


City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 17, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: CONSIDERATION OF ALLOCATION OF ADVANCE FUNDING FOR THE ACQUISITION OF UP TO 16 PUBLIC HOUSING REPLACEMENT UNITS BY THE ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

ISSUE: Allocation of City housing funds for the purchase by the Alexandria Redevelopment and Housing Authority (ARHA) of 16 public housing replacement units.

RECOMMENDATION: That City Council:

- 1) Authorize the allocation of up to \$3 million of the planned \$6.4 million amount previously identified for the purchase by ARHA of individual housing units to satisfy the outstanding agreement to provide 16 replacement housing units for the James Bland redevelopment, with the understanding that:
 - a. The acquisition of each of the condominium units by ARHA would require the concurrence of the Director of the Office of Housing that the stated criteria set forth in this memorandum have been met;
 - b. There will not need to be any further Council authorization required with regard to these purchases, provided the 16 units meet the criteria set forth in this memorandum; and
 - c. A second allocation of funding, if needed, would be brought forward for Council authorization for the acquisition of additional purchases, if and when the initial \$3 million allocation becomes fully committed.
- 2) Authorize the City Manager to execute a Memorandum of Understanding with ARHA in regard to condominium fees for the 16 units consistent with the proposed concepts outlined in this docket item.

BACKGROUND: City and ARHA staff have been working together for some time to identify opportunities for the acquisition or development 16 replacement units needed in connection with the redevelopment of ARHA's James Bland properties. When Bland redevelopment plans were

approved the number of public housing units at the Bland site were reduced, with the reduced number of units planned to be transferred to the proposed ARHA Glebe Road and Old Dominion Boulevard sites in Arlandria. Council decided to change the housing income mix on the ARHA Old Dominion redevelopment site to include 16 workforce home ownership units in lieu of 16 public housing units. Council then agreed to fund the 16 replacement units in an amount up to \$6.4 million (i.e. \$400,000 per unit maximum) utilizing affordable housing funds. While a number of multifamily options have been evaluated by City and ARHA staff, no suitable multifamily option has been identified to date.

In prior Council discussions of this issue, Councilman Fannon proposed that ARHA purchase condominium units (which would be less in price than for single homes). Staff from the City and ARHA have been working on this concept and have agreed to pursue the purchase of individual condominium units, with the understanding that some or all of the savings achieved through the purchase of affordable condominium units can be applied toward the payment of condominium fees, which otherwise would be financially problematic for ARHA. While the focus currently is on condominium units, other moderately-priced housing units are not precluded from consideration. Condominium prices are now likely at their low point, so this is an opportune time to be acquiring condo units. The costs of condominiums vary widely, but the targeted cost range is no higher than \$300,000, which would result in a total outlay of \$4.8 million which is significantly under the \$6.4 million. ARHA's target acquisition criteria is for two or three bedroom units with at least 1 ½ bath in low rise buildings (see Attachment 1, page 2, for detailed criteria).

DISCUSSION: In order to purchase individual housing units that are on the market for sale, it is necessary to submit contract offers within a relatively short period of time. ARHA and Office of Housing staff have looked at a number of available condominium and other units in January and identified several units of interest; however, many were under contract to other buyers within a matter of days. In recognition of the need to move quickly, in January the ARHA Board of Commissioners adopted a resolution (attached) authorizing ARHA's Chief Executive Officer to carry out all necessary functions for the purchase of units meeting parameters set by the ARHA Board. Similarly, given that City funds will be used to purchase the units, staff is recommending that Council give authorization for the expenditure of the first \$3 million of the \$6.4 million originally planned for this purpose, provided the units meet the criteria described below. ARHA has agreed to these Category 1 and 2 criteria which are described below.

Category 1 units would be deemed to have low impact, and, upon adoption of the staff recommendation, would require only that the ARHA CEO and the Director of the City's Office of Housing be in agreement that the stated criteria have been met, and that the City Manager and City Council are notified at the same time notification is made to the ARHA Board. The affected condominium association would be notified of the purchase following ratification of the purchase contract. Category 2 units would have a higher level of impact and therefore require additional consultation. Specifically, Category 2 applies to situations in which the percentage of rental units in the complex after the proposed purchase would be such that Fannie Mae and Freddie Mac will not approve mortgages, thereby jeopardizing the ability of current owners to sell their units. However, in a few instances some condo properties may have so many units for sale that they would prefer the units to be purchased and rented and paying condo fees rather than sit empty.

Category 1

- The purchase will not result in ARHA ownership of more than 10% of the units in a single complex where ARHA does not currently own units;
- The purchase will not result in ARHA ownership of more than 33% (one-third) of units in a single complex where ARHA currently does own units, and the condominium association board supports the purchase of the unit(s) in question;
- The purchase will not cause the number of rented units in the property to exceed the percentage limit for Fannie Mae/Freddie Mac approval (currently 30% of the total number of units);
- The property is not within one-quarter mile of Alexandria Crossing or James Bland/Old Town Commons, where previous Council actions have already established the number of replacement units; and
- The total cost of acquisition and rehabilitation of a unit shall not exceed \$300,000 for any individual unit if the City pays condo fees (see discussion below), or \$400,000 otherwise.

Category 2

- If the number of rented condominium units in a property would exceed the limit for Fannie Mae/Freddie Mac approval of mortgage loans following the proposed purchase, approval by the condominium association board is required before a purchase offer can be made.

Condominium Fees

ARHA's decision to pursue the purchase of condominium units is based on City staff's proposal to recommend to Council that some or up to all of the likely savings from the budgeted \$6.4 million that is likely to be achieved through the purchase of condominium units would be made available for the payment of condominium fees. What is contemplated is that an annual line item in the Office of Housing's budget would be established with sufficient funds to reimburse ARHA. If the condo fees range between \$300 per month to \$400 per month, the total condo fee cost would be between \$57,600 and \$76,800 per year. However, this may be offset to some degree by net income from ARHA's operation of these 16 units. The City would then reimburse ARHA its net loss up to the amount of the condo fee. Special condo assessments would also be reimbursed by the City. Over time, the total net amount paid to ARHA for this condo fee reimbursement program would not exceed the balance remaining from subtracting the actual condo purchase amounts for the 16 units from the \$6.4 million. If the City paid \$3.0 million for the 16 condos and had a cost of \$57,400 in annual condo costs, it would be some five decades until the balance of the \$6.4 million were fully drawn down. A specific detailed Memorandum of Understanding in regard to the condo fee reimbursement program will be drafted and executed between the City and ARHA.

FISCAL IMPACT: Obligation and expenditure of up to \$3 million in affordable housing funds from the Office of Housing budget.

ATTACHMENT: ARHA Resolution No. 490

STAFF:

Mildrilyn Davis, Director, Office of Housing

Mark Jinks, Deputy City Manager

**RESOLUTIONS OF
THE ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY ("ARHA"),
AUTHORIZING ACTIONS OF THE ALEXANDRIA REDEVELOPMENT AND HOUSING
AUTHORITY FOR THE ACQUISITION OF SIXTEEN (16) REPLACEMENT UNITS
ASSOCIATED WITH THE JAMES BLAND APARTMENTS REDEVELOPMENT
PROJECT LOCATED IN ALEXANDRIA, VIRGINIA**

RESOLUTION NO. 490

WHEREAS, on November 14, 2008, ARHA and GPB Associates LLC entered into an Agreement of Sale, Purchase and Redevelopment for the sale and redevelopment of Glebe Park Apartments located at 800 West Glebe Road and 3900 Old Dominion Boulevard in Alexandria (the "Glebe Park Project"), and James Bland Apartments located at 801 Madison, 808 Madison, 898 North Alfred Street and 918 North Columbus (the "James Bland Project") Streets in Alexandria, Virginia; and

WHEREAS, prior to redevelopment, the Glebe Park Property was improved by one hundred fifty-two (152) rental units which were occupied by residents receiving assistance from ARHA, and the James Bland Property was improved by one hundred ninety-four (194) rental units which are occupied by resident receiving assistance from ARHA; and

WHEREAS, ARHA acknowledges that the Glebe Park Property and the James Bland Project each has a unique and special importance to ARHA and to the City because of the need to comply with the terms of Resolution 830 adopted by the Alexandria City Council on April 27, 1982, which resolution requires the one-for-one replacement of certain publicly-assisted housing units in the City of Alexandria (the Resolution 830 Units"); and

WHEREAS, prior to the redevelopment efforts, forty (40) of the Glebe Park Units and all one hundred ninety-four (194) of the James Bland units are designated as Resolution 830 Units; and

WHEREAS, in the course of the governmental approval process for the Glebe Park and James Bland redevelopment efforts, the planning efforts resulted in the loss of sixteen (16) Resolution 830 Units; and

WHEREAS, the Development Special Use Permit for the James Bland Redevelopment (the "DSUP 2008-0013") includes a condition detailing the commitment of the City to cooperate with ARHA to identify a suitable site or sites, and plans to make the sixteen (16) replacement units (the "Replacement Units") available by the time relocation commences for Phase Two of the James Bland redevelopment but in any event by the completion of the James Bland Project which is anticipated to occur by 2015; and

WHEREAS, the City, as evidence of its good faith commitment, has reserved \$1 million in authorized housing bond capacity concurrent with approval of the James Bland DSUP and further pledged to set aside 50% of all new developer contributions for affordable housing once all monies budgeted and previously allocated for use in FY 2009 have been received, which sources of funding (not to exceed \$6.4 million was reserved for use for the Replacement Units until such time as the financing arrangements for the Replacement Units are finally determined, and all required funding commitments are secured; and

WHEREAS, pursuant to a direction from the ARHA/ City Working Group staff has been pursuing condominium opportunities City-wide as options for Replacement Units; and

WHEREAS, in order to facilitate purchase of the Replacement Units, ARHA must be able to act quickly once Replacement Units have been identified to place them under contract, the consummation of which would be subject to a process developed by city staff as to public process for acquisition of Replacement Units; and

WHEREAS, the following specific parameters have been developed to provide guidance to staff in the selection of the replacement units:

- Price per unit not to exceed \$300/square foot.
- Condominium/HOA fees not to exceed \$400/month.
- Entrance to the unit located at street level or off of an open breezeway if an upper floor.
- Consideration of 2 and 3 bedrooms only with at least 1-1/2 baths.
- Percentage of absentee owners to units in the community shall not exceed that limit allowed by FHA for financing such that an existing owner's field of buyers could be unnecessarily limited.
- Attempts will be made to acquire multiple units in each community such that new acquisitions are clustered for ease of maintenance.

and,

WHEREAS, after putting possible Replacement Units under contract and submitting them to the City public process for acquisition, ARHA will need to execute closing documents necessary to evidence and consummate the Closing;

NOW, THEREFORE, BE IT RESOLVED by the Alexandria Redevelopment and Housing Authority that the Chief Executive Officer be authorized and instructed to take all steps necessary and appropriate to acquire and rehabilitate (if applicable) 16 scattered site condominium units as replacement public housing units for the Glebe Park/James Bland redevelopment effort, including but not limited to, placing units under contract and executing all closing documents subject to those specific parameters provided and regular Board updates, and it is further

RESOLVED that the Chief Executive Officer, acting singly, is hereby authorized, empowered, and instructed to enter into, acknowledge, amend, and/or deliver on behalf of the Authority and its instrumentalities any and all such other security agreements, financing statements, notices, requests, demands, directions, consents, approvals, waivers, acceptances, appointments, applications, certificates, agreements, supplements, amendments, further assurances or other instruments or communications, and to take any other action, as may be necessary or appropriate, in either of their sole and continuing discretion, in order to effect the consummation of the transaction described above, and it is further

RESOLVED that the Chief Executive Officer, by electronic mail or otherwise, keep the Board advised on a current basis of actions taken under this authority, affording a 24-hour notice for questions or objections.

Adopted this 1/24 _____, 2011.

ATTEST: ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY

By: A. Melvin Miller

A. Melvin Miller, Chairman

By: Roy O. Priest

Roy O. Priest, Secretary Treasurer/CEO

