

City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 20, 2011

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: BRUCE JOHNSON, ACTING CITY MANAGER

SUBJECT: CONSIDERATION OF REPORT AND RECOMMENDATIONS
CONCERNING ARLANDRIA CHRILAGUA HOUSING CORPORATION

ISSUE: Status update with regard to the ongoing staff review of the Arlandria Chirilagua Housing Corporation (ACHC)

RECOMMENDATION: That City Council:

1. Approve a modification of the current forgivable \$232,000 loan to become a 99-year loan (from the date of execution), with a default provision for ceasing to operate successfully as a cooperative in the future, contingent on the adoption of changes to the By-Laws, Articles of Incorporation, and any other needed documents, to the satisfaction of the Acting City Manager, and
2. Authorize the Acting City Manager to execute all necessary documents.

BACKGROUND: For some time, staff has been engaged in a review of the 284-unit Arlandria Chirilagua Housing Corporation (ACHC) to determine whether it is successfully operating as a cooperative, for the purpose of addressing a 1994 City loan provision called for forgiveness of \$232,000 in City loans, out of \$537,000 in City loans, in the event of successful operation, or repayment if the organization is not successfully operating. Additional background information is contained in Attachment 1, the most recent docket item from April 2010 on this matter.

DISCUSSION: When this matter was last before City Council, one of Council's primary concerns was the physical condition of the property, the adequacy of its reserves, and ACHC governance issues. This memorandum summarizes what has occurred in this regard since that time, and also provides a brief update with regard to other issues regarding the determination of the Cooperative's successful operation.

Physical Condition and Repair/Replacement Reserves. The ACHC Board reports that, since it took office and replaced the prior ACHC Board in December 2009, all buildings have been inspected and an annual inspections schedule has been established; 3,000 work orders have been completed by maintenance staff; and emergency maintenance calls have decreased from 10 – 15

per day to approximately three per week. As a further reflection of the new Board's attention to maintenance matters, while Code Administration recorded 33 complaints from the property in calendar year 2009, this number declined to 19 in 2010, and then to zero in 2011 as of June 17.

Attachment 2 summarizes ACHC's repair activity and provides photographs of renovated units. Since June 2010, approximately 43 refrigerators, 30 kitchen ranges, and 64 HVAC units have been replaced. Repair activity during 2011 has included roof repairs at several buildings, the installation of smoke detectors at all buildings, window replacement (currently 50% complete) at 3200 Commonwealth Avenue, installation of smoke detectors on the top floors of all buildings, installation of security cameras at 3200 Commonwealth Avenue, repairs of common area lights, and repair/replacement/installation of railings at several buildings, and termite treatment at the Bruce Street and Four Mile Road buildings.

In addition to repairs, 20 units have been completely rehabilitated (see Attachment 2), to include new cabinets, countertops, kitchen and bath tile, new appliances, carpet, and paint, along with installation of new insulation in the exterior walls. ACHC representatives reported to staff that they can continue to rehabilitate units in this manner at a rate of one to two units every other month, but they are currently exploring options to borrow from a private sector bank that would allow them to accelerate this schedule.

As part of the City's examination of ACHC, an onsite review of the property's physical condition and financial records was conducted in October 2010 by Associa Community Management Corporation at the request of the law firm of Mercer Trigiani who has provided pro bono expert advice to the City.¹ The Associa review concluded that ACHC "has been proactive in improving the condition of the Arlandria Chirilagua property" and "based on the new standards and scope of work performed on the renovations of the residential units...has high expectations of what they wish their community to become in the future." It also made several recommendations to be added to ACHC's work plan, in response to which ACHC has done the following:

- ensured that all buildings have adequate smoke detectors in each stairway to include a detector at the top floor level
- begun the process (to be completed by July 1) of sealing all missing dryer vent penetration holes on the exterior of the buildings
- locked all three tot lots pending refurbishment (to be addressed after common hallway refurbishment has been completed and the budget allows)
- addressed critical needs with regard to securing loose and replacing missing stair treads in the building hallways, to be addressed permanently with the refurbishment of the common hallways and landings per the immediate repair needs identified in the Physical Needs Assessment
- removed critical areas of loose and peeling paint, to be addressed permanently with the refurbishment of the common hallways and landings per the immediate repair needs of the Physical Needs Assessment.

¹ A previous pro bono review by a consulting firm in March 2010 did not result in a written report, necessitating that a new review be conducted.

Also pursuant to the October 2010 review, ACHC updated its reserve study by obtaining a “Fannie Mae Multifamily Physical Needs Assessment” by Connor Engineering in March 2011. The Connor Engineering assessment addresses the property’s immediate repair needs and projected repair/replacement costs over the next 12 years, based on an inspection of the common areas, review of major systems, and inspections of 30 units. The report identified immediate repair needs at an estimated cost of \$207,600, including basement waterproofing, fence replacement, refurbishing of common hallways and landings, handrail replacement, broken glass replacement, and remediation of mold growth.

The assessment projected the cost of additional repair and replacement needs (above and beyond immediate repair needs) over the next 12 years at an additional \$1.123 million, or roughly \$94,000 a year. This includes costs for paving, roofing, masonry, common area refinishing, individual dwelling unit upgrades, water heater replacement and HVAC replacement. Attachment 3 provides a summary of needs and costs.

Based on property financial reports provided to staff, as of April 2011 ACHC had \$402,434 in reserves and has deposited more than \$9,000 per month so far this year. At this rate, its reserve deposits for the year will be in excess of \$108,000. These amounts are sufficient to cover both the immediate needs and the anticipated 12-year repair and replacement needs.

ACHC’s lender, Wells Fargo, conducted an additional inspection of the property in February 2011. Attachment 4 is an excerpt from a letter to Wells Fargo from AAMCI outlining ACHC’s actions to date and future plans to address the items identified in that inspection.

Other Aspects of the City’s Review. The City’s review also focused on a number of non-financial issues, most notably issues related to the governance of the cooperative. The ACHC Board is in agreement with the vast majority of staff’s recommendations, and has had its By-Laws and Articles of Incorporation rewritten (in both English and Spanish) to address them. However, staff will need to review the documents and to work with the ACHC Board to resolve a few remaining areas of concern. Adoption of the revised documents will require a vote by the membership. However, the Board considers it critical to gain the trust of the membership before recommending significant changes, and is currently working to do so.

Although new documents have not yet been formally approved, the Board has instituted practices consistent with the intent of some of the recommended changes. In other words, some of the City’s concerns have been satisfied although they have not yet been formalized. For example, although the membership has not adopted a recommended amendment to the By-Laws to impose specific notice requirements on the Board, the Board now meets on a regular monthly schedule, distributes notices of meetings door-to-door and posts them in common areas. Similarly, while there has been no formal adoption of an amendment of the By-Laws to include provisions requiring access to the books and records of the Association, the Board now makes its meeting minutes and financial reports, in English and Spanish, available in the office for review by members.

Another issue of concern had been the termination of memberships without a clear policy as to the circumstances in which such action was warranted. The current Board now terminates memberships only for non-payment of rent, and has prepared By-Laws change to that effect, but has not yet presented it to the membership for adoption.

Status of \$232,000 loan. When this matter was last considered by Council, Council requested alternatives to forgiving the loan, assuming a successful outcome of the review that would not necessitate repayment. Staff recommends that this loan be converted to a 99-year loan (from the date of initial execution), which would give it the same status as the remaining City loan amounts on the property, and to add a provision that would make failure to operate successfully as a cooperative an element of default under the amended loan, subject to the adoption of documents that address the recommendations previously made by staff (see the attachment to Attachment 1), to the satisfaction of the Acting City Manager. Staff anticipates being able to review the amended documents and resolve outstanding issues with the Board during the summer. Although staff understands and respects the Board's desire to build a positive relationship with the membership prior to presenting them with significant changes, and cannot predict when the Board will decide the time is right, staff is hopeful that the Board will consider presenting the revised documents to the membership in the fall.

Energy Efficiency and Conservation Block Grant (EECBG) Allocation. Based on the progress made by the ACHC Board in addressing the property's physical condition, amending previously problematic practices, and proceeding with the preparation of documents addressing the City's concerns, staff recommends that Council approve the use of \$100,000 EECBG monies by Rebuilding Together Alexandria at ACHC, pursuant to the recommendation in the following companion docket item.

Attachment 5 is an email from Russell Fleming, President of AAMCI, summarizing the value of the energy improvements to the property and its residents.

ATTACHMENTS:

1. Docket Item # 19 from May 11, 2010, Council meeting
2. Arlandria Chirilagua Housing Cooperative 2011 (repair and renovation report)
3. Immediate Repair Schedule and Twelve Year Replacement Reserve Schedule
4. Summary of actions in response to February 2011 Wells Fargo inspection
5. Email from Russell Fleming, President, AAMCI

STAFF:

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

EXHIBIT NO 119
5-11-10

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 28, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER *J*

SUBJECT: CONSIDERATION OF ENTERING INTO A FORBEARANCE AGREEMENT AND OTHER AGREEMENTS WITH THE ARLANDRIA CHIRILAGUA HOUSING CORPORATION (ACHC) LEADING TO THE FORGIVENESS OF A \$232,000 LOAN AFTER A PERIOD OF SUCCESSFUL OPERATION

ISSUE: Recommendations regarding partial forgiveness of the City's loans to ACHC.

RECOMMENDATION: That the City Council:

- (1) Authorize a forbearance agreement between the City and the Arlandria Chirilagua Housing Corporation (ACHC) to allow ACHC six months to implement actions necessary to achieve successful operation, followed by another 12 months of sustained operation in this manner;
- (2) Authorize modifications to ACHC's two remaining loans, which total \$305,000, to be amended to provide that failure to continue successful operation as a cooperative will become an element of default under those loans upon forgiveness of the \$232,000 loan, should such forgiveness occur;
- (3) Agree that, in the event staff determines, and Council concurs, that the standards for successful operation have been met and sustained for the required period of time under the forbearance agreement, as contemplated at the time the loan was made that Council will forgive the City loan in the amount of \$232,000; and
- (4) Thank the law firm of MercerTrigiani for providing (*pro bono*) legal assistance in helping address issues in this matter for the mutual benefit of ACHC's residents and the City.

BACKGROUND: The Arlandria Chirilagua Housing Cooperative, owned by the Arlandria Chirilagua Housing Corporation (ACHC) has benefited from \$537,000 in City loans for acquisition and rehabilitation made from 1994 through 1996.

Under the terms of the loan documents for the first \$232,000, this portion of the loan is to be forgiven in 15 years (July 15, 2009) if the City determines in its sole discretion that the cooperative is operating successfully, but otherwise must be repaid. During FY 2010, staff from

the Office of Housing, Code Administration and the City Attorney's Office, with assistance provided *pro bono* by MercerTrigiani, a local law firm with considerable expertise in the field of community association law, has undertaken an extensive review of various criteria to determine whether ACHC is successfully operating as a limited equity cooperative.

DISCUSSION: Since this item was last before Council in December 2009, the newly elected ACHC Board of Directors and its counsel reviewed the recommendations that had been made to the previous Board following the City's review of ACHC's operations, and met with staff to discuss its proposed actions to comply with those recommendations. Subsequently, ACHC's counsel provided staff with copies of draft documents to implement the proposed actions.

The initial recommendations, ACHC's proposed actions, and MercerTrigiani's assessment of the proposed actions are discussed in Attachment I. In essence, ACHC has proposed to do the following, and where applicable, has prepared the necessary documents to be presented to the membership for approval:

- (1) Revise its bylaws (subject to membership approval) to do the following:
 - (a) Provide a clear delineation of the maintenance and repair responsibilities between members and ACHC,
 - (b) Expressly define boundaries between dwelling units and common areas,
 - (c) Impose specific notice requirements on the Board,
 - (d) Provide a method for allocating common expenses,
 - (e) Include provisions related to access to the books and records of the association, and
 - (f) Include a requirement for the provision of a resale certificate to all potential purchasers
- (2) Provide a collections policy through which the Board may terminate membership in the cooperative
- (3) Allow a common interest community management company engaged by MercerTrigiani to review and evaluate the financial records of ACHC and ACHC facilities¹
- (4) Participate in board training regarding governance and financial management best practices

It should also be noted that ACHC is in the process of documenting conditions in every unit and developing a plan for addressing problems. This information will be shared with staff when it is completed. However, recommended physical improvements beyond what can be accommodated within the property's budget will also require membership approval of any additional charges, an outcome that the ACHC Board cannot guarantee.

As noted in Attachment I, MercerTrigiani is reasonably satisfied that the actions proposed by ACHC, if and when implemented, will bring the organization to a status of successful operation as a limited equity cooperative. Implementation of the changes to the By-Laws will require adoption of the changes by a majority of the membership, a process that ACHC estimates will take several months given the need to first translate the documents into Spanish (a process that

¹ Although a site review was conducted on March 17 at the request of MercerTrigiani by CMS Services, Inc., staff has seen only a brief e-mail summary but has not received the promised, detailed report as of this writing.

has already begun), and then hold a number of informational meetings to educate the membership about the proposed changes and their implications for residents.

With specific reference to the property's physical condition, the previous Board provided staff with a copy of a 2008 Physical Needs Assessment conducted to satisfy a requirement of Fannie Mae, along with its specific list of work items that required attention in the immediate and/or short term because of life/safety issues or environmental mitigation. The firm engaged by Fannie Mae toured all of the property's common areas, as well as 100% of the units, and developed a list of short term and long term work items. ACHC has taken care of a considerable number of the work items, drawing down on loan funds escrowed for this purpose. It is yet unclear if the property's reserves are sufficient to address all of the work items listed in the Physical Needs Analysis throughout the 12 year follow up period identified in the Assessment. It is staff's understanding that this has been reviewed by CMS Services, Inc, and staff is awaiting the detailed report. As noted above, the new ACHC Board has begun its own comprehensive assessment of conditions.

Code Administration has a statutory requirement to ensure compliance of Virginia's building and fire codes, and ACHC's counsel has indicated that Code Administration is welcome at the property at any time; however, all parties agree that only the units that are rented (approximately 8% of the total) are subject to the Residential Rental Inspection Program, and neither the City nor the ACHC Board has the authority to compel cooperative members (owners) to open their units to inspection.

Code Administration cannot assume an advisory role, but has recommended that an inspection program start with an educational effort. They have prepared programs to be presented to staff, occupants, and the Board that contain information regarding the requirements of the Virginia Maintenance Code and various City ordinances regarding property upkeep. Staff proposes to work with the ACHC Board to explain the nature of the inspection process to the members and to encourage members to participate in the inspection process on a voluntary basis. Given that the current ACHC Board has now assumed responsibility for maintenance and repair of a number of items which the previous board had assigned to members, staff is hopeful that owners will come to see inspections as a benefit designed to result in improved living conditions. Inspections by Code staff of all rental units (and any additional units whose members agree to participate) can be accomplished if the board provides proper notice to the residents. However, if the desire is to conduct more inspections than the ten percent of total units authorized under the Residential Rental Inspection Program, the process may need to be scheduled over several months. Given the reduced staffing levels in Code Administration and the need to accommodate other inspection demands, this will need to be incorporated in to the Code Administration work plan.

Although the foregoing reflects what staff considers to be a reasonable path toward achieving successful operation, the fact remains that most of the proposed actions have yet to be accomplished. Therefore, staff recommends that the City enter into a forbearance agreement that will allow ACHC six months to accomplish the desired objectives, and then requires that successful operation be maintained for an additional 12 months. In order to ensure that the City will continue to have some ability to influence ACHC's successful to the operations, staff further recommends that ACHC's remaining loans in the amount of \$305,000 be amended to provide

that failure to continue successful operation as a cooperative will become an element of default under those loans upon forgiveness of the \$232,000 loan, should such forgiveness occur.

Because of the considerable amount of time and effort that will be invested in this process, it is important that ACHC have some assurance that its planned actions, if successful, will result in the desired loan forgiveness. Therefore, staff recommends that Council agree that, in the event staff determines, and Council concurs, that the standards for successful operation have been met and sustained for the required period of time under the forbearance agreement, it will forgive the City loan in the amount of \$232,000.

STAFF:

Mildrilyn Davis, Director, Office of Housing
Christina Zechman Brown, Assistant City Attorney
Helen McIlvaine, Deputy Director, Office of Housing
Jannine Pennell, Deputy Director, Office of Building and Fire Code Administration
Melodie Seau, Division Chief, Landlord Tenant Relations

ATTACHMENTS:

Attachment I. Letter from MercerTrigiani, April 26, 2010
Attachment II. December 9, 2009 Docket Item

ATTACHMENTS OMITTED

MERCERTRIGIANI

Jeremy R. Moss
Jeremy.Moss@mercertrigiani.com

Direct Dial: 703-837-5003
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April 30, 2010

VIA ELECTRONIC MAIL

Mildrilyn S. Davis, Director
City of Alexandria, Office of Housing
421 King Street, Suite 200
Alexandria, Virginia 22314

MAY 3 2010

Re: City of Alexandria, Office of Housing --
Arlandria/Chirilagua Housing Corporation

Dear Ms. Davis:

On behalf of the City of Alexandria ("City") Office of Housing, we were asked to make recommendations to the City related to the operation of Arlandria/Chirilagua Housing Corporation ("ACHC"). Our firm was engaged on a *pro bono* basis to assist the City in its determination of whether ACHC is "operating successfully." In our letter to you dated November 24, 2009, we provided several recommendations to be considered prior to a determination whether ACHC is operating successfully.

Our recommendations were based on documentation provided by ACHC and their legal counsel in response to the City's request for documents on July 21, 2009 and October 5, 2009. Our review of the documentation focused primarily on the standards set out in the City's July 17, 2009 letter to the Board of Directors of ACHC ("Board"). As set forth in the City's July 17, 2009 letter to the Board and the ACHC President, we established the following criteria to determine whether ACHC is operating successfully:

1. The governance and management of ACHC shall be in compliance with the provision of Article 3 (Management of Cooperatives) of the Virginia Real Estate Cooperative Act ("Act").
2. The documentation provided to a purchaser before execution of any contract for sale of a cooperative interest shall comply with Section 55-484 of the Act.
3. The governance and management of ACHC shall be in compliance with the provisions of the Declaration (the instrument(s) that created the cooperative and all other governing documents of the Association).
4. The ratio of delinquent assessments is within the accepted industry range.
5. The government and management of ACHC are open and transparent to the members of ACHC and allow for participation of all members in the conduct of the meetings of the Board and all committees.

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6. Both procedural and substantive due process is afforded to all members of ACHC in all actions that affect their interests.
7. ACHC Property is in a clean and sanitary condition, landscaping is in good order and a qualified engineer has conducted a reserve study on which ACHC has based its budget and reserve contributions.

Our November 24, 2009 letter reviewed each standard and included recommendations for additional actions or policies which may be pursued in order to meet those criteria. We will review each criteria and recommendation separately below, discuss the proposed action by ACHC for each recommendation, and provide a brief analysis about whether the proposed action would allow a determination of whether ACHC was operating successfully.

1. **The governance and management of ACHC shall be in compliance with the provisions of Article 3 (Management of Cooperatives) of the Act.**

Recommendation: Request a description by the Board (or legal counsel) of the Board's authority to make unilateral changes to the maintenance and repair responsibility of ACHC and members.

As stated in our November 2009 letter, a cooperative that is operating successfully must have a clear, static delineation of the maintenance and repair responsibilities between members and ACHC. We cannot recommend that the City consider ACHC to be operating successfully unless such a clear delineation is established, in writing, in a document which requires member approval to amend.

Proposed Action: Amend the By-Laws to provide a clear delineation of the maintenance and repair responsibilities between members and ACHC.

In response to our recommendations, ACHC proposes a comprehensive amendment to the existing By-Laws and other documents governing the cooperative. On April 2, 2010, legal counsel for ACHC provided draft Second Amended and Restated By-Laws of the Arlandria Chirilagua Housing Corporation, Inc. ("By-Laws"), draft Articles of Restatement of Arlandria/Chirilagua Housing Corporation ("Articles"), and a draft Maintenance Responsibilities Chart to be included as Exhibit B to the By-Laws ("Maintenance Chart") for our review.

Based on our review of the By-Laws and Maintenance Chart, the proposed amendment to the By-Laws with the inclusion of the Maintenance Chart would satisfy our recommendation. Section 11.6.1 of the By-Laws provides that with two exceptions, "the specific maintenance responsibilities and the costs attributable thereto shall be determined pursuant to" the Maintenance Chart. The Maintenance Chart provides a clear delineation of the maintenance and repair responsibilities between members and the ACHC.

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In addition to providing a clear delineation, the By-Laws and Maintenance Chart establish the maintenance responsibilities in such a manner that the Board could not unilaterally alter the maintenance responsibilities provided by the By-Laws and Maintenance Chart. Article 9 of the By-Laws provides that the By-Laws and all Occupancy Agreements may be amended upon the vote of two-thirds of the entire regular membership at an annual or special meeting and that for as long as ACHC is a party to a loan with the City of Alexandria, all amendments to the By-Laws must be consented to by the City Manager.

The amendment provision of the By-Laws provides sufficient safeguards to protect our opinion that successfully operating cooperatives should have a clear delineation that is also difficult to unilaterally amend. We are encouraged by the provision of Article 9 which requires the consent of the City Manager prior to any amendment to the By-Laws

***Recommendation:** The boundaries between units and common elements should be expressly defined in some form of document amendable only with the consent of a large percentage of members (we recommend two-thirds of all members). This document should also expressly set out the maintenance, repair and replacement obligations of the members and ACHC and should correlate to the unit boundaries.*

***Proposed Action:** Amend the By-Laws to expressly define boundaries in the By-Laws.*

The By-Laws define "Dwelling Units" and "Common Elements" in a manner which expressly defines the boundaries between the Units and common area. Section 11.6.5 of the By-Laws provides that "Dwelling Units":

means portions of the buildings designed for individual occupancy as a residence, including the materials comprising the exterior face of unfinished walls bounding the unit, the concrete slab or subfloor below the finished floors or carpeting, and uppermost surface of the finished ceilings thereof, and any other fixtures, appliances or other apparatus designed to serve that residence only.

The definition of Dwelling Unit establishes the vertical and parametric boundaries of the Units at ACHC and, when combined with the Maintenance Chart and Article 9 of the By-Laws (dealing with amendments to the By-Laws), satisfied our recommendation.

***Recommendation:** In an effort to encourage ACHC to comply with "best practices" for a cooperative, the City should require that notices of all meetings of the Board be published where it is reasonably calculated to be available to a majority of the members, and that members be given an opportunity to speak in an open forum at meetings of the Board.*

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Proposed Action: *Amend the By-Laws to impose specific notice requirements on the Board.*

Section 4.4 of the By-Laws provides that for all meetings of the members:

The Secretary must post in the common areas of the Property, where everyone can see it, a notice of each annual or special meeting, stating the purpose, time and place of the meeting. The Secretary must also mail or deliver a notice to each Member of record, at least three (3) but not more than twenty (20) days prior to such meeting.

In addition to notices of all meetings of the members, we recommend that the By-Laws also require notices of all meetings of the *Board* be published where it is reasonably calculated to be available to a majority of the members, and that members be given an opportunity to speak in an open forum at meetings of the Board. Although these requirements are not provided for in the Act, the requirements are considered good business practices and essential for a cooperative to operate successfully.

In a telephone conversation this morning with Ed O'Connell, legal counsel for ACHC, Mr. O'Connell confirmed that he will revise the draft By-Laws to include provisions addressing our concerns about notice of Board meetings and an open forum for members to speak at such meetings. Once these revisions are made to the proposed By-Laws, this recommendation will be satisfied.

Recommendation: *ACHC should provide a written statement from its insurance carrier about: (1) whether ACHC complies with the provisions of Section 55-470 of the Act; or (2) the provisions of Section 55-470 which ACHC does not comply with; and (3) a statement that ACHC is adequately insured and whether any additional coverage is recommended by the insurance carrier.*

In response to our recommendation, we were provided with a letter dated January 18, 2010 from Patricia C. Robinson, Commercial Lines Account Manager for Preferred Insurance Services, Inc., which provides that "ACHC complies with Section 55-470 of the Virginia Real Estate Cooperative Act subject to the terms and conditions of this insurance policy." Enclosed is a copy of Ms. Robinson's letter along with an e-mail indicating that a copy was mailed to the City of Alexandria on January 19, 2010.

Recommendation: *The method for allocating common expenses to members should be set forth in a document similar to the delineation of maintenance and repair responsibility. This allocation may be included in the same document as the maintenance, repair and replacement obligation discussed above.*

Proposed Action: *Amend By-Laws to provide method for allocating common expenses*

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Section 3.1 of the Bylaws provides that:

Each Member has the duty to pay a proportionate share, which is based on the Common Element Interest of a Dwelling Unit, of these common expenses, on a monthly basis, as determined from time to time by the Board.

"Common Element Interest" is a common term used to establish the percentage share for which an owner in a cooperative is responsible. Section 11.6.5 of the Bylaws provides that "Common Element Interest" means the "interest assigned to the Member's Unit, which is determined by the square footage of the Unit." The By-Laws provide that the Common Element Interests of each Dwelling Unit will be described in Exhibit A to the By-Laws. We were not provided with Exhibit A to the By-Laws and recommend the City review that Exhibit prior to the amendment of the By-Laws.

***Recommendation:** The City should require ACHC to adopt a written resolution setting forth the procedure and parameters for terminating membership.*

***Proposed Action:** Provide a collections policy through which the Board may terminate membership in the cooperative.*

As we provided in our November 2009 letter, reducing the termination policy to a written resolution provides specific parameters by which ACHC may terminate membership and provides an additional layer of protection for ACHC members.

Legal counsel for ACHC provided us with a draft collections policy to review. The collections policy provides that if payment of any charge is not paid by the tenth day after the due date, it is delinquent, and a late fee of \$50.00 is added to the account, and the managing agent shall send a Late Notice to the delinquent owner. If payment in full is not received within twenty days of the due date, the managing agent must send a Notice of Hearing; a hearing shall occur no sooner than ten days after the Notice of Hearing, at which time the Board may:

- Refer the account to the Corporation's legal counsel for collection of the balance and eviction proceedings.
- Charge a collection fee to the Member's account, which shall include an initial referral fee and a monthly fee for providing updated information to legal counsel for the Corporation; and,
- Refuse to accept further payments from the Member, but will direct the Member to make payments to legal counsel for the Corporation and will advise legal counsel for the Corporation of all "lock-box" payments made on the delinquent account.

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The collections policy provides specific time frames after which certain actions will be taken. As long as the collections policy is applied uniformly and similar situated owners are treated in a similar fashion, then ACHC's pursuit of delinquent accounts could be considered to be "successfully operating."

Recommendation: *The City should require ACHC to adopt written resolutions setting forth the procedure and parameters for retaining records of the cooperative and governing the inspection of books and records by members.*

Proposed Action: *Amend the By-Laws to include provisions related to access to the books and records of the Association.*

Section 11.3 of the By-Laws provides that the financial reports and membership records of ACHC are available for inspection at reasonable times by the Members, their authorized agents and attorneys.

Recommendation: *The City should require AAMCI to carry the blanket fidelity bond or employee dishonesty insurance required for licensure by the Common Interest Community Board.*

At the meeting between the City, the Board and management, management provide a Certificate of Liability Insurance which covers Crime, Employee Dishonesty, Forgery and Alteration, with an employee dishonesty limit of \$1,100,000.00. Section 54.1-2346 of the Code of Virginia requires that a community interest community manager, as that term is defined in the Code, must provide blanket fidelity bond or employee dishonesty coverage:

In an amount equal to the lesser of \$2 million or the highest aggregate amount of the operating and reserve balances of all associations under the control of the common interest community manager during the prior fiscal year. The minimum coverage amount shall be \$10,000.

While the managing agent's coverage significantly exceeds the minimum coverage amount, we are unable to determine whether the coverage carried by AAMCI meets or exceeds the statutorily imposed fidelity bond. A copy of the Certificate of Liability Insurance is enclosed (note that although the Certificate of Liability Insurance was current as of the date it was provided, the policy was set to expire March 18, 2010 - the City may wish to confirm its renewal).

Upon the successful amendment of the By-Laws and collections policy to a form substantially similar to those provided on April 2, 2010 for our review, ACHC will be established in a manner required for a determination that ACHC was operating successfully - without such an amendment, however, we are still unable to make a determination that ACHC is operating successfully.

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- 2. The documentation provided to a purchaser before execution of any contract for sale of a cooperative interest shall comply with Section 55-484 of the Act.**

Recommendation: Prior to the forgiveness of the Loan, the City should require that all potential purchasers of interests in the cooperative be provided with a resale certificate.

Proposed Action: Amend By-Laws to include requirement for resale certificate.

We were unable to locate a provision in the By-Laws requiring the provision of a resale certificate (or its equivalent). Without a resale certificate, a potential owner has no vehicle for determining the rights and obligations he or she will accept by purchase of a share in ACHC. In our opinion, the requirement for the provision of a resale certificate is as important to the successful operation of a cooperative as any other provision in the Act or By-Laws.

Without language imposing a requirement that ACHC provide a resale certificate upon the transfer of an interest in ACHC, we find it difficult to recommend that ACHC is (or can) operate successfully. In a telephone conversation this morning with Ed O'Connell, legal counsel for ACHC, Mr. O'Connell confirmed that he will revise the draft By-Laws to include provisions addressing our concerns the provision of a resale certificate. Once these revisions are made to the proposed By-Laws, this recommendation will be satisfied.

- 3. The governance and management of ACHC shall be in compliance with the provisions of the Declaration (the instrument(s) that created the cooperative and all other governing documents of the Association).**

Recommendation: The City should pursue additional information related to the lack of a recorded declaration and the existence of remaining copies of the additional offering statement.

The issues raised in our November 2009 have been addressed sufficiently and, with continued compliance with the proposed amended By-Laws, this criterion has been met.

- 4. The ratio of delinquent assessments is within the accepted industry range.**

We have not determined the current ratio of delinquent assessments within ACHC. In our experience, the accepted industry rate for successfully operating common interest community association delinquent assessments is between 3-5%. In more recent times, the acceptable range of delinquent assessments may actually be considered higher than 5%.

- 5. The government and management of ACHC are open and transparent to the members of ACHC and allows for participation of all members in the conduct of the meetings of the Board and all committees.**

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MERCERTRIGIANI

Mildrilyn S. Davis

April 30, 2010

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In our November 2009 letter, we recommended that:

- Members should have access to the books and records of ACHC;
- Members should be apprised, through adequate notice, of all meetings of ACHC, its Board and committees and members should be able to attend and participate in each meeting;
- Members should be able to review and ratify the budget for ACHC.

The By-Laws sufficiently address several of these issues (as described in detail above). However, the proposed amendment to the By-Laws has not addressed all of our concerns. If the By-Laws are amended as proposed by ACHC, including the addition of provisions discussed this morning with Mr. O'Connell, related to Board meeting notice and an open forum for members at Board meetings, this criterion will be satisfied.

With that said, the By-Laws do not provide that the members must ratify the budget (although they may review the corporate financial records. The omission of the members' authority to ratify the budget, by itself, is not significant enough to determine that ACHC is not successfully operating.

6. Both procedural and substantive due process is afforded to all members of ACHC in all actions that affect their interests.

The collections policy provides specific time frames after which certain actions will be taken. As long as the collections policy is applied uniformly, and similar situated owners are treated in a similar fashion, then ACHC's pursuit of delinquent accounts could be considered to be "successfully operating."

Generally speaking, the proposed By-Laws provide members with additional notification and opportunities to be heard. However, in order for us to determine this criterion has been met, we would require notice of ACHC Board meetings, an opportunity for owners to speak at meetings of the Board, and the provision of a resale certificate prior to the transfer of an interest in the cooperative. Legal counsel for ACHC has agreed to address each of these concerns by revising the draft By-Laws, and once completed, this criterion will be satisfied.

7. ACHC Property is in a clean and sanitary condition, landscaping is in good order and a qualified engineer has conducted a reserve study on which ACHC has based its budget and reserve contributions.

Recommendation: Upon CMC's site inspection and review of the budget and financial statements of ACHC, the City should determine whether ACHC is operating successfully.

Proposed Action: Allow a common interest community management company engaged by our office to review and evaluate the financial records of ACHC and ACHC facilities.

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MERCERTRIGIANI

Mildrilyn S. Davis

April 30, 2010

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MercerTrigiani recruited the assistance of Thomas S. Patti, President of CMS Services, Inc. ("CMS") to assist in the review of ACHC's financial records and facilities. CMS is a common interest community management company licensed to provide management services to common interest communities in Virginia. In operation since 1984, CMS is well-respected in the industry and extremely capable of providing review and evaluation services.

On March 17, 2010, Mr. Patti, accompanied by Jeff Draper, CMS Community Manager, and Jerry Green, CMS Controller, reviewed the provided 2007 and 2008 audits and the January and February 2010 financial reports for ACHC and conducted a walk-through of the facilities operated and maintained by ACHC. Although Mr. Patti provided an informal summary of his findings by electronic mail, a more formal review will be provided separate from this letter.

This letter is a privileged communication between attorney and client. It should be kept separate and apart from the books and records of the Association normally made available for public view.

Yours truly,



Jeremy R. Moss

jrm

Enclosures

cc: Christina Z. Brown, Assistant City Attorney
David S. Mercer, Esquire

#39432

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Arlandria Chirilagua Housing Cooperative 2011

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Mission and Objective for 2010-2011

As American Apartment Management (AAMCI) and the New Board of Directors took charge in the fall of 2009 the course of the property's management took a different direction to improve the conditions of the property, comply with all state and local housing laws, and to secure the future of the Cooperative in the City of Alexandria.

Per our By Laws we remain our objective as being “ The Purpose of the Corporation is to provide it’s Members with housing and a community facilities on a non profit cooperative basis consistent with the Articles of Incorporation.”



ACHC Playgrounds and Parks

- Neutral Color Scheme
- Company produces, warranties, and installs products for easier future maintenance and repairs
- PVC Benches and trash receptacles last longer



Replacement of Parks: The playgrounds located at 3200 Commonwealth Avenue and Four Mile Road are in need of replacement. We have looked at three companies that install residential property tot lots and playgrounds and the above design from Eagle Play Structures works best with the Budget and space we have. The price range is in the low 20's with PVC benches, swings, and toddler ground play area all included. Date project to be started July 2011. Completion of this project will be in the Fall of 2011

Roof Repairs and 2011 Schedule

3911 Bruce Street A & B (\$2,900)

Resealed slag stop of entire building and resealing 2 Ply of cement and fabric to reinforce roofing. Installation of Roof Vents (total 6) resealed areas where plywood was replaced. Soffit Replacement around entire roof.

Unclogging scuppers and cleaning of: (\$825.00)

3917 Bruce Street

3910 Bruce Street

21 3917,3919, 3921 Elbert Avenue

517, 518, 519 Four Mile Road

3917, 3919, 3921 Elbert Avenue & 402 Four Mile Rd. (\$6,000)

Flashing Repairs and resealing lapses on roof hatches. Installation of aluminum coat on all flashings, pipe flanges. Remove all debris from roof.



AvidSuite: Invoice Search - Windows Internet Explorer

https://app.avidxchange.net/AvidSuite/Portal/DesktopDefault.aspx

Due Date: [dropdown] Due End Date: [dropdown]

Invoice Amount: [input] Invoice End Amount: [input]

Enterprise Code Group: [dropdown] Enterprise Code Value: [input] to [dropdown]

[Search] [Clear]

Invoice No	Property	PO Number	Invoice Date	Supplier	Status	Ordered By	Invoice Amount
020611-098	Arlandria Chirilagua		Feb 6, 2011	VERSATILE ROOFING AND WATERPROOFING	Approved		\$1,925.00
ARC-110410	Arlandria Chirilagua		Nov 4, 2010	VERSATILE ROOFING AND WATERPROOFING	Approved		\$6,400.00
C-112	Arlandria Chirilagua		Nov 4, 2010	VERSATILE ROOFING AND WATERPROOFING	Voided		\$6,200.00
C-111	Arlandria Chirilagua		Oct 4, 2010	VERSATILE ROOFING AND WATERPROOFING	Approved		\$825.00
100410-Deo	Arlandria Chirilagua		Oct 4, 2010	VERSATILE ROOFING AND WATERPROOFING	Approved		\$3,500.00
3912-3917	Arlandria Chirilagua		Oct 4, 2010	VERSATILE ROOFING AND WATERPROOFING	Approved		\$9,500.00
C-109	Arlandria Chirilagua		Sep 14, 2010	VERSATILE ROOFING AND WATERPROOFING	Approved		\$525.00
ARC-82010	Arlandria Chirilagua		Aug 20, 2010	VERSATILE ROOFING AND WATERPROOFING	Approved		\$650.00
ARC-082010	Arlandria Chirilagua		Aug 20, 2010	VERSATILE ROOFING AND WATERPROOFING	Approved		\$2,900.00

1 of 1

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Arlandria Chirilagua Housing Cooperative
2011

From August 2010 till the present we have invested \$26,000 in our roofs in repairs, maintenance, and reinforcing projects.

*2011-2012 3200 Commonwealth Avenue and 517-19 Four Mile Road await completion

Roof Repairs and 2011 Schedule

519 Four Mile Road :

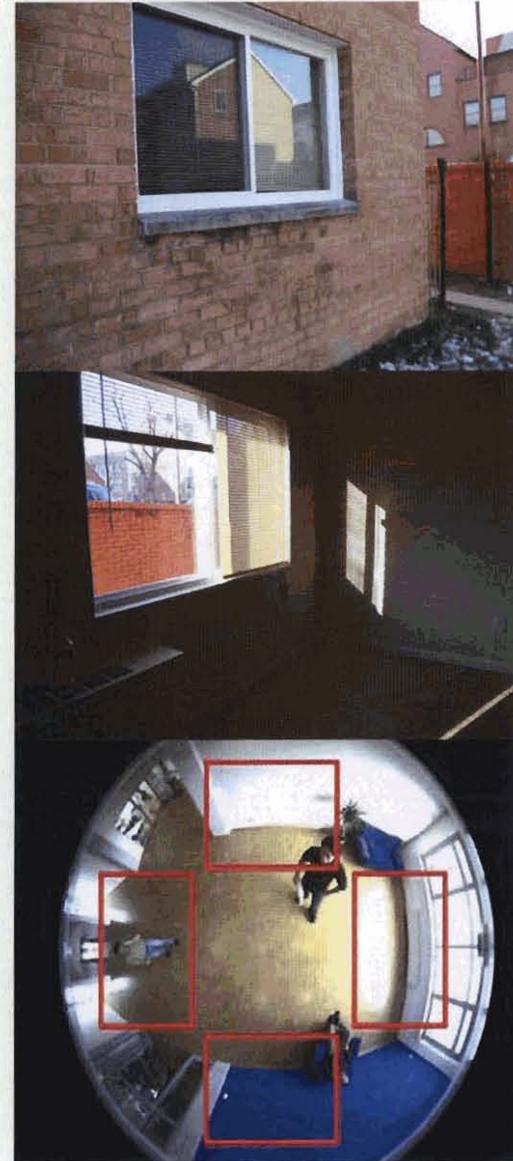
Resealing of Scubbers , Repair of flashing with 2 ply's of cement and fabric at right corner of building.

Windows, railings, smoke detectors, and cameras

•Replacements of 3200 Commonwealth Ave Windows (101 Windows on four levels with full warranty for life with the exception of screens)

•Smoke Detectors installed on all top floors to all buildings

•Cameras Installed to 3200 Commonwealth Avenue (6 Cameras)



Replacements of Kitchens, Refrigerators, and HVAC Units

From June 2010 through the present we have replaced:

1. approx 43 Refrigerators
2. approx 30 Kitchen Ranges
3. approx 64 HVAC Units

4. Other Maintenance Repairs

Work Orders: 3,000 work orders completed by maintenance staff since December 2009

- Common area lights repaired
- Replacement and repairs of railing and installation of new railings to 3911 Bruce Street , 3921 Four Mile Road, and 3200 Commonwealth Ave.
- Termite treatment done to Bruce Street and Four Mile Road. All buildings have been inspected and following an annual inspection schedule



ht

Common Area Exterior Projects and Projects awaiting Completion for 2011-2012

- Waterproofing Basements and replacement of sump pumps with auxiliary sum pumps to each basement as needed
- Recement entrances and stairs to Building entrances
- Replacement of Building Entrances Including doors, Window treatments, locks, and frame.
- Renovation of hallways, including replacement of stair treads and flooring as needed
- Repair of all electrical fixtures, signs, and lighting to maintain uniformity in property



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ACHC Renovation of Interiors

Since Winter of 2010 we have renovated 25 units. These renovations are done from the flooring to the ceilings and the insulation of the exterior walls which also include:

- Replacement of carpets, foam, and repairs to floors below.
- Ceramic flooring in the entrance hallway, kitchen, and bathroom.
- Replacement of Range, Refrigerator, and Oven/ range hood
- Replacement of Bathroom tiles, bathroom vanity, sinks, and full repair of all plumbing needs. Replacement of all plumbing fixtures and commodes.
- Repair, priming and repainting of all walls
- Repair of all electrical and HVAC needs and installation of new HVAC units as needed.



Additional images of Renovations



Arlandria Chirilagua Housing Cooperative
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Arlandria Chirilagua Housing Cooperative
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2011

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Arlandria Chirilagua Housing Cooperative
2011

APPENDIX A

IMMEDIATE REPAIR SCHEDULE & TWELVE YEAR REPLACEMENT RESERVE SCHEDULE

DRAFT

CONNOR

EVALUATOR'S SUMMARY

Immediate Physical Needs

Project: Arlandria Chirilagua Cooperative Address(es): 3910 Bruce Street Age(yrs): 38-71 # of Units: 281 # of Buildings: 22				
Item	Quantity	Unit Cost	Total Cost	Comments
Re-establish grade and water proof basements	1	LS	\$80,000	Water intrusion basements throughout site
Replace damaged fencing at the front of 3919 Building	1	LS	\$1,100	
Refurbish common hallway and landings	44	\$2,400	\$105,600	Currently in process now
Replace damaged/bent metal hand railing adjacent to Building 3911	1	LS	\$1,400	
Replace broken glass throughout the property	1	LS	\$12,000	Throughout Project Site
Remediate suspected mold growth in units 105, Buildings 3913 A, & 3915 A	1	LS	\$7,500	

Total	\$207,600
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EVALUATOR'S SUMMARY
REPLACEMENT RESERVE

Project: Arlandria Chirilagua Housing Cooperative
 Address: 3910 Bruce Street
 # of Units: 281
 # of Buildings: 22
 Age: 38-71
 Family: Yes
 Elderly: No
 Mortgage Term: 10+2

Item	Description	Expected Useful Life	Effective Age	Remaining Useful Life	Total Quantity	Unit	Quantity Replaced	% Replaced	Unit \$	Total Replacement Cost	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
SITE																
1	Asphalt Repair / Seal Coat / Striping	7	5	2	9,733	Syd	19,466	200%	1.65	\$ 32,119		16,059				
BUILDING EXTERIOR																
1	Flat Roofing	20	Varies	Varies	494	Sq	220	45%	375	\$ 82,500			20,625			20,625
2	Exterior Masonry Repair, Painting, & Caulk	7	4	3	22	EA	44	200%	6,500	\$ 286,000			143,000			
COMMON AREA																
1	Refinish Common Area Stairs & Landings	7	1	6	44	Ea	44	100%	2,400	\$ 105,600						52,800
DWELLING UNITS																
1	Carpeting	7	Varies	Varies	249	Unit	298	120%	850	\$ 253,300	21,108	21,108	21,108	21,108	21,108	21,108
2	Kitchen Vinyl Flooring	15	Varies	Varies	281	Unit	160	57%	300	\$ 48,000	4,000	4,000	4,000	4,000	4,000	4,000
3	Refrigerators	15	Varies	Varies	281	EA	100	36%	400	\$ 40,000	4,000	4,000	4,000	4,000	4,000	4,000
4	Ranges	20	Varies	Varies	281	Ea	120	43%	285	\$ 34,200	4,275	4,275	4,275	4,275	4,275	4,275
MECHANICAL																
1	Water Heater Central	15	Varies	Varies	15	Ea	7	47%	3,500	\$ 24,500		3,500			7,000	
2	Domestic Water Boiler	20	Varies	Varies	4	Ea	2	50%	12,000	\$ 24,000						12,000
3	HVAC Replacement / Repair	20	Varies	Varies	1	LS	12	1200%	6,500	\$ 78,000	6,500	6,500	6,500	6,500	6,500	6,500
TOTALS											39,883	43,383	203,508	39,883	46,883	125,308
2.5% INFLATION PER YEAR											1.000	1.025	1.051	1.077	1.104	1.131
TOTAL COST PER YEAR											39,883	44,468	213,811	42,950	51,750	141,775
TOTAL COST PER UNIT PER YEAR											142	158	761	153	184	505

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EVALUATOR'S SUMMARY
REPLACEMENT RESERVE

Project: Arlandria Chirilagua Housing Cooperative
 Address: 3910 Bruce Street
 # of Units: 281
 # of Buildings: 22
 Age: 38-71
 Family: Yes
 Elderly: No
 Mortgage Term: 10+2

Item	Description	Expected Useful Life	Effective Age	Remaining Useful Life	Total Quantity	Unit	Quantity Replaced	% Replaced	Unit \$	Total Replacement Cost	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	TOTALS
SITE																	
1	Asphalt Repair / Seal Coat / Striping	7	5	2	9,733	Syd	19,466	200%	1.65	\$ 32,119			16,060				32,119
BUILDING EXTERIOR																	
1	Flat Roofing	20	Varies	Varies	494	Sq	220	45%	375	\$ 82,500			20,625			20,625	82,500
2	Exterior Masonry Repair, Painting, & Cat	7	4	3	22	EA	44	200%	6,500	\$ 286,000				143,000			286,000
COMMON AREA																	
1	Refinish Common Area Stairs & Landing	7	1	6	44	Ea	44	100%	2,400	\$ 105,600	52,800						105,600
DWELLING UNITS																	
1	Carpeting	7	Varies	Varies	249	Unit	298	120%	850	\$ 253,300	21,108	21,108	21,108	21,108	21,108	21,108	253,300
2	Kitchen Vinyl Flooring	15	Varies	Varies	281	Unit	160	57%	300	\$ 48,000	4,000	4,000	4,000	4,000	4,000	4,000	48,000
3	Refrigerators	15	Varies	Varies	281	EA	100	36%	400	\$ 40,000	4,000	4,000	4,000	4,000			40,000
4	Ranges	20	Varies	Varies	281	Ea	120	43%	285	\$ 34,200	4,275	4,275					34,200
MECHANICAL																	
1	Water Heater Central	15	Varies	Varies	15	Ea	7	47%	3,500	\$ 24,500		7,000			7,000		24,500
2	Domestic Water Boiler	20	Varies	Varies	4	Ea	2	50%	12,000	\$ 24,000						12,000	24,000
3	HVAC Replacement / Repair	20	Varies	Varies	1	LS	12	1200%	6,500	\$ 78,000	6,500	6,500	6,500	6,500	6,500	6,500	78,000
TOTALS											92,683	46,883	56,233	178,608	38,608	64,233	976,100
2.5% INFLATION PER YEAR											1,160	1,189	1,218	1,249	1,280	1,312	\$ 289
TOTAL COST PER YEAR											107,484	55,730	68,515	223,057	49,422	84,279	1,123,125
TOTAL COST PER UNIT PER YEAR											383	198	244	794	176	300	\$ 333

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Attachment 4
700 South ...
...
...
www.ama.com

June 1, 2011

PAUL SEGAL
Asset Manager
Wells Fargo

Re: Action Plan, Annual Property Inspection conducted 11/22/2010
Arlandria Chirilagua Housing Cooperative
Loan No. 701711659

Dear Mr. Segal,

American Apartment Management Co., Inc. (AAMCI), as agent for Arlandria Chirilagua Housing Cooperative (ACHC) is providing this letter in response to the Annual Property inspection conducted by Michael Roberts on November 22, 2010 and to advise you of our Action Plan to address the items identified in your letter dated, February 28, 2011.

Per my email of March 1, 2011, many of these items were in progress and/or scheduled for repair, detail to follow in this letter. In addition a CNA was ordered from Connor Engineering and was completed on March 21, 2011, which was forwarded to you on May 11. The CNA identified \$207,600 in Immediate Repair Needs, which addresses many of the needs identified in both your letter and the six items recommended in Ron Kirby's (Associa) letter dated October 25, 2010, per his inspections on August 25 and October 20. The CNA also identified an inflated total of \$1,123,125 in Twelve Year Replacement Reserves, which will require a \$333 per unit per year deposit into the reserves. The project is currently placing \$420 per unit per year into the reserves. Our current balance in the reserves is approximately \$395,008, or \$1,391 per unit. The project is in good position to address the needs of the CNA going forward, including both immediate and twelve year needs without the need for a rent increase.

Additionally, the ACHC Board of Directors has expressed interest requesting a supplemental loan in an amount of approximately \$5.4 million to upgrade all of the unit interiors. To date, twenty-five units have been rehabbed at a cost of approximately \$15K per unit. It is my understanding that you were shown one of these units. If not, photos can be provided. The finish is Class A. The ACHC Board would like to finish the remainder of the units and install central AC in each. The estimated cost to rehab a unit and install AC is approximately \$20K. I have prepared a draft of a pro forma and forwarded it to Phil Morse and copied you. The pro forma assumes a rent increase of approximately \$55 to \$60 per unit per month to pay for the supplemental loan.

STATUS OF ACTIONS TO ADDRESS WELLS FARGO INSPECTION ITEMS

Excerpt from letter from Russell Fleming, President, American Apartment Management Company, Inc.

Apartment Interiors: Occupied units found to be in below average condition.

This was not identified in the CNA as an immediate need, but is reflected in the 12-year Reserves. It had been the practice under the prior ACHC Board for the residents to be responsible for their own repairs. Under the new ACHC Board, elected in November of 2009, the project started making basic repairs. The During 2010 and to date, approximately 1500 work orders have been completed, which addressed broken appliances, pest problems, plumbing, etc. The project reserves and monthly deposits are sufficient to address the needs as identified in the CNA. However, twenty five units have been completely rehabbed to a Class A finish. To bring the remaining units to the same standard will require a supplemental loan. Contact has been made with Phil Morse regarding the loan.

Building Exterior: 1) Brick spalling and tuck-pointing

This was not identified in the CNA as an immediate need, but is reflected in the 12-yr Reserves at a cost of \$286,000 to be completed in Year 3 and Year 10. Bids are being solicited. Two vendors have inspected property and we are awaiting bids.

Building Exterior: 2) Roof Repairs required on 7 roofs

These repairs have been completed with the exception one building. Estimated time to complete is within the next 60 days.

Building Exterior: 3) Remnant holes from HVAC's.

The windows were replaced a few years ago. They were custom designed to allow for individual window AC units. When AC units are removed they are replaced with a glass pane at a cost of \$70 per window. In some cases, when resident intends to replace AC unit, then a temporary panel is installed. These temporary panels have not always been consistent. Management has replaced the ones that were in most critical condition. This was not addressed in the CNA. A permanent solution is being evaluated.

Building Exterior: 4) Graffiti

I did not observe any unaddressed graffiti during my visit last Friday, May 27. Painting will be addressed with refurbishment of the common hallway and landings throughout the property per the Immediate Needs of the CNA.

Building Exterior: 5) Building Entry Doors

The entry doors throughout the property will be repaired or replaced with the refurbishment of the common hallway and landings per the Immediate Needs at an estimated cost of \$107K per the CNA.

Other: 1) Metal railing lose/missing near Commonwealth Bldg.

This has been repaired.

Other: 2) Water intrusion in basements of (3910, 3912, 3914, 3915, 3913).

This is included in the Immediate Repair Needs of the CNA and will be completed within the next 90 days. Bids were taken last winter and are currently being updated.

Mildrilyn Davis

Subject: FW: REMINDER: I need photos and electronic copy of Powerpoint
Attachments: ACHC Repair and Renov 2011.pptx

-----Original Message-----

From: Rusty Fleming [mailto:rfleming@aamci.com]
Sent: Friday, June 17, 2011 10:15 AM
To: Mildrilyn Davis
Cc: Karla Ferrel; Claudia Vita
Subject: FW: REMINDER: I need photos and electronic copy of Powerpoint

Mildrilyn,
Here are some additional notes per our meeting on Wednesday. I want to thank you again for coming to the property.



ENERGY GRANT

When considering the grant it is important to realize that the members will benefit from this directly by lowering their electric bills. The member occupancy charge is a pro rata share of operating expenses of the project, which includes gas, water and sewer. Therefore, lower utility expenses result in a lower occupancy charges. We have been able to operate the project more efficiently under the leadership of the current board, therefore, it has not been necessary to increase the charge over the past two years. We of course cannot go forever without raising the occupancy charges, but lower utility bills will help us offset increases in other areas as we go forward, allowing us to keep our charges as low as possible. As stated in our meeting, the project is depositing enough money into the reserves to meet the both the immediate and long term physical needs of the project as detailed in the CNA that was conducted in March. However, that does not include the energy saving repairs and upgrades that will be provided by the grant. In addition, the majority, if not all, of member household incomes are well below the AMI for the Alexandria MSA. Therefore, we seek your support in awarding the Coop this grant.

LEADERSHIP

American Apartment Management took over management of the project in August of 2009. I can attest that the leadership of the current board, effective December 2009, has been a positive and complete contrast to the leadership of the prior board. They are a pleasure to work with. One of the problems before was that there were members of the board that were also employees of the property. That is no longer the case. Since the new board took over there have not been any board members employed at the project.

I will be back in the office on Monday if you would like to discuss anything. Do you think it would be beneficial for me to attend the June 28 city council meeting? I am available by cell the rest of the day, if you need to call me, (865) 804-4355.

Regards,
Rusty