

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 18, 2016

TO: THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

THROUGH: MARK B. JINKS, CITY MANAGER 

FROM: HELEN MCILVAINE, DIRECTOR, OFFICE OF HOUSING
KARL MORITZ, DIRECTOR, DEPARTMENT OF PLANNING AND ZONING

SUBJECT: TAX CREDIT CONSULTANT FINDINGS: SUPPLEMENT TO 2/17 MEMO
ON RAMSEY REDEVELOPMENT – REVIEW OF OPTIONS

Today City staff received the findings of its tax credit consultant, Ryne Johnson of Astoria LLC, with regard to his review of draft tax credit applications provided by ARHA for its proposed 53-unit redevelopment of Ramsey Homes, as well as a 49-unit “hybrid option” (which accommodates preservation of one of the existing buildings). Those written findings were provided to ARHA today. A summary of the findings is outlined below:

49-Unit “Hybrid Option”

With regard to the hybrid option (a 49-unit building which results in the saving of one of the existing 4-unit Ramsey homes buildings if continued as a residential use for a total of 53 units), Mr. Johnson stated:

“I was also asked to review the 49-unit deal. The estimated score is the same in all areas except for the Efficient Use of Resources (EUR). This is because in the reduction in the numbers I was given, the reduction in units did not result in a reduction in costs. I believe that with the reduction in units we should have costs that are lower than the 53 unit building has.”

“However I believe that if the 49-unit building would be redesigned to be more efficient in its construction you would see a cost savings. With some of the points improvements [recommended for the 53-unit model] *I believe this scenario could be made competitive in a future credit cycle.*” (*emphasis added*)

Johnson also notes that the 2016 tax credit application generally calculates slightly higher scores for deals with more than 50 units. It should be noted that the 49-unit Hybrid Option could not be considered for a 2016 tax credit application as it has not been designed and detailed sufficiently

at this point in time, and could also not obtain the needed land use approvals in time for the March 4 VHDA tax credit application deadline. The 49-unit Hybrid Option would need to be a 2017 tax credit application.

ARHA's 53-Unit Proposal

After reviewing ARHA's draft tax credit application, a number of changes were recommended by Johnson to make ARHA's proposed program for the 53-unit development more competitive in comparison to projects likely to be submitted to VHDA in 2016 by other housing authorities. Given the strength of the competition, without those changes, Mr. Johnson questioned whether ARHA's current application would be competitive enough to be allocated tax credits by VHDA in 2016. The recommended changes Mr. Johnson has proposed relate to energy efficiency, marketing units to persons with intellectual and developmental disabilities, square footage calculations, operating costs, debt coverage ratios, credit pricing, and City loan amount. ARHA staff is reviewing these recommendations and has indicated that some recommendations were ones they planned to consider in the finalizing of their tax credit application. None of these recommendations would change the size, exterior design of the proposed 53-unit building, or the DSUP details or conditions now before Council.

In regard to the City loan amount, additional tax credit points to ARHA could be earned if the amount of the proposed City loan was increased from the \$1.0 million previously recommended level to up to as much as \$1.5 million. This increase could be funded from James Bland sale proceeds which is the same source funding the \$1.0 million proposed loan. If City Council approves the 53-unit DSUP, and if ARHA requests a loan increase, City staff would recommend that the proposed \$1.0 million loan be increased to up to as much as \$1.5 million. The same terms and conditions of loan repayment would apply.

Consultant Qualifications

Ryne Johnson is a principal of Astoria, a real estate development and financial consulting firm. His particular expertise is in the field of low income housing tax credits, including nine years at the Virginia Housing Development Authority (VHDA), with four as a senior allocation officer with its tax credit program. During Johnson's tenure in this role, he was instrumental in the design and implementation of VHDA's electronic tax credit application format. Johnson has been highly successful in helping nonprofit and private developers understand VHDA's criteria for winning tax credit allocations since 2012, with 41 out of 49 projects submitted being awarded tax credits.

Since the VHDA tax credit allocation process is highly competitive among non-profit housing providers and housing authorities statewide, application information is considered proprietary. Since Mr. Johnson's letter contains scoring information about specific applications, the letter contains proprietary information. As a result, his findings have been summarized in this memorandum.