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Alexandria Redevelopment and Housing Authority

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William M. Dearman, Chief Executive Officer

October 5, 2001

Milan Ozdinec, Acting Deputy Assistant Secretary
Office of Public Housing Investments
U.S. Department of Housing and Urban Development
451 Seventh Street, SW
Washington, D.C. 20410

RE: HOPE VI progress

Dear Mr. Ozdinec:

Enclosed please find the Alexandria Housing and Redevelopment Authority's (ARHA) response to your request for information on how the Authority intends to proceed with the implementation of its Samuel Madden Homes HOPE VI Program. As you can see from the enclosed, the ARHA will be able to undertake the project in an expeditious manner with the assistance of its program manager and within the agreed upon parameters it has negotiated with the City. The concept paper describes the process for creating market rate on-site, ACC units on-site and the off-site ACC units. The project proforma indicates that the project is financially feasible and we are ready to begin program implementation.

As you can see, we have directed a high level of effort since our last meeting to address the numerous concerns raised by HUD and other interested parties in the enclosed. This project has been one which has required an extraordinary level of effort to move toward implementation. We look forward to working with you and other HUD staff in making this a successful program that will especially benefit low income Public Housing households and the City of Alexandria.

We are anxious to proceed with the development of preliminary relocation and related plans and to secure approval of a preliminary development budget for the project. We are also ready to begin the development and preparation of the full Revitalization Plan for the project to be forwarded to HUD for its approval.

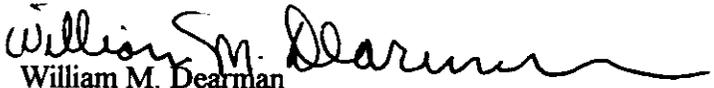


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Thank you for your continued assistance and support. Please feel free to contact me or Connie Lennox at (703)549-7913 should you have any questions concerning the enclosed or desire any additional information.

Sincerely,


William M. Dearman
Chief Executive Officer

Enclosures

Samuel Madden Homes HOPE VI Revised Schedule and Program Synopsis

Selection of a Program Manager

ARHA has solicited and selected a program manager. A best and final price, broken down into a series of benchmark tasks, has been negotiated with the program manager and ARHA is ready to enter into a contract with them once HUD has approved our revised project schedule. ARHA has decided to assign development tasks such as planning and zoning approval, and tax credit application preparation to the developer and use the program manager for overall expediting and management and to represent the ARHA in negotiations. The program manager will have a full time project manager on-site for at least the first two years of the project.

Selection of a Developer

After working with the Samuel Madden Homes (Downtown) Work Group for several months since the resolution of the various legal difficulties that have plagued this project, the City Council and the Board of Commissioners have agreed upon some basic parameters within which developers must work in responding to the next RFQ to be issued to solicit a developer. The Work Group represents a cross section of the community, including the Mayor, two City Councilpersons, the City Manager and Assistant City Manager, two ARHA Board members and ARHA staff, a Planning Commission member and the Planning and Zoning staff. While the project will still have to go through the full rezoning and PUD review process, the parameters adopted to date are key in giving this project definition and in removing a significant level of uncertainty from the development process. Further definition will be given to the parameters through a citywide charrette to be conducted and managed by the program manager.

The charrette will start with the parameters already agreed upon as the baseline and include participation by planning and zoning staff and commissioners, city council members, public housing residents, other neighborhood residents and ARHA Board members and staff. The resulting consensus vision for the site will be provided to the developers that have been short listed through a two phase RFQ process. It will be the basis for the final selection of a developer and for subsequent reviews of the project as it proceeds to higher levels of definition and implementation.

An RFQ for developers for the downtown site will be ready to be issued by mid-November. The developer will be selected in a two-phase process. The initial submission will require evidence of successful experience with similar projects, financial strength and understanding of the issues confronting Alexandria. A short list of successful developers will be selected and asked to submit a financial and design proposal based on the developer's package provided to them by ARHA. The developer's package will include the results of the charrette. The final selection of the developer will be made based on the adherence of the design proposal to the vision/ concept developed at the charrette and on the financial structure of the development proposal. By making the final developer selection after the charrette has been completed, the developers proposal will have a greater chance of ultimately resembling the final project in both its financial and design components.

Final Revitalization Plan

Prior to the submission of a final Revitalization Plan, ARHA will submit to HUD for approval a detailed Predevelopment Plan and Budget in order to begin to draw funds for relocation planning and implementation, community and supportive services planning and implementation and development planning and administration. ARHA will submit a final Revitalization Plan for review by HUD in mid-June, 2002. This will be after the completion of the charrette, once the project parameters have been thoroughly developed and before the execution of a Development Agreement. The Final Revitalization Plan would be one of the contract documents directing the activities of the developers.

Execution of a Development Agreement

The project is expected to have two development teams, each including a general contractor. The first one to be solicited will be for the Samuel Madden Homes (Downtown) site. This developer will need to have expertise in building and marketing high end condominiums/townhouses in an historic city. As described above, this solicitation process is poised to begin immediately. After two part solicitation, and negotiation of a best and final offer, it is expected that a Development Agreement will be executed by mid-November 2002, in time for the developer to prepare a package for the next round of low income housing tax credits. The second developer solicitation, for the off-site replacement housing units, will be for a development team experienced in designing and building small scale assisted housing communities. This solicitation process will start in June 2002, once the site selection process has been completed, with the second Development Agreement executed by November 2002.

Start and Completion of Construction

Construction of the total project, off-site and on-site is expected to require five phases. The first phase will be off-site, have no public housing units and is expected to begin in August 2003. Phase II, on-site is also expected to begin in August 2003 after the first of two applications for off-site tax credits for the public housing units has been awarded. Phase III, off-site with tax credits will begin in August 2004. Phase IV, on-site with tax credits, will also begin in August 2004 and Phase V, off-site with tax credits will begin in August 2005.

Financial Feasibility

It is feasible to build 100 new public housing units with \$6.7 million in HOPE VI funds because of the value of the property on which Samuel Madden Downtown currently sits. By increasing the density at which the site is developed and providing the land for the development of 118 high end townhouses/condominiums, selling for up to \$500,000, ARHA will be able to finance the construction of 52 public housing replacement units on the current site and 48 public housing replacement units off-site. In addition to the HOPE VI funds, the sale of the current site to the selected developer is projected to bring more than \$5 million to the project and tax credits will bring more than \$8 million to the project.

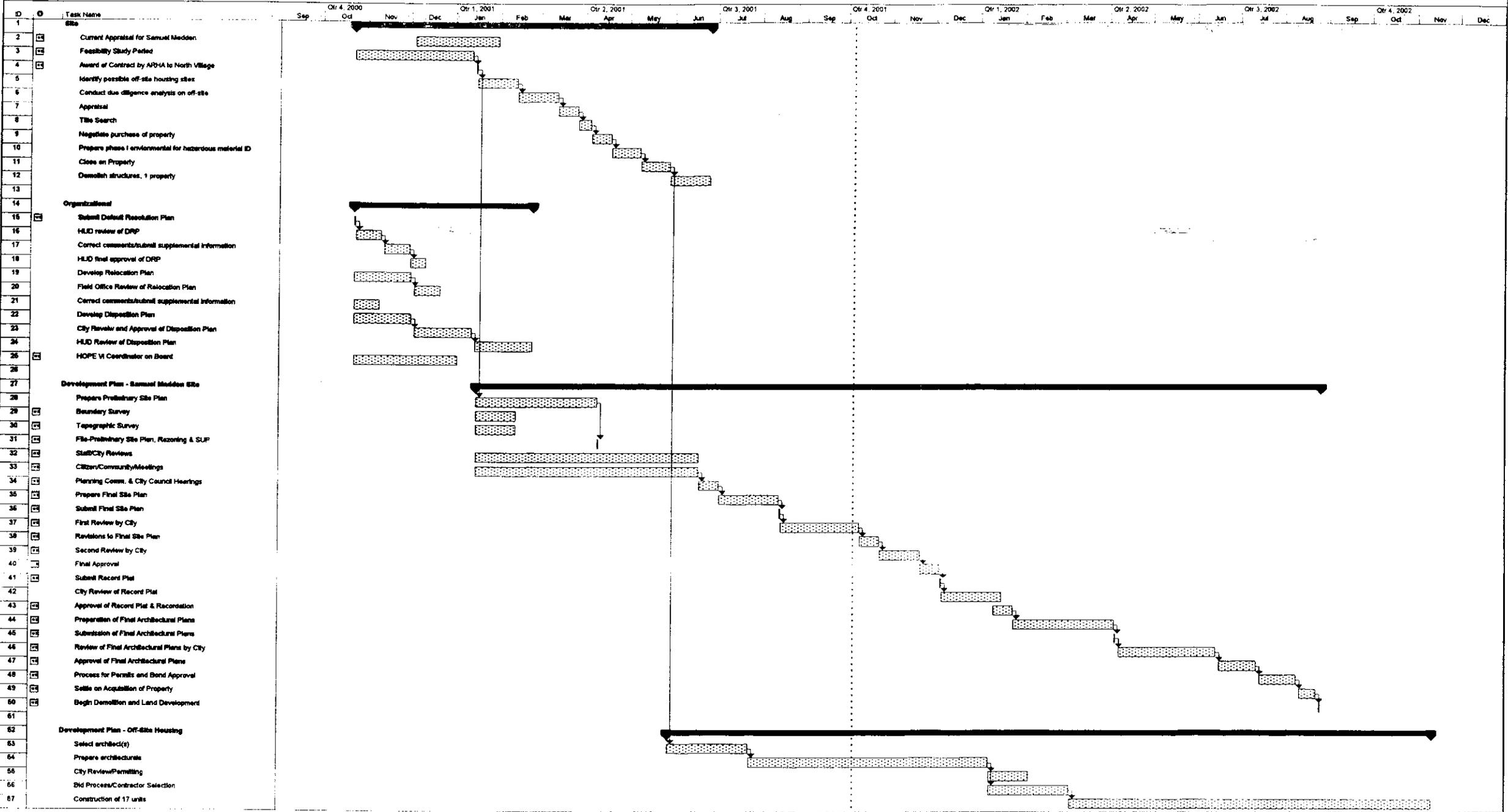
A financial analysis of the project structured according to the agreed upon parameters shows that with the sources described above, the project is feasible. Feasibility will require a contribution by the City of land that they own for 26 of the off-site units, forgiveness of property taxes and undergrounding of utilities. These items have been consented to by the City as part of the

parameters agreed to by City Council and the ARHA Board of Commissioners as part of the basic parameters of the project. Because the City's request to reduce the density of the original redevelopment plan potentially causes a financial shortfall, the City has also agreed to provide up to \$3.5 million to assure that the project is feasible as the planning and zoning review is completed.

Financial feasibility also requires that all of the on-site public housing units and the off-site units receive Low Income Housing Tax Credits. If any of the phases do not receive an allocation of tax credits, then committed funds from the City or from an ARHA accelerated modernization loan will be used to replace the tax credits in order to allow the project to remain on schedule. HOPE VI grant funds will be used as a project loan to build the units in order to increase the basis, which can be included for tax credit purposes. A limited partnership will then own the public housing/tax credit units using HOPE VI funds and the proceeds of the sale of the Samuel Madden Homes (Downtown) site. ARHA has experience in managing properties with tax credit compliance requirements and will manage the completed HOPE VI public housing/tax credit units.

The property has been appraised using a variety of development scenarios and there is adequate value in the site at the densities and constraints that have been established by the City Council and the ARHA Board of Commissioners to allow the project to go forward with a contribution from the City and Low Income Tax Credits as described above.

HOPE VI Implementation Schedule



Project: HOPE VI Implementation Sched Date: Fri 10/5/01 Task: SPN Progress: Milestone: Summary: Project Summary: External Tasks: External Milestone: Deadlines:

Market

Sources and Uses Of Funds: For Sale Units

<u>Sources</u>				
Sales Proceeds	500,000 PU	20	10,000,000	40,150,000
	300,000 PU	29	8,700,000	
	350,000 PU	31	10,850,000	
	250,000 PU	16	4,000,000	
	300,000 PU	22	6,600,000	
		118		
State/Local Funds				0
HOPE VI				0
Total Sources				40,150,000
Gap/Surplus				198,959
<u>Uses</u>				
Land Acquisition				5,495,000
Demolition				350,000
Site Work				2,150,000
Underground Parking				1,010,000
Hard Costs				15,360,000
General Conditions		7%		1,320,900
General Requirements/Fee		7%		1,413,363
Contingency		10%		2,160,426
Total Hard Costs				23,764,689
Architect		6%		1,296,256
Engineer		3%		648,128
Permits				50,000
Bond		1%		237,647
Survey				25,000
Builders Risk				40,000
Security During Construction				50,000
Legal				100,000
Market Study				10,000
Environmental				10,000
Recording				40,000
Title				20,000
Accounting:Cost Certification				10,000
Accounting:Tax Returns				10,000
Financing Costs				225,000
Construction Interest				2,500,000
Lender Inspections				25,000
Lender Legal				35,000
Marketing		2%		760,000
Selling Costs		5%		1,900,000
#REF!				7,992,031
Total Hard and Soft Costs				37,251,720
Developer Fee (subject to HUD approval)		9%	less acquisition	2,699,321
Total Costs				39,951,041

Sources and Uses of Funds/ ACC Units on Site

Sources		Sources
LITC Equity	1	6,262,686
Partial Proceeds From Land Sale		2,895,374
HOPE VI Accrued Interest	0 AFR	
HOPE VI Loan	relocation/ARHA costs/\$1 million hard costs	1,675,000
Total Sources		10,833,060
Gap/Surplus		2,806

Uses		Uses
Demolition/Abatement		200,000
Site Work	Soil Excavatio 50,000 Streets, etc 50,000	700,000
Underground Parking		414,375
Hard Costs	ARHA 100,000 PU	5,200,000
General Conditions	7% soil/streets out of basis	407,006
Builder's Fee/Requirements	7% soil/streets out of basis	435,497
Contingency	0.1	645,688
Total Hard Costs		\$8,002,566
Architect	(design/supervision) 0.06	468,154
Engineer	0.02	156,051
Permits		40,000
Bond	0.02	160,051
Survey		15,000
Builder's Risk		30,000
Relocate From Madden	100 2000 PU	200,000
Relocate To Madden	50 1000 PU	50,000
Security During Construction		25,000
ARHA Development Services		68,815
Legal	Dvp. Real Estate	50,000
	ARHA HOPE VI	75,000
	ARHA Real Estate	50,000
	Borrower's Counsel	50,000
	LITC Equity	10,000
Market Study		5,000
Environmental		25,000
Recording		15,000
Title		30,000
Accounting: Cost Certification		25,000
Accounting: Tax Returns		10,000
Credit Monitoring Fees	20 PU Per Yea	10,400
Credit Reservation Fee	0.005 annual LITC	3,989
ARHA Construction Inspections		20,000
Lease-Up Budget		50,000
Compliance Consultant		7,500
Soft Cost Contingency		100,000
Total Soft Costs		\$1,749,961
Total Hard and Soft Costs		\$9,752,527
Developer's Fee	9%	\$877,727.40
Affordability Reserve		\$ 200,000
Total Development Costs		\$10,830,254

Available Offsite Funds	
HOPE Award	7,216,250
Prior Legal/Admini	150,000
Admin /PM/CM	2,640,000
Social Services	500,000
On-Site HOPE	1,675,000
Off-Site HOPE	2,251,250
Remaining Land Sales Proceeds	2,599,626
Offsite tax credits	3,100,000
Anticipated City land contribution	618,200
Total available for Offsite units	8,569,076

Offsite per Unit Costs	
Land Costs	1,498,202
Hard and Soft Development Costs	7,070,874
	8,569,076
hard and soft costs/unit	147,310
land value/unit -land from city	23,777
land costs/unit -purchased	40,000