

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 5, 2005

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: CONSIDERATION OF LETTER OF SUPPORT FOR WESLEY HOUSING DEVELOPMENT CORPORATION'S APPLICATION FOR LOW INCOME HOUSING TAX CREDITS FOR THE BEVERLY PARK APARTMENTS

ISSUE: Consideration of a request for a City letter of support for an application to the Virginia Housing Development Authority (VHDA) from the non-profit Wesley Housing Development Corporation.

RECOMMENDATION: That City Council authorize the City Manager to execute the requested letter of support (Attachment I).

DISCUSSION: Wesley Housing Development Corporation (WHDC) is seeking the City's support for its proposed acquisition and rehabilitation of the Beverly Park Apartments, a 41-unit property consisting of three buildings located at 625, 627-629, and 641 Notabene Drive. WHDC submitted an application to VHDA for Low Income Housing Tax Credits for this property on March 11, 2005. The application process includes the submission of a letter prescribed by VHDA (Attachment I). The City's letter must be received by April 15 in order to be considered in the scoring of WHDC's tax credit application.

WHDC is a non-profit housing development organization based in Northern Virginia. Over its 30-year history, WHDC has developed over 1,263 units of affordable housing serving over 10,000 persons in 18 communities. The organization manages most of its own portfolio, which includes affordable rental apartments, units rented to households with Section 8 tenant-based vouchers, supportive housing units, and units with project-based Section 8 assistance located in Arlington and Fairfax Counties and in the Cities of Alexandria, Falls Church, and Manassas. Currently, WHDC has two developments under construction and three developments under contract, totaling 300 additional units. The organization currently owns one other property in Alexandria, the 28-unit Lynhaven Apartments, located on Commonwealth Avenue.

As noted in the attached project description from WHDC, the Beverly Park Apartments consist of three parcels with three, three-story brick apartment buildings built in 1940. Its 41 units are all

one-bedroom units. WHDC plans to rent all of the units to households with incomes at or below 60% of the area median income, with 37% of these households having incomes at or below 50% of median.

The rehabilitation proposed in the tax credit application includes new kitchens, bathrooms, windows and roofs as well as upgrades to the electrical, plumbing, HVAC, and building entranceways, at a cost not to exceed one-third of the building's market value. With this stipulation, the Department of Planning and Zoning provided the required certification to VHDA that the proposed rehabilitation complies with current zoning.

WHDC's long-range plans include the exploration of changes in the unit configurations to create larger apartments, as described in the program description. If WHDC determines this to be feasible, the organization plans to submit a second tax credit application in 2006. However, the cost of reconfiguration would raise the total rehabilitation cost above 1 1/3 times the building's value, triggering the requirement, under the Zoning Ordinance, for compliance with current parking standards. The property's current 30 parking spaces are less than the number that would be needed to comply with current standards, and the creation of larger units would increase the number of required spaces. Therefore, before proceeding with this option or a second tax credit application, WHDC will need to seek a Special Use Permit for a parking waiver. The current application, however, does not trigger the parking requirement.

According to the Consolidated Plan for Housing and Community Development for FY 2000 - FY 2005, which was approved by City Council in May 2000, City Council action is required in order for the City to support applications for assistance involving rental housing for low- and moderate-income households that is not currently assisted. Staff recommends that the City support WHDC's application. In light of the current wave of condominium conversions, staff considers it critical to take advantage of all reasonable opportunities to preserve rental housing that is currently affordable. Both WHDC and the Alexandria Housing Development Corporation have experienced difficulty in being able to compete with what the private market is currently willing to pay for rental properties, often with the intent of condominium conversion. Both organizations were originally outbid for the Beverly Park property by a private investor, but that offer failed, and the seller subsequently accepted WHDC's offer.

Staff also, however, considers it important to note the abundance of properties in the surrounding Arlandria neighborhood that have some form of public support. Within the same block on Notabene Drive are 20 City-subsidized units owned by another non-profit affordable housing provider, Community Lodgings, Inc., and 10 owned by the Community Services Board. Nearby are a 38-unit tax credit property owned by Community Lodgings, ARHA's 152-unit Glebe Park property that contains 40 public housing units, a property operated by Sheltered Homes of Alexandria, and a tax-exempt bond property, New Brookside with 34 income-restricted units (out of 170). Also nearby is the Arlandria-Chirilagua Housing Cooperative, which was established with City support. Despite this concentration of affordable low-income housing in the Arlandria area, staff considers the growing condominium conversion phenomenon sufficient reason to

recommend preserving the existing supply of affordable housing in the area. In the interest of serving families, staff also supports WHDC's desire to explore the creation of larger units.

It should also be noted that WHDC intends to seek City financial support for this effort. Based on the desired tax credit funding, along with other likely forms of VHDA financing, WHDC estimates a need for \$800,000 loan (just under \$20,000 per unit) from the City's Housing Opportunities Fund. Staff has not yet received an application for these funds, and will forward a recommendation to the Affordable Housing Advisory Committee and City Council for action at the appropriate time.

FISCAL IMPACT: None at this time.

ATTACHMENTS:

Attachment I. Letter of Support

Attachment II. WHDC Beverly Park Apartments Project Description

STAFF: Mildrilyn Stephens Davis, Director, Office of Housing

ATTACHMENT I

April 13, 2005

TO: Virginia Housing Development Authority
601 South Belvidere Street
Richmond, Virginia 23220
Attention: Jim Chandler

RE: LOCAL SUPPORT
Name of Development: Beverly Park Apartments
Name of Owner/Applicant: Wesley Notabene Limited Partnership

The construction or rehabilitation of BEVERLY PARK APARTMENTS and the allocation of federal housing tax credits available under IRC Section 42 for that development will help meet the housing needs and priorities of the CITY OF ALEXANDRIA. Accordingly, the CITY OF ALEXANDRIA supports the allocation of federal housing tax credits requested by WESLEY NOTABENE LIMITED PARTNERSHIP for that development.

Yours truly,

James K. Hartmann
City Manager

NOTE TO LOCALITY: Any change in this form letter may result in a reduction of points under the scoring system. If you have any questions, please call Jim Chandler at VHDA (804) 343-5786.

WESLEY HOUSING DEVELOPMENT CORPORATION

Beverly Park Apartments

*Project Description*Transaction History and Overview

In June 2002, Wesley Housing Development Corporation (WHDC) purchased the 28 unit Lynhaven Apartments in the City of Alexandria, our first acquisition in the City. With that purchase, we promised the City and the community an established property management office on site to manage the property and approximately 40 scattered site houses and condos owned by Sheltered Homes of Alexandria, an affiliate of the Community Services Board. The property management office, however, serves too few units and would operate more efficiently with the acquisition of additional property in the area. WHDC's long-range plan was to acquire other assets in the vicinity, thereby improving economies of scale for the Lynhaven property management office and benefiting all the properties with fixed costs spread over more units.

Beverly Park Apartments (627 Notabene Drive) was listed with several brokers in December 2004, for \$4,100,000, or \$100,000 per unit. WHDC issued a letter of intent on January 15, 2005, offering the asking price. Our offer was feasible using competitive (9%) Low Income Housing Tax Credits (LIHTC), raising substantial equity for the property.

The seller indicated that WHDC may be the chosen bidder in time for the submission of the required CEO Notification Letter with Virginia Housing Development Authority (VHDA) by January 27, 2005 for the tax credit application. On February 2, 2005, however, the seller selected a group of private investors who bid \$4.2 million. We were advised in mid-February that the private investors' offer had failed, and the seller wished to accept our offer.

WHDC negotiated a purchase contract and executed the agreement by March 4, 2005. A LIHTC application was submitted to VHDA for consideration in the competitive round on March 11, 2005. The completion of this application which requires numerous documentation and appendices took place in a significantly shorter than normal time period. The process was aided by helpful assistance by the Alexandria Office of Housing who facilitated the needed letters and documents from City departments.

The Site

Beverly Park Apartments is located in the City of Alexandria, in an area known as Arlandria, adjacent to Arlington, and near the intersection of West Glebe Road and Mount Vernon Avenue. The neighborhood consists of garden apartments and scattered duplexes and single family homes along Notabene Drive and Old Dominion Boulevard, many circa the 1940s with some newer townhouse construction included. The older,

existing garden style complexes do serve as market-rate affordable compared with much of the City's and neighboring jurisdictions' housing stock. However, market pressures in Alexandria and Arlington are extremely strong. Newer and proposed development is occurring with continually escalating prices and the pressure toward redevelopment is considerable. WHDC considers the preservation of market-rate affordable housing a significant issue throughout the region.

The property consists of three parcels, totaling 41,975 square feet (.96 acres) with three, three-story brick apartment buildings built in 1940. There are 41 one-bedroom units. The apartments are small in average square footage and do not include many amenities. However, they have been well-maintained with strong management over the last decade. The property includes approximately thirty on-site parking spaces, unusual for the neighborhood that otherwise relies on street parking.

The location is convenient to shopping, employment, public transportation, recreation, schools and services, including City and non-profit social services.

Population to be served

The population to be served will be low-income households with approximately 37% of units serving very low-income persons – those earning 50% of the Area Median Income (AMI) or less and approximately 67% of units serving low-income persons – those earning 60% of AMI or less.

WHDC believes the units at Beverly Park may experience some overcrowding as defined by local government. The full extent is not yet known with exact calculations. There are some assumptions based on experience and knowledge of the community but until we become legal owners, WHDC is not in the position to provide a complete or official assessment.

As in all WHDC properties, Beverly Park will accept Section 8 vouchers under the new ownership.

Development

Due to extreme time constraints between the date WHDC obtained the opportunity to purchase Beverly Park and the deadline to submit a tax credit application, we proposed an acquisition and rehabilitation based on the existing unit configuration at the property. The details of the tax credit application include a substantial rehabilitation of the 41 one-bedroom units in their present layout. The proposed rehabilitation would include new kitchens, bathrooms, windows and roofs as well as upgrades to the electrical, plumbing, HVAC, and building entranceways.

WHDC would like to consider a longer-range plan of development for this property that would explore changes in the unit configurations creating larger apartment options. This would require significantly more site review. If further assessment yields an acceptable plan, then a second tax credit application would be submitted in the 2006 competitive pool to obtain additional credit dollars.

WHDC has begun this further assessment receiving some initial feedback. A preliminary architect's investigation reveals a good possibility to create "bump-outs" to the existing buildings to add bedrooms to current units. The architect believes at least two corner bump-outs can be added meeting the required set-back restrictions. Additional bump-outs may be feasible meeting setback requirements but they may exceed the permissible floor-area-ratio for the property as a whole.

We hope to explore all avenues in this effort including working with the City to discuss any possible exceptions if warranted. We strongly believe in the concept and consider the City supportive in the goal of increasing unit sizes at Beverly Park. The ability to better serve families in that neighborhood is crucial. Our initial assessment is to reconfigure the mix of units to 33 one-bedrooms, 6 two-bedrooms, and 1 three-bedroom. If possible, the objective is to create more two- and three-bedrooms and less one-bedrooms.

Budget and Financing

Under the scenario in the tax credit application submitted, WHDC proposed approximately \$27,000 per unit in rehabilitation costs. We estimate that a unit reconfiguration with bump-outs would increase the project costs to approximately \$40,000 per unit. We are fully aware that the increased costs would require a special permit to consider parking issues. Proposing additions to the buildings will most likely require planning and zoning consideration as well.

At this stage, financing for the project may be as follows. For acquisition which will need to occur by September 30, 2005, we plan to obtain conventional bridge financing with a second trust loan from the Housing Partnership Network. Construction and permanent financing may be a combination of VHDA taxable bonds and a SPARC loan. WHDC will also request affordable housing funds from the City of Alexandria. At this time, we anticipate a request for \$800,000 to come into the deal at acquisition.

An allocation of tax credits is crucial to the acquisition and rehabilitation of this property. Beverly Park did not score well due to the lack of larger units, the small square footage of the existing apartments and the limited efficiency of resources due to a high acquisition price (a common problem with many submissions from the expensive Northern Virginia region). However, our internal scoring shows the project meeting threshold. A letter of support for the submission from the Alexandria City Manager will be crucial to that score.

Timeline

VHDA requires receipt of the City Manager's letter by April 15, 2005. They will release preliminary ranking of applications in mid-May and a final allocation list by late June 2005. If Beverly Park receives an allocation, WHDC will close on the acquisition by September 30, 2005.

WHDC will continue its assessment of enlarging units at Beverly Park and will keep the City informed of our progress. As well, we will proceed with financing commitments and a formal request to for City funding.



Mildrilyn Davis/Alex
04/12/2005 11:31 AM

To Mark Jinks/Alex@Alex
cc
bcc
Subject Fw: support for tax credits for Beverly Apartments

History: This message has been forwarded.

----- Forwarded by Mildrilyn Davis/Alex on 04/12/2005 11:31 AM -----



"Al Smuzynski"
<Asmuzynski@whdc.org>
04/12/2005 10:07 AM

To <mildrilyn.davis@ci.alexandria.va.us>
cc
Subject FW: support for tax credits for Beverly Apartments

-----Original Message-----

From: Jon Liss [mailto:jliss@twsc.org]
Sent: Tuesday, April 12, 2005 9:47 AM
To: mildrilyn.davis@alexva.gov; Al Smuzynski
Subject: support for tax credits for Beverly Apartments

Dear Ms. Davis,

On behalf of the Tenants' and Workers' Support Committee, we strongly support Wesley Housing Corporation's request for tax credits in order to preserve the Beverly Apartments as affordable housing. During the last year, over 1,500 units of previously affordable housing have been (or are in the process of being) converted to condominiums in Alexandria. We have seen the remaining market rate apartment's rental rates jump 50% over the last three years. Affordable housing is scarce and valuable – the preservation of affordable housing is critical if we are to maintain diversity (class and nationality) within our community. Displacing low-wage workers has a ripple effect in terms of worsening area traffic congestion and air quality.

We urge the City Council to support this project through a letter of support and eventually through financial subsidies. With sufficient support we will be able to improve the conditions of the apartments with an infusion of long needed investment AND maintain rents that are affordable to tenants who are earning between 40% and 50% of the median income. Wesley Housing has a well deserved reputation for working with tenants and we look forward to working with them to create an outstanding asset for the Arlandria neighborhood.

Sincerely,

Jon Liss
TWSC Executive Director

4-12-05

From: Kevin Beekman [mailto:kbeekman@earthlink.net]
Sent: Monday, April 11, 2005 12:37 PM
To: WD Euille; councilmangaines@aol.com; DELPepper@aol.com; 'Joyce Woodson'; macdonaldcouncil@msn.com; Rob Krupicka; SmedbergPC@aol.com
Cc: Jim.Hartmann@alexandriava.gov; lenoxplaceatsunnyside@yahoogroups.com; ARLANDRIA@yahoogroups.com
Subject: City Council Docket Item 30 for Tuesday, April 12th.

Dear Mayor Euille and Members of City Council,

It has only just to my attention that on your docket for Tuesday is the following item:

30. Consideration of Letter of Support for Wesley Housing Department Corporation's Application for Low Income Housing Tax Credits for the Beverly Park Apartments.

Not indicated in the description released for the city council meeting is that Beverly Park Apartments consists of three buildings on Notabene Drive (between Old Dominion Blvd. and Four Mile Road) in Arlandria. (The full docket item can be read at: <http://207.192.134.164/fy05/041205rm/di30.pdf>)

In what has become a regular occurrence, we have yet again only learned about this plan for our neighborhood well after it has been docketed -- and after City staff has made their recommendations without our consideration or input. Therefore, I am requesting that you defer this item to a future date when we have had a chance to review the proposal.

For your consideration, I can review briefly some the concerns with this proposal.

Certainly the dearth of low-income affordable housing in the region makes any effort by a non-profit to expand the available options attractive. But moderate-income affordable housing and even 'above-the-median income' affordable housing is also greatly been impacted by the balloon in prices. We need to know what impact city policies and actions are having in that regard.

We also need to know what City policy is in terms of the development and placement of affordable housing units. We need to know what progress has been made to stem the pressures to segregate our city by income, what progress has been made to continue the efforts aimed at desegregation, and what progress there has been to avoid islands of poverty in Arlandria which in turn are neglected by city services and attention.

In fact, Council has consistently expressed the interest to take affirmative actions to avoid these class divisions. On Tuesday, September 27, 1994, City Council approved a policy against the further entrenchment of the status quo in Arlandria, approving a motion "*in keeping with the City's emphasis on homeownership, [to] adopt a policy that future projects in Arlandria should focus primarily on homeownership to balance the predominantly rental nature of the area and provide a mix of income levels.*"

We need to know to what extent this policy is still in effect and whether we should expect the city to continue to actively create an island of poverty throughout most of Arlandria. We need to know the status of ARHA's Glebe Park in Arlandria, which we understand is under consideration to be redeveloped solely as affordable housing. We also need to know about what plans the Alexandria Affordable Housing Corp. has for Arlandria, since we understand that they are also looking to acquire properties solely to house affordable housing. We also need to know what prospects there are that the current condo conversion spree might impact rental properties in Arlandria.

Attached please find two maps indicating the rental and low-income dedicated affordable housing projects currently in operation in Arlandria. Also attached are Census charts indicating the per capita incomes throughout the city (Arlandria's per capita income is the city's lowest) and the proportion of each area dedicated to rental property (Arlandria is among the highest at 90%). Also, please be aware that apartment complexes are not the only sources of rental property in the city. A good deal of the condos, rowhouses, and townhouses in the area are also rental.

Thank you for your consideration.

Kevin Beekman
3905 Elbert Avenue
Alexandria, VA 22305
kbeekman@yahoo.com