

Director of Real Estate Development Presentation

Good Evening. I would also like to start by thanking all staff, commissioners, AHAC members, and community members who are present for this update.

As previously stated, my name is Quisha Riche and I am the Director of Real Estate Development for the Huntsville Housing Authority.

The Huntsville Housing Authority has been engaged in efforts to redevelop Sparkman Homes for several years. Previously HHA has looked into grants such as Hope VI and Choice Neighborhood Initiative to redevelop Sparkman Homes and the surrounding neighborhood but we have been unsuccessful. Sparkman Homes was selected by HHA as being ripe for demolition as it is one of our oldest properties and it is suffering from significant capital needs. Sparkman Homes has never undergone a comprehensive modernization, therefore, there are numerous physical needs that need to be addressed. The site is land locked by Broglan Creek and Tennessee Recycling to the west, Holmes Ave. to the north, the railroad to the south, and Interstate 565 to the east. The residential units are outdated and are not designed for current living standards; therefore, rendering rehabilitation or renovation cost prohibitive. A previous physical needs assessment completed on the site in 2012, determined that it would cost approximately \$16.2 million dollars to properly address all deficiencies. The deficiencies include but are not limited to the following:

- plaster walls and ceilings, which cause repair and maintenance to be very difficult,
- units are not accessible for those with mobility handicaps,
- laundry facilities are not provided, except for a washer connection located under the stairs,
- the railroad which still runs regular routes, and the elevated interstate highway are sources of persistent noise, particularly for residents living along the south and southeastern portions of the site,
- parking is primarily relegated to a large lot on the north side of the building, far from many of the units causing residents to park in grassy areas near their units or clogging the roads and alleys,
- site drainage problems due to a stormwater system that is inadequate at both the hardscaped and softscaped areas,
- plumbing fixtures and fittings are in need of replacement throughout,
- the heating system consists of gas fired wall furnaces on the first floor which are inadequate and antiquated, and
- there is no form of ventilation in the kitchens and bathrooms.

This site is also challenged due to density, neighborhood poverty rates and flood zone issues, which impact approximately 40% of the site. The flood

zone issues impede our ability to renovate the units as we cannot spend more than 50% of the appraised value of the units on rehabilitation without addressing the issue of the base flood elevation. This adds significantly to renovation costs. Even if 50% of the current appraised value of the units was put back into the site, this would not make a dent in the laundry list of items required for complete rehabilitation.

A comprehensive planning effort for the site was completed through partnership with a third party consultant back in 2016, through which HHA engaged stakeholders and an advisory board to put together a redevelopment strategy. A market study was completed as part of this planning process and it revealed that there is limited demand for multi-family development in the study area. It also showed that only a small portion of the land would be suitable to rebuild units. As a result of the foregoing, we determined that it is in the best interests of our residents and the surrounding neighborhood to request HUD approval for demolition of the site.

HHA was initially pursuing disposition of the site, as we had an interested purchaser who was willing to pay significantly more than the appraised value of the property. However, we were unable to enter into a binding sales agreement. As such, HHA is no longer accepting offers on the site at this time and we will proceed to HUD requesting approval to demolish the buildings on the site and to relocate our residents. We will determine the best course of action for the vacant property once demolition is completed. At that time, any disposal of the site will also require HUD approval. This is a note only for us. We really don't want to do this within the first year after the demo is approved. They might change our demo to dispo and we would lose a year of funding.

HHA is currently working to complete an application package for submission to HUD's special applications center requesting approval to relocate our residents and demolish all of the buildings on the site. This application package consists of an environmental review for the site, a relocation plan for the residents, an appraisal to determine fair market value, a physical needs assessment and a resolution from our Board authorizing the submission.

An environmental consultant has completed the Phase I environmental review and determined that a Phase II review is necessary. HHA will release a quote for small purchases this week, as required by our procurement policy, to enter into a contract with a consultant to complete this work.

During the initial environmental review process, the State of Alabama's historic preservation office determined that the site qualifies for listing on the national register of historic places. As such, we are in communication with the State and National historic preservation offices to determine acceptable

methods of mitigation for the proposed demolition of the site. We believe that it will be necessary to create a historical narrative and photographic records for the site before we can move forward with any demolition. This has caused a delay in our submission of the application to HUD but we are working through this issue and expect resolution.

HHA has also engaged an architect and engineer to update the physical needs assessment of the site that was completed in 2012 to paint a clear picture of the extent of the costs associated with fully addressing all of the deficiencies at the site and supporting our position that these units are obsolete. We expect this report to be completed within the next two weeks. Due to inflation, we expect the needs assessment to show that the cost to renovate will be considerably more than the 2012 amount of \$16.2 million.

We have obtained an appraisal for Sparkman Homes from a certified appraiser in the amount of \$385,000; staff is working on a relocation plan, and we have already obtained HHA Board's approval.

As previously stated, in 2012 it would cost approximately 16.2 million dollars to completely rehabilitate this site. HHA does not have funding available to address this significant cost.

The Capital Fund Program provides financial assistance in the form of annual grants to public housing agencies to carry out capital and management activities. These funds are provided by Congress through annual appropriations. It is worth noting that each year recommendations are made to Congress to cut this funding entirely. In 2015, HHA completed construction of 80 new units at Legacy Hill and Chestnut Glen. To finance the construction, we entered into an agreement with HUD to use a portion of our capital fund grant for debt service payments. These payments along with certain management activities account for 50% of our grant funding. The remainder is spread among all of our sites to address the most dire capital needs, which are prioritized annually during our Annual Plan process. As some of you may remember, in the past HHA used to focus on a site and completely rehab it and once completed move to another site and do the same. That is no longer possible. The last total rehab was done at Northwoods Addition in 2000. In 2003 HHA entered into a bond deal to put new Mitsubishi A/C units in most of our properties. This obligated a large portion of our capital fund for 10 years. As soon as that debt was extinguished in the 2013 grant, we entered into another capital fund financing program debt encumbering our capital fund once again. The first payment of this debt was from the 2014 capital fund. In the event HHA did have \$16 million dollars, it is likely that HUD would not allow such a significant capital investment in such a physically challenged area. Also, the floodway would prevent construction on portions of the site. Other parts of the site would have to be built up above the base flood elevation in order for

construction to take place. The only part of the property unencumbered by flood zones and most suitable for construction is near Holmes.

Additionally, as many are aware HHA has partnered with Huntsville Utilities and the Tennessee Valley Authority to participate in the Uplift Pilot Program. The program will provide for the replacement of HVAC units, which account for our most significant capital need throughout our sites as our current Mitsubishi units have extended past their useful lives. In order to participate in the program, HHA had to match the 1 million dollar contribution from TVA. This program doubles our internal contribution to provide necessary equipment for our units, but it limits the amount of capital we have to invest in other immediate needs.

It is difficult to put together an exact timeline for the demolition application process but we hope to submit our application to HUD within the next six weeks. HUD generally states they will provide response within thirty days, but we are well aware that ironing out the details can take significantly longer. Once approval is received we will begin relocating residents from the site. The relocation of our Council Courts residents took approximately six months from the date the application was approved by HUD, so that gives us an idea of how long the relocation process can take. Once all residents have relocated, we would then begin demolition of the buildings. We expect this full process through completion of demolition will take approximately 12 months.

HHA has taken great care in making the determination that this course of action is best for our residents and the neighborhood. Meetings with our residents have revealed their enthusiasm to have a new beginning.