



Legislation Details (With Text)

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Title: Consideration of an Increase of \$1.4 Million in the City Loan to ARHA for Redevelopment of Ramsey Homes.
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Attachments: 1. 20-0187_ ARHA Request for \$1.4 M Ramsey Homes 100219, 2. 20-0187_ ARHA - Request for \$3.6 M (Ramsey Homes) CC 052218

Date	Ver.	Action By	Action	Result
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City of Alexandria, Virginia

MEMORANDUM

DATE: OCTOBER 16, 2019
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:

Consideration of an Increase of \$1.4 Million in the City Loan to ARHA for Redevelopment of Ramsey Homes.

ISSUE: Consideration of an increase in the approved City loan amount to be provided to the Alexandria Redevelopment and Housing Authority (ARHA) for the Ramsey Homes redevelopment from “up to \$3.6 million” to “up to \$5 million”.

RECOMMENDATION: That City Council approve an additional allocation of \$1.4 million for a total loan to ARHA of up to \$5,000,000 for redevelopment of Ramsey Homes to be funded from proceeds of ARHA’s repayment of the City’s 2008 Glebe Park loan (\$5 million).

BACKGROUND: ARHA has requested an increase in the City loan for the Ramsey project related to an increase in construction costs and soft costs, mostly attributable to weather-related delays (Attachment 1). ARHA has made two previous requests: in November 2016 City Council approved a DSUP and City loan

package of \$1.1 million for the redevelopment of Ramsey Homes. The project will replace 15 existing public housing units, as well as add 37 net new units, affordable to households with incomes ranging up to 60% AMI. The building mix will include one, two- and three-bedroom units.



In May 2017, Ramsey Homes was awarded Low Income Housing Tax Credits by VHDA. A year later, with support from the Alexandria Housing Affordability Advisory Committee (AHAAC), along with its recommendation that ARHA prioritize repayment of the new City loan amount ahead of repayment of ARHA's note, City Council approved additional funds for a total loan to ARHA of up to \$3.6 million to pay for increased construction costs. In November 2013, the City, along with Capital One (Ramsey construction lender) and Enterprise (Ramsey tax credit investor) closed on financing of the \$23 million project. Construction began last winter and, following multiple weather-related delays over several months, the underground parking structure is completed, and the building foundation and deck are being poured now. The project is anticipated to be completed in May 2020, with leasing beginning in June 2020. ARHA will use a third-party property management firm for the development.

DISCUSSION: ARHA's current request is for an additional allocation of \$1.4 million in City funds for Ramsey Homes to cover additional hard and soft costs related primarily to project weather delay and mitigation of site conditions (Attachment 1). Housing staff have collaborated with ARHA in reviewing the new additional costs related to the project and are comfortable that ARHA's managing team has handled this cost overrun situation well, and that the additional costs and City loan are completely justified. Among the additional costs that will be funded with the City's new loan authorization are archeological work, additional construction management requirements, special site mitigation work and material cost escalation, as well as an increase in soft costs related to legal work related to the delay in the financial closing and extension of the project delivery date with VHDA and the project investor.

To cover the funding gap that has emerged, in addition to the \$1.4 million in funds being requested from the City, ARHA has also increased its deferred developer fee from \$310,000 to \$734,000 and it will draw \$625,000

from construction contingency funds incorporated in the project budget. ARHA's seller's note for the project (Loan A in the Sources and Uses table, below) has been increased to reflect the appraised value of the Ramsey parcel, per HUD requirements).

More of ARHA's developer fee will have to be deferred, subject to the investor's approval, if additional costs - beyond those now budgeted - are incurred. ARHA believes that the project has achieved a phase of completion that is less risky, and the agency does not anticipate excessive costs going forward. All draws against the amount ultimately authorized by City Council will be reviewed prior to payment by City staff.

Below is a comparison of the Sources and Uses from what was presented to City Council in May 2018 and the additional \$1.4 million now needed to close out the project.

Sources	2018	ARHA Projected Need	Change
LIHTC	\$12,626,142	\$12,752,410	\$126,268
ARHA Loan A	\$3,710,000	\$5,000,000	\$1,290,000
ARHA Loan B	\$303,083	\$303,083	\$0
ARHA HUD RHF	\$1,034,933	\$1,034,933	\$0
Deferred Developer Fee	\$310,256	\$738,422	\$428,166
ARHA Equity	\$1,265	\$0	(\$1,265)
VHDA Predevelopment Loan	\$100,000	\$0	(\$100,000)
City Loan	\$3,600,000	\$5,000,000	\$1,400,000
Total	\$21,685,679	\$24,828,848	\$3,143,169
Uses			
Predevelopment Archeology	\$0	\$310,000	\$310,000
Construction Costs	\$13,068,798	\$13,604,148	\$535,350
Financing Costs	\$543,014	\$662,689	\$119,675
Soft Costs	\$2,261,386	\$3,063,515	\$802,129
Reserves	\$218,363	\$304,378	\$86,015
Developer Fee	\$1,884,118	\$1,884,118	\$0
Acquisition Costs	\$3,710,000	\$5,000,000	\$1,290,000
Total	\$21,685,679	\$24,828,848	\$3,143,169

AHAAC reviewed the loan request at its October 4 and endorsed a recommendation that City Council approve it. A Ramsey Homes project update, including the proposed loan request, will be presented to the ARHA Redevelopment Work Group at its October 17 meeting.

FISCAL IMPACT: The current request for loan funding of up to \$5 million will require an additional allocation of \$1.4 million of Housing Opportunities Fund (HOF) dollars, from the reservation established with proceeds from ARHA's repayment of \$5 million for the City's Glebe Park loan. If all the funds requested are used for Ramsey, the reservation will be fully depleted; however, if there is a remaining balance at the time of project completion, those funds will be available for other ARHA projects. As discussed above, the additional \$1.4 million in HOF will be treated as a priority repayment item (as was the additional \$1.6 million requested in May 2018) once any deferred developer fee is paid to ARHA. This means a total of \$3 million of the City loan funding provided will be a priority, with the \$2 million balance of the City loan being repaid, along with

ARHA's seller note, from the project's future residual receipts on a shared 50/50 payout basis. As in 2018, ARHA has stated its intention to fully repay any remaining balance due on the City loan when the project is refinanced around Year 15 (~2035), after the expiration of the initial affordability period.

ATTACHMENTS:

- (1) ARHA Request for Ramsey Homes Loan Increase (September 27, 2019)
- (2) May 2018 ARHA Request for Ramsey Loan Increase (May 22, 2018)

STAFF:

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