

Housing 2040 Master Plan

Financial Tools Overview

AHAAC

December 5, 2024

Meeting Agenda

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Financial Tools
Overview

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2013-2025 HMP
Financial Tools

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Projects and
Sources Used

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Housing 2040
Financial Tools

Financial Tools Overview

Housing 2040 Tools

Programmatic Tools

These tools follow according to a program, or schedule in the Housing Master Plan. An example of a programmatic tool would be to revise the formula for voluntary contributions and index to reflect inflation.



Financial Tools

These tools facilitate the production and preservation of affordable housing by leveraging state, federal, and other resources.

Zoning Tools

These tools incentivize the production and preservation of affordable housing through additional density and/or height.

Why Financial Tools?

Income & Operating Expenses	
Revenue	
Potential Gross Income	\$836,400
Less: Vacancy Allowance	58,548
Effective Gross Income	\$777,852
Other Income	
Total Income	777,852
Operating Expenses	
Administration	83,700
Payroll	73,100
Utilities	42,000
Supplies & Services	48,400
Maintenance	34,500
Taxes, Insurance & Escrows	129,000
Total Operating Expenses	410,700
Replacement Reserves	12,900
Net Operating Income	354,252
DSCR	1.15
OpEx per unit (incl RR)	\$ 10,183

Sources		Uses		
Equity		Development Costs		
	Tax Credit Equity	8,971,000	Acquisition	1,515,000
Debt			Architecture & Engineering	354,000
	First Trust Debt	6,703,000	Legal	198,000
Soft Financing			Fees, Permits & Utilities	500,000
	City Funds	6,243,000	Other/Miscellaneous	906,000
	State DHCD Funds	1,000,000	Financing Costs	1,433,000
			Reserves	583,000
Deferred Developer Fee		450,000	Construction Costs	16,978,000
Total Sources		\$ 23,367,000	Developer Fee	900,000
Total Permanent Debt		\$ 7,812,000	Total Uses	\$ 23,367,000
Total Annual Debt Service		\$ 322,000	Surplus/(Deficit)	-

Operating Impact

- Reduce Operating Cost
- Rental Subsidy to Maintain Higher Rental Income

Capital Impact

- Must Pay
- Soft Debt

City Funding Process

1. Housing Opportunities Fund (HOF) Application
 - Predevelopment
 - Development
2. Underwriting Review by City Staff
3. AHAAC Subcommittee
4. AHAAC Review
5. City Council Approval

Funding Range for New Development
\$40K – \$170K per unit

Funding Range for
Preservation/Rehabilitation
\$5K - \$86K per unit

How We Secure City Funds

City's Loan Document

- Loan Agreement
- Promissory Note
- Declaration of Restrictive Covenants
- Deed of Trust
- Right of First Refusal

City's Basic Loan Terms

- 40 years
- 2% interest
- Residual receipts payments

2013-2025 HMP Financial Tools

*What we have done
and what we are
currently doing*

2013-2025 HMP Financial Tools

General Fund Direct Allocation Support

The **Meal Tax** dedicates 1% of all meal tax revenue and allocates it to the general fund for affordable housing. The fiscal year 2019 Budget increased the restaurant and meals tax from 4% to 5%. The percent change in the meal tax allowed the city to invest **\$6.9** million into Affordable Housing in FY25. As well, established an affordable housing project category in the Capital Improvement Program (CIP). An additional **\$1m** in funds is allocated annually in the CIP.

Annual Lump Sum Appropriations

The **Penny Fund** dedicates one penny from each dollar of property tax revenue and allocates it to the general fund for affordable housing. In 2006, the dedication was a penny, then dropped to 0.006 of a dollar but is now back to 0.01 of a dollar. FY 25 allocation for affordable housing is **\$3m**.

2013-2025 HMP Financial Tools

Loan Guarantees

Subject to project underwriting, selectively utilize the City's credit and/or credit rating to **guarantee loans for affordable housing**.

- City explored but has not enacted a program
- Comfort letters to lenders have been provided

Loan Consortium

Develop an independent entity that brings together the City, lending industry, and private investors to **provide loans for affordable housing**.

- The City explored the potential of an independent loan entity during the HMP, but no independent loan entity has been established.
- The Housing 2040 planning process will revisit the potential for a Loan Consortium

2013-2025 HMP Financial Tools

Tax Abatement for Substantial Rehabilitation

Enact a policy that provides a form of tax abatement for the rehabilitation of affordable housing.

- The Policy was reviewed, but it did not move forward.

Currently, ARHA receives tax abatement for their redevelopment projects and a key requirement is that ARHA retains a majority ownership interest in the project.

- The Housing 2040 planning process will revisit the potential for a tax abatement for affordable housing projects in general.

Fee Relief and Waivers

Currently, ARHA receives certain fee waivers for their redevelopment projects.

- The Housing 2040 planning process will revisit the potential fee relief and waivers for rehabilitation and redevelopment of all affordable housing projects.

Projects and Sources Used

Jurisdiction Comparison

Local Funding Sources Used for Affordable Housing

	Alexandria	Arlington	Fairfax	Loudoun	Prince William
Housing Trust Fund	X	X	X	X	X
Tax Increment Financing			X		
General Fund	X	X	X	X	
Dedicated Tax Revenues	X				
Meals Tax	X				
Capital Improvement Plan - Cash Capital	X	X	X	X	X
General Obligation Bonds (GO Bonds)	X				
Industrial Development Authority Bonds (IDA)	X				X
Public Housing Authority Bonds	X		X		
HOME	X	X	X	X	X
CDBG	X	X	X	X	X

Funding List

Local Sources	Federal Sources	State Resources	Other Sources
Housing Opportunities Fund	Department of Housing and Urban Development	Virginia Housing (VHDA)	Virginia Community Capital
Housing Trust Fund	Treasury Department	Department of Housing and Community Development	Amazon Equity Fund
General Fund	Department of Energy	REACH	JBG Smith Fund
Dedicated Tax Revenues	Low Income Housing Tax Credits	Sponsoring Partnerships & Revitalizing Communities (SPARC)	Neighborhood Works/AHP
Meals Tax	HOME	VHDA Multifamily Financing	Norther Virginia Regional Commission (NVRC)
Capital Improvement Plan - Cash Capital	CDBG	Tax Exempt Bonds - VH and DHCD	Federal Home Loan Bank Affordable Housing Program (AHP)
General Obligation Bonds	Section 108	Federal Housing trust Fund	
Industrial Development Authority Bonds	Public Housing	State Housing Tax Credit	
Public Housing Authority Bonds	Housing Choice Vouchers	Virginia Housing Trust Fund	
	Federal Earmarks	Housing Innovations in Energy Efficiency (HIEE)	

Descriptive attachment to be provided separately

Projects and Funding Sources

PROJECT	City HOF	LIHTC	HOME	CDBG	Virginia Housing	Virginia Housing Trust Fund	Housing Innovation in Energy Efficiency	Public Housing Authority Bonds	Tax Exemption	Virginia Housing REACH	Northern Virginia Regional Commission	National Housing Trust/ Amazon	Federal Earmarks	Amazon Equity Fund
The Spire	X	X	X			X								
Waypoint at Fairlington	X	X	X			X								
Samuel Madden North	X	X			X				X	X				
Seminary Road	X		X		X	X	X			X	X	X		
Sanse	X	X	X	X	X	X	X	X		X			X	X

The Spire

AHC Inc.

- Opened in 2021
- 113 apartments affordable at 40%-60% AMI



Financial Tools

LIHTC Equity

Private Debt

City Loan

Federal HOME funds

City grant for rental assistance subsidy

Other Tools

Site: Redevelopment of church property with church rebuilt on site.

Zoning: Rezoned to provide adequate density to design and finance project

The Waypoint at Fairlington Wesley Housing

- Opened in 2022
- 81 apartments affordable at 40%-60% AMI

Financial Tools

LIHTC Equity

Private Debt

State Housing Trust Fund

City Loan

Federal HOME funds

City grant for rental assistance subsidy

Other Tools

Site: Development on underutilized church parking lot adjacent to existing church

Project used bonus density

Partnerships: Church site and shared play space



Parkstone

Housing Alexandria

- Purchased in 2020
- 326 apartments
 - 130 apartments at 60% AMI
 - 114 apartments at 80% AMI
 - + balance at market rate



Financial Tools

VH Debt

Mezz Debt JBG Smith

City Loan

VH Reach Grant

Other Tools

Site: Building was affordable and subsequently market rate in the past

Land: Potential future infill opportunity

Sansé

Housing Alexandria

- Under construction
- 417 apartments affordable units 40-80% AMI, including 105 units at 40% AMI
- A range of unit sizes, including family units
- City flex space and new open space

Financial Tools

LIHTC 9/4 Twin

VH Financing & REACH Grant

Amazon Equity Fund

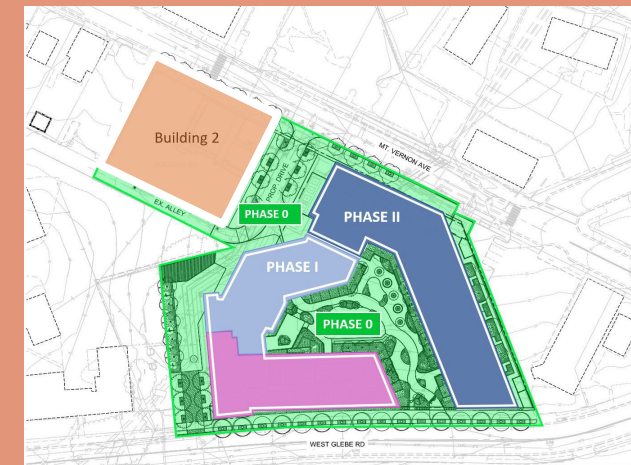
State HTF

Section 108

Congressional EDI

City Funds

City grant for rental assistance subsidy



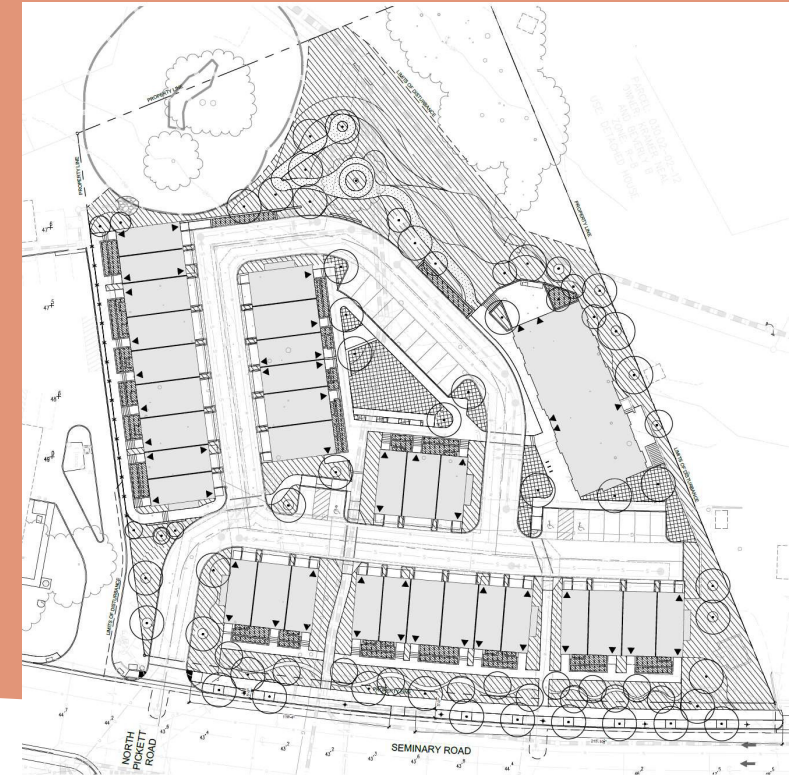
Other Tools

Site: Philanthropic seller and City land

Zoning: Rezoned to provide adequate density and height to finance project

Seminary Road Housing Alexandria

- Under construction
- Condominium Townhomes
 - 31 two- and three-bedroom units
- Condominium Flats
 - 5 two-bedroom units
 - 3 four-bedroom Sheltered Homes of Alexandria units



Financial Tools

City Grant

VH REACH Grant

NHT/Amazon Funding

NVRC

HOME Funds for down payment assistance

Other Tools

Site: Existing Group Home and City land

Zoning: Rezoned to provide adequate density and height to design and finance project

Samuel Madden Homes

ARHA & Partners

532 apartments

- 326 affordable and workforce units
 - 161 units under 30% AMI
 - 79 units between 50-60% AMI
 - 86 units up to 80% AMI
- 206 market-rate units
- + 500 sf ALIVE! Food hub + 13,300 sf retail space+ 13,500 sf early learning and childcare center (Hopkins House)



North Building Financial Tools

LIHTC 9/4 Twin

VH Debt

City Loan

Ground Lease

HUD Use Agreement

Project Based Vouchers

Other Tools

Site: Redevelopment of 66 Public Housing units on two blocks

Zoning: Rezoned to provide density and height to design and finance project

Housing 2040

Financial Tools

Housing 2040 Financial Tools

What we plan on
doing

TOOL	PROCESS
Tax Abatement/ Exemption	<ul style="list-style-type: none">▪ Revisit the potential for a tax abatement/exemption for affordable housing projects in general.▪ Currently, ARHA receives tax abatement for their redevelopment projects and a key requirement is that ARHA retains a majority ownership interest in the project.▪ Affordable Housing projects are currently assessed at Market Value based on the City Restrictive Covenants in place.
Loan Consortium	<ul style="list-style-type: none">▪ Develop an independent entity that brings together the City, lending industry, and private investors to provide loans for affordable housing.▪ The Housing 2040 planning process will revisit the potential for a Loan Consortium during the Housing 2040 planning process.
Fee Relief and Waivers	<ul style="list-style-type: none">▪ Revisit the potential fee relief and waivers for rehabilitation and redevelopment of all affordable housing projects.▪ Currently, ARHA receives fee waivers for their redevelopment projects such as Tap fees and code fees.

Tax Abatements/Exemption Review

Programs for:

- Residential - Single family
- Multifamily - New construction
- Rehabilitation - Substantial renovation
- Redevelopment

Jurisdictions being reviewed with programs or developing programs:

- Richmond
- Fairfax
- Lynchburg
- Norfolk
- Charlottesville

Financial Tools Project Timeline

December
2024

- Present financial tools information and research to AHAAC
- Follow up on any requests or questions

Spring 2025

- Return to AHAAC with follow up information

Next Steps

- Review of draft Plan recommendations