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6-8-01

**City - ARHA  
Work Group on Samuel Madden  
May 24, 2001**

**Committee Members Present:**

Mayor Kerry Donley  
Bill Eulle, Member, City Council  
A. Melvin Miller, ARHA Board  
Donna Fossum, Planning Commission  
Phil Sunderland, City Manager  
Bill Dearman, CEO, ARHA  
Mark Jinks, Assistant City Manager  
Connie Lennox, Director, Development, Redevelopment & Modernization, ARHA

**Others Present:**

Marye Ish, ARHA  
Archie Morris, ARHA  
Helena Soprano, Department of Planning and Zoning  
Jeffrey Farner, Department of Planning and Zoning  
Angela Smith, Office of Management and Budget  
Robin Salomon, Skyline, LLC  
John Moss, Ken Thompson & Associates  
Cindy Smith-Page, Department of Real Estate Assessments

After Commissioner Miller requested the deletion of "with HUD" from the second page, 5<sup>th</sup> paragraph, last sentence of the meeting minutes from the May 4, 2001 Work Group meeting, the minutes were approved.

Mr. Sunderland initiated the discussion by indicating the group would be presented alternative schemes for the on-site development ranging from 130 to 170 units and a finance model would be presented for the 160 unit scheme.

Ms. Soprano stated the criteria for developing each scheme were to keep a mix of units types and still achieve at least 20% ground open space. She then explained each scheme to the Work Group, identifying the number of town house units, two over two units, multifamily units and percentage of open space. The 160 unit scheme introduced a multifamily component which led to a discussion on the density per block. Mr. Farner stated that the higher density on the North block transitions the development into the surrounding blocks that have higher density, such as Portner's Landing. Mr. Jinks stated that the 160 unit model with a multifamily component was requested by Ken Thompson, ARHA's Financial Consultant, due to the economic implications it

would have on underground parking (which then could be incorporated into the financial model). A multifamily component would provide the most feasible place to put underground parking.

The Work Group then had an in depth discussion of the parking situation. Planning and Zoning provided a chart that showed the parking requirements for each scheme. Ms. Ish asked if tandem parking was being counted as visitor parking. It was pointed out that visitor parking is counted separate and street parking could be utilized for visitor parking. Mr. Jinks pointed out that while the layout provided every two over two unit a one car garage and one tandem space, that realistically many two car residents will end up using the street instead of the tandem space. Mr. Sunderland emphasized that parking is a critical issue and the higher the density the more underground parking will be necessary, driving the cost up. Ms. Smith-Page stated that the cost per space for underground parking ranges from \$12,000 to \$15,000 for low-rise buildings and up to \$20,000 for a high-rise building.

All of the schemes count tandem parking spaces as one space. It was pointed out that if people don't use the tandem space they will utilize the spaces on the street, causing problems for the neighborhood. Councilman Euille asked if all the public housing units needed two spaces and what ARHA's experience is with the number of cars each family owns. Mr. Dearman stated that more and more the families have two cars. Ms. Fossum encouraged the Work Group not count each tandem parking space as one but as a .5 space, if they should be counted at all.

The Work Group then discussed the option of putting all the townhouses on one block and multifamily on one block. ARHA staff pointed out that this would not be approved by HUD due to the restrictions on the property and the HOPE VI grant requirements. It was stressed that HUD had to approve everything dealing with the land because the land was purchased with federal money and it is still under HUD regulatory rules.

Mr. Sunderland asked how much the HOPE VI grant is and the amount that would be applied to the off-site units. There was a discussion on the amount of the grant and Mr. Dearman said his staff would get a solid number and report it to the Work Group.

Mr. Salomon explained the financial model, including the sources and uses of funds and the 9% Low Income Tax Credits (LITC). He pointed out that under the federal LITC rules, the units have to be occupied within 24 months of being awarded the tax credits. He also explained the timing of the tax credits and if another source for a bridge loan could be used the amount per credit could be increased from the estimated \$0.77 cents per dollar to as high as \$0.87 cents per dollar. It was also pointed out that the sources of funds included a portion from the sale of the land which would be needed to make the 52 units feasible. Mr. Moss explained the preliminary evaluation of the off-site sources of funds.

Mr. Jinks pointed out that 4% tax credits in conjunction with private activity tax-exempt bonds could be used for some of the off-site units. Mr. Salomon stressed that the group needed to go to VHDA with a plan and then work out a plan of how to deal with the tax credits.

Mr. Farner presented to the group various sites throughout the City that ARHA and City staff inspected as potential sites for the off-site units. The criteria for selection were a minimum of 10,000 square feet, assessed value (price), compatibility with the existing neighborhood, and proximity to other ARHA units and mass transit. It was pointed out that a major issue with many of the identified sites is rezoning. Mr. Sunderland stated that some sites are more adaptable to be rezoned than others and some needed to be eliminated because they should not even be considered for rezoning because townhouses would be incompatible with adjacent uses. He also stated that the Work Group may need to start looking at other options such as buying existing townhouses or small multifamily buildings. It was suggested for the next meeting to have an off-site financial model to present to the group.

Mr. Dearman brought to the Work Group's attention that the 37 vacant units at Samuel Madden might possibly have to be put back on line, per HUD requirements. If this happens, ARHA is looking at considerable costs to get the units ready. These costs would be a factor in HUD's decision making process on whether the units can remain vacant until redevelopment.

Councilman Euille asked the group when the stakeholders should be involved with the Work Group's activities. It was agreed upon that the Work Group would have a couple of more meetings before bringing in stakeholders. Mr. Sunderland pointed out that Mayor Donley added Councilman Speck to the Work Group as the third Council member appointee.

Mr. Dearman stated that Mike Kelly, of the D.C. Public Housing Authority, offered to take the Work Group on a tour of two recent public housing redevelopments in D.C. The Work Group agreed this would be a good idea.

The next meeting for the Work Group was scheduled for Friday, June 8, from 12:00 - 2:00 p.m in the Council Workroom.

**Samuel Madden Homes (Downtown)  
Combined Sources and Uses of Funds**

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6-8-01

	Combined Totals	Social Services	Admin Costs, Other Costs, & Relocation	On-site Units	Off-site Units	Family Investment Center
<b>Sources of Funds:</b>						
HOPE VI Grant Award	6,716,250	500,000	2,048,525	1,475,000	1,692,725	1,000,000
Sales Proceeds - 2 blocks	5,495,000			750,000	4,745,000	
LIHTC Equity - on-site units	6,262,686			6,262,686	0	
Construction/Permanent Loan - on-site units	2,100,000			2,100,000	0	
<b>Total Sources of Funds</b>	<b>20,573,936</b>	<b>500,000</b>	<b>2,048,525</b>	<b>10,587,686</b>	<b>6,437,725</b>	<b>1,000,000</b>
<b>Uses of Funds:</b>						
Social Service Costs	500,000	500,000				
Administrative Costs, Consultant Costs & Other Fees, and Relocation Costs (HOPE VI)	2,048,525		2,048,525			
On-site Units	10,581,826			10,581,826		
Off-site Units	8,640,000				8,640,000	
Family Investment Center	1,000,000					1,000,000
<b>Total Uses of Funds</b>	<b>22,770,351</b>	<b>500,000</b>	<b>2,048,525</b>	<b>10,581,826</b>	<b>8,640,000</b>	<b>1,000,000</b>
<b>Excess(Shortfall) of Funds</b>	<b>(2,196,415)</b>	<b>0</b>	<b>0</b>	<b>5,860</b>	<b>(2,202,275)</b>	<b>0</b>

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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410-5000

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6-8-01

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OFFICE OF THE ASSISTANT SECRETARY  
FOR PUBLIC AND INDIAN HOUSING

MAY 23 2001

Mr. William J. Dearman  
Executive Director  
Alexandria Redevelopment & Housing Authority  
600 North Fairfax Street  
Alexandria, VA. 22314

RE: Samuel Madden Homes HOPE VI Project VA39URD0041198  
Grant Agreement Extension

05-30-01 11:01:01 RCVD

Dear Mr. Dearman:

On January 27, 1998, the Department of Housing and Urban Development (HUD) and the Alexandria Redevelopment and Housing Authority (ARHA) entered into an Implementation Grant Agreement for the revitalization of the Samuel Madden Homes public housing development.

The purpose of this letter is to advise you that pursuant to the Grant Agreement, specific time frames were identified within which ARHA must have performed certain tasks. Given the lengthy delays experienced due to extensive litigation, these time frames were not met. They include: 1) approval of a Revitalization Plan within 120 days of execution of the Grant Agreement and 2) execution of a general contractor's contract and start of construction within 24 months from execution of the Grant Agreement.

To bring ARHA in compliance with the Grant Agreement, new dates need to be determined and a formal extension of the time frames contained in the Grant Agreement approved by HUD. We understand that issues still remain regarding ARHA's ability to move forward with this project, including court appeals, procurement disputes and zoning approvals. However, it is critical that a schedule be established and that all efforts be made to adhere to that schedule.

Please submit a schedule for the project which shows major milestones and dates leading to: 1) selection of a developer; 2) execution of a Development Agreement; 3) submission of a Revitalization Plan; 4) execution of a general contractor's contract; 5) start of construction; and 6) completion of construction. Include in your schedule a discussion of any assumptions made regarding ARHA's ability to adhere to the schedule.

HUD has been working with ARHA over the years on development of this project. We are aware of the setbacks experienced and want to continue to work with you towards implementation. Should you have any questions or concerns, please contact Luci Blackburn, the HUD project manager, on 202/708-0614, x.4190.

Sincerely,

Milan Ozdinec  
Acting Deputy Assistant Secretary  
Office of Public Housing Investments



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410-5000

OFFICE OF THE ASSISTANT SECRETARY  
FOR PUBLIC AND INDIAN HOUSING

MAY 29 2001

05-30-01A10:01 RCVD

Mr. William J. Dearman  
Executive Director  
Alexandria Redevelopment & Housing Authority  
600 North Fairfax Street  
Alexandria, VA. 22314

RE: Samuel Madden Homes HOPE VI Project (VA39URD0041198)

Dear Mr. Dearman:

The purpose of this letter is to respond to your correspondence dated April 26, 2001, in which you raised several issues for HUD comment. The following is HUD's response to those issues:

1) Must the Alexandria Redevelopment and Housing Authority (ARHA) submit a second offer to purchase to the Alexandria Resident Council (ARC) due to a renewed RFP process, if ARHA has already submitted an offer to purchase to ARC and ARC's proposal to purchase has been appropriately rejected by ARHA?

HUD regulations (24 CFR 970.13) require public housing authorities (PHAs) to make a formal offer for sale to the residents of the affected development and for the residents to respond to the offer by either rejecting it or submitting a proposal to purchase the property. PHAs must then review the proposal and either accept or reject based on the criteria set forth in the HUD regulations. The requirement to make a formal offer for sale to the residents is a one-time requirement. If an offer is made and rejected or a proposal is submitted and rejected (and no appeal is filed or the appeal is denied) then no other offer needs to be made to the residents in the future.

However, please note that the applicability of 24CFR 970.13, Resident Organization Opportunity to Purchase, does not apply to a PHA that seeks disposition outside the public housing program to privately finance or otherwise develop a facility to benefit low income families (e.g., day care center, administrative building, other types of low income housing). (See 24 CFR 970.13(a)(2)(vi)) Therefore, assuming ARHA still intends to dispose of the property to a private developer for development of low income housing, the requirement to make a formal offer for sale to the resident organization does not apply under 24 CFR 970, nor does it apply under 24 CFR 941.600 Subpart F.

2) If ARHA recommences the RFP process to select a new developer, what happens to the status of the approved HOPE VI funding?

The HOPE VI funding is not affected by the RFP process. However, HOPE VI funding is affected by ARHA's ability to move forward with the project in accordance with the HOPE VI grant agreement. The grant agreement sets forth specific dates by which specific actions must take place. Currently, ARHA is not in compliance with the dates for: a) approval of a Revitalization Plan and b) execution of a general contractors contract and commencement of construction. Pursuant to my letter to you dated May 23, 2001, ARHA has been asked to provide an updated schedule for development of the project. HUD will review this schedule to determine if it is possible to complete the project within a reasonable time period, recognizing HUD's goal to use HOPE VI funds to assure the greatest benefit to public housing residents nationwide.

3) The HOPE VI proposal was approved with the provision that the final project would contain 52 on-site public housing units and 48 off-site public housing units. Must the project maintain a minimum of 52 on-site public housing units to preserve the HOPE VI funds?

ARHA submitted a HOPE VI application which included a plan for 198 units on-site, of which 52 would be for public housing, and 48 public housing units off-site. However, submission and selection of an application does not confer final HUD approval of the development plan. This approval comes through approval of the Revitalization Plan, as defined in the grant agreement, and ultimately through the approval of a mixed-finance proposal.

Therefore, plans contained in HOPE VI applications are not viewed by HUD as unchangeable. Approval of the Revitalization Plan comes only after a site visit is made and supplemental information submitted. As a result, sometimes changes are made in the Revitalization Plan. Further, as developers are selected and studies are conducted, changes in the plan also occur and are reflected in the more detailed mixed-finance proposal. However, these changes generally are not significant and do not change the basic concept of the plan contained in the application.

Accordingly, Alexandria would not be held strictly to 52 units on-site. However, it would be held to the concept of constructing a mixed-income project on-site, which contained approximately the same ratio of public housing units, to low income units, to market rate units as was proposed in the application, and which contained approximately the same number of units off-site as was proposed in the application.

4) Is the amount of HOPE VI funds impacted if the number of on-site public housing units decreases?

The amount of HOPE VI funds would not change based on the number of public housing units constructed on-site. However, the project would still have to comply with TDC limitations, which could impact the amount of HOPE VI funds.

Should you have any further questions, please contact Luci Blackburn, the HUD project manager, on 202/708-0614, x.4190.

Sincerely,

A handwritten signature in black ink, appearing to read "Milan Ozdinec". The signature is written in a cursive style with a large, looping initial "M".

Milan Ozdinec  
Acting Deputy Assistant Secretary  
Office of Public Housing Investments