



Sign In

AlexandriaVA.gov Dockets Calendar City Council Boards & Commissions Archives How to Participate

Share RSS Alerts

Details Reports

File #: 13-0555 Name: East Reed Predevelopment Funding
 Type: Status: Agenda Ready
 File created: 8/15/2012 In control: City Council Legislative Meeting
 On agenda: 9/27/2012 Final action:
 Title: Consideration of a Request from AHC, Inc., for a Predevelopment Loan to facilitate a Proposed Affordable Housing Development on East Reed Avenue.
 Attachments: [13-0555_East_Reed_Elevation090412.pdf](#), [13-0555_East_Reed_Plan_View_090412.pdf](#)

History (1) Text

City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 19, 2012
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: RASHAD M. YOUNG, CITY MANAGER /s/

DOCKET TITLE:

TITLE

Consideration of a Request from AHC, Inc., for a Predevelopment Loan to facilitate a Proposed Affordable Housing Development on East Reed Avenue.

BODY

ISSUE: Provision of \$250,000 in predevelopment funding as a loan to AHC to help facilitate its proposed 77-unit affordable housing development on East Reed Avenue.

RECOMMENDATION: That City Council authorize a \$250,000 loan to AHC, Inc. from the City's Housing Trust Fund for predevelopment costs for the proposed East Reed affordable housing development, with these funds to be repaid if the project receives future City land use approvals and is successful in its application for 2013 low income housing tax credits (LIHTC) from the Virginia Housing Development Authority (VHDA).

BACKGROUND: AHC, Inc. (AHC) is a 501(c)(3) nonprofit housing development entity. Since its establishment in 1975, AHC has developed or preserved more than 5,000 units of affordable and workforce rental housing among the 39 apartment communities it owns in Arlington County, Fairfax County, the City of Richmond, the Virginia Tidewater region, the City of Baltimore and other Maryland jurisdictions. AHC has been designated an "experienced affordable housing developer" by the Virginia Housing Development Authority (VHDA) for its proven success in developing, financing, and operating sustainable tax credit funded properties, including both new construction and preservation/rehabilitation of existing complexes. In addition to managing its own rental portfolio, AHC also operates a robust resident services program and provides third party property and asset management services.

The East Reed development proposed by AHC, and depicted in Attachment 1, would be the organization's first project in the City of Alexandria. Located on the 100 block of East Reed, AHC's development concept includes seventy-seven (77) apartments, comprised of one, two and three bedroom units, with all to have rents affordable to households with incomes at or below 60% AMI (e.g., \$64,500 for a four person household). The building, as currently contemplated, will range from four to five stories in height (like The Preston, across the street, on the other side of East Reed), and underground parking for residents and their guests. There will be a community room available for public use, however, the primary function of the space will be for AHC to provide on-site programs (e.g., after school activities and tutoring, summer camp, adult education and computer classes) for building residents.

In addition to assembling six privately owned properties along East Reed, which AHC has under contract, AHC needs the parcel of City-owned land (3600 Jefferson Davis Highway) at the corner of East Reed and the Jefferson Davis Highway (Route 1) to complete its assemblage for the proposed apartment project. In addition to a Section 9.06 review, a number of zoning and land use approvals are also required (i.e., CDD Amendment to amend CDD #7 to show the removal of the subject property from the CDD; rezoning from CDD #7 to CRMU-H; Master Plan Map Amendment (Potomac West Small Area Plan) with regard to amending the zoning map, specifying a height

limit for subject site and amending CDD principles as to density and ground level open space; DSUP Application; SUPs through City Code Section 7-700 to increase the FAR above the 2.5 and reduce the parking requirement; and possible modifications to the vision clearance line and to zone transition, pending additional review).

The anticipated cost of the development is around \$24 million, which AHC plans to fund through a variety of sources, including competitive (9%) low income housing tax credits, a mortgage and equity from its own reserves of nearly \$1 million. Besides the "at risk" predevelopment funding (described in more detail, below) being requested from the City, AHC is requesting up to \$2.25 million more in gap financing from the City's Housing Opportunities Fund. These corollary issues and approvals are all anticipated to come before the Planning Commission and City Council in December 2012. The approval of this predevelopment loan does not bind Council with regard to the forthcoming future land use decisions concerning this project. If Council does not approve the rezoning, DSUP property funding transfer of 3600 Jefferson Davis Highway, and the \$2.25 million Housing Opportunities Fund loan, then the \$250,000 initial loan would convert to a grant.

DISCUSSION: AHC has requested a loan from the City of \$250,000 in predevelopment funding so that it can continue to develop its project design, complete architectural, engineering and environmental studies and reports, and conduct the necessary due diligence to assure the viability and long term sustainability of the proposed development. AHC is also providing some small payments to owners of the assembled East Reed properties to maintain options to purchase the parcels once it obtains the various entitlements for the proposed project. AHC needs to acquire outright one property from an owner who is not willing to wait to settle until AHC completes the land approval and LIHTC application processes in 2013.

Because early stage funding is so difficult to secure from conventional lenders due to the risk that the project might not go forward, the City has frequently provided predevelopment assistance for nonprofit-sponsored affordable housing (e.g., Beasley Square, Longview Terrace, 612 Notabene, and ARHA's Quaker Hill). When a project is determined to be feasible, attains the necessary development approvals, and moves forward with construction and permanent financing, any predevelopment funds that have been advanced by the City have been recast as a loan, and, if applicable, incorporated into a larger total permanent loan from the City. The total loan is then secured by the project, subject to senior debt, and repaid pursuant to the terms of the City loan agreement. If a project does not ultimately move forward, the City's investment of predevelopment funding is converted to a grant and there is not an expectation of repayment. It has been the practice, under the guidelines of the Housing Opportunities Fund Loan program, that staff has been delegated discretion to evaluate and administratively approve predevelopment loans. Since past awards for predevelopment support have been for \$50,000 or less, and the amount requested by AHC for East Reed is considerably higher, City Council's approval is requested before putting this level of resources potentially at risk.

Staff believes that, given AHC's capacity, its development track record and its willingness to stake its own reserves (per the project pro forma, the organization expects to expend more than \$1,250,000 to get through the City's development approval process and submit a tax credit application), that the proposed City investment is appropriate given the potential return. AHC is proposing a 60- year affordability term at East Reed, so the project would yield a substantial long term affordable housing asset, if developed. The anticipated high level of predevelopment spending is typical in high-quality expectations urban jurisdictions like the City of Alexandria, where there is a premium placed on good planning and design and robust public processes. In fact, due to the increasing cost of the early phases of project development, and the financial burdens that could act as a disincentive for nonprofit developers of affordable housing, the forthcoming Housing Master Plan contains a recommendation that staff have administrative authority to approve "the greater of \$50,000 or \$5,000/unit in predevelopment funds to facilitate affordable housing development." In the case of East Reed, this tool, if adopted as proposed, would allow staff to administratively approve predevelopment funding of up to \$385,000 for the 77-unit project, if determined to be warranted following a review of the feasibility and merits of the proposal.

City staff is also working on a public-private partnership with AHC so that it can actively participate in the development and ongoing governance of the East Reed project. If a partnership concept were approved, the parcel at 3600 Jefferson Davis Highway would be the City's equity in a City-AHC partnership to complete the proposed development's land assemblage. After the initial tax credit period (approximately fifteen years after project completion) when the development was well-established, AHC would then buy out the City's partnership share for a price that is approximately equivalent to the fair market value of the 3600 parcel today (estimated around \$720,000, exclusive of possible environmental cost remediation sharing that would be credited against AHC's future purchase amount).

Consideration of the terms and conditions of a potential City-AHC partnership agreement and the disposition of the 3600 parcel by appropriation of the land will require a Section 9.06 hearing as part of the development approvals and financing package presented to City Council in December. As the City's own financial resources become more constrained, public-private partnerships will likely become a more common vehicle for leveraging third-party sources to achieve community benefits. As proposed in the Beauregard Plan, and in the upcoming Housing Master Plan, public-private and nonprofit collaborations can be important tools in future development of affordable housing.

When an earlier version of this affordable housing project was previously discussed by Council, issues related to the adequacy of parking and a the potential need for a right-hand turn land from Route 1 to Reed Avenue were raised. Staff and AHC believe that those issues are now addressed through the provision of 77 parking spaces, as well as the creation of a perpetual City easement on the development site which would be adequate to add a right hand turn lane if such a lane was determined to be needed in the future.

At its September 13, 2012 meeting, the Affordable Housing Advisory Committee (AHAC) approved AHC's request for predevelopment funding on an 8-0 vote. While the City's money will be "at risk" the Committee is very supportive of the opportunity to potentially achieve new affordable housing in this transit-oriented location.

FISCAL IMPACT: The City's investment of \$250,000 in AHC's predevelopment costs will be converted into a loan if the East Reed project is successful in its attaining development approvals and low income housing tax credits. If the project goes forward, it is likely that the predevelopment funding will be incorporated into a larger permanent loan of approximately \$2.5 million total and repaid, on a

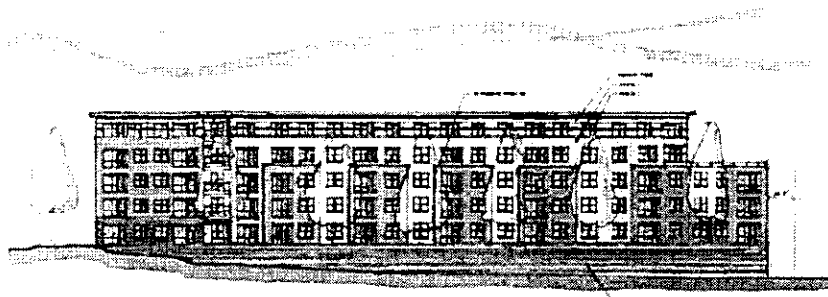
residual receipts basis, pursuant to the terms and conditions of the City's loan agreement. AHC's pro forma shows the City loan being repaid between Years 1 through 35. If the project does not go forward either as a result of Council land use decisions or because of inability to obtain tax credits, then the \$250,000 would be converted into a grant.

ATTACHMENTS:

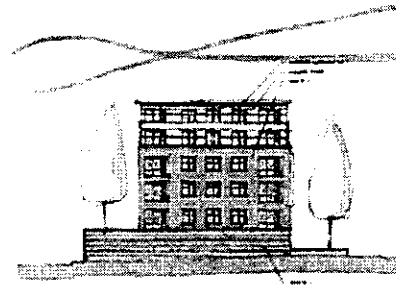
- Attachment 1: Proposed AHC Development Proposal East Reed Development Elevations
- Attachment 2: Proposed AHC Development Proposal East Reed Development Plan View

STAFF:

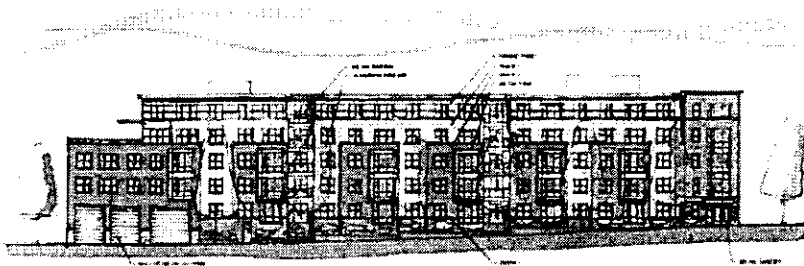
Mark Jinks, Deputy City Manager
Mildrilyn Davis, Director, Office of Housing
Helen McIlvaine, Deputy Director, Office of Housing



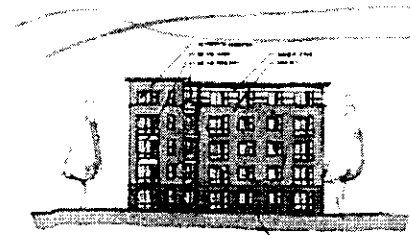
2 LUNA PARK DRIVE (NORTH ELEVATION)
1" = 20'-0"



4 WEST ELEVATION
1" = 20'-0"

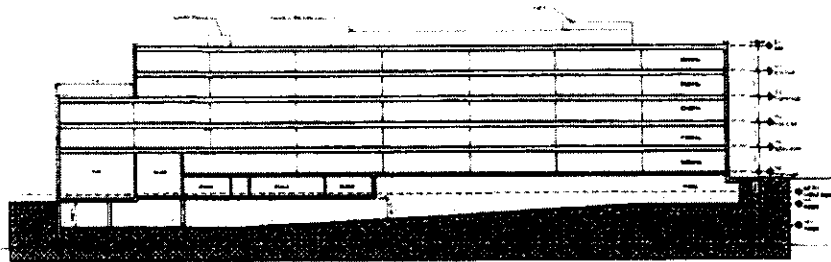


3 REED AVENUE (SOUTH ELEVATION)
1" = 20'-0"

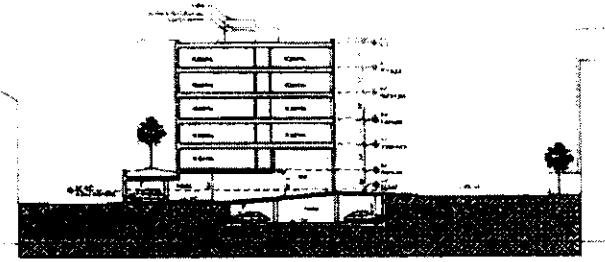


5 JEFFERSON DAVIS HIGHWAY (EAST ELEVATION)
1" = 20'-0"

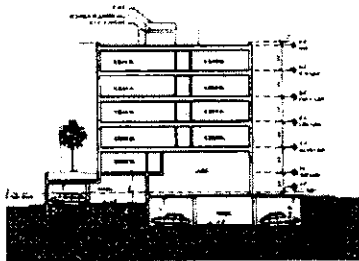
APPROVED
SPECIAL USE PERMIT NO. _____
DEPARTMENT OF PLANNING & ZONING
DATE: _____
BY: _____
OFFICE OF TRANSPORTATION & ENVIRONMENTAL SERVICES
SITE PLAN NO. _____
DATE: _____
BY: _____
DATE: _____



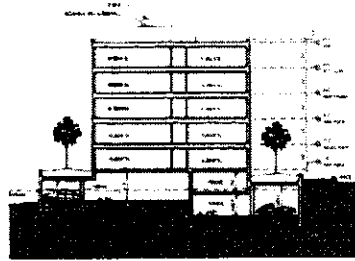
SECTION 1
1" = 20'-0"



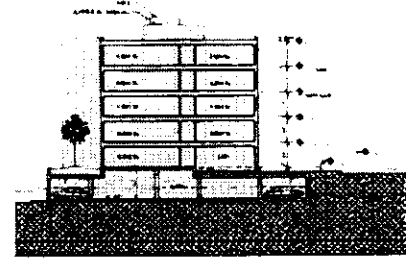
SECTION 2
1" = 20'-0"



SECTION 3
1" = 20'-0"



SECTION 4
1" = 20'-0"



SECTION 5
1" = 20'-0"

APPROVED

SPECIAL USE PERMIT

DATE: 09/04/12

BY: [Signature]

PROJECT NO. 120 EAST REED AVENUE

DATE: 09/04/12

BY: [Signature]

PROJECT NO. 120 EAST REED AVENUE

DATE: 09/04/12

BY: [Signature]

PROJECT NO. 120 EAST REED AVENUE

DATE: 09/04/12

BY: [Signature]

PROJECT NO. 120 EAST REED AVENUE

DATE: 09/04/12

BY: [Signature]

AHC, Inc.

September 4, 2012
© 2012 AHC, Inc. All Rights Reserved

BUILDING SECTIONS

1" = 20'-0"

120 EAST REED AVENUE, ALEXANDRIA, VA

A3.1

Bonnie H. Horenstein
ARCHITECTS

FLOOR PLANS

1" = 20'-0"

APPROVED

DEPARTMENT OF PLANNING & ZONING

OFFICE OF THE CITY MANAGER

DATE: 08/21/12

PROJECT: 120 EAST REED AVENUE, ALEXANDRIA, VA

REVISIONS:

NO. 1: ORIGINAL SUBMITTAL

NO. 2: CORRECTED PER COMMENTS

NO. 3: CORRECTED PER COMMENTS

NO. 4: CORRECTED PER COMMENTS

NO. 5: CORRECTED PER COMMENTS

NO. 6: CORRECTED PER COMMENTS

NO. 7: CORRECTED PER COMMENTS

NO. 8: CORRECTED PER COMMENTS

NO. 9: CORRECTED PER COMMENTS

NO. 10: CORRECTED PER COMMENTS

NO. 11: CORRECTED PER COMMENTS

NO. 12: CORRECTED PER COMMENTS

NO. 13: CORRECTED PER COMMENTS

NO. 14: CORRECTED PER COMMENTS

NO. 15: CORRECTED PER COMMENTS

NO. 16: CORRECTED PER COMMENTS

NO. 17: CORRECTED PER COMMENTS

NO. 18: CORRECTED PER COMMENTS

NO. 19: CORRECTED PER COMMENTS

NO. 20: CORRECTED PER COMMENTS

NO. 21: CORRECTED PER COMMENTS

NO. 22: CORRECTED PER COMMENTS

NO. 23: CORRECTED PER COMMENTS

NO. 24: CORRECTED PER COMMENTS

NO. 25: CORRECTED PER COMMENTS

NO. 26: CORRECTED PER COMMENTS

NO. 27: CORRECTED PER COMMENTS

NO. 28: CORRECTED PER COMMENTS

NO. 29: CORRECTED PER COMMENTS

NO. 30: CORRECTED PER COMMENTS

NO. 31: CORRECTED PER COMMENTS

NO. 32: CORRECTED PER COMMENTS

NO. 33: CORRECTED PER COMMENTS

NO. 34: CORRECTED PER COMMENTS

NO. 35: CORRECTED PER COMMENTS

NO. 36: CORRECTED PER COMMENTS

NO. 37: CORRECTED PER COMMENTS

NO. 38: CORRECTED PER COMMENTS

NO. 39: CORRECTED PER COMMENTS

NO. 40: CORRECTED PER COMMENTS

NO. 41: CORRECTED PER COMMENTS

NO. 42: CORRECTED PER COMMENTS

NO. 43: CORRECTED PER COMMENTS

NO. 44: CORRECTED PER COMMENTS

NO. 45: CORRECTED PER COMMENTS

NO. 46: CORRECTED PER COMMENTS

NO. 47: CORRECTED PER COMMENTS

NO. 48: CORRECTED PER COMMENTS

NO. 49: CORRECTED PER COMMENTS

NO. 50: CORRECTED PER COMMENTS

NO. 51: CORRECTED PER COMMENTS

NO. 52: CORRECTED PER COMMENTS

NO. 53: CORRECTED PER COMMENTS

NO. 54: CORRECTED PER COMMENTS

NO. 55: CORRECTED PER COMMENTS

NO. 56: CORRECTED PER COMMENTS

NO. 57: CORRECTED PER COMMENTS

NO. 58: CORRECTED PER COMMENTS

NO. 59: CORRECTED PER COMMENTS

NO. 60: CORRECTED PER COMMENTS

NO. 61: CORRECTED PER COMMENTS

NO. 62: CORRECTED PER COMMENTS

NO. 63: CORRECTED PER COMMENTS

NO. 64: CORRECTED PER COMMENTS

NO. 65: CORRECTED PER COMMENTS

NO. 66: CORRECTED PER COMMENTS

NO. 67: CORRECTED PER COMMENTS

NO. 68: CORRECTED PER COMMENTS

NO. 69: CORRECTED PER COMMENTS

NO. 70: CORRECTED PER COMMENTS

NO. 71: CORRECTED PER COMMENTS

NO. 72: CORRECTED PER COMMENTS

NO. 73: CORRECTED PER COMMENTS

NO. 74: CORRECTED PER COMMENTS

NO. 75: CORRECTED PER COMMENTS

NO. 76: CORRECTED PER COMMENTS

NO. 77: CORRECTED PER COMMENTS

NO. 78: CORRECTED PER COMMENTS

NO. 79: CORRECTED PER COMMENTS

NO. 80: CORRECTED PER COMMENTS

NO. 81: CORRECTED PER COMMENTS

NO. 82: CORRECTED PER COMMENTS

NO. 83: CORRECTED PER COMMENTS

NO. 84: CORRECTED PER COMMENTS

NO. 85: CORRECTED PER COMMENTS

NO. 86: CORRECTED PER COMMENTS

NO. 87: CORRECTED PER COMMENTS

NO. 88: CORRECTED PER COMMENTS

NO. 89: CORRECTED PER COMMENTS

NO. 90: CORRECTED PER COMMENTS

NO. 91: CORRECTED PER COMMENTS

NO. 92: CORRECTED PER COMMENTS

NO. 93: CORRECTED PER COMMENTS

NO. 94: CORRECTED PER COMMENTS

NO. 95: CORRECTED PER COMMENTS

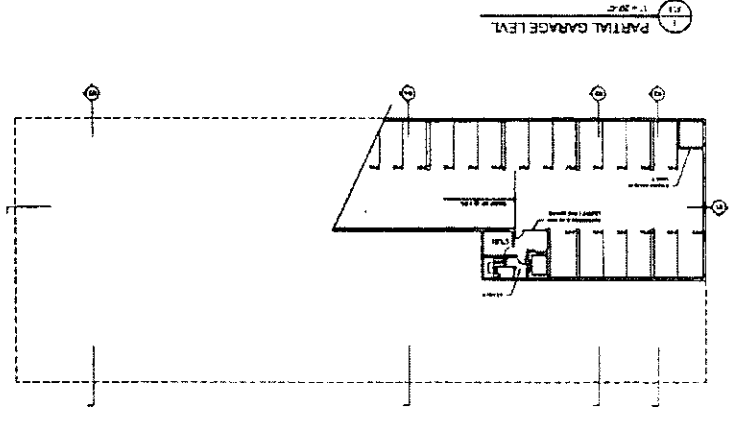
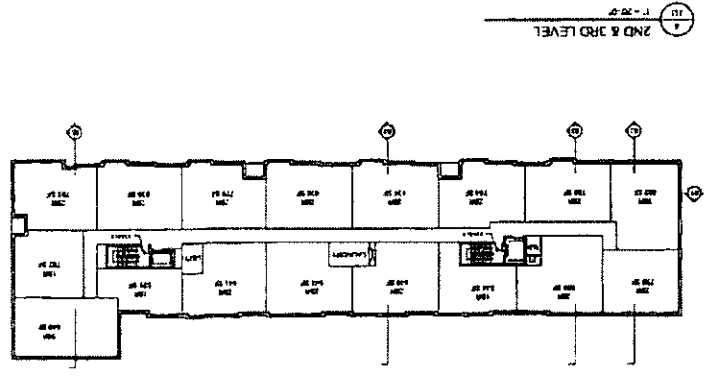
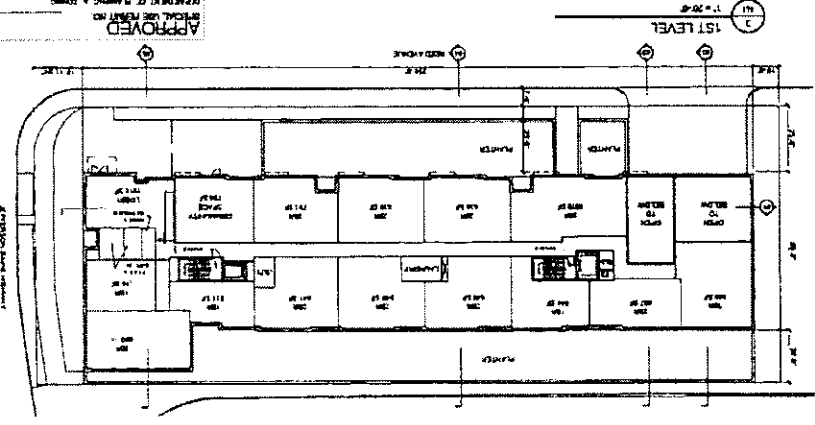
NO. 96: CORRECTED PER COMMENTS

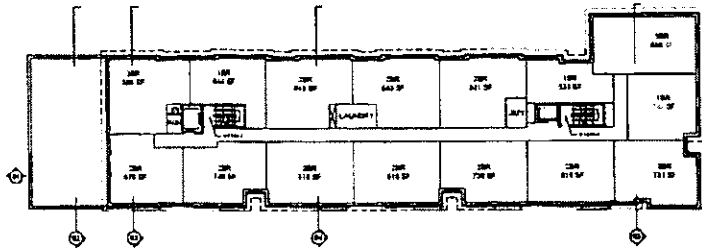
NO. 97: CORRECTED PER COMMENTS

NO. 98: CORRECTED PER COMMENTS

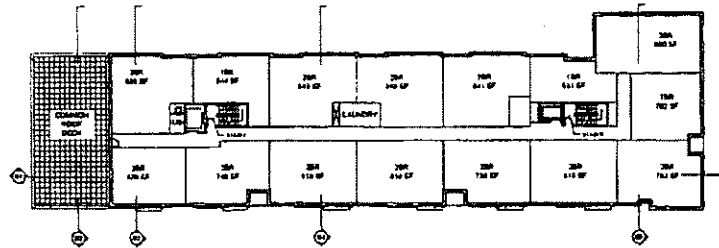
NO. 99: CORRECTED PER COMMENTS

NO. 100: CORRECTED PER COMMENTS

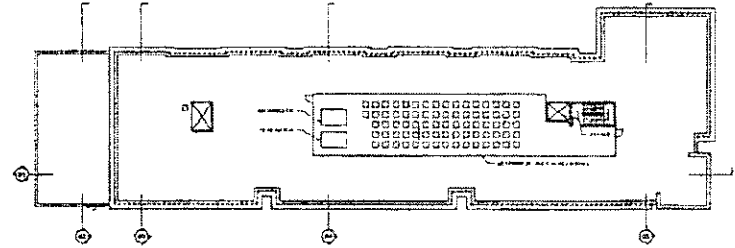




5 5TH LEVEL
1" = 20'-0"



4 4TH LEVEL
1" = 20'-0"



3 ROOF LEVEL
1" = 20'-0"

APPROVED	
SPECIAL USE PERMIT NO. _____	
DEPARTMENT OF PLANNING & ZONING	
DATE: _____	
BY: _____	
DEPARTMENT OF PLANNING & ZONING SERVICES	
SITE PLAN NO. _____	
DATE: _____	
BY: _____	
DEPARTMENT OF PLANNING & ZONING SERVICES	
DATE: _____	
BY: _____	

AREA NOT COUNTED IN FAR



AHC, Inc.

September 4, 2012
© 2012 - AHC, Inc. (Message Address)

FLOOR PLANS

1" = 20'-0"

120 EAST REED AVENUE, ALEXANDRIA, VA

A1.2

Bohannon
AHC-12-015