


City of Alexandria, Virginia

MEMORANDUM

9
1-13-09

DATE: JANUARY 6, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER 

SUBJECT: CONSIDERATION OF A FUNDING APPLICATION FROM COMMUNITY LODGINGS, INC. (CLI) FOR A LOAN FROM THE HOUSING OPPORTUNITIES FUND

ISSUE: Consideration of a request from Community Lodgings, Inc. (CLI) for \$46,512 in Housing Opportunities Fund monies for Multi-Family Housing Rehabilitation.

RECOMMENDATION: That the City Council:

- (1) Approve a loan of \$46,512 from the HOME Fund portion of the Housing Opportunities Fund to complete replacement of the main sewer line, repair/install new ceramic tile flooring, and replace 36 water efficient commodes and showerheads at Community Lodgings, Inc. (CLI) multi-family complexes at 3908, 3912 and 3916 Elbert Avenue; and
- (2) Authorize the City Manager to execute all necessary documents and agreements.

BACKGROUND: Community Lodgings, Inc. (CLI) is a local non-profit organization, established in 1987, to preserve affordable housing, provide transitional housing for the homeless, and to help families become self sufficient through counseling and supportive services programs. CLI owns and operates two 10-unit rental properties at 607 and 612 Notabene Drive, as well as a 28-unit rental property in the three buildings located at 3908, 3912 and 3916 Elbert Avenue.

All of CLI's properties are older, garden-style apartments, built in the early 1940's. Currently, 14 of the units located at the Notabene properties provide transitional shelter for the homeless; of the 28 units located at Elbert Avenue, 10 serve households at or below 50% of the area median income (AMI), while 18 serve households at or below 60% AMI. Four of the units on Notabene have been converted for use as a Learning Center. A zoning variance on the Elbert Avenue property permits CLI to maintain offices on site.

The City has previously provided funds in the form of loans and grants to assist with CLI's initial purchase and rehabilitation of some properties. One loan has been repaid; others have been refinanced, with the original loan terms extended, to improve cash flow. City loan funding for these properties is summarized below:

Property	Purpose	Original Amount	Source	Current Balance	Final Payment
607 Notabene	Acquisition	\$100,000	HTF	0	N/A
612 Notabene	Acquisition	\$100,000	HTF	\$12,296	07/2014
607-12 Notabene	Rehabilitation	\$ 25,000	Low/Mod Housing	\$ 8,130	01/2013
Elbert Avenue	Acquisition	\$300,000	HTF	\$136,634	10/2014
Total Amount		\$530,000		\$157,060	

The City also provided \$42,500 from the Housing Opportunities Fund in FY 2007 to CLI: \$37,500 was provided as a grant to help CLI replace one hundred (100) windows at its Elbert Avenue properties and a \$5,000 loan was authorized to help subsidize CLI's cost to undertake a Capital Needs Assessment to develop appropriate short and long term rehabilitation plans and financing strategies to maintain and improve its properties. The new windows were installed as planned. The Capital Needs Assessment has not yet occurred, but CLI plans to solicit bids and undertake this study in the near future.

DISCUSSION: CLI is requesting a total of \$46,512 in loan funding from the HOME Investment Partnerships Fund portion of the Housing Opportunities Fund, \$36,000 to replace a deteriorating sewer line, and \$10,512 to install water-saving appliances to reduce water waste and decrease utility costs at its Elbert Avenue properties. A portion of the line was replaced several years ago when deterioration caused back up problems in one building. However, lack of funds prevented CLI from completing the entire project at that time. There have been recurring problems in the original line in recent months and CLI would like to complete replacement of the system as soon as possible to avoid a major breakdown.

CLI has received three proposals for the work and finds the bid from the subcontractor who performed prior replacement work most responsive. The proposed scope will replace the cast iron main sewer line through the multifamily buildings up to the street curb. New ceramic tile will be installed as necessary to replace flooring damaged by the plumbing work in the hallways of the buildings. According to CLI, the subcontractor will be able to perform the work in a manner that minimizes displacement and disruption of utilities and allows residents to remain in place throughout the anticipated two week rehabilitation period.

CLI is also proposing installation of various fixtures to enhance water conservation at the property. Although residents had been paying for various utilities, including water, based on unit and household size, VHDA recently directed low income housing tax credit property owners to assume payment of utility costs in the absence of individually metered systems. During a recent

site visit, Water Management, Inc. (WMI) identified a number of water conservation measures to reduce waste and control domestic water use. New low flow toilets, shower heads and sink aerators are proposed to achieve a net savings of \$3,000 per year.

Because of the very low income of the households served by CLI, the constrained revenue stream that can be achieved at the Elbert Avenue properties limits the cash flow available for major repairs and renovations, such as the sewer line. According to CLI's property manager, increased utility costs, expenses related to addressing deferred maintenance and lower rental revenues due to tenant unemployment have all negatively impacted the residual receipts generated by CLI's properties this year, yielding less income to maintain the property and fund CLI programs. CLI has developed partnerships with various community groups and businesses which have provided volunteers to perform improvements and minor renovations at its properties. CLI will continue to seek opportunities to leverage existing resources to maintain its Elbert Avenue properties adequately, pending a large scale rehabilitation when the property is refinanced or re-syndicated (with tax credits) in a couple of years. However, CLI believes that the sewer line replacement project cannot be delayed without risking a potential breakdown and/or health-safety emergency.

In the past CLI has sustained its programs with a variety of funding sources. However, because of current economic conditions, many of its traditional funding sources for operating expenses are in jeopardy. In FY 2009, CLI faces a \$17,000 reduction in support from the Meyer Foundation while a \$40,000 grant pending from Freddie Mac Foundation may not be funded although the organization has typically provided at least \$30,000 a year in program support.

On December 4, 2008, the Affordable Housing Advisory Committee (AHAC) considered and approved a staff recommendation to allocate \$46,512 from the HOF as a low-interest (2% interest) loan to Community Lodgings, Inc. with payments to begin in November 2014 once CLI's current City loan for the Elbert Avenue property is repaid (debt service on the existing City loan is \$2,094 per month). The new loan is proposed to have a ten year term, with interest accruing until payments begin in 2014. Based on this, CLI's monthly debt service obligation would be \$482.

Since the City HOF funds are anticipated to be derived from HOME monies, it is noted that CLI would need to comply with federal regulations including a long-term affordability restriction, rent and occupancy requirements, tenant income eligibility requirements, and property standards inspections.

FISCAL IMPACT: \$46,512 in HOME and atching funds will be paid out of the Housing Opportunities Fund. CLI will not be required to make payments on the loan until 2014.

STAFF:

Mildrilyn Stephens Davis, Director, Office of Housing
Helen S. McIlvaine, Deputy Director, Office of Housing
Eric Keeler, Division Chief for Program Administration
Lucinda Metcalf, Housing Analyst, Office of Housing