



ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

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DATE: FEBRUARY 10, 2016

TO: THE HONORABLE MAYOR, VICE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: ARHA BOARD OF COMMISSIONERS

SUBJECT: UPDATE ON THE RAMSEY HOMES REDEVELOPMENT EFFORTS

We are pleased to present you with an update on the actions taken by ARHA, in conjunction with the City, as it relates to the evaluation of redevelopment options for Ramsey Homes. These actions were taken in response to the April 22nd BAR action to deny the Permit to Demolish as well as the September 12th City Council meeting regarding same, during which several council members requested that ARHA explore options that would not involve complete demolition; including preserving a building or buildings or a portion of a building and incorporating it into the design of the project.

We believe that complete clarity and transparency as it relates specifically to the request, as well as the actions subsequently taken as a result of the request, is critical in conveying the expectations and the actions resulting from both the April 22nd and September 12th meetings. In order to provide the desired clarity and transparency, provided below is a timeline of actions related to the Ramsey Homes redevelopment. Further, we have included some points of clarification as it relates to comments made at the Planning Commission meeting held last week.

ARHA Ramsey Preservation Analysis Timeline:

April 22, 2015

Parker Gray BAR denial of the Permit to Demolish the Ramsey Homes.

May 14 – August 12, 2015

At the City's request, ARHA agreed to delay consideration of the appeal of the BAR decision and with the understanding that the City would continue to work with ARHA on the staff-endorsed concept plan for the redevelopment of the property. In addition, ARHA would continue to obtain additional information to justify that the interest of the public are not detrimentally impacted by the demolition of the structures, but are in fact enhanced as a result of the construction of the new community.



ARHA staff, the design team and the Construction Manager at Risk (CMAR) began to study the potential to rehabilitate the existing 15 units of housing, in cooperation with city staff.

- 6/30/2015 - A tour of a vacant unit was conducted with city staff
- 8/12/2015 - The designers developed a scope of work for the rehabilitation and the cost estimates priced out by the CMAR were provided to city staff.

The exercise indicated that the cost to bring the units up to current codes and provide the amenities required by the tax credit funding and ARHA standards was not possible without significant modifications to the building envelope which would compromise the preservation efforts and, even with this, the units would still not be fully accessible. The hard cost for this option was \$2,432,310. The acquisition cost of \$3.8 million, soft cost in excess of \$1 million and reasonable developer fees and the cost could be as much or more than \$8 million dollars. The analysis also demonstrated that there was no federal or state funding for the rehabilitation of the existing units primarily due to the inefficiencies short and long-term. The exception being the limited funds available from historic tax credits.

August 3, 2015

City Council/ARHA Redevelopment Working Group met to discuss the progress of the work related to the alternatives that would include some preservation of the existing properties.

August 21, 2015; ARHA Submits Completeness Review

ARHA submitted its revised 53 unit concept to Staff and received comments from Staff on June 25th. ARHA submitted its initial Completeness Review on July 17th, incorporated Staff's additional comments and then submitted a Final Completeness Review/Preliminary Review on 8/21/2015.

August 26, 2015

ARHA had a follow-up meeting with city staff to discuss additional alternatives for the site. At this meeting the City Planning staff provided sketches and development costs for a concept that would preserve the 2 end buildings and construct 22 new units of row-house infill. This model also did not prove to be competitive for tax credit funding or sustainable long term. In addition, the city development cost figures did not include land value and indicated a significant reduction of ARHA's developer fee.

September 4, 2015

A Memorandum was provided to City Council/ARHA Redevelopment Working Group regarding three options:

- A) 53-unit new construction;
- B) 22 to 24 new units constructed, two buildings preserved (total of 30 – 32 units); and
- C) 4 buildings preserved (total of 15 units).

September 8, 2015

City Council/ARHA Redevelopment Working Group met to discuss the results of the work related to the 3 options noted in the September 4th memo. The conclusion was that the City staff and ARHA had differing views regarding some costs, including how the costs could be financed, which impacted the perspectives regarding the feasibility/sustainability of some of the options, and that staff would continue to work on these cost issues.

The ARHA Board found the three options to be unacceptable because a critical mass of units are needed at up to 50% and 60% AMI, in order to support the 15 units of extremely low (30% AMI) households that are protected under Resolution 830. The options did not include ARHA's land value (\$3,792,560) and had significantly reduced developer fees. In addition, these options would require City funds to move forward, which according to City staff, would come from the Glebe Park/James Bland loan repayment proceeds.

September 12, 2015; City Council Hearing

While voting for approval of ARHA's appeal of the BAR's denial for demolition, members of Council requested that ARHA explore options that would be less than complete demolition; including preserving a building or buildings, or a portion of a building and incorporating that into the design of the project.

October 5, 2015; ARHA/City Charrette

ARHA staff, the Ramsey design team and the Construction Manager at Risk participated with City staff in a Charrette to review additional options for the site, including a new 46 unit, 4-story building and a 36 units, 3-story building. After this charrette, ARHA's design team returned to the drawing board and determine that the plan as conceived could result in 49 new units at 4-stories and 39 at 3-stories in height.

October 7, 2015; ARHA/City Charrette Follow-up Meeting

ARHA staff and designers met again with P&Z Staff to work on architecture for the options. Elevations were sketched by the City Architect for discussion at that meeting. It was determined that the elevations would be used on the 49/39 concept and modified for the 53-unit concept.

Along with the additional options, P&Z staff drafted an aggressive schedule for evaluation of the newest options, with the goal of being heard by the Planning Commission and/or City Council in time to meet the March tax credit application deadline. It was the ARHA Board's assessment that the schedule was optimistic at best, unrealistic at worst.

The City offered to use \$265,000 to complete the investigation of all of the options. ARHA staff was informed that the funds to be used for the additional study would be City General Obligation funds, to be repaid when the "ARHA earmarked" Glebe Park loan proceeds were received. The ARHA Board firmly believed that these options were not viable and that it would not be a sound use of the money from which not a single unit of affordable housing would result, and in addition, would take funds from future ARHA redevelopment efforts.

October 13, 2015

The ARHA Board met for the purpose of reviewing all of the analysis related to the multiple options (pre- and post-September 12) and determined that it was not in the best interest of the Authority to continue with the investigation of alternative options because they were not competitive, economically feasible and some were predicated on the forfeiture of ARHA’s land value and earned developer fee. At this point, the ARHA Board made the decision to only move forward with the 53 unit plan with demolition of all of the original buildings which is competitive for the 9% tax credits and is economically feasible for the long term.

The Braddock East Master Plan, states that:

The decision to redevelop these public housing sites is ultimately at ARHA’s discretion and is highly dependent upon what will be economically feasible at the time. The Braddock East Master Plan provides sufficient flexibility to enable ARHA to achieve its mission of providing quality housing to persons of low income in a manner that allows ARHA to capitalize on its major asset – its land, which is held in trust primarily for the benefit of its residents.

The ARHA Board felt that, in making the decision it was making, it was being a good steward of the Authority’s asset.

October 16, 2015

ARHA informed the City Manager of its October 13th decision.

November 25, 2015

The Department of Planning and Zoning issued the Verification of Completeness letter for the DSUP.

November 30, 2015

ARHA received the Verification of Completeness Letter and staff comments on November 30, 2015, three months after Preliminary submission, August 21, 2015. [Note: the Certification of Completeness was withheld due to the perception that alternatives for preservation were not explored. Ultimately, P&Z Staff determined that such exploration was not a completeness issue.]

January 21, 2016

The City requested a review of ARHA’s analysis to verify ARHA’s conclusions that renovation and preservation options were not viable. ARHA updated its analysis based on the 2016 tax credit rule changes and provided a detailed summary of its analysis to the Mayor and City Council, the Planning Commission and the ARHA Board of Commissioners on January 21st.

January 22, 2016

ARHA participated in a telephone conference with city staff to discuss ARHA's analysis as well as the assumptions and facts that were used in the analysis. City staff asked for additional clarifications of its assumptions.

January 26, 2016

ARHA provided the requested clarifying information to the Mayor and City Council, the Planning Commission and the ARHA Board of Commissioners.

February 2, 2016

P&Z Director Karl Moritz, Housing Director Helen McIlvaine, and additional P&Z Staff audited ARHA's work and concluded the meeting with an understanding of what ARHA had done to date. Director Moritz requested the analysis of an additional option, which was the 4-story, 49 unit new construction building. This Option assumed that the land and one building would be subdivided for rehabilitation through other means and therefore not included in this concept.

February 3, 2016

ARHA provided P&Z Director Moritz with the analysis for the new option, ARHA's Option 6. ARHA determined that this option was somewhat competitive for the 9% tax credits but the cash flow did not provide a debt coverage ratio high enough to be attractive to investors, a necessity for the tax credit option to work. In addition, ARHA does not believe the community would agree to a 4-story building on this site, which is why the current proposal has a 22% reduction in (net new) units from the initial design and a reduction from 4 to 3-stories.

February 4, 2016 Planning Commission Hearing

P&Z Director Moritz submitted his conclusions that ARHA's analysis did not rule out the option of preserving one building and building 49 new units in a 4-story building. He stated that the development of the new building would be "potentially competitive" for tax credits and would require identification of funds to acquire and renovate the preserved building. Housing Director McIlvaine indicated that there was some creative financing that would address the low debt coverage ratio. The ARHA Board has not reviewed this information.

Later, same day, the Planning Commission hearing resulted in approval of the Master Plan and map amendment indicating that the increased density was consistent with the zoning ordinance and appropriate. The Commission denied the DSUP indicating that the evaluation of the alternatives for preservation of one or more of the buildings was an issue for the Mayor and City Council to address.

Present Day

The ARHA Board believes that ARHA has provided the City with everything they asked for to review the potential for preservation of one or more of the existing buildings, including a financial audit of ARHA's calculations and confidential tax credit application.

The ARHA Board reviewed the analysis of all of the options presented by ARHA staff and the City staff and determined that none are financeable or economical feasible *and* sustainable, a requirement for the ARHA Board to approve any project moving forward.

ARHA's perspective is that Option 6, while moderately competitive for the 9% tax credits, has a low debt coverage ratio which will not be attractive to investors, a necessity in financing the project. In addition, preservation of the building requires identification of funds for acquisition (~ \$950k, i.e. 25% of the \$3.8 million land value), financing and soft costs, and renovation. Maintenance in the long term as well as rent subsidy if the units are kept as housing affordable to the extremely low income will also need to be identified. Finally, the BAR and neighborhood residents strongly opposed a 4-story building, resulting in ARHA reducing the total number of units proposed by 17% in order to reduce the height to a 3-story building.

Section 106 of the National Historic Preservation Act

There was a speaker at the Planning Commission meeting that questioned ARHA's ability to move forward with the City approvals and HUD's approval of a Disposition Plan for this project, before obtaining Section 106 of the National Historic Preservation Act approval. We reviewed the issue and verified our initial conclusion, that the decision regarding the City Council reversal of the BAR denial of the Permit to Demolish would be determined in the courts and, while this was occurring we were able to advance the associated work related to the redevelopment efforts.

This was also confirmed by Boyd Sipe, the Manager of Archeology at the Thunderbird Archeology a Division of Wetland Studies and Solutions, Inc, who informed us of the following:

"Section 106 of the National Historic Preservation Act requires that a federal agency assess the effects of its undertakings on historic properties (i.e. historic and prehistoric period archeological and architectural resources). It is the role and responsibility of the federal agency to determine if an undertaking exists and decide if and when the Section 106 process is initiated. There are no clear regulations regarding the appropriate timing for Section 106 initiation; a federal agency will generally avoid initiating Section 106 prior to determining that an undertaking will occur. It is not unusual for Section 106 review to begin after a project has gained all needed local land-use approvals.

"As you are aware, HUD (the federal agency) has delegated its Section 106 responsibilities in this project to a responsible agency (City of Alexandria Housing Office). The City Housing Office has recently determined that the project will constitute an undertaking with the potential to effect historic properties. We are now, under the direction of the Office of Housing, identifying consulting parties and initiating the Section 106 process by contacting the DHR and other identified consulting parties.

Please let us know if there is any additional information that you need or if you have any questions about the material we have provided. We are available at your convenience.