

City of Alexandria, Virginia

MEMORANDUM

DATE: DECEMBER 4, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: RECEIPT OF HOUSING TRUST FUND REPORT TO THE PLANNING COMMISSION

ISSUE: City Council receipt of the Housing Trust Fund Report prepared for the December 2003 Planning Commission meeting.

RECOMMENDATION: That City Council receive the report.

DISCUSSION: At the October 18, 2003 City Council Public Hearing, Councilman Gaines asked that staff forward to City Council the Housing Trust Fund report that was being prepared for the Planning Commission (Attachment I).

Also attached is a summary chart showing the numbers of publicly-funded affordable rental and homeownership units in the City, along with subsidy value or other funding information (Attachment II). This includes programs funded and/or administered by the City, the Alexandria Redevelopment and Housing Authority, state agencies, and the U.S. Department of Housing and Urban Development.

At the October 18, 2003 City Council Public Hearing, Vice Mayor Pepper asked that staff look at the housing contribution levels that other jurisdictions use for their affordable housing funds, with a possible recommendation that the City raise its current contribution amount of \$1 per gross square foot of new development. Staff is looking at the Housing Trust Fund contribution level in the context of other concessions that the City requires of developers. We will bring a recommendation to City Council as part of a proposal we plan to present after obtaining the additional "affordable housing" authority, that is proposed in the City's 2004 legislative package.

FISCAL IMPACT: None.

ATTACHMENTS:

Attachment I. Housing Trust Fund Report to the Planning Commission
Attachment II. Affordable Housing Programs in the City of Alexandria

STAFF:

Mildrilyn Stephens Davis, Director, Office of Housing
Robert Eiffert, Deputy Director, Office of Housing

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 19, 2003

TO: CHAIRMAN AND MEMBERS OF THE ALEXANDRIA PLANNING COMMISSION
EILEEN FOGARTY, DIRECTOR, PLANNING AND ZONING

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

SUBJECT: REPORT TO THE PLANNING COMMISSION ON THE CITY'S HOUSING TRUST FUND AND AFFORDABLE SET-ASIDE UNITS

The Planning Commission has requested that Office of Housing staff provide a report on the activities of the Housing Trust Fund. The previous report to the Planning Commission was in July 2002. The attached report includes cumulative figures through September 30, 2003 as well as separate figures showing activity for the period of July 2002 through September 2003.

Major accomplishments during the 15 months include the successful marketing of six affordable set-aside units at The Preston Condominium, implementation of changes to the set-aside resale policy and an increase in loan activity in the Moderate Income Housing Program (MIHP).

The MIHP program provides up to \$20,000 in no interest, deferred payment loans for downpayment and closing cost assistance to moderate income, first-time homebuyers. In FY 2003, the number of MIHP loans increased by 62.5% from 16 in FY 2002 to 26 in FY 2003. Staff credits this increase to better program marketing and low interest rates. With the addition of the first quarter of FY 2004, the program assisted 29 households, of which 3 were City employees and 3 were school employees.

During the same period, the set-aside resale program assisted 3 homeowners in selling their properties to qualified moderate income buyers. This is a new program based on changes adopted to the resale policy in June 2002. A more complete discussion of the program is in Section IV of the following report.

Through September 30, 2003, the City has received nearly \$11,000,000 in developer contributions and spent over \$7,800,000 for affordable housing activities. Housing Trust Fund monies have been used to help 150 moderate income households purchase housing in the City, and 90 residential units have been set aside for sale or rental to low or moderate income households. Over 2,500 beneficiaries have been assisted by these activities. The attached report details the activities and number of beneficiaries.

There are two significant current initiatives to encourage the development of affordable housing in the City. The first is a proposal by the Affordable Housing Work Group, which was formed to study ways to produce or preserve affordable housing in the City. The group will make its recommendations to City Council on November 25, 2003 to establish a new, independent, non-profit housing development organization whose mission will be to produce and preserve affordable housing primarily, but not limited to, multifamily rental housing. Housing provided through the efforts of this organization will be expected to remain affordable in perpetuity. It is expected that this new entity will be able to expand the production or preservation of affordable housing in the City.

The second initiative involves the City's proposed legislative package for the 2004 session of the Virginia General Assembly. The package includes a request to add the City to a provision of the State Code for allowing optional increases in density in exchange for affordable dwelling units. The Code provision under which the City currently falls provides strict formulas for the amount of additional density that localities can give in exchange for specified percentages of affordable housing, and the City has elected not to develop an ordinance pursuant to this authority. A more flexible Code provision applies to several counties, including Arlington. This provision does not prescribe a formula relationship between affordable units and density, and therefore gives covered localities greater discretion in determining the amount of increases in density that they will give developers in exchange for additional affordable housing. If the General Assembly allows the change, staff will propose changes to the City's Zoning Code for the consideration of the Planning Commission, the City Council and the public. The Housing Trust Fund contribution level will also be re-evaluated in the context of the new legislative authority, if it is approved.

It should be noted that the programs included in the attached report are only a portion of the array of publicly-supported affordable housing programs in the City. A brief (one page) overview of the available affordable housing programs will be provided to you at the December 2 meeting.

HOUSING TRUST FUND REPORT

INTRODUCTION

Section 9.09 of the City Charter provides as one of the purposes of the Zoning Code to “preserve existing and facilitate the provision of new housing that is affordable to all segments of the community...” In 1993, City Council adopted an Affordable Housing Policy to meet this provision of the City Charter, and City Council most recently revised the Policy in November 2002. The Policy establishes a Housing Trust Fund to encourage, increase and maintain affordable housing in the City. The Fund receives contributions primarily from developers of new construction in the City. The Policy also establishes the 12-member Affordable Housing Advisory Committee (AHAC) to oversee the fund and advise City Council on its use. AHAC reviews specific proposals for the use of Housing Trust Funds and developer proposals to provide on-site affordable housing in residential developments in lieu of making a contribution to the Fund.

Developer contributions to the Housing Trust Fund are calculated according to a formula contribution based on the gross square footage of the newly developed area. The contribution level was set at \$.50 per gross square foot until June 2002, when City Council raised this level to \$1.00 per gross square foot. In lieu of the contribution, a developer of residential units may propose on-site affordable housing units by submitting an Affordable Housing Plan. Under this option, a developer applies discounts to the sales prices or rents for designated set-aside units such that the total value of the discounts is at least equal to the Housing Trust Fund formula contribution. The discounted set-aside units are made available as affordable housing for income-eligible buyers or renters. Developers implementing an Affordable Housing Plan may be eligible for bonus density or height, or for a reduction in required parking. The Affordable Housing Advisory Committee reviews the Plan and makes recommendations to City Council on the Plan’s possible adoption.

This report covers activity through September 30, 2003, and is organized as follows.

- I. Number of Developments Covered by the Affordable Housing Policy
- II. Housing Trust Fund
 - A. Revenues Received
 - B. Expenditures
 - 1. Housing Opportunities Fund
 - 2. Moderate Income Homeownership Program
 - 3. Transitional Housing Services
 - 4. Homeownership Counseling Services

5. Seller's Incentive Fund
6. Alexandria Christmas in April: National Rebuilding Day
7. Section 8 Security Deposit Program
8. Employer Assisted Housing Initiatives

C. Unreserved Balance

III. Affordable Housing Plans

IV. Resales of Set-Aside Units

I. Number of Developments Covered by the Affordable Housing Policy - Since the adoption of the Affordable Housing Policy in 1993, 94 development projects have been approved by the City with Housing Trust Fund obligations and/or Affordable Housing Plans. Among these are 84 projects that have made pledges to the Housing Trust Fund; nine projects that have submitted Affordable Housing Plans, of which three (Summer's Grove, Portner's Landing and Kensington Court) also provided a Housing Trust Fund contribution in lieu of one or more pledged units; and one assisted living facility (Sunrise), which has agreed for the life of the project to accept one client receiving the State's Auxiliary Grant for assisted living and to subsidize the difference between the grant amount (currently \$987 per month) and the actual cost of care (currently a minimum of \$2,000 per month at this facility).

Included in these cumulative totals are 6 projects approved in FY 2003; 5 with pledges to the Housing Trust Fund and one (Mill Race) with a pledge of affordable on-site units, both sales and rental. Six affordable set-aside units at The Preston condominium, currently under construction, were successfully marketed by Housing Implementation staff during FY 2003.

In addition to the above, there are five completed projects that were approved with affordable housing and/or Housing Trust Fund pledges prior to the adoption of the Affordable Housing Policy. Of these, three (Madison Place, Braddock Place and Carlyle) have fully satisfied their pledges by making contributions to the Housing Trust Fund; one (Stonegate) has fully satisfied its pledge by providing affordable set-aside sales units; and one (Colecroft) has satisfied all but \$9,000 of its \$156,000 pledge.

II. HOUSING TRUST FUND

A. Revenues Received - As of September 30, the cumulative total of all Housing Trust Fund revenue is over \$13,500,000 from four different sources. Developer contributions constitute the greatest proportion of the revenue (nearly \$11,000,000), with other income coming from loan repayments, interest earned, and other miscellaneous sources, such as a lawsuit settlement.

B. Expenditures - General goals established by the Affordable Housing Policy encourage the expenditure of Housing Trust Fund monies on activities that support housing opportunities for households within City-established income limits for first-time homebuyers (currently \$68,700 for one to two persons and \$79,500 for three or more persons). As shown in the table on the following pages, as of September 30, the cumulative total of all Housing Trust Fund allocations was \$10,516,787. Of this amount, \$7,812,394 had been expended and \$2,704,393 remained committed or approved. The table lists the specific activities for which these Housing Trust Fund allocations have been made. As shown, these allocations have typically supported activities falling into the following categories (numbers in parentheses indicate the cumulative amount of funds that have been spent, committed and/or approved on these activity types).

- development and preservation of affordable housing (\$4,636,740 for 350 sales units and 170 rental units);
- homeless and transitional housing support (\$750,995 for 158 households);
- assistance to homebuyers (\$3,972,884 for 1,834 households);
- assistance to homeowners (124,200 for 101 units); and
- other activities, which have generally involved support for existing affordable rental properties (\$1,032,977 for 120 units).

HOUSING TRUST FUND EXPENDITURES AND BENEFICIARIES BY CATEGORY
Cumulative Totals as of September 30, 2003

Expense Category	City Program or Non-City Recipient	Purpose of Funding	Total Allocated through 9/30/03	Actual Expenditures as of 9/30/03	Funds Committed or Approved but Not Yet Spent	Beneficiaries as of 9/30/03			
						Ownership (Units or Households)	Rental (Units or Households)	Other (Households, Beds, etc.)	
Development and Preservation of Affordable Housing	Housing Opportunities Fund (HOF)	HTF monies available along with HOME and General Fund monies to support the development and preservation of affordable sales and rental housing	\$1,200,000	\$350,014	\$849,986 approved	0	28 ¹	0	
	Habitat for Humanity	Acquisition of 1112 Princess St. for affordable ownership	\$85,000	\$85,000	\$0	1	0	0	
	Community Lodgings, Inc.	Acquisition of affordable rental properties at 3908/3912/3916 Elbert and 607/612 Notabene	\$500,000	\$500,000	\$0	0	48 ²	0	
	ARHA	Costs for acquisition, taxes and relocation expenses for 423 S. Reynolds Street, property intended for replacement public housing	\$656,110	\$656,110	\$0	0	18 pending development of site	0	
	Other		Funds expended on 423 S. Reynolds St., but later recovered by the City through lease payments ³	\$17,500	\$17,500	\$0	Not Applicable	Not Applicable	Not Applicable
			Net utilities for temporary City use of property at 423 S. Reynolds Street ³	\$501	\$501	\$0	Not Applicable	Not Applicable	Not Applicable

¹Includes all 28 units at Lynhaven Apartments. While the \$325,000 in HOF assistance provided to Wesley Housing for this activity requires that only 16 units be maintained as affordable housing, VHDA financing restricts occupancy in the complex's market rate units to households with incomes not exceeding the area median. The other \$25,000 in HOF monies expended as of 6/30/03 was used for a feasibility study for a project that has not yet yielded any affordable units.

²Includes 14 units at these locations that were subsequently designated for use in CLJ's transitional housing program and were subsidized as transitional units with additional Housing Trust Fund monies. These 14 units have therefore also been reported under the CLJ line item in the Expense Category labeled "Homeless and Transitional Housing Support." The 14 units that appear under "Homeless and Transitional Housing Support" are considered duplicate units and have not been included in the beneficiary grand total.

³This expenditure does not count towards the \$2 million in Housing Trust Fund monies committed to the redevelopment of Samuel Madden Homes/Downtown.

Expense Category	City Program or Non-City Recipient	Purpose of Funding	Total Allocated through 9/30/03	Actual Expenditures as of 9/30/03	Funds Committed or Approved but Not Yet Spent	Beneficiaries as of 9/30/03		
						Ownership (Units or Households)	Rental (Units or Households)	Other (Households, Beds, etc.)
Development and Preservation of Affordable Housing, cont'd	ARHA	Acquisition of 325 S. Whiting St. for replacement public housing	\$627,000	\$627,000	\$0	0	24 pending development of site	0
	ARHA	Demolition of Samuel Madden Homes Downtown	\$399,000	\$339,779	\$59,221 committed	0	52 pending development of site	0
	ARHA	Remainder of \$2 million in HTF monies allocated to support the redevelopment of Samuel Madden Homes Downtown (originally allocated for affordable homeownership)	\$317,890	\$0	\$317,890 approved	0	0	0
	Arlandria/ Chirilagua Housing Cooperative	Rehabilitation for housing cooperative development	\$537,000	\$537,000	\$0	284 ⁴	0	0
	Fayette Court Corporation	Pre-development costs at Fayette Court	\$100,000	\$100,000	\$0	49 ⁵	0	0
	RPJ Housing Development Corporation	Match for HOME-funded Construction costs at Stevenson Court	\$196,730	\$196,730	\$0	16 ⁶	0	0
Subtotal, Development and Preservation of Affordable Housing			\$4,636,731	\$3,409,634	\$1,227,097	350	170	0
Adjustment to be made for Beneficiary Duplication within this category						0	0	0

⁴ This figure reflects the total number of Arlandria-Chirilagua cooperative housing units as reported in the Council docket memorandum on this activity dated 6/25/96.

⁵ Includes 15 units that are also reported in the "Assistance to Homebuyers" expense category under the Fayette Court downpayment assistance item, as well as four units that are also reported under that same expense category under MIHP. The total of 19 units that appear under "Assistance to Homebuyers" are considered duplicate units and have not been included in the beneficiary grand total.

⁶ The 16 units reported here also appear under the "Assistance to Homebuyers" expense category as match funds for HOME-funded downpayment and closing cost assistance provided to unit purchasers through the Homeownership Assistance Program (HAP) were allocated from the Housing Trust Fund. The 16 units reported under "Assistance to Homebuyers" are considered duplicate units and have not been included in the beneficiary grand total.

Expense Category	City Program or Non-City Recipient	Purpose of Funding	Total Allocated through 9/30/03	Actual Expenditures as of 9/30/03	Funds Committed or Approved but Not Yet Spent	Beneficiaries as of 9/30/03		
						Ownership (Units or Households)	Rental (Units or Households)	Other (households, Beds, etc.)
Homeless and Transitional Housing Support	ALIVE!	Homeless shelter rehabilitation and construction	\$162,825	\$162,825	\$0	0	0	14 beds
	Carpenter's Shelter	Assistance with rent at 802 N. Henry Street	\$50,000	\$50,000	\$0	0	0	130 beds
	Community Lodgings, Inc.	Operational support for CLI's transitional housing program	\$28,170	\$28,170	\$0	0	14 ⁷	0
	Arlington/Alexandria Coalition for the Homeless	Assistance with acquisition of administrative offices for Adopt-a-Family Program, located in Arlington	\$10,000	\$10,000	\$0	Not Applicable	Not Applicable	Not Applicable
	Northern Virginia Family Service	Transitional housing services for the homeless	\$500,000	\$289,515	\$210,485 committed	0	0	14 ⁸ households
Subtotal, Homeless and Transitional Housing Support			\$750,995	\$540,510	\$210,485	0	14	158
Adjustment to be made for Beneficiary Duplication within this category or with prior categories								
Assistance to Homebuyers Assistance to Homebuyers	Housing Counseling Services, Inc.	Homeownership counseling services for first-time homebuyers	\$378,230	\$255,610	\$122,620 approved	1,588 ⁹ potential homebuyers	0	0
	Moderate Income Homeownership Program (MIHP)	Zero-interest, deferred loans for downpayment and closing costs to eligible first-time homebuyers and related program costs	\$2,960,761	\$1,988,570	\$972,191 committed	151 ¹⁰	0	0

⁷The 14 units reported here were also reported under the CLI line item in the expense category labeled "Development and Preservation of Affordable Housing." These units are considered duplicate units and have not been included in the beneficiary grand total.

⁸ A total of 14 households had received assistance through the Transitional Housing Program for some period of time, though not all will complete the full two-year program period.

⁹This figure includes all households that attended group training as part of the Homeownership Counseling Program. Of these 1,588 households, 939 also received individual counseling and 452 completed the requirements to receive a Homeownership Training Certificate. Of the 1,527 households that received training, 88 have also been reported as beneficiaries of MIHP. These 88 households are therefore considered duplicate households and have not been included in the beneficiary grand total.

¹⁰Four of the units reported here have also been included among the 49 units at Fayette Court reported under the expense category labeled "Development and Preservation of Affordable Housing". These units are therefore considered duplicate units and have not been included in the beneficiary grand total.

Expense Category	City Program or Non-City Recipient	Purpose of Funding	Total Allocated through 9/30/03	Actual Expenditures as of 9/30/03	Funds Committed or Approved but Not Yet Spent	Beneficiaries as of 9/30/03			
						Ownership (Units or Households)	Rental (Units or Households)	Other (households, Beds, etc.)	
Assistance to Homebuyers Assistance to Homebuyers, cont'd	Moderate Income Homeownership Program (MIHP)	MIHP Homeownership Counseling (FY00 and FY01)	\$31,310	\$31,310	\$0	Included in the count of beneficiaries shown under Housing Counseling Services, Inc.	0	0	
	RPJ Housing Development Corporation	Match for HOME-funded Homeownership Assistance Program (HAP) loans for purchasers at Stevenson Court	\$54,594	\$54,594	\$0	16 ¹¹	0	0	
	Fayette Court Corporation	Downpayment assistance for purchasers with HAP-level incomes	\$236,742	\$236,742	\$0	15 ¹²	0	0	
	Sunnyside	Downpayment assistance	\$95,047	\$95,047	\$0	6	0	0	
	Set -Aside Sales Units - Resale Fees	Fees incurred due to City requirements for the resale of Set-Aside Sales Units	\$1,200	\$1,200	\$0	Not Applicable	Not Applicable	Not Applicable	
	Seller's Incentive Fund	\$1,000 payment to reduce seller's out-of-pocket costs offered as an incentive to accept HAP/MIHP purchase offers	\$102,000	\$58,000	\$44,000	58 ¹³	0	0	
	Employer Assisted Housing (EAH) - Homeownership Counseling	Homeownership counseling services held at the worksite or another convenient location for EAH participants	\$23,000	\$0	\$23,000	0	0	0	

¹¹The 16 units reported here have also been included in the "Development and Preservation of Affordable Housing" expense category under the line item labeled "Construction Costs at Stevenson Court." These units are therefore considered duplicate units and have not been included in the beneficiary grand total.

¹²The 15 units reported here have also been included among the 49 units at Fayette Court reported under the expense category labeled "Development and Preservation of Affordable Housing". These units are therefore considered duplicate units and have not been included in the beneficiary grand total.

¹³Includes 32 households that have also been reported under the Moderate Income Homeownership Program. These households are therefore considered duplicate households and have not been included in the beneficiary grand total. Also includes one household for which settlement did not occur until after September 30, 2003.

Expense Category	City Program or Non-City Recipient	Purpose of Funding	Total Allocated through 9/30/03	Actual Expenditures as of 9/30/03	Funds Committed or Approved but Not Yet Spent	Beneficiaries as of 9/30/03		
						Ownership (Units or Households)	Rental (Units or Households)	Other (Households, Beds, etc.)
Assistance to Homebuyers Assistance to Homebuyers, cont'd	Employer Assisted Housing (EAH) - Match Funds	Zero-interest, deferred loans of up to \$5,000 for downpayment and closing costs for employees ineligible for HAP/MIHP for reasons other than income that match, on a 2:1 basis, the contributions of participating employers that provide financial assistance to their employees	\$90,000	\$0	\$90,000	0	0	0
		Subtotal, Assistance to Homebuyers	\$3,972,884	\$2,721,073	\$1,251,811	1,834	0	0
Adjustment to be made for Beneficiary Duplication within this category or with prior categories								
Assistance to Homeowners	Christmas in April	Rehabilitation of low-income ownership housing (National Rebuilding Day 2001, 2002 and 2003; 1997 deficit)	\$111,200	\$111,200	\$0	94	0	0
	Christmas in April	Year-round emergency repair program for low-income ownership housing	\$12,000	\$12,000	\$0	7	0	0
Subtotal, Assistance to Homeowners			\$123,200	\$123,200	\$0	101	0	0
Adjustment to be made for Beneficiary Duplication within this category or with prior categories								
Other Activities	ALIVE!	Supplemental relocation funds to tenants displaced by the Potomac Village/Kingsport acquisition/rehabilitation	\$5,458	\$5,458	\$0	0	4 estimated ¹⁴	0
	Rental Accessibility Modification Program	Mini-grants to renters with mobility problems for accessibility modifications in rental units	\$15,000	\$0	\$15,000 committed	0	0	0
	ARHA	Payment of City taxes on Low Income Housing Tax Credit units at Quaker Hill	\$937,019	\$937,019	\$0	0	60	0
	ARHA	Section 8 Security Deposit Loan Program	\$75,500	\$75,500	\$0	0	56	0
Subtotal, Other Activities			\$1,032,977	\$1,017,977	\$15,000	0	120	0
Adjustment to be made for Beneficiary Duplication within this category or with prior categories								
						0	0	0

¹⁴Exact number of beneficiaries cannot be verified.

Expense Category	City Program or Non-City Recipient	Purpose of Funding	Total Allocated through 9/30/03	Actual Expenditures as of 9/30/03	Funds Committed or Approved but Not Yet Spent	Beneficiaries as of 9/30/03		
						Ownership (Units or Households)	Rental (Units or Households)	Other (Households, Beds, etc.)
Total Beneficiaries (including duplication)						2,285	304	158
Total Beneficiary Duplication						- 155	- 14	- 0
GRAND TOTAL						2,130	290	158
(Beneficiary Grand Totals exclude duplication)								
Combined Total Ownership, Rental and Other Beneficiaries (excluding duplication)						2,578		

The cumulative figures quoted above include new expenditures totaling \$1,025,304 made during FY 2003 and the first quarter of FY 2004. These expenditures, as well as the commitment or approval of funds during the same period, were made in support of the following activities.

1. Housing Opportunities Fund - The Housing Opportunities Fund is the name given to the special affordable housing development fund established by City Council in March 2002 with a combination of Housing Trust Fund (\$400,000), General Fund (\$300,000) and HOME Program (\$300,000) monies. The City has continued to fund the Housing Opportunities Fund at the same level (with the exception of an additional \$7,765 in FY 2002 in federal HOME monies) in fiscal years 2003 and 2004.

During FY 2003, \$25,000 was granted to the Harambee Community and Economic Development Corporation to study the feasibility of providing affordable rental units in a property at the corner of Duke and West Streets. In June 2002, the City provided \$325,000 from this fund to Wesley Housing Development Corporation for the acquisition and rehabilitation of the Lynhaven Apartments.

2. Moderate Income Homeownership Program (MIHP) - The MIHP program provides up to \$20,000 in no interest, deferred payment loans for downpayment and closing cost assistance to moderate income, first-time homebuyers. In FY 2003 and the first quarter of FY 2004, the program assisted 29 households with a total of \$432,884. Of those loans, 3 were made to public employees and 3 were made to school employees.
3. Transitional Housing Services - Northern Virginia Family Service (NVFS) was contracted to manage a transitional housing program for City homeless families. During the 15-month reporting period, \$164,515 was expended from the Housing Trust Fund on behalf of 14 households.
4. Homeownership Counseling Services - A total of \$117,550 was expended during FY 2003 and the first quarter of FY 2004 to provide homeownership counseling services to 475 low and moderate income households interested in purchasing homes using our programs in the City.
5. Seller's Incentive Fund - This program offers a cash incentive of \$1,000 to defray the cost of the real estate commission to sellers that accept purchase offers made by participants in the City's homeownership assistance programs (HAP/MIHP). During the 15 month reporting period, \$58,000 was expended on behalf of 58 sellers.

6. Alexandria Christmas in April: National Rebuilding Day - A grant of \$31,000 was provided to Alexandria Christmas in April to support the purchase of supplies and materials for National Rebuilding Day, an annual one-day event during which volunteers renovate and repair the homes of elderly, disabled and/or low-income City homeowners. Twenty-four households were served in FY 2003.
7. Section 8 Security Deposit Loan Program - During FY 2003, the Alexandria Redevelopment and Housing Authority (ARHA) fully expended the last \$71,355 of a \$75,500 grant made in FY 2002 to support the establishment of a revolving loan fund to provide security deposit assistance to Section 8 renters. A total of 50 households were assisted during FY 2003.
8. Employer Assisted Housing (EAH) Initiatives - This activity is designed to provide downpayment and closing cost assistance that matches employer housing contributions (on a 1:2 basis) to persons working in the City who are ineligible for the City's regular homeownership programs for non-income reasons. The program also involves targeted homeownership counseling services to EAH participants at the work site or another convenient location. To date, no funds have been expended in this program. During the period covered by this report, staff worked with several employers who expressed interest in the program. Currently two employers are actively developing Employer Assisted Housing programs.

C. **Unreserved Balance:** As of September 30, the Housing Trust Fund had an unreserved balance of approximately \$3,000,000.

It should be noted that, in approving the recommendations of the Affordable Housing Task Force, Council adopted a goal to maintain an unreserved balance in the Housing Trust Fund of at least \$1.5 million in order to provide a continuous source of funding for affordable housing activities. This recommendation originated with the Affordable Housing Advisory Committee.

III. **Affordable Housing Plans** - Prior to the adoption of the Affordable Housing Policy, only one development project (Stonegate) had been approved with an Affordable Housing Plan. This project yielded 36 affordable set-aside sales units. Since the policy's adoption in 1993, the City has approved ten development projects with Special Use Permit conditions calling for the provision of affordable on-site housing units. Seven of these have fully satisfied their pledges, including three that did so by providing set-aside units in combination with a Housing Trust Fund contribution. Of the three remaining projects, two are under construction: The Preston Condominium has six sales units, all of which are pre-sold, and Northampton Place is a rental building that will have 25 rental units affordable to households at 60% of median income for 15 years. Mill Race is not yet

under construction. It was approved with 13 affordable sales units and 15 rental units affordable to households at 60% of area median income for 20 years. To date, completed projects that received City approval after the adoption of the Affordable Housing Policy have yielded a cumulative total of 55 affordable set-aside sales units.

When considering proposed Affordable Housing Plans, the City attempts as nearly as possible to ensure that with regard to the unit type (e.g., condominium vs. townhome) and the number of bedrooms, the array of set-aside units provided by a developer proportionately reflects the percentages of the different units in the development overall (or, when possible, is weighted in favor of larger units). Recently, realizing this objective has become more difficult as increased sales prices and rents have required that more discount be applied to fewer units to achieve the desired affordability levels. The City also considers all proposed Affordable Housing Plans within the context of the City zoning policy to ensure that other significant impacts are weighed alongside any potential affordable housing benefits.

- IV. Resales of Set-Aside Units** - Affordable set-aside units carry covenants that seek to maintain the affordability of the units for 15 years. If owners of affordable set-aside units choose to sell during the 15 year period of the covenants, they are required to market the units to qualified buyers (i.e., those who would qualify to purchase a newly available set-aside unit) for a period of 180 days (90 days in certain circumstances). To date, four units have been re-sold by their original purchasers under the City's guidelines. One of those four was sold under the old policy, while three were sold under a new policy established in June 2002.

The City's original requirements were recorded as covenants for most of the existing set-aside units created under the Affordable Housing Policy. Under these requirements, the sales price could not exceed the VHDA maximum sales price, which was \$171,800 but has now risen to \$213,000. Existing covenants allow owners to sell to a non-qualified buyer if a qualified buyer has not been found by the end of the restricted marketing period. Under these covenants, the sale may be at any price and the owner repays the amount of the initial purchase discount.

Beginning in March 2003, owners of existing set-aside units were offered the opportunity to replace the existing resale covenants with new ones reflecting new provisions adopted in June 2002. Under the new covenants, the resale price to a qualified buyer is calculated by subtracting the amount of the original affordable housing discount and the City's share of the appreciation from the home's appraised value. Under the newly adopted policy, the City's share of the appreciation in value is defined as the percentage of the original market value represented by the original affordable housing discount. Examples of how this policy has worked in two recent re-sales appear in Attachment III.

Although the new provisions are less favorable for the owner under a sale to a non-qualified buyer, they provide the owner an opportunity to receive a higher sales price on a

sale to a qualified buyer, which should be the more common circumstance. Nine households chose to record the new covenants. As noted above, three have sold their homes under this new policy, and realized a much greater share of the appreciation than they would have if their units had been sold at the VHDA-restricted price of \$213,000.

The new resale policy provisions give the City the right of first refusal at the end of the restricted marketing period to purchase a resale unit or to designate a non-profit entity to do so. If this period has ended and the City chooses not to exercise its right of first refusal, then owners will be allowed to sell the unit to a non-qualified buyer. According to the new policy, the price for a unit sold to a non-qualified buyer will be based on its appraised value and the original purchase discount will be returned to the Housing Trust Fund, along with the City's share of any appreciation in value, not to exceed the amount of the seller's actual net proceeds. Under these circumstances, the provisions of the affordability covenants would be removed, the unit would no longer be considered part of the set-aside program, and, if the initial marketing of the unit at the discounted price had prevented it from being sold at a reasonable market value, the City would be allowed to provide relief to a seller by forgoing repayment of the original discount amount or some portion thereof.

Attachment:

Examples of recent set-aside unit resales

EXAMPLES OF RECENT SET-ASIDE UNIT RESALES

Example I. Price Discounts for an Affordable Set-aside Unit at Kensington Court

Original Market Price	\$198,630
Discounted Price	\$173,190
Total Purchase Discount	\$ 25,440

Shared Appreciation Factor $\$25,440 / \$198,630 = 12.8\%$

Current Appraised Value	\$347,000
Original Market Price	<u>\$198,630</u>
Appreciation	\$148,370

City Share of Appreciation $\$148,370 \times 12.8\% = \$18,991$

Total of Discounts to Secondary Purchaser:

Original Discount	\$25,440
City Share of Appreciation	<u>\$18,991</u>
TOTAL DISCOUNT	\$44,431

Discounted Sale Price to Secondary Buyer:

$\$347,000 - \$44,431 = \$302,569$

Example II. Price Discounts for an Affordable Set-aside Unit at Townes at Cameron Parke

Original Market Price	\$191,500
Discounted Price	\$165,700
Total Purchase Discount	\$ 25,800

Shared Appreciation Factor $\$25,800 / \$191,500 = 13.47\%$

Current Appraised Value	\$355,000
Original Market Price	<u>\$191,500</u>
Appreciation	\$163,500

City Share of Appreciation $\$163,500 \times 13.47\% = \$22,023.45$

Total of Discounts to Secondary Purchaser:

Original Discount	\$25,800.00
City Share of Appreciation	\$22,023.45
MIHP Loan	<u>\$10,285.00</u>
TOTAL DISCOUNT	\$58,108.45

Discounted Sale Price to Secondary Buyer:

$\$355,000 - \$58,108.45 = \$296,891.55$

