

## City of Alexandria, Virginia

## MEMORANDUM

DATE: JUNE 3, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER

SUBJECT: CONSIDERATION OF THE ADDITION OF RESIDENTIAL  
CONDOMINIUMS TO THE CITY'S HOME REHABILITATION LOAN  
PROGRAM (HRLP)

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**ISSUE:** Consideration of program amendments related to the rehabilitation of residential condominium units through the Home Rehabilitation Loan Program.

**RECOMMENDATION:** That City Council:

- (1) Approve an amendment to expand the Office of Housing's Home Rehabilitation Loan Program (HRLP) to allow eligible owner-occupants of residential condominium units to receive financial assistance under the HRLP; and
- (2) Establish a \$50,000 construction cost limit for the rehabilitation of residential condominium units, with the understanding that staff may permit this limit to be exceeded to accommodate extensive rehabilitation work in compliance with federal lead-based paint regulations as is the case with other eligible properties.

**BACKGROUND:** The HRLP program provides no-interest, deferred payment loans for the rehabilitation of owner-occupied single family homes, duplexes or townhomes. Owners of condominium units are not currently eligible for assistance through the HRLP.

The purpose of the HRLP is to maintain the City's housing stock and to arrest neighborhood decline by providing low income owner-occupants with technical and financial assistance to rehabilitate their homes. This program is funded with federal Community Development Block Grant (CDBG) and Home Investment Partnerships Program (HOME). The amount of assistance provided is recorded as a lien against the property and repayment is due upon resale, or in 99 years, whichever comes first. Loans are provided to owner-occupants who meet HUD Section 8 income eligibility requirements. In March 2000, City Council approved a program amendment to expand the HRLP from three target areas to the entire City.

The HRLP currently has a construction cost limit of \$90,000, although this limit can be exceeded when necessary to allow extensive rehabilitation work in compliance with federal lead-based paint regulations. Loan-to-value ratios normally may not exceed 100%, but may be allowed to reach 110% to meet lead-based paint requirements. Loans are made for renovations to owner-occupied housing units located within the City limits, but currently exclude renovation of condominium units.

**DISCUSSION:** The expansion of the HRLP program to include the renovation of condominium units will provide an important new resource for low-income owner-occupants in maintaining their units. Multifamily residential condominiums increasingly represent the most affordable type of ownership housing in the City and represent approximately 43% of the City's total "ownership" housing stock. The proposed amendment to the HRLP program will afford condominium residents with the same benefits as owner-occupants of other types of ownership housing units and will serve to improve the overall quality of the City's housing stock. Both Arlington and Fairfax Counties include condominiums in their home rehabilitation programs.

Staff proposes that HRLP loans for the rehabilitation of condominium units be limited to rehabilitation work that is solely the responsibility of the homeowner. No HRLP funds will be used for common areas, common elements, or other improvements that are the responsibility of the condominium association and for which the condominium association pays directly or levies a special assessment on homeowners. For these reasons, staff recommends the establishment of a loan limit of \$50,000 for condominium units since it is expected that the range of rehabilitation needs will be much more limited than that of other types of ownership units assisted through the program.

During Fiscal Year 2003, the average loan amount provided to HRLP participants was \$67,785. HRLP loans were provided to renovate 13 housing units. Staff anticipates that the expected increase in loan activity due to the expansion of the program to condominiums can be accommodated within the existing budget. Although the HRLP is funded with both CDBG and HOME monies (which for regulatory process reasons is also why common area improvements are not eligible for this program), the HOME program places a maximum value (currently \$290,319) on properties eligible for assistance. This limit precludes many single family and townhouse properties from HOME assistance, thereby necessitating the use of CDBG monies for properties valued above this limit. As a result, there are sufficient HOME monies available to cover the anticipated demand for rehabilitating condominiums, which are more likely to be eligible for HOME funding. Program income from both CDBG and HOME loan repayments will also augment the available funding.

During FY 2004, staff has received ten requests for HRLP assistance from condominium owner-occupants. Condominium owners have identified rehabilitation needs such as kitchen upgrades, floor repairs and window replacement. Only when window replacement is the responsibility of the individual owner rather than the condominium association would such improvements be funded through the HRLP. Accessibility improvements may also be funded. Staff projects that

five to seven loans annually may result from the expansion of the program, with an average loan amount of \$20,000.

**FISCAL IMPACT:** Expenditure of approximately \$140,000 in budgeted Home Rehabilitation Loan Program funds and anticipated program income.

**STAFF:**

Mildrilyn Stephens Davis, Director, Office of Housing

Shane Cochran, Program Implementation Division Chief, Office of Housing

Patrice McAuliffe, Rehabilitation Loan Coordinator, Office of Housing