



Legislation Text

File #: 14-5005, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 23, 2016

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Consideration of a Budget Transfer of \$350,000 in Community Development Block Grant (CDBG) Monies to Rebuilding Together Alexandria and \$30,000 in Neighborhood Stabilization Program Deliverable Fees to Support the Alexandria Neighborhood Stabilization Program.

ISSUE: Consideration of the allocation of up to \$350,000 in Community Development Block Grant (CDBG) Program funds to Rebuilding Together Alexandria (RTA) and the use of \$30,000 in Neighborhood Stabilization Program (NSP) Program Deliverable revenues to support the Alexandria Neighborhood Stabilization Program (NSP).

RECOMMENDATION: That City Council:

- 1) Approve a budget transfer of \$350,000 from the Home Rehabilitation Loan Program (CDBG) to support RTA's Alexandria Neighborhood Stabilization Program (ANSP);
- 2) Authorize the City Manager to execute an amendment to an existing loan agreement with RTA to allocate up to \$350,000 in CDBG funds to be used for ANSP property acquisitions with all sales proceeds to be repaid to the City upon sales of the acquired homes; and
- 3) Authorize use of \$30,000 in NSP program deliverable revenues to fund interest payments related to ANSP acquisitions made by RTA using a line of credit.

BACKGROUND: The City's NSP and ANSP take advantage of distressed property sale opportunities, such as foreclosures and short sales to make homebuying affordable for low and moderate income first-time homebuyers. Since 2009, a total of 25 units have been purchased, renovated, and resold through the NSP and ANSP initiatives. Following the model of the City's highly successful federally-funded NSP, in 2013 City

Council approved the creation of the ANSP through an allocation of federal CDBG and HOME Program funds. The HOME funds were provided as a grant to RTA to be used as a source of revolving credit for the acquisition of distressed properties in the City, while the CDBG funds were provided as a loan with payment due to the City upon resale of acquired properties. The CDBG funds allowed RTA to acquire three properties which were renovated and sold to lower-income first time homebuyers. The average acquisition cost for these units was \$157,132 and the average delivery cost (cost of rehabilitation, carrying costs and deliverable fees) was \$22,267. Proceeds from the sale of the three properties were repaid to the City by RTA as provided by the City's loan agreement.

DISCUSSION: Consistent with strategies outlined in the Housing Master Plan, staff continues to seek to diversify financial resources to create affordable homeownership opportunities. Due to the success of the City's NSP, the Virginia Department of Housing and Community Development has granted the City access to their performance pool funding on an "as available" basis. The NSP has now assisted 16 first time homebuyers and one additional unit is under contract. The program has been particularly effective in serving lower income households with half of the participating households having incomes under 50% of the area median income, or approximately \$55,000 for a 4-person household. Six of 16 households have lowered their housing costs as a result of home purchase, including one 5-person household which experienced a 42% reduction in monthly housing costs. This is exclusive of the tax and appreciation benefits of homeownership and includes monthly condominium fees.

Because NSP funding is limited to three target areas within the City, the ANSP provides greater acquisition flexibility to RTA. To date, RTA has acquired 8 units using its \$500,000 HOME Program allocation, two of which are currently under RTA ownership, with one being marketed for sale and another undergoing rehabilitation. RTA holds a February 26 balance of \$36,825 in HOME funds.

Because of the limited amount of funds currently available to RTA for acquisitions, staff recommends that the financial resources available to support this initiative be expanded in two ways. The first recommendation is to loan RTA up to \$350,000 in CDBG funds to support two additional property acquisitions under its ANSP. When repaid, the funds will be used for a multifamily rehabilitation project in FY17.

The second recommendation is that the City use \$30,000 in uncommitted NSP Program Deliverable fees generated by its participation in federally-funded NSP activity to pay interest accrued by RTA when using a commercial line of credit for additional property acquisitions. These funds would not be awarded to RTA, but held by the City and drawn by RTA, as/if needed. It is expected that the line of credit would only be used for the periods of time between property acquisitions and the resale of the property, and only as a funding source of last resort. Staff and RTA believe that use of the line of credit will allow RTA to be more responsive in acquiring properties, provide greater flexibility to the program and expand the pool of properties that may be considered for acquisition. Depending on the length of the holding periods, staff calculates that this investment could make up to 30 additional transactions feasible.

FISCAL IMPACT: The transfer of \$350,000 in CDBG funds from the HRLP as a loan to RTA will not impact the performance of the HRLP as these funds are generated from repayment of prior year loans and help staff manage federally mandated fund balances and spending requirements. The use of unobligated Program Deliverable fees will leverage other available funds without impacting service delivery. These fees are generated by the City's participation in the NSP. The Virginia Department of Housing and Community Development designed the NSP program under a performance-based system, allowing localities to receive deliverable fees for each property acquired, rehabilitated and resold. Department of Housing and Community Development has advised that these funds should be used by program participants to support other NSP-related

activities so the proposed use is consistent with that guidance.

STAFF:

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