



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 18, 2025

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES F. PARAJON, CITY MANAGER

DOCKET TITLE:

Resolution Approving the Execution and Delivery of a Support Agreement and Performance Agreement for Alexandria Redevelopment and Housing Authority (ARHA) [ROLL-CALL VOTE]

ISSUE: Passage of a resolution to provide a City “moral obligation” for Virginia Resources Authority (VRA)-issued bonds to ARHA, in an approximate total amount of \$56,000,000, to enable acquisition of The Alate development as a permanent housing relocation resource for residents of the Ladrey Senior Highrise (Attachment 1).

RECOMMENDATION: That City Council pass the Resolution and authorize the City Manager to move forward, subject to the following:

1. Completion of remaining City due diligence related to key factors of ARHA’s funding and relocation plans, including its plan for current Alate residents, as well as Code Administration’s assessment of The Alate;
2. Execution by ARHA of the City Performance Agreement, including all indemnification and collateral conditions stipulated to mitigate City financial risk (Attachment 2);
3. Execution of a Support Agreement Among VRA, ARHA and the City providing the City with the ability to sell the property in the event of ARHA’s default (Attachment 3);
4. That through September 2026, ARHA provide monthly written reports regarding the project to City Council, including:
 - a) The status of residents living at The Alate at the time of acquisition, and updates regarding programming being offered there;
 - b) The status of relocation of all Ladrey residents, including those transferred to The Alate and elsewhere;
 - c) ARHA’s signed contract with a qualified third-party property manager, effective as of August 9;
 - d) The status of ARHA’s progress in completing the process to project-base 100+ vouchers at The Alate and enter a HAP contract with HUD;

- e) ARHA's plans for renovation of Ladrey Senior Highrise, including securing any necessary City and HUD approvals for the project; its plans to conduct community and resident outreach; and its progress in securing funding for the project, including HUD voucher funding for residents to support future building operations and maintenance; and,
- f) ARHA's financial statements and rent rolls for The Alate property.

BACKGROUND: At City Council's June 10, 2024 legislative meeting, ARHA presented its proposed acquisition of The Alate (the transaction has been branded "Silver Fox" by ARHA) as a permanent housing relocation resource for many residents of the Ladrey Senior Highrise who have been issued Tenant Protections Vouchers (TPVs) by HUD pursuant to its termination of operating support for the property. The acquisition funding requested by ARHA from VRA requires the City to provide a moral obligation to repay the proposed VRA-issued bonds in the event ARHA defaults.

City staff have reviewed potential risks related to the transaction and ARHA's ability to perform and have come up with a range of mitigation measures incorporated into a City Performance Agreement to be signed by ARHA. Additionally, following ARHA's presentation of the project to the Alexandria Housing Affordability Advisory Committee (AHAAC) in early June, AHAAC convened its Investment Subcommittee to review the Silver Fox proposal and ARHA's financing plan to provide guidance for AHAAC's memorandum to City Council. While acknowledging the potential risks of the project and commending the City's approach in mitigating most through the Performance Agreement, the Investment Committee ultimately concluded that the problems created through the deteriorated living conditions at Ladrey necessitate City action on behalf of residents' interests, and believe the option presented by the acquisition of Silver Fox to make sense under these circumstances.

AHAAC's letter of support (Attachment 4) concurs with staff perspectives that the dynamic policy and funding landscapes at the federal government level make it impossible to eliminate all future risk to the City given threats to HUD voucher funding which is central to ARHA's bond repayment plan. AHAAC believes the measures the City proposes to ensure it will not only be at the table in the event issues arise that require intervention, but that those which empower the City to seek redress on its own account should that be deemed necessary are reasonable. The memorandum also endorses the City's efforts to secure additional collateral from ARHA. Among other things, the Investment Committee expressed concern that ARHA's default could threaten City resources available to support other housing projects.

DISCUSSION: While the Silver Fox project is opportunity-driven, the confidentiality preserved by ARHA and Bonaventure related to the acquisition, the uncertainty regarding The Alate's future operations and programming and its implications for existing residents, as well as ARHA's plans and timeline to relocate Ladrey residents and undertake renovation of that property, have collectively created high levels of concern among current Alate residents (estimated by The Alate to be approximately 31 households) as well as residents of Ladrey. Residents from both properties provided testimony during the public comment period at City Council's June 14, 2025 meeting. Following their remarks, City Council recessed briefly to provide a separate forum for those attending to speak to an ARHA representative and have questions answered. As a result of that conversation, the City's Code Administration will undertake an assessment of conditions at The Alate to make sure that construction warranty and/or operating issues are identified and addressed by the current owner prior to sale. In addition, ARHA will provide a plan for the provision of programming and amenities for residents over time, based on occupancy and revenue assumptions and metrics. This plan will be updated as part of ARHA's future monthly progress reports to the City.

Other speakers expressed concern about the financial risk presented by the City guarantee which is a

prerequisite to the issuance of VRA bonds. While applauding the creativity of ARHA’s proposed solution in acquiring The Alate, given the infeasibility of the approved Ladrey redevelopment and the existing building’s deteriorated state, AHAAC’s memorandum also addresses this point, especially how the City’s moral obligation may limit future capacity and/or borrowing to support housing pipeline projects.

FISCAL IMPACT: Providing the guarantee obligates the City to step in and make payments for ARHA if the agency can’t meet its obligation to repay the VRA bonds. An ARHA default would require the City to make debt service payments (estimated to be approximately \$3.5 million per year), and the full debt would then be added to the City’s balance sheet, limiting the City’s borrowing capacity for other projects. Planned borrowing for other City projects would need to be reduced by a corresponding amount. While several mitigation measures have been proposed by the City and accepted by ARHA, staff believe it will be impossible to fully safeguard against the potential risk to the City’s financial position due to uncertainty regarding the level and availability of federal voucher resources in the short to mid-term. This risk must be weighed against the City’s confidence in ARHA to carry out the project and complete the HUD process with project-based vouchers as well as our shared commitment to provide safe, appropriate housing for relocated Ladrey residents. Other relocation options considered by City staff are presented in a table with costs and pros and cons detailed for each strategy (Attachment 5).

Pursuant to the attached Resolution, the City will extend its moral obligation to backstop ARHA’s ability to repay the VRA bonds and associated costs if ARHA is not able to do so. In acknowledging ARHA’s experience in operating housing, VRA’s credit analysis makes clear that the City’s financial participation, including its strong credit rating, is the basis for the bond issuance. While ARHA has characterized the moral obligation as requiring no direct funds, the serious consequences to be faced should the City not opt to honor its moral obligation include a “state intercept” feature which means the Commonwealth may withhold any payments due to Alexandria up to the full amount owed to VRA.

Because of the risk involved to all parties and the residents of Ladrey and The Alate, if City Council passes the Resolution and the project proceeds, staff recommend it also place strong guardrails limiting ARHA’s ability to undertake other projects pending completion of the acquisition, the relocation of all Ladrey residents, the full lease up of The Alate and placement of the associated project-based HAP contract, and demonstration of the property’s successful operation over the first twelve months, along with regular communication and updates to stakeholders.

ATTACHMENTS:

- (1) Resolution Approving the Execution and Delivery of a Support Agreement and Performance Agreement for Alexandria Redevelopment and Housing Authority (ARHA)
- (2) Performance Agreement - City and ARHA
- (3) Support Agreement - VRA, City, and ARHA
- (4) AHAAC memorandum to City Council
- (5) Options for Ladrey Relocation

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