



# **DEVELOPMENT STRATEGY**

*Details*

**December 15, 2008**

## **Master Plan**

### ***Development Strategy — Introduction***

BRHA’s portfolio consists of ten (10) properties, as defined spatially and by sensible “fit” to a development strategy. The *Asset Repositioning Plan* and the *Market Needs* components of BRHA’s Master Plan identify the attributes of the existing BRHA portfolio, especially as the portfolio relates to meeting the mission of the organization in serving the affordable housing needs of Bristol households.

This document presents BRHA’s development strategy as an additional element of its overall Master Plan. It consists of two sections. The first section comprises an executive summary, providing context for the strategy and describing the BRHA assets that potentially support it. The second section provides a detailed delineation of the development strategy itself, in the aggregate and also by property. It includes the financial elements in exquisite and voluminous detail. Each development initiative is thus both described, and provided with the financial analysis that is the groundwork necessary to implement. It is noteworthy that the basic financial projections reflect the lower LIHTC pricing being quoted in late 2008.

These principles serve to guide the development strategy:

- **Leverage** — Maximize use of resources beyond those available to BRHA in the course of ordinary options. A key leveraging resource is the Low-Income Housing Tax Credit (“LIHTC”) program.
- **Diversify** — Provide a range of housing options, by type and location in the Bristol market.
- **Strengthen** — Ensure that BRHA’s mission can be met by having a portfolio that is a strong competitor in the housing market, regardless of household income. Complement the portfolio strength with a business plan for operations (management, maintenance, development) that puts the organization on a sound financial platform, in particular in relation to the vagaries of HUD/PIH funding.

## *Bristol Redevelopment and Housing Authority (BRHA)*

### **Master Plan**

### ***Development Strategy — Executive Summary***

The world of public housing is in transition. BRHA is responding by assessing its context, comprehending its assets, and looking at the investment strategies available to it to meet its mission in the Bristol market. Towards this end, BRHA engaged a consulting team<sup>1</sup> to assist in the development of a **Master Plan**. This *Strategic Direction* serves to summarize the findings and recommendations of the master planning process to-date. This document is organized in three sections: **Context**, **Assets**, **Strategies** and **Recommendations**. Suffice it to say that BRHA is poised to make dramatic and lasting contributions to the housing and redevelopment needs of Bristol.

#### *Context Summary*

Bristol's population, about 17,400, has held steady for many years, and is projected to remain so. However, the population composition is projected to shift, with persons 55 and over becoming an increasing proportion of the total. Median household income within the City is nearly 15% lower than the surrounding county. About 84% of the City's housing units were built in 1979 or earlier, with 28% before 1950. Much of the recent development in Bristol is along and to the north of the I-81 corridor, particularly Exit 7. BRHA's Sapling Grove development is the most significant new construction in the Virginia Hill neighborhood in decades.

#### *Assets Summary*

BRHA assets include real property (residential and non-residential), flows of funds, and institutional capacity. Although BRHA has grouped its residential property into five (5) Asset Management Projects (AMPs) to reflect HUD's new property-based requirements, the master planning process has identified nine (9) residential clusters and 4 non-residential buildings.<sup>2</sup> The recommended strategy for each cluster is discussed in more detail in the pages that follow. BRHA's existing multi-family portfolio is old, outdated, expensive to care for, spatially concentrated and somewhat mismatched with housing needs. BRHA receives two types of operating subsidy from HUD (Section 8 and Section 9)<sup>3</sup>, plus both capital and replacement housing factor funds under Section 9. A flow of

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<sup>1</sup> EMG with Housing-Solutions<sup>SM</sup>, Springsted and Value Research Group

<sup>2</sup> This is in addition to Sapling Grove, which is owned by a single-purpose legal entity created by BRHA.

<sup>3</sup> Section 8 refers to the Existing Housing Choice Voucher or "HCV" Program administered by BRHA. Section 9 of the Housing Act of 1937 provides operating and capital subsidies for Low-Rent Public Housing. This document uses the term "Section 9" in lieu of "public housing" operated under the auspices of an Annual Contributions Contract (ACC) between BRHA and HUD.



“program income” useable for affordable housing purposes has begun in the form of repayments of loans made by BRHA in connection with Sapling Grove. An important 21<sup>st</sup> century dynamic for larger housing authorities such as BRHA is the move to *asset management*, prompted by HUD and embraced as the sensible means of *leveraging* each of BRHA’s assets, beginning with more property-focused budgeting, accounting, and management systems. BRHA’s assets also include its institutional capacity, notably its staff, and its status as a public housing agency (PHA). This status enables BRHA to deploy its flows of funds in a variety of innovative ways as is explained further in this document.

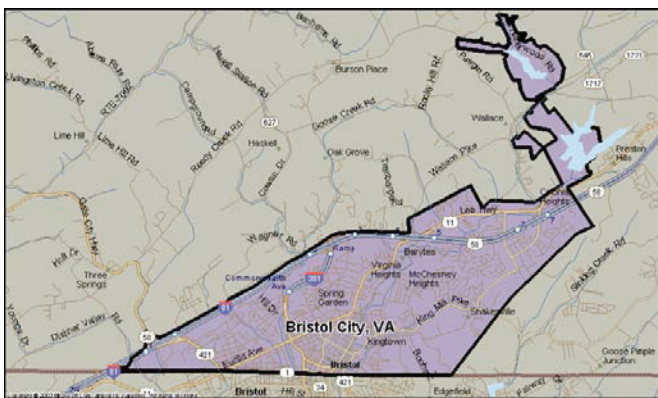
### Strategies Summary

BRHA’s assets — property, funds, institutional capacity — present the keys to opening opportunities. The opportunities sort themselves into three strategy clusters, which are...

- #1 — **Transform and Reposition**, including (a) Using Other People’s Money, (b) Realizing the underlying value of existing assets, and (c) Ensuring financial stability;
- #2 — **Diversify**, in terms of expanding tenure options (sales and rentals), and market niches (with particular focus on the expanding senior market in Bristol); and
- #3 — **Collaborate**, with the public sector (notably the City of Bristol for planning, zoning, infrastructure, and housing code enforcement), the private sector (with special attention to smaller private owners including homeowners) and Virginia Hill neighborhood partners, with Virginia Intermont College an obvious key institution.

## CONTEXT

The Bristol Redevelopment and Housing Authority (“BRHA”) is the second oldest such authority in Virginia, having been founded in 1938. BRHA’s mission is strongly rooted in public policy and purpose, including provision of affordable housing and enhanced opportunities for a higher quality of life for Bristol households.



Bristol is located in southwest Virginia, sharing the state line with Bristol, TN. The population of 17,400 has been steady for many years, with projections holding at this level. The labor force approaches 8,000. Three industry groups (manufacturing, accommodation/food services, and retail) constitute nearly 50% of employment. There is a sizable amount of commuter travel to jobs within Bristol from surrounding areas, including Tennessee. The average weekly wage is about \$545, about 2/3 that of the state average. Median household income is about \$34,000, roughly equal to Bristol, TN, but lower by \$5,000± than either of the surrounding counties.



The housing stock of the city is relatively old, with about 84% of housing units built 1979 and earlier, 28% before 1950. Only 4% of rental stock dates from the 1990>1999 period, while 9% of owner-occupied units date from this time period. Population trends suggest decreases in most age groups except those persons aged 55 and over, projected to grow. BRHA's current portfolio is located in mid-Bristol, just northeast of the main downtown area. It is a neighborhood of older residential structures, some businesses and, notably, Virginia Intermont College (VIC). BRHA's properties are highlighted in color in the map at right. The college is the large group of buildings depicted faintly on the right side of the map, about midway up. The **photo below** focuses on the VIC portion of the Virginia Hill neighborhood, viewed from the east. It shows the hilltop location of the college buildings, and how Bristol is set in the Blue Ridge Mountains. The terrain changes are characteristic of the city generally.



Much of the recent development in Bristol has occurred in the northern section of the city, along and to the north of the I-81 corridor. BRHA's Sapling Grove property (see below) is the newest in the Virginia Hill neighborhood.

## ASSETS

BRHA assets include real **properties** (residential and non-residential), flows of **funds** and **institutional capacity**.

### BRHA ASSETS: PROPERTIES

BRHA's **owned properties** are the original public housing stock. Built from 1941 to 1974, the properties comprise 401 units. BRHA's most recent rental property is **Sapling Grove**, depicted at right. Sapling Grove is a 26-unit property with 1- and 2-bedroom (BR) units, in the middle of the neighborhood. It is a Low-Income Housing Tax Credit (LIHTC) development technically not owned by BRHA, but effectively controlled by the Authority nonetheless.



BRHA also owns four (4) non-residential buildings, used for human services and administration.

The **BRHA-owned properties** are summarized in the following table. Two properties (Bonham and Mosby) are subdivided for strategic purposes, by their potential market-focus, design, and location. This is explained further below.

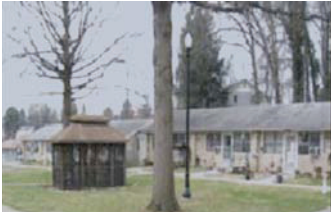
### BRHA Owned & Operated Section 9 Portfolio

Development	Year Built <i>Rehab</i>	# Bldgs	Type	0BR	1BR	2BR	3BR	4BR	5BR	Total DUs	% of total	Cum %
Rice Terrace	1941±2007	17	RH	0	37	52	43	4	0	136	34%	34%
Johnson Court	1941±2007	7	RH	0	0	20	22	18	0	60	15%	49%
Bonham 100s	1955/96	4	RH	0	0	7	9	4	0	20	5%	54%
Bonham 400s	1955/96	6	RH	0	0	22	23	0	0	45	11%	65%
Mosby Courtyard	1966	5	RH	0	20	0	0	0	0	20	5%	70%
Mosby Hill	1966	5	Dup	0	5	1	4	0	0	10	2%	73%
Mosby TH	1966	5	Dup	0	0	0	0	6	4	10	2%	75%
Stant Hall	1969	1	Elevator	25	25	0	0	0	0	50	12%	88%
Jones Manor	1974	1	Elevator	25	25	0	0	0	0	50	12%	100%
		51	<i>TOTAL</i>	50	112	102	101	32	4	401		
			<i>% of total</i>	12%	28%	25%	25%	8%	1%			

Some aspects of the portfolio that immediately stand out include...

- **Age** — Half the units were built in 1941, with all but 50 units before 1970
- **Bedroom (BR) size distribution** — Nearly 80% of units are 1>3BRs in size, in almost equal numbers. About half of these units are in the 1941 properties, Rice and Johnson
- **Twin Towers** — The only significant physical difference between Stant and Jones is age, having been built 5 years apart. The two buildings are physically essentially identical, and share a site.

Other portfolio attributes are more evident when the properties are viewed in context. The division of **Mosby** into three properties is obvious when the building types are observed. The three are at separate locations, each fitting into the neighborhood fabric. (See purple on the BRHA map on page 2.) Mosby Courtyard has the largest concentration of small units, and is currently occupied by mostly senior renters. It will likely remain so, even after rehab and refinancing of that enclave as explained in the Strategies section at the conclusion of this document. One or both of the other Mosby enclaves may be appropriate for **eventual** homeownership sales, as they are somewhat larger units, but selling units is advisable only if and when adequate homebuyer training and robust City housing code enforcement is in play. Also, if LIHTC is used to finance all Mosby rehab, units cannot be sold until after the 15-year LIHTC compliance period.



Mosby Courtyard



Mosby Townhouses (THs)



Mosby Single-Family (SF)

Similarly the two **Bonham** properties are distinct by location and layout. (Bonham is yellow on the BRHA map on page 2.) The Bonham 400s are attractively situated around a *cul-de-sac*, off Oakview. This parcel is close to Virginia Intermont College, which is slightly visible up the hill in the photo below left. By comparison the Bonham 100s are in the midst of the older Rice property, distinguishable only by the brick rather than the white coated masonry walls. (Rice is red on the BRHA map.) The Master Plan’s recommended strategy differs for each of the two Bonham enclaves as described in the conclusion of this document.



Bonham 400s



Bonham 100s (brick) set in midst of Rice (white coated)

BHRA has four **non-residential** buildings. One is used as a day-care center. It is located at the SW corner of the Johnson site. The Administration Building (which has both management and maintenance functions) is large, on an even larger site on Piedmont Avenue, a main connector north from the downtown to Euclid Avenue.

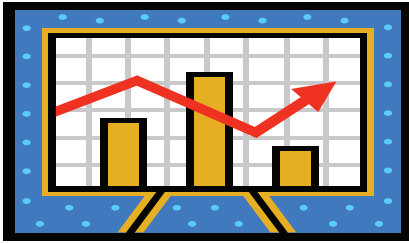


Day Care Center



View north from Admin Building

## BRHA ASSETS: FUNDS



Funds include both operating and capital. Some but not all of BRHA's money comes from HUD. Indeed an increasing proportion (especially on the capital side) will come from non-HUD sources. BRHA receives two types of operating subsidy funds from HUD. It also receives two types of capital funds from HUD, plus a flow of "program income" over which HUD has some control. These funds and other money sources are discussed below.

HUD provides operating subsidy to BRHA via two programs...

- **Section 9** — "Operating Fund" subsidy authorized under Section 9 of the Housing Act of 1937 supports operations of BRHA's traditional public housing portfolio. BRHA receives about \$1,100,000 in Section 9 operating subsidy. This is applied to the 401 units in this portfolio, as well as providing subsidy to the Section 9 units in the Sapling property. Tenant-generated income in all Section 9 units is about \$550,000 annually.
- **Section 8** — BRHA receives about \$927,000 annually in subsidy in support of the Section 8 tenant-based Housing Choice Voucher ("HCV") program. BRHA's Section 8 baseline is 254 units.

Capital moves to BRHA from HUD in two ways...

- **Capital Funds** — Funds under HUD's Capital Fund Program (CFP), intended to address capital needs of BRHA's Section 9 portfolio, are provided annually. BRHA currently receives about \$585,000 each year in CFP funds although it (like the other subsidies) varies depending on Congressional appropriations.
- **Replacement Housing Factor** — As the result of demolition/disposition of units previously in the Section 9 portfolio, BRHA will receive about \$170,000 annually in "RHF" funds. RHF funds may only be used to develop affordable housing that replaces Section 9 units lost in whole or in part.

A third source of capital is...

- **Program Income** — As part of the Sapling financing, BRHA agreed to defer the *developer fee* it would otherwise have earned during construction and rent-up. Repayment of this loan (and any other loans BRHA may make in future in support of LIHTC deals) constitutes *program income* ("PI"), covered by HUD regulations for affordable housing purposes. The amount of the deferred developer fee is \$431,684. This sum is projected to be paid back from cash flow over a period of several years.

Finally BRHA's evolution to operating consistent with conventional real estate practices (called *asset management* in new HUD parlance) includes a variety of ways in which **leveraging** of BRHA investments is a standard for decision making. In this context BRHA looks to "other people's money" for financing and operations of its ventures. The



Sapling development generated about \$2.8 million in investor funds and conventional debt, many times over the investment by BRHA of its *developer fee*. The kinds of transactions envisioned in the Strategies section of this document would similarly leverage public housing investments by a significant amount.

## BRHA ASSETS: INSTITUTIONAL CAPACITY



Critical to any organization is its array of *institutional* assets. For BRHA these include its powers both as a public housing agency (PHA) and as a redevelopment authority; the ability to operate via affiliated entities in various housing realms; and staff capacity in terms of development, management and maintenance of affordable housing.

Being a housing authority provides BRHA with what amounts to monopoly access to flows of funds and associated administrative jurisdiction, notably those described in the preceding section. As a redevelopment authority BRHA can use available public powers in furtherance of desirable community objectives. These powers are sensibly applied in relation to City goals and policies, as discussed under “Collaboration” further below.

In the past 15 years, organizations such as BRHA have learned the lessons of the private sector in terms of structuring real estate ventures, namely that each deal must prosper or fail on its own. The creation by PHAs of affiliated entities (such as the owner entity that BRHA created as a necessary element of the Sapling development) is increasingly routine in quasi-public undertakings. HUD’s *asset management* initiative is prompting PHAs to understand the dynamics of the operations of its constituent operating components. This means viewing management, maintenance and various central support functions as “business units”, each needing to have operating viability.

BRHA’s success in managing and maintaining several multi-family rental properties, and its success in administering various HUD programs speaks to the capacity of its staff. Knowledge, skill and stability are each crucial elements of a successful operation. Building on these elements is possible given the foundation which BRHA has in place.

This includes the leadership and guidance furnished by BRHA’s Board of Commissioners, including the Strategic Plan Logic Model adopted by the BRHA Board that stipulates the following end outcomes:

- Regional leadership regarding affordable housing
- Improved financial position
- Establishment of beneficial partnerships
- Advancement of organizational structure and employee development
- Serving as a catalyst for neighborhood improvement

## ***STRATEGIES***

BRHA's assets — property, funds, institutional capacity — present the keys to opening opportunities. The opportunities sort themselves into three strategy clusters, which are...

### **#1 — Transform and Reposition**

### **#2 — Diversify**

### **#3 — Collaborate**

The elements that contribute to making the most of each strategy are set forth below.

### **#1 — Transform and Reposition**

It is abundantly evident that BRHA's existing multi-family portfolio is old, outdated, expensive to care for, spatially concentrated and is somewhat mismatched with housing needs. In this sense BRHA is not very different from most other PHAs in Virginia and throughout the US. In order for BRHA to meet its mission in the Bristol market, it must maximize any and all *leveraging* opportunities.

The brutal reality is that the flow of HUD capital funds as currently projected is just plain insufficient (in amount and timing) to meet the capital needs of BRHA's existing stock. But what appears as a huge problem is in fact a very significant opportunity, namely opening the door to using HUD dollars—plus any and all other financing mechanisms—to transform and reposition BRHA's portfolio. Here are specific BRHA investment strategies that form the underpinning of the specific recommendations summarized in the conclusion of this document:

*1.1 Use Other People's Money* — BRHA has already embraced this strategy in the Sapling Grove development. The essential strategy going forward is a business plan that times the transformation/repositioning approach such that BRHA uses its investment dollars in any given year in a manner that maximizes financing potential. The financing possibilities include private conventional and/or FHA-guaranteed debt, Low-Income Housing Tax Credit investments (both 4% and 9% credits), purchase money notes from sellers (including BRHA as the seller—see *1.2* below), special gap and/or energy-saving financing, resident diversification to meet broad-range of income objectives, and creative subsidy structuring. A particular constraint in maximizing LIHTC yield is that none of Bristol's census tracts meets the program's Qualified Census Tract (QCT) or Difficult to Develop Area (DDA) criteria for a 30% bonus in tax credit yield.<sup>4</sup> However, the Sapling Grove development provides BRHA competitive experience points that facilitate its future pursuit of the more lucrative 9% credits vs. 4% credits in tandem with tax-exempt debt.



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<sup>4</sup> IRS regulations that govern the LIHTC program nationally require each state's housing finance agency to maintain a Qualified Allocation Plan (QAP) that fosters particular public policies. For years, most states' QAPs have provided a 30% bonus to successful applications located in areas of high poverty or relatively lower development activity. These latter are deemed QCTs and DDAs, respectively.

*1.2 Realize Underlying Value of Existing Assets* — Each BRHA property has an underlying value, if only by virtue of being real estate. This is abundantly evident by the success of the Sapling Grove development in transforming a large parcel into an attractive, highly-marketable property that is broadly recognized as a huge element in transforming the neighborhood. The value of the Sapling property was in large part its visibility. The underlying value of the other existing BRHA properties will be in location, viability in current or modified form in the rental market and/or potential as owner-occupied properties. As each property is assessed for best *repositioning*, attention to the underlying value is a critical variable. As examples, consider the following:

- The Mosby single-family (SF) structures are up on a hill in an area of owner-occupied homes.
- The Mosby townhouse (TH) structures are similar to condominium developments in the Bristol area.
- Stant and Jones have unit configurations and land availability that are readily transformed to meet needs of the one clearly expanding market niche in Bristol, namely seniors.
- Johnson is at a highly visible neighborhood gateway location at a main intersection from the northeast.
- Bonham 400s are attractively sited, which cannot be said of the Bonham 100s.

*1.3 Ensure Financial Stability* — The rationale behind HUD’s new *asset management* requirements carry with them several key concepts, the most central of which is — *Each ship (property) must float (or sink) on its own!* The reality of affordable housing provision in the 21<sup>st</sup> century is that it must operate on the standards of “real” real estate. Each property needs to have a financial structure that is sound, with Income/Expense (“I/E”) projections always yielding a profit, inclusive of all subsidy sources. Further, just as each affiliated real estate entity needs to be financially sound, so also must each organizational component of the parent organization.

## **#2 — Diversify**

Two findings of the market study commissioned by BRHA are especially relevant. First, the community is essentially stable in population and economic attributes. Given the relatively high proportion of the population below the Area Median Income (“AMI”) benchmark, understanding housing needs in the context of fundamental market dynamics is important. Diversification is a fundamental strategy for BRHA, in meeting its mission and in ensuring financial stability.

*2.1 Diversify Tenure Options* — The mission statement of BRHA speaks to the provision of affordable housing. It is not limited to rental housing. It is generally recognized that a healthy neighborhood has a mix of owner occupants and renter residents. Some of BRHA’s existing properties in the Oakview Avenue corridor are potentially marketable



for homeownership.<sup>5</sup> BRHA has already undertaken such an initiative, building a new single-family dwelling (SFD) on West Mary Street. Doing so in the immediate neighborhood, and facilitating similar ownership opportunities in other Bristol neighborhoods (possibly including use of Section 8 HCVs in a homeownership program) is a sound diversification strategy.<sup>6</sup>

### 2.2 Identify Market Niches — The **market study**

which is an element of BRHA’s master planning process has identified at least one change in market composition worthy of note. Bristol, like many markets, is experiencing an increase in persons aged 55 and over. At the same time, there has been a decrease in family households, those in the age 25>44 range. This alone suggests a sensible diversification strategy. The challenge for BRHA is that 60% of its existing Section 9 portfolio is units of 2 to 5 bedrooms, much more appropriate to the demands of the past. *None of BRHA’s existing portfolio properties are targeted exclusively for seniors.* As seniors in Bristol live longer, various aging-in-place and assisted living options make sense. The photo above right depicts an independently-owned property providing both independent and assisted living, in the western portion of Bristol. BRHA can sensibly investigate expanding its offerings and participation in affordable housing resources targeted to an ever-aging population.



2.3 Diversify Locations — At present, the Authority’s existing Section 9 portfolio is totally concentrated within the Virginia Hill neighborhood. This is evidenced on preceding maps. BRHA will be well served by a strategy of geographic diversification, which meets both public policy (de-concentration of poverty) and real estate considerations (potential acquisitions of existing properties, and/or construction of new housing, for mixed-income housing as opportunities present themselves from time to time throughout Bristol).

### #3 — Collaborate

Realizing the best future for Bristol is a community undertaking. BRHA can play a significant role, wearing both its housing and its redevelopment hats. However, the best outcome for each of the critical participants and for the community generally is by **collaboration.**

<sup>5</sup> Selling units is advisable only if and when adequate homebuyer training and robust City housing code enforcement is in the offing. Also, if LIHTC is used to finance rehab costs, no such unit could be sold until after the 15-year LIHTC compliance period.

<sup>6</sup> The Section 8 Existing Housing Choice Voucher Program provides the option of using HCVs to help subsidize home purchases by those with incomes at or below 50% of AMI. Essentially, the vouchers used under this option subsidize the difference between 30% of the households adjusted income (their share of the shelter) and the monthly cost of mortgage principal and interest, taxes, insurance, and even an allowance for maintenance and a set-aside for capital replacement.

3.1 *Public Sector* — The City, the State (including such quasi-public agencies as VHDA), various Federal agencies and BRHA can effectively collaborate to generate good, enduring outcomes for Bristol. The Sapling Grove development is one very specific example. A **key collaboration** in the traditional redevelopment vein is coordinated planning, housing code enforcement and targeted public investment. The photo at right



subtly illustrates the need for this. BRHA’s new single-family detached (SFD) house is barely visible in the right background. The left background of the photo shows a glimpse of a nearby school that has been recently rehabbed to provide senior housing. Unfortunately, these initiatives are at competitive disadvantage when essentially abandoned properties are permitted to remain in poor condition in their midst. One possible outcome of BRHA’s master planning process is a closer working relationship between BRHA and the City of Bristol. One of the master planning products, a *Neighborhood Revitalization Initiative*, is intended to facilitate such a process. Other key collaborations would be larger-scale redevelopment efforts, where City capital investments (water, sewer, road and so on) need to be linked with investments made by other public, quasi-public, non-profit and/or private entities. Finally effective policing enhances a sense of neighborhood safety.

3.2 *Private Sector* — Most public redevelopment investment is of the “pump priming” variety. The intent is to create a positive environment for the private sector to make its own investments, which, in the ordinary course of events, exceed public investment by a



very large margin. In Bristol it is important to recognize that a significant portion of the private sector consists of individual property owners, many being homeowners and others comprising small rental-property owners. A typical example of the latter is shown at left. It evidences the kind of continuing maintenance and capital planning that one hopes for from all property owners.

On the other hand, areas of disinvestment and deterioration really stand out in neighborhoods and smaller communities such as Bristol. It is better for the public sector to be aggressive up-front than to have to spend large amounts of time and money to reclaim once attractive, desirable neighborhoods. It is also in the best interest of a community to keep neighborhoods strong and healthy, as that ensures good property values, thus a stable, growing flow of public income via real estate taxation. A hoped-for outcome of BRHA’s master planning process, consistent with the Strategic Plan Logic Model, is an expansion of the Authority’s ability, in tandem with others, to use the full range of its assets and tools to bolster private sector investments in affordable housing in



Bristol, both existing and new. These assets and tools include BRHA’s ability to “project base” a portion of its Section 8 HCVs for a period of years<sup>7</sup>, as well as to work below the radar through one or more instrumentalities of its creation to make judicious real estate investments that improve housing condition and make money for the organization at the same time.

*3.3 Neighborhood Partners* — A particular focus for Bristol is the neighborhood in which BRHA housing and offices are clustered, known as *Virginia Hill*. This area stretches roughly from the Lee Highway/Euclid Avenue/Moore Street intersection at the north to Scott Street at the south. Virginia Intermont College (“VIC”) and BRHA are the largest property owners. However, there are several other large properties, such as the two senior housing buildings in former schools. VIC, the City and BRHA should explore ways to collaborate such that the objectives of each can be met through collaboration. This could ostensibly range from acquisition and rehab by BRHA or affiliates of housing to be used as dormitories, to neighborhood investments in streetscape and traffic patterns that facilitate the operation of a vibrant institution of higher learning in a quiet up-and-coming residential neighborhood just north of downtown Bristol.

Of particular interest for BRHA, VIC, the City and others is the area now occupied by Johnson Court. This large parcel is located at what amounts to a “gateway” to the *Oakview* and *Moore Corridors*, which includes all of BRHA’s current holdings and



virtually all of the existing VIC campus. All surrounding uses (single-family dwellings to the east, senior housing and VIC to the south, housing and institutional uses to the west, and commercial and residential property to

the north) will benefit by sound, collaborative planning and implementation for redevelopment of this site. BRHA’s **master planning** process has tentatively concluded the eventual highest and best use of the Johnson Court site is homeownership, of a design and density befitting the parcel’s “gateway” status.

These and other recommendations emerging from the **master planning** process are discussed in the concluding section of this document.

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<sup>7</sup> Another programmatic option offered under the Section 8 Existing Housing Choice Voucher (HCV) Program is the ability of BRHA to allocate vouchers to specific units in specific properties for a period of up to fifteen (15) years. This is known as Project Based Vouchers (PBV). Using PBV can serve to bolster the vitality and physical condition of properties owned by others and/or those owned or controlled by BRHA or entities of its creation. This can even apply to units once under the Section 9 portfolio but removed via HUD disposition approval and refinanced as, say, LIHTC units with a Section 8 (PBV) subsidy instead of the former Section 9.

## ***RECOMMENDATIONS***

The three strategies —*Transform and Reposition*, *Diversify* and *Collaborate* — can be put into practice to good effect. Implementing the “transfer and reposition” strategy can be initiated quickly. The actions associated with that strategy incorporate elements of diversification and collaboration. Actions involving a BRHA affiliate in a developer role serve also to improve and stabilize the organization’s financial position, including income from services, developer fees and management fees.

### **#1 — Mosby and Bonham 400s**

The Sapling Grove development initiated the process of transforming BRHA’s holdings in the *Oakview Corridor*. The next step is to package the Mosby and Bonham 400s into two single developments, significantly rehabilitating each set of buildings and units with the associated site. Particular attention to aesthetics and “fit” to the appearance standard set by Sapling Grove will serve to continue the important upgrade of the neighborhood. The effort can be undertaken quickly, with a single-purpose owner entity affiliate of BRHA, as with Sapling Grove. The 40 units at Mosby and the 39 units at Bonham 400s would remain in current distribution by BR size. Financing would include 9% LIHTC, a *Purchase Money Note* from BRHA equal to the appraised value of the property, and a conventional 1<sup>st</sup> mortgage. Bonham 400s requires some deferred developer fee. Operating subsidy would be provided via S9 and PBV means. Use of PBV generates the cash flow sufficient to repay both 1<sup>st</sup> mortgage and PMN debt on an annual basis.

### **#2 — Stant/Jones**

The Stant/Jones complex is also a prime candidate for transformation and repositioning, targeting the growing senior population. It may be possible to expand the property, adding facilities sufficient to make it both Independent and Assisted Living. A key element of this transformation is the ability to cover operating costs for Assisted Living. It will be important to understand Virginia’s Medicaid waiver approach, as those funds will be a key source given the target low-income senior population. Again, the venture would be initiated by a single-purpose owner entity affiliate of BRHA. A key consideration will be the means and methods of providing the services associated with Assisted Living (medical and social services, meals, housekeeping and personal assistance). The configuration of the 100 units (50 OBR and 50 1BR) needs to be studied relative to any change, from both a market and a technical perspective. Financing could include 9% LIHTC, a *Purchase Money Note* from BRHA equal to the appraised value of the property, a *Mixed-Finance* mortgage from BRHA and possibly conventional debt. Operating subsidy would be provided via S9 and PBV means. Use of PBV should generate the cash flow sufficient to repay the conventional mortgage and PMN debt on an annual basis, and some pay-down of the *M-F* loan.

### **#3 — Rice/Bonham 100s**

From a physical condition and location perspective, neither Rice nor Bonham 100s merit retaining, reconfiguring and transforming. Rather, the first action here is one where a good first outcome is achieved by following the maximum “less is more”. These properties should be demolished. The land associated with them constitutes a significant resource first as enhanced open space, then as locations to meet housing and/or other development objectives in this neighborhood. Continued use as *green space* is certainly among the good outcomes to be considered. It is important to time the demolition in the context of the Federal Fiscal Year, maximizing the outcome in both new Housing Choice Vouchers and flows of Replacement Housing Factor funds. New HCVs constitute an important asset in diversifying, both type and location of affordable housing opportunities. Future use of the Rice/Bonham 100 sites opens collaboration opportunities, including the transformation of the southwest portion of the neighborhood.

### **#4 — Johnson**

The high visibility location of the Johnson property presents a significant opportunity for diversification and collaboration. The future for this site is sensibly market-driven, finding, then implementing its “highest and best use”. At a minimum, VIC and the City will be important in the process that determines the “what and when” for this site. The “what and when” will in turn determine roles, financing and future. Of course, BRHA as the property owner has a central role.

### **#5 — Neighborhood Revitalization Initiative**

The four preceding recommendations identify the key role that BRHA can play as it invests its time, money and property assets in the transformation of the larger neighborhood. Any of the recommended actions will have a very significant impact on the neighborhood. However the four recommendations highlight only those actions that BRHA can initiate and in many ways implement on its own. BRHA owns the properties, has means and methods for financing and operating, and the ability to undertake and complete the actions contemplated. That cannot be said for the balance of the neighborhood. There are many who have a stake in the future of Virginia Hill, including property owners (both residential and other, with VIC a key institutional presence), residents, and those who come to the neighborhood to play, learn, work, shop, worship or simply visit. It is in the best interests of the City and BRHA (the two public entities with most at stake in the neighborhood’s future) to create a process that generates enthusiasm and commitment leading to good outcomes.

