



Legislation Text

File #: 22-0525, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: DECEMBER 7, 2021

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Request for City Housing Opportunities Fund (HOF) Loan Funds for the Alexandria Redevelopment and Housing Authority (ARHA) to Support Ongoing Affordable Housing Repositioning and Redevelopment Activities Using Braddock Funds Reserved for ARHA.

ISSUE: The Alexandria Redevelopment and Housing Authority (ARHA) has requested \$300,000 in City Housing Opportunities Fund (HOF) monies to support the modernization, redevelopment, and repositioning of their assets.

RECOMMENDATION: That City Council:

- (1) Allocate \$300,000 from the City's Housing Opportunities Fund (HOF) Braddock Metro Neighborhood Plan monies to be loaned, as described in this report and depicted in Attachment 2, to support ARHA efforts to modernize, redevelop, and reposition portions of its affordable housing stock; and
- (2) Indicate to ARHA that City Council supports the use of Braddock Metro Neighborhood Plan monies (currently \$3.4 million) reserved for ARHA for its ongoing modernization, redevelopment and repositioning activities, subject to specific ARHA request and Council allocation.

BACKGROUND: Beginning in 2019, ARHA initiated a new strategy to reposition its affordable housing portfolio, including units operating as public housing subject to federal contracts with the U.S. Department of Housing and Urban Development (HUD) to become more financially viable over the long-term by utilizing other federal funding sources comprised of a mix of Rental Assistance Demonstration (RAD) conversions, Section 18 conversions (converting public housing subsidies to Section 8 subsidies), and mixed-income redevelopment. During a May 2019 Joint Work Session of the ARHA Board of Commissioners, City Council, and Planning Commission, ARHA shared that a change of course was necessary for the agency, and that it needed to take proactive steps to increase operating revenues and capital fund resources through a diversity of approaches. It reported that, going forward, the agency would no longer use scattered sites as a financially

viable redevelopment solution and will instead use its land resources to diversify and increase its net affordable housing stock. They presented the following guiding principles:

- Preserve: No net loss of existing affordable housing opportunities
- Grow: Add net new affordable rental units through a combination of strategies (redevelopment, acquisition, partnerships)
- Diversify: Diversify types of units, range of affordability, and income streams to ensure financial sustainability
- Expand Capacity: For self-development (VHD, LLC) for public/private partnerships (private developers)

DISCUSSION: ARHA has requested loans to support various redevelopment and repositioning activities as presented to City Council in 2019, and which are now underway (Attachment 1).

Pursuant to an ongoing HUD application process, ARHA has begun the repositioning of its assets at Saxony Square Condominiums and Park Place Condominiums by converting the existing federal public housing operating subsidies to Section 8 operating subsidies through a HUD Section 18 conversion process. In late 2019, ARHA received HUD approval for the subsidy change and part of the conversion process involves modernizing the units to current living standards. ARHA needs to make substantial renovations to five condominium units at Saxony Square Condominiums and thirty-eight condominium units at Park Place Condominiums. ARHA is requesting a City loan of \$70,000 for architecture and engineering services, legal expenses to manage the transfer of the subsidies and other related activities, and for contractor soft costs. Loan funds related to the project will be repaid as the properties generate positive cashflow after subsidy conversion.

ARHA is also preserving low-income housing tax credit (LIHTC)-funded assets which have reached the end of their initial affordability period through the resyndication of tax credits for its properties located at Braddock (2701-2711 Rayford Street), S. Whiting (257-313 S. Whiting Street), S. Reynolds (401-587 S. Reynolds Street), collectively known as “BWR” and at Chatham Square. These properties have entered Year 15 and ARHA is exercising its option to purchase the units from the initial investment partners. The investor of BWR has already exited the partnership, and the process for Chatham Square’s investor to exit is anticipated to occur by the end of 2021.

Once ARHA is the sole owner, the BWR and Chatham assets will be consolidated into one operating entity, and new equity can be attracted from future a LIHTC issuance and refinancing. The equity raised and potential loan proceeds will be used to fund current and future capital needs for the 100 units involved. During the resyndication process, ARHA will also convert the existing federal public housing operating subsidies to Section 8 operating subsidies through a HUD Rental Assistance Demonstration (RAD) conversion process. To prepare for these transactions, ARHA must secure architectural and engineering services, consult with attorneys, and conduct both a capital needs assessment and an environmental review of the properties to develop a potential scope of work for any rehabilitation necessary and establish a reserve for future capital needs. ARHA is requesting a City loan of \$90,000 to fund these activities, which will be repaid once the properties generate positive cashflow after subsidy conversion.

Additionally, ARHA is in the early stages of planning for the redevelopment of Samuel Madden Homes. ARHA has requested \$60,000 to support planning activities prior to selection of its developer partner including legal and financial consultancy, and resident outreach. It is noted that ARHA has also requested an additional \$750,000 in predevelopment funds for Samuel Madden Homes. A City staff recommendation is pending

ARHA's contractual relationship with a future developer partner and provision of additional information on the proposed project budget and schedule.

Lastly, ARHA has requested a City loan of \$80,000 to complete a subsidy conversion and plan for the redevelopment of Ladrey Senior Highrise. ARHA was approved for a Section 18 conversion to convert the existing 170 Section 9 public housing subsidies to Section 8 operating subsidies. To prepare for redevelopment, ARHA is performing economic feasibility analyses of various redevelopment options and conducting extensive resident outreach - including a planning and design charrette with residents. ARHA has also requested an additional \$750,000 in predevelopment funds for Ladrey Senior Highrise. A City staff recommendation will be finalized pending ARHA's contractual relationship with future developer partners and refinement of the proposed budget.

Loan funds for project planning for Samuel Madden Homes and Ladrey Senior Highrise will be rolled into any future City predevelopment loans. The predevelopment loans will be subsequently incorporated into each project's permanent financing. HOF loans typically offer 0% interest during the predevelopment phase and a modest interest fee during the construction phase pending a final closing.

Staff recommend that the source of funds for these and any future loans to ARHA to support its redevelopment and/or repositioning activities be derived first from monies reserved for ARHA from developer contributions for projects in the Braddock Neighborhood. The current account balance is \$3.4 million. The reservation was created in response to a recommendation in the 2008 Braddock Metro Neighborhood Plan (BMNP) pursuant to its principle, "Promote mixed-income housing and follow an open, fair, and inclusive process to de-concentrate public housing". Since City Council adoption of the BMNP, thousands of new market rate apartments and condominiums have been approved in the neighborhood so past concerns about a concentration of poverty can be set aside in favor of supporting a more equitable redevelopment approach that enables all ARHA residents to remain in their increasingly amenitized neighborhood.

The Alexandria Housing Affordability Advisory Committee (AHAAC) considered the loan request and approved it, including the proposed use of the ARHA Braddock Fund reservation monies, during its December 2 meeting. As a courtesy to the Braddock Implementation Advisory Group (BIAG), an informational memo was provided when staff's memorandum to AHAAC regarding ARHA's loan request was posted as part of the December meeting package. The ARHA fund reservation is not subject to BIAG's purview, but at the Group's request, Housing staff have provided periodic updates regarding the balance.

FISCAL IMPACT: The fiscal impact is use of \$300,000 from the City Housing Trust Fund using monies allocated from the \$3.4 million Braddock set aside within the City's Housing Opportunities Fund (HOF).

ATTACHMENTS:

1. Letter from ARHA requesting City loan funds
2. List of Projects, Funding Amounts and Uses

STAFF:

Emily A. Baker, Deputy City Manager
Helen McIlvaine, Director, Office of Housing
Eric Keeler, Deputy Director, Office of Housing
Brandi D. Collins, Housing Program Manager, Office of Housing