

City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 11, 2015

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

SUBJECT: COMPARISON OF ARHA AND CITY PROJECTIONS REGARDING
OPTION B FOR RAMSEY HOMES

While Saturday's decision that Council is facing in regard to the Ramsey Homes demolition question is one where only specific historic preservation criteria can be considered in the demolition decision making process, some of the speakers may advocate for Option B which would entail demolishing two buildings and preserving two buildings.

At Tuesday's meeting of the Redevelopment Work Group regarding Ramsey Homes, ARHA presented new projections regarding the cost and feasibility of the Recommended Proposal, its 53 new-unit redevelopment concept, and Option B, a 30 to 32-unit partial preservation and redevelopment concept that would preserve and renovate two existing buildings comprised of 8 units and construct a new building containing 22 to 24 new units. There were no projections regarding Option C (a renovation of the existing 15 units) as ARHA does not believe this option is financeable or sustainable over the long term.

Since Tuesday, City and ARHA staff have had further discussions and both staffs have refined their assumptions (see attached). ARHA staff view Option B as not financially viable, while City staff believe that that Option B may be financially viable, but more work would need to be done to determine if that is true. Affordable housing finance is one of the most complicated areas of municipal finance. The key factor is whether or not 9% housing tax credits could be awarded from VHDA's very competitive and often oversubscribed tax credit consideration process.

ARHA staff believes that Option B would not be competitive for 9% tax credit financing which is key to the financial viability of the project. City staff believes that 9% tax credits may be possible. The bottom line is that the funding gap under ARHA's scenario is \$11.8 million, while the funding gap under City staff's scenario is \$2.8 million.

Attachment: Comparison of ARHA and City Projections re Option B for Ramsey Homes

cc: The Honorable Members of City Council
Emily Baker, Acting Deputy City Manager, City Manager's Office
Karl Moritz, Director, Department of Planning and Zoning
Helen McIlvaine, Acting Director, Office of Housing
Eric Keeler, Division Chief, Administration, Office of Housing

**RAMSEY HOMES REDEVELOPMENT
COMPARISON OF ARHA AND CITY PROJECTIONS FOR OPTION B**

| | ARHA | CITY |
|-----------------------------------|--------------|-------------|
| Total Development Cost | \$14,610,091 | \$8,664,822 |
| Total Development Cost (TDC)/Unit | \$487,003 | \$288,827 |
| Construction/Soft Costs | \$8,382,531 | \$7,674,822 |
| Land | \$3,792,560 | \$0 |
| Developer Fee | \$2,435,000 | \$653,206 |
| 4% Tax Credits | \$2,813,450 | \$0 |
| 9% Tax Credits | \$0 | \$6,498,617 |
| Mortgage | \$0 | \$0 |
| | | |
| Initial Funding Gap | \$11,796,641 | \$2,166,206 |
| Utility/Infrastructure | \$0 | \$632,000 |
| | | |
| Total Funding Gap | \$11,796,641 | \$2,798,206 |

Notes

1. Option B assumes 30 units, including rehabilitation of 8 existing units (2 buildings) and construction of 30 new units (1 multifamily building).
2. ARHA's land value is based on the 2015 City Real Estate Assessment. Its numbers assume ARHA will be paid this amount.
3. Both the City and ARHA believe that Option B provides a "breakeven" cash flow, so no mortgage debt is assumed.