EXHIBIT NO. 1

18
4-12-11

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 5, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: CONSIDERATION OF THE ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY'S RECOMMENDED DISTRIBUTION OF PROCEEDS FROM THE QUAKER HILL TAX CREDIT FINANCING TRANSACTION AND ACCELERATION OF THE REPAYMENT OF THE CITY LOAN

ISSUE: Consideration of the Alexandria Redevelopment and Housing Authority's recommended distribution of proceeds from the tax credit financing of Quaker Hill, and acceleration of the City loan repayment.

RECOMMENDATION: That City Council:

(1) Agree to the following distribution of $2,033,484 in private sector provided federal tax credit proceeds from the Quaker Hill financing transaction, subject to an executed loan modification agreement between the City and the Alexandria Redevelopment and Housing Authority (ARHA):

a. $500,000 to be paid to the City as an initial payment on the City's previous Quaker Hill loan with the repaid funds returned to the Housing Trust Fund;

b. $500,000 to be used by ARHA to assist in financing its operating budget; and

c. $1,033,484 to be used to capitalize Virginia Housing Development LLC (VHDLLC), ARHA's development entity.

(2) Authorize the City Manager to execute a loan modification agreement between the City and ARHA reflecting the proposed distribution above, as well as reflecting the proposed application of Quaker Hill project residual receipts to the City's Quaker Hill loan to ARHA resulting in a planned accelerated loan payback in comparison with the original loan payback projections.

BACKGROUND: In December 2006, Council approved a loan of $4,704,600 (including the outstanding $1,204,600 balance of a prior City loan) for the acquisition (from the previous tax credit ownership entity) and rehabilitation of ARHA's 60-unit Quaker Hill property. The rehabilitation of the units is nearly complete, and ARHA expects to close on the permanent financing in the near future. One of the provisions of the General Terms and Conditions adopted in conjunction with the loan approval states that "(t)he City and ARHA shall agree on the disposition of all funds to be paid to ARHA from the proceeds of the Quaker Hill transaction." The proceeds to be paid out upon completion of construction at Quaker Hill are now greater than was originally contemplated largely because ARHA acted as its own developer. Council agreement to the disposition of proceeds has been requested by ARHA. This matter was discussed at Council's March 8, 2011, work session with ARHA. The above proposed distribution of proceeds and acceleration of the repayment of the prior City Quaker Hill loan to ARHA was initiated by ARHA.

As described in the attached memorandum from ARHA CEO Roy Priest (Attachment 1), the nature of the transaction changed from what was contemplated at the time of the original loan agreement, and ARHA no longer needs to defer a portion of its developer fee. In addition, although it was originally contemplated that a portion of the proceeds would be needed to satisfy outstanding ARHA obligations to HUD, those obligations have now been satisfied by other means. As a result, the full developer fee, in the amount of $2,033,184, will now be available. ARHA proposes to use $500,000 of this amount to supplement its 2011 budget, and to use $500,000 to repay a portion of the City's loan and $1,033,484 to capitalize its development entity, VHDLLC, as discussed below. Staff considers the proposed disposition of proceeds to be beneficial to both the City and ARHA, and therefore recommends approval.

ARHA's proposes to use $500,000 from the financing transaction to repay a portion of the City's Quaker Hill loan. As described in Attachment 1, under the initial Quaker Hill pro forma, the City would have received no loan payments on its loan until 2020, and by 2027 the loan would have had an outstanding balance of $3.6 million. Under the new scenario, the City will receive $500,000 within the next few months, should receive additional loan payments each year, and by 2027 the outstanding loan balance is projected to be down to only $339,308. The $1.2 million prior loan balance that became part of the current $4.7 million loan came from the Housing Trust Fund, and the remaining $3.5 million from affordable housing bonds and dedicated tax revenues. The repaid funds will be returned to the Housing Trust Fund until that Quaker Hill loan is fully repaid.

ARHA proposes to fund part of its operating budget by $500,000 of those proceeds in order to fund their basic operating budget programs and services in light of insufficient federal financial support from HUD. ARHA has used development proceeds as operating budget revenue in prior years.

ARHA proposes to use $1,033,484 to capitalize its development entity, VHDLLC, which is described by ARHA in Attachment 2. According to that document, ARHA's purpose in establishing VHDLLC was twofold: to create an organizational entity through which ARHA's Department of Development would act to implement the redevelopment goals of the agency; and to minimize the financial impact of HUD's Asset Management fee revenue policy on ARHA's Central Office operation.

The ARHA Board of Commissioners currently exercises direct control over VHDLLC, but plans to appoint a separate VHDLLC Board in the future. ARHA envisions that the new Board will act independently but with accountability to the ARHA Board, and that this will remove some amount of the liability and risk associated with the development functions from ARHA. ARHA's Development Division staff has been reassigned as the primary staff to VHDLLC. In response to questions from Office of Housing staff, ARHA CEO Roy Priest has stated that the organization currently follows ARHA personnel and procurement policies, but that the VHDLLC Board will establish its own standards, based in part on funding sources to be used.

VHDLLC is serving as the master developer of the Quaker Hill project and will also earn developer fees from the West Glebe and James Bland redevelopment efforts. It will also assist in the development of the Strategic Facilities Recommendations and the Redevelopment Assessment sections of ARHA's Strategic Plan. VHDLLC is also the intended acquisition entity and rehabilitator for Pendleton Park.

Although not directly related to this matter, ARHA requested that the City convert approximately $775,000 in old CDBG loans to ARHA to grants. This was discussed in the same Council/ARHA work session as the Quaker Hill matter. On March 29, ARHA withdrew its request regarding the CDBG loans (Attachment III), and has stated that it "will continue to adhere to the original terms of the loans when the funds were provided to the Agency."

FISCAL IMPACT: The distribution of tax credit proceeds will add $500,000 back to the City's Housing Trust Fund, help ARHA by $500,000 with its operating budget, assist VHDLLC by providing it an infusion of capital, as well as significantly and positively restructure the current City loan to ARHA in order that the City's Quaker Hill loan repayment is accelerated (based on the attached projections of residual receipts available to repay the City loan). Acceleration of the repayment of the City's loan will result in the City's Housing Trust Fund having additional funds that can be recycled into additional affordable and workforce housing efforts. It should be noted that in the restructured loan, actual residual receipts may vary from the attached projections and based on actual operating income, operating costs and debt service, residual receipts may vary in any year. This will result in either a faster or slower loan repayment from what is illustrated in Attachment 2.

ATTACHMENTS:
Attachment 1: Memorandum from Roy Priest, November 22, 2010
Attachment 2: Virginia Housing Development LLC
Attachment 3: Letter from ARHA CEO Priest dated March 29, 2011

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

ATTACHMENT 1

MEMORANDUM

TO: JAMES HARTMANN, CITY MANAGER

FROM: ROY PRIEST, CHIEF EXECUTIVE OFFICER OF ARHA

DATE: NOVEMBER 22, 2010

SUBJECT: FINANCING PLAN APPROVAL, QUAKER HILL ACQUISITION/REHABILITATION

ISSUE:

That City staff believes that the following reference in a prior City Council docket item related to Quaker Hill requires further action by the Council.

> "The City and ARHA shall agree on the disposition of all funds to be paid to ARHA from the proceeds of the Quaker Hill financing transaction."[1]

OVERVIEW:

The developer fee in the original Quaker Hill financing transaction that was approved by City Council was $2,300,497, of which, $1,533,665 would have been paid out upon completion of construction and project stabilization and $766,832 would have been deferred and paid out first in the waterfall. Developer fee is included in basis therefore must be paid out before the end of the 15-year compliance period. ARHA never selected a developer partner for this transaction and, over the course of four years, ARHA has self-performed all of the pre-development work required for the Quaker Hill Acquisition/Rehabilitation Project (the ***"Project"***), including, submission of the initial application (**"Initial Application or Allocation"**) to secure an award of 9% Low Income Housing Tax Credits (**"LIHTC"**), syndication of the LIHTC award, application for Exchange Credits (**"EC"**) when the LIHTC award could not be placed, to positioning the Project for closing. When it was determined that the Initial Allocation of credits could not be placed, ARHA returned to the Virginia Housing Development Authority (***"VHDA"***) requesting an allocation of ECs in order to execute the Project. VHDA approved ARHA's request for ECs and its revised application, which application included ARHA as the developer.

In order to shield ARHA from the liability of acting as a developer, a wholly-owned subsidiary of ARHA now known as Virginia Housing Development, LLC (***"VHD LLC"***), was created. This action was in lieu of the selection of a for-profit developer. In conjunction with the revised financing plan, VHDA determined

[1] December 15, 2006 Council Memorandum, Subject: Consideration of a Request from the Alexandria Redevelopment and Housing Authority for a City Housing Funds Loan in Connection with the Refinancing of 60 Housing Units at Quaker Hill, Attachment I, Financial, Informational, and Management Issues, at bullet four.

the amount of the developer fee and then required that ARHA supply supporting documentation in the form of a legal opinion (See Attachment A, Klein Hornig Memorandum). In summary, this opinion states that, because the Project activities spanned multiple years in part due to the fluctuation in the financial markets and that these fluctuations required onerous changes in the financing structure and the related pre-development work, VHD LLC has already earned the developer fee.

With the EC financing transaction, VHDA approved a developer fee of $2,033,184, slightly less than what was in the initial application ($2,300,497) and was in fact very supportive of ARHA's efforts to begin a development corporation for the purposes of retaining fees to buttress its own efforts. Again, at the time of the financing plan revision, ARHA determined that it must reduce the anticipated primary mortgage debt amount, borrowing only enough to take out the current mortgage and defer a much larger amount of its operating deficit loan. The Hopkins Tancil refinance allowed ARHA to achieve this. The acquisition cost of the Quaker Hill Project was calculated as the sum of all outstanding debt at the time the new owner, Quaker Hill LP acquired the Project. Acquisition costs are, for the most part, not eligible in tax credit basis but developer fee, hard construction costs and design fees are. In order to use all of the Exchange Credits ($6.4MM) on costs eligible in tax credit basis, all of the developer and design fees, as well as the construction costs were paid from ECs and other pre-development, legal and acquisition costs not eligible in basis were paid by the city loan. The City Loan was instrumental in paying off the costs that were not eligible in basis, therefore not eligible to be paid by Exchange Credits.

On completion of the Project, VHD LLC will remain in place allowing ARHA to complete its own development projects and consult with its colleagues on theirs, earning developer and consulting fees in order to create an additional entrepreneurial income stream for the purpose of continuing the mission of ARHA. This effort is in concert with the vision of the current ARHA administration, which vision has been voiced often in numerous venues. It is the hope of the current ARHA administration that this action will also reduce ARHA's dependence on the City's limited affordable housing fund. The payoff of all debt and deferred fees using residual receipts was always contemplated in the initial finance plan as follows:

1. Payoff of deferred developer fee ($766,832). Under the original financing plan residual receipts would have paid out any deferred developer fee first, this fee would have been paid by 2014. This amount would no longer be in play in the proposed financing plan given the fact that the Exchange Credits will pay the developer fee in full.
2. Payoff of the ARHA Operating Deficit Loan ($1,625,539). In the original financing plan the ARHA Operating Deficit Loan paid out second. In the original application, this loan was much lower than the actual amount of the loan ($6,434,389) because ARHA was borrowing $5,443,386 at an annual debt service cost of $425,842. At the time of the initial application, HUD was requiring that ARHA repay program funds transferred annually from Hopkins Tancil in order to cover deficits at Quaker Hill from 1990 to 2006. The recent refinancing of Hopkins Tancil allowed ARHA to satisfy its obligations to HUD so that the permanent mortgage could be reduced to the

amount needed to take out the current Sun Trust mortgage. ARHA is now able to subordinate its Operating Deficit Loan to the City Loan, thereby enriching the City's lien holder position.

3. Payoff of the City Loan ($4,704,600). **In the financing plan ARHA is currently proposing, after the Project stabilizes (this is projected to be in April of 2011), ARHA would begin to pay off the City Loan with an initial lump sum payment of $500,000, followed by annual residual receipts payments. Based on the operating proforma developed, this would cause all funds except $339,308 to be repaid by 2027 when the Project ends its compliance period and is eligible for another allocation of credits.** The new partnership would either assume or payoff the debt at that time. **Conversely, under the initial financing plan, the City loan would have a remaining balance due of $3,642,386 in 2027.** This is significant because the Project comes out of its compliance period in 2027 and Quaker Hill LP would be in a position of seeking another allocation of credits to keep the Project as affordable housing in the City.

See Attachments 2 and 3 for the operating proforma of the Initial Application versus the Proposed Payout.

PAYOUT OF DEVELOPER FEE

Once the earned developer fee is paid to ARHA, it will be disbursed as follows: $500,000 to be paid to the City as an initial payment on the loan; $500,000 will be used by ARHA to supplement its 2011 budget; and, $1,033,484 will be used to capitalize Virginia Housing Development LLC.

VIRGINIA HOUSING DEVELOPMENT LLC (***"VHDLLC"***)

Virginia Housing Development LLC was formed by ARHA through Resolution 471 primarily for the purposes of developing and managing affordable housing projects designated by ARHA. The ARHA is the sole member of the Virginia Housing Development LLC, a Virginia limited liability company organized pursuant to Articles of Organization filed with the Secretary of State of the Commonwealth of Virginia on February 17, 2010. It is intended that the Company will grow into its ultimate mission. The Company mission is to profitably build a diverse development-related service practice, capable of partnering with other Public Partners to develop projects nationwide as well as providing consulting services related to grant writing, tax credit consulting, physical asset management, long-term planning of capital expenditures, and portfolio positioning.

The VHDLLC is structured as a community-based, service organization that has staff with the expertise to develop affordable housing for the Alexandria, VA community. The VHDLLCs immediate mission is to develop the West Glebe, James Bland and other public housing projects for ARHA with the long term mission to provide consulting services nation-wide to other clients for the purpose of building that clients' capacity for developing affordable housing.

The Company will be managed by ARHA, which shall exercise full and exclusive control over the affairs of the Company.

ATTACHMENT 2

Operating Proforma Assuming Initial Application Payout Structure

	2011	2012	2013	2014	2015
Eff. Gross Income	987,354	987,354	1,016,975	1,047,484	1,078,908
Less Oper. Expenses	492,500	512,200	532,688	553,996	576,155
Net Income	494,854	475,154	484,287	493,488	502,753
Less Debt Service	232,370	232,370	232,370	232,370	232,370
Residual Receipts	262,484	242,784	251,917	261,118	270,383
Balance of Def Developer Fee	504,348	261,564	9,647	183,862	
Balance of Def Op Deficit Loan				1,548,283	1,277,900
Balance of City Loan	4,968,074	5,067,435	5,168,784	5,272,160	5,377,603
	2016	**2017**	**2018**	**2019**	**2020**
Eff. Gross Income	1,111,276	1,144,614	1,178,952	1,214,321	1,250,751
Less Oper. Expenses	599,202	623,170	648,096	674,020	700,981
Net Income	512,074	623,170	530,856	540,301	700,981
Less Debt Service	232,370	232,370	232,370	232,370	232,370
Residual Receipts	279,704	390,800	298,486	307,931	468,611
Balance of Def Developer Fee					
Balance of Def Op Deficit Loan	998,196	607,396	308,910	979	
Balance of City Loan	5,485,155	5,594,858	5,706,755	5,820,890	5,469,677
	2021	**2022**	**2023**	**2024**	**2025**
Eff. Gross Income	1,288,273	1,326,921	1,366,729	1,407,731	1,449,963
Less Oper. Expenses	729,020	758,181	788,508	820,049	852,851
Net Income	559,253	568,740	578,220	587,682	597,112
Less Debt Service	232,370	232,370	232,370	232,370	232,370
Residual Receipts	326,883	336,370	345,850	355,312	364,742
Balance of Def Developer Fee					
Balance of Def Op Deficit Loan					
Balance of City Loan	5,002,045	5,020,861	4,775,428	4,515,624	4,241,195
	2026	**2027**			
Eff. Gross Income	1,493,462	1,538,265			
Less Oper. Expenses	886,965	922,443			
Net Income	606,497	615,822			
Less Debt Service	232,370	232,370			
Residual Receipts	374,127	383,452			
Balance of Def Developer Fee					
Balance of Def Op Deficit Loan					
Balance of City Loan	3,950,335	3,642,386			

Operating Proforma Assuming Initial Application Payout Structure Assumptions

1. In the original application the ARHA Deferred Operating Deficit Loan was much lower ($1,625,539) because ARHA was borrowing $5,443,386. **This would have given ARHA $2,107,035 cash out at closing** to repay itself some amount of the Operating Deficit Loan, but it would have been at an annual debt service cost of approximately $425,842. The permanent mortgage in the current Sources and Uses is only that amount needed to take out the current SunTrust mortgage ($3,336,351) for an annual debt service of approximately $232,370. By reducing the cost of the debt service we have increased the amount of residual receipts.
2. The initial application Developer Fee was $2,300,497 **of which $1,533,665 would have been paid out by stabilization to a developer** and $766,832 would have been deferred and paid out first in the waterfall of residual receipt payments. Housing Tax Credit rules require that the developer fee be paid in full by the end of the compliance period so the deal did not underwrite unless ARHA could show the payout of that fee.
3. The City Loan amount, including the accrued interest, at the anticipated start of payback would be $5,486,281.

ATTACHMENT 3

Operating Proforma Proposed Payout Structure

	2011	2012	2013	2014	2015
Eff. Gross Income	987,354	987,354	1,016,975	1,047,484	1,078,908
Less Oper. Expenses	492,500	512,200	532,688	553,996	576,155
Net Income	494,854	475,154	484,287	493,488	502,753
Less Debt Service	232,370	232,370	232,370	232,370	232,370
Residual Receipts	262,484	242,784	251,917	261,118	270,383
Balance of City Loan	4,468,074	4,314,651	4,149,028	3,970,890	3,779,925

	2016	2017	2018	2019	2020
Eff. Gross Income	1,111,276	1,144,614	1,178,952	1,214,321	1,250,751
Less Oper. Expenses	599,202	623,170	648,096	674,020	700,981
Net Income	512,074	623,170	530,856	540,301	700,981
Less Debt Service	232,370	232,370	232,370	232,370	232,370
Residual Receipts	279,704	390,800	298,486	307,931	468,611
Balance of City Loan	3,575,819	3,358,261	3,126,941	2,881,549	2,621,780

	2021	2022	2023	2024	2025
Eff. Gross Income	1,288,273	1,326,921	1,366,729	1,407,731	1,449,963
Less Oper. Expenses	729,020	758,181	788,508	820,049	852,851
Net Income	559,253	568,740	578,220	587,682	597,112
Less Debt Service	232,370	232,370	232,370	232,370	232,370
Cash Flow	326,883	336,370	345,850	355,312	364,742
Balance of City Loan	2,347,333	2,057,910	1,753,218	1,432,970	1,096,887

	2026	2027			
Eff. Gross Income	1,493,462	1,538,265			
Less Oper. Expenses	886,965	922,443			
Net Income	606,497	615,822			
Less Debt Service	232,370	232,370			
Cash Flow	374,127	383,452			
Balance of City Loan	722,761	339,308			

Operating Proforma Proposed Payout Structure Assumptions

1. Balance of City Loan: Assumes an initial payment to the city at stabilization of $500,000.
2. ARHA will subordinate the balance of its Operating Deficit Loan ($6,434,389) to the City Loan.
3. Assumes HCV rental income.

VIRGINIA HOUSING DEVELOPMENT LLC

VHDLLC SUMMARY

The ARHA Board of Commissioners (ARHA Board) established the VIRGINIA HOUSING DEVELOPMENT LLC (the "**VHDLLC**") to initially accomplish two organizational development and management objectives: to create an organizational entity through which ARHA's Department of Development would act to implement the redevelopment goals of the agency; and to minimize the financial impact of HUD's Asset Management fee revenue policy on our Central Office operation.

VHDLLC was formed by ARHA through Resolution 471 for the purposes of developing or redeveloping affordable housing projects designated by ARHA. The former staff compliment of ARHA's Development Division that had oversight of all development, redevelopment, and the Bond Program functions were reassigned to become the primary staff of the VHDLLC.

VHDLLC will be managed by the ARHA Board, which shall exercise full and exclusive control over the affairs of the VHDLLC. The ARHA Board will appoint a separate board for the VHDLLC and give them such titles and powers as the ARHA may choose. The VHDLLC's Board is envisioned to act independently but with accountability to the ARHA Board of Commissioners. By acting in this manner we are also removing some amount of the liability and risk associated with the development functions from ARHA.

ARHA's reorganization established the vision and goal to create sustainable, entrepreneurial activities to support the on-going financial viability of the Agency. A major impetus for our reorganization was HUD's adoption of an Asset Management policy to govern the operation of Public Housing Authorities ("**PHA**"s). One of the significant operational and financial impacts on ARHA, and all PHAs, was the regressive reduction of the amount of management fees that the Central Office component could charge the Asset Management Projects ("**AMP**"s). This reduction in a major source of revenue compromised the financial integrity of the agency and significantly compromised our self -sustaining objective.

Thus the establishment of VHDLLC was an organizational strategy to offset this potential negative consequence. The organization of VHDLLC was designed to assume and complete those tasks germane to the development functions of ARHA. This eliminated the expenses associated with this function out of our Central Office operation thereby giving relief to the ARHA budget. It also established VHDLLC as a Strategic Business Unit ("**SBU**") of ARHA. As an SBU, the VHDLLC is understood to be a business unit within the overall corporate identity of ARHA but which is distinguishable from ARHA because it serves a defined external market where management can conduct strategic planning in relation to specific development efforts. It is envisioned that other ARHA departments will eventually function as additional SBUs.

The VHDLLC will not only need to operate and manage ARHA's real estate portfolio but it will also seek to sustain its' own operations by serving as a master developer or as a component developer in joint venture transactions for specific projects which are identified as viable and meeting the mission of ARHA. By acting in this manner over time, ARHA, through the VHDLLC, will also advance in an orderly manner the planning, development and implementation of its' real estate portfolio: Hopkins-Tancil; Samuel Madden; Andrew Adkins; Ramsey; and our Central Administrative building. This is in addition to completing the Old Town Commons redevelopment and maintaining continual oversight over the balance of the other real properties owned by the Agency.

The first transaction pursued by VHDLLC is serving as the master developer for the Quaker Hill project. The projected earned developer fee will be used to advance the repayment of a portion of the City's loan, provide funding to ARHA consistent with their 2011 operating budget and capitalize VHDLLC. Additionally, because it has the capacity to act as the affordable housing ("component") developer on the mixed-finance redevelopment efforts that are underway, the VHDLLC's base operations can be sustained through 2015 with earned developer fees from the West Glebe and James Bland redevelopment efforts. There will have to be prudent administration of the revenues of the organization to avoid compromising the entrepreneurial capacity of the entity.

Finally, the VHDLLC will assist in the development of the Strategic Facilities Recommendations and Redevelopment Assessment sections of the Strategic Plan. Based on the outcome, we will begin the planning on those properties identified as prime candidates for redevelopment and take the necessary steps to complete the planning and implementation of the redevelopment effort.

Attachment 3

ARHA
BUILDING COMMUNITY PARTNERSHIPS

Commissioners:
A. MELVIN MILLER, *Chairman*
Derek Hyra, *Vice Chairman*
Carlyle C. Ring, Jr.
Carter D. Flemming
Christopher Ballard
Brett J. Libresco
Merrick Malone
Chyrell Bucksell
Stanley Vosper

Roy Priest, Chief Executive Officer

MAR 29

March 29, 2011

Jim Hartmann, City Manager
City of Alexandria
301 King Street
Alexandria, VA 22314

Dear Jim:

With regard to my January 31 letter, subject: Outstanding ARHA Obligations, specifically CDBG Loans made by the City to ARHA; I, with the approval of the ARHA Board, am rescinding that request to convert CDBG loans to grants. ARHA will continue to adhere to the original terms of the loans when the funds were provided to the Agency.

I advised the Board last night, and they concur that, with your departure and with all the other things that ARHA has before the Council at this time, it is in the best interest of ARHA to focus on those things that are critical for our long term fiscal health and important to the underwriting of our current and future development projects.

My position remains that, under current HUD regulations, ARHA does not have any funds that would be eligible for use in paying the obligations. These transactions were structured as loans, conditioned on ARHA repaying the funds from any proceeds from the redevelopment of public housing. At the time we completed the redevelopment of Samuel Madden (Downtown), we approached HUD with a question as to whether or not any proceeds would be eligible for the purpose of repayment. HUD was very clear in its response that any proceeds made from the development of public housing disposed of to PHAs with no debt by HUD, was to go to the physical needs of the remaining public housing developments. Specifically, they informed us that the proceeds were to be used on items approved in our Agency Plan as an annual or 5-year need.

In closing I would like to summarize some brief facts about the financial gains the City has made from the redevelopment of ARHA properties because I think that it is all too often understated or clouded by the fact that there are outstanding loans related to the efforts. This information was available for discussion at the joint meeting on March 8th but is worth a second mention:

600 North Fairfax Street • Alexandria, VA 22314 • Office: (703) 549-7115 • Fax: (703) 549-8709 • TDD (703) 836-6425

- Since 1990 the City has gained approximately $18.5MM in property taxes from the redevelopment of ARHA sites. Moving forward the City will enjoy approximately $2.5 MM annually from these same properties. I do not think anybody would dispute the fact that redevelopment of public housing in Alexandria is a City-wide benefit, not a burden on the tax payers as some have portrayed it.
- Since 1989, ARHA has borrowed $16,865,590, which, upon completion of the Bland effort we will have repaid $16,090,000. This represents all funds borrowed with the exception of the $775,590 that we contend should never have been classified as a loan given public housing regulations. Looking at this, as a lender, you must conclude that ARHA is a low risk borrower.
- In the past year alone, ARHA has paid in full, with interest, the $1,440,000 loan for the land purchase related to the market rate and workforce housing units at Alexandria Crossing at Old Dominion. We have also repaid the 1996 HOME loan made to Hopkins Tancil in the amount of $330,000 and paid Payment in Lieu of Taxes ("PILOT") of $108,118; this is a total of $1,878,118 in payments from ARHA to the City on its obligations. All outstanding loans are either on track or, if the Quaker Hill action is accepted by Council, will be ahead of the repayment schedule set forth in the terms of their respective loan agreements. Again, as a lender you must conclude that ARHA is a low risk borrower.

Based on the positive impact ARHA has made to the City's tax base related to the redevelopment efforts and the revenue we have brought and will continue to bring to the City for years to come, we believe that you and the City Council members will truly understand the opportunities ARHA has embarked on (and plans to embark on) to further the positive impacts for the City. If I can be of further assistance please do not hesitate to contact me.

Sincerely,

Roy O. Priest, CEO

cc: ARHA Board of Commissioners
Mayor
City Council
Mark Jinks
Mildrilyn Davis