



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** JUNE 5, 2019

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

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

**DOCKET TITLE:**

Consideration of a Loan of \$1.8 Million to AHDC to Acquire and Preserve the Ellsworth Apartments as Affordable Housing.

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**ISSUE:** A loan of \$1.8 million to the Alexandria Housing Development Corporation (AHDC) to acquire, renovate and preserve the Ellsworth Apartments located at 2801 Seay Street as committed affordable housing (Attachment 1).

**RECOMMENDATION:** That City Council:

1. Approve a loan of \$1.8 million from FY 2020 CIP funds for AHDC to acquire, renovate and preserve the Ellsworth Apartments as committed affordable housing; and
2. Authorize the City Manager to execute documents related to the financing.

**BACKGROUND:** The Ellsworth Apartments are a 20-unit garden-style rental property located at 2801 Seay Street, just across the street from AHDC's 41-unit Longview Terrace Apartment complex. Since acquiring the Ellsworth six years ago, the current owner has made significant improvements to upgrade electrical panels and service, add gas-fired water heaters, install a new chiller and individual heating and cooling units, and modernize kitchens, bathrooms and flooring in the majority of units. Long-time residents of the property were not displaced (in fact the handful of units not fully updated yet are occupied by elderly and/or disabled households that opted to forego improvements) and the current rents fall in a "market-affordable" category just above 60% AMI per the last published 2018 limits (Attachment 2).

AHDC has an opportunity to acquire the Ellsworth and, in addition to being able to maintain current residents in their housing there, AHDC believes that purchasing the property now will not only enhance housing affordability in a corridor that is likely to redevelop over the next several decades, but will provide operational

efficiencies to AHDC immediately if it consolidates property management and maintenance services for Longview Terrace and the Ellsworth. Over the longer term, AHDC believes there could be a longer-term opportunity to redevelop both properties together to increase the number of overall committed affordable and workforce housing stock in the Duke Street Corridor and would like to explore this option further as part of the upcoming planning initiative.

**DISCUSSION:** In the 2013 Housing Master Plan, preservation of existing affordable and market affordable housing was identified as a top priority for the City and the acquisition of The Ellsworth aligns well with this goal. Here AHDC proposes to preserve four of the 20 units at rents affordable at 50% AMI, with the remaining 16 units affordable at 60% AMI. No residents will be displaced, and to the extent necessary, the proposed income and rent levels will be achieved through attrition and maintaining rents at current levels to become consistent with HUD and LIHTC-established levels. The 50% and 60% AMI targets proposed by AHDC reflect the property's current household demographic based on AHDC's review of the rent roll and information provided by the current owner.

AHDC has arranged first trust financing with Virginia Community Capital (VCC) through a potential 10-year loan (two five-year terms allowed) in the amount of \$2,550,000 and would need gap funding from the City of \$1.8 million for the acquisition. The VCC loan amount also includes an allowance of approximately \$10,000 per unit. These funds can be used to complete renovations in the units not yet improved when they turnover, or sooner, if/as needed. The VCC loan will be repaid on an interest-only basis for the first 18 months and will be amortized and repaid pursuant to a 30-year amortization schedule thereafter.

AHDC will work with the Office of Housing to coordinate accessibility improvements for some units through Housing's Rental Accessibility Modification Program (a federally funded grant program) for residents who may benefit.

The ten-year financing structure anticipates the end of the initial 15-year low income housing tax credit affordability period for Longview Terrace. At that time, AHDC can refinance both properties separately, or undertake a more comprehensive refinancing and renovation or redevelopment of both properties together, utilizing tax credits and other funding. The City's investment would be long term: while interest would accrue at 2% when the loans are disbursed, repayment is likely to occur following the 10-year refinancing and/or tax credit re-syndication of the property.

**FISCAL IMPACT:** \$1.8 million from the FY 2020 CIP which was funded from increasing the restaurant meals tax from 4% to 5%. The City's loan will be consistent with other affordable housing loans: interest will accrue at 2% per year and payments will be made on a cash flow/residual receipts basis. Repayment is anticipated following the property's refinancing in Year 10.

#### **ATTACHMENTS:**

- (1) AHDC Request for Housing Opportunity Funds for the Ellsworth Apartments, including Proforma
- (2) HUD 2018 Income and Rent Limits

#### **STAFF:**

Emily A. Baker, Deputy City Manager  
Helen S. McIlvaine, Director, Office of Housing  
Eric Keeler, Deputy Director, Office of Housing

Tamara Jovovic, Housing Program Manager, Office of Housing