



Draft Section 108 Guaranteed Loan Application

PREPARED BY THE OFFICE OF HOUSING
CITY OF ALEXANDRIA

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Section 108 Pre-Application

Executive Summary

CDBG Eligibility Category: Acquisition of Real Property (Matrix Code 01, Acquisition)

Section 108 Regulation Citation: 24 CFR 570.703(a)

CDBG National Objective: Benefit low- or moderate-income persons (24 CFR 570.208(a)(3))

Nonprofit developer Housing Alexandria (HAIX) is developing two land parcels located in the Arlandria-Chirilagua neighborhood at 3600 Mount Vernon Avenue into a new construction, mixed-use community that incorporates 416 affordable apartment homes, flex space for City employees to meet with residents, and new publicly accessible open space. The development will increase the City's housing supply by offering 416 rental homes at various affordability levels and family sizes. In addition, this project will provide a substantial new housing resource in Alexandria's Arlandria-Chirilagua neighborhood which faces considerable development pressure as Amazon HQ2, and the Virginia Tech Innovation Campus located nearby draw new workers and students to the area. The land assemblage for the Project required a philanthropic seller, the purchase of City land, and acquiring privately owned parcels. The Section 108 loan will be used to pay a portion of the seller's note on the parcel acquired from the Weissberg family, who are selling the land at a discount to Housing Alexandria.

The City of Alexandria included the use of Section 108 funds in its 2022-2026 Consolidated Plan and has incorporated the anticipated use of the funds into each Annual Plan of the Consolidated Plan cycle. It will further the Goal of Housing Affordability and help fill the Priority Need for Equitable Access to Housing.

In addition, the project meets objectives set out in the City's 2013 Housing Master Plan including the provision of long-term affordable and workforce rental housing, and providing safe, quality housing choices that are affordable and accessible to households of all ages and abilities, and it fully aligns with recommendations and principles of the [Arlandria-Chirilagua Small Area Plan](#) approved by City Council at a public hearing on December 18, 2021.

The Environmental Assessment for the Project was completed in July 2023 and the Authorization to Use Grant Funds was issued August 13, 2023. The Environmental Assessment included the Section 108 loan as one of the sources of funding for the Project. The City Council approved the City Manager to submit this application as part of the June 27, 2023, funding docket item for the project.

Alexandria is requesting \$5,573,000 in Section 108 funds. The total development cost of the 4B Project is \$110,596,802.

Amount of Section 108 Request

The requested amount of Section 108 Assistance is \$5,573,000. The Section 108 financing fee is \$91,397.20. The financing fee will be paid for using City of Alexandria CDBG entitlement funds. All guaranteed loan funds will be used for the project.

General Project Description

The Sansé/Naja Project is a redevelopment of a former Safeway grocery store site, City land, and privately owned parcels into 474 units of housing affordable to households with incomes between 40-80% of AMI spread over two buildings. Building #1 will contain 416 rental units and Building #2 will have fifty-eight homeownership units. One hundred and four of the units (25% of rental units) will be reserved for households at or below 40% AMI, and thirty-seven units (9% of rental units) will be reserved for households at or below 50% AMI. The project is located at the intersection of West Glebe Road and Mount Vernon Avenue, two heavily traveled streets with transit connections to the new Potomac Yard Metro station, Old Town Alexandria, and other job centers around the region.

These units are supported by a strong amenity package including a gym, lounges/event rooms, classroom space, and terraces designed for outdoor recreation. In addition, the Project will provide flex space for City services. There will be a publicly accessible courtyard within a plaza and additional open space in the surrounding area, creating a total of 16,600 square feet of open space. This space will be open to the community through a public use easement.

Section 108 loan funds will be used to support the acquisition of the podium for the condominium 4b within Building #1.

The physical structure of Building #1 will contain 9 stories of affordable rental housing built above a one-level commercial base, which will sit atop a two-level subterranean parking garage. The physical structure of Building #1 will be financed, owned, and operated as multiple separate condominium units both residential and commercial. The residential portion will include a 9% Low Income Housing Tax Credit (LIHTC) project and two 4% LIHTC projects.

Overall Project Funding

The project is being developed in four phases. Phase 0, the sitework phase, is currently underway. In 2021, Housing Alexandria was awarded a \$16.8 million grant from Virginia Housing (VH) to assist with a portion of the costs related to planning, financing, acquisition, site work and construction of Phase 0. HALX and VH have executed this grant agreement, and all funds have been disbursed.

Phases I and II are the construction of Building #1 (Appendix 1). Funding for Building #1 will consist of one competitive (9%) and two non-competitive (4%) LIHTC allocations as shown in Figure 9. Building #2 is currently anticipated to be funded as 4% LIHTC development. The Project was awarded the 9% allocation for Phase I in June 2022 and has applied for a combination of 4% and State Opportunity Tax Credit allocations for other phases. Collectively, HALX anticipates attracting approximately \$100 million in tax credit equity for the project. The total cost of the Project is projected to be \$314 million.

The City of Alexandria’s City Council has reviewed and provided its commitment to the Sansé/Naja Project by committing \$78 million for the Project (including these Section 108 funds) and by providing development approvals in February 2022. The funding comes from the City’s Housing Opportunity Fund, which is comprised of funds from the local meals tax and federal HOME funds; the City’s Housing Trust Fund, which is paid into by market-rate developers in exchange for density bonuses; local capital funds; and dedicated revenue from the penny tax on real estate transactions.

In addition to the Housing Opportunities Fund (HOF) loan, City Council approved the transfer to the developer of a city-owned parcel valued at \$1.7 million, as well as a grant to enhance deep affordability in 10% of the rental units. The State has also shown its support through allocations of \$17.5 million, through a combination of a VHDA Reach funds grant, both 9% and 4% LIHTC awards, and tax-exempt bond financing. Amazon is providing \$14million in financing through its Housing Equity fund.

Total unit type and affordability mix (Appendix 2 for full breakdown across the project parts)

	%	Units
40% AMI	25%	105
50% AMI	9%	38
60% AMI	44%	185
80% AMI	21%	88
Total	100%	416

Portion of the overall project to be use the Section 108 funds

4% LIHTC condo (4b): A LIHTC project that includes its own underground parking space, and 130 rental apartments of the following unit and affordability mix:

	40% AMI	50% AMI	60% AMI	80% AMI	
Studio					
1BR	26	0	52	24	102
2BR	28	10	15	30	83
3BR	0	6	19	0	25
Total	54	16	86	54	210

Proposed construction schedule is for 4b as follows:

Apply for Debt from VH	March 1, 2025
Section 108 and Loan closing	June 30, 2025
Receipt of building permits	Completed 2023
Construction finance closings	June 1, 2025
Construction completion	November 30, 2026
Stabilization	June 1, 2028

The Project is being developed by Housing Alexandria (HALX), a Community Housing Development Organization which has worked in Alexandria for twenty years. They have a proven track record of developing, rehabilitating, purchasing, and managing affordable housing in the city and have developed multiple award-winning affordable housing projects.

Sansé - Phase II (4%) LIHTC / Tax Exempt Bonds

Sources			Uses	
Equity			Development Costs	
Tax Credit Equity (4%)		41,971,264	Acquisition	7,645,000
Debt			Architecture & Engineering	949,058
First Trust Debt		23,700,000	Legal	848,077
Seller Loan		5,775,000	Fees, Permits & Utilities	2,480,232
Amazon HEF		-	Other/Miscellaneous	4,179,609
Soft Financing			Financing Costs	6,418,046
Sponsor Note (VH)		5,587,053	Reserves	2,918,096
Sponsor Note (COA)			Construction Costs	63,730,278
HUD CDBG 108		5,573,000	Developer Fee	3,000,000
City HOF Loan		23,038,606	Phase 0 Cost Allocation	18,428,406
VHTF / NHTF		2,700,000		
FHLB		1,000,000		
Deferred Developer Fee	42%	1,251,879		
Total Sources		\$ 110,596,802	Total Uses	\$ 110,596,802

Form of Assistance

Specifically, the Section 108 Loan Funds will be used for the Alexandria GMV 4b, LLC portion of the Project which will provide 210 units and has total land acquisition cost of \$7,645,000. A portion of this cost will be paid using the Section 108 loan proceeds. A full budget is included for Alexandria GMV 4b, LLC is above.

The City of Alexandria is still working with HALX to finalize all underwriting details on 4B, such as the interest rate of the loan and financing closings. The CDBG loan will be secured by a deed of trust subordinated to the senior financing and repayable from the Project's residual receipts/cash flow following stabilization. The City will pledge its current and future CDBG grant as collateral for repayment of the loan.

Description of Compliance with Eligible Activities and National Objectives

The Section 108 funds will be used for acquisition of real property and will meet the national objective of benefiting low- and moderate-income households (LMH) by providing housing affordable to those households. The fund will be used as acquisition funds and added to the

capital stack by the respective LIHTC partnership to develop housing for 100% low- or moderate-income residents.

The national objective of LMH will be met when the project is completed, and all households have entered leases for their units. All households in the project will be of low- or moderate-income; the project exclusively serves households at 80% AMI and below. Appendix 2 contains the full unit breakdown by AMI.

One hundred percent of Alexandria's entitlement funds are used to benefit low- and moderate-income residents. The receipt of Section 108 loan guarantee funds will not affect the distribution of CDBG expenditures among the national objectives.

Information on Organizational Arrangements

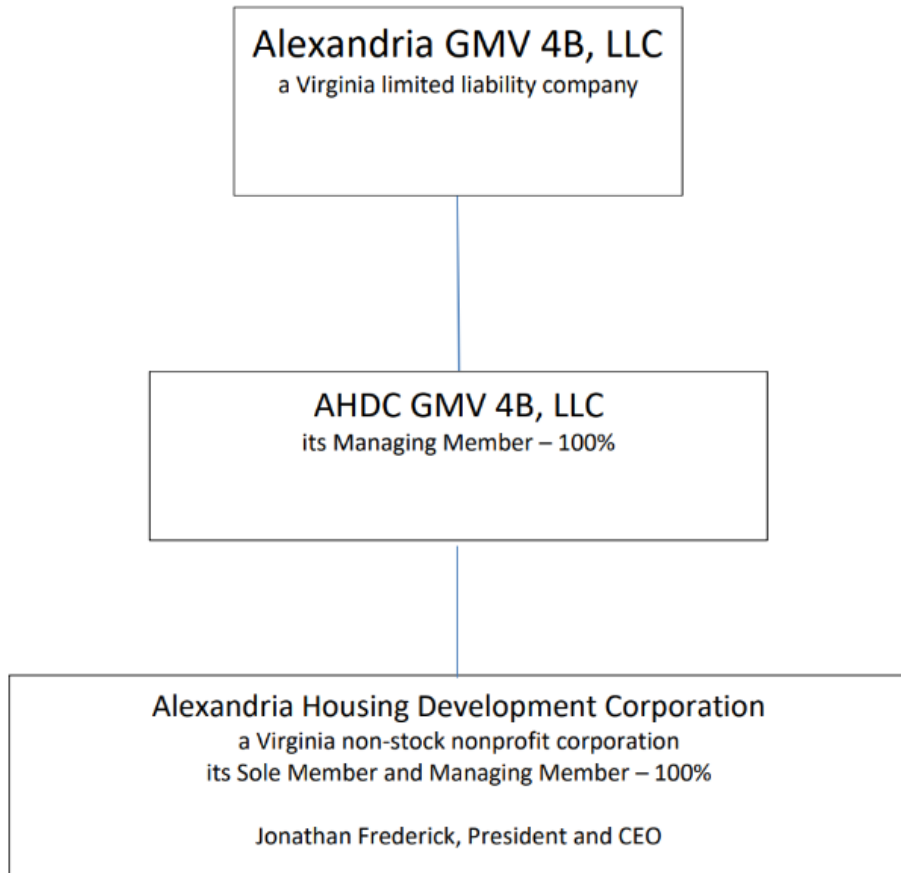
City of Alexandria: The City of Alexandria is a unit of general local government that has been a CDBG entitlement community since 1974 and has used its federal CDBG and HOME funds as well as its local Housing Opportunities Fund (HOF) to support affordable housing since the inception of the CDBG program.

Housing Alexandria is a nonprofit affordable housing developed that was founded in 2004 and is recognized throughout the city as a critical provider of affordable housing. HALx has grown from a small non-profit developer into a full-service organization with low- and mixed-income rental housing communities across the city and will be producing its first homeownership units in early 2025. They have been a long-time partner with the City of Alexandria to create and sustain affordable housing and are the city's only Community Housing Development Organization.

Ownership information

OWNERSHIP CHART
Alexandria GMV 4B, LLC

Pre Investor



Information for Financial Underwriting

Throughout the review process from pre-development to now, Housing Alexandria, Virginia Housing, LIHTC Investors and City staff have been reviewing proformas and feasibility studies. All City funds have been applied for through the City's Housing Opportunities Fund (HOF) application process as outline at alexandriava.gov/housing-services/developer-resources. HOF guidelines review areas such project feasibility and readiness, borrower experience and management capacity, project financial analysis, borrower financial capacity and creditworthiness as well as collateral and loan repayment guarantees have been underwritten as the project-initiated construction phases.

The City has a dedicated Asset Manager position to service and monitor loans for long-term compliance and it intends to use this capacity to service and monitor the Section 108 loan guarantee funds. All information pertinent to sources and uses regarding loan proceeds, local funds and other committed sources of project financing are detailed in the attached proforma cash flow analysis.

Information on other proposed and committed sources of project financing

Alexandria GMV 4B is a LIHTC project that will have a senior permanent loan with Virginia Housing, and LIHTC equity. The senior permanent loan with Virginia Housing will be in the amount of \$23,700,000 with LIHTC equity at \$41,971,264. Alexandria GMV 4B will have a sponsor note of \$5,587,053 as well as \$2,700,000 combined from the Virginia Housing Trust Fund and National Housing Trust Fund. Finally, Alexandria GMV 4B will be utilizing \$1,000,000 in funding from the Federal Home Loan Bank of America.

Information on estimated revenue and operating expenses:

Alexandria GMV 4B Income & Operating Expenses	
	<u>Yr 1 Stabilized</u>
<u>Revenue</u>	
Potential Gross Income	4,240,596
Less: Vacancy Allowance	<u>(212,030)</u>
Effective Gross Income	4,028,566
Other Income	<u>-</u>
Total Income	4,028,566
<u>Operating Expenses</u>	
Administration	416,921
Payroll	368,551
Utilities	212,466
Supplies & Services	244,372
Maintenance	174,403
Taxes, Insurance & Escrows	<u>654,823</u>
Total Operating Expenses	2,071,536
Replacement Reserves	63,000
Net Operating Income	<u>1,894,030</u>
DSCR	1.16
OpEx per unit (incl RR)	10,164

Proposed collateral for the Section 108 guaranteed financing (in addition to the primary pledge of CDBG funds):

The CDBG loan will be secured by a deed of trust subordinated to the senior financing and repayable from the respective project’s residual receipts/cash flow. Proposed Repayment Schedule

The Section 108 loan repayment will be interest-only (\$261,931) in the first 5 years, then Principal and interest in year 6- 20 (\$518,459.04). The following analysis uses a 4.695% interest rate, as was advertised for 12/26/24, on the HUD Section 108 Loan Guarantee Program’s Rates and Fees webpage.

Information on estimated proposed repayment schedule:

See pro forma loan amortization below.



Loan Summary

Mortgage Amount:	\$5,573,000.00
Monthly Payment:	\$21,827.58 for 60 payments \$43,204.92 for 180 payments
Interest Only Terms:	5 years
Total Terms:	20 years
Total # Of Payments:	240
Start Date:	1/1/2028
Payoff Date:	12/1/2047
Total Interest Paid:	\$3,513,541.49
Total Payment:	\$9,086,541.49

Interest Only Amortization Schedule

Payment Date "Year"	Payment #	Interest Paid	Principal Paid	Total Payment	Remaining Balance
1	12	\$261,931.00	\$0.00	\$261,931.00	\$5,573,000.00
2	12	\$261,931.00	\$0.00	\$261,931.00	\$5,573,000.00
3	12	\$261,931.00	\$0.00	\$261,931.00	\$5,573,000.00
4	12	\$261,931.00	\$0.00	\$261,931.00	\$5,573,000.00
5	12	\$261,931.00	\$0.00	\$261,931.00	\$5,573,000.00
6	12	\$256,332.18	\$262,126.86	\$518,459.04	\$5,310,873.14
7	12	\$243,743.31	\$274,715.73	\$518,459.04	\$5,036,157.41
8	12	\$230,549.88	\$287,909.16	\$518,459.04	\$4,748,248.25
9	12	\$216,722.82	\$301,736.22	\$518,459.04	\$4,446,512.03
10	12	\$202,231.69	\$316,227.35	\$518,459.04	\$4,130,284.68
11	12	\$187,044.63	\$331,414.41	\$518,459.04	\$3,798,870.27
12	12	\$171,128.20	\$347,330.84	\$518,459.04	\$3,451,539.43
13	12	\$154,447.34	\$364,011.70	\$518,459.04	\$3,087,527.73
14	12	\$136,965.41	\$381,493.63	\$518,459.04	\$2,706,034.10
15	12	\$118,643.86	\$399,815.18	\$518,459.04	\$2,306,218.92
16	12	\$99,442.40	\$419,016.64	\$518,459.04	\$1,887,202.28
17	12	\$79,318.80	\$439,140.24	\$518,459.04	\$1,448,062.04
18	12	\$58,228.76	\$460,230.28	\$518,459.04	\$987,831.76
19	12	\$36,125.82	\$482,333.22	\$518,459.04	\$505,498.54
20	12	\$12,961.39	\$505,498.54	\$518,459.93	\$0.00
		\$3,513,541.49	\$5,573,000.00	\$9,086,541.49	

Expected Source of Repayment and Loan Fee

The loan will be repaid through future CDBG entitlements, city dedicated revenue for affordable housing and/or residual receipts cash flow from the project. The City of Alexandria currently receives \$1,114,668 annually in CDBG entitlements. The City will pay the Section 108 interest until the property begins to generate cash flow, at which point it will begin to repay the principal within 20 years as shown above.

Statutory and Proposed Additional Security

The CDBG loan will be secured by a deed of trust subordinated to the senior financing and repayable from the respective project's residual receipts/cash flow.

Contact Information

Local Point of Contact:

Eric Keeler
Deputy Director, Office of Housing
Eric.Keeler@alexandriava.gov
703-746-4990

Field/Regional Office Point of Contact:

Shaina Gaines, Senior CPD Representative
Shaina.Gaines@hud.gov

Congressional District and Delegation:

Virginia 8th Congressional District
Rep. Don Beyer

The Draft Application will be available for public review and comment for a 30-day period from February 22- March 21, 2025. Comments may be submitted in the following ways:

- Via email to Eric Keeler, Deputy Director, Office of Housing, Eric.Keeler@alexandriava.gov
- Via postal mail to Office of Housing, 421 King St., Suite 215, Alexandria, VA 22314
- Verbally at a public hearing at the Alexandria Housing Affordability Advisory Committee meeting on Thursday, March 6 at 7 p.m. Further information is available alexandriava.gov/Housing

Certifications

To be added to final draft.

Appendix 1

Sansé (PH I & II Combined)

Sources		Uses	
Equity		Development Costs	
Tax Credit		Acquisition	15,150,000
Equity	89,710,000	Architecture & Engineering	3,540,000
Debt		Legal	1,980,000
First Trust Debt	47,200,000	Fees, Permits & Utilities	5,000,000
Seller Loan	19,830,000	Other/Miscellaneous	9,060,000
Amazon HEF	-	Financing Costs	14,330,000
Soft Financing		Reserves	5,830,000
Sponsor Note (VH)	11,090,000	Construction Costs	133,410,000
Sponsor Note (COA)	1,470,000	Developer Fee	9,000,000
COA HOME Loan / CDBG		Phase 0 Cost	
108	8,070,000	Allocation	36,370,000
COA HOF Loan	45,460,000		
VHTF / NHTF	8,100,000		
FHLB	1,000,000		
Deferred Developer Fee	20% 1,830,000		
Total Sources	\$ 233,760,000	Total Uses	\$ 233,670,000
Total Permanent Debt	\$ 78,120,000	Surplus/(Deficit)	90,000
Total Annual Debt Service	\$ 3,220,000	Total Cost / Unit	561,707

Terms (Years)	Hard Cost / Unit	320,697
Interest Rate	Soft Cost / Unit	241,010

Unit Type / Affordability Mix					
	%	No. Units		%	No. Units
Efficiency	0%	0	30% AMI	0%	0
One Bed	45%	189	40% AMI	25%	105
Two Bed	42%	175	50% AMI	9%	38
Three Bed	13%	52	60% AMI	44%	185
Four Bed	0%	0	70% AMI	0%	0
			80% AMI	21%	88
Total Units	100%	416	Total	100%	416

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Appendix 2

1. *9% LIHTC rentals (9a)*: A 9% LIHTC project that includes its proportional share of underground parking spaces, and 76 rental apartments of the following unit and affordability mix:

	40% AMI	50% AMI	60% AMI	80% AMI	
Studio					
1BR	5	8			13
2BR	11	9	25		45
3BR		5	13		18
Total	16	22	38		76

2. *4% LIHTC condo (4a)*: A 4% LIHTC project that includes its own underground parking spaces, and 130 rental apartments of the following unit and affordability mix:

	40% AMI	50% AMI	60% AMI	80% AMI	
Studio					
1BR	19		36	19	74
2BR	16		16	15	47
3BR			9		9
Total	35		61	34	130

3. *4% LIHTC condo (4b)*: A LIHTC project that includes its own underground parking spaces, and 210 rental apartments of the following unit and affordability mix:

	40% AMI	50% AMI	60% AMI	80% AMI	
Studio					
1BR	26	0	52	24	102
2BR	28	10	15	30	83
3BR	0	6	19	0	25
Total	54	16	86	54	210

Appendix 3

2024 LITHC Rent and Income Limits

HUD Designated Median Income \$154,700 2024

%AMI	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
40%	\$ 43,320	\$ 49,520	\$ 55,720	\$ 61,880	\$ 66,840	\$ 71,800	\$ 76,760	\$ 81,720
50%	\$ 54,150	\$ 61,900	\$ 69,650	\$ 77,350	\$ 83,550	\$ 89,750	\$ 95,950	\$ 102,150
55%	\$ 59,565	\$ 68,090	\$ 76,615	\$ 85,085	\$ 91,905	\$ 98,725	\$ 105,545	\$ 112,365
60%	\$ 64,980	\$ 74,280	\$ 83,580	\$ 92,820	\$ 100,260	\$ 107,700	\$ 115,140	\$ 122,580
80%	\$86,640	\$99,040	\$111,440	\$123,760	\$133,680	\$143,600	\$153,520	\$163,440

Source: HUD; Office of Housing

2024 Restricted Gross Monthly Rent Limits (Including Utilities)

AMI	Efficiency	1BR	2BR	3BR	4BR
40%	\$ 1,083	\$ 1,161	\$ 1,393	\$ 1,609	\$ 1,795
50%	\$ 1,354	\$ 1,451	\$ 1,741	\$ 2,011	\$ 2,244
55%	\$ 1,489	\$ 1,596	\$ 1,915	\$ 2,212	\$ 2,468
60%	\$ 1,625	\$ 1,741	\$ 2,090	\$ 2,414	\$ 2,693
80%	\$ 1,713	\$ 1,834	\$ 2,201	\$ 2,543	\$ 2,836

Source: HUD; Office of Housing