space when rainfall ponds onsite, and it will benefit other properties along Bellefonte Avenue now and/or if they redevelop in the future. The scope of work also includes closing a curb cut to the parking lot and replacing an accessible ramp to the group home building staffed by the City of Alexandria.

VHDA is providing a first trust loan, SHA will put in the accumulated reserves account (released by VHDA when the 1979 mortgage was recently paid off), and the City loan, if approved, will complete the funding package so the project can go forward this summer (Attachment 3). The twelve residents and their caseworkers will be relocated to units at Southern Towers, in cooperation with that property owner (units outside of the City's 105 committed affordable units) for approximately four to six months.

The project, which will preserve 12 deeply affordable units that house City residents with disabilities, through partnerships with and among nonprofits, reflects multiple Housing Master Plan principles and exemplifies City core values regarding Alexandria's commitment to inclusion and diversity.

FISCAL IMPACT: $450,000 from the City's Housing Opportunity Fund, including federal CDBG monies that can be used for projects that serve very low incomes persons, including those involving rehabilitation and infrastructure needs. Like other affordable housing investments, the City's loan will be structured to be repaid out of the property's residual receipts and will accrue interest at 2% per year. When completed, Bellefonte will generate revenues that eliminate the City's current operational and capital support for the property. The value of the new 20-year HAP contract will provide rental assistance with a total value of more than $4 million if the City had to provide the subsidies.

ATTACHMENTS:

(1) Request for Housing Opportunity Funds for Bellefonte Apartments (submitted by AHDC on behalf of SHA)
(2) Bellefonte Renovation Project Description
(3) Bellefonte Proforma

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