

City of Alexandria, Virginia

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11-13-01

MEMORANDUM

DATE: NOVEMBER 7, 2001

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER 

SUBJECT: CONSIDERATION OF HOUSING TRUST FUND ALLOCATION TO HABITAT FOR HUMANITY OF NORTHERN VIRGINIA FOR THE PURCHASE OF 1112 PRINCESS STREET

ISSUE: Consideration of a request from Habitat for Humanity of Northern Virginia (HFHNV) for \$85,000 in Housing Trust Fund monies to acquire an existing property for rehabilitation and resale.

RECOMMENDATION: That City Council approve the request from HFHNV (Attachment I) for a grant of \$85,000 in Housing Trust Fund monies to be used toward the purchase of 1112 Princess Street, with the following stipulations:

- 1) Disbursement of the grant is contingent upon receipt of satisfactory documentation that other funding sources have committed the \$50,000 balance required to purchase the \$135,000 property, and
- 2) The property will be resold to an eligible Alexandria resident household, or, if that is not possible, an eligible household with at least one member who works in Alexandria.

The Affordable Housing Advisory Committee approved this recommendation on November 1, 2001.

DISCUSSION: Habitat for Humanity of Northern Virginia is requesting \$85,000 in the form of a grant from the Housing Trust Fund for the purpose of acquiring an existing townhouse property located at 1112 Princess Street. HFHNV proposes to remodel the property, for which it has secured an option to purchase, and resell it to a family qualified to participate in its sales program. The agency serves families currently residing in the City of Alexandria, Arlington County or Fairfax County with incomes between 20% and 50% of area median income, depending upon demonstrated need. HFHNV homes are sold to qualified families through a 30-year, zero-interest loan with a one percent down payment, with monthly payments (the sum of the mortgage, insurance, taxes and utilities) limited to 30% of the family's gross monthly income. Adjustments are made to the length of the mortgage to ensure payments do not exceed 30% of gross monthly income.

The estimated cost to acquire the unit is \$135,000. Because Habitat for Humanity International limits the use of governmental funds to acquisition and development only, the requested \$85,000 Housing Trust Fund allocation will be used to offset the cost of the acquisition. HFHNV has requested Housing Trust Fund monies in the form of a grant, as opposed to a loan, because of a recent change in policy that requires the organization to seek funding structured in such a way that projects are self-sustaining; the organization has found that on-going loan obligations limit its ability to leverage funding for new projects.

HFHNV anticipates that the remaining \$50,000 needed to acquire the unit will be funded with monies from community-based sponsors (\$35,000) and U.S. Department of Housing and Urban Development (HUD) Self-Help Homeownership Opportunities Program (\$15,000). HFHNV has applied to HUD for this funding and has yet to receive a response. However, HFHNV staff believe that if HUD were to deny the funding request, the organization would be able to obtain the full balance of the funding required from community-based sponsors, if the City were to provide the first funding commitment from the Housing Trust Fund. Staff recommends that the Housing Trust Fund grant not be disbursed until HFHNV provides satisfactory evidence that the full \$50,000 has been committed.

The dwelling in question is currently a two-bedroom, one-bath unit of 756 square feet. Depending upon the needs of the family selected to purchase, the home either will be rehabilitated as a two-bedroom, one-bath unit or expanded to a three-bedroom, one-bath unit. Should the unit be expanded to three bedrooms, the total square footage of the unit cannot exceed 1,098 square feet to remain in compliance with zoning standards. The expansion would require an addition to the current structure and, according to HFHNV based on discussions with Planning staff, would require a side yard variance.

The sales price of the home, which will be determined at the time of the sale to the qualified family, is the sum of (a) 100% of the assessed value of the existing dwelling at the time of purchase; (b) 50% of the site and pre-development costs, including permits, professional fees and site work; and (c) 100% of the remodeling costs, excluding the cost of volunteer labor. HFHNV has developed estimates of the total cost of redeveloping the property and what the buyer could be expected to pay for each remodeling option as follows:

PROJECT COSTS

Item	Scenario A The unit is remodeled at its current size	Scenario B The unit is expanded to three bedrooms	Source of Funds
Acquisition	\$135,000	\$135,000	HTF, community-based sponsors, HUD
Site Development	\$10,000	\$10,000	Community-based sponsors
Remodeling	\$37,000	\$47,000	Community-based sponsors
Administration	\$9,000	\$9,500	HFHNV
TOTAL	\$191,000	\$201,500	

COSTS TO BUYER

Item	Scenario A The unit is remodeled at its current size	Scenario B The unit is expanded to three bedrooms
100% of assessed value	\$62,000	\$62,000
50% of estimated site development costs	\$5,000	\$5,000
100% of estimated remodeling costs	\$37,000	\$47,000
TOTAL	\$104,000	\$114,000

FISCAL IMPACT: Expenditure of \$85,000 from the Housing Trust Fund.

STAFF:

Mildrilyn Stephens Davis, Director, Office of Housing
Rhonda Thissen, Housing Analyst

ATTACHMENT:

I. HFHNV Funding Proposal

APPLICATION FOR FUNDING FOR HOUSING AND COMMUNITY DEVELOPMENT ACTIVITIES

CITY OF ALEXANDRIA OFFICE OF HOUSING

Applicant: Habitat for Humanity of Northern Virginia
4451 First Place South
Arlington, Virginia 22204

Contact : Helen Unangst, Executive Director *and* Missy Schukraft, Project Planner
(703) 521-9890
(703) 521-9893
email: projects@hfnv.org, www.hfnv.org

1. Project Description

Provide a detailed description of the proposed project. Identify the project type (such as rental, homeownership, rehabilitation), location, the short and long term goals of the proposed project and the target population to be served.

Habitat for Humanity of Northern Virginia (HFHNV) is requesting \$85,000 in the form of a grant from the Alexandria Housing Trust Fund to purchase a two-bedroom, one-bath dwelling located at 1112 Princess Street in Alexandria for the purpose of remodeling it for resale to a qualified HFHNV family. HFHNV has secured an option to purchase the property.

The property consists of a 756 SQ.FT., two-bedroom, one-bath single-family row house built in 1920. The house is frame built, with the exception of a one-story CMU addition that contains the kitchen and bathroom. The living and dining rooms are on the first floor and the two bedrooms are on the second floor. The total lot area is 1,464 SQ.FT. The existing overall condition of the property is poor.

HFHNV targets families currently residing in the City of Alexandria, and Arlington or Fairfax Counties who live in substandard or inadequate housing. Habitat families must be willing to partner with HFHNV, which includes completing 300-500 "sweat-equity" hours in the remodeling or building of their own home. Their annual incomes range between 20-50% of the Washington Metropolitan Area median income. (The average Habitat family in our area has an annual income of \$23,000). HFHNV would be willing to target families currently residing in Alexandria.

Habitat homes are part of the long-term solution to low income housing in Northern Virginia. Working families may otherwise never realize the dream of homeownership because they can not qualify for conventional mortgages. Habitat homes break the cycle of poverty and help eliminate the dependence on government subsidized programs.

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Describe the type of housing or service to be provided through the proposed project. Indicate the number of units and unit sizes to be provided. If a homeownership project is proposed, indicate the proposed sales price. If a rental project, describe the number of affordable units and the proposed monthly rents for each unit.

This project would consist of the remodeling a two-bedroom, one-bath dwelling for the purpose of providing the opportunity of homeownership to a qualified Habitat family.

The current square footage of the two-bedroom, one-bath dwelling is 756 SQ.FT. Depending on the needs of the family selected for the home, the dwelling would either remain a two-bedroom, one-bath unit (Scenario A) or expand to a three-bedroom, one-bath unit (Scenario B). Should the unit be expanded to three-bedrooms, the total square footage of the unit could not exceed 1,098 SQ.FT in conformance with FAR requirements. The addition would take place over the existing one-story CMU structure and would be in compliance with the front and rear yard setbacks, but would not be in compliance with the existing side yard setback. (This would require a variance from the City). Because the addition would take place within the boundaries of the current footprint, open space requirements would not be triggered. Lastly, the remodeling of the unit under either Scenario would not trigger compliance with parking requirements.

The sales price, which is determined at the time of sale to the homeowner by HFHNV, is the sum of the following:

- 100% of the Assessed Value of the existing dwelling at the time of purchase,
- 50% of Site and Pre-Development Costs (permits, professional fees, site work); and,
- 100% of the Remodeling Costs, excluding the cost of volunteer labor.

The home will be sold to a qualified family through a 30-year, 0-interest loan with a 1% down payment. It is important to note that the sum of the mortgage, insurance, taxes and utilities MUST not exceed 30% of the family's gross monthly income. Adjustments are made to the length of the mortgage so as not to exceed the family's gross monthly income limitations.

	<i>Scenario A</i>	<i>Scenario B</i>
100% of the Assessed Value	\$62,200	\$62,200
50% of Site Development Costs (est.)	\$5,000	\$5,000
100% of the Remodeling Costs (est.)	\$37,000	\$47,000
Total Sales Price (est.)	\$104,000	\$114,200

2. Project Budget

Provide a detailed description of the proposed financing for the project which identifies other funding sources to be used, including any in-kind contributions to be made available to the project. Identify specifically how City funds will be used.

The request for funds from the City of Alexandria in the amount of \$85,000 would be used towards acquisition of the property. As required by rules set by Habitat for Humanity International, HFHNV can use government funds for acquisition or site development purposes, only.

	Project Costs		Source of Funds
	Scenario A	Scenario B	
Acquisition	\$135,000	\$135,000	City of Alexandria: \$85,000 HUD/SHOP: \$15,000 Church Sponsor: \$35,000
Site Development	\$10,000	\$10,000	Church Sponsor: \$10,000
Remodeling	\$37,000	\$47,000	Church Sponsor: \$37,000/47,000
Administration	\$9,000	9,500	HFHNV: \$9,000/\$9,500
Total	\$191,000	\$201,500	\$191,000 /\$201,500

Note: Site Development and Remodeling costs are estimates, only.

As with all HFHNV projects, in addition to volunteer labor, HFHNV will actively pursue donations of materials and professional labor. However, the costs as described in this application do not include unsecured donations.

3. Project Schedule

Acquisition: November 2001

Pre-Development Activities*: December – June 2002

Remodeling**: July – December 2002

Sale to Homeowner: February 2003

*Includes obtaining a Certificate of Appropriateness from the Parker-Gray Board of Architectural Review for both Scenarios and a variance for the side yard setback from the Planning Commission for Scenario B.

** HFHNV typically builds with volunteers on Wednesdays and Saturdays.

4. Organizational Structure and Capacity

Describe your organization and a brief summary of your experience working in the City of Alexandria. Describe the mission and purpose of the organization and a summary of existing projects or programs developed or administrated by the

organization. Include copies of your organizations last two independently audited balance sheets and statements and operating budgets.

Habitat for Humanity of Northern Virginia is an affiliate of Habitat for Humanity International, a not-for-profit ecumenical housing ministry. Habitat works in partnership with people in need to build simple, decent affordable housing. Since it's founding in 1990, HFHNV has built homes for 29 families – over 116 people, many of them children. HFHNV has also rehabilitated 11 homes.

Currently, HFHNV is building 18 townhouses in Fairfax County. The project is being constructed in two phases, with the first nine townhouses scheduled for completion by June 2002 with the second nine completed by June 2003.

All homes are funded and built through contributions of money and labor by individuals, churches, corporations and community organizations. Families selected for homeownership are required to contribute sweat equity hours towards the construction of their home.

HFHNV adheres to a strict non-discrimination policy and all Fair Housing Laws when seeking potential homeowners. Homes are sold to qualified families through 0-interest loans with a 1% down payment. HFHNV has experienced no mortgage foreclosures during its 11 years of operation.

Since 1995, HFHNV has built 7 homes in Alexandria, specifically in the Parker-Gray Historic District. The most recent home was completed and sold to the family in August, 2001.

As with all projects, HFHNV partners with other service and church organizations to provide homeownership opportunities. Some of our previous partners in Alexandria include Arlington-Alexandria Coalition for the Homeless, the City of Alexandria, HUD, the Alfred Street Baptist Church, Christ Church, Old Presbyterian Meeting House and Blessed Sacrament Catholic Church.

The partnership between families, house sponsors and volunteers builds more than a house – it creates a sense of purpose and unity within the community and toward the common goal of building permanent homes for families.

Attachment A

Construction Costs	Scenario A (2Bed/1Bath)	Scenario B (3Bed/1Bath)
Siding	3,000	4,000
Front Door	400	400
Windows	1,800	2,400
Plumbing	2,800	2,800
Electrical	3,000	4,000
HVAC	5,000	6,000
Carpet	1,200	1,700
Rail	250	250
Drywall	750	1,100
Drywall Finish	1,250	1,600
Paint	500	600
Misc. Kitchen	3,000	3,000
Misc. Bath	1,450	1,450
W/D	700	700
Roof	3,500	5,000
Ext. Trim	1,000	1,500
Framing	0	1,100
SubTotal	29,600	37,600
20% Contingency	7,400	9,400
Total	\$37,000	\$47,000

City of Alexandria
Affordable Housing Advisory Committee
Project Financial Summary*

September 27, 2001

DATE OF PROPOSAL: _____

PROJECT

Name: Habitat for Humanity of Northern Virginia, Inc.

Location: 1112 PRINCESS STREET
ALEXANDRIA, VA 22314

Brief description: _____
Acquire and remodel a two-bedroom, one-bath property for the
purpose of remodeling and reselling the unit to a qualified
Habitat family.

SPONSOR

Habitat for Humanity of Northern Virginia

Name: _____

Address: 4451 First Place South
Arlington, Virginia 22204

Telephone: (703) 521-9890 Fax: (703) 521-9893

Person in charge of project: _____
Helen Unnagst, Executive Director

DEVELOPMENT COSTS

A. Acquisition			
1.	Land	72,800	
2.	Structure	62,200	
	Subtotal		\$135,000
B. Predevelopment			
1.	Environmental	1,800	
2.	Survey	250	
3.	Geotechnical		
4.	Architectural	5,000	
5.	Engineering		
	Subtotal		\$7,050
C. Financing			
1.	Appraisal	250	
2.	Legal services		
3.	Title	950	
4.	Construction finance fee		
5.	Permanent finance fee		
	Subtotal		\$1,200

[* This summary is to be used as an attachment to the narrative description of a developer's proposal.]

D. Development			
1.	Construction	\$29,600 - 37,600	
2.	Contingency	\$7,400 - 9,400	
3.	Permits/fees	\$250	
4.	Lender inspection		
5.	Construction interest - private		
6.	Construction interest - public		
7.	Hazard insurance	\$600	
8.	Taxes	\$900	
	Subtotal		<u>\$38,750 - 48,750</u>
E. Start-up			
1.	Interest - private		
2.	Interest - public		
3.	Training		
4.	Marketing		
5.	Working capital		
6.	Replacement reserve		
7.	Debt service reserve		
	Subtotal		<u>\$0</u>
F. Developer costs			
1.	Administrative fee	\$9,000 - 9,500	
2.	Development fee		
	Subtotal		<u>\$9,000 - 9,500</u>
	Total cost		<u>\$191,000 or \$201,500</u>
	Total number of units		<u>1</u>
	Total cost per unit		<u>\$191,000 or \$201,500</u>
	Total square feet		<u>\$252 or \$184</u>
	Total cost per square foot		<u>756 SQ.FT or 1,098 SQ.F</u>

FINANCING SOURCES

G. Construction loan			
1.	Private	<u>\$82,000 or \$92,000</u>	
	Church Sponsorships		
2.	Housing Trust Fund	<u>\$85,000 (Grant)</u>	
3.	Other /SHOP	<u>\$15,000</u>	
	HFHNV	<u>\$9000 or \$9,500</u>	
	Total		<u>\$191,000 or \$201,500</u>

H. Permanent loan

- 1. Private _____

- 2. Housing Trust Fund _____

- 3. Other _____

Total

\$0

OPERATIONS INCOME/EXPENSE

I. Annual income

- units @ \$____/mo. _____
- units @ \$____/mo. _____
- units @ \$____/mo. _____
- Less vacancy _____
- Total _____

\$0

J. Annual expenses

- 1. Debt service - private _____
- 2. Debt service - other _____
- 3. Utilities _____
- 4. Trash _____
- 5. Insurance _____
- 6. Taxes _____
- 7. Maintenance/repairs _____
- 8. Property management _____
- 9. Property administration _____
- 10. Replacement reserve _____
- 11. Operating reserve _____
- 12. Accounting _____
- Total _____

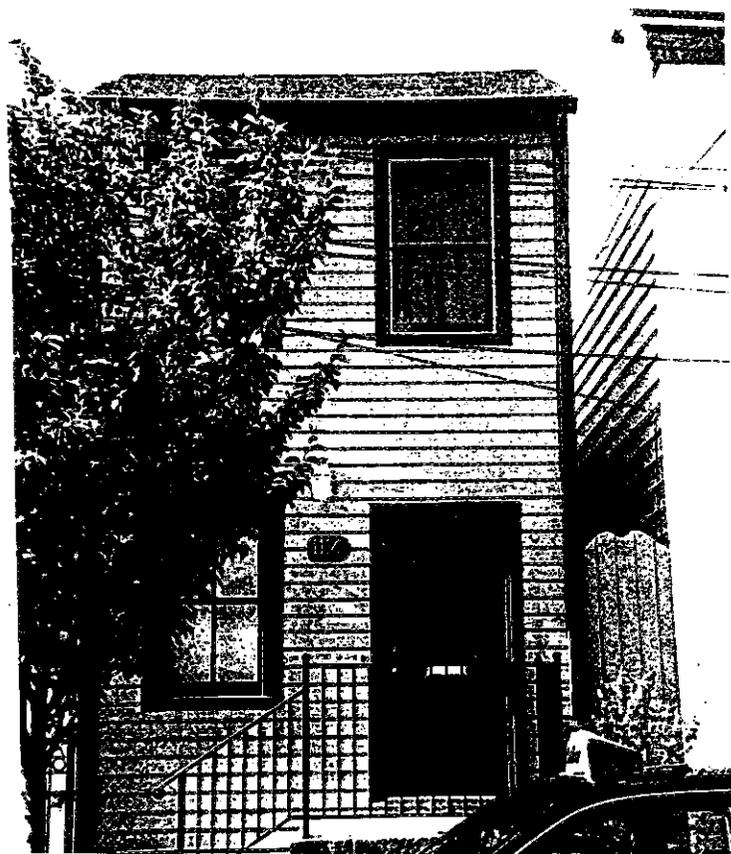
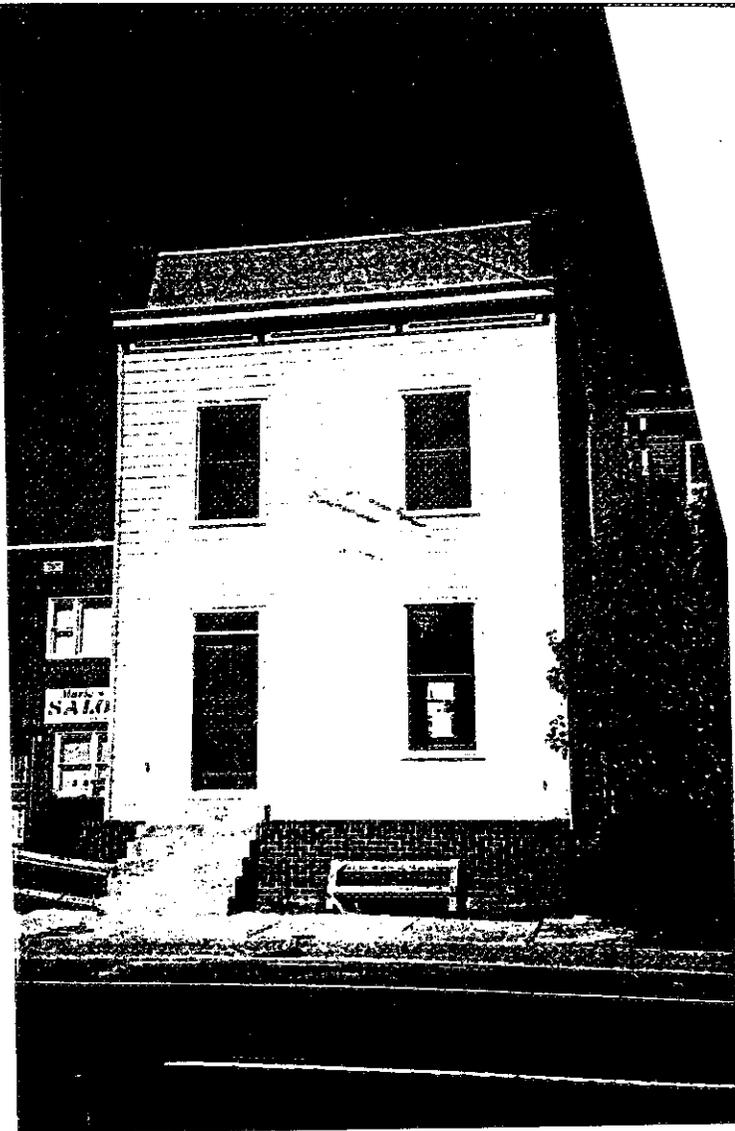
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APPENDIX

[Where information listed above is the result of detailed calculations, please include all supporting or back-up information in an appendix section marked to correspond with the pertinent section and line. Any other useful supporting documentation may also be included in the appendix.]

[June 1994]

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