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City of Alexandria, Virginia

MEMORANDUM

DATE: MAY 16, 2012

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: RASHAD M. YOUNG, CITY MANAGER 

SUBJECT: CONSIDERATION OF A REQUEST BY ARHA TO CHANGE THE SUBSIDY SOURCE OF PARK PLACE AND SAXONY SQUARE CONDOMINIUM UNITS

ISSUE: How to improve the financial operating condition of 43 Alexandria Redevelopment Housing Authority (ARHA) units.

RECOMMENDATION: That City Council:

1. Approve ARHA's proposal to change the subsidy source for 38 units at Park Place and 5 units at Saxony Square.
2. Authorize the City Manager to execute a letter of support for ARHA's application to HUD.

BACKGROUND: ARHA in 1989 acquired 38 condominium units at Park Place and five at Saxony Square to serve as partial off-site replacements for the former Cameron Valley public housing development (now Quaker Hill). These units are currently subsidized under the public housing program.

DISCUSSION: The operating revenues from ARHA's 38 Park Place and five Saxony Square condominium units fall significantly short of meeting operating expenses. This is due in large part to condominium fees, which cannot be covered with public housing funds. ARHA wishes to secure approval from the U. S. Department of Housing and Urban Development (HUD) to remove these units from federal public housing program designation (in HUD terminology, a public housing disposition), and to replace the federal public housing funds with Housing Choice (Section 8) Relocation Vouchers for the current residents. ARHA would then rely on rental income from a combination of tenant payments and Housing Choice Voucher subsidies, whether from the current tenants (who would have the option of staying or moving out with their vouchers) or other housing seekers with Housing Choice Vouchers. The vouchers, together with tenant payments will provide a fair market rent for the units, and are expected to generate enough revenue to cover expenses. The change in subsidy source for ARHA's 38 Park Place and five Saxony Square units will not change their status under City Council Resolution 830.

City Council previously approved ARHA's request for a change in financing of Jefferson Village, which is now rented to voucher holders.

Because HUD requires for such a change in financing that the units be owned by an entity that is separate from ARHA, the new owner of the units will be VHD Venture Realty, Inc., a for-profit corporation that is separately organized under Virginia law and whose sole stockholder is ARHA.

FISCAL IMPACT: It is expected that the change in the source of subsidy for these 43 units will improve the financial status of these units by \$200,000 - \$250,000 per year.

STAFF:

Mark Jinks, Deputy City Manager
Mildrilyn Davis, Director, Office of Housing