

CITY COUNCIL WORK SESSION
with the
ALEXANDRIA REDEVELOPMENT AND HOUSING AUTHORITY
BOARD OF COMMISSIONERS
TUESDAY, MARCH 8, 2011
5:30 P. M.
CITY COUNCIL WORKROOM

AGENDA

- I. Welcome and Comments Mayor William D. Euille
- II. Distribution of Proceeds from Quaker Hill
Financing Transaction ARHA, City Staff
- Discussion City Council and ARHA Board
- III. Update re Potential ARHA Purchase of Pendleton Park ARHA
- Discussion City Council and ARHA Board
- IV. ARHA Request to Convert CDBG Loans to Grants
(1992 and 1996 loans) ARHA, City Staff
- Discussion City Council and ARHA Board
- V. Adjournment

Individuals with disabilities who require assistance or special arrangements to participate in the City Council Work Session may call the City Clerk and Clerk of Council's Office at 746-4500 (TTY/TDD 838-5056). We request that you provide a 48-hour notice so that the proper arrangements may be made.

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3/8/11

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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 ⁴

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

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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.

Pendleton Park Status Update

- On February 28th, ARHA Board approved a Resolution authorizing staff to take all steps necessary in the financing transaction to execute the acquisition of Pendleton Park and to submit a tax credit application in the 2011 round. Staff has been working around the clock to make this happen.
- The Operating Agreement between ARHA Pendleton Park LLC (new owner/applicant) and ARHA GP Pendleton Park LLC (Managing Member) has been executed and the ownership structure set in place. The Virginia State Corporation Commission Certifications are in hand (mandatory).
- Allen and Associates was immediately engaged to complete the market study (mandatory).
- RC Fields was immediately engaged and as of yesterday had completed the site survey. They are currently working on a Site Plan and Landscape Plan both of which are required by the application (mandatory).
- ARHA had a difficult time engaging an architect on such short notice. Finally, Heffner Architects stepped up to the challenge as of March 3rd have been engaged in that (required) work related to the application. Staff surveyed the building and did a unit-by-unit walk last Friday and Saturday. Plans must be drafted and an outline specification completed by today to be sent overnight to the Earthcraft Virginia representative in Richmond for certification (45 points). Once plans are complete, ARHA will have to complete a cost estimate which is required for the tax credit application and also required for the Project Budget.
- City letters/certifications are drafted and will be signed depending on the outcome of tonight's meeting.
- The Purchase and Sale Agreement has been drafted by Klein Hornig and was submitted to ownership's counsel as of yesterday. The agreement is being negotiated by the two parties at this time with input from ARHA and the broker on the business terms. This agreement will serve as documentation to support site control and is mandatory.
- On Saturday, during the unit-by-unit survey, ARHA staff talked briefly with the residents regarding what we are calling the "refinancing" of Pendleton Park in order to keep it affordable and leave them in their housing. They are concerned over the blog and the newspaper reports they have read. In order to further dispel the rumors, there has been a resident meeting schedule for 7:00 PM on March 15th at the property. Ownership will be present and ARHA will attend to answer questions.

Pendleton Park Status Update

- ARHA has secured equity and debt commitments from Raymond James. ARHA counsel has also drafted a letter for ARHA to evidence its commitment to make a loan to the acquiring entity, in this case ARHA Pendleton Park LLC. All financing commitments are in place.

EXECUTIVE SUMMARY

Request for CDBG and Home Loans to be categorized as Grants

Since taking my position as the Chief Executive Officer at ARHA, I have made it a priority to improve the overall perception of the Authority. This includes the physical condition of our properties, the services we provide to our residents, and the financial health of the organization. One strategy for improving the financial condition of the Authority is to become more entrepreneurial in our business activities and less dependent on HUD and the City for support.

ARHA currently receives approximately 85% of its annual funding from HUD in the form of operating subsidies and grants. In recent years the funding gap for all Public Housing Authorities has been widening as a result of public housing's conversion to asset management. The ARHA Board and I have been looking for ways to generate additional income that does not include requesting any on-going operational assistance from the City.

To this end, late last year we refinanced Hopkins-Tancil in order to take advantage of the current low interest rates; this action alone has made a significant difference in our budget for that property. While completing the title search related to the transaction, our legal counsel informed me that there was a lien on the property that had been placed there by the City. Evidently in June of 1997, ARHA received HOME loans in the amount of \$330,000 from the City to make much needed renovations and modernization improvements to the Hopkins-Tancil site. This caused me to research further and I learned that there are at least three (3) other CDBG funded loans that date back as far as 1992 that remain open.

Based on my experience as a senior administrator of both the CDBG and HOME programs, I was surprised to see that these transactions took the form of a "loan" and not a "grant" to ARHA. In order to be repaid, these grant funds would have had to have increased the cash flow to the particular project they were loaned to so as to create an income stream by which to fulfill the requirement to repay the loan. In fact, these loans did not make any kind of contribution that resulted in an increased revenue stream. Further, the ARHA properties that have received the HOME and CDBG program assistance are deed restricted and the rents are capped by HUD; ARHA is not at liberty to set the rents at an amount needed to repay debt obligations. I am requesting that the remaining aged CDBG obligations be reclassified as grants. The remaining CDBG loans were used at public housing sites. The regulations do not allow public housing to cash flow; therefore, again, we would not have a source of income for repayment of any obligations.

Purpose and eligible activities of CDBG and HOME Program

The **CDBG program** works to ensure decent affordable housing, to provide services to the most vulnerable in our communities, and to create jobs through the expansion and retention of businesses. CDBG is an important tool, for helping local governments tackle serious challenges facing their communities. The CDBG program has made a difference in the lives of millions of people and their communities across the Nation.

The annual CDBG appropriation is allocated between States and local jurisdictions called "non-entitlement" and "entitlement" communities respectively. Entitlement communities are comprised of central cities of Metropolitan Statistical Areas (MSAs); metropolitan cities with populations of at least 50,000; and qualified urban counties with a population of 200,000 or more (excluding the populations of entitlement cities). States distribute CDBG funds to non-entitlement localities not qualified as entitlement communities.

Over a 1, 2, or 3-year period, as selected by the grantee, not less than 70 percent of CDBG funds must be used for activities that benefit low- and moderate-income persons. In addition, each activity must meet one of the following national objectives for the program: benefit low- and moderate-income persons, prevention or elimination of slums or blight, or address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available. (U.S. Department of Housing and Urban Development, 2010)

The **HOME Program** provides formula grants to States and localities that communities use—often in partnership with local nonprofit groups—to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people.

HOME funds are awarded annually as formula grants to participating jurisdictions. HUD establishes HOME Investment Trust Funds for each grantee, providing a line of credit that the jurisdiction may draw upon as needed. The program's flexibility allows States and local governments to use HOME funds for grants, direct loans, loan guarantees or other forms of credit enhancement, or rental assistance or security deposits.

Participating jurisdictions may choose among a broad range of eligible activities, using HOME funds to provide home purchase or rehabilitation financing assistance to eligible homeowners and new homebuyers; build or rehabilitate housing for rent or ownership; or for "other reasonable and necessary expenses related to the development of non-luxury housing," including site acquisition or improvement, demolition of dilapidated housing to make way for HOME-assisted development, and payment of relocation expenses. Participating Jurisdictions may use HOME funds to provide tenant-based rental assistance contracts of up to 2 years if such activity is consistent with their Consolidated Plan and justified under local market conditions. This assistance may be

renewed. Up to 10 percent of the Participating Jurisdictions annual allocation may be used for program planning and administration. (U.S. Department of Housing and Urban Development, 2011)

TABLE 1: Outstanding ARHA loans payable to City from CDBG Program

Description	Year	Amount	Funding Source
Madden Roofs, Police Services	1992	\$ 270,590	CDBG and Other
Security Fences	1993	\$ 5,000	CDBG
Miscellaneous Improvements	1996	\$ 500,000	CDBG
Total		\$ 775,590	

TABLE 2: City grants made to ARHA for Development Activities

Description	Year	Amount	Funding Source
Ladrey Senior Highrise- window replacement	1999	\$ 250,000	CDBG
Jefferson Village- substantial renovation	2001	\$ 531,714	CDBG
Ladrey Senior Highrise- substantial Renovations	2005	\$ 1,075,300	HOME, CDBG & Other
S. Reynolds	2006	\$ 696,110	CIP Fund? (See Note 1 below)
Hopkins Tancil- window replacement	2006	\$517,668	CDBG
Total		\$ 3,070,792	

Note 1: This site was purchased by the City as its contribution to the HOPE VI effort. The site went into the application as a city grant contribution and was used by HUD in its scoring of the leverage amount. HUD has stated that, if the land is not considered a grant contribution as stated under the response to the grant, the leverage would not have been achieved and the grant would not have been awarded.

TABLE 3: ARHA loans repaid to City from development activities

Description	Year	Amount	Development
325 South Whiting (See Note 2)	2006	\$1,100,000	Chatham Square
Samuel Madden Demolition (See Note 2)	2006	\$ 662,337	Chatham Square
Escrow Deposit, Chatham (See Note 2)	2006	\$ 2,775,440	Chatham Square
EYA Construction Bridge Loan (See Note 3)	2010	1,478,286	Alexandria Crossing
HOME Loan – Hopkins	2011	\$ 330,000	Hopkins Tancil
Total		\$ 6,346,063	

Note 2: City provided a bridge loan to ARHA that was based on the loss of density in the plan; the value of the lost density was determined to be \$3.5MM. The loan was ultimately used to pay for costs related to the redevelopment that would have been paid by HOPE VI funds but that at the time of work execution, the HOPE VI funds were locked up due to a court action. Ultimately any amounts used in the course of the effort were repaid either by HOPE VI or Capital Fund grants made from HUD to ARHA. At no time did the outstanding amount of the loan exceed \$3.5MM but over the course of the effort, ARHA borrowed and repayed \$4,537,777.

Note 3: The original amount of the loan was \$1,440,000. The city will receive the last payment (\$478,286.10) on this loan this week. The city earned 2 % interest on its loan for a total interest earned of **\$38,286.10**. This loan was made pursuant to the DSUP process that required ARHA to build 10 workforce housing and 8 market rate units in lieu of the 16 PH units planned for this site.

TABLE 4: Estimate tax revenue generated from ARHA redevelopments

Development	Year	Estimated Annual Receipts to City	Comments
Colecroft Station	1990	\$311,638	It is estimated that over the life of this 156-unit community (20 years) the city has collected \$6,232,752 in property taxes.
Quaker Hill	1990	\$437,675	Estimated total tax revenue between 1990 and 2010: \$8,753,491
Chatham Square	2011	\$ 705,000	Total tax revenue between 2005 and 2010: \$3,514,000
Alexandria Crossing	2011	\$ 52,800	Based on 18 unit with an average sales price of \$300,000
Old Town Commons	2014	\$ 1,437,000	Based on 245 units with average sales price at \$600,000
Avg. Annual Revenues to the City		\$ 2,944,113	

NOTE: This table demonstrates that the total estimated city benefit from ARHA's redevelopment efforts to date is **\$18,500,243**. The average annual revenues moving forward are estimated to be **\$2,944,113**.

STATUS OF OUTSTANDING LOANS REPAYABLE TO CITY FROM REDEVELOPMENT PROCEEDS

CITY LOANS

1992 \$270,500 No Interest Loan

FUND USES:

- *Preparation of 5-yr. Management (\$46,640)
and Physical Improvement Plan*
Current Status:
Management expense not attributable to a specific project
Currently classified as central office expense that is under-funded
- *Samuel Madden Downtown Roof Replacement (\$172,350)*
Current Status:
Chatham Square completed and HUD limited use of up-set proceeds to items in the Annual and Five year Plan. No source of funds for loan repayment
- *Police Patrol at Various Housing Sites (\$1,600)*
Current Status:
Operating expenses are not attributable to a specific project. No source of funds for loan repayment

1996 \$500,000 No Interest Loan

FUND USES:

- *Samuel Madden Uptown Rehabilitation (\$183,000)*
Current Status:
Property has not been redeveloped. Income from rent and ACC are insufficient to repay loan. Current HUD Asset Management policies limit the use of any residual proceeds to eligible PH property
- *Hopkins Tancil Entry Doors (\$80,000)*
Current Status: No redevelopment has occurred. Current operation of the property does not generate sufficient residual income to repay loan.
- *Glebe Park Needs Assessment (\$14,000)*
Current Status:
Planning and management expense did not increase project revenue base. This expense was not calculated in the redevelopment budget for the project in 2010. Currently, pursuant to HUD Asset Management policies this would be classified as a central office cost and there are insufficient funds to repay loan

- *Windows – S. Bragg, 28th St., Yale Drive, Sanger Ave.* (\$113,000)
Current Status:
Existing PH projects with no imminent plans to redevelop these sites. HUD Asset Management policies limit the use of rent and ACC funds to the operation of the projects and cannot be used for loan repayment
- *Police Foot Patrols at Various Properties* (\$10,000)
Current Status:
This would be currently classified as a central office operating expense and there are no funds to repay a loan as this is a negative income operating center

HUD initiated the Asset Management Program five years ago for all Housing Authorities. The structural impact was the realignment of ARHA into Central Office and Asset Management Projects (AMPs). The AMPs are required to be self-supporting and revenues generated are restricted to re-use in the AMPs. The Central Office revenues come from fee income for services provided to the AMPs. Over the past five years, HUD has annually reduced the fee charges to the AMPs. ARHA, like most PHAs, is experiencing a revenue shortfall that has to be offset from other revenue sources. This requirement forms the basic policy and operational rationale for ARHA's establishment of VHDLLC and the other entrepreneurial entities that will be placed in service over the next few years.