



Legislation Text

File #: 16-5866, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 2, 2016

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Consideration of a Loan Request from the Alexandria Redevelopment and Housing Authority (ARHA) for the Redevelopment of Ramsey Homes and for Adoption of a Resolution Designating the Ramsey Homes Site a Revitalization Area Which Will be Considered for Council's Action Following Public Hearing on the Related Land Use Approvals.

ISSUE: Consideration of (1) a loan of up to \$1.1 million to the Alexandria Redevelopment and Housing Authority (ARHA) to cover costs for certain elements of the Ramsey Homes redevelopment and (2) a resolution designating the Ramsey Homes site a revitalization area pursuant to the Virginia Code.

RECOMMENDATION: Contingent on land use approvals to be considered by City Council, that City Council on November 12:

- (a) Approve a permanent loan to ARHA of up to \$1,100,000 for redevelopment of Ramsey Homes which loan is to be funded from proceeds of ARHA's future repayment of the City's 2008 Glebe Park loan;
- (b) Pass a resolution designating the Ramsey project site a revitalization area pursuant to Section 36-55.30:2.A of the Virginia Code; and
- (c) Authorize the City Manager to execute documents related to the loan as well as those evidencing City support for ARHA's upcoming application for low income housing tax credits.

BACKGROUND: ARHA has requested a City loan of up to \$1.1 million to support offsite infrastructure improvements required to enhance its application for land use approvals to enable the proposed redevelopment of the existing 15-unit Ramsey Homes public housing development into a mixed income community (Attachment 1). ARHA's proposal includes 15 new replacement housing units per Resolution 830 that are affordable to households with incomes up to 30% of the Area Median Income (AMI), including six that will be deeply subsidized with federal grant funds being dedicated to the project by ARHA, and 37 new units affordable to households at 50 and 60% AMI (Attachment 2). The units are consolidated in a single four-story

multifamily building following guidance provided by City Council at its June 2016 hearing. The Alexandria Housing Affordability Advisory Committee recommended approval of the loan request at its October 6, 2016 meeting.

Among the improvements and amenities to be funded with the City loan are upgrades to the alley paralleling the site to reduce storm water runoff; sidewalk and crosswalk improvements; relocation of hydrants; and undergrounding of utilities. ARHA cannot finance these improvements within the anticipated funding package which is expected to be comprised of low income housing tax credit equity and a seller note from ARHA for the value of the site. It is noted that the City has provided grant funding totaling more than \$200,000 for work by ARHA's consultants to study and develop various concepts, including that presented in the pending DSUP application.

ARHA has also requested that City Council adopt a Resolution designating the Ramsey Homes site a "revitalization area" pursuant to Section 36-55.30:2.A of the Virginia Code (Attachment 3). This designation will potentially enhance ARHA's score on its upcoming tax credit application by ten points. Council has made similar designations for other tax credit-funded affordable housing projects, including The Station at Potomac Yard and St. James Plaza. The City interprets the relevant language of the Code as confirming that "without government intervention" the development of affordable housing would not occur on this site.

DISCUSSION: ARHA proposes to redevelop the existing 15 public housing units at Ramsey Homes into a new 52-unit mixed income community through its development entity, Virginia Housing Development LLC (VHDLLC). The Ramsey Homes project is proceeding separately from a concurrent RFP through which ARHA seeks market rate development partners to help it redevelop five other ARHA-owned sites as mixed income communities. Although ARHA initially did not expect to request City financial support, standard requirements to improve infrastructure serving the site and to fulfill other conditions pursuant to ARHA's DSUP for Ramsey have necessitated an application for assistance.

With regard to the source of City assistance, in 2008 when City Council approved a \$5.6 million loan to ARHA to pay off its mortgage on Glebe Park to facilitate that redevelopment, it was envisioned that the loan would be repaid from (a) property reserve funds immediately available at the financial closing (in fact, \$600,000 was repaid soon after City loan funds were disbursed) and (b) future proceeds to be realized by ARHA on land sales and project upside shared with market rate partner EYA for the redevelopment of the James Bland sites as Old Town Commons (OTC). Given ARHA's future plans (subsequently memorialized in its Strategic Plan for Redevelopment as well as the City's Braddock Metro Neighborhood and Braddock East Plans) to redevelop the majority of its aging housing portfolio following completion of James Bland, at the time of the 2008 loan approval City Council agreed that when the loan was repaid by ARHA, these funds would be earmarked within the Housing Opportunity Fund as a potential revolving loan source to support ARHA's future redevelopment efforts.

ARHA has completed its final reconciliation of the OTC project and has submitted an amended disposition application to HUD seeking approval to use the OTC sales proceeds to repay the 2008 City loan. ARHA hopes to repay the loan before the end of loan repayment, anticipated in the fourth quarter of 2016. Therefore, the City's provision of a loan for Ramsey Homes is contingent upon ARHA's DSUP being approved, its successful application for tax credits in March 2017, repayment of the Glebe Park loan, securing other project financing, if/as necessary, completion of the ongoing federal Section 106 consultation process with a plan to mitigate potential historic and cultural impacts resulting from redevelopment, as well HUD's approval of ARHA's future request for disposition of the Ramsey Homes site.

FISCAL IMPACT: Up to \$1,100,000 of Housing Opportunities Fund dollars to ARHA with the disbursement of the monies contingent on ARHA's repayment of the City's Glebe Park loan. Like other City loans for affordable housing, the Ramsey loan will be paid from the property's cash flow. The only hard-pay project debt is a \$100,000 predevelopment loan from VHDA. ARHA is not deferring any developer fee. The City's loan, and ARHA's seller note will share the property's residual receipts on a 50/50 basis, with the City loan having payment priority. ARHA has stated its intention to fully repay any remaining balance due on the City loan when the project is refinanced after expiration of the initial affordability period, around Year 15 following stabilization (2033).

ATTACHMENTS:

- (1) ARHA Loan Request for Redevelopment of Ramsey Homes as Mixed-Income Development
- (2) HUD Income and Rent Limits for 30, 50 and 60% AMI
- (3) Resolution Designating the Ramsey Homes Site a Revitalization Area

STAFF:

Emily A. Baker, Deputy City Manager

Helen S. McIlvaine, Director, Office of Housing

Karl Moritz, Director, Department of Planning and Zoning

Eric Keeler, Division Chief, Program Administration, Office of Housing

Christina Zechman Brown, Associate Attorney, City Attorney's Office

Tamara Jovovic, Housing Analyst, Office of Housing