



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** JUNE 20, 2018

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

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

**DOCKET TITLE:**

Consideration of a Request to Approve a Resolution Designating the Bellefonte Apartments Site a Revitalization Area. [ROLL-CALL VOTE]

**ISSUE:** Approval of designation of the Bellefonte Apartments site as a Revitalization Area in support of an application for low income housing tax credits to refinance and renovate the property.

**RECOMMENDATION:** That City Council:

- (a) Approve a resolution designating the Bellefonte Apartments site a Revitalization Area pursuant to Section 36-55.30:2A of the Virginia Code; and
- (b) Authorize the City Manager to execute documents related to the tax credit application and the refinancing plan, including a letter of support.

**BACKGROUND:** The Bellefonte Apartments, located at 417 E. Bellefonte Avenue, is a 12-unit apartment complex owned by Sheltered Homes of Alexandria (SHA), a local nonprofit entity. Built in 1972, the Bellefonte Apartments provide quality housing for Alexandria residents with intellectual and developmental disabilities with the support of a Section 8 Housing Assistance Payment (HAP) Contract. The HAP contract subsidizes the difference between what the property's low-income residents can afford to pay and market rate rents.

The 12 apartments that comprise Bellefonte are located in two garden-style buildings. Each unit consists of a bedroom, bathroom, kitchen and living room, and includes a washer and dryer. Several residents have lived at the property for many years. In addition to the two multifamily buildings, there is a single-family home on the property which is operated as a group home for other adults with intellectual and developmental disabilities. The buildings share green space and a 14-space surface parking lot accessed from E. Duncan Avenue.

SHA operates the properties with staffing support and other services provided by the Departments of Community and Human Services (DCHS) and General Services, which coordinates maintenance and repairs using City Capital Improvement Program (CIP) funds.

**DISCUSSION:** The HAP contract that is currently in place was initiated on November 8, 1978 for a five-year period and was subsequently renewed every five years for a total of 40 years. The contract will expire on November 7, 2018. A Virginia Housing

Development Authority (VHDA) permanent loan on the project expires in early October. VHDA administers the HAP contract now although it has notified SHA that administration of future contracts will be transferred to the U.S. Department of Housing and Urban Development (HUD).

Last year, staff from DCHS and the Office of Housing began collaborating on a strategy to renew the expiring HAP contract. In consultation with VHDA, staff developed an approach that would include a refinancing to facilitate the 46-year old property's substantial renovation and allow rents to be paid by HUD to be raised. Resident rents would not be impacted. This strategy would induce a long-term renewal of the rental subsidy contract by HUD, and potentially support the project's ability to increase rents (and the rental subsidy contract) to generate cash flow for maintenance and supportive services. Staff presented this plan to the SHA board and recommended that it hire a consultant to review different financing and renovation options, and potentially manage the renovation project and contract negotiations with HUD.

SHA and the Alexandria Housing Development Corporation (AHDC) have executed a Development Services Agreement to refinance and renovate Bellefonte. The proposed scope of the renovation includes replacement/upgrades of all building systems, including roofs, windows and HVAC, as well as upgrades to unit interiors, kitchens and bathrooms, and improvements to hallways and the common area green space. Six ground floor units will be made fully accessible to allow residents to age in place. The estimated hard cost of improvements is anticipated to run between \$100,000 to \$120,000 per unit.

AHDC will first work with HUD to extend the existing contract for one-year, during which time AHDC and its development team would complete the proposed renovation. With assistance from AHDC, DCHS will temporarily relocate residents (working closely with them and their families to mitigate disruption to their daily activities) within the City. On SHA's behalf, AHDC will also negotiate a long-term contract with HUD and complete a "Mark Up to Market" of the property's post-rehabilitation rents in accordance with federal guidelines so that the rental assistance subsidies can be increased. It is anticipated that the additional cash flow generated through the Mark Up process will help meet ongoing property management and maintenance needs and may help defer some City staffing costs.

AHDC is preparing a 9% Low Income Housing Tax Credit (LIHTC) application to VHDA's Accessible Supportive Housing pool to fund the proposed renovations. Although this pool of 9% credits (which is offered following the conclusion of the competitive cycle) is noncompetitive, designating the Bellefonte Apartments as a revitalization area will enable a 30% boost in its eligible basis to increase the amount of credits provided and ensure the highest quality renovation. City Council has provided similar revitalization designations for other City-supported LIHTC projects. The designation has been interpreted by the City Attorney to mean that "preservation of the site as affordable housing is unlikely, without federal tax credits and other inducements."

While not anticipated, if the LIHTC application is unsuccessful, SHA is committed to continuing to work with AHDC to move forward with a renovation using alternative sources of financing and to extend the HAP contract over the long term. Their shared goal is to secure funding in time to allow construction to begin in early 2019.

**FISCAL IMPACT:** No City financial investment. AHDC will earn a developer fee pursuant to its agreement with SHA, however SHA will continue to own and manage Bellefonte Apartments as part of a limited partnership with an investor if the project receives 9% low income housing tax credits in the 2018 Accessible Supportive Housing pool. The planned Mark Up to Market rents will generate cash flow that might be used to cover some costs currently funded from the CIP as well as some future City staffing costs.

#### **ATTACHMENTS:**

1. Resolution Designating the Bellefonte Apartments Site a Revitalization Area
2. Exhibit A - Bellefonte Apartments Site

#### **STAFF:**

Emily A. Baker, Deputy City Manager

Debra Collins, Deputy City Manager

Laura Triggs, Deputy City Manager

Kate Garvey, Director, Department of Community and Human Services (DCHS)

Helen S. McIlvaine, Director, Office of Housing

Jeremy McPike, Director, Department of General Services

Eric Keeler, Deputy Director, Office of Housing

Phil Caldwell, Community Service Board Administrative Operations Officer, DCHS