



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 2, 2021

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Consideration of Additional City Loan Funds to the Alexandria Housing Development Corporation (AHDC) for Costs Related to Renovation of Lacy Court and Development of The Bloom.

ISSUE: AHDC request for additional loan proceeds from the Housing Opportunity Fund (HOF) to cover cost overruns incurred to complete the Lacy Court and Bloom projects.

RECOMMENDATION: That City Council approve \$1,910,000 in additional HOF loans to fund project overruns for the renovation of Lacy Court (\$810,000) and development of The Bloom at Braddock (\$1.1 M) and authorize the City Manager to execute amendments to existing loan agreements accordingly.

BACKGROUND: Since late 2019, AHDC has completed the renovation of Lacy Court, the development of The Bloom at Braddock (Carpenter's Shelter), The Nexus at West Alex, and the acquisition of Parkstone Alexandria, adding new committed affordability in nearly 500 affordable and workforce units. During their construction, Lacy Court and The Bloom experienced significant unforeseen cost overruns which AHDC covered from its organizational financial resources to be able to bring the projects to a successful conclusion. AHDC now seeks additional City loan funding to reimburse some of these outlays and put AHDC back in a solid financial position.

AHDC's request for additional loan funds (Attachments 1 and 2) summarize and document the costs and their sources. It is noted that AHDC's request assumes deferral of its earned developer fees, to the greatest extent feasible, to mitigate the amount requested from the City. While some excess costs resulted from impacts of the pandemic, others were incurred to address site conditions not anticipated by prior third-party due diligence that exceeded budgeted contingency allowances.

DISCUSSION: AHDC's four projects are fully leased and, with the provision of City and state emergency rental assistance to residents impacted by COVID, along with the ongoing recovery, are now operating as projected. Staff confirm that providing additional City loan funds to cover capital costs for Lacy Court and The Bloom is consistent with the City's past practice and will enable AHDC to complete the permanent financing of The Bloom and its strategic re-financings of other properties to take advantage of the current low-interest lending environment to improve project cash flow. This \$1.9 million 40-year residual receipts loan will also enable AHDC to stabilize its financial footing as it continues to grow its affordable and workforce housing portfolio.

Most importantly the funds will bolster AHDC's capacity to focus on substantial projects in its immediate pipeline, including the proposed Arlandria-Chirilagua project (approximately 500 units of affordable housing, combined with community space) and the affordable homeownership project at Seminary Road. Both are progressing through the City's development review process, with public hearings anticipated later this year.

FISCAL IMPACT: \$1,910,000 in City HOF funds. Existing City loan agreements, including promissory notes for Lacy Court and The Bloom will be modified to include the proposed additional amounts which will also be secured on properties. The proposed funds have not been earmarked for any other projects currently in the City's affordable housing development pipeline.

ATTACHMENTS:

1. AHDC Request for additional HOF Loan Funding for Lacy Court and The Bloom
2. Cost Certification for Lacy Court

STAFF:

Emily A. Baker, Deputy City Manager
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