

EXHIBIT NO. 1

*City of Alexandria, Virginia*

19  
9-15-01 SM

MEMORANDUM

DATE: SEPTEMBER 11, 2001

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: PHILIP SUNDERLAND, CITY MANAGER *PS*

FROM: MILDRILYN STEPHENS DAVIS, DIRECTOR, OFFICE OF HOUSING *msd*

SUBJECT: DEFERRAL OF DOCKET ITEM #19

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Docket item #19, concerning a recommended grant of Community Development Block Grant monies to the Alexandria Redevelopment and Housing Authority for the renovation of Jefferson Village, must be deferred until the October 13 public hearing in order to hold the required 30-day public comment period and public hearing.

City of Alexandria, Virginia

19  
9-1501

MEMORANDUM

DATE: SEPTEMBER 5, 2001  
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL  
FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*  
SUBJECT: CONSIDERATION OF COMMUNITY DEVELOPMENT BLOCK GRANT FUNDING FOR REHABILITATION WORK AT JEFFERSON VILLAGE

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**ISSUE:** Allocation of Community Development Block Grant (CDBG) monies for renovation work at Jefferson Village.

**RECOMMENDATION:** That City Council:

1. Approve a conditional grant of \$531,714 to the Alexandria Redevelopment and Housing Authority (ARHA), to be repaid only in the event the City determines the property is no longer being operated in accordance with Resolution 830; and
2. Approve CDBG budget transfers of unexpended prior year grant monies as listed in Attachment I to fund the grant to ARHA.

**BACKGROUND:** Jefferson Village is an ARHA-owned 69-unit rental property located at Princess and West Streets. Fifty of the units are assisted under the public housing program as replacement units for the former Cameron Valley public housing. An additional six units are counted as Resolution 830 units to compensate for six public housing units that were being used for nonresidential purposes (e.g., Alexandria Resident Council office, day care center, resident manager apartments, etc.) in June 1990 when Council recognized this shortage and requested that ARHA identify specific replacement units.

ARHA has applied to the City for CDBG monies to complete necessary capital improvements to the property. In addition, ARHA has requested that the U.S. Department of Housing and Urban Development (HUD) allow a change in the source of federal operating subsidies for this property in order to improve the financial management of the property, which is currently has an annual operating deficit. These two issues are addressed in this memorandum.

**DISCUSSION: CDBG Funding Request for Capital Improvements**

ARHA has identified nearly \$1.1 million in needed improvements to Jefferson Village and is funding approximately \$555,000 of these improvements under the federal Comprehensive Grant Program for public housing improvements, as shown in Attachment II. ARHA has applied to the City for \$531,714 in CDBG monies to cover the remaining items. The recommended CDBG monies would be used to replace furnaces, replace plumbing fixtures, replace interior stairwell rails (with associated drywall repair and installation of blocking), repaint interiors, replace metal bi-fold closet doors, and replace electrical panels. An FY 2000 CDBG allocation to ARHA included \$242,000 to replace windows and doors at this property.

**Resolution 830 Compliance as Related to ARHA's Plans to Change to Housing Choice Vouchers as Source of Federal Operating Subsidy**

The recommended grant condition that the property continue to be operated in compliance with Resolution 830 is related to ARHA's intention, subject to approval from the U. S. Department of Housing and Urban Development (HUD) to remove the property from the public housing program, provide tenant-based Housing Choice Vouchers (the new name for Section 8 subsidies) to the residents, and continue to operate the property as affordable low-income housing. The reason for ARHA's planned action is that the public housing operating subsidies ARHA currently receives for Jefferson Village (approximately \$120 per unit per month in addition to the tenant's contribution, according to ARHA's Director of Housing Operations) are insufficient to cover the property's operating expenses, whereas under the Housing Choice Voucher program ARHA would receive the difference between the tenant's payment and the rent level set by ARHA, plus administrative fees.

If the proposed change is approved by HUD, Jefferson Village's public housing residents will have to undergo a recertification for the voucher program. In most instances, the planned change will have no impact on household rents. Information provided to the City by ARHA staff showed only three instances in which a public housing tenant household's rent would increase under the voucher program. The three are believed to be instances in which the tenant household has elected to pay a flat rent for the public housing unit rather than pay 30% of the household's income. These households are eligible to receive Housing Choice Vouchers to remain in the property, but would have to raise their portion of the rent payment to 30% of their income. Should tenants facing a rent increase prefer to remain in the public housing program rather than pay the increased rent, ARHA would move them to another public housing unit. Therefore, the proposed change is not expected to result in displacement, although it may result in a limited number of voluntary moves to other ARHA properties.

Staff believes ARHA's plans are consistent with Resolution 830 in this particular instance. As a general rule, staff does not believe the use of tenant-based vouchers, in the absence of project based assistance, is adequate as Resolution 830 replacement housing because there is no guarantee that current residents of a public housing property will remain in place once they

receive vouchers, or that sufficient numbers of other voucher holders will elect to live in a specific property. However, staff finds the plans articulated by ARHA to be acceptable in this particular instance for the following reasons:

1. The ARHA Board has adopted a resolution (Attachment III) expressing its commitment to maintaining the property as affordable publicly assisted housing in compliance with the terms of Resolution 830.
2. Jefferson Village is an attractive property in a highly desirable location, and although ARHA staff estimates that approximately 25% of the residents may elect to move within a year of receiving vouchers, they anticipate no difficulty re-renting the units to other voucher holders.
3. According to ARHA staff, if ARHA is unable to fill the required number of units (56) with voucher holders, the required number of units will be rented only to income-eligible households who are able to afford the rent.

Nevertheless, in the event that 56 units at Jefferson Village are not maintained in compliance with Resolution 830, in the City's determination, the CDBG conditional grant would become due and payable to the City. In order to be deemed compliant with Resolution 830, the property must have rents not exceeding HUD's Fair Market Rents, be rented only to income-eligible households, and require that the tenant pay no greater a percentage of income for rent than is allowed under the Section 8 program.

#### Funding Sources for CDBG Grant to ARHA

The CDBG monies recommended for transfer are monies carried over from FY 2001 that are not needed for current year activities. Most of these monies were previously budgeted for general administrative purposes (Program Administration, Applications/Submissions) or program-specific administration (administrative monies from Blighting Influences, Home Rehabilitation Loans, and Homeownership Assistance Programs). Some are remaining monies from completed special projects (Capital Maintenance Needs Assessment, Park Improvements, Sheltered Homes Condo Acquisition). The Fair Housing Testing, Eviction Assistance/Furniture Storage, Transitional Assistance, and Blighting Influences programs all have adequate FY 2002 budgets and do not need to retain the monies remaining from FY 2001. The Low/Mod Housing account represents loan repayments received in FY 2001 that have not been budgeted for specific activities. Similarly, the Unprogrammed figure includes a final payment of \$20,139 from the Fayette Court Condominium following the expiration of the condominium warranty period (the loan being repaid was a 1982 CDBG loan to the non-profit organization that previously owned the property), along with \$3,832 left over from previously-completed activities.

**FISCAL IMPACT:** Allocation of \$531,714 in available, unexpended prior year CDBG monies as a conditional grant to ARHA. There is no impact on the City's General Fund or the Housing Trust Fund as a result of this CDBG grant.

**STAFF:** Mildrilyn Stephens Davis, Director, Office of Housing

**ATTACHMENTS:**

- I. Budget Transfers to Fund Jefferson Village Rehabilitation
- II. Jefferson Village Project Budget
- III. ARHA Board of Commissioners' Resolution dated May 29, 2001

ATTACHMENT I

BUDGET TRANSFERS TO FUND JEFFERSON VILLAGE REHABILITATION

<b>Administration</b>	
Program Administration	\$ 86,478
Applications/Submissions for federal programs	15,743
Blighting Influences Administration	65,235
Homeownership Assistance Admin.	126,780
Home Rehabilitation Loan Admin.	21,595
<b>Completed Activities</b>	
Capital Maintenance Needs Assessment	19,163
Park Improvements	5,913
Sheltered Homes Condo Acquisition	24,445
<b>Other Carryover Balances</b>	
Fair Housing Testing	16,880
Eviction Assistance (DHS)	38,441
Transitional Assistance (DHS)	33,539
Blighting Influences	16,076
Low/Mod Housing (Loan Repayments)	37,455
Unprogrammed (includes unbudgeted program income)	<u>23,971</u>
	\$ 531,714

## ARHA

II. PROJECT BUDGET

The ARHA has applied for and received Comprehensive Grant Funds (CGP) for this project. The Authority needs additional funds to complete all repairs needed.

Sources:Uses:Comprehensive Grant Program:

\$ 9,275

\$ 203,464

\$ 139,874

\$ 202,750**\$ 555,363**

Landscaping (Contract in place, work to be completed after concrete repairs and gas line replacement).

Replace damaged floors, complete structural repairs and treat for termites. One unit being made handicap accessible. (Construction Documents completed, work to be bid in 1/2001)

Replace pole mounted lighting and repair/replace brick patio walls. Resurface/re-strip parking lots, repair/replace adjacent curb and sidewalks, the brick corners of the buildings and the brick soldier course at entry doors. Replace exterior doors as needed, replace all screen doors.

**Total CGP Funds**Community Development Block Grant:

\$ 78,315

\$ 247,710

\$ 69,000

\$ 28,014

\$ 108,675**\$ 531,714****\$1,087,077**

Replace furnaces; \$1,135 x 69 units  
Replace plumbing fixtures including: tub/shower, lavatory, watercloset, kitchen sink, garbage disposal, water heater & washer box;  
\$3,590 x 69 units.

Repair drywall and install blocking prior to replacing rail at the interior stairwells.  
Repaint interiors. \$1,000 x 69 units.

Replace metal bi-fold closet doors;  
\$406 x 69 units.

Replace electrical panels; \$1,575 x 69 units

**Total CDBG Funds****Project Total**

**THE ARHA BOARD OF COMMISSIONERS  
MAINTAIN JEFFERSON VILLAGE AS AFFORDABLE HOUSING**

**RESOLUTION NUMBER 252**

WHEREAS, the Alexandria Redevelopment and Housing has been maintaining Jefferson Village as Public Housing, 50 units and Project Based Vouchers, 19 units for a total of 69 publicly assisted housing units; and

WHEREAS, ARHA has determined that the public housing units must be converted to Housing Choice vouchers in order to achieve an income that will begin to sustain the property; and

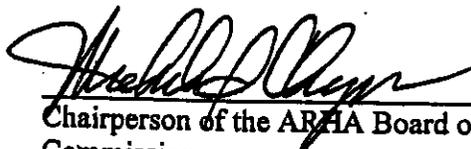
WHEREAS, the ARHA has applied to the City of Alexandria, Office of Housing for \$500,000 in City Development Block Grant Funds to be expended for improvements in Jefferson Village; and the Director of Housing would like assurances that the property will remain affordable and comply with the terms of Resolution 830 to be maintained as "publicly assisted housing"; and

WHEREAS, if approved, ARHA will forward this Resolution to the City as a commitment from the ARHA Board of Commissioners to maintain Jefferson Village as publicly assisted housing.

**NOW, THEREFORE, BE IT RESOLVED** by the commissioners of the Alexandria Redevelopment and Housing Authority that Staff may deliver these assurances to the Office of Housing that all units at Jefferson Village will be maintained by ARHA as affordable housing.

The undersigned attest that the Alexandria Redevelopment and Housing Authority adopted the foregoing resolution.

May 29, 2001  
Date

  
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Chairperson of the ARHA Board of  
Commissioners