

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 6, 2006

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: CONSIDERATION OF HOUSING FUNDING APPLICATION FOR
CONSTRUCTION OF A NEW BIRMINGHAM GREEN ADULT CARE
RESIDENCE

ISSUE: Request for \$225,000 in Housing Funding to supplement the Birmingham Green Adult Care Residence, Incorporated (BGACR) facility construction budget.

RECOMMENDATION: That City Council:

- (1) Increase the previously approved 99-year deferred payment loan by \$225,000 from \$150,000 to \$375,000 to BGACR to aid in the development of a new affordable assisted living facility in Prince William County. The loan would be contingent upon BGACR's continued use of the facility for affordable assisted living, and upon BGACR receiving funding commitments of all the requested \$2.6 million from participating jurisdictions; and
- (2) Authorize the City Manager to execute all necessary documents.

DISCUSSION: Birmingham Green Adult Care Residence (BGACR) was awarded a \$ 6.8 million grant by HUD late in 2002 to build a 92-unit assisted living facility which will replace the existing 64 bed dormitory-style facility built in 1927 and remodeled in the 1950s. The grant, under the HUD 202 housing program for seniors and the HUD 811 program for adults with disabilities, was a highly competitive process with only a very limited number of units awarded in the Mid-Atlantic region.

Council supported Birmingham Green's 2002 application for HUD project funds, and joined the other four jurisdictions (Counties of Fairfax, Loudoun, Fauquier, and Prince William) that share in the facility's ownership, support and use, to approve 80-year leases of portions of the land required for development of the assisted living facility. Because the HUD grant amount awarded was lower than initially requested (and is fixed and cannot be increased), the planned project scope was reduced and the five participating jurisdictions were asked to fill an anticipated funding gap of \$1,000,000 based on a formula derived from their historic proportional share of the facility's use. Accordingly, in May, 2004, Council approved an allocation of \$150,000 in

previously appropriated Housing Opportunities Fund monies to cover its share (15 percent) of the estimated initial funding gap (see attachment). All other jurisdictions governing bodies also approved funding their shares as requested in 2004.

The design and HUD approval process has taken significantly more time than anticipated. The latest design and finance plan submitted in September of 2005 has been approved by HUD, and Birmingham Green has recently received notice of "firm commitment" from HUD to proceed to closing on the \$6.8 million grant.

Throughout the design and HUD approval process, BGACR has dealt with the need to secure additional funding due to the significant inflation in construction costs over the past three years. Birmingham Green's resources through grant funding from multiple public and private sources, and their internal resources, were stretched to their limit to meet the requirements of the September 2005 plan.

When the "firm commitment" was received from HUD in February 2006, Birmingham Green notified the contractor, Hamel Builders, and they proceeded to check with their subcontractors to confirm the pricing used to prepare the September 2005 submission to HUD. As has been the case in each HUD submission during the approval process, the pricing for construction has increased significantly during the subsequent federal agency review period. The project's costs have increased from \$9.0 million in early 2004 to \$13.2 million in May, 2006 due in large part because construction prices have increased substantially.

\$6.8 million in federal funds have been pledged to the project. These funds have been awarded to BGACR and can be used for a licensed assisted living facility. Subsequent to the BGACR award in late 2002, federal regulations were changed to preclude the use of HUD 202/811 funds for constructing licensed facilities. Thus, to not move forward with this project is to forfeit \$6.8 million in federal resources pledged to serving some of our most vulnerable Northern Virginia senior citizens. In order to fill the funding gap of \$4.2 million BGCAR has commitments for \$2.7 million in internal funds, bank loans, federal earmark and other resources. This left \$1.5 million to be financed by increased local government contributions.

It appears that all other participating jurisdictions plan to approve increasing their funding amounts in order to close this funding gap.

FISCAL IMPACT: Funds for this request for supplemental financing to support increased construction costs for the Birmingham Green project will come from a City Capital Improvements Program (CIP) account used to underwrite a portion of the City's loan to ARHA for the Samuel Madden redevelopment project. A portion of that loan was recently repaid by ARHA, so unencumbered funds are currently available to meet Birmingham Green's request for an additional City contribution of \$225,000 above the previously approved \$150,000 for the planned assisted living facility to support Alexandria's indigent elderly and seniors from other participating owner localities.

ATTACHMENT:

May 2004 Staff Report to City Council Requesting Consideration of Allocating Housing Opportunities Fund Monies to Birmingham Green Adult Care Residence, Inc., to Replace An Existing Living Facility

STAFF:

Mark Jinks, Deputy City Manager

MaryAnn Griffin, M.S.W., Director, Office of Aging and Adult Services, DHS

Jack Powers, Director of Community Programs, DHS

Debra Collins, Director of Human Services

Mildrilyn Stephens Davis, Director, Office of Housing

Helen McIlvaine, Deputy Director, Office of Housing

City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 5, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: CONSIDERATION OF ALLOCATING HOUSING OPPORTUNITIES FUND MONIES TO BIRMINGHAM GREEN ADULT CARE RESIDENCE, INC., TO REPLACE AN EXISTING ASSISTED LIVING FACILITY

ISSUE: Consideration of a funding allocation to Birmingham Green Adult Care Residence, Inc., (BGACR) to aid in the replacement of its assisted living facility in Prince William County.

RECOMMENDATION: That City Council:

- (1) Approve a 99-year, deferred payment loan of up to \$150,000 from the Housing Opportunities Fund to BGACR to aid in the development of a new affordable assisted living facility in Prince William County. The loan would be contingent upon BGACR's continued use of the facility for affordable assisted living, and upon BGACR receiving funding from other participating jurisdictions as well; and
- (2) Authorize the City Manager to execute all necessary documents.

BACKGROUND: The City of Alexandria and the Counties of Fairfax, Fauquier, Loudoun, and Prince William own as tenants in common 54 acres of land along Route 28 between the Cities of Manassas and Manassas Park in Prince William County known as Birmingham Green. Two publicly-owned facilities, a 64-bed assisted living facility and a 180-bed nursing home have been developed on 12 of the 54 acres; the remaining 42 acres are undeveloped.

The existing assisted living facility was developed initially in the 1920s and expanded in the mid-1950s. It was operated by the District Home Board until recently when the District Home Board established Birmingham Green Adult Care Residence, a private, nonprofit corporation, to operate the facility. The facility, which serves low income persons who cannot afford typical market rates of over \$3,000 per month, has become obsolete, with most rooms shared by two or more residents.

In May 2002, City Council and the four other participating jurisdictions supported BGACR's application to the federal Department of Housing and Urban Development (HUD) for capital funding and rent assistance to replace the current assisted living facility with a new one. At that time the

application was for a grant of \$8,520,000 for 120 studio units. A more detailed description of the application appears in Attachment I. In late 2002, HUD awarded BGACR \$6,849,000 in capital fund monies from two separate programs to partially fund the development of a 92-unit assisted living facility consisting of two distinct and separately owned but jointly managed buildings, one with 78 units for the elderly and one with 14 units for persons with disabilities, connected by an enclosed walkway. The total development cost for this 92-unit project, which is reduced in scope from the original 120-unit facility, is estimated at \$9,000,000, including an approximate 6% contingency (see attachment II). The HUD award also included project-based rental assistance for the units.

Also in May 2002, City Council and the other four participating jurisdictions approved 80-year leases of portions of the land to allow development of the assisted living facility.

DISCUSSION: The need for affordable assisted living is growing. Alexandria now has 38 low-income former City residents who have been placed elsewhere in the state due to the lack of affordable assisted living facilities in Northern Virginia (not including 13 residents at the current Birmingham Green assisted living facility). The City has established an affordable assisted living work group to develop specific proposals for the expansion of affordable assisted living options in Alexandria. However, the need for assisted living for low income Alexandrians at Birmingham Green is expected to continue, even if a new affordable assisted living facility is provided in Alexandria.

BGACR is working to fill the capital funding gap between the HUD award of \$6,849,000 and the estimated development cost of \$9,000,000. A more detailed description of its broader fund raising efforts is included in Attachment I, and a table at Attachment II describes the projected funding sources and uses for the new proposed 92-bed facility.

To assure that the project can go forward, BGACR is applying to all five member jurisdictions for funding. Its goal is to secure commitments of a total of \$1,000,000 from the member jurisdictions to fill a part of its funding gap. BGACR is basing the amount of its requests on each jurisdiction's proportional use of the facility. Over the last ten years, Alexandria has used 15% of the beds in the facility, hence the request for \$150,000. If sufficient other funding becomes available, BGACR will reduce the amount it needs from the member jurisdictions proportionally.

The City's Affordable Housing Advisory Committee considered BGACR's application at its April 5, 2004 meeting, and recommended that City Council approve the request. A copy of the complete application is available in the City's Office of Housing.

FISCAL IMPACT: Expenditure of up to \$150,000 in previously appropriated Housing Opportunities Fund monies.

ATTACHMENTS:

- Attachment I. Birmingham Green Assisted Living Replacement Facility Equity Financing
- Attachment II. Birmingham Green Sources and Uses Summary

STAFF: Mildrilyn Stephens Davis, Director, Office of Housing
Bob Eiffert, Deputy Director, Office of Housing
Bruce Johnson, Director, Office of Management and Budget