City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 4, 2015

TO: THE HONORABLE MAYOR AND MEMBERS OF THE ARHA REDEVELOPMENT WORK GROUP

FROM: MARK B. JINKS, CITY MANAGER

SUBJECT: ALTERNATIVE REDEVELOPMENT AND RENOVATION OPTIONS FOR ARHA'S RAMSEY HOMES

In advance of Tuesday's meeting of the Redevelopment Work Group, in response to the community debate as to the future of Ramsey Homes, and as part of City staff's due diligence in reviewing the proposed redevelopment of Ramsey Homes, the Office of Housing and Planning and Zoning staff have been working on modeling and assessing three options, including the ARHA proposed 53-unit (new units) redevelopment proposal; a 30 to 32-unit partial preservation and redevelopment option; and an option that preserves and substantially renovates the existing15-unit property.

Staff is currently working with ARHA staff to refine assumptions and explore the potential costs, financial feasibility, and long term operational sustainability of each option. As costs are developed and refined, they will be broken into three categories: those which are anticipated to be covered with tax credit equity (including competitive/9% or non-competitive/4%, as well as state and federal historic credits, as applicable); those which can likely be financed through first trust mortgage debt (to be paid out of Ramsey's projected future cash flow); and, and those which will probably have to be funded with Glebe Park/Bland loan repayment proceeds.

Attached are illustrations of the current proposal ("Recommended Proposal") and two other options ("Option B" and "Option C") being studied, with details of each option summarized in this memo. It should be noted that while the attached depicts the physical aspects of the three different plans, *much more work remains to be done to determine whether or not Option B or Option C are financially feasible*. City and ARHA staff are continuing to work on that key issue. While the Recommended Proposal and the two options would all likely to be able to access tax credits and would likely need to utilize a sizeable amount of the Glebe Park/James Bland loan repayment proceeds, the levels of those funding sources remains a work in progress and could very well make or break the financial viability of these three different plans.

(A) Recommended Proposal: 53 units (100% new construction and full demolition of 15 existing units)

ARHA had originally proposed a single building four-story Ramsey redevelopment project with 64 units. However largely because of height, density and surface parking concerns, that original proposal was substantially scaled back. What is now recommended by ARHA and supported by City staff is a 53-unit two building proposal with underground parking (drawings attached). This 53 unit proposal is the minimum number of units that ARHA believes is competitive for 9% tax credit equity (i.e., drawing down an estimated $14.5 million in tax credit equity). This Recommended Proposal is likely the least costly on a per unit basis in regard to the amount of local funding required.

The 53 units would be comprised of a broad range of affordability. As proposed it will include some units (approximately 15) that will be affordable to households with incomes at or below 30% of area median income (AMI), like the current residents of the existing Ramsey buildings, to around 38 units for households with incomes ranging up to 50 and 60% of the AMI. Not only is this mix of incomes one of the goals of ARHA's Strategic Plan, rental revenues from the 38 higher income AMI units could help subsidize operating costs that cannot be sustainably met over the long term from the 15 30% AMI household income rents.

The following chart translates the AMI percentages to actual income levels and shows the wide range of household incomes that would be housed in the proposed 53-units:

2015 Income Limits	1 Person	2 People	3 People	4 People	5 People
30% AMI	$22,950	$26,200	$29,500	$32,750	$35,400
50% AMI	$38,250	$43,700	$49,150	$54,600	$59,000
60% AMI	$45,850	$52,400	$58,950	$65,500	$70,750

Source: HUD

**Numbers are rounded pursuant to HUD guidelines.*

The preliminary design of the three-story multifamily buildings, with a combination of one, two and three bedroom units, including some accessible units, was favorably reviewed by the BAR, entirely separate from its determination not to support the demolition proposal. If redeveloped, an underground parking structure would provide a number of spaces that is consistent with the recently adopted standards for multifamily development. ARHA is currently working with development staff to improve the provision of open space, either onsite or off. To ensure that ARHA remains within VHDA's cost guidelines, it may be necessary for the City to make some offsite infrastructure improvements using the Glebe Park/Bland loan proceeds.

(B) Option B – 30 to 32 units (8 existing units preserved and 22 to 24 new units constructed)

This scenario (see attachment) retains two existing buildings on each end of the site. The 8 units in the two retained buildings would be substantially renovated, with significant modifications to modernize, upgrade and improve the livability of the units, including potential bump-outs in areas largely not visible to the public using Patrick Street. In between these buildings, two new multifamily buildings, that could be designed to appear as townhomes will be built. As at Bland, the interiors could be stacked flats, with some accessible one story flats at the ground level. There is some flexibility possible in designing the overall configuration (unit type and number), but staff estimates that 22 or more new units in total are possible. With this reduced number of units, surface parking could accommodate the required spaces.

Both competitive tax credits, as well as state and federal historic tax credits, are considered potential sources. Obtaining 9% tax credits is less probable with just a 30-unit project, but the less valuable 4% credits (generates approximately less than half the revenue that 9% tax credits produce) would be available as well as potentially a small amount of historic preservation tax credits. Some of the related infrastructure costs (such as the underground parking) would be reduced due to the lower number of units.

At this scale, the range of affordability feasible is more constrained. With 15 units set aside for households at 30% AMI, the balance will likely have to be affordable at 60% AMI, just to maintain breakeven operations.

(C) <u>Option C – 15 units (all units preserved, no new construction)</u>

As in Option B, all 15 existing units would be substantially renovated, including modifications to some to achieve accessibility, potentially through bump-outs and additions. At this size, it is very difficult for a project to successfully compete for 9% credits, so a greater amount of the Glebe Park/James Bland loan proceeds would likely be required to supplement 4% credit equity. A far fewer number of affordable units is also produced (15 versus the 53 that are Recommended and the 30 to 32 in Option B). The net local per unit cost is also likely the highest of any of the options.

<u>Continuing Analyses:</u>

It noted that City staff and ARHA currently have differing views regarding some costs, including how these costs can be managed (financed), which impacts perspectives regarding the feasibility/sustainability of some options.

Attachments:
(a) Concept Illustrations

cc: The Honorable Members of City Council
Roy Priest, CEO, ARHA
Emily Baker, Acting Deputy City Manager, City Manager’s Office
Karl Moritz, Director, Department of Planning and Zoning
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