



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** JUNE 22, 2016

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

**DOCKET TITLE:**

Update Regarding Ramsey Homes Joint Work Plan to Facilitate Selection of Redevelopment Option.

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**ISSUE:** Which redevelopment option should be advanced as a DSUP for Ramsey Homes?

**RECOMMENDATION:** That City Council indicate a preference for the Alternate concept, including preservation of one existing Ramsey building and plan on utilizing James Bland loan repayment proceeds and federal CDBG funds as City financial support for the project.

**SUMMARY:** Staff considered multiple factors in weighing the merits of two redevelopment proposals (Attachment 1). City staff recommends the Alternate concept, including preservation of the existing building as two family-sized replacement units for ARHA's future RFP redevelopment initiative. Chief merits of this concept include community support, including for the preservation of a building considered by some to have historic and cultural significance, and for increased ground level open space, as well as for a more efficient multifamily building design, including operational savings for ARHA over time. ARHA staff concur in this recommendation and state that their Board is supportive of either concept, so long as the City provides grant funding for costs associated with rehabilitation of a preserved building.

**BACKGROUND:** In March 2016, City Council and the Alexandria Redevelopment and Housing Authority Board of Commissioners (ARHA Board) approved a Joint Work Plan (Attachment 2) which directs staffs of the organizations to work collaboratively to study options and permutations for the redevelopment of ARHA's 15-unit Ramsey Homes property, subject to ongoing guidance from the ARHA Redevelopment Work Group (Work Group). The Work Group is a standing committee comprised of representatives of City Council, the ARHA Board and the Planning Commission to advise regarding ARHA redevelopment initiatives, as necessary. Members of the current Work Group include Vice Mayor Justin Wilson, Councilman John Taylor Chapman, ARHA Board Chair Daniel Baumann, ARHA Vice Chair Salena Zellers and Planning Commission Chair Mary Lyman.

Pursuant to the Joint Work Plan, the two primary redevelopment concepts identified for further study and analysis are (1) ARHA's Proposed Concept presented as a DSUP earlier this year, which includes demolition of four existing Ramsey buildings with 15 public housing units to be replaced by two new multifamily buildings totaling 53 units to serve a mix of incomes from 30% to 60% of the area median income (AMI); and (2) an Alternate Concept, that preserves the southernmost (Wythe Street) existing Ramsey building, demolishes the other three existing Ramsey buildings and replaces them with one multifamily building comprising (at that time 49 units, now 52 units) to also serve a mix of incomes. Staff were encouraged to look at permutations of these concepts, seek and incorporate Work Group and community feedback into the options being developed, and present the refined concepts in a June progress report to City Council.

As outlined in the Joint Work Plan, if appropriate, at the June legislative (check-in) meeting a City Council recommendation would be solicited regarding the selection of one preferred option to move forward as a DSUP application for development review approvals in Fall 2016. This DSUP schedule is premised on ARHA's plan to seek low income housing tax credit funding for the project in March 2017. Receiving City Council guidance now regarding a preferred option that can be advanced in the summer months will allow ARHA and City staffs to focus their collaborative efforts, and their consultants' work, on refining the design, costs and financing for the selected option, including scheduling a work session with the Parker Gray Board of Architectural Review (BAR) in July; continuing community outreach and preparing a redevelopment proposal that is inclusive of feedback from multiple stakeholders, meets potential federal regulatory requirements associated with required U.S. Department of Housing and Urban Development (HUD) approvals, including historic mitigation and disposition, is as efficient as possible fiscally, including with regard to potential City financial support, and is well positioned to be competitive for tax credits.

**DISCUSSION:** The Work Group has met four times since March and has been a valuable sounding board for staff as the two concepts and potential permutations have evolved and been studied and refined cooperatively. A Joint Work Plan Progress Checklist (Checklist) (Attachment 3) provides an overview of the work completed to date as well as those items still needing additional study. It is noted that a very detailed architectural design of both concepts has been intentionally deferred to date pending City Council's direction regarding a preferred option and potentially, input from the BAR, and that none of the outstanding work items identified in the Checklist are considered by staff to be barriers to the ultimate success of either concept if selected as City Council's preferred option.

To highlight some key work items covered in the Checklist, below is summary where there has been substantial progress and consensus through the process and community outreach:

**Design/Number of Units:** The designs and layouts of both the Proposed and Alternate Concepts has been refined and made more efficient. The multifamily building in the Alternate now has 52 units, including multiple three bedroom units.

**Open Space/Alley end closures:** With an existing building preserved, the Alternate will offer sufficient ground level open space to eliminate the need for a rooftop patio amenity. Community input showed support for the tradeoff of additional height (a partial fourth floor on the Alternate's multifamily building) to gain this additional ground level open space. The open space may be further enhanced by closing public alleys at either end of the site. A meeting with immediate neighbors indicated support, so long as emergency vehicle access was preserved.

**Use of preserved building:** Civic uses and commercial uses, including a potential daycare/early childhood

education center, were reviewed as potential alternatives to residential use. Ownership, resident rights' to purchase, operational costs and subsidies were considered challenges, in addition to the high level of uncertainty that a proposed non-residential use would pose in the future HUD disposition process. The rehabilitation of the preserved building to provide two large, Resolution 830 replacement units to accommodate households in anticipation of other public housing properties to be impacted by ARHA's future RFP redevelopment initiative is proposed as the best use (the building currently has four small units). From operating budgets reviewed by staff, ARHA could also earn net income from the rents of these two units. The community also preferred the building use continuing as residential.

**Section 106:** Concurrent with the development approval process, ARHA's historical consultant, with oversight by the City, will be convening meetings with interested parties to explore and develop measures to mitigate impacts of redevelopment to the site's potential historic and cultural significance. The recommendation that emerges from this federal review process and the community consultation may provide a wide range of potential mitigation measures, from commemorative plaques to partial or full preservation of some part of the site. Successful conclusion of the Section 106 process is a prerequisite to ARHA's application for permission from HUD to redevelop Ramsey Homes (and "dispose" of the property for a tax credit development). Although preservation of an existing building does not guarantee a successful outcome, taking such a proactive mitigation approach should lessen the uncertainty of a DSUP project that is approved but may not meet federal scrutiny regarding protection of this resource.

**Costs of Concepts and City Funding/Subsidy Amount:** Since the June 9 Work Group meeting, staff has continued to refine costs between the two concepts, including the rehabilitation component (Attachment 4). City staff have proposed as a cost saving measure, and ARHA staff have agreed, that the rehabilitation project be managed and funded through the Office of Housing's Home Rehabilitation Loan Program using available federal CDBG grant funds and existing Housing staff resources. Housing staff is well experienced to as it has long managed various home rehabilitation programs. There is also precedent for the use of these funds for rehabilitation of ARHA properties and, although City staff will manage the project using third party architectural and design services under contract to the program and bid the general contracting work among local firms with capacity to undertake this type of work (renovation, including substantial rehabilitation of the scope required for Ramsey of older and historic structures are common within the City's home rehabilitation loan program), ARHA staff will be deeply involved in providing specifications and participating in project oversight.

This approach will reduce construction and project management costs substantially: essentially the rehabilitation can be delivered "at cost" within existing funding and staff resources), potentially delivering both concepts at essentially the same overall cost, with the Alternate providing one additional affordable housing unit (54 vs 53). Some soft costs associated with the Alternate, like potential legal and transactional costs, as well as associated civil engineering costs, will still need to be funded by the City.

Regardless of which concept is selected, City support of approximately \$850,000 is anticipated to be needed for offsite and infrastructure improvement costs that can't be funded by low income housing tax credit equity under program restrictions.

After setting aside this \$850,000 fixed cost which is present in either concept, the rehabilitation cost for the preserved building is now projected at between \$720,000 and \$860,000. The advice of a tax credit attorney and accountant will be sought to provide guidance regarding the final allocation and treatment of costs to ensure that all costs that can be covered with tax credits, while maintaining the competitiveness of ARHA's application, will be requested, to reduce the level of City funding required for this redevelopment project. It is

projected that costs for both concepts will continue to improve (be reduced) as the design concept and City development requirements are refined and as the allocation and treatment of costs progresses.

Staff's presentation (Attachment 5) provides a summary of site and design features that have been studied and refined, as well as findings regarding non-residential use of the preserved building, findings regarding requirements of the HUD disposition approval process and an update on the ongoing Section 106 process to mitigate potential historic and cultural impacts of redevelopment. It also summarizes community input received to date through outreach and the 106.

**FISCAL IMPACT:** City funding of approximately \$850,000 will be required to facilitate either redevelopment option. If proceeds from ARHA's future repayment of the Glebe Park/James Bland loan are available, these funds will be used to provide a residual receipts loan to ARHA for the Proposed Concept. If the Alternate Concept is selected, approximately \$720,000 to \$860,000 in federal CDBG grant funds and resources will be earmarked, including from anticipated program income over the next fiscal year, to complete the rehabilitation project and associated soft costs. Currently, there are no other projects in the City that would have to be deferred to accommodate this approach.

**ATTACHMENTS:**

- (1) Comparison of Proposed and Alternate Concepts
- (2) Joint Work Plan for Ramsey Homes
- (3) Progress Checklist
- (4) Development Cost Comparison
- (5) Progress Report PowerPoint Presentation

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