

City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 14, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: REQUEST FROM HARAMBEE COMMUNITY & ECONOMIC DEVELOPMENT CORPORATION FOR ADDITIONAL LOAN ALLOCATION FOR THE DEVELOPMENT OF BEASLEY SQUARE

ISSUE: Consideration of a request from Harambee Community & Economic Development Corporation (Harambee) for additional loan allocation of up to \$100,000 for the development of Beasley Square (Attachment I) to cover a portion of the \$316,000 projected cost increases.

RECOMMENDATION: That City Council:

- (1) Approve an additional loan allocation of up to \$100,000 from the City Housing Opportunities Fund (HOF) to Harambee for the development of Beasley Square, as follows:
 - a) The loan will be combined with previous funding of \$1,039,000 for a total loan of \$1,139,000 and will have the same terms as the previously approved loan;
 - b) These additional loan funds will only be used on as needed basis; and
- (2) Authorize the City Manager to execute all necessary documents.

BACKGROUND: Harambee is a 501(c) (3) charitable non-profit organization whose mission is to develop and preserve affordable housing for limited income individuals, including seniors. For its first project, Beasley Square, located 1323 Duke Street, Harambee has partnered with the Shiloh Baptist Church, which is contributing the site for the senior housing project through a long term ground lease (99 years at \$10 per year), as well as ongoing technical assistance, supplemental project funding and property management services. Harambee previously received \$1,039,000 in HOF monies, as follows:

Feasibility study	\$25,000
Predevelopment costs	\$25,000
Specific development soft costs	\$182,500
Construction costs	<u>\$806,500</u>
Total	\$1,039,000

Beasley Square will have eight one-bedroom rental units to serve elderly residents with incomes at or below 60% of the area median. Harambee plans to accept eligible, age-qualified households from ARHA's Section 8/Housing Choice Voucher (HCV) waiting list, existing HCV program participants, and income-eligible individuals who can afford to pay the established rent without voucher assistance.

DISCUSSION: Construction of the project began in June 2008. In August 2008, after demolition was completed, structural issues arose, necessitating evaluation of the existing building's structural integrity. Drawings were revised in the fall of 2008, and masonry work began progressing during the winter. In February 2009, the stabilization of the existing building was completed through interior and exterior masonry and concrete work. Spring 2009 work included underpinning of the neighboring building, interior framing, electrical and plumbing of existing building, and foundation work for the new addition. During the summer, rough plumbing, electrical and mechanical work was completed in the existing building, and first and second floor framing of the new addition was completed along with rough electrical and plumbing. Substantial completion is projected to occur this fall, with occupancy to occur by the end of November.

Since this project was last considered by Council, the project's anticipated development cost has increased from \$2,039,000 to \$2,455,000. This reflects: (1) \$68,100 in projected additional architectural and engineering services, related to the project's timeline extension, additional services related to unforeseen conditions, and the need for additional project oversight based on Harambee's limited development experience; (2) \$202,900 in projected additional construction hard costs related to additional work items such as masonry work, security system, plumbing, and miscellaneous items, and (3) \$45,000 in projected development hard/soft costs related to items such as the electrical conduit line in the alley, transformer upgrade, historic marker, and water lines. An improved construction pricing market helped keep further project cost increases to those listed above.

As shown below, Shiloh Baptist Church, Virginia Community Capital (VCC, the construction lender) and the Virginia Housing Development Authority (VHDA, the permanent lender) have all contributed to closing this gap. Shiloh's increased contribution includes \$110,000 for increased costs related to an exterior masonry report that was prepared in the fall of 2007, as well as a more recent addition of \$25,000 to cover the cost of appliances and bathroom accessories which were originally in the construction contract. Harambee is now asking the City to increase its loan to cover the remaining projected gap of \$100,000.

Funding Commitments

	June 2007	September 2009	Increase
City of Alexandria	\$1,039,000	Up to \$1,139,000 (proposed)	Up to \$100,000 (proposed)
Shiloh Baptist Church	\$100,000	\$235,000	\$135,000
VCC (Construction)	\$1,000,000	\$1,081,000	\$81,000
TOTAL	\$2,139,000	\$2,455,000	\$316,000

The City's per unit subsidy for the Beasley Square project will increase from \$129,875 to \$142,375. While this is at the upper end of the range for recent City-funded affordable housing projects (\$75,000 to \$150,000 for projects with funding initiated in FY 2006 through FY 2008), it reflects the higher costs associated with building housing for the elderly, such as elevators and enhanced accessibility features as well as higher costs related to historic renovation and preservation of the original 1890 building on this site. Many of the project's ongoing operating, maintenance and management services will be provided by Shiloh at no cost to the project. Harambee has provided the City with documentation of the various agreements between the entities regarding these services.

Staff recommends that the additional \$100,000 City loan be provided on an as needed basis to cover the projected additional costs as the project is completed. There still may be some cost savings through further negotiations on pricing, and the interest payments to VCC may be reduced if the loan is carried for a shorter period than planned.

Staff recommends that the additional City assistance be added to the existing loan (described below under Fiscal Impact) and staff has explored other lending options, and assisted in VCC and VHDA increasing their loan amounts, but has determined that there is no other source of funds in the market place that Harambee can access within its ability to repay. The Affordable Housing Advisory Committee considered Harambee's funding request on September 10, 2009 and approved the recommended allocation as a committee of the whole.

FISCAL IMPACT: Allocation of an additional \$100,000 from the Housing Opportunities Fund (Housing Trust Fund) to supplement an existing loan. Currently there is \$366,562 in the HTF/HOF from which this \$100,000 will be drawn. The City's total loan of \$1,139,000 is subordinated for repayment purposes to other lenders, as is typical for most of the affordable housing loans the City makes. The loan is set at a 2% residual receipts interest rate basis and will be repaid after other loan obligations. Without refinancing, substantial repayments to the City will not occur until after Year 25 with full repayment likely occurring after Year 40 (the addition of the \$100,000 will extend the repayment period approximately 3 years). This is typical for City affordable housing loans, as City housing loans act as "gap fillers" after all other public and private available lending sources have been utilized.

ATTACHMENT: Funding Request for Beasley Square

STAFF:

Mildrilyn Davis, Director, Office of Housing

Eric Keeler, Division Chief, Program Administration, Office of Housing

**HARAMBEE COMMUNITY AND ECONOMIC DEVELOPMENT
CORPORATION
1429 Duke Street
Alexandria, Virginia 22314**

June 3, 2009

The Honorable William D. Euille
Mayor, City of Alexandria and
Members of the City Council
Alexandria City Hall
301 King Street
Alexandria, Virginia 22314
C/O Eric Keeler

Re: Beasley Square Senior Affordable Housing

Dear Mayor Euille and Members of the Council:

On behalf of the Harambee Community and Economic Development Corporation, (hereinafter referred to as Harambee) and the community I would like to thank you and the Council for your support for the Beasley Square LLC, Senior Affordable Housing Project. The expertise of the city's Office of Housing under the leadership of Director, Mildrilyn Stephens Davis, Deputy Director, Helen McIlvain and the daily guidance of the City's Housing Division Chief, Eric Keeler in the overall planning and construction process have been valuable and productive.

As you are aware the project site will have eight one-bedroom rental units to serve low income elderly residents and will be located at the intersection of Duke and West Street in Old Town Alexandria, Virginia. The property shall remain affordable to senior households at or below 60% of Washington area median income for the length of Harambee's ownership, but in no event less than 40 years. It is anticipated that the project will serve seniors (62 years or older) with Section 8 Housing Choice Vouchers. Since the property will be affordable to households at or below 60% of the area median income, age and income eligible individuals, who can afford to pay rent without voucher assistance, may also be selected.

Construction of Beasley commenced near the end of June 2008¹ with commitments from the following sources in the amount of (\$806,500) Eight Hundred and Six Thousand, Five Hundred Dollars from

¹ Notice to Proceed Construction was received by SMCI on June 23, 2008

the City of Alexandria, (\$1,081,000) One Million, Eighty One Thousand, Thousand Dollars from the Virginia Community Capital bank and a grant in the amount of (\$210,000) from Shiloh Baptist Church.²

As a result of on going construction complications, Harambee has experienced scheduling delays and set backs. Reoccurring structural issues and weather conditions have contributed to cost increases and an extension of the final date of completion. According to the contractor, "it took about 5 months for SMCI to get the building structurally safe before we could proceed with the contract work." SMCI (Severn Beasley) estimate that construction will be completed sometime during the first week of September 2009.

Now more than ever, it is imperative that we complete the construction journey to open Beasley Square as a symbol of our commitment to provide suitable and affordable housing to our seniors in the City of Old Town Alexandria, Virginia. The projected cost to complete this social an economic moral objective is approximately is an additional (\$80,000- \$100,000) Eighty Thousand to One Hundred Thousand Dollars, because of the increase cost of administration an architectural services, engineering services, masonry consultant fees, plumbing fees, the addition of a sump pump, financial fees, change orders etc. (See Attachment B. for a list of Sources and Expenses to date.)

In accordance with prior discussions with the Office of Housing, Shiloh Baptist Church has pledged an additional \$25,000 to off set the cost of Kitchen Appliances and Toilet Accessories. As a good faith effort to decrease a portion of cost overruns Shiloh has made this amount available to the project by providing this cash amount, in addition to its original grant of (\$210,000) Two Hundred and Ten, Thousand Dollars, currently on deposit in our local bank.

Given the extraordinary social and economic purpose and value of the Beasley Square Affordable Housing Project, on behalf of seniors and the community within the City of Alexandria I am respectfully requesting a stimulus from the City of Alexandria to alleviate the cost of this much needed affordable housing.

In a parable Jesus informed his disciples of the following:

"For when I was hungered, and ye gave me meat:
I was thirsty, and ye gave me drink: I was a stranger,
and ye took me in:.....

Then shall the righteous answer him saying, Lord,
When saw we thee an hungered, and fed thee? Or thirsty,
and gave thee drink?

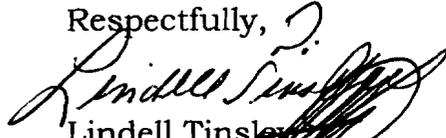
And the King shall answer and say unto them,
Verily I say unto you, Inasmuch as ye have done

² See attachment for itemize list of contributions leading to construction.

it unto one of the least of these my brethren, ye have done it unto me. Matthew 25: 35, 37, and 40.

Clearly, the moral, social, economic, opportunity and success of Beasley Square by far exceeds and out weighs the cost of the alternative.

Respectfully,



Lindell Tinsley
Chairman, Harambee Community
and Economic Development
Corporation

Cc: James J. Hartman, City Manager
Mildrilyn Davis, Director, Office of Housing
Helen McIlvain, Deputy Director, Office of Housing
Eric Keeler, Division Chief, Office of Housing
Lee A. Earl, Pastor, Shiloh Baptist Church
Clarence Johnson, Chairman, Shiloh Joint Board
Board of Directors, Harambee Community and Economic
Development Corporation
Harambee Advisory Review Board

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9-22-09



Jeff Price
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09/21/2009 01:24 PM

Please respond to
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To william.euille@alexandriava.gov, frank.fannon@alexandriava.gov,
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cc

bcc

Subject COA Contact Us: Fiscal Management

Time: [Mon Sep 21, 2009 13:24:26] Message ID: [15452]

Issue Type: Mayor, Vice Mayor, and Council Members

First Name: Jeff

Last Name: Price

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City:

State:

Zip:

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Subject: Fiscal Management

I noticed two items on the docket which taken together tell a disturbing

tale of fiscal mismanagement.

In one case the Council appears set to

increase a loan to construct 8 units of affordable housing, because the

developer apparently can't manage to a budget. And following right on that

is a proposal to forgive a prior loan given to build affordable

housing.

When I see that, I realize that developing

"affordable" housing is the best scam in the world. You propose

something, get the city to give you the money to build it. Run out of

money, get the city to give you more money. It's no big deal that you

Comments: increased the loan amount, because in a few years you go back and get the

loan forgiven.

Given the current economic environment this seems to be

poor stewardship of the peoples money, and demonstrates how poorly it is

managed in better times, when the good times roll.

How will this be

better managed in the future. Please feel free to contact me during normal business hours using the contact info provided.

thanks for your

time

Jeff Price