

City of Alexandria, Virginia

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6-15-02

MEMORANDUM

DATE: JUNE 10, 2002

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER <sup>S</sup>

SUBJECT: PUBLIC HEARING AND CONSIDERATION OF THE LYNHAVEN  
APARTMENTS CONVERSION ASSISTANCE PLAN

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**ISSUE:** Public hearing and consideration of the Lynhaven Apartments Conversion Assistance Plan (Attachment I).

**RECOMMENDATION:** That City Council:

- (1) hold the public hearing;
- (2) approve the Conversion Assistance Plan for Lynhaven Apartments (Attachment I); and
- (3) authorize the City Manager to execute all legal documents.

**BACKGROUND:** Since 1980, the City has had in effect a voluntary conversion assistance policy. City Council encourages developers of any rental project in the City covered by the Virginia Residential Landlord-Tenant Act to submit a conversion plan to the Chief of the Office of Housing's Landlord-Tenant Relations Division for any project proposed for demolition, substantial rehabilitation that causes temporary relocation or permanent displacement of a tenant, conversion to condominiums, termination of subsidy payments, or termination of lower-rent set-aside units. A conversion or relocation plan is submitted to the Landlord/Tenant Relations Office prior to applications for variances, special use permits or mechanical, plumbing or building permits.

A conversion assistance plan describes the developer's intent to provide financial relocation assistance and other related services to temporarily or permanently displaced households which will assist these households in moving and in finding alternative housing. The City's Conversion Assistance Policy outlines procedures for sending notices, phasing rehabilitation, and assisting residents with special needs. The policy also addresses developer assistance to households temporarily displaced who wish to continue occupancy at the property once activities have been completed. Once a plan is submitted, the Landlord-Tenant Relations Board holds a public hearing on the conversion plan and makes recommendations. Finally, the plan goes to the City Council for a public hearing and action.

At its May 14, 2002, meeting, City Council approved a \$300,000 loan from the City's Housing Trust Fund to the Wesley Housing Development Corporation (WHDC), a nonprofit provider of affordable housing, to purchase the Lynhaven Apartments (Attachment II). WHDC was also awarded a \$25,000 pre-development grant for the project.

**DISCUSSION:** In accordance with City policy, WHDC submitted a conversion assistance plan. On June 5, 2002, the Landlord-Tenant Relations Board held a public hearing on the plan.

Public comments were received from two of four residents of Lynhaven Apartments in attendance at the meeting. The comments from the two participating residents of the property were predominantly questions regarding leases. Mr. Al Smuzynski, President and Chief Executive Officer of WHDC, answered the tenants' questions. Mr. Smuzynski stated that WHDC intended to perform all relocation without displacing residents. He further stated that if relocation were required, WHDC would cover the costs.

At the conclusion of the public hearing, the Landlord-Tenant Relations Board approved the Conversion Assistance Plan for the Lynhaven Apartments.

**Summary of the Plan:** All aspects of WHDC's Conversion Assistance Plan for the Lynhaven Apartments are in compliance with the City's Conversion Assistance Policy. WHDC has made all modifications to the plan requested by City staff. WHDC is not planning to relocate residents during renovations in most cases, but has agreed to do so in compliance with the City's policy if Code Enforcement officials deem it necessary to remove residents from their apartments while renovations occur.

**Adequate Notification** - WHDC's relocation plan for the Lynhaven Apartments complies with notification requirements in the City's Conversion Assistance Policy.

**Relocation Payments** - Relocation payments in the conversion assistance plan for the Lynhaven Apartments were taken directly from the City's current Conversion Assistance Policy.

**Security Deposit** - WHDC will promptly refund security deposits if tenants decide to relocate permanently as a result of WHDC's acquisition of the Lynhaven Apartments.

**Relocation Services and Distribution of Information** - Relocation services will be provided by WHDC staff in compliance with the City's Conversion Assistance Policy.

**Measures Taken To Retain Tenants** - WHDC has indicated it will maintain the Lynhaven Apartments as affordable housing for the property's current residents. No current resident in good standing will be involuntarily displaced. Permanent displacement will only occur if the resident chooses to relocate rather than accept a renovated unit.

Phasing of Renovations - WHDC's relocation plan makes every effort to phase renovations in a way that will be as sensitive as possible to the needs of the current tenants. The relocation plan includes provisions that will keep the disruption of residents to a minimum during renovations.

**FISCAL IMPACT:** None.

**STAFF:**

Melodie Baron, Division Chief, Office of Housing  
Robert Eiffert, Deputy Director, Office of Housing  
Mildrilyn Stephens Davis, Director, Office of Housing

**ATTACHMENTS:**

Attachment I. Conversion Assistance Plan for the Lynhaven Apartments  
Attachment II. May 14, 2002, Docket Item for approval of the \$300,000 Housing Trust Fund award.

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 units<sup>2</sup> 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.

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<sup>2</sup>WHDC 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

**LYNHAVEN APARTMENTS  
ALEXANDRIA, VIRGINIA**

The Lynhaven is a 28 unit apartment complex located at 3513-3525 Commonwealth Avenue in the City of Alexandria.

Wesley Housing Development Corporation (WHDC), contract purchaser of The Lynhaven, submits the following relocation plan to The Landlord/Tenant Relations Board for review.

Rehabilitation will not require any residents to be permanently displaced or relocated. Minimal relocation within the complex is anticipated.

WHDC intends to renovate five apartments after acquisition. One of these apartments, a two-bedroom unit, will be vacant at the time of purchase (3515 #2). Three unrenovated two-bedroom apartments are occupied (3517 #4, 3519 #3, and 3521 #4). One one-bedroom will require work (3523 #2). Another one-bedroom apartment is being renovated by the current owner and will be vacant at the time of purchase (3523 #4).

In some of the other units that were renovated prior to purchase, additional work will be performed while the residents remain in place. This work will include replacement of furnaces, water heaters, ranges, and refrigerators. Additionally, the roof and some windows will be replaced. All work on the roof, the window replacement, and work planned inside the apartments will be performed between the hours of 8:30 a.m. and 4:30 p.m. In the event that the City's Code Enforcement Bureau determines that relocation of residents is necessary as a result of the renovation of Lynhaven Apartments, WHDC will comply with the City's Conversion Assistance Policy in the temporary relocation of the residents of Lynhaven Apartments.

WHDC will manage the property.

**The Lynhaven Relocation Plan**

**1. Notification.**

(a) Residents occupying the three two-bedroom apartments and one one-bedroom apartment scheduled for rehabilitation will be given a notice at the time of purchase by WHDC.

The notice will say that WHDC intends to rehabilitate the apartments, rehabilitation may require the residents to relocate, and the current rent paid by the residents will not be increased after rehabilitation. WHDC will provide an explanation of their rehabilitation program showing how it will affect residents in occupied units. A special packet of information outlining development plans will be given to each affected resident as soon as the purchase is announced. Translation services and translation of materials should be provided to residents who are not English speakers.

(b) All other residents will be notified as replacement or repair work is planned in accordance with section (a) above, e.g. furnace replacement, window replacement, etc.

Copies of the notices will be sent to the Office of Landlord-Tenant Relations when issued to residents.

2. **Voluntary relocation option.**

(a) The notice as referred to in section 1(a) above will ask the residents to relocate permanently to a rehabilitated vacant apartment of the same size. WHDC will offer to move the residents and make them a fixed payment of \$550 for a one-bedroom apartment and \$650 for a two-bedroom apartment as compensation for costs they may incur. If a tenant wants to move back into the apartment they previously occupied, they will be responsible for the cost of restoring the unit they left to rentable condition.

(b) An apartment with refreshments available will be offered to residents whose units undergo minor work.

3. **Voluntary termination of occupancy.** A tenant being asked to relocate could also opt to move out completely and receive the payments noted in section 2(a) above. The security deposits less any deductions permitted by the lease will be returned to those residents who opt to leave permanently.

4. **Description of relocation services and distribution of information to residents.** WHDC will identify a person to act as the relocation coordinator who will be available on site by appointment to provide assistance and information to residents. If for some reason WHDC requires residents to be permanently displaced, these residents will be offered the payments noted in section 2(a) above and will be provided assistance such as locating comparably-priced units, making arrangements for moving, assisting with application for local or federal housing subsidy programs, and giving help to those with special problems, such as the elderly and disabled.

5. **Distribution of information to the city.** Copies of the notices will be sent to the Office of Landlord-Tenant Relations when issued to residents along with the name(s) of the relocation coordinator(s) in the project. The new addresses of residents who move will also be provided to the City. In addition, timely reports on the progress of the rehabilitation, along with copies of all notices and newsletters distributed to the residents, will be given to the City.

6. **Phasing of rehabilitation.** WHDC will phase the rehabilitation work to allow for a gradual relocation process. Families with children in school or other special circumstances will be given consideration regarding timing of their relocation.

This plan may be modified from time to time to accommodate unanticipated circumstances.

City of Alexandria, Virginia

MEMORANDUM

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~~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

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**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 \$43,500<sup>1</sup> 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.

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<sup>1</sup>The 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.