

City of Alexandria, Virginia

MEMORANDUM

21
5-14-02

DATE: MAY 10, 2002

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: CONSIDERATION OF ALLOCATION OF HOUSING TRUST FUND MONIES TO ASSIST WESLEY HOUSING DEVELOPMENT CORPORATION TO PURCHASE AND PRESERVE THE LYNHAVEN APARTMENTS AS AFFORDABLE HOUSING

ISSUE: Consideration of a request from Wesley Housing Development Corporation, Inc., for \$300,000 in Housing Trust Fund monies to assist the organization in acquiring the 28-unit Lynhaven Apartments. Carpenter's Shelter is a partner in the project, and will invest \$250,000 in the acquisition to secure four apartments to use in their transitional housing program.

RECOMMENDATION: That City Council:

- (1) Approve the allocation of \$300,000 in Housing Trust Fund monies for a second trust residual receipts loan to the Wesley Housing Development Corporation (WHDC) to use in the acquisition of the Lynhaven Apartments, with the following conditions:
 - a. For the length of its ownership of the property, which is expected to be permanent, WHDC shall maintain 16 of the project's 28 units as affordable and exclusively available to households with incomes not exceeding 50% of area median income, to include four units master leased to Carpenter's Shelter for transitional housing, with the remaining units to be rented at market rates, based on the rents at comparable properties, to households with incomes up to 100% of the area median income. Both the transitional units and the market rate units, in that order, would be achieved through attrition so that no current residents in good standing would be required to move.
 - b. Representatives of WHDC and Carpenter's Shelter shall participate regularly in meetings of the Lynhaven Civic Association; and
- (2) Authorize the City Manager to execute all necessary documents in connection with this project.

BACKGROUND: Last fall, the Affordable Housing Task Force issued its final report, which City Council approved at its February 26, 2002 meeting. Among the recommendations in the report were the following:

Recommended Housing Production Tools

- ▶ Facilitate the development of affordable rental housing through acquisition and rehabilitation of existing multifamily rental housing (defined as property with four or more residential units).
- ▶ Make direct grants or loans to non-profit or for-profit developers to secure a commitment of affordable rents, in new or existing housing, for a specified period of time (e.g., 20 years or more). This would generally be associated with new construction or acquisition and rehabilitation.

Wesley Housing Development Corporation, Inc. (WHDC) is a non-profit housing development organization based in Northern Virginia. Over its 27-year history, WHDC has developed 1,067 units of affordable housing serving over 7,000 persons in 14 communities. The organization manages most of its own portfolio, which includes affordable rental apartments, units rented to households with Section 8 tenant-based vouchers, supportive housing units, and units with project-based Section 8 assistance located in Arlington and Fairfax counties and in the City of Falls Church. Currently, WHDC has three developments under construction, one in Manassas which will serve elderly disabled persons and two in Fairfax County targeted to persons with disabilities.

While the Lynhaven Apartments would be WHDC's first real estate purchase in the City, for 10 years the organization has provided property management services to Sheltered Homes of Alexandria, Inc. for multiple units owned by Sheltered Homes on behalf of the Alexandria Community Services Board. These units provide approximately 160 beds of supportive housing for persons with mental illness, mental retardation and substance dependence.

DISCUSSION:

The Proposal. In March, WHDC secured a contract to purchase the Lynhaven Apartments, a 28-unit, garden-style rental complex located on Commonwealth Avenue at East Reed Avenue, near the Cora Kelly Recreation Center. The complex consists of 23 two-bedroom and five one-bedroom apartments. If its purchase is successful, WHDC plans to permanently maintain the complex as affordable housing. Carpenter's Shelter voted to partner with WHDC in this project to obtain four apartments that it can use for homeless households who are ready to move back into the community.

On March 22, 2002, WHDC presented a proposal to City staff to seek City assistance in purchasing the Lynhaven Apartment complex. In its most recent pro forma, WHDC projected the total development cost to acquire and rehabilitate the Lynhaven complex at \$2,049,502. WHDC's proposal requested a total of \$300,000 in support from the City for the acquisition, including \$200,000 in a residual receipts loan and a forgivable loan/grant of \$100,000. WHDC also requested

a pre-development loan of \$25,000 which would be repaid at settlement. Pre-development assistance is approved at the staff level and does not require Council action.

Following discussions with WHDC, staff is recommending different terms, to which WHDC has agreed, for the acquisition funding:

1. Subject to Council approval, the City will loan \$300,000 in Housing Trust Fund monies to WHDC for use in purchasing the Lynhaven complex. The loan would be a second trust at 3% interest and would be a residual receipts loan, which means that WHDC would repay the loan from the property's net cash flow after deducting all costs associated with maintaining and managing the property, providing the replacement reserves, and repaying the first trust. WHDC's projection of residual receipts shows a range of net income (or residual receipts) starting at \$15,955 in Year 1, up to \$98,684 in Year 15. The City would get 75% of WHDC's annual residual receipts, with the balance remaining at WHDC for its use, including the payment of WHDC's development fee, which is initially being loaned to the project. If the City loan is not repaid within 15 years, the loan would be renegotiated, giving the City the opportunity to revisit the conditions and request any adjustments it considers warranted at that time. There is no penalty to WHDC if the loan is not repaid in 15 years, and payments would continue to be made until the loan is fully repaid.
2. As a term of the loan, WHDC will reserve 16 units, including the four Carpenter's Shelter units, for households with incomes at or below 50% of area median income, which is currently \$43,500¹ for a family of four. Carpenter's Shelter will determine the rents to be charged for its four units. The rents on the remaining 12 affordable units would be no greater than what a household at 50% of median can afford at 30% of income, but initially will be considerably less. Current street rents for new renters at Lynhaven Apartments are \$725 for a one-bedroom unit and \$850 for a two-bedroom unit, and will remain unchanged. By comparison, tax credit rents for households at 50% of median for one- and two-bedroom units (set at 30% of income for households at 50% of median under a formula that assigns family sizes to unit sizes) are \$815 and \$978, respectively. Only three current tenants are paying the street rents; the remainder are paying less. WHDC intends to limit rent increases of current tenants who are paying less than street rents to approximately 4% per year to cover increases in administrative and maintenance costs.

WHDC is committed to maintaining the 16 units as affordable rental for as long as it owns the property, and has indicated that it fully intends to own the property permanently. No current residents would be displaced by this transaction. Based on information WHDC has provided to staff, six units are currently rented to households whose incomes exceeded 50% of median income at the time of their rental application. No information was available for four households, and three units were vacant when the information was provided.

¹The figure shown is the 50% of median figure used for Low Income Housing Tax Credit purposes. It is based on HUD income limits that include certain adjustments, and is therefore slightly less than the true 50% of the area median income of \$91,500, which is \$45,750.

The current street rents have been confirmed as the market rents by a market analysis obtained by WHDC. Therefore, WHDC intends to charge the same rents to tenants in the 11 market rate units² as to the tenants in the income-restricted units. Over time, it is anticipated that market rents will increase as a result of market forces (e.g., The Reserve rental complex developed by Lincoln Properties, the planned Preston Condominium and Townhomes, and, eventually, the likely redevelopment of the north side of E. Reed Avenue), and will rise above the rents of the income-restricted units. At that time, a two-tiered rent structure will evolve. The upper tier would be occupied by households with incomes up to 100% of median. The current area median income is \$91,500. For a two bedroom unit, there would be no need to limit the market rent until it reached \$2,058 (based on today's median income figures).

3. WHDC will spend \$210,000 to rehabilitate the building and grounds, including the replacement of the roof and the furnaces in each unit, and upgrading the six apartments that have not yet been rehabilitated. On the exterior, the fence will be replaced and landscaping upgraded.
4. Carpenter's Shelter will contribute \$250,000 to WHDC toward the purchase of the Lynhaven complex as an unsecured loan. Four of the complex's units will be reserved for Carpenter's Shelter's use in their transitional housing program for homeless households that are ready to move back into the community. Households in this program will receive close case management services from Carpenter's Shelter staff. WHDC will place the four units in Carpenter's Shelter's control as the units become available. No current residents in good standing will be displaced in this process.

The City's Affordable Housing Advisory Committee (AHAC) considered these terms at its April 11 meeting. The committee voted in favor of the \$300,000 residual receipts loan contingent on Carpenter's Shelter's final approval of its contribution, and on a determination of financial feasibility based on the WHDC consultant's environmental assessment, capital needs assessment, market study, and appraisal of the property (which had not been completed when the committee met). WHDC gave an update with regard to these items at the May 2, 2002, AHAC meeting. It was the consensus of the AHAC members to continue to recommend City Council support of the project.

Civic Association Positions. Staff from WHDC and Carpenter's Shelter attended a Lynhaven Civic Association meeting on April 1 to present this proposal to the community. In an effort to clarify misunderstandings arising from that meeting and to update the association on new plans for a mixed-income approach, on April 10, staff from WHDC, Carpenter's Shelter and the City's Office of Housing met with the Executive Committee of the Lynhaven Civic Association.

²WHDC intends to convert one unit to a management office, which will reduce the number of market rate units from 12 to 11. The office will house a WHDC employer who will be responsible for the Lynhaven Apartments and other properties administered by WHDC.

Based on discussions at these meetings, City staff modified the recommendations to require staff from WHDC and Carpenter's Shelter to meet regularly with the neighborhood association to stay in touch with and respond to the community's concerns.

At the April 11 AHAC meeting neighborhood representatives expressed concerns that the proposal might force current residents out of the complex, would add to the burdens already borne by the neighborhood (e.g., a significant number of section 8 households) that diminish its ability to develop and improve pursuant to market forces, and would be more appropriately located in other parts of the City. Residents were not fully satisfied with the responses they received from WHDC. Lynhaven Civic Association President Ruby Tucker has written a letter to the Mayor and Members of City Council on behalf of the Lynhaven Civic Association Executive Board asking that Council not approve WHDC's application.

At the May 6 meeting of the Lynhaven Civic Association, the association voted to oppose the project. The presidents of the Hume Springs, Mount Jefferson and Warwick Village associations attended the meeting and voiced their opposition to the project.

I fully understand and am sympathetic to the views of the Lynhaven neighbors. Despite concerted effort over the years by the neighborhood and its leaders, along with the City, the area continues to experience physical conditions and individual behaviors that prevent the quality of living that the neighbors desire and expect. However, there can be no question that today the Lynhaven neighborhood, like others in the City, is subject to significant forces, driven largely by the real estate market, which are altering (and will continue to alter) the neighborhood's environment. In my view, the placement of 16 affordable rental units in the neighborhood, within a complex which will be well maintained and managed over the years, will not appreciably, if at all, hinder these "forces" or this "altering," or add to the "burdens" existing within the area.

This proposal and the neighborhood's position present a dilemma for those seeking to preserve affordable housing in the City. On one hand, one certainly must listen to, and hear, the concerns and positions of current residents who believe they will be adversely affected by an affordable housing proposal. At the same time, if the City is serious about retaining affordable housing opportunities, actions need to be taken now and in the coming years because the City's ability to provide such housing is dramatically decreasing as the cost of housing dramatically increases.

If this proposal is approved, the City must ensure that the property in question is very well maintained and its residents are very well managed by WHDC, all to ensure that the condition of the property and the behaviors of its tenants add to, and do not detract from, the community. We have the commitment of WHDC that this will be the case, and staff will continually monitor the situation to ensure that it is, in fact, the case.

FISCAL IMPACT: Allocation of \$300,000 in Housing Trust Fund monies for the acquisition of the Lynhaven Apartments.

STAFF:

Mildrilyn Stephens Davis, Director, Office of Housing
Robert C. Eiffert, Deputy Director, Office of Housing
Rhonda Thissen, Housing Analyst, Office of Housing

ATTACHMENTS:

Attachment I: Wesley Housing Development Corporation Proposal
Attachment II: Wesley Housing Development Corporation revised pro forma

25
Years of
Service

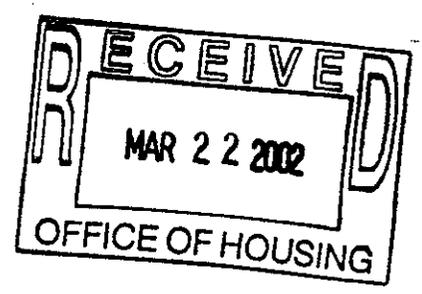
WESLEY HOUSING
DEVELOPMENT CORPORATION



the door to brighter futures

March 22, 2002

Ms. Mildrilyn Davis
Director of Office of Housing
City of Alexandria
301 King Street
Suite 1100
Alexandria, VA 22314



Dear Ms. Davis:

Wesley Housing Development Corporation is pleased to submit this request for support for Lynhaven Apartments. This acquisition represents Wesley Housing's first purchase in the City of Alexandria.

As previously discussed, we are requesting a residual receipts loan of \$200,000 and a forgivable loan/grant of \$100,000, and a pre-development loan/grant in the amount of \$25,000. We appreciate your consideration of the predevelopment funding. It will allow Wesley Housing to maintain its momentum on this important project, and keep the rents affordable to its residents.

We are hopeful that this first venture in Alexandria will signal the beginning a fruitful partnership as the City moves forward with its plans to build a strong community.

Please do not hesitate to refer any technical questions to Rosana Montequin, Director of Real Estate Development. Her telephone number is (703) 642-3830 ext. 220.

Sincerely,

Judy Pirozzi
Director of Resource Development

Enclosure: Application (2 copies)



**APPLICATION FOR FUNDING FOR HOUSING
AND COMMUNITY DEVELOPMENT ACTIVITIES**

CITY OF ALEXANDRIA OFFICE OF HOUSING

Wesley Housing Development Corporation (WHDC) respectfully requests \$325,000 from the Housing Trust Fund for the development of Lynhaven Apartments.

This request consists of:

- a residual receipts loan of \$200,000 and a forgivable loan/grant of \$100,000
 - a pre-development loan/grant in the amount of \$25,000
-

I. Project Description

Lynhaven Apartments is a 28-unit rental housing development located on Commonwealth Avenue in the City of Alexandria. WHDC (or its affiliate) in collaboration with Carpenter's Shelter, will be acquiring the site and maintaining it as affordable rental housing.

This rental community consists of twenty-three two-bedroom and five one-bedroom apartment homes. The building is garden style, two-story, concrete slab construction. Each apartment has a forced air gas furnace, central air conditioning and a gas hot water heater. The residents pay for gas and electric consumption.

Rents will be targeted to serve families with incomes at or below 50 and 60% of the Area Median Income. The proposed rents are \$680 for a one-bedroom apartment and \$795 for a two-bedroom apartment. Four units will be provided to Carpenter's Shelter, at discounted rents, as part of a transitional housing program. No displacement of families is anticipated as a result of our acquisition efforts.

The site is located just two blocks off of Jefferson Davis Highway. The Braddock Road and National Airport Metro stations are just minutes from Lynhaven. It is within walking distance to the Potomac Yard Retail Center, which offers shopping such as Target, Shoppers Food Warehouse, dining, and cinema facilities.

New developments in the immediate area will continue to positively impact this community. The newly built 325-unit community known as Reserve at Potomac Yard, is a Class A luxury rental community located a block away. A luxury condominium and a row of townhouses will soon be added to the E. Reed Avenue area. These new developments bring a positive economic change to the area, but are also a threat to the preservation of decent, safe, and quality affordable housing--housing that is greatly needed to preserve balance in the City.

WHDC is the sponsor and developer, and will be the manager and resident services provider for Lynhaven Apartments.

**APPLICATION FOR FUNDING
Lynhaven Apartments, Alexandria
Page Two of Three**

Lynhaven is a marketable development with comfortably designed dwelling units, many of which have been recently renovated. More improvements will be undertaken over the next few years. The units offer ample storage and closet space, wall-to-wall carpet, central air conditioning, and access to a tot lot and recreation facilities.

II. Project Budget

Total development costs associated with the acquisition of the site total \$2,175,250 (see attached budget). The proposed financing includes a first trust note from VHDA for \$1,061,834, taxable bonds in the amount of \$375,000, an equity contribution of \$250,000 and a developer fee loan of \$150,000.

The requested funds from the City of Alexandria are needed to fund the acquisition of the site and to complete feasibility studies, such as market study, appraisal, Phase I and Phase II environmental studies and testing, title search, and a capital needs assessment.

III. Project Schedule

March 4, 2002	Contract Date
May 3, 2002	End of Feasibility Period
May 3, 2002	Secure Bridge Financing
June 3, 2002	Acquisition
August 31, 2002	Permanent Financing -Closing

IV. Organizational Structure and Capacity

Wesley Housing Development Corporation of Northern Virginia (WHDC) is a 27 year-old, 501(c)(3) corporation. Its mission is to develop affordable housing and sustain quality communities for low- and moderate-income persons. It has developed 1,067 units of affordable housing in 14 communities, and served over 7,000 persons in its history. It manages most of its own portfolio and operates the Lincolnia, Wexford Manor, and Whitefield Commons Resource Centers in Alexandria, Falls Church, and Arlington, respectively. WHDC employs 35 people.

APPLICATION FOR FUNDING
Lynhaven Apartments, Alexandria
Page Two of Three

Portfolio: Its current portfolio includes 662 units in 11 communities--346 units in Arlington County; 220 units in Fairfax County; and 96 units in the City of Falls Church. These include 644 family apartments, 18 supportive housing/disability units, 253 project based Section 8 units, and over 50 apartments rented to Section 8 voucher holders. Approximately 70% of the resident population living in WHDC's properties is at or below 50% of the area median income. Most of its developments require annual income certifications and thus, income information is updated periodically.

Alexandria: Lynhaven Apartments is WHDC's first real estate purchase in the City of Alexandria. Our experience in the City includes the management of 160 beds in various properties for Sheltered Homes of Alexandria and the Alexandria Community Services Board. WHDC has managed these properties for ten years. Current efforts to work in the City include a partnership with Carpenter's Shelter to provide four units of transitional housing at Lynhaven Apartments and continued negotiations with Community Lodgings, Inc. to strengthen their services in Alexandria. Also, WHDC is working to provide a regional solution to the disabilities housing crisis in Northern Virginia that will include the City of Alexandria.

Current Projects: WHDC has 79 units of housing for the elderly under construction in the City of Manassas, and two developments—Coppermine Place I & II—in the acquisition stage in Fairfax County. Coppermine Place will provide 66 units of elderly housing, and 22 units of housing for the regional disabled population (HUD 811).

Development costs for the projects WHDC has undertaken range from \$2.5M to \$8M. Rehabilitation and new construction projects range from 6- to 14-month completion.

Attachments

- A. Project Financial Summary
- B. Operating Budget –Back-up
- C. WHDC's audited financial statement FY 2000 and FY 2001
- D. Photographs
- E. Floor Plans

Attachments

- A. Project Financial Summary
- B. Operating Budget –Back-up
- C. WHDC’s audited financial statement FY 2000 and FY 2001
- D. Photographs
- E. Floor Plans

**City of Alexandria
Affordable Housing Advisory Committee
Project Financial Summary**

Date of Proposal: March 22, 2002

PROJECT

Name: Lynhaven Apartments

Location: 3513 - 25 Commonwealth Avenue, Alexandria, Virginia 22305

Brief Description: Twenty-eight garden rental apartments consisting of 23 two-bedroom units and
* 5 one-bedroom units.

SPONSOR

Name: Wesley Housing Development Corporation

Address: 5515 Cherokee Avenue, Suite 204, Alexandria, Virginia 22312

Telephone: (703) 642-3830

Fax: (703) 941-1724

Person in Charge of Project: Rosana M. Montequin (at extension 220)

DEVELOPMENT COSTS

A. Acquisition			
1.	Land	560,000	
2.	Structure	<u>1,190,000</u>	
	SUBTOTAL		<u>1,750,000</u>
B. Predevelopment			
1.	Environmental	3,500	
2.	Survey	<u>1,500</u>	
3.	Geotechnical		
4.	Capital Needs Assessment	<u>5,000</u>	
5.	Market Study	<u>4,500</u>	
	SUBTOTAL		<u>14,500</u>
C. Financing			
1.	Appraisal	4,500	
2.	Legal Services	<u>15,000</u>	
3.	Title	<u>2,500</u>	
4.	Construction finance fee		
5.	Permanent finance fee	<u>9,059</u>	
	SUBTOTAL		<u>31,059</u>

D.	<u>Development</u>		
1.	Construction	10,000	
2.	Contingency		
3.	Permits/fees		
4.	Lender inspection		
5.	Construction Interest- private		
6.	Construction Interest- public		
7.	Hazard Insurance		
8.	Taxes		
	SUBTOTAL		10,000

E.	<u>Start-Up</u>		
1.	Interest -private		
2.	Interest -public		
3.	Taining		
4.	Marketing		
5.	Working Capital		
6.	Replacement Reserve	156,275	
7.	Debt Service Reserve		
	SUBTOTAL		156,275

F.	<u>Developer Costs</u>		
1.	Administrative fee		
2.	Development fee	175,000	
	SUBTOTAL		175,000

TOTAL COST	\$ 2,136,834
Total Number of Units	28
Total Cost per Unit	\$ 76,316
Total Square Footage	17,815
Total Cost per Square Foot	\$ 120

FINANCING SOURCES

G.	<u>Construction Loan</u>		
1.	Private		
2.	Housing Trust Fund		
3.	Other		
	TOTAL		

EXPENSES	% EGI	/unit	Annual	s = appl v = vhda
ADMINISTRATIVE				
Advertising Marketing	0.1%	4	120	
Office Salaries	1.0%	86	2,400	
Office Supplies	0.3%	29	800	
Office/Model Apartment (type)	0.0%	0	0	
Management Fee	5.0%	412	11,531	
Managers Salaries	4.3%	357	10,000	
Staff units	0.0%	0	0	
Legal	2.1%	175	4,906	
Auditing/Bookkeeping/Accounting	1.0%	86	2,400	
Telephone & Answering Service	0.5%	43	1,200	
Tax Credit Monitoring Fee	0.0%	0	0	
Other	0.0%	0	0	
Administrative Total		<u>1,191</u>		33,357
UTILITIES				
Fuel Oil	0.0%	0	0	
Electric	0.7%	60	1,685	
Water/Sewer	6.0%	490	13,733	
Gas	0.0%	0	0	
Utilities Total		<u>551</u>		15,418
OPERATING & MAINTANANCE				
Janitor/Cleaning Payroll	0.0%	0	0	
Janitor/Cleaning Supplies	0.0%	0	0	
Janitor/Cleaning Contract	1.6%	129	3,600	
Exterminating	1.2%	97	2,705	
Trash Removal	0.8%	68	1,894	
Security Payroll/Contract	0.0%	0	0	
Grounds Payroll	0.0%	0	0	
Grounds-Supplies	0.0%	0	0	
Grounds Contract	2.8%	233	6,518	
Maintenance/Repairs Payroll	4.3%	357	10,000	
Repairs/Material	2.2%	180	5,035	
Repairs Contract	4.3%	354	9,924	
Elevator Maintenance/Contract	0.0%	0	0	
Heating/Cooling Repairs & Maintenance	0.0%	0	0	
Painting Contract/Supplies	1.2%	100	2,800	
Snow Removal	0.0%	0	0	
Decorating Payroll/Contract	0.0%	0	0	
Carpet Supplies & Replacement	0.5%	43	1,200	
Miscellaneous	0.0%	0	0	
Operating & Maintenance Totals		<u>1,560</u>		43,676
TAXES & INSURANCE				
Real Estate Taxes	6.1%	505	14,147	
Payroll Taxes	7.65%	61	1,714	
Miscellaneous Taxes/Licenses/Permits	0.0%	0	0	
Property & Liability Insurance	1.3%	107	2,998	
Fidelity Bond	0.0%	0	0	
Workmen's Compensation	0%	0	0	
Health Insurance & Benefits	0%	45	1,272	
Other Insurance	0.0%	0	0	
Taxes & Insurance Total		<u>719</u>		20,131
TOTAL OPERATING EXPENSES				112,581
REPLACEMENT RESERVES	<u>2.4%</u>	<u>200</u>	5,600	<u>5,600</u>
TOTAL EXPENSES	51.2%	4,221		<u>118,181</u>

**WESLEY HOUSING DEVELOPMENT
CORPORATION OF NORTHERN VIRGINIA**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

YEARS ENDED JUNE 30, 2001 AND 2000

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**FINANCIAL REPORT
(Unconsolidated)
YEARS ENDED JUNE 30, 2001 AND 2000**

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REITBERGER, POLLEKOFF & KOZAK, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Wesley Housing Development Corporation
of Northern Virginia
Alexandria, Virginia

We have audited the accompanying unconsolidated balance sheets of Wesley Housing Development Corporation of Northern Virginia as of June 30, 2001 and 2000, and the related unconsolidated statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based upon our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As disclosed in Note 1 to the financial statements, the financial statements mentioned above are not the financial statements of the primary reporting entity because they do not include the accounts of related enterprises under common control.

In our opinion, the financial statements referred to above present fairly, in all material respects, the unconsolidated financial position of Wesley Housing Development Corporation of Northern Virginia as of June 30, 2001 and 2000, and the unconsolidated changes in net assets and its unconsolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Reitberger, Pollekoff & Kozak, P.C.

Vienna, Virginia
July 20, 2001

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**BALANCE SHEETS
(Unconsolidated)
JUNE 30, 2001 AND 2000
ASSETS**

	2001	2000
Cash and Cash Equivalents		
Designated, Springdale House	\$ 16,596	\$ 23,447
Designated, development reserve	217,369	304,981
Designated, administrative supplement	78,991	161,675
Undesignated, operating	190,913	113,832
	503,869	603,935
Investments, designated development reserve (primarily certificates of deposit)	100,000	787,053
Management fees receivable	28,636	33,182
Accounts Receivable - Operating Grants (Note 9)	20,472	7,493
Accounts Receivable - Developer's Fee (Note 10)	145,000	-
Prepaid and Other Assets	14,293	26,316
	208,401	66,991
Investments in Affiliated Corporations (Note 3)	2,723,072	2,786,812
Due from Affiliated Corporations (Notes 3 and 4)	1,012,892	1,099,744
Notes Receivable (Note 5)	1,840,886	903,458
Accrued Interest Receivable (Note 5)	1,611,676	1,424,833
Land (Note 2)	917,859	917,859
Investment in Springdale House, net of accumulated depreciation of \$128,593 and \$117,589 in 2001 and 2000, respectively (Note 1)	212,987	223,991
Rental Property, Furniture, Equipment and Leasehold Improvements, net of accumulated depreciation of \$112,850 and \$108,279 in 2001 and 2000, respectively (Note 1)	57,984	35,975
	8,377,356	7,392,672
Total Assets	\$ 9,189,626	\$ 8,850,651

The notes to the financial statements are an integral part of these statements.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**BALANCE SHEETS (CONTINUED)
(Unconsolidated)
JUNE 30, 2001 AND 2000**

LIABILITIES AND NET ASSETS

	2001	2000
Liabilities		
Accounts payable and accrued expenses	\$ 68,930	\$ 49,996
Tenant security deposits	1,548	1,542
Total Liabilities	70,478	51,538
Net Assets		
Temporarily restricted	10,000	288,998
Permanently restricted	2,229,013	2,173,097
Unrestricted	6,880,135	6,337,018
	9,119,148	8,799,113
Total Liabilities and Net Assets	\$ 9,189,626	\$ 8,850,651

The notes to the financial statements are an integral part of these statements.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**STATEMENTS OF ACTIVITIES
(Unconsolidated)
YEARS ENDED JUNE 30, 2001 AND 2000**

	Year ended June 30, 2001			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Grants (Note 9)	\$ 124,561	\$ -	\$ -	\$ 124,561
Contributions	406,314	-	-	406,314
Administrative services income (Note 4)	126,925	-	-	126,925
Development and acquisition services	155,000	-	-	155,000
Rental revenue (Note 11)	7,680	-	-	7,680
Springdale house rental revenue (Note 6)	11,184	-	-	11,184
Fundraising and special events	32,282	-	-	32,282
Affiliated contribution	-	-	-	-
Management fee, bookkeeping and other income	352,049	-	-	352,049
Equity in net income (loss) of wholly- controlled affiliated corporations (Note 3)	25,475	-	-	25,475
Loss on sale of real property	(15,653)	-	-	(15,653)
Interest	201,234	-	55,916	257,150
Net assets released from restrictions: Satisfaction of program restrictions	278,998	(278,998)	-	-
Total Revenue and Support	1,706,049	(278,998)	55,916	1,482,967
Expenses				
Program services	938,079	-	-	938,079
Management and general	125,619	-	-	125,619
Fundraising	99,234	-	-	99,234
Total Expenses	1,162,932	-	-	1,162,932
Increase (Decrease) in net assets	\$ 543,117	\$ (278,998)	\$ 55,916	\$ 320,035

The notes to the financial statements are an integral part of these statements.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**STATEMENTS OF ACTIVITIES (CONTINUED)
(Unconsolidated)**

YEARS ENDED JUNE 30, 2001 AND 2000

	Year ended June 30, 2000			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support				
Grants (Note 9)	\$ 106,679	\$ -	\$ -	\$ 106,679
Contributions	173,340	14,000	-	187,340
Administrative services income (Note 4)	140,936	-	-	140,936
Development and acquisition services	226,683	-	-	226,683
Land rental revenue (Note 9)	10,920	-	-	10,920
Springdale house rental revenue (Note 6)	7,919	-	-	7,919
Fundraising and special events	64,581	-	-	64,581
Affiliated contribution	26,902	127,498	-	154,400
Management fee, bookkeeping and other income	342,764	-	-	342,764
Equity in net income (loss) of wholly- controlled affiliated corporations (Note 3)	191,124	-	-	191,124
Interest	124,733	-	53,955	178,688
Total Revenue and Support	<u>1,416,581</u>	<u>141,498</u>	<u>53,955</u>	<u>1,612,034</u>
Expenses				
Program services	587,276	-	200,000	787,276
Management and general	82,332	-	-	82,332
Fundraising	111,161	-	-	111,161
Total Expenses	<u>780,769</u>	<u>-</u>	<u>200,000</u>	<u>980,769</u>
Increase (Decrease) in net assets	<u>\$ 635,812</u>	<u>\$ 141,498</u>	<u>\$ (146,045)</u>	<u>\$ 631,265</u>

The notes to the financial statements are an integral part of these statements.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**STATEMENTS OF CHANGES IN NET ASSETS
(Unconsolidated)
YEARS ENDED JUNE 30, 2001 AND 2000**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, July 1, 1999	\$5,701,206	\$147,500	\$2,319,142	\$8,167,848
Increase (Decrease) in net assets	<u>635,812</u>	<u>141,498</u>	<u>(146,045)</u>	<u>631,265</u>
Net assets, June 30, 2000	6,337,018	288,998	2,173,097	8,799,113
Increase (Decrease) in net assets	<u>543,117</u>	<u>(278,998)</u>	<u>55,916</u>	<u>320,035</u>
Net assets, June 30, 2001	<u>\$6,880,135</u>	<u>\$10,000</u>	<u>\$2,229,013</u>	<u>\$9,119,148</u>

The notes to the financial statements are an integral part of these statements.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**STATEMENTS OF CASH FLOWS
(Unconsolidated)
YEARS ENDED JUNE 30, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 320,035	\$ 631,265
Non cash items included in Increase in Net Assets		
Equity in net (income) loss of wholly-controlled affiliated corporations	(25,475)	(191,124)
Depreciation and amortization	19,641	13,339
Developer's fee earned	(145,000)	-
Contribution of non-cash assets	(179,000)	(45,748)
Bad debts written off	3,087	2,290
(Increase) Decrease in		
Accounts receivable - grants and management fees	(8,433)	14,350
Accrued interest in receivable	(186,843)	(111,018)
Prepaid and other assets	12,023	(8,783)
Due from wholly-controlled affiliated corporations net of investment in affiliated corporations	(169,831)	(69,616)
Accounts payable and accrued expenses	18,934	(1,444)
Tenant security deposits	6	225
Net Cash Provided by (Used in) Operating Activities	<u>(340,856)</u>	<u>233,736</u>
Cash Flows from Investing Activities		
Proceeds from sale of real property	179,000	-
Purchase of equipment	(30,646)	-
Investment in affiliated partnership	-	(277,633)
Distribution from affiliated partnership	-	116,847
Cash loaned to affiliated entities	(596,064)	-
Collection of note receivable	1,447	1,323
Net Cash used in Investing Activities	<u>(446,263)</u>	<u>(159,463)</u>
Cash Flows from Financing Activities		
Redemptions (Purchases) of certificates of deposit and money funds	687,053	(129,689)
Net Cash Provided by (Used in) Financing Activities	<u>687,053</u>	<u>(129,689)</u>
Net Decrease in Cash and Cash Equivalents	(100,066)	(55,416)
Cash and Cash Equivalents, beginning of year	603,935	659,351
Cash and Cash Equivalents, end of year	\$ <u>503,869</u>	\$ <u>603,935</u>

The notes to the financial statements are an integral part of these statements.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
JUNE 30, 2001 and 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Wesley Housing Development Corporation of Northern Virginia (WHDC) reflect practices appropriate to a nonprofit organization in the real estate rental and development industry in connection with low- and moderate-income housing. The significant policies are summarized below.

Affiliated Corporations

The Corporation controls related nonprofit corporations: Strawbridge Square, Inc. (SSI); Circle Properties, Inc. (CPI); KA, Inc. (KAI); Seven Corners Apartments, Inc. (SCAI); Whitefield Commons, Inc. (WCI); William Watters, Inc. (WWI), Perry S. Hall, Inc. (PSH), Wesley Agape House, Inc. (WAHI), ACT IV, Inc., ACT Inc., Quarry Station Seniors Apartments, Inc., and Wesley Coppermine, Inc.. The Articles of Incorporation of all these entities state that all directors of these corporations shall be elected by the Board of Directors of Wesley Housing Development Corporation of Northern Virginia.

ACT-V, Inc. is a nonstock, nonprofit corporation which is a wholly-controlled subsidiary of Wesley Housing Development Corporation of Northern Virginia. Its Articles of Incorporation also states that all Directors of the Corporation shall be elected by the Board of Directors of Wesley Housing Development Corporation of Northern Virginia. ACT-V, Inc. owns a 61% interest in Troy Street Limited Liability Company.

The financial effects of control of two or more corporations are best shown in consolidated financial statements presented in accordance with accounting principles generally accepted in the United States of America. These financial statements do not include the accounts of Strawbridge Square, Inc.; Circle Properties, Inc.; KA, Inc.; Seven Corners Apartments, Inc.; Whitefield Commons, Inc.; William Watters, Inc.; Perry S. Hall, Inc.; Wesley Agape House, Inc.; ACT IV, Inc.; ACT Inc.; Quarry Station Seniors Apartments, Inc.; Wesley Coppermine, Inc. and ACT-V, Inc.; therefore, they do not represent those of the primary (consolidated) reporting entity. The financial statements present the investments in each of these entities using the equity method of accounting (see Note 3). Reference should be made to the consolidated financial statements. Separate statements for all of the entities mentioned above are also available.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
JUNE 30, 2001 and 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Method of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Financial Statement Presentation

The Corporation adopted Statements of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations" during 1996. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Corporation is required to present a statement of cash flows.

Contributions

The Corporation also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," whereby contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
JUNE 30, 2001 and 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Restricted cash balances include all funds restricted by outside parties. Designated cash balances include all funds set aside by the Board of Directors for development reserve and administrative supplement. The undesignated cash balances include all funds available for operating expenses. From time to time throughout the year, and at year end, cash and cash equivalents may exceed Federal Deposit Insurance Corporation insurance limits. For the purposes of the statements of cash flows, the Corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

No interest or income taxes were paid during 2001 or 2000.

Investments, Designated Development Reserve

Certificates of deposits, regardless of original maturity, are held as investments when so designated by the Board.

Rental House, Furniture and Equipment, Leasehold Improvements, and Land

Equipment and rental buildings are recorded at cost and depreciated or amortized using the straight-line method over the estimated useful life of three to thirty-one years. Land contributed to the Corporation is reflected at the estimated fair market value at the date of contribution.

When property is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and the resulting gain or loss is reflected in earnings. Expenditures for maintenance and repairs which do not materially extend the useful lives of the assets are charged to expenses.

Investments

Investments held by the Corporation are accounted for on the equity method, in which the Corporation recognizes its proportionate share of its wholly-controlled affiliated corporations' profit or loss. The Corporation is committed to providing financial support to its wholly-controlled affiliated corporations.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
JUNE 30, 2001 and 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services

From time to time certain vendors donate professional services to the Corporation to assist it in furthering its goals. These services are valued at current billing rates and recognized in the financial statements as revenue and as either capitalized expenditures of the project or operating expenses, as appropriate. In addition, a substantial number of unpaid volunteers have made significant contributions of time to further the Corporation's programs and objectives. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement of valuation.

Retirement Plan

The Corporation has established a 403(b) tax sheltered annuity plan for full-time employees. The Plan, as amended, provides for a match up to 4% of the employees salary, to a maximum of \$2,000 per year.

Income Taxes

The Corporation is a 501(c)(3) Corporation exempt from income taxes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
JUNE 30, 2001 and 2000**

2. LAND

Land is reported at cost and is composed of the following as of June 30, 2001 and 2000, respectively:

Development

Strawbridge Square Apartments	\$ 372,750
Whitefield Commons Apartments	521,580
Springdale House	12,279
Frederick Court	<u>11,250</u>
Total Land	<u>\$ 917,859</u>

3. INVESTMENTS IN AFFILIATED CORPORATIONS

The Corporation's equity in its wholly-owned or controlled affiliated corporations at June 30, 2001 and 2000, is as follows:

	Increase (Decrease) In Net Assets 6/30/00	Equity in Affiliated Corporation 6/30/00	Increase (Decrease) in Net Asset 2001	Other Changes 2001 ^a	Equity in Affiliated Corp. 6/30/01
Strawbridge Square, Inc.	\$ (6,390)	\$ (49,864)	\$ 2,606	\$ -	\$ (47,258)
Circle Properties, Inc.	24,046	21,292	27,670	-	48,962
KA, Inc. and KA Development Company	1,999	206,557	2,123	-	208,680
Seven Corners Apartments, Inc.	(20,291)	91	(91)	-	-
Whitefield Commons, Inc.	(45)	(18,246)	(20)	-	(18,266)
William Watters, Inc. ^b	(8,088)	584,762	(531)	-	584,231
Wesley Agape House, Inc.	211,044	211,044	(48,783)	-	162,261
Quarry Road	-	89,215	-	(89,215)	-
ACT-IV, Inc.	(9,519)	(9,519)	85,116	-	75,597
ACT-V, Inc.	(1,632)	1,751,480	(42,615)	-	1,708,865
	<u>\$ 191,124</u>	<u>\$ 2,786,812</u>	<u>\$ 25,475</u>	<u>\$ (89,215)</u>	<u>\$ 2,723,072</u>

^a This column includes additional investment, distributions or other amounts which were converted to accounts receivable.

^b In 1991, the Corporation contributed to the net assets of William Watters, Inc. \$219,241. The funds so contributed represent Community Development Block Grant program income permanently invested in the subsidiary.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
JUNE 30, 2001 and 2000**

4. TRANSACTIONS WITH AFFILIATED CORPORATIONS

The Corporation entered into agreements to provide administrative services to its affiliated corporations. Management has determined that a portion of the balances receivable under these contracts as well as a portion of loans to the affiliated corporations may be uncollectible and an allowance has been established.

The Corporation provides recreational and administrative services for the Lincolnia Community Center and Strawbridge Square Apartments. The services called for SSI to pay WHDC, \$ 59,500 in 2001 and 2000, respectively. The amount paid to WHDC will be used to cover the Corporation's administration of the Center and all Center expenses. If expenses exceed these amounts, SSI will provide additional fees to cover the overage. The Corporation earned fees totaling \$ 75,535 and \$72,305 and expenses totaled \$ 51,035 and \$56,805 during 2001 and 2000, respectively.

The Corporation advanced Perry S. Hall, Inc., for Pierce Queen Apartments, \$110,334 that was used for pre-development expenses. The advances are non-interest bearing and are repayable upon the date that the borrower received alternative funding. During 1993, the Corporation issued a line of credit to Perry S. Hall, Inc. for \$185,000 for Pierce Queen Apartments. Interest is payable quarterly at approximately 6 percent per annum. All of the loans and advances to Perry S. Hall Apartments and Pierce Queen Apartments have been written off and included in the allowance for doubtful accounts.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
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4. TRANSACTIONS WITH AFFILIATED CORPORATIONS (continued)

Amounts charged for administrative and management services for the year ended June 30, 2001 and 2000, and balances from service contracts and loans due at June 30, 2001 and 2000 as well as related allowances, are as follows:

<u>Affiliated Corporation</u>	Contract Charges, Year Ended June 30, 2001	Balances Receivable Under Contract at June 30, 2001	Loans and Other	Allowance for Un-Collectible Accounts	Total Balance Due at June 30, 2001
SSI	\$ 75,535	\$ 62,895	\$ -	\$ (61,052)	\$ 1,843
Springdale House	3,500	-	-	-	-
WAHI	-	-	461,145	-	461,145
KAI	5,400	51,933	-	-	51,933
WCI	-	85,329	698	-	86,027
*PSH, Inc.	15,492	73,955	324,918	(392,965)	5,908
WWI	5,807	40,486	272,156	(40,486)	272,156
Coppermine	-	-	37,550	-	37,550
Quarry Station	-	-	96,330	-	96,330
TOTALS	\$ 105,734	\$ 314,598	\$ 1,192,797	\$ (494,503)	\$ 1,012,892
 <u>Unaffiliated Entities</u>					
Troy Street LLC	16,000				
Sheltered Homes (SHA)	1,458				
Bellefonte (BFA)	<u>3,733</u>				
Totals	\$ 126,925				

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
JUNE 30, 2001 and 2000**

4. TRANSACTIONS WITH AFFILIATED CORPORATIONS (continued)

<u>Affiliated Corporation</u>	<u>Contract Charges, Year Ended June 30, 2000</u>	<u>Balances Receivable Under Contract at June 30, 2000</u>	<u>Loans and Other</u>	<u>Allowance for Un-Collectible Accounts</u>	<u>Total Balance Due at June 30, 2000</u>
SSI	\$ 72,305	\$ 62,261	\$ -	\$ (58,302)	\$ 3,959
Springdale House	3,500	-	-	-	-
WAHI	-	-	350,113	-	350,113
KAI	5,500	51,933	-	-	51,933
WEX	-	-	319,219	-	319,219
SCAI	14,000	-	-	-	-
WCI	-	85,329	698	-	86,027
*PSH, Inc.	14,742	73,955	330,200	(392,778)	11,377
WWI	5,989	40,486	277,116	(40,486)	277,116
ACT-V	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	132,036	<u>\$ 313,964</u>	<u>\$1,277,346</u>	<u>\$ (491,566)</u>	<u>\$1,099,744</u>

Unaffiliated Corporations

Sheltered Homes (SHA)	2,500
Bellefonte (BFA)	<u>6,400</u>
Totals	<u>\$ 140,936</u>

* - This includes contract charges for both Perry Hall Apartments and Pierce Queen Apartments.

The corporation co-signed a note with William Watters, Inc. for a Community Development Block Grant Residual Receipts loan in the amount of \$135,000 on April 24, 1990. The note bears interest at 6% with annual installments of \$24,183 beginning June 1, 1998.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
JUNE 30, 2001 and 2000**

5. NOTES RECEIVABLE

The Corporation loaned \$785,088 to Whitefield Commons Associates, an entity of which Whitefield Commons, Inc. is a general partner, for the purpose of developing the Whitefield Commons Apartments. The note bears simple interest at the rate of 9 percent. Principal and interest are due upon the earlier of November 1, 2023, or the sale, liquidation or refinancing of substantially all of the project. As of June 30, 2001 and 2000 accrued interest was \$1,147,032 and \$1,080,874, respectively. See Note 7.

The Corporation received a non-interest-bearing note for \$650,000 (originally discounted to \$100,000) for the sale of its partnership interest in the Whitefield Commons Associates partnership. This note is due July 1, 2004, or upon sale of the project, whichever occurs first. This amount has been discounted to its estimated present value of \$488,355 and \$443,959 at June 30, 2001 and 2000, respectively. These values have been determined using an estimated interest rate of 10 percent.

The Corporation received as a contribution a note receivable in the original amount of \$20,006 during the year ended June 30, 1999. The note bears interest at 9% per annum. Payments of principal and interest of \$253 are due monthly. The unpaid principal balance at June 30, 2001 and 2000 is \$16,924 and \$18,370, respectively.

The Corporation loaned \$455,000 to Quarry Station Seniors Apartments, L.P., for the purpose of acquiring an interest in the pre-development phase of a 79-unit senior housing project in Manassas, Virginia. The note bears interest at the rate of 9 percent, payable monthly. Principal and all accrued and unpaid interest are due on September 28, 2001. As of June 30, 2001, accrued interest was \$27,414. The note and interest were subsequently paid in full on July 12, 2001.

The Corporation has approved a line of credit up to \$60,000 to Perry S. Hall, Inc., of which \$50,000 has been drawn during the year ended June 30, 2001. The line of credit bears interest at variable rates established semi-annually by the Corporation, currently 7.16% as of June 30, 2001. Principal and all accrued and unpaid interest are due December 15, 2001. As of June 30, 2001, accrued interest was \$689.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
JUNE 30, 2001 and 2000**

5. NOTES RECEIVABLE – CONTINUED

The Corporation has approved a line of credit up to \$40,000 to Act IV, Inc. T/A William Watters Apartments, of which \$35,000 has been drawn during the year ended June 30, 2001. The line of credit bears interest at variable rates established semi-annually by the Corporation, currently 7.16% as of June 30, 2001. Principal and all accrued and unpaid interest are due December 15, 2001. As of June 30, 2001, accrued interest was \$949.

The Corporation has loaned \$65,000 to Wesley Coppermine, Inc. during the year ended June 30, 2001. The loan bears interest at variable rates established semi-annually by the Corporation, currently 7.16% as of June 30, 2001. Principal and all accrued and unpaid interest are due February 8, 2002. As of June 30, 2001, accrued interest was \$7,086.

The Corporation is owed \$324,181 by Wexford Wesley Limited Partnership. The note bears interest at a rate of 8.25% per annum and is payable in annual installments of principal in an amount equal to one hundred percent of the net cash flow (as defined in the partnership agreement) after the limited partners and general partners have received certain payments from the net cash flow. The remaining unpaid principal balance of this note and accrued interest is due and payable in full on December 31, 2014. As of June 30, 2001, accrued interest was \$40,117.

The Corporation has also approved a line of credit up to \$50,000 to Wexford Wesley LLP T/A Wexford Manor Apartments, of which \$9,693 has been drawn during the year ended June 30, 2001. The line of credit bears interest at variable rates established semi-annually by the Corporation, currently 7.16% as of June 30, 2001. Principal and all accrued and unpaid interest are due May 20, 2002. As of June 30, 2001, accrued interest was \$34.

6. SPRINGDALE HOUSE

Springdale House is a living environment which provides shared housing for very low-income elderly and handicapped citizens. In compliance with provisions of the Virginia Neighborhood Assistance Act, business contributions to the project's development received a 50 percent Virginia tax credit.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
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6. SPRINGDALE HOUSE - CONTINUED

Rental income and expenses for the project are as follows for the years ended June 30:

	<u>2001</u>	<u>2000</u>
Rental revenue	\$ 11,184	\$ 7,919
Rental operating expenses	<u>17,511</u>	<u>19,019</u>
Net rental loss	<u>\$ (6,327)</u>	<u>\$(11,100)</u>

The Corporation received a \$175,000 loan from the Fairfax County Redevelopment and Housing Authority in connection with the construction of Springdale House. This loan is in the form of a deferred mortgage with no interest expense or amortization of principal to be paid during the term of the loan. The loan shall be due in full upon the earlier of the sale of the property by the Corporation or when the use of the property no longer serves or benefits low-income citizens. In accordance with FASB 116, the \$175,000 has been reported as permanently restricted net assets.

7. DUE TO ARLINGTON COUNTY

Under terms of Community Development Block Grant (CDBG) agreements with Arlington County, the county advanced CDBG funds to the Corporation for the development of low- and moderate-income housing within the county. Applicable development expenses were reimbursed by the county and recognized as grant revenue in the year of expenditure.

As part of the agreement with the county, WHDC established a Revolving Development account for purposes of assisting its subsidiaries with eligible development projects in the county. These funds were governed by Community Development Block Grant regulations. All development capital from CDBG funds are in use in low- and moderate-income housing in the county.

During the year ended June 30, 1988, Arlington County audited the program income generated by WHDC and its affiliates through June 30, 1986. Using the results of this audit, the county then determined the Federal shares of the 1982 syndication of Knightsbridge Apartments and the 1984 syndication of Whitefield Commons Apartments in accordance with the requirements of Office of Management and Budget (OMB) Circular A-110, Attachment N.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
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7. DUE TO ARLINGTON COUNTY - CONTINUED

The county also determined that the Corporation should record as payable to the county, 31.2 percent of the interest income accrued on the Knightsbridge Apartments syndication notes receivable and 48.6 percent of the interest income accrued on the Whitefield Commons notes receivable. Each year, the Corporation and its affiliates record the county's share of the interest accrual. The county's share of the interest income accrual was \$55,916 and \$53,955 for the years ended June 30, 2001 and 2000. If at any future time, the Corporation or its affiliates dispose of Knightsbridge Apartments land owned by KA, Inc. or the Whitefield Commons land owned by WHDC, the county is entitled to a 31.2 percent interest in the proceeds of the Knightsbridge land and a 48.6 percent interest in the proceeds of the sale of Whitefield land.

8. LINE OF CREDIT

The Corporation has an unsecured line of credit with a bank in the amount of \$500,000. The line of credit bears interest at the Prime Rate as established by the bank plus one-half percent per annum. As of June 30, 2001 there was no balance outstanding on the line.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
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9. GRANTS

Grants for operating expenses and predevelopment purposes were awarded to the Corporation during the year ended June 30, 2001 and 2000 as follows:

	<u>2001</u>		
	<u>Total Awarded</u>	<u>Total Received</u>	<u>Amount Receivable</u>
<u>Grants</u>			
Northern Virginia Planning District Commission (HOPWA) - for AGAPE House U.S. Department of Housing & Urban Development (HUD)	\$ 9,627	\$ 8,534	\$ 1,093
-Multifamily Housing Drug Elimination Grant	17,043	17,043	-
Fairfax Area Disability Services Board -Rehabilitative Services Incentive Fund	14,989	14,989	-
Fairfax County -Promising Futures Grant	35,000	35,000	-
Fairfax County -Administrative Grant	<u>47,902</u>	<u>28,523</u>	<u>19,379</u>
Totals	<u>\$ 124,561</u>	<u>\$ 104,089</u>	<u>\$ 20,472</u>

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
JUNE 30, 2001 and 2000**

9. GRANTS-CONTINUED

	2000		
	<u>Total Awarded</u>	<u>Total Received</u>	<u>Amount Receivable</u>
<u>Grants</u>			
Northern Virginia Planning District Commission (HOPWA) - for AGAPE House Junior League of Northern VA Gannett Foundation Fund - for Whitefield Commons Community Center	\$ 11,686	\$ 11,276	\$ 410
Fairfax County -Administrative Grant	<u>9,993</u>	<u>9,993</u>	-
Totals	<u><u>\$ 106,679</u></u>	<u><u>\$ 99,186</u></u>	<u><u>\$ 7,493</u></u>

10. DEVELOPMENT FEE - QUARRY STATION SENIORS APARTMENTS, L.P

For its services in connection with the development of the Project and the supervision of the construction of the Project, the Corporation shall be entitled to receive a development fee of \$725,000. The fee shall be earned as follows: (a) 20%, or \$145,000, during the current fiscal year, (b) 20% as of the date of fifty percent completion; and (c) the remainder in its entirety as of the date of construction completion, and the receipt of the last certificate of occupancy for the units in the Project.

**11. LEASE AGREEMENTS WITH PARTNERSHIPS OF WHICH AFFILIATES ARE
GENERAL PARTNERS**

The Corporation has entered into a lease agreement with Strawbridge Square Associates for land described in Note 2. The terms of the lease extend for 75 years from October 1, 1977. Currently the Corporation receives minimum rent, under the terms of the agreement, of \$640 per month. The agreement provides for renegotiation of the rent under certain conditions.

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
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12. OPERATING LEASES

The Corporation leases office space under two leases in Alexandria, Virginia with an expiration dates of February 28, 2003. The leases require monthly base rental payments totaling \$5,228 in addition to escalations of 3% per annum. The leases currently require monthly rental payments of \$5,499 from January, 2001 through December, 2001. The Corporation will also pay its prorated share of operating expenses.

The Corporation has the option to renew the leases for a five-year period upon providing a 30-day notice of its intention.

Rent expense amounted to \$50,021 and \$38,662 for the year ended June 30, 2001 and 2000, respectively.

The Corporation leases computer equipment under two leases. The leases have monthly payments totaling \$967 and expire in June, 2003 and March, 2004, respectively. Lease payments totaled \$10,909 for the year ended June 30, 2001.

Minimum future rental payments are as follows at June 30, 2001:

Year ending June 30

2002	\$ 78,193
2003	56,932
2004	3,633

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
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**13. RESTRICTIONS IMPOSED BY COMMUNITY DEVELOPMENT BLOCK GRANT
AGREEMENTS**

Arlington County provided funds to acquire properties in Arlington County under terms of annual Community Development Block Grant Agreements. If the Corporation or one of its affiliated entities syndicates, sells, grants, or conveys property it has acquired pursuant to the terms of the Agreements, it is required to reimburse the Corporation's Arlington County Development Revolving Account certain proceeds resulting from such disposition.

In accordance with the terms of the agreement between Arlington County and the Corporation which establishes the Arlington County Revolving Development account, program income, including interest earned on advances of Federal funds, proceeds from the sale of real property, and any other program income, has been retained by the Corporation and used to further eligible program objectives. Program income, as well as the CDBG funds, is considered Community Development Funds and is bound by all provisions of the Agreements. All program income is currently invested in Arlington County Properties.

WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA

NOTES TO FINANCIAL STATEMENTS

(Unconsolidated)

JUNE 30, 2001 and 2000

13. RESTRICTIONS IMPOSED BY COMMUNITY DEVELOPMENT BLOCK GRANT AGREEMENTS (continued)

As described more fully in Note 7, on September 17, 1987, Arlington County completed an audit of the program income generated by WHDC and its affiliates for the fiscal years ended June 30, 1980 through June 30, 1986. Amounts reported as program income subsequent to June 30, 1986, have not been audited and are subject to revision.

The following table summarizes program income generated by the Corporation and its affiliates:

	Total Program Income* 1980-1986	1987-1999 Total	Cumulative Total	2000 Interest	Cumulative Total
WHDC	\$ 4,662	\$ 35,864	\$ 40,526	\$ -	\$ 40,526
KAI	553,938	51,800	605,738	-	605,738
KA	1,113	-	1,113	-	1,113
WCI	242,502	162,579	405,081	-	405,081
WCA	96,609	-	96,609	-	96,609
*PSH, Inc.	812	12,129	12,941	-	12,941
	<u>\$ 899,636</u>	<u>\$ 262,372</u>	<u>\$ 1,162,008</u>	<u>\$ -</u>	<u>\$ 1,162,008</u>

The status of program income funds at June 30 2001, is as follows:

	1986*	1987-1991 Total	1992-2001 Total	Cumulative Total
Invested in eligible projects				
Knightsbridge Associates	\$109,002	\$ 109,002	\$ 109,002	\$ 109,002
Whitefield Commons Associates	692,141	692,141	692,141	692,141
Perry S. Hall, Inc.	103,000	103,000	103,000	103,000
Less amount advanced by WHDC	(10,000)	-	-	-
William Watters, Inc.	-	229,906	229,906	229,906
Larchmont Gardens	-	24,045	24,045	24,045
Pierce Queen	-	-	3,565	3,565
Cash				
Restricted, program income, Arlington County	4,680	3,533	-	-
Other	813	349	349	349
	<u>\$899,636</u>	<u>\$1,161,976</u>	<u>\$1,162,008</u>	<u>\$1,162,008</u>

*As audited by Arlington County

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
JUNE 30, 2001 and 2000**

14. TEMPORARILY RESTRICTED ASSETS

Temporarily restricted net assets consist of the following:

	<u>2001</u>	<u>2000</u>
Federal Rental Rehabilitation Program Advance to William Watters Inc. - Time and use restriction expiring 10 years from date of completion of the project	\$ -	\$ 147,500
Contributions restricted to Whitefield Commons Community Center	10,000	10,000
Contributions restricted to Summer 2000 Intern Program	-	4,000
Community Development Block Grant (CDBG) funds advanced to Seven Corners Apartments, Inc.	-	<u>127,498</u>
	<u>\$ 10,000</u>	<u>\$ 288,998</u>

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
JUNE 30, 2001 and 2000**

15. PERMANENTLY RESTRICTED NET ASSETS

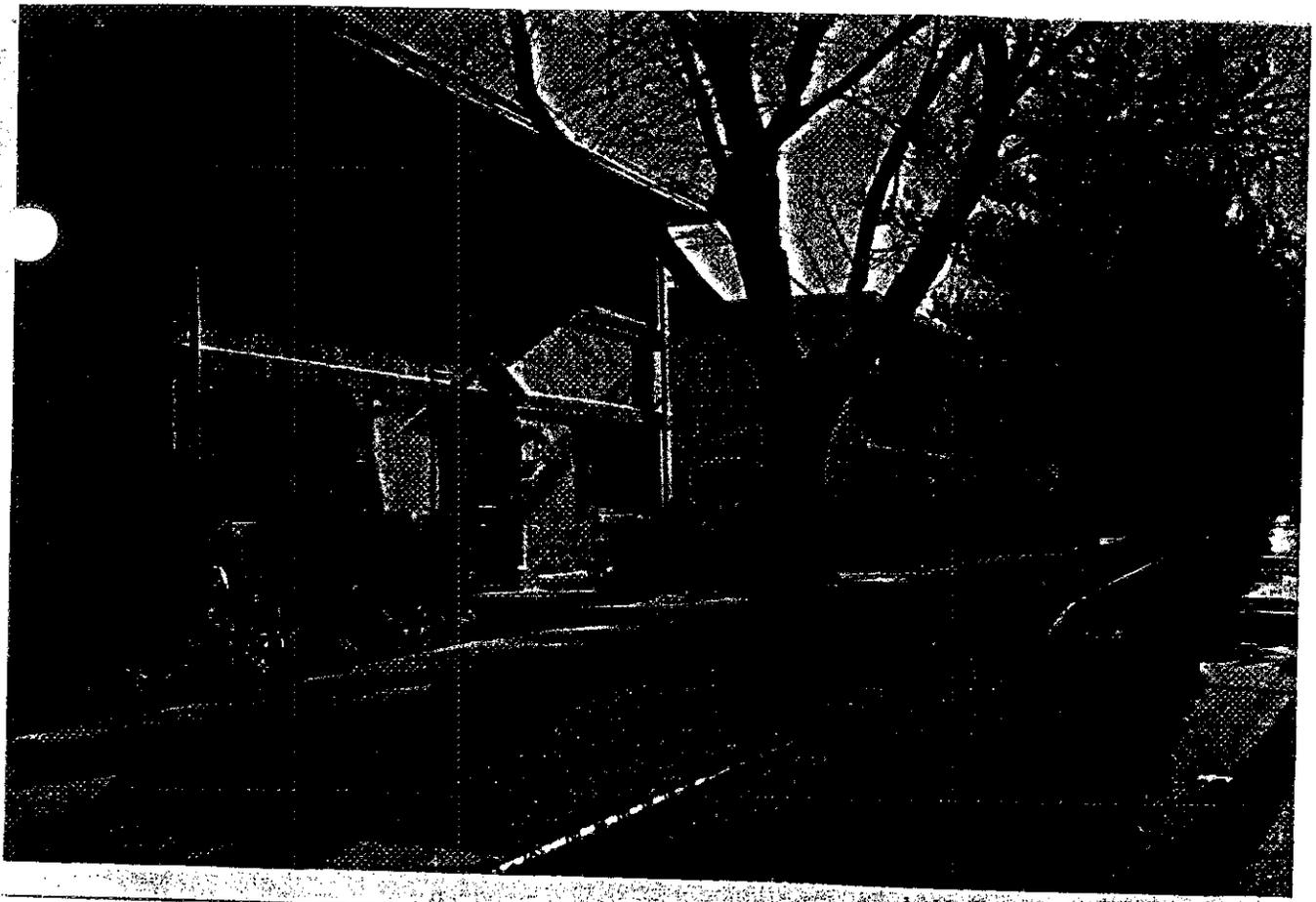
	<u>2001</u>	<u>2000</u>
Permanently restricted net assets consists of the following:		
Loan from Fairfax County Redevelopment and Housing Authority for Springdale House, loan due in full upon sale of the property or change in use that does not benefit low-income citizens (See Note 6)	\$ 175,000	\$ 175,000
Portion of the Arlington County Community Development Block Grant repayable upon the sale or disposition of the Knightsbridge Apartments or Whitefield Commons land and the County's share of the related syndication notes and interest accrual (See Note 7)	1,989,013	1,933,097
Fairfax County Community Development Block Grant used in purchasing Seven Corners Apartments and repayable only upon sale or to be reinvested in low-and moderate income housing in Fairfax County	<u>65,000</u>	<u>65,000</u>
	<u>\$ 2,229,013</u>	<u>\$ 2,173,097</u>

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
JUNE 30, 2001 and 2000**

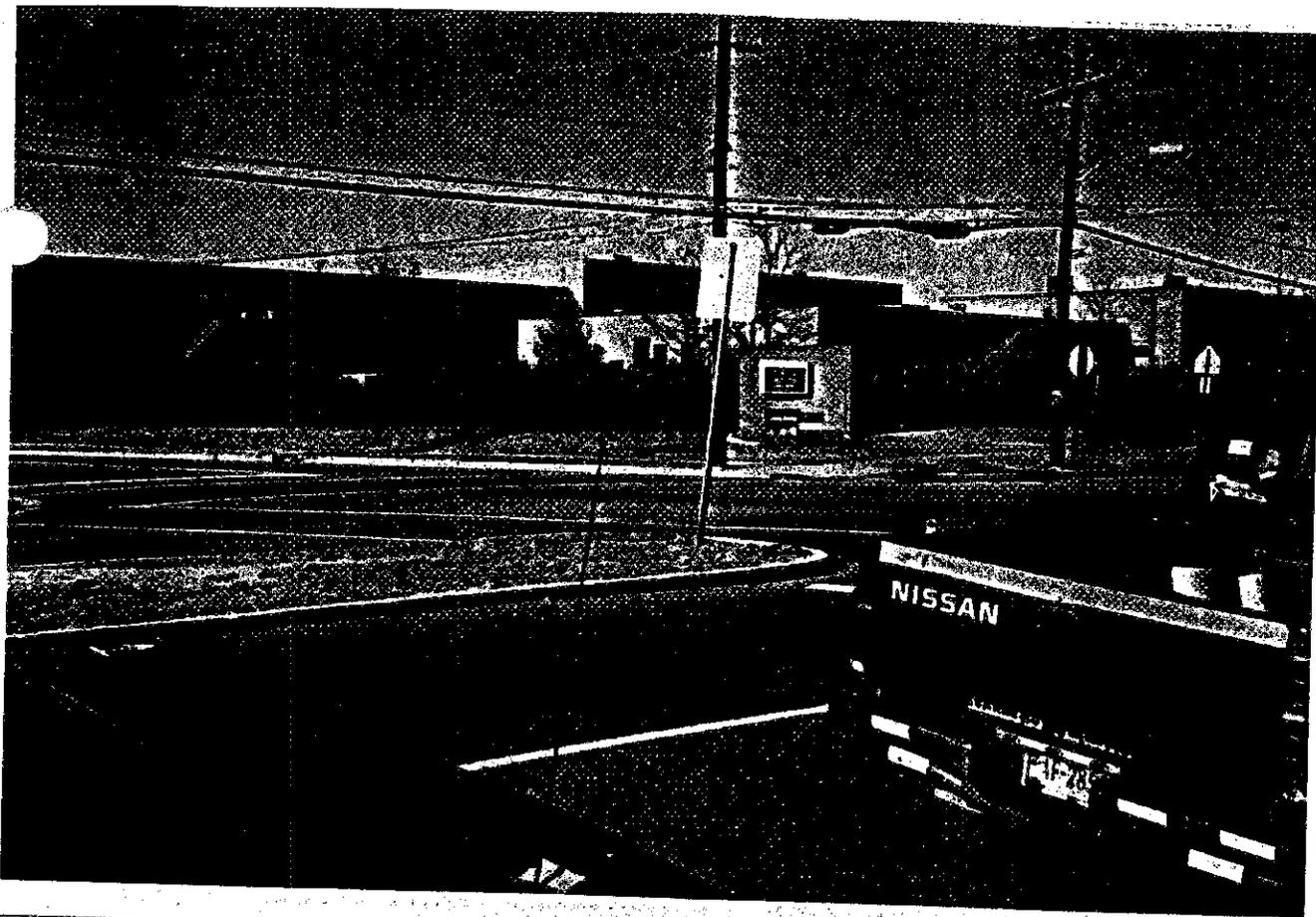
17. FUNCTIONAL EXPENSES (continued)

	2000			
	Program Services	Management and General	Fundraising	Total
Compensation of officers	\$ 54,992	\$ 21,582	\$ 6,720	\$ 83,294
Other salaries	296,603	28,426	50,209	375,238
Pension Plan and employee benefits	21,036	3,374	3,992	28,402
Payroll taxes	27,278	3,792	5,193	36,263
Accounting fees	9,361	1,322	2,517	13,200
Legal fees	84	902	25	1,011
Supplies	13,159	1,355	2,085	16,599
Telephone	9,296	1,372	1,851	12,519
Postage and shipping	3,219	-	4,578	7,797
Rent	29,190	4,184	5,288	38,662
Equipment rental & maintenance	7,896	1,214	1,311	10,421
Printing	4,690	948	3,253	8,891
Travel/Conferences	6,942	1,099	1,228	9,269
Depreciation	12,434	905	-	13,339
Insurance	2,755	4,359	449	7,563
Springdale House	19,019	-	-	19,019
Advertising	1,203	968	130	2,301
Lincolnia Community Center	56,805	-	-	56,805
Bad debts	2,290	-	-	2,290
Other	9,024	6,530	22,332	37,886
	\$ 587,276	\$ 82,332	\$ 111,161	\$ 780,769

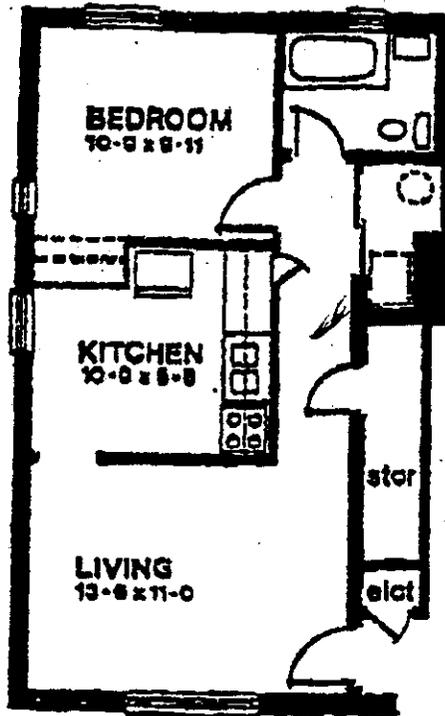


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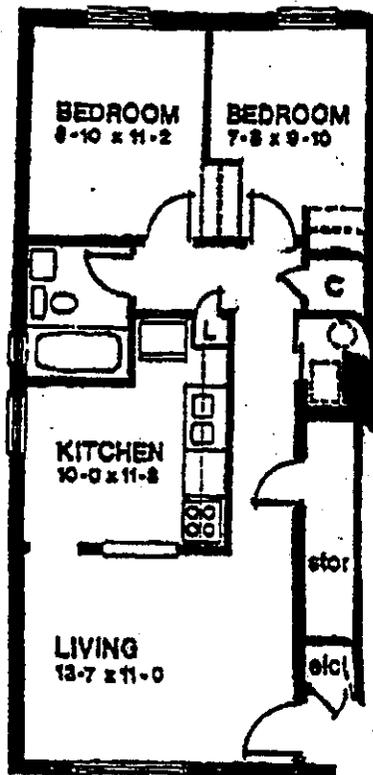
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LYNHAVEN APARTMENTS



One Bedroom/One Bath
527 Square Feet



Two Bedroom/One Bath
660 Square Feet

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

NOTES TO FINANCIAL STATEMENTS

(Unconsolidated)

JUNE 30, 2001 and 2000

17. FUNCTIONAL EXPENSES

	2001			
	Program Services	Management and General	Fundraising	Total
Compensation of officers	\$ 61,815	\$ 19,878	\$ 7,415	\$ 89,108
Other salaries	395,564	61,180	46,148	502,892
Pension Plan and employee benefits	28,842	7,055	3,559	39,456
Payroll taxes	36,333	6,283	4,224	46,840
Accounting fees	10,004	2,065	1,931	14,000
Legal fees	1,048	1,761	76	2,885
Supplies	20,110	3,642	2,068	25,820
Telephone	10,492	1,545	1,107	13,144
Postage and shipping	1,308	314	2,200	3,822
Rent	37,537	7,202	5,282	50,021
Equipment rental & maintenance	52,693	9,698	5,206	67,597
Printing	4,255	931	3,922	9,108
Travel/Conferences	9,798	2,406	1,249	13,453
Depreciation	19,641	-	-	19,641
Insurance	6,386	760	1,035	8,181
Springdale House	17,511	-	-	17,511
Advertising	545	101	816	1,462
Lincolnia Community Center	51,035	-	-	51,035
Bad debts	3,087	-	-	3,087
Contributions & grants	152,497	-	-	152,497
Other	17,578	798	12,996	31,372
	<u>\$ 938,079</u>	<u>\$ 125,619</u>	<u>\$ 99,234</u>	<u>\$ 1,162,932</u>

**WESLEY HOUSING DEVELOPMENT CORPORATION
OF NORTHERN VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS
(Unconsolidated)
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16. NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished:

Federal Rental Rehabilitation Program Advance from the Arlington County Board of Supervisors received on April 18, 1990 specifying that the proceeds be used solely for the renovation and rehabilitation of the property and the property must be utilized entirely for residential rental or housing cooperative purposes for low – to moderate-income families on a non-discrimination basis for a period of ten years from date of completion of the project.	\$ 147,500
Expenses allocated to Summer 2000 Intern Program	4,000
Repayment of Community Block Grant (CDBG) funds advanced to Seven Corners Apartments, Inc.	<u>127,498</u>
	<u>\$ 278,998</u>

Lynhaven Apartments (SPARC)

Development Cost Analysis

LOANS/POSITION	MONTHS	PRINCIPAL		FINANCE FEES	RATE	DEBT SER
VHDA SPARC	312	\$1,500,000	83%	\$7,500	4.50%	\$97,975
DHCD VHPF	300	\$0	0%	\$0	0.00%	\$0
City of Alexandria (grant)	300	\$0	0%	\$0	0.00%	\$0
City of Alexandria (soft)	360	\$300,000	17%	\$0	3.00%	\$0
Other	360	\$0	0%	\$0	0.00%	\$0
TOTAL		\$1,800,000		\$7,500	0.00%	\$97,975

TERMS	
TOTAL UNITS	28
GROSS SQ. FT.	18,275
PERMANENT MORTGAGE(S)	\$1,800,000
TOTAL FEES	\$7,500
LOAN PER UNIT	\$64,286
CONSTRUCTION LOAN(S)	\$1,800,000

CONTRACT		
OFF-SITE		\$0
ON-SITE		\$0
LANDSCAPE		\$0
ENGINEERING		\$0
SUBTOTAL		\$0
STRUCTURES		\$210,000
COMMUNITY		\$0
SUBTOTAL	\$11.49	\$210,000
GEN. REQUIREMENT	0.00%	\$0
OVERHEAD	0.00%	\$0
PROFIT	0.00%	\$0
LETTER OF CREDIT		\$0
BONDING FEE		\$0
SUBTOTAL		\$0
TOTAL CONTRACT	\$7,500	\$210,000

OWNER COST		
TAP FEES	\$0	\$0
ENGINEERING	\$0	\$0
ARCHITECT	\$232	\$6,500
REPLACEMENT RESERVE	-	\$0
SOILS/GEOTECH/ENVIRONMENTAL		\$3,802
CONST INTEREST		\$0
TAXES		\$0
INSURANCE		\$1,000
FINANCING FEE	1.0%	\$7,500
LOAN COSTS-OTHER	0.0%	\$10,000
ACCOUNTANT/CERTIFICATION		\$0
TITLE & RECORDING		\$10,000
LEGAL		\$25,000
MORTGAGE PLACEMENT FEE		\$15,000
TAX CREDIT FEE		\$0
BONDS		\$0
APPRAISAL		\$4,700
MARKET STUDY		\$4,500
REVIEW & PERMIT FEES		\$1,500
SUBTOTAL		\$89,502
TOTAL IMPROVEMENTS		\$299,502

TOTAL DEVELOPMENT COST		
TOTAL IMPROVEMENTS	10,697	\$299,502
LAND/ACQUISITION	62,500	\$1,750,000
TOTAL DEVELOPMENT	73,197	\$2,049,502

EQUITY INVESTMENT	
DCR (VHF, VHDA only)	1.11
TOTAL DEVELOPMENT	\$2,049,502
MORTGAGE	(\$1,800,000)
EQUITY REQUIRED 12% OR	\$249,502
WESLEY HSG (Shelter)	\$250,000
NET EQUITY REQUIRED	(\$498)

INCOME				
50% units at 50% AMI, 4 units @ Selter, balance at market				
UNIT TYPE (BR/B)	NO.		RENT	ANNUAL
1/1 527 SF	5	@	\$674	\$40,440
2/1 (Shelter) 680 SF	4	@	\$366	\$17,586
2/1 680 SF	19	@	\$800	\$182,400
	28			
SUBTOTAL	28			\$240,426
LAUNDRY INCOME	28	@	\$10.00	\$3,360
OTHER		@	\$0.00	\$0
TOTAL INCOME				\$243,786
VACANCY			5.00%	(\$12,189)
E.G.I.				\$231,597

OPERATING EXPENSES			
ADMINISTRATIVE			34,948
UTILITIES			15,418
OPERATING & MAINTENANCE			43,654
TAXES & INSURANCE			22,085
TOTAL OPERATING EXPENSES	4,147		116,105
REPLACEMENT RESERVES	250		7,000
TOTAL EXPENSES	4,397		123,105

CASH FLOW	
E.G.I.	\$231,597
OPERATING EXPENSES	(\$123,105)
NET INCOME	\$108,492
DEBT SERVICE	(\$97,975)
CASH DISTRIBUTION	\$10,517

Lynhaven Apartments

Rehabilitation Scope of Work

	<u>Cost</u>	<u>Ref</u>
Exterior		
Repair AC disconnects	\$544	a
Point walls	\$330	a
Repair fascia	\$141	a
Repair soffit	\$66	a
Insulate HVAC lines	\$888	a
Replace roof	\$32,149	a
Paint buildings	\$2,993	a
Replace entry door trim	\$2,100	b
Canopies	\$2,800	b
Site signs	\$500	b
Site lighting allowance	\$2,000	b
Replace windows	\$45,588	a
Site Work		
Trim trees and shrubs	\$917	a
Landscaping allowance	\$5,000	b
Topsoil fill and grade	\$4,983	a
Remove and replace wood retaining wall	\$93	a
Clean and stripe parking lot; install stops	\$500	b
Remove and replace damaged sidewalks	\$1,897	a
Replace chain link fence around rear	\$5,399	a
Iron fencing in front	\$12,061	a
Common Areas		
Repair stair treads	\$0	b
Resecure handrail	\$0	b
Repair walls	\$0	b
Replace vinyl tile	\$0	b
Replace mail boxes	\$1,345	a
Wireless door bells	\$1,120	b
Interior		
Rehab unit 3515-2	\$4,000	b
Rehab unit 3517-4	\$4,000	b
Rehab unit 3519-3	\$4,000	b
Rehab unit 3521-4	\$4,000	b
Rehab unit 3523-2	\$4,000	b
Rehab damaged unit 3515-2	\$5,000	b
Replace 28 furnaces	\$24,444	a
Replace 7 condensers	\$6,342	a
Replace 7 water heaters	\$3,871	a
Replace 6 ranges	\$1,938	a
Replace 14 refrigerators	\$5,964	a
Total direct cost	\$190,971	
Contingency	\$19,097	
Construction manager	\$10,000	
Total rehabilitation budget	\$210,068	

18 9 21
5-14-02

mariawasowski@comcast.net

05/13/2002 09:02 PM

To: delpepper@aol.com @ INTERNET, eberwein-council@home.com @ INTERNET, billclev@home.com @ INTERNET, council-woodson@home.com @ INTERNET, mayoralx@aol.com @ INTERNET, wmeuille@wdeuille.com @ INTERNET, dspeck@aol.com @ INTERNET

Subject: Datatel/Wesley Housing

Dear Mayor Donley and Members of Council,

I can't make it to the council meeting tomorrow night so I thought I'd send you my thoughts on a couple of issues:

The first issue is the Datatel building. I am opposed to Rick Gersten's proposal to rehab the building for a number of reasons. At the walk through, it was very clear that, because of the way the building is configured, it would be impossible to have any retail on the street level and the lobby could not be lowered to street level so there would be no positive addition to the streetscape. This is contrary to all the stated goals of the UPW task force. The would-be developers have been making verbal promises to do whatever we want. However, they clearly cannot deliver since the street level retail is not feasible. I'm not willing to put my support behind anyone based on vague promises that clearly can not be fulfilled without any clear proposal for what realistically can be done.

I am also concerned that Rick Gersten's primary interest is in turning around and selling the rehabed building. There are no guarantees that any new investor would be community oriented. Also, it's clear that once the building is renovated, it would be a permanent fixture.

I urge the City to proceed with efforts to buy Datatel and raze it because that might make it possible for an experienced developer to combine the site with other adjacent properties and start realizing the plan outlined in the UPW task force report. Datatel and the adjacent sites don't have to wait for the lease on the Chinese restaurant to expire. I hope you will follow through with your commitment to the UPW plan.

The second issue I want to address is that of the Wesley Housing proposal. Mt. Jefferson is firmly behind Lynhaven in their opposition to the Wesley Housing project for several reasons. First of all, we have quite a bit of section 8 housing in this area and have felt for some time that there should be better distribution among ALL parts of the city. Second, it is actually more helpful to the culturally and economically impoverished to live in close proximity to a mix of people, including some of higher income and educational status. Living in a homogenous, low income area perpetuates the cycle of poverty, lack of goals, education, etc. Let's not create that kind of an area in Lynhaven.

After many years of stagnation, we are beginning to have a good mix of people in UPW, economically and culturally. Our challenge is to continue that trend. We want to avoid over-gentrification that makes housing no longer affordable to middle class folks. However, we also want to prevent many hard working homeowners whose lifetime investment is in their homes from losing the advantages of appreciation which we are finally seeing. I think adding the Wesley Housing project would serve to depress this

neighborhood and halt or reverse the gradually improving trends we've worked to achieve. Last but not least, many of us have been working hard to improve our community and, as you know, we try to work together with developers, not against them. However, it's very difficult to see high end developments like the Reserve and others built by large companies from out of town who take no interest in the surrounding communities and absolve themselves of the responsibility to provide low-income units simply by paying a fee. Especially when the way that money is used ends up depressing the older surrounding communities that already face a lot of economic and social challenges. I'm afraid such policies may end up creating a situation similar to that in Old Town where several blocks are very upscale and then there is a large area next door where people live in poverty and the two don't connect or mix.

I and the other community leaders in Upper Potomac West see the need for affordable housing and we support it but we want to see a more fair distribution of such housing all around the city. We already have plenty.

I'm sorry this letter has ended up so long but I feel very passionate about both these issues so thank you for your patience.

Maria Wasowski
President, Mount Jefferson Civic Association
306 East Hume Avenue
Alexandria, VA 22301
home: 703.684.1490
cell: 703.217.5109

Sue M. Capers
311 Wolfe Street
Alexandria VA 22314

21

5-14-02

May 14, 2002

The Honorable Kerry Donley, Mayor
and City Council Members
City Hall
301 King Street
Alexandria VA 22314

Dear Mayor Donley and Members of Council:

For 25 years, Wesley Housing Corporation has helped to preserve and assure access to affordable housing for low-income Virginians. Now, Wesley Housing Corporation plans to purchase and acquire Lynhaven Apartments--and thus to assure that this multi-family property continues to provide safe, affordable housing to low-income working families in Alexandria. I am writing to urge your support for this project, which meets the funding goals of the Affordable Housing Trust Fund and the real human need of citizens of Alexandria.

Affordable housing in Alexandria is tough for anyone to find. For low income working families, the search is even tougher--and getting worse. The health of the city as a whole depends upon continued access to housing for low income workers--who clean the rooms in Alexandria's hotels, wash dishes in Alexandria's many restaurants, maintain Alexandria's parks and schools, and in a thousand other ways help keep Alexandria growing.

In addition to preserving low income housing in Lynhaven Apartments, Wesley Housing, in collaboration with Carpenter's Shelter, intends to specifically set aside, as they become available, 4 units for formerly homeless families. These families, like many in area shelters, have established incomes, but are unable to afford rising area rents. With support from the Affordable Housing Trust Fund, Wesley Housing will help these families bridge the economic gap between low wages and area rents, and Carpenter Shelter will monitor and counsel these families to help assure their transition to independent housing is successful.

I chose to live in Alexandria, in part, because I saw in this city a successful, lively, thriving mix of ages, incomes, races and backgrounds. The proposal advanced by Wesley Housing Corporation represents the very attributes that make such healthy diversity possible--it is compassionate, thoughtful, conservative, well-planned and will be implemented by organizations and individuals with experience in housing and homelessness. I urge your full support for this proposal, and in fact, expect nothing less from Alexandria's elected leaders.

Sincerely,



Sue M. Capers
Coordinator for Public Policy
Virginia Coalition for the Homeless

Received by CC
PF 5/14/02 #21

LYNHAVEN CIVIC ASSOCIATION
254 Lynhaven Drive
Alexandria, Virginia 22305

April 25, 2002

The Honorable Kerry Donley, Mayor
The City Council
The City of Alexandria, Virginia
301 King Street
Alexandria, Virginia 22314

Re: Wesley Housing Development Corporation

Dear Mayor Donley and Members of Council,

This letter is being sent to you as a follow up of our April 9, 2002 letter regarding the Wesley Housing Development Corporation (WHDC) proposal for the Lynhaven Gardens Apartment Complex. We have had several discussions regarding this issue and after each discussion, we become confused, angered, and distrustful. On April 10, 2002, our executive board met with Mrs. Mildrilyn Davis, Bob Eiffert of the City's Housing Department, Al Smuzynski of WHDC, and Fran Becker, Lee Fifer of the Carpenter's Shelter. First of all, we were treated like children in school or less than a group of intelligent, educated adults. When we tried to discuss the presentation given by Mr. Smuzynski at our April, 2002 meeting. We were told by Mrs. Davis that we would not discuss that presentation and to act like that meeting did not exist. Our feeling is and continues to be, without dealing with that meeting, we can not move forward because of the distrust and continued inconsistencies of the proposal.

For example, the first presentation was all housing would be for low income New Americans except the transitional housing for Carpenters Shelter, and emphatically that there would be no market rate. At the meeting with Mrs. Davis, it was stated there were would be 19 low income including the transitional units and nine (9) market rate units. In Mrs. Davis' letter to me which is attached to this letter, the number has changed to 50% low income (14 units) and 50% market rate (14 units) and is subject to change again depending on the financing. The number of transitional housing units was reduced to four (4). There are even inconsistencies in the renovation description of the complex. In our April 1, 2002 meeting, it was stated that they needed to renovate units inside the building, because some units were in poor condition. At the Affordable Housing Task Force Meeting, it was stated that only the exterior would need renovation and landscaping. These conflicting presentations have caused us concern and anger. We have a right to know exactly what is going to be developed in our neighborhood, and what population will be served.

Except for the original presentation by Mr. Smuzynski, Mrs. Davis has presented all the other versions of this project to us. Mr. Smuzynski has neither said he agreed or disagreed.



accepted or rejected these changes even though he was in attendance.

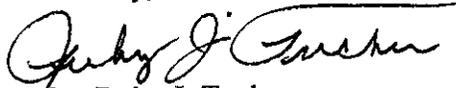
We remain troubled that the City is relying on an Advisory Report which is not the same as a Housing Policy or Plan approved for any area. The City's Housing Department has selected only parts of this report to support the City's position. However, the same report clearly states that the City should "Provide affordable housing choices throughout the City". Our neighborhood has clearly provided affordable housing for years without the City's help. Our neighborhood should not become a "dumping ground" each time a non profit has a plan. The same Advisory Report states that the housing production goals should "Maintain and enhance the quality and safety of housing and neighborhoods." This is exactly our concern that the City is moving ahead with a project that could deny quality and safety in our neighborhood. The City has stated they would acquire units for affordable housing; but Wesley is not the City and there are no safeguards that the low income families can continue to remain in these units after 20 years (or in the City for that matter). Our neighborhood has had more than it fair share of landlords who have used low income programs to the landlord's advantage, and then these same landlords abandoned the poor after the debt service has been paid for by rental assistance.

We are also concerned about the Housing Department relying on printed statements from WHDC when as admitted, they were not present. We were there and we know what was said.

Therefore, because of the above stated reasons, the position of our Executive Board is that you deny this project any city funds.

If you have any questions, I can be reached at 703-549-7754. I will appreciate anything you can do to assist our neighborhood in this matter.

Sincerely,



Mrs. Ruby J. Tucker

President, Lynhaven Civic Association

c: P. Sunderland/City Manager
M. Davis/City Housing Department
Files



City of Alexandria, Virginia



Office of Housing
P. O. Box 178, City Hall
Alexandria, Virginia 22313
703-838-4990
Hearing Impaired: 703-838-5056
Facsimile: 703-706-3904

April 19, 2002

Mrs. Ruby Tucker
President
Lynhaven Civic Association
254 Lynhaven Drive
Alexandria, VA 22305

Dear Mrs. Tucker:

This is in response to your letter of April 9, 2002, which we also discussed in a meeting on April 10, with regard to the proposed purchase of the Lynhaven Apartments by the Wesley Housing Development Corporation, with financial assistance from the City.

Your letter requests that the Office of Housing provide you with the information we have received from Wesley about the project, and information as to how the development meets our funding guidelines. A copy of Wesley's application, along with the staff recommendation to the Affordable Housing Advisory Committee, was delivered to you on April 15. A copy was also provided to a member of your Executive Committee, Rosa Byrd, who attended the April 11 Affordable Housing Advisory Committee (AHAC).

Several recommendations of the City's Affordable Housing Task Force Report support this type of project. One is to facilitate the development of affordable rental housing through acquisition and rehabilitation of existing multifamily rental housing. Another is to make grants or loans to non-profit or for-profit developers to secure a commitment of affordable rents, in new or existing housing, for a specified period of time (e.g. 20 years or more). As we have discussed, staff views the Wesley project as an opportunity to preserve the affordability of an existing multifamily property whose affordability may soon be threatened as a result of development in the surrounding area. However, as part of our consideration of Wesley's application, we advised them to seek the support of the Lynhaven Civic Association, which Wesley did by making a presentation at the association's April 1 meeting. You have raised several concerns about that presentation, which I will address below.

First, you state that Wesley did not inform you of the planned transitional housing units (the correct number is four) when the meeting was requested, and it was not discussed until a Lynhaven member raised the issue, presumably based on information you had received from a

former member of your civic association's board who is also a former volunteer at Carpenter's Shelter. Al Smuzynski, Wesley's President and CEO, says that the initial conversation was not intended to be a full discussion of the proposal but simply a brief call to schedule the presentation, but also says that he did mention the transitional units in his presentation. He has provided me with a copy of the text of his presentation, and while I was not present and cannot confirm that the presentation was delivered as written, the written text includes the following statement:

We have entered into an innovative collaboration with Carpenter's Shelter. The collaboration involves committing 4 units to Carpenter's Shelter, for families graduating from the shelter, but who are unable to locate suitable housing in the area. These families will continue to be counseled by CS social services coordinators.

Your letter also expresses concern that the association was told that the property would be housing for new Americans, and you raise the question of whether this constitutes discrimination against other Alexandrians. As we have discussed, this property was never intended to be limited to new Americans; it will be open to everyone, subject to income restrictions for designated units (which is discussed further below). Based on the written text, Mr. Smuzynski's presentation did state that many of the persons in other properties managed by Wesley are new Americans, and that Wesley liked the diversity and the number of new Americans in the general area of this property. Your letter states that your neighborhood is already very diverse; I view Mr. Smuzynski's comments as a reflection of that fact. There was no intent on the part of Wesley or of City staff to limit occupancy of the Lynhaven apartments to new Americans. The intent of this project is to preserve its affordability for current residents who are in good standing. Wesley does not intend to displace current residents, and vacancies will be filled in a non-discriminatory manner.

Your letter also addresses the issue of the incomes of proposed residents. You were told during Wesley's presentation that there would be no units available for moderate income residents, and that is consistent with what Wesley initially proposed. However, as we discussed on April 10, Wesley subsequently accepted staff's recommendation for a mixed-income property, with 19 units, including the 4 transitional units, for households at or below 60% of median income, and nine units to be rented at market rates with no income restrictions. The income limits at 60% of median are enclosed, and are based on the Low Income Housing Tax Credit Program. This distribution may need to change again based on the requirements of the financing Wesley is seeking; Wesley's most recent request is to have 50% of the units (14 units) at 50% median, and 50% of the units at market rents with no income restrictions. If a change becomes necessary, I will provide further information and discuss it with you. When we know whether this change is essential to Wesley's financing of the contract, I will contact you to discuss the matter.

Please note that this matter will be discussed again by the Affordable Housing Advisory Committee on May 2, by which time staff will have had an opportunity to review consultant studies related to the feasibility of this effort. In our telephone conversation on April 18, you

requested a copy of the Affordable Housing Advisory Committee's April 11 action on Wesley's application. A summary of their actions is also enclosed.

Finally, you have requested that the Office of Housing and Wesley make a joint presentation to the Lynhaven Civic Association before this project moves forward. We are no longer planning to take this to City Council on April 23, and would like very much to take advantage of your invitation and discuss the proposal at the May 6 meeting of the Lynhaven Civic Association. I am hopeful that we will be able to address any concerns you and your association may have at this meeting.

Sincerely,


Mildrilyn Stephens Davis
Director, Office of Housing

cc: Phil Sunderland, City Manager
The Honorable Mayor and Members of City Council

Enclosures

**ACTIONS OF THE AFFORDABLE HOUSING ADVISORY COMMITTEE
REGARDING THE WESLEY PROJECT, APRIL 11, 2002**

The City's Affordable Housing Advisory Committee (AHAC) considered the proposal of the Wesley Housing Development Corporation at their April 11 meeting. The committee voted to:

1. recommend that City Council approve the allocation of \$25,000 in Housing Trust Fund monies for the Wesley Housing Development Corporation (WHDC) to use for pre-development costs for the acquisition of the Lynhaven Apartments, with the understanding that these funds will be repaid to the City when WHDC closes on the property. If WHDC does not close on the property, the funds become a grant.
2. recommend that City Council approve a \$300,000 residual receipts loan with the understanding that Council's approval would be contingent upon WHDC's obtaining permanent financing, and a City staff review and approval of the WHDC consultant's environmental assessment, capital needs assessment, market study, and appraisal of the property.

**LYNHAVEN CIVIC ASSOCIATION
ALEXANDRIA, VIRGINIA 22305**

April 9, 2002

Mrs. Mildrilyn Davis
City of Alexandria, Virginia
Department of Housing
301 King Street
Alexandria, Virginia 22313

Re: Proposed Lynhaven Development

Dear Mrs. Davis,

At the regularly scheduled meeting of the Lynhaven Civic Association, held on April 1, 2002, the Wesley Housing Development Corporation made a presentation about a proposed re-use of an apartment building (The Lynhaven Garden Apartments) located at Commonwealth and West Reed Streets, of 28 units (23 Two bedrooms and 5 One bedrooms) for different housing purposes, ranging from Section 8 assisted units to transitional units. After listening to the Wesley proposal, and after having conversations with others knowledgeable about the project, the Lynhaven Association is still not clear about this development's long range plans. However, we are aware that your office may provide some financial assistance to the Wesley Housing Development Corporation. We are requesting that your office provide us with information that you have received about this project. Our association would like to know the project specifications that your office has received and used to determine the development meets your funding guidelines.

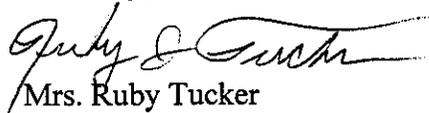
The Lynhaven Civic Association found the presentations from The Wesley Housing Development Corporation to be not very informative and insulting to our organization because of the conflicting information provided. If I had not received a phone call from a former volunteer at the Carpenter's Shelter (who was also a former Board Member) on the Saturday before our Monday Meeting (April 1, 2002), we would not have been aware of the planned five (5) units of transitional housing. When the presentation was made to the civic association, the transitional housing was not mentioned. After a Lynhaven member asked the question, and only then was it discussed.

There was something else that really did not sit well with us. We were told that these homes were "New American Housing" for new Americans. In the Presenter's's own words, "I would be proud to provide new Americans with their first home". We then asked about old Americans and received no answer. We asked if the housing would be available for moderate income? The answer was no. We have requested they provide us with the income limits for this project, and have not receive them.

How can we develop housing in Alexandria and designate it for "New Americans" when "old" residents of Alexandria need affordable housing. How can the Wesley Housing Development Corporation be allowed to discriminate against other residents of Alexandria by designating this housing for a special group? Would the proposed policy be a violation of the Fair Housing laws? Some participants of the Lynhaven Association felt these statements were an insult to our community, *which we proudly note as already very diverse.*

We would like to have our concerns responded to and our association would like the City's Housing Department and the Wesley Housing Development Corporation to make a joint presentation to the Lynhaven Civic Association before this project moves forward. If you have any questions, I can be reached at 703-549-7754. We thank you for your anticipated cooperation in this matter.

Sincerely,



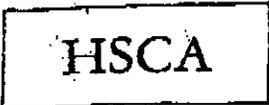
Mrs. Ruby Tucker

President

Lynhaven Civic Association

c: The City of Alexandria, Virginia City Council
A. Melvin Miller, ARHA Board Chairperson
P. Sunderland, City Manager

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5-14-02



HUME SPRINGS CITIZENS ASSOCIATION

P.O. BOX 2880 • ALEXANDRIA, VIRGINIA 22305

May 10, 2002

Dear Mr. Sunderland and City Council members:

Please know that we are strongly opposed to Wesley Housing Corporation's conversion of Lynhaven Apartments from its current market-rate status to one of nearly 60% subsidized rental units. Even at 20%, it will likely be difficult to keep a stable group in the supposedly market rate remainder of the units. Hence the building will likely end up even more below market rate than currently projected by Wesley Housing.

Our Upper Potomac West communities have, do and will continue to support quests for affordable housing -- in all of Alexandria -- but we in Upper Potomac West, including the community surrounding Lynhaven apartments, are already doing more than our Fair Share for this cause. We simply cannot and should not be asked to do more! Forcing us to attempt to do more will rob our long languishing neighborhoods of their equal share of fruits of Alexandria's economic prosperity. We deserve to share fairly in this prosperity as much as any of Alexandria's communities.

For the sake of building a community that might finally begin to prosper and to better serve to nurture socially and economically more viable future generations, we have in our community hardworking people who have fought against odds every bit as great as those faced by anyone, anywhere else in this City, affluent or otherwise.

Additional subsidized housing burdens will only hamper our ability to advance to a point where we might better serve as an effective launching pad to more viable futures -- for the very persons whom the affordable housing policies are intended to help. It is time for these counter-productive practices of overburdening certain communities to stop.

True help and concern for the less affluent or less fortunate would seek to use the resources of all of Alexandria, rather than to consistently target certain communities, that happen to already have a substantial minority population. However well intended, persistently targeting high-percentage minority communities does little to encourage a healthy diversity in our City. Such biased policies hurt, rather than help, those in need of affordable housing and deny the targeted communities well-deserved opportunities for a full measure of economic progress.

Sincerely,

Ellen Marie Guldan
President, HSCA

Brenda Smith
1st Vice President, HSCA

Gorodesky Cooper
2nd Vice President, HSCA

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5-14-02

FAX TRANSMITTAL SHEET

DATE:

5/10/02

TO:

MAYOR KERRY J. DONLEY

ORGANIZATION:

MAYOR OF ALEXANDRIA

FAX NUMBER:

(703) 838-6433

FROM:

Ellen Marie Guldan

ORGANIZATION:

Hume Springs Citizens Association

PHONE NUMBER:

(703) 549-7901

FAX NUMBER:

NUMBER OF PAGES:
(Including cover sheet)

2

MESSAGE:
