

Katherine Carraway

From: Helen McIlvaine
Sent: Tuesday, September 17, 2019 5:17 PM
To: Katherine Carraway
Cc: Tamara Jovovic; Carrie Beach
Subject: Braddock Fund (ARHA set aside) and Glebe Park Loan Proceeds Reservation
Attachments: 2007 Memo re MOU and Glebe Park Loan.pdf; 2017 CMO letter to ARHA re Glebe Park Loan Repayment.pdf; 2018 Docket - Increase in City Loan for Ramsey Homes.pdf; AHAAC_September2019_FinancialReport.pdf

Katherine, thank you for your voicemail yesterday regarding the intended uses for the Braddock Fund set-aside for ARHA and proceeds from the Glebe Park loan.

During the 2008 Braddock Metro Neighborhood planning process (which anticipated the subsequent Braddock East Plan for redevelopment of nearby ARHA properties Ramsey Homes, Andrew Adkins, Samuel Madden Uptown and James Bland), it was determined that one-half of the voluntary monetary contributions for affordable housing received from Braddock developers would be escrowed to ensure that existing ARHA units were replaced on a 1:1 basis consistent with Resolution 830. While ARHA units are expected to be replaced onsite within the redevelopment parameters set in the Braddock Plans, monies in the Fund's set aside could potentially be used to acquire offsite units if full onsite replacement was not feasible. Currently, the Braddock Fund set-aside has a balance of approximately \$1.4 M.

Pursuant to the terms of the City's 2008 loan to ARHA (used to pay off the original Glebe Park mortgage), \$5 million in proceeds from the 2017 repayment were allocated to support ARHA redevelopment projects. To date, the City has authorized loans of up to \$3.6 M from this allocation for Ramsey Homes. A balance of \$1.4 M remains available for Ramsey and/or other ARHA projects.

Both the Braddock Funds set-aside and the Glebe Park allocation are tracked within the City's Housing Opportunity Fund.

Let me know if I can provide any additional information on these funding sources or their intended uses. I've attached some of the documents where the purpose of these funds is described, as well as the most recent monthly financial statement (reviewed by AHAAC) where the fund balances are tracked.

Helen

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MEMORANDUM

DATE: OCTOBER 19, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: CONSIDERATION OF: (1) A MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY AND THE ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY (ARHA), AND (2) A CITY LOAN TO ARHA TO PAY OFF THE MORTGAGE FOR ARHA'S GLEBE PARK PROPERTY

ISSUES: (1) Memorandum of Understanding between the City and ARHA related to planning, program performance and financial management, and (2) a requested City bridge loan of up to \$5.6 million to ARHA to repay the outstanding Glebe Park mortgage.

RECOMMENDATION: That City Council:

- (1) Approve the proposed Memorandum of Understanding (MOU) between the City and ARHA (Attachment I), and authorize the Mayor to sign the MOU; and
- (2) Subject to terms and conditions (Attachment II), approve a bridge loan to ARHA of up to \$5.6 million to repay the existing HUD/FHA insured mortgage on ARHA's Glebe Park property, and authorize the City Manager to execute, when the MOU is signed, all necessary documents in connection with this loan.

BACKGROUND:

MEMORANDUM OF UNDERSTANDING (MOU): Over the years, the City has provided periodic funding to ARHA for specific properties, generally for acquisition and/or rehabilitation. Within the past 12 months, \$17.9 million in loans have been requested from the City – a \$4.7 million loan was approved for Quaker Hill by Council in December 2006, and a loan of \$5.6 million in connection with Glebe Park is recommended in this memorandum. A second ARHA-requested Glebe Park City bridge loan of \$7.6 million is not being considered by the City. It is contemplated to be provided by non-City sources. Given the magnitude of the financial resources currently needed from the City, as well as the likelihood of significant future funding requests for ARHA redevelopment projects and future ARHA capital improvement needs, we need to formalize a new partnership between the City and ARHA. In recent (and future years) ARHA's funding needs have increased and will increase in large part due to the federal

government's abrogation of its long standing responsibility to fund public housing. Since ARHA's public housing serves the lowest income households in the City, if such housing is to be preserved, the City government will need to partner with ARHA in preserving housing for those least able to afford market rate rents.

The proposed MOU (Attachment I) seeks to create a new partnership between the City and ARHA by borrowing from "best practices" in many organizational areas such as budgeting, capital planning, organizational management, performance management. The MOU also represents an effort to improve the communication and working relationship between ARHA and the City by creating a new, more interactive and close partnership. It sets forth a process for better planning, coordinating and communicating in order to help develop a coordinated affordable housing strategy for Alexandria that includes the goal of sustaining and improving public and publicly-assisted housing within the City of Alexandria. The MOU is intended to provide a vehicle for the City and ARHA to work as partners to jointly undertake short and long-term land use and capital planning, including preparation of a comprehensive Strategic Plan. It will also help to monitor program performance and achieve a better long-term financial condition for ARHA, with the goal of improving the living environment for ARHA's residents.

The ARHA Board is scheduled to meet on Monday, October 22, when they will discuss and vote on this MOU.

Key elements (which in some instances involve continuation of existing practices or are satisfied by documents currently provided to other entities) include submission of ARHA operating budgets to the City for review, as well as inviting ARHA review of the City's budget; preparation of a multi-year ARHA capital budget; setting of goals, objectives and performance measures including year-end reporting of performance; inclusion of City staff as part of major redevelopment and financing meetings between ARHA and its developers and lenders when appropriate; executive session expectations; accelerating the timing of the ARHA annual audit; as well as the establishment of monthly meetings between the ARHA CEO and the City Manager; and the provision to the City of copies of reports and performance reviews received from HUD or ARHA's auditors. These MOU elements still give ARHA the ability to make independent decisions, but to do so with the City present at the table and with a greater degree of partnership.

If, after receiving copies of final HUD reviews of ARHA's performance, the City determines that further review is necessary, the MOU provides for having a City-paid performance audit and best practices review undertaken by an outside expert consulting firm (similar to the study recently completed for the Department of Transportation and Environmental Services, and similar to the study now underway for the Department of Recreation, Parks and Cultural Activities).

The MOU further provides that the City and ARHA, at the City's expense, would jointly and cooperatively work to develop a long-term Strategic Plan including, but not limited to, needed operations and capital assets for all ARHA properties to achieve sustainability. The MOU also contains provisions calling for City and ARHA cooperation in the development of a Master Plan for ARHA's Braddock East area properties (James Bland, Samuel Madden Uptown, Ramsey

Homes, and Andrew Adkins) as well as Master Plans and other plans in other areas of the City where ARHA units are located.

The MOU will trigger the need for additional staff resources particularly for the long-range planning and Braddock East planning processes. City and ARHA staff will need to work out these resource details as the next step in this process.

GLEBE PARK LOAN: Glebe Park was constructed in 1945, and purchased by ARHA in 1987 to provide 40 replacement housing units (of the property's 152 units) for the ARHA residents affected by Cameron Valley Homes redevelopment. Glebe Park is located on two sites: the 800 block of West Glebe Road and the 3900 block of Old Dominion Boulevard. The complex includes nine buildings – one building located on West Glebe containing 56 units, and eight buildings on Old Dominion (six on the east side and two non-contiguous buildings on the west side) containing 96 units. All buildings are 2½-story, brick masonry structures. Forty of the Glebe Park units are public housing units receiving HUD public housing subsidies, and the remaining 112 units are market affordable units at very low rents.

Although both portions of the Glebe Park development were substantially renovated in 1987 and 1988, the development is currently in need of significant upgrades including repair and replacement of building systems, roofs, windows, exterior walls, and interior finishes. There have been multiple attempts to remediate a persistent mold problem throughout the complex; however, according to information provided by ARHA, 102 of 152 Glebe Park units, including 23 of the 40 public housing units, are currently vacant and uninhabitable.

The property's dilapidated condition and escalating vacancy rate have required that ARHA provide infusions of approximately \$500,000 annually in recent years toward repayment of Glebe Park's HUD/FHA insured mortgage and operating expenses since the property's revenues are insufficient to meet these obligations. This situation has placed a financial burden on ARHA. While ARHA is current on the property's mortgage payments, last year HUD, which insured the mortgage, required that ARHA submit a corrective plan to bring all of the vacant units back online or otherwise face potential foreclosure. When ARHA originally obtained this mortgage, as a condition of the HUD loan guarantee, HUD required that all units be operational and that the units serve low-income households. The loan is now in technical default because of the large number of vacant units. It is not a certainty that HUD will foreclose as long as debt service payments continue to be paid, but the threat of foreclosure is real. ARHA previously submitted its corrective plan to HUD (which included the broad redevelopment plan described below) months ago and in the absence of further action by HUD, ARHA believed that HUD concurred with ARHA's proposal to remediate Glebe Park through obtaining tax credits in the Spring of 2007, and then undertake a staged redevelopment. Since the applied-for tax credits for Glebe Park were not awarded to ARHA by VHDA last Spring, ARHA's corrective plan submitted to HUD was not executable within its stated time frame, which puts the property at risk for foreclosure.

Following a competitive Request for Proposals (RFP) process last spring, ARHA selected EYA, its development partner on the very successful Chatham Square project, to provide development services to redevelop the Glebe Park site. Pursuant to its RFP, ARHA offered EYA the

opportunity to redevelop other ARHA properties to include a mix of market rate sales and public housing rental units, with some portion of the proceeds from the sale of market units to be used to defray the costs of redeveloping Glebe Park and potentially redeveloping other ARHA public housing stock. In the fall of 2006, ARHA and EYA unveiled a proposed strategy to redevelop ARHA's Glebe Park¹, James Bland, James Bland Addition² and Andrew Adkins³ properties into mixed-income developments over a ten-year period. In addition to tax credits, proceeds generated from EYA's purchase of land underlying the market rate sales units and from sharing a portion of EYA's profit on sales of market rate units would be paid to ARHA to fund the cost to redevelop all of the public housing units currently located on these sites.⁴ Due to the exigent conditions at Glebe Park, it was proposed that Glebe Park be redeveloped first.

The Glebe Park redevelopment plan, and ARHA's corrective action plan, relied on the receipt of competitively awarded Low Income Housing Tax Credits to finance a major portion of the redevelopment of Glebe Park. Unfortunately, ARHA's tax credit application to VHDA for the Old Dominion parcel, the first proposed phase of the redevelopment, was unsuccessful. However, ARHA believes it will be successful in its next Glebe Park tax credit application to VHDA.

Because the Old Dominion element of the redeveloped Glebe Park tax credit application was unsuccessful, ARHA will not be able to make a major milestone in the corrective action plan it submitted to HUD to cure the technical default, and ARHA is very concerned that HUD may elect to initiate foreclosure on the mortgage. In addition, because of changes in past HUD policies, ARHA can no longer use funds from other properties, or Section 8 administrative fees, to cover Glebe Park's operating deficit. Therefore ARHA is also at risk of financial default on the Glebe Park loan. In order to remove the threat of HUD foreclosure and to relieve financial pressure on ARHA's operating budget, ARHA's representatives have requested a bridge loan from the City to pay off the Glebe Park mortgage. ARHA staff estimates the outstanding mortgage balance to be approximately \$5.6 million. At the time of the writing of this memorandum, it appears that the ARHA Board will agree to the proposed (Attachment II) Glebe Park loan terms and conditions when it meets on Monday, October 22. These loan terms and conditions provide the framework for the eventual loan documents.

In March of 2007, when it approved a support letter for the 2007 Glebe Park/Old Dominion tax credit application, Council also directed the formation of a Glebe Park Stakeholders Group to work with ARHA and the City in the redevelopment process.

¹ The Glebe Park redevelopment plan would replace only the 40 public housing units but not the additional 112 market affordable units (79 of the market affordable units and 23 of the public housing units are vacant).

² In the remainder of this memorandum, James Bland and James Bland Addition are collectively referred to as "James Bland." This property consists of five blocks, or portions thereof, bounded by North Patrick Street, First Street, North Columbus Street, Wythe Street, North Alfred Street, and Madison Street.

³ For a number of reasons, the redevelopment of ARHA's Andrew Adkins site has been removed, at least temporarily, from EYA and ARHA's short-term redevelopment plans.

⁴ The project's 40 public housing unit's however would remain subject to HUD requirements associated with the public housing program unless and until such time as HUD approves a disposition application (to be submitted by ARHA) to remove them from the public housing program.

Based on input from the Stakeholders Group, ARHA/EYA's revised application for Glebe Park development approvals has been reduced by 16 ARHA public housing units from the proposal that formed the basis of the earlier tax credit application. The current application now includes 8 (previously 6) market rate units, along with 10 workforce housing units. City staff is pursuing options for replacing the displaced 16 ARHA units. The revised Glebe Park plan has been approved by the Planning Commission and is pending Council action at Council's October 23 legislative meeting. The next steps, as currently planned, are as follows:

- Application for federal HOPE VI funds for James Bland and James Bland Addition (with Glebe Park as replacement housing site) – November 7, 2007
- Application for Low Income Housing Tax Credits for Glebe Park – February 15, 2008
- Planning Commission and Council Consideration of proposals for James Bland – October 2008
- Commencement of Glebe Park redevelopment – November 2008
- Application for Low Income Housing Tax Credits for first phase of James Bland – February 2009
- Commencement of James Bland redevelopment – November 2009

This schedule was developed in anticipation that approved development proposals, and an approved City loan not contingent upon future development actions, will enable the project to achieve a higher score in the competitive tax credit process than did the 2006 application for Old Dominion.

Proposed Loan Terms: Staff recommends that the proposed Glebe Park loan to ARHA be a residual receipts loan. The City's loan would be subordinate to (1) the security interest of the tax credit investors at Glebe Park, and (2) the security interest of the bridge loan providers in the Glebe Park land, until the Glebe Park demolition/construction bridge loans (estimated at \$7.6 million) are repaid. ARHA plans to repay the City's loan with James Bland land sale proceeds. This City bridge loan (if all the financing works out as projected) is projected to be repaid in about five years. However, neither the final form (i.e., unit numbers, density, etc.) of the development applications that will eventually be submitted for Planning Commission and City Council consideration is established at this time, nor are the financial implications of such development applications with regard to the timing of repayment of the recommended loan or the potential need for additional City investment. The current proposals are likely to be modified to some degree as a result of the planned community process in the James Bland area, and City staff concerns about some aspects of the current development proposals. In the worst case scenario, if there are no funds forthcoming from land sales at James Bland to offset the cost of redeveloping Glebe Park, full repayment of the proposed Glebe Park loan may not occur for 35 to 40 years, or longer, and the City loan to ARHA would need to be extended and become a longer term loan.

I recommend that the proceeds from ARHA's repayment of the \$5.6 million loan be reprogrammed by applying those repaid loan proceeds towards the financing of the other public housing on-site or off-site replacement units.

As with the pending Quaker Hill loan, the recommended Glebe Park loan would provide that, if the tax credit ownership is structured to meet applicable legal requirements, then the tax credit

financed properties would be exempt from City real estate taxes. This is how Chatham Square was structured.

As noted in the general terms and conditions for the proposed loan (Attachment II), the Glebe Park loan to ARHA would incorporate by reference the MOU.

PLANNING EFFORTS INVOLVING ARHA PROPERTIES: In light of the recent Quaker Hill loan and the current Glebe Park loan, the City proposed, and ARHA representatives agreed, that we need a comprehensive, long-range holistic City/ARHA Strategic Plan for ARHA Resolution 830 Units. The City would fund this effort. This concept, which has been endorsed by the City-ARHA Redevelopment Work Group, would be designed, at a minimum, to do the following:

- Achieve an understanding of ARHA's long-term financial needs
- Analyze all ARHA properties with regard to factors such as property condition, capital needs, market pressures and land use potential
- Establish criteria for redevelopment vs. rehabilitation, as well as review land use opportunities
- Prioritize identified redevelopment efforts and assess the magnitude of likely costs
- Develop a schedule and identify funding needs and potential solutions for rehabilitation or replacement

The Affordable Housing Initiatives Work Group (AHIWG) has already included an analysis of ARHA's financial needs and resources as an element in its work plan. It is anticipated that AHIWG will focus on selected limited issues, but major work will need to be done by City/ARHA staff and City-funded consultants. It is also contemplated that this City/ARHA Strategic Plan would be approved by both ARHA and Council once it is completed, and that any future capital grants or loans to ARHA would be considered in the context of the Strategic Plan.

City and ARHA staff agree that the consideration of the redevelopment of Glebe Park should proceed with deliberate speed in order to restore ARHA's capacity to offer the 40 required Resolution 830 units, and to avoid a lengthy period of time with boarded-up buildings. The redevelopment of Glebe Park is expected to proceed in advance of the proposed City-ARHA Strategic Plan. Similarly, given the time and resources already expended by EYA on the development plans for both properties, and the planned use of revenues from the sale of market lots at James Bland to help finance the redevelopment of Glebe Park, the Bland redevelopment must also proceed slightly ahead of the overall Resolution 830 Plan. The Department of Planning and Zoning in conjunction with ARHA, ARHA unit residents and neighboring residents will undertake a Master Redevelopment Planning Process for Braddock East, which encompasses an area containing ARHA's James Bland, Samuel Madden Uptown, Ramsey Homes, and Andrew Adkins properties. The goal is for this process to be concluded in time for submission of development proposals on the Bland sites for Planning Commission and Council action no later than October 2008.

FISCAL IMPACT: It is currently contemplated that the City would provide a \$5.6 million loan to ARHA by increasing its general obligation borrowing, and the City debt service budget being increased to pay for that borrowing. ARHA would pay interest only for the funds borrowed for about five years, and then be converted (if necessary) to long-term debt which would have interest and principal payments. The conversion to long-term debt would occur only if ARHA could not repay the bridge loan from Bland land sale proceeds or other sources, or if the \$5.6 million were used, as proposed, to help finance other ARHA on site or off site unit rehabilitation or replacement needs. The annual interest costs for the short-term borrowing would be about \$250,000 per year. If or when converted to long-term debt, ARHA's interest and principal repayment costs would be about \$500,000 per year, with the interest portion declining over time.

It has been the plan for the City to use tax-exempt commercial paper as the method of financing the bridge loan to ARHA. However, some initial research has indicated that there may be a federal tax credit regulation conflict between issuing tax-exempt debt by the City for a housing project, that may also receive federal low income tax credits funding. While this issue needs further research, it should not be a reason for Council to delay a decision to authorize the Glebe Park loan. If the further research indicates that tax exempt notes (or bonds) issued by the City cannot be used as the source of the Glebe Park loan to ARHA, then the back-up position would be to use already funded City CIP cash capital for City capital projects not yet underway for the \$5.6 million Glebe Park loan, and then to undertake \$5.6 million in additional CIP bond borrowing when those City projects are ready to get underway. The City has used cash capital as a bridge loan financing source before. The City loaned ARHA \$4.2 million in cash capital as a bridge loan for the Chatham Square project. ARHA repaid the loan in full. If the City used its cash capital as the source of the loan, and then borrowed for other capital projects in the same amount, the fiscal impact on the General Fund would be exactly the same as described in the preceding paragraph.

Given the tight fiscal condition in the affordable housing area (developer contributions, the dedicated one-cent in real estate tax revenues, CDBG, HOME, etc) I propose that the City's General Fund Debt Service account finance the debt service payments. No affordable housing funds would be utilized for debt service payments.

ATTACHMENTS:

Attachment I. General Terms and Conditions for a Partnership Memorandum of Understanding
Between the City of Alexandria and ARHA

Attachment II. General Terms and Conditions for Glebe Park Loan

STAFF:

Mark Jinks, Deputy City Manager

Mildrilyn Stephens Davis, Director, Office of Housing

Helen McIlvaine, Deputy Director, Office of Housing

GENERAL TERMS AND CONDITIONS FOR A PARTNERSHIP MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF ALEXANDRIA AND ARHA

WHEREAS, the Alexandria City Council established the Alexandria Redevelopment and Housing Authority (ARHA) under the Virginia Housing Authority Act in the 1930's to provide public housing and redevelopment in the City of Alexandria;

WHEREAS, cooperation and coordination between the City and ARHA is essential in maintaining and improving the stock of affordable housing in the City through effective planning and communications;

WHEREAS, since the 1970s, the policy of the City and ARHA has been to preserve and improve designated public housing units by one-for-one replacement and de-concentration by scattered site replacements under Resolution 830 and its predecessor resolution;

WHEREAS, the City and ARHA worked cooperatively together to replace 264 units of deteriorating public housing in Cameron Valley creating the Quaker Hill community of mixed market rate homeowner units and rental public housing (80/20) in the 1980s and in 2004, the award winning redevelopment of the Samuel Madden Downtown into Chatham Square (100/52) with EYA and scattered sites at Reynolds (18), Whiting (24) and Braddock (6);

WHEREAS, the redevelopment of the Glebe Park and James Bland projects are contemplated under a development plan with EYA;

WHEREAS, the City desires to work with ARHA and the community to develop a coordinated long term strategy for the redevelopment and maintenance of aging public housing sites and de-concentration of public housing as part of an affordable strategy that addresses affordable housing throughout the City.

NOW, THEREFORE, the Alexandria City Council and the Alexandria Redevelopment and Housing Authority hereby set forth and agree upon a process for better planning, coordinating and communicating in order to help develop a coordinated affordable housing strategy for Alexandria that includes the goal of sustaining and improving public and publicly assisted housing within the City of Alexandria.

The following general terms and conditions are intended to provide a framework for a Partnership Memorandum of Understanding (MOU) between the City of Alexandria and the Alexandria Redevelopment and Housing Authority (ARHA). With the City and ARHA working as partners, the purpose of this MOU would be to jointly undertake short and long-term land use and capital planning, monitor program performance and seek to achieve a better long term financial condition for ARHA.

1. The Council and ARHA will continue to maintain a working group of two members of Council and two members of the ARHA Board to meet periodically to discuss matters and issues regarding public housing, on mutual call of the Mayor and Chair of the ARHA Board. The communications of the Working Group will be reported back to the full

Council and the full ARHA Board, respectively, to assure timely understanding and coordination between the two bodies.

2. On mutual call of the Mayor and the Chair of the ARHA Board, the Council and the ARHA Board shall meet in joint session to discuss significant issues of planning and coordination.
3. ARHA and the City, at the City's expense, would jointly and cooperatively work to develop a long-term Strategic Plan including, but not limited to, operations and capital assets for all ARHA properties to assure sustainability, with the City and ARHA mutually choosing the plan's consulting advisor; with ARHA's input and participation in developing the scope of work, the selection of the consultant and the timing of the work. It would be anticipated that both Council and ARHA would adopt this Strategic Plan, and that it would be contemplated that any future capital grants or loans to ARHA would be considered in the context of the Strategic Plan.
4. Annually, starting for its fiscal year 2008, ARHA will submit proposed operating and capital budgets in the format mandated by HUD and/or by other parties for whom ARHA prepares such information for its upcoming fiscal year to the City for review and comment starting in its fiscal year 2009 at least 30 days before it is scheduled for adoption by the ARHA Board. Starting for its fiscal year 2009 operating and capital budgets, the City will submit its proposed operating and capital budgets as they may relate to affordable housing for its upcoming fiscal year to ARHA to review and comment at least 30 days before the operating and capital budgets are scheduled for adoption by City Council. While the City and ARHA may review and comment on these budgets, final approval of the budget remains the responsibility of the ARHA Board of Directors and City Council, respectively.
5. Annually, starting for its fiscal year 2009, and in conjunction with its preparation of its HUD-required PHA plan, ARHA shall prepare a set of goals, objectives and performance measures for all of its properties for City review and comment within the HUD-required timeframe for public review before these goals, objectives and performance measures are scheduled for adoption by the ARHA Board. While the City may review and comment on these goals, objectives and performance measures, any final adoption or approval of these items remains the responsibility of the ARHA Board of Directors.
6. The goals, objectives and performance measures and overall agency management plan shall reflect ARHA's current planned and future schedules for housing unit physical inspection and maintenance, as well as projected timeframe standards for responding to maintenance requests.
7. Annually starting for its fiscal year 2009, in conjunction with its Five-Year Capital Needs Plan submission to HUD, ARHA shall prepare a five-year capital improvement program (CIP) for all of its properties based upon an annual capital condition and needs review.

8. Annually, after receiving its final HUD scoring reports (Physical, Financial, Management, Resident Opinion) and its final Section 8 ranking reports from HUD based on HUD, SEMAP and RIM reviews, ARHA shall report its performance to City Council and the ARHA Board.
9. If after receiving the final HUD scoring reports the City determines that further review is necessary, a performance audit and best practices review of ARHA operations, which would include findings and recommendations, shall be undertaken at City expense, by a consultant selected by the City, with participation by ARHA in that process. If such a review is deemed necessary by the City, the City would recognize the staff resource impact of such a review on ARHA.
10. The Chief Executive Officer (CEO) of ARHA or senior management designee shall meet at least monthly with the City Manager, or the designated Deputy City Manager, to review the status of issues, projects, overall agency management plan, programs and finances.
11. Within one-year of the execution of this agreement ARHA shall provide to the City training plans for its employees, including VHDA and HUD property management certifications for employees where applicable.
12. The City's input will be sought by ARHA on the solicitation, and review of responses to that solicitation, in regard to the selection of ARHA's independent external public auditor.
13. Within 30 days of receipt, the City shall be provided with any final ARHA performance reviews and ratings, any audits, or related management letters that ARHA receives from HUD or ARHA's auditors.
14. Starting with the 2009 audit of its 2008 financial activities, ARHA's annual external outside independent public auditor, selected with the input of the City, shall have as a goal the completion and issuance of its auditor's reports issued no later than June 30 of the subsequent calendar year (six months after ARHA's fiscal year ends).
15. The ARHA Board shall establish an audit committee, or may choose to have the ARHA Board perform that function. The external auditor shall report to the body designated as the ARHA Board audit committee.
16. The City will have the right to review ARHA final financial and grant management letters.
17. ARHA and the City will jointly and cooperatively work in developing a Master Plan for ARHA's East Braddock Road Properties, and it would be anticipated that ARHA's Board and the City Council would adopt this Master Plan and that any future City capital grants or loans to ARHA would be considered by the City in the context of the Master Plan.

18. ARHA and the City will jointly and cooperatively work in developing Master Plans and other plans in areas of the City where ARHA units are located.
19. ARHA shall use its best efforts to include City designated staff in major land use or finance meetings with HUD, developers, lenders and other consultants on any material issues related to the redevelopment of ARHA's properties. The City's Planning and Zoning staff shall use its best efforts to include designated ARHA staff in major land use meetings with developers or other consultants.
20. The City may request designated City staff to attend any executive session of the ARHA Board, or any executive session of a committee of the ARHA Board, when the Board or committee is discussing issues related to development, redevelopment, or any other issue which directly or indirectly impacts the City's or ARHA's financial interests. As soon as practicable, ARHA shall give the City reasonable advance notice of such executive sessions. Such requests by the City to attend such executive sessions shall not be unreasonably hindered, delayed or denied by ARHA.
21. ARHA will continue its planned practice of having a designee of the City Manager as a member of any CEO interview panel.
22. ARHA will provide to City staff the whole of the public docket of the ARHA Board meeting when said docket is provided to the ARHA Board. Similarly, the City Manager will provide in advance to ARHA such docket and public information that relates to public housing.
23. This MOU shall become effective upon City approval of the Glebe Park loan.
24. ARHA shall annually prepare and submit to the City an agency management plan.
25. The City and ARHA shall review the terms and conditions of this MOU every three years.

Text as of
October 19, 2007

**GLEBE PARK AND JAMES BLAND REDEVELOPMENT
PROPOSED TERMS AND CONDITIONS**

1. Glebe Park loan of \$5.6 million to be made by the City to ARHA to pay off HUD guaranteed loan, with the loan terms to include using Glebe Park escrow funds towards repaying a small portion of the \$5.6 million loan.
2. The terms and conditions set forth in the MOU would be incorporated by reference into the Glebe Park loan documents, and any material breach of the MOU that was not substantially cured after 90 days written notice to ARHA would constitute a default under the Glebe Park loan documents.
3. The City-ARHA MOU and Council approval of the \$5.6 million loan would be scheduled and would occur at the same Council meeting.
4. If the MOU is ready for consideration, City Council official authorization of the \$5.6 million loan to be docketed for Council's October 23, 2007, legislative meeting.
5. It is the City's intent to provide this loan in a manner consistent with it being considered for leverage finance scoring in the Hope VI application, contingent upon such leverage finance not precluding repayment to the City of the \$5.6 million from Bland land sales proceeds.
6. City to finance Glebe Park loan with issuance of tax exempt general obligation notes to be issued by the City, or with City cash capital.
7. Interest payments on these notes (about \$250,000 per year) to be added to City general debt service budget (i.e., no use of dedicated affordable housing funds).
8. ARHA and EYA will undertake to arrange bridge loans for the demolition and construction at Glebe Park. VHDA may be the source for lending part of those funds.
9. The City's \$5.6 million loan to pay off the HUD mortgage would be subordinate to (1) the security interest of the tax credit investors at Glebe Park, and (2) the security interest of the bridge loan providers in the Glebe Park land, until the Glebe Park demolition/construction bridge loans (estimated at \$7.6 million) are repaid. The City loan repayment source is planned to be James Bland land sale proceeds.
10. The City will process the Glebe Park plan for (Option 1 mixed income = 18 market rate and workforce units) for hearing and action in October 2007.
11. City pledges to work diligently with ARHA to identify locations and funding for 16 off site replacement public housing units, including consideration of utilization of some affordable housing developer contributions or housing units as the source of funding.
12. ARHA to proceed to apply for Hope VI grant funds from HUD and the City would assist in that effort.
13. In consultation with City staff, ARHA to develop a written communications plan for HOPE VI and other redevelopment initiatives, and ARHA will coordinate the preliminary hearings and notices thereof, after obtaining City staff input and concurrence.
14. The City plans on signing the necessary certifications for the Hope VI application on or before the filing deadline of November 7, 2007.
15. City and ARHA will meet soon with the Congressional delegation to solicit interest and support for Hope VI grant.

16. If Hope VI grant and tax credit application processes are not successful, rethinking of the timetable and financing for James Bland would occur, with applying for Hope VI grants and tax credits in subsequent years to be part of the plan.
17. City review and concurrence of plan of finance for Hope VI application, as well as the written Hope VI grant application, at staff and Council-ARHA committee level required.
18. A 2008 9% tax credit application by ARHA for Glebe Park will proceed as planned. In subsequent years, tax credit applications would be filed with VHDA for James Bland redevelopment.
19. If the tax credit ownership is structured to meet applicable legal requirements, then the tax credit financed properties would be exempt from City real estate taxes.
20. If the Hope VI application is not awarded, but the tax credit financing is awarded in a sufficient amount, and the Bland Development Special Use Permit (DSUP) is approved on or before November 1, 2008, then the Glebe Park project may proceed, with the understanding that the term, but not the amount, of the \$5.6 million loan may need to be extended.
21. The City plans on taking land use decision actions that will result in a decision on the redevelopment of ARHA's James Bland property by City Council by November 1, 2008.
22. The above plans and pledges do not entail a predetermination by either City staff or City Council of the number of housing units that will be recommended, or be approved, on the James Bland site, after a site redevelopment submission is made.
23. If the James Bland project is not approved on terms that make the Glebe Park and James Bland projects economically viable, then the redevelopment of Glebe Park would need to be addressed by the City and ARHA.
24. A comfort letter from the City to ARHA and EYA will be provided outlining the above key points.
25. After the \$5.6 million Glebe Park loan is repaid, it is the City's intent to reprogram those repaid loan proceeds towards the financing of other public housing on-site or off-site replacement units.

Text as of
October 19, 2007



OFFICE OF THE CITY MANAGER

301 King Street, Suite 3500
Alexandria, Virginia 22314-3211

MARK B. JINKS
City Manager

703.746.4300
Fax: 703.838.6343

February 10, 2017

Mr. Roy O. Priest, CEO
Alexandria Redevelopment and Housing Authority
401 North Wythe Street
Alexandria, Virginia 22314
By email to rpriest@ARHA.us

Dear Mr. Priest:

Thank you for the notification of the U.S. Department of Housing and Urban Development's approval of ARHA's request to use \$6.0 million in James Bland redevelopment proceeds toward the full repayment of the Glebe Park loan made by the City to ARHA in March 2008. We appreciate ARHA's obtaining HUD's approval of this loan repayment authorization.

As indicated by City Council's actions authorizing the loan in October 2007, it is intended that the corpus of the loan proceeds of \$5.0 million (this excludes loan interest) are planned to be set aside by the City and exclusively used to assist ARHA in the financing of one or more of the five redevelopment projects (on-site or off-site units) that ARHA has started the planning process for. This is what I plan on recommending that the \$5.0 million be used for.

In regard to the recent request that an official presentation of the loan repayment be docketed for City Council's February 14 meeting, I have revised the City Council meeting docket and added the requested repayment presentation as a new docket item.

We look forward to working with ARHA and the community in planning and readying for redevelopment of the next five redevelopment sites. As proven by the prior Chatham Square, Old Town Commons, Quaker Hill and other ARHA redevelopment projects, mutual cooperation on both the planning and financing fronts can deliver extraordinary results for ARHA's tenants and the entire Alexandria community.

Sincerely,

Mark B. Jinks
City Manager

cc: The Honorable Mayor and Members of City Council
James Banks, City Attorney
Emily Baker, Deputy City Manager
Helen McIlvaine, Director, Office of Housing



Legislation Details (With Text)

File #: 18-7620 **Name:** ARHA Ramsey Home loan increase
Type: **Status:** Agenda Ready
File created: 4/11/2018 **In control:** City Council Legislative Meeting
On agenda: 5/22/2018 **Final action:**
Title: Consideration of an Increase in an Approved City Loan to the Alexandria Redevelopment Housing Authority (ARHA) for Ramsey Homes from \$2 million to up to \$3.6 million.
Sponsors:
Indexes:
Code sections:
Attachments: 1. 18-7620_Feb 14 2017 Loan Docket Memo, 2. 18-7620_Ramsey Request for Loan Increase and Proforma (0418).pdf, 3. 18-7620_Ramsey Homes Budget 2017-18 Comparison.pdf

Date	Ver.	Action By	Action	Result
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City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 16, 2018
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:
 Consideration of an Increase in an Approved City Loan to the Alexandria Redevelopment Housing Authority (ARHA) for Ramsey Homes from \$2 million to up to \$3.6 million.

ISSUE: Construction Cost increases at Ramsey Homes and the plan to close the resultant budget gap.

RECOMMENDATION: That City Council approve a permanent loan to the Alexandria Redevelopment Housing Authority (ARHA) of up to \$3.6 million for Ramsey Homes which is to be funded from a portion of the proceeds of ARHA’s \$5 million previous repayment of the City’s Glebe Park loan.

BACKGROUND: In February 2017, City Council approved a loan of up to \$2 million to pay for offsite infrastructure improvements and other amenities required for the proposed redevelopment of the existing 15-unit Ramsey Homes public housing development into a 52-unit mixed income community (Attachment 1). City Council had previously approved a loan of \$1 million at the time of the DSUP for Ramsey Homes was approved in November 2016. In June 2017, the

development received Low Income Housing Tax Credits and ARHA has been working toward a financial closing this Spring, along with the preliminary start of construction. In February, ARHA held an Open House pursuant to the Section 106 process, and it has completed asbestos removal on the site. Demolition and archeological work will begin soon.

DISCUSSION: ARHA's request for the new loan amount (Attachment 2) cites several factors that have impacted its \$2.2 million increase in construction project costs. ARHA notes that the price of steel and lumber have increased by over 20% during the year since its tax credit award. In addition, changes in tax credit prices paid by investors (resulting from the lowering of the corporate tax rate in the December 2017 Tax Reform Act) have caused ARHA's tax credit pricing for Ramsey to drop from \$1.01 to \$0.98. This amounts to \$5 million reduction in the tax credit equity for this project. Also, ARHA has less of its own on-hand money available to invest in Ramsey than it projected last year. This is due to delays in the Adkins project which has resulted in ARHA not earning developer fees per the original DSUP schedule.

Besides the additional \$1.6 million in funds being requested from the City, to close the gap, ARHA requested additional credits from VHDA and is deferring \$310,000 in developer fees. ARHA has begun value engineering the project, which may result in additional savings. Since project numbers may fluctuate until closing, City Housing staff will continue to review the budget and proforma with ARHA on an ongoing basis, and additional City loan funds (out of the amount approved by Council) will only be used as needed.

Attached is a comparison of the Sources and Uses, including the budgets on which ARHA's current request is based and those developed for the 2017 loan request. Loan A is the value of ARHA's sellers note and Loan B is additional ARHA investment in the project (Attachment 3).

The Alexandria Housing Affordability Advisory Committee (AHAAC) considered the request at its May 3, 2018 meeting. To allow the financing and construction of the project to move forward, AHAAC recommended approval of the loan, however the Committee recommended that City Council approve the increase contingent upon ARHA making the new \$1.6 million increment a priority repayment. ARHA's Acting Development Director Martin Lucero agreed to present this recommendation to the ARHA Board. He also agreed to return to AHAAC in June to update them on progress in value engineering.

FISCAL IMPACT: The request for up to \$3.6 million will require an additional allocation of \$1.6 million of Housing Opportunities Fund dollars, from the reservation established with proceeds from ARHA's repayment of \$5 million for the City's Glebe Park loan. If all the funds requested are used for Ramsey, a \$1.4 million balance from the \$5 million reservation will remain for other RFP site projects. If the \$1.6 million is a priority repayment, the \$2 million balance of the City's loan and ARHA's seller note (Loan A) will share residual receipts on a 50/50 basis, with the City loan having payment priority. As in 2017, ARHA has stated its intention to fully repay any remaining balance due on the City loan when the project is refinanced after expiration of the initial affordability period, around Year 15 following stabilization (estimated to be ~2033).

ATTACHMENTS:

1. February 8, 2017 Docket Memo
2. ARHA Request for Ramsey Loan Increase (April 25, 2018) and Proforma
3. Comparison of 2017/2018 Project Budget - Sources and Uses

STAFF:

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

Eric Keeler, Deputy Director, Office of Housing
Tamara Jovovic, Housing Analyst, Office of Housing

FY 2020 Affordable Housing Development Funds Financial Report | August 29, 2019

Balance Remaining: \$4,000,000

Revenues

	2019						2020						Total
	July	August	September	October	November	December	January	February	March	April	May	June	
Developer Contributions Received	\$0	\$158,384	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$158,384
Multifamily Loan Repayments	\$66,896	\$4,526	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$71,422
New Revenue Allocated by City Council	\$4,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,000,000
Total	\$4,066,896	\$162,910	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,229,806

Commitments & Reservations

	Start	July	August	September	October	November	December	January	February	March	April	May	June	FY Total	Running Total
Housing Trust Fund (HTF)															
Rebuilding Together Alexandria (RTA)	\$0	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$50,000	\$50,000
Pilot Rental Assistance	\$870,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$870,000
Braddock Small Area Plan Fund	\$1,334,080	\$0	\$89,193	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$89,193	\$1,423,273
Housing Trust Fund (HTF) Total	\$2,204,080	\$50,000	\$89,193	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$139,193	\$2,343,273
Housing Opportunity Fund (HOF)															
Wesley - Fairlington Presbyterian Church	\$7,250,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7,250,000
Friends of Guest House	\$145,000	\$0	-\$42,361	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-\$42,361	\$102,639
ARHA - Set Aside	\$1,400,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,400,000
ARHA - Ramsey Homes	\$3,179,680	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,179,680
AHDC - Operating	\$275,000	-\$275,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-\$275,000	\$0
AHDC - King & Beauregard	\$700,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$700,000
AHDC - Ellsworth	\$1,800,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,800,000
AHDC - Carpenter's Shelter / The Bloom	\$1,700,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,700,000
AHC - Church of the Resurrection / The Spire	\$5,249,290	\$0	-\$5,249,290	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-\$5,249,290	\$0
Housing Opportunity Fund (HOF) Total	\$21,698,970	-\$275,000	-\$5,291,651	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	-\$5,566,651	\$16,132,319