City-ARHA Redevelopment Work Group

November 10, 2016

Roy Priest, CEO

Alexandria Redevelopment & Housing Authority

History of HUD Funding

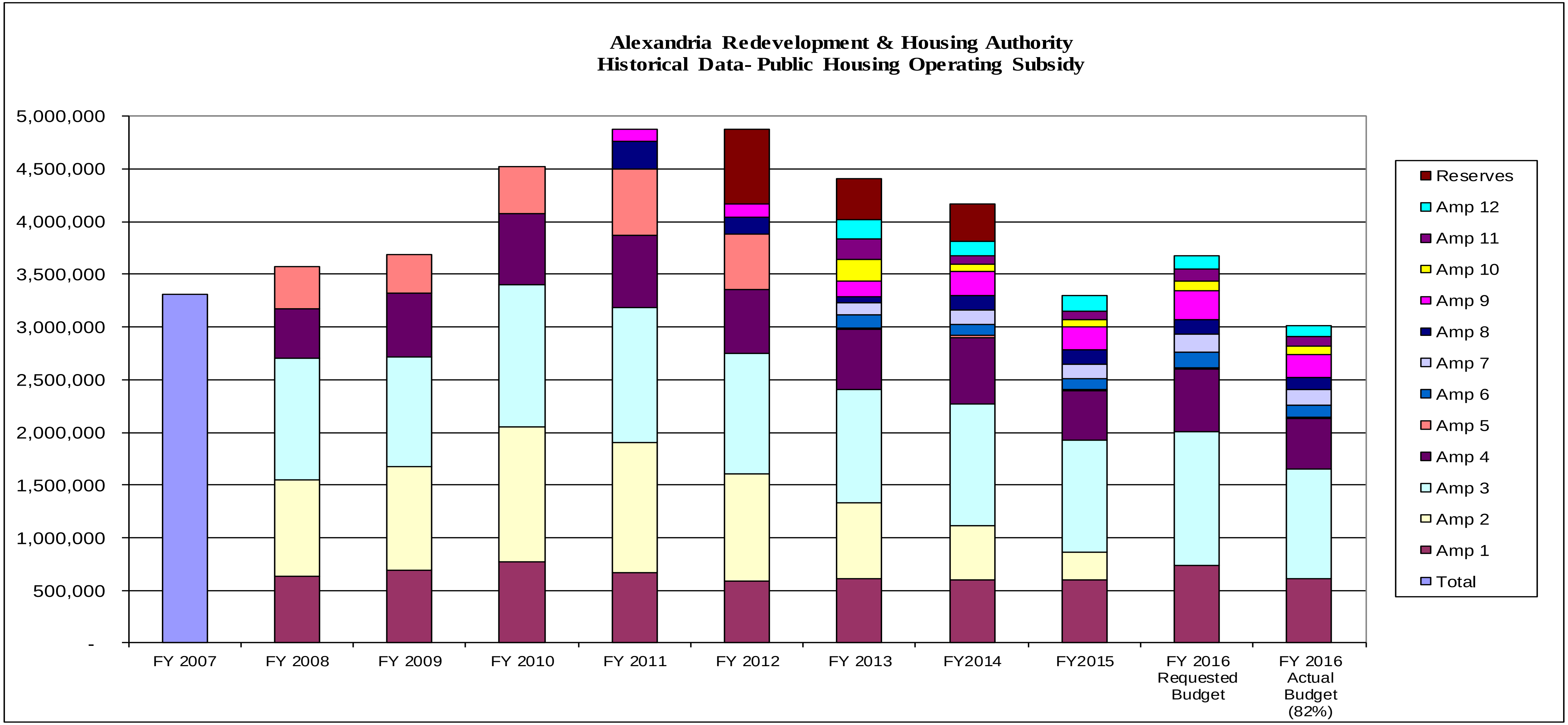
&

ARHA Financial Analysis

10-Year History of Public Housing Subsidy

- 2007 - HUD provided PHA's with subsidy that could be used across all of its public housing sites. ARHA allocated the subsidy among thirteen (13) of its "HUD Projects."
- 2008 - HUD Implemented "Project-Based Budgeting" which restricted subsidy to specific "Asset Management Projects" (AMPs). ARHA combined 13 of its Projects into five (5) AMP's.
- 2009 - HUD required Mixed-finance developments to be reported as a single AMP.
- 2012 - HUD announced sequestration and forced PHAs to use their Public Housing reserves to balance their budget.
- 2013 to Current - Congress continues **not** to fund Public Housing at 100% of the eligible funding calculation. ARHA only received 82% of subsidy in FY 2016.

10-Year History of Public Housing Subsidy



10-Year History of Housing Choice Voucher Program (HCVP/Section 8)

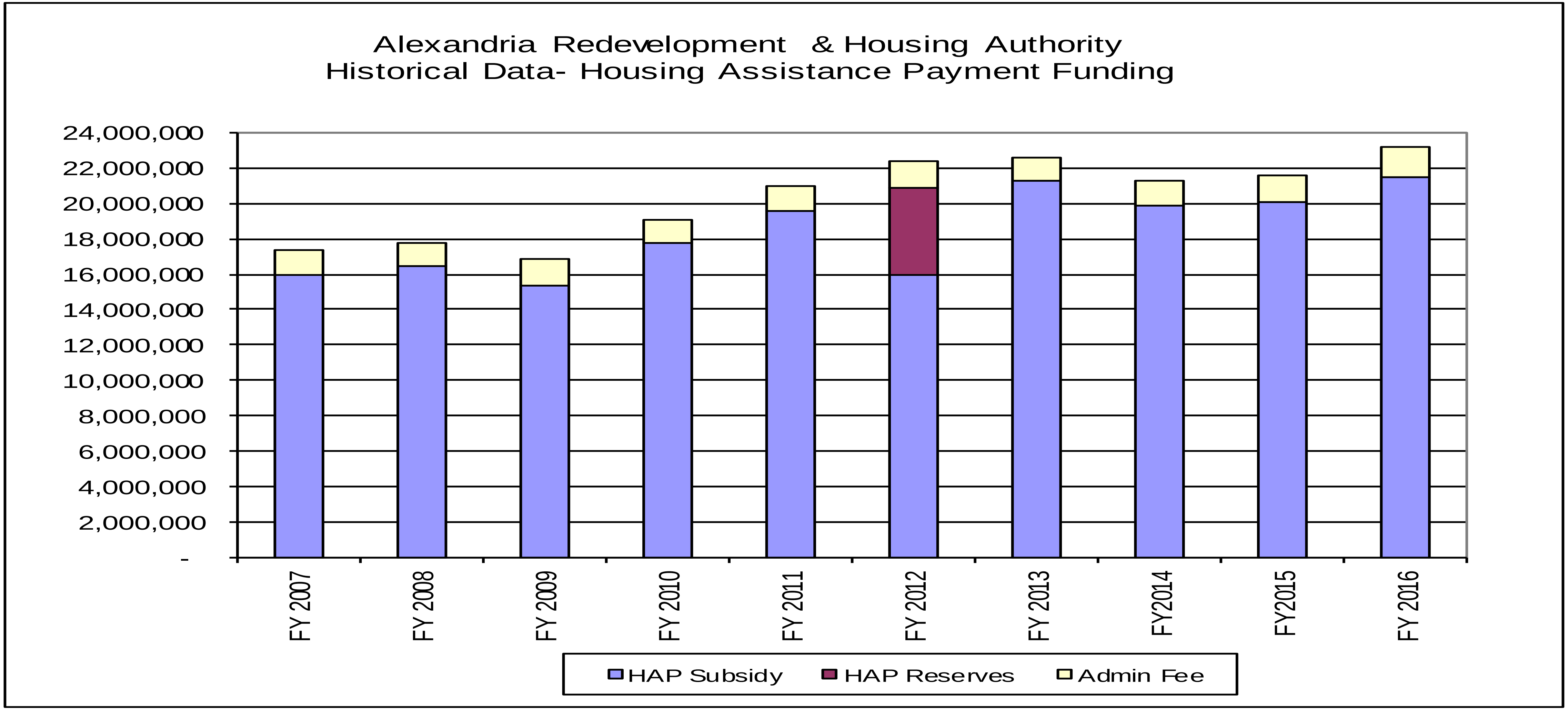
- 2010 - HUD issued ARHA 184 tenant protection vouchers for the relocation of residents at James Bland & James Bland Additions.

- 2012 - HUD announced sequestration and PHAs were forced to use their HCVP reserves to balance their budget.

- 2013 to Current - HUD placed a freeze on funding based on 2012 performance levels. PHAs were advised to implement cost saving measures to reduce Housing Assistance Payment (HAP) expenses. These policies included adjusting HCV payment standards and suspension of tenant vouchers.

- 2015 - 2016 – Subsidy increased because of new project-based vouchers at James Bland Phase V.

10-Year History of HCVP Subsidy



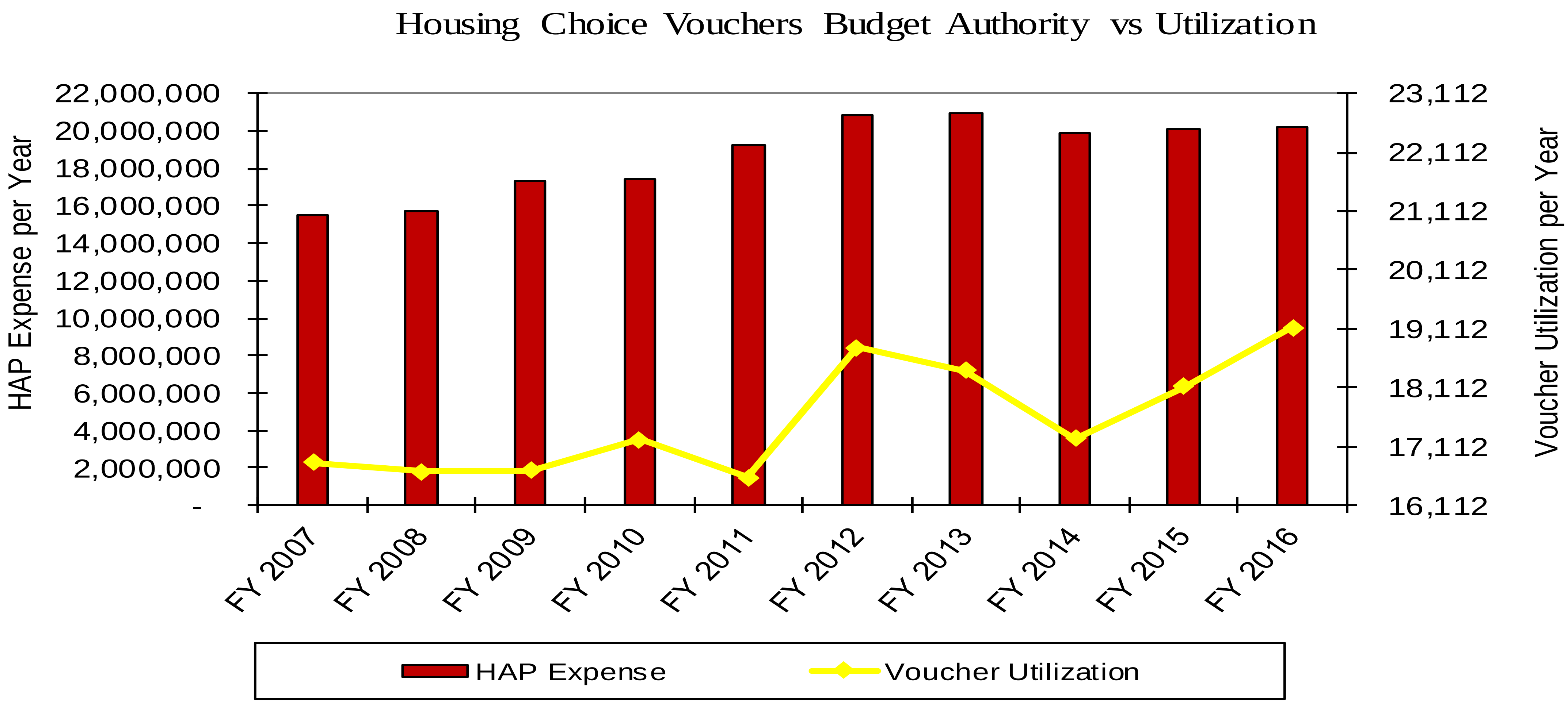
10-Year History of HCVP Utilization

- 2007: HAP expense was $15.5 MM with a utilization rate of 81% or 16,841 unit months, which means approximately 1,403 families were housed using 97% of the budget authorized by HUD.
- 2010: 2011 - HUD issued 184 tenant protection vouchers for the redevelopment of James Bland and James Bland Additions all simultaneously, in error. Only vouchers for tenants that were impacted from the first phase of redevelopment should have been issued. As a result, ARHA's funding and voucher authority increased. Since all the tenants were not relocated in the first phase, ARHA's utilization rate increased in 2010 and then decreased in 2011. The decrease is to attributed to program participation.
- 2012: HUD announced sequestration and forced PHAs to use their HCV reserves to balance their budget. Due to HUD's previous error in front-loading tenant protection subsidy, ARHA had a large reserve that was used to balance the budget. To avoid receiving a low performance score for not utilizing at least 97% of the available funding, ARHA had to increase voucher utilization. Approximately 183 new families were housed.

10-Year History of HCVP Utilization

- 2013: HUD implemented a new "benchmarking" policy that capped the number of vouchers that would be funded in the future. The cap was calculated based on a PHA's prior year utilization rate. Given the financial environment and to cut costs, HUD required PHAs to implement specific cost controls. These controls included decreasing utilization through attrition, stop issuing new vouchers, and reducing the payment standard.
- 2014: HUD cut funding by $1.4MM resulting in approximately 95 families not being housed.
- 2015: ARHA received additional funding and started utilizing James Bland V project-based vouchers.
- 2016: ARHA received a budget increase of $1.3MM from prior year. HAP expense increased to $21.4MM with a utilization rate of 83% or 19,138 unit months, which means approximately 1,594 families were housed using 101% of the budget authorized.

10-Year History of HCVP Utilization



Break-Even Analysis of Tenant Income, HUD Subsidy & Operating Expenses

- Table 1 – Summarizes the annual income and expenses of ARHA's various public housing AMPs.
  - Analysis is based on a per unit calculation.
  - Indicates the average tenant rent and operating subsidy.
  - Compares the average rent & subsidy to average operating cost for each AMP.
  - Annual variance highlights the shortfall or surplus in funding.
  - With the exception of AMP 11, all the other AMPs do not receive enough tenant income and operating subsidy to cover expenses.

Table 1: Annual Analysis of Tenant Income, HUD Subsidy, & Operating Expenses

	AMP 1	AMP 3	AMP 4	AMP 5	AMP 6	AMP 7	AMP 8	AMP 9	AMP 10	AMP 11	AMP 12
# of Units	170	171	159	5	52	48	36	48	18	18	44
Avg Rent/unit	(3,035.29)	(1,817.54)	(2,996.23)	(4,080.00)	(4,223.08)	(3,275.00)	(2,166.67)	(1,275.00)	(2,666.67)	(1,666.67)	(3,681.82)
Avg Subs/Unit	(4,011.76)	(6,157.31)	(3,082.39)	(3,080.00)	(2,219.23)	(3,072.92)	(3,191.67)	(4,656.25)	(4,238.89)	(5,166.67)	(2,400.00)
Total Rent & Sub	*(7,047.06)*	*(7,974.85)*	*(6,078.62)*	*(7,160.00)*	*(6,442.31)*	*(6,347.92)*	*(5,358.33)*	*(5,931.25)*	*(6,905.56)*	*(6,833.33)*	*(6,081.82)*
Avg Exp/unit	7,417.94	8,287.77	7,924.59	12,761.00	7,053.27	6,901.58	6,992.22	6,697.19	8,283.61	5,919.44	6,109.55
Variance/unit	**371**	**313**	**1,846**	**5,601**	**611**	**554**	**1,634**	**766**	**1,378**	**(914)**	**28**
***Annual Variance**	**63,050**	**53,508**	**293,510**	**28,005**	**31,770**	**26,576**	**58,820**	**36,765**	**24,805**	**(16,450)**	**1,220**

** Annual variance represents additional revenue that needs to be generated from the property or additional subsidy contributed from an independent source*

Break-Even Analysis of Tenant Income, HUD Subsidy & Operating Expenses

- Table 2 – Summarizes the monthly break-even tenant rent or contract rent needed if subsidy was not provided.
  - Current average rent indicates the average monthly rent the tenants contribute to each AMP.
  - Increase in average rent indicates the additional monthly rent a tenant would need in order to afford the break-even or contract rent for each AMP.
  - Annualized Rent = Average Expense/Unit shown in Table 1.

Table 2: Monthly Break-even Analysis with "NO" HUD Subsidy

Current Avg. Rent	(252.94)	(151.46)	(249.69)	(340.00)	(351.92)	(272.92)	(180.56)	(106.25)	(222.22)	(138.89)	(306.82)
Increase Avg. Rent	(365.22)	(539.19)	(410.70)	(723.42)	(235.85)	(302.22)	(402.13)	(451.85)	(468.08)	(354.40)	(202.31)
Break-even Rent	618.16	690.65	660.38	1,063.42	587.77	575.13	582.69	558.10	690.30	493.29	509.13
***Annualized Rent**	7,417.94	8,287.77	7,924.59	12,761.00	7,053.27	6,901.58	6,992.22	6,697.19	8,283.61	5,919.44	6,109.55

** Annualized Rent = Average Expense/Unit shown in Table 1*

Resolution 830 – Adopted June 1982

WHEREAS, the May 12, 1972 Agreement between the City of Alexandria and the Alexandria Redevelopment Housing Authority stated that "except to the extent modified by the Housing Program adopted by the City Council on September 14, 1971, the City presently wishes to retain an inventory of public housing or its equivalent, which is at least equal to the number of units presently in existence in the City"; and

WHEREAS, the City Council unanimously adopted a motion on January 17, 1981, that stated that the City Council was recommitting itself to the provisions of Resolution 99 "which promises to retain an inventory of public assisted housing units which is at least equal to the number of units outlined in Resolution 99"; and

WHEREAS, the January 17, 1981 motion of City Council also stated that the ARHA Board was "to explore options that include continued public housing funding by HUD, as well as any other options that may be available to the City to upgrade public housing stock in order to fulfill the above commitment." Council further stated that it was the intent of this motion "that no public housing units be demolished unless replacement housing is available; that no tenant will be displaced; and that all monies realized from the sale or lease of any public housing-owned lands should be used to benefit the living environment of public housing residents." The January 17, 1981 motion of City Council also stated that any assisted housing to be counted as replacement housing for an equal number of public housing units be defined as "such housing that is substantially equivalent to the units being replaced for a period of 20 or more years:; and

Leadership recognized a need for flexibility in housing choices.

City Council defined replacement housing as housing that is "substantially equivalent" to those being replaced. Tax credit funded replacement units have an affordability of 30 years.

Resolution 830

For the purposes of this Resolution, any public housing that is demolished can be replaced by an equal number of either conventional public housing units, or any equal number of publicly assisted housing units, defined as housing "that contemplates the commitment by the provider of such housing that is substantially equivalent to the units being replaced for at least a period of 20 or more years. For the purposes of this Resolution it is understood that the recently approved 90-unit Fairfax House Section 8 new construction project for the elderly has been approved as replacement housing for an equal number of public housing units.

John Roberts (PH) was replaced by Annie B. Rose (PBV). George Parker (PH) was replaced by Hopkins-Tancil (Mod. Rehab.).

Resolution 830, Adopted June 8, 1982

RESOLUTION 830

WHEREAS, the City Council of Alexandria, on March 21, 1972, adopted Resolution 99, which stated that it was the position of the City that "whenever private or public development or redevelopment makes the elimination of public housing necessary or desireable, and for so long as the present inventory of public housing is felt by the City of Alexandria and the Alexandria Redevelopment and Housing Authority to be a necessary part of the housing stock of Alexandria, the City will adopt and implement or secure the adoption and implementation of a plan of relocation and reconstruction of such units prior to the demolition or other impairment of units affected by the development or redevelopment"; and

Relocation

Addressing and facilitating resident needs and concerns throughout the relocation process is extremely important. Only one development site will be developed at any given time because of funding availability. Each relocation plan will be unique but will have a basis in the VHDA Relocation Guidelines. HUD Mixed-finance redevelopment is not subject to the Uniform Relocation Act. ARHA managed the relocation efforts of Chatham Square, BWR, West Glebe, Old Dominion and James Bland. ARHA provided investor required guarantees for the occupancy of all James Bland units.

- The proposed concept for Cameron Valley offers the opportunity to build replacement housing for other efforts.
- Staged/phased construction at three of the development sites means that all units are not demolished simultaneously.
- All of the development partners have offered temporary or permanent relocation solutions that they have control of.
- ARHA put HUD on notice 5 years ago of the need for TPVs for redevelopment efforts. Past efforts indicate a 40% return rate.

PH PROGRAM RESIDENT PROFILE

It should be noted that only 40% of new admissions must be at or below 30% of the median income for the Low Rent Public Housing program.

2016 Income Limits Summary

FY 2016 Income Limit Area	Median Income Top of Form Bottom of Form	FY 2016 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Alexandria city	$108,600	Very Low (50%) Income Limits ($) Top of Form Bottom of Form	38,050	43,450	48,900	54,300	58,650	63,000	67,350	71,700
		Extremely Low Income Limits ($)* Top of Form Bottom of Form	22,850	26,100	29,350	32,600	35,250	37,850	40,450	43,050
		Low (80%) Income Limits ($) Top of Form Bottom of Form	49,150	56,150	63,150	70,150	75,800	81,400	87,000	92,600

Current PH Participant's Household Annual Income Can Exceed 30% AMI

- Ramsey Homes Range of Household Incomes: $838 - $63,142
- Ramsey Average Household Income: $21,014
- Andrew Adkins Range of Household Incomes: $0 - $87,856
- Andrew Adkins Average Household Income: $19,233

Building housing choices, at 30% - 60%, as in Ramsey with PH and HCV represents the greatest opportunity to allow displaced households to return to their rebuilt community. In past projects, ARHA has also assisted with homeownership for over-income households.

Ramsey Homes w/ 52 Units

30% AMI Proforma

Proposed – All 30% Units

Bedrooms	% of AMI	# of Units	Monthly Gross Rent	Utilities	Monthly Net Rent	Total Net Rent	Annual Net Rent
1 Bedroom	30%	10	$611	$188	$423	$4,230	$50,760
2 Bedrooms (PH)	30%	6	$605	$0	$605	$3,630	$43,560
2 Bedrooms	30%	30	$733	$243	$490	$14,700	$176,400
3 Bedrooms	30%	6	$847	$292	$555	$3,330	$39,960
Total	30%	**52**	$2,796		$2,073	$25,890	$310,680

Financial Analysis	**52 Units at 30% Income**
Income	$310,680
Vacancy Allowance	7%
Effective Gross Income	$288,932
Expenses	$400,325
Cash Flow Before Debt Service	($111,393)
VHDA Loan	$3,860
ARHA Land Loan	$134,818
City of Alexandria Loan	$39,973
Annual Debt Service	$178,651
Cash Flow Available for Distribution	($290,044)

- The current proforma shows a flat income approach for 30% AMI residents only
- AMI rents are based on a regional rent calculation from Novogradac for 30% Tax Credit Tenants; actual PH average rents are shown (average tenant rent ($210) + average tenant subsidy from HUD ($395) = $605)
- Resulting cash flow is negative – the property is not sustainable and does not generate enough income to cover expenses or pay debt service, including the City Loan

Ramsey Homes w/ 52 Units — Tiered Income Proforma — Current Concept

Bedrooms	% of AMI	# of Units	Monthly Gross Rent	Utilities	Monthly Net Rent	Total Net Rent	Annual Net Rent
1 Bedroom	40%	9	$815	$188	$627	$5,643	$67,716
1 Bedroom	50%	1	$1,018	$188	$830	$830	$9,960
2 Bedrooms	30%	6	$605	$0	$605	$3,630	$43,560
2 Bedrooms	50%	10	$1,222	$243	$979	$9,790	$117,480
2 Bedrooms	60%	20	$1,467	$243	$1,224	$24,480	$293,760
3 Bedrooms	60%	6	$1,694	$292	$1,402	$8,412	$100,944
Total	51%	**52**	$6,821	$192	$5,667	$52,785	$633,420

Financial Analysis	52 Units with Tiered Income
Income	$633,420
Vacancy Allowance	7%
Effective Gross Income	$589,081
Expenses	$400,325
Cash Flow Before Debt Service	$188,756
VHDA Loan	$3,860
ARHA Land Loan	$134,818
City of Alexandria Loan	$39,973
Annual Debt Service	$178,651
Cash Flow Available for Distribution	$10,105

- The current proforma shows a tiered income approach, from 30% to 60% AMI, resulting in de minimus cash flow (approx $10,000 annually)
- AMI rents are based on the 2016 VHDA maximum rent schedule
- Current proforma projects a sustainable project – Projected income from varying income tiers allows the property to cover expenses and meet its debt obligations
- This concept provides the option for all existing Ramsey residents to return to the site – either as a PH resident or as a voucher holder

Case Studies of ARHA Portfolio (Overview)

The purpose of the following case studies are to highlight and discuss the unique differences between a few of ARHA's properties and how those differences have a direct impact on the development, management, and sustainability of each property.

- Case Study 1 – Traditional Public Housing
  - Housing stock old and obsolete.
  - High maintenance costs and significant capital improvements needed.
  - Subsidy not available for non traditional public housing expenses like HOA dues and condo fees.
  - Income risk due to federal budget cuts and/or loss in rent because of tenant income potential.
  - Financial resources not being put to highest and best use.
- Case Study 2 – Public Housing and LIHTC
  - In 2005, ARHA redeveloped Samuel Madden Homes using a HOPE VI grant, land sale proceeds, and LIHTC to replace the public housing in mixed-income communities.
  - Developed using a Public Private Partnership and financed with LIHTC and HOPE VI Grant.
  - Double subsidy = triple reporting requirements.
- Case Study 3 – LIHTC with Project Based Subsidy
  - In 2014, ARHA was using Seller's Notes, and LIHTCs to develop and PBV to operate.
  - Developed using a Public Private Partnership, Sellers Notes and LIHTC.
  - With introduction of RAD PBV as a form of (operating) subsidy has become more challenging.
  - Residual receipts become a hedge against unpredictable funding cuts and to support future development endeavors.

Case Study 1- Traditional Public Housing
AMP 4- Scattered Sites

Project Name	HUD Project Number	Total Units
Public Housing- Group 4		
Scattered Sites I	VA 4-10	56
Scattered Sites II	VA 4-11	41
Scattered Sites III	VA 4-12	24
Park Place	VA 4-16	38
Total Units		159

SUMMARY OF PUBLIC HOUSING- AMP 4
FOR THE PERIOD ENDING SEPTEMBER 30, 2016

	Totals	Scattered Sites I	Scattered Sites II	Scattered Sites III	Park Place
Operating Revenues					
Dwelling Rent	374,309	136,641	64,789	88,752	84,127
Operating Subsidy	396,839	123,020	75,399	103,178	95,241
Other Income	14,673	4,889	3,629	3,789	2,366
Total Operating Revenue	785,820	264,550	143,817	195,719	181,734
Operating Expenditures					
Administration	326,509	72,998	44,150	45,029	164,332
Tenant Services	139	26	16	21	76
Utilities	133,029	63,394	3,965	5,994	59,676
Ordinary maintenance & o	374,447	144,138	81,127	91,444	57,737
General Expense	114,767	40,602	29,885	23,728	20,552
Total Operating Expenditu	948,891	321,157	159,144	166,217	302,372
NET INCOME (LOSS) FROM OPERATIONS	**(163,070)**	**(56,607)**	**(15,327)**	**29,502**	**(120,639)**

Case Study 1 – Traditional Public Housing

- Housing stock old and obsolete.
- High maintenance costs and significant capital improvements needed.
- Subsidy not available for non traditional public housing expenses like HOA dues and condo fees.
- Income risk due to federal budget cuts and/or loss in rent because of tenant income potential.
- Financial resources not being put to highest and best use.

Case Study 2 – Public Housing & LIHTC
AMP 6- Chatham Square

Year of Construction: 2005
Number of Units: 52

SUMMARY OF PUBLIC HOUSING- AMP 6
FOR THE PERIOD ENDING SEPTEMBER 30, 2016

	Chatham Square
Operating Revenues	
Dwelling Rent	142,958
Operating Subsidy	93,667
Other Income	4,351
Total Operating Revenue	240,975
Operating Expenditures	
Administration	160,227
Tenant Services	27
Utilities	5,994
Ordinary maintenance & operations	109,507
General Expense	40,836
Total Operating Expenditures	316,590
NET INCOME (LOSS) FROM OPERATIONS	**(75,615)**

Case Study 2 – Public Housing and LIHTC

- In 2005, ARHA redeveloped Samuel Madden Homes using a H6 grant, land sale proceeds, and LIHTC to replace the PH in mixed-income communities.
- Developed using a Public Private Partnership and financed with LIHTC and HOPE VI Grant.
- Double subsidy = triple reporting requirements.

Case Study 3 – LIHTC with Project-Based Vouchers James Bland Phase V

Year of Construction: 2014
Number of Units: 54

SUMMARY OF JAMES BLAND PHASE V
FOR THE PERIOD ENDING SEPTEMBER 30, 2016

	OTC (JB V)
Operating Revenues	
Dwelling Rent	615,745
Other Income	27,726
Total Operating Revenue	643,471
Operating Expenditures	
Administration	158,940
Tenant Services	523
Utilities	16,705
Ordinary maintenance & operations	59,864
Protective Services	2,462
General Expense	58,087
Total Operating Expenditures	296,581
NET INCOME (LOSS) FROM OPERATIONS	**346,890**

Case Study 3 – LIHTC with Project Based Subsidy

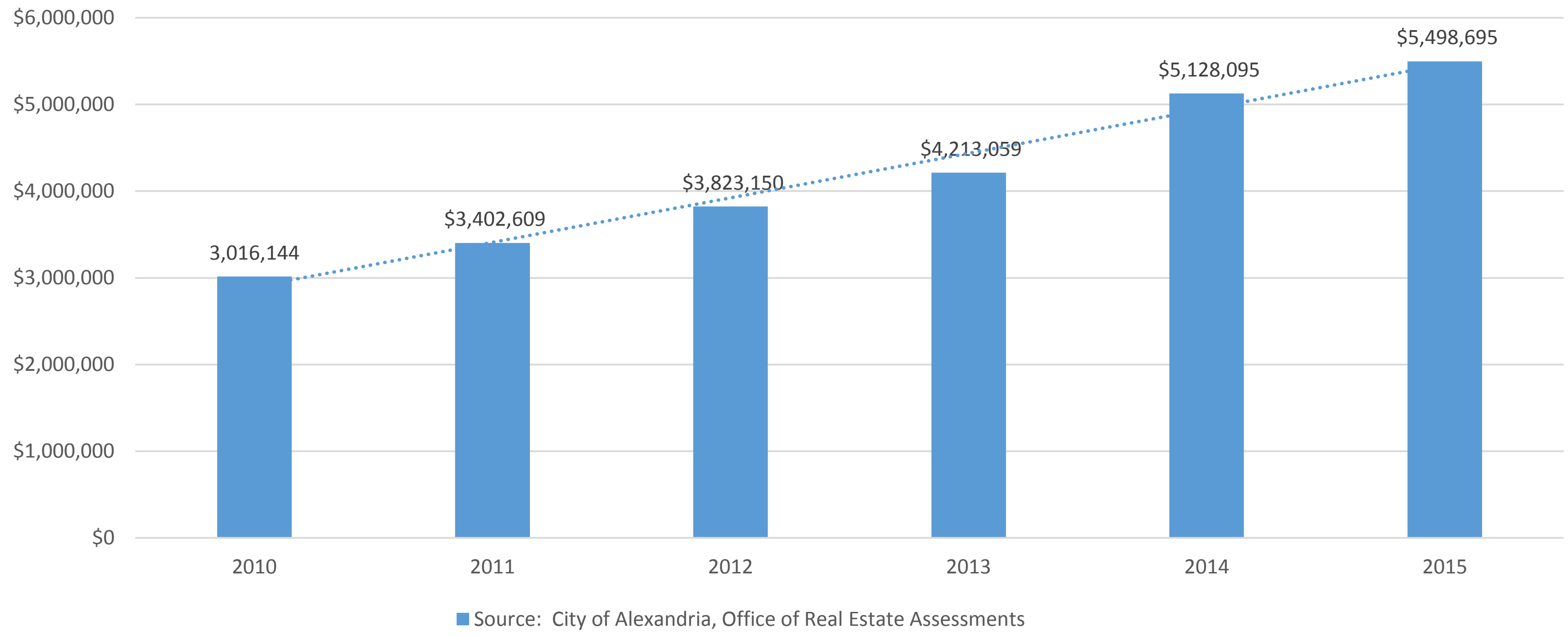
- In 2014, ARHA was using Seller's Notes, and LIHTCs to develop and PBV to operate.
- Developed using a Public Private Partnership and LIHTC.
- With introduction of RAD, PBV as an operating subsidy has become more challenging.
- Residual receipts become a hedge against unpredictable funding cuts and supports future development endeavors.

ARHA Redevelopment

Effects of the Mixed-Income Model

Total City of Alexandria Property Tax Assessments for all ARHA Developed Properties (*Residential Only*)
2010- 2015

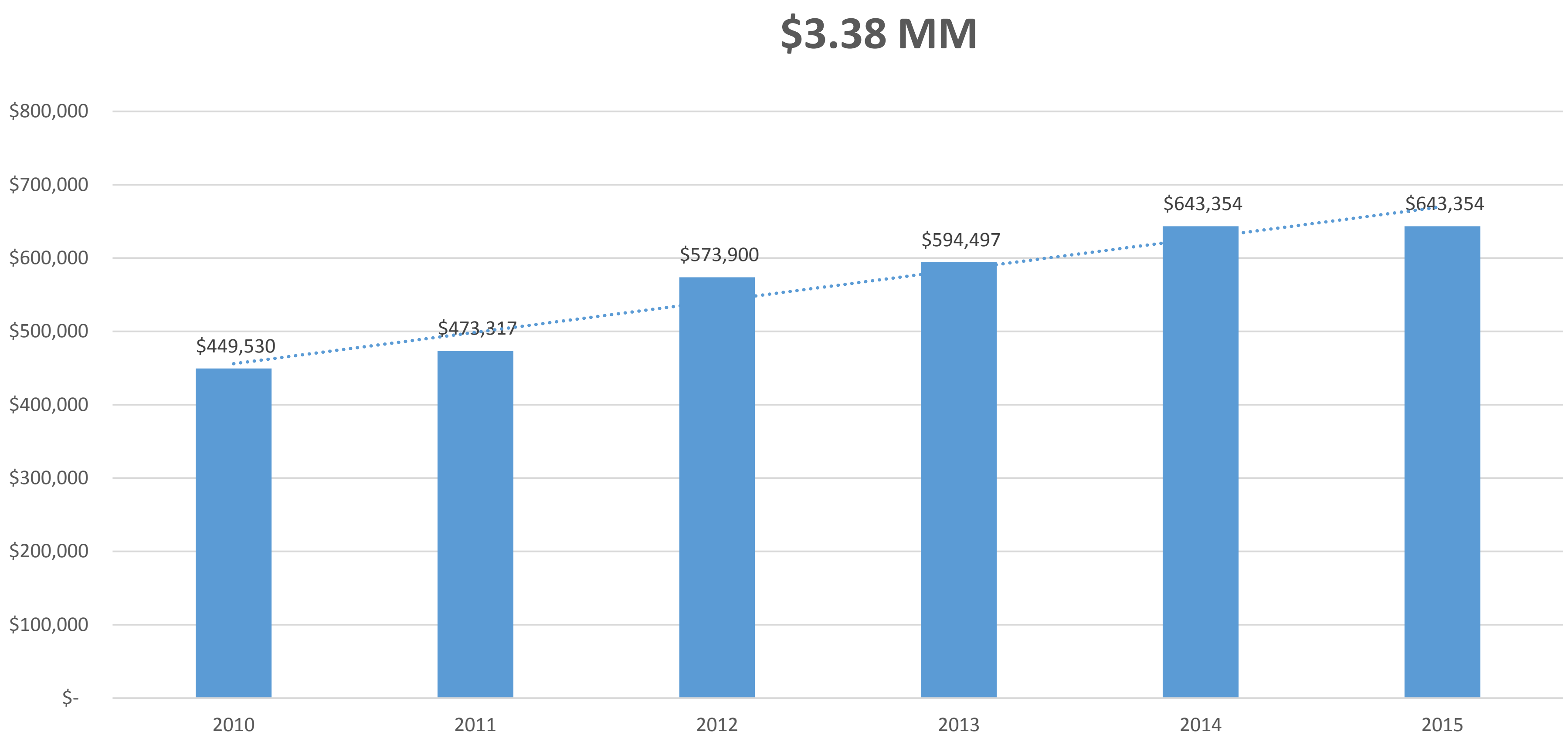
$25 MM



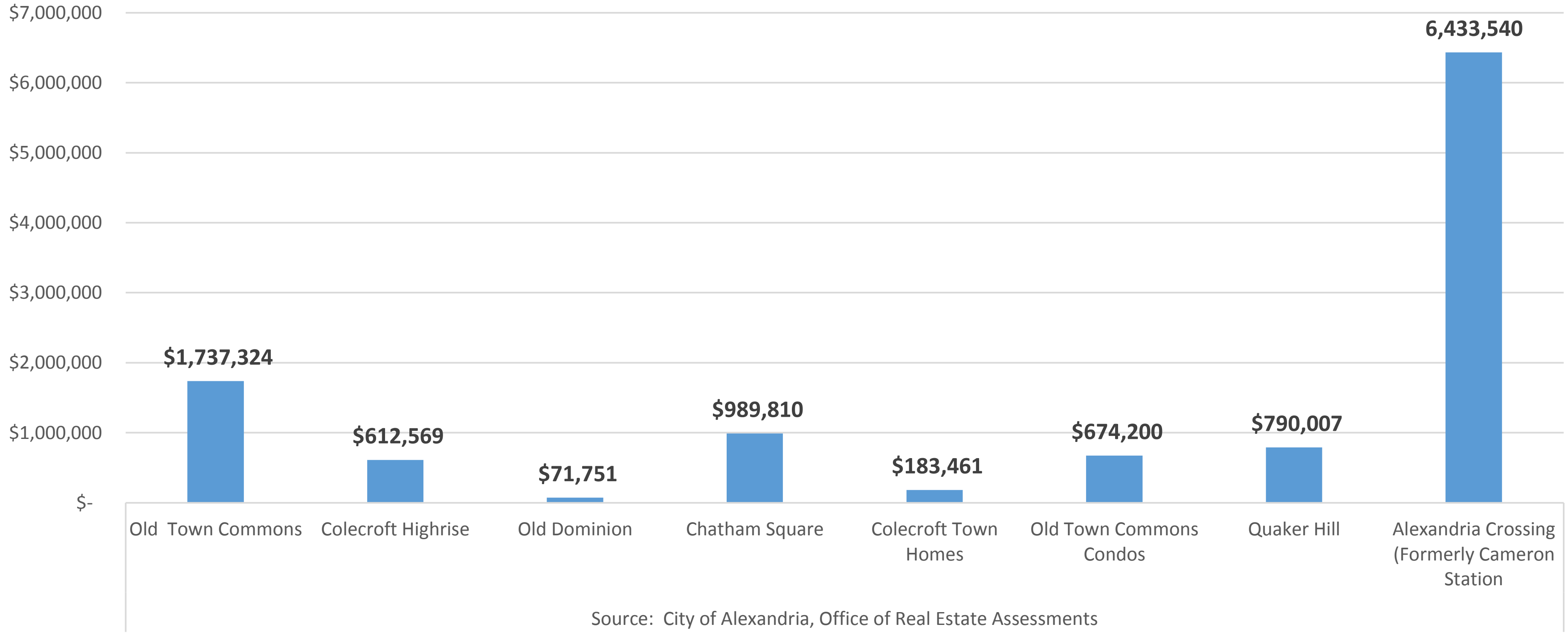
City of Alexandria Property Tax Assessments for Alexandria Commons

(Formerly ARHA-Owned Cameron Valley 264-Unit Public Housing Redeveloped as Mixed-Use)

2010-2015



Annual 2015 City of Alexandria Tax Benefits Gained from ARHA Redeveloped Sites $11.5 MM



ARHA’s Redevelopment Efforts

- **ARHA has received industry, state and federal acclaim for its redevelopment efforts.**
- **ARHA is one of the few PHAs nation-wide that self develops.**
- **ARHA has earned the designation of Experienced Tax Credit Developer and Certified Property Manager from VHDA.**