

ORDINANCE NO. 4781

AN ORDINANCE approving and authorizing the transfer of property owned by the City of Alexandria ("City"), located at 3600 Jefferson Davis Highway in the City of Alexandria, Virginia to a limited partnership, that includes AHC, Inc. and the City, for the purpose of developing low income tax credit-funded rental housing.

WHEREAS, the City of Alexandria owns the real property located at 3600 -- Jefferson Davis Highway in Alexandria, Virginia, having acquired it by Deed of Bargain and Sale on October 21, 1975 (Deed Book 809, Page 782, recorded in the land records of the City of Alexandria, Virginia); and

WHEREAS, the City and AHC, Inc., will execute a Partnership Agreement Between City of Alexandria, Virginia, and AHC, Inc. ("Partnership Agreement"), upon approval of City Council, whereby the City will support a project, on the City's real property and six other contiguous parcels, to develop a new rental apartment building for persons of low- or moderate-income in the City of Alexandria, Virginia; and

WHEREAS, the City's support includes ultimately appropriating the City's real property to a low-income tax credit program owner limited partnership that will develop and own the project and in return when AHC, Inc. acquires the project from its tax credit investment partner (after the initial fifteen year affordability period), the City entity's interest will be bought out by AHC, Inc.; and

WHEREAS, prior to the transfer and in anticipation of possible future traffic improvements, the City will reserve for itself an easement in the property of sufficient land to construct a right hand turn lane from southbound Jefferson Davis Highway onto westbound East Reed Avenue if recommended by City Council; and

WHEREAS, the use of this real property by the City has been submitted to and approved by the planning commission on January 4, 2013; now, therefore,

THE CITY COUNCIL OF ALEXANDRIA HEREBY ORDAINS:

Section 1. That the transfer of the real property described below to a City controlled limited liability company and then to a low-income tax credit program limited partnership, be and the same is hereby, approved and authorized:

BEGINNING at the southwest corner of the land belonging to G.V. or Margarita Metaxatos located on the north side of Reed Avenue, thence with the land of Metaxatos N 6°16'58" W, 105.00 feet to the land of Glebe Towers, Inc.; thence with the land of Glebe Towers, Inc. N 83°43'01" E, 81.37 feet to the west side of Jefferson Davis Highway (U.S. Route 1); thence with Jefferson Davis Highway S 6°40'30" E, 55.07 feet; thence S 6°41'59" E, 31.80 feet to a point of curve (Virginia State Coordinate N 429473.18, E 2412360.82); thence 28.41 feet along the arc of a curve to the right having a radius of 18.00 feet (chord bearing S 38°30'29" W for 25.55 feet) to the north side of Reed Avenue; thence with Reed Avenue S 83°44'31" W, 1.00 feet; thence S 83°43'02" W, 21.30 feet; thence S

83°43'01" W, 41.64 feet to the point of beginning and containing an area of 8511 square feet of land, as shown on the plat attached hereto and made by reference a part hereof.

And being lot 66 of proposed subdivision Beaumont, less and except a parcel of land conveyed to the City of Alexandria in Deed Book 451, Page 130 and Deed Book 469, Page 257; and lot 50, subdivision of a portion of block 4, of section 5, resubdivision of lots 9 through 12, block 1, section 1, Beaumont Subdivision.

The said property was devised to William Dillard Fauntleroy by the Last Will and Testament of Dorothy M. Fauntleroy, and recorded in Will Book 98, Page 699, Alexandria City records.

Section 2. That the said conveyance shall be subject to the reservation by the city of easements for all public and/or private utilities, public roads, and others for public purposes.

Section 3. That the city manager be and hereby is authorized, on behalf of the City, to do all things necessary and desirable to carry out the transfer of the real property, subject to the terms of the Partnership Agreement, described in Section 1, including, but not limited to, the execution and delivery of deeds and other appropriate documents.

Section 4. That the city clerk be and is hereby authorized to attest to the execution of the deed and other necessary documents executed by the city manager pursuant to Section 2, and to affix thereon the official seal of the City of Alexandria, Virginia.

Section 5. That this ordinance shall become effective upon the date and at the time of its final passage.

WILLIAM D. EUILLE
Mayor

Final Passage: January 12, 2013



GRAPHIC – EAST REED AVENUE

DRAFT (01/04/13)

**PARTNERSHIP AGREEMENT BETWEEN THE
CITY OF ALEXANDRIA, VIRGINIA, AND AHC, INC.**

THIS PARTNERSHIP AGREEMENT ("Agreement") entered into the day of _____ 2013, by and between the CITY OF ALEXANDRIA, a municipal corporation of Virginia ("City") and AHC, INC., a Virginia nonprofit corporation ("AHC").

WITNESSETH:

WHEREAS, AHC is a nonprofit Virginia corporation; its purpose is to produce, preserve, manage, advocate for and finance affordable rental and owner occupied housing. AHC currently owns and manages affordable housing projects within the Washington-Baltimore region and has more than 35 years of development experience;

WHEREAS, AHC desires to develop a new rental apartment building for persons of low- or moderate-income in the City of Alexandria, Virginia ("the Project");

WHEREAS, the Project would be developed on the following parcels of real property: 114, 116, 116 1/2, 118, 118 1/2, and 120 East Reed Avenue and 3600 Jefferson Davis Highway (a total of seven parcels);

WHEREAS, the City owns the parcel of real property located at 3600 Jefferson Davis Highway ("the City Property");

WHEREAS, AHC currently holds options to purchase five of six other parcels and has already acquired one parcel;

WHEREAS, to complete AHC's assemblage and facilitate its proposed affordable housing development, the City desires to enable the Project by appropriating City Property and providing a loan of no more than \$2,500,000 from Housing Funds (the "Loan") to AHC and the owner of the Project real property;

WHEREAS, AHC plans to submit an application to the Virginia Housing Development Authority ("VHDA") for Low Income Housing Tax Credits ("LIHTC") to substantially fund the development of the Project in spring 2013;

WHEREAS, the approval of the Alexandria City Council ("City Council") must be sought and obtained for multiple, sequential elements related to the Project prior to AHC's submission of a 2013 LIHTC application;

WHEREAS, separate from but subject to City Council's ultimate authority to consider and implement changes to the existing zoning and land uses required to enable the Project, the City and AHC desire to work together to develop the Project;

NOW, THEREFORE, the City and AHC hereby set forth and agree to the following.

1. Whereas, the City Manager presented to the City Council, on September 27, 2012, AHC's request for predevelopment support (docket memo dated September 19, 2012 attached hereto and incorporated herein by reference). The City Manager also presented the partnership concept, an outline of this Agreement, and other financial support and policy issues for consideration related to the Project. With City Council approval obtained, the City plans to proceed with the actions set forth below.
2. Pursuant to its Code, the City has begun a Section 9.06 process so that the Planning Commission and City Council may consider and approve, if appropriate, the proposed change in public use of its parcel located at 3600 Jefferson Davis Highway. Along with the aforementioned actions, in January 2013, the parties are seeking City Council approval of the appropriation of the City's Property and the Loan, subject to the terms of this Agreement.
3. Upon City Council's approval of the items set forth in Paragraph 2 above, the City will create a limited liability company ("East Reed LLC") to which it will transfer the City Property. In anticipation of possible future traffic improvements and prior to the transfer the City will reserve for itself an easement in the City Property of sufficient land, as documented in the civil engineer site plan prepared by AHC and approved by the City as part of the Site Plan approval (Exhibit A), to construct a right hand turn lane from southbound Jefferson Davis Highway onto westbound East Reed Avenue.
4. The East Reed LLC will create a limited partnership ("Limited Partnership") with AHC which will own the Project and the real property required for the Project under provisions and standards of the low-income tax credit program and subject to reasonable requirements of the Project's eventual tax credit investor. The terms of the Limited Partnership will include that:
 - a. The Limited Partnership will apply to assemble, rezone, finance, construct, own, hold, operate, maintain, and manage the Project.
 - b. The objectives of the Limited Partnership will be:
 - i. Delivery and operation of the Project, specifically a long-term, quality, affordable rental housing project;
 - ii. Maintaining the Limited Partnership's viability through payment of operating expenses and debt service out of the Project's cash flow;
 - iii. Operating the Project in compliance with applicable financing programs, which may include the Low Income Housing Tax Credit program; and
 - iv. Operating the Project consistent with federal, state and local laws and regulations.
 - c. AHC and the East Reed LLC will mutually agree on the name of the Limited Partnership.
 - d. The East Reed LLC will have a minority interest in and serve as a special limited partner in the Limited Partnership. The City will transfer the land to the Limited Partnership at a time and manner to minimize any potential tax consequences to its nonprofit managing partner and the future investor limited partner. The East Reed LLC's contribution to the Limited Partnership will be the City Property and any financial support, all as approved and/or appropriated by City Council during the Project's life. Based on projections and plans it is

- not anticipated that the City would need to contribute any further financial support to the Project besides the \$2,500,000 contemplated under this Agreement.
- e. Neither the East Reed LLC nor the City shall be responsible for the condition of the City Property, including, but not limited to, testing and mitigation of environmental issues at, on, or around the Property, whether known or unknown, at the time of transfer to the East Reed LLC. AHC shall protect, indemnify, and hold harmless the City and the East Reed LLC arising from any third party claims arising from the conditions at, on, or around the Property, except with respect to claims against the City related to its property which arose prior to AHC's acquisition of the City's Property.
 - f. Neither the East Reed LLC nor the City shall be responsible for any taxes owed on the City Property. Neither the East Reed LLC nor the City shall be responsible for any required accountings, audits, reports, feasibility studies, monitoring or compliance that may be required at any time by a senior lender, VHDA, the Project's eventual tax credit investor or by any other third party entity associated with the Project. AHC or the Limited Partnership shall be responsible for these aforementioned reports and actions. However, the East Reed LLC and/or the City will reasonably cooperate with AHC in furnishing any information it may already have or produce at the request of such third parties to facilitate such processes.
 - g. If the Limited Partnership will not be the owner of the real property of the Project during the low-income housing tax credit period, then the City Property may only be transferred out of the Limited Partnership (or from the East Reed LLC) to AHC or to the tax credit ownership entity pursuant to AHC's closing on the low-income housing tax credits and subject to the City's review and written approval of such requests.
 - h. The Limited Partnership will dissolve if AHC is not awarded low-income housing tax credits upon its application to VHDA in spring 2013 and the City Property will revert to the East Reed LLC.
 - i. After the initial fifteen year tax credit period, the City's interest must be bought out of the partnership at the below listed value of the City Property. The value of the City's partnership share is \$720,000 which reflects the current fair market value of the appropriated parcel if developed as part of an assemblage for multifamily housing. Pursuant to its partnership with AHC the City is allowing the Limited Partnership to earn all future appreciation which accrues to its parcel and/or through the proposed redevelopment in order to facilitate an affordable housing project.
 - j. The value of the City's partnership share may also be reduced up to \$720,000 to reimburse AHC for one half of the costs it incurs to investigate, test, remediate, and/or monitor environmental conditions on the City Property. Prior to undertaking any soil disturbing activities on the City Property, AHC shall provide to the City for review and approval, all documents related to any proposed investigation, testing, remediation, and/or monitoring of environmental conditions. AHC shall also provide to the City for its review and approval, prior to the start of construction, its plans and methods for staging and conducting site work, including the building foundation and underground garage, as well as related disposal and/or treatment of disturbed soils, if any costs associated with this phase of the Project are proposed to be deducted from the value of the City's partnership share. Thereafter, AHC shall document and present evidence to the City of such costs at the time they are incurred.
 - k. As the Project guarantor for purposes of construction completion, development, and operating deficits and the like, an affiliate of AHC will be the managing member of the

Partnership.

5. With City Council's approval of a commitment of predevelopment funding of \$250,000, AHC has continued to develop the Project, seek land use approvals and to secure tax credit funding and other financing. The City's investment of housing monies for predevelopment is memorialized as a loan to AHC, dated _____, 2013. In the event that the required land use approvals are not obtained and AHC is not able to proceed with a 2013 tax credit application or AHC does not obtain low income housing tax credits in 2013, the City will reimburse AHC for up to \$250,000 in predevelopment costs, and this support will be considered a grant, with no obligation for AHDC to repay the funds.
6. Pursuant to its partnership with AHC, the City will cooperate in supporting AHC's efforts to secure up to eight (8) project-based vouchers ("Vouchers") from the Alexandria Redevelopment and Housing Authority (ARHA) to make the development's planned HUD Section 504/accessible units more affordable to residents with disabilities. It is understood by the parties that the decision to provide such Vouchers is exclusively within ARHA's control, and subject to funding that ARHA has available.
7. On or about June 6, 2013, subject to the Project's award of tax credits by VHDA and AHC's reservation of its allocation of credits and the City's review of all related documentation regarding the award and reservation, the City will provide a loan to AHC and the Project real property owner totaling up to \$2,500,000 for the development of the Project, specifically to allow AHC to close on all of the parcels related to the real property assemblage necessary to develop the Project. The City's total, consolidated loan amount of \$2,500,000, including predevelopment support of up to \$250,000, will be secured against real property of the Project, subordinate only to the interests of the senior lender and the tax credit investor for the Project. The City's loan will be a residual receipts loan. The City understands and agrees to subordinate its Loan as the Borrower obtains construction and permanent financing.
8. It is anticipated that the Project will be financed through a combination of the following sources: first mortgage financing, sale of Limited Partnership interest qualifying for low-income tax credits, the City of Alexandria loan, and AHC's deferred development fee.
9. AHC plans to take the following actions with regard to the Project:
 - a. Assemble the real property necessary (114, 116, 116 1/2, 118, 118 1/2, and 120 East Reed Avenue and 3600 Jefferson Davis Highway) to build the Project, totaling approximately 30,000 square feet;
 - b. Develop the Project;
 - c. Hire an architect to design and a contractor to build the Project;
 - d. Provide any construction completion, development, operating deficit, or tax credit recapture and/or other guaranties, required by the tax credit investor limited partner and senior lender;
 - e. Obtain other financing necessary to acquire and build the Project, including applying for to VHDA for 9% low-income housing tax credits in spring 2013;
 - f. Operate the project in a professional manner;

- g. Coordinate with resident service partners and providers to provide structured, educational programming to the Project;
 - h. Provide construction management services to ensure on-time, on-budget construction completion;
 - i. Attend community meetings to provide information to neighborhood and civic groups interested in the Project;
 - j. Maintain insurance for all aspects of the Project, listing the City as an additional insured
 - k. Protect, indemnify, and hold harmless the City and the East Reed LLC; and
 - l. Take other actions necessary to develop and operate the Project.
10. The following usual and customary fees will be associated with the Project:
- a. Development Fee – AHC will earn a fee for putting the Project together and guaranteeing various obligations, including construction completion, tax credit delivery, and operating deficits. This fee will be subject to the City’s review and approval.
 - b. Property Management Fee – AHC’s affiliate, AHC Management LLC, or a third party entity, will provide property management services for a reasonable fee, according to a separate Property Management agreement between the Limited Partnership and AHC Management LLC, or a third party entity, subject to the City’s review and approval.
 - c. Resident Services Fee – As compensation for the coordination and implementation of a resident services program, AHC will receive a reasonable fee, subject to the City’s review and approval, when such services program agreement is developed and presented.
 - d. Asset Management Fee – AHC shall receive an asset management fee of up to \$10,000 per year escalated annually by the CPI, according to a separate Asset Management agreement between the Limited Partnership and AHC, subject to the City’s review and approval.
 - e. Partnership/syndicator Management Fee – A management fee of up to \$10,000 per year may be paid to the limited partner, according to the limited partnership agreement, subject to the City’s review and approval.
11. AHC will provide the proposed operating budget, including proposed rental rates, to the City by November 1 of each year for the City’s review and approval. The City can make comments to the budget and rental rates within 30 days. If AHC and the City do not agree on the budget, the Parties will work together to resolve the issue in a timely fashion; pending such resolution, the management company will be authorized to operate the property pursuant to rents and expenses detailed in the previous year’s approved budget, plus an escalation rate not to exceed the City’s annual voluntary rent guidelines.
12. After completion of the Project, AHC will provide the City with updates regarding its progress in stabilizing occupancy and operations, and will notify the City when the Project is 100% leased. After the building is fully leased, AHC will provide monthly reports to the City on resident car ownership and progress in leasing parking spaces to residents. If residents with cars are not fully utilizing the garage parking, the City and AHC shall develop an amended parking utilization plan. AHC and the City agree to work together, with the Lynhaven Civic Association and Project residents, to implement a program of incentives to encourage use of the Project’s garage. This program will be monitored and adjusted until full parking utilization is achieved. Once full parking utilization is maintained for a six month period, as documented by AHC’s monthly reports to the

City, AHC's reporting obligation shall be reduced to an annual basis.

13. The official address for the Limited Partnership (or Project real property owner) will be AHC's office at 2230 N. Fairfax Drive, Arlington, Virginia 22201. The City shall have the right to review the books and records of AHC, the Limited Partnership (or Project real property owner entity) and entities affiliated with the Project at the principal place of business of the Limited Partnership (or Project real property owner) during business hours, upon reasonable prior written notice to the other party. In addition, the City shall have the right to obtain, at its expense, a private audit of the books and records of the Limited Partnership (or Project real property owner), provided such audit is made at reasonable times after reasonable notice.
14. At the end of the tax credit period, if AHC does not or cannot exercise its option to purchase or its right of first refusal, the City or its designee will be provided a right of first refusal to acquire the Project and/or Project real property, even if the Limited Partnership (or Project real property owner entity) has dissolved. Further, any right that AHC has to assign its right of first refusal will be limited to entities that will maintain the Project and/or Project real property as low- and moderate-income and workforce housing. This right will be provided for in documents executed by the pertinent parties.
15. At all times that AHC or a related entity own the Project and/or Project real property, the City will retain a right of first refusal to acquire the Project and/or Project real property. In the event that AHC wishes to sell the Project and/or Project real property, the City must approve of any transfer or sale of the Project and/or Project real property to any entity. Such approval shall not be unreasonably withheld, delayed, or conditioned subject to its continued operation as low- and moderate-income and workforce housing.
16. The owner of the real property of the Project will execute and record a Declaration of Restrictive Covenants and Deed of Easement.
17. This Agreement may only be amended in writing, signed by both parties.

[SIGNATURES ON FOLLOWING PAGE.]

The parties hereto have executed this Partnership Agreement to evidence their agreement with its terms and their agreement to proceed in good faith (but without any legal obligation) towards execution and delivery of formal documents.

ACKNOWLEDGED AND AGREED as of this _____ day of _____, 2013.

City of Alexandria,
a municipal corporation of Virginia

By: _____

Name: _____

Title: _____

AHC, Inc.

By: _____

Name: _____

Title: _____



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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 Beaugard 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

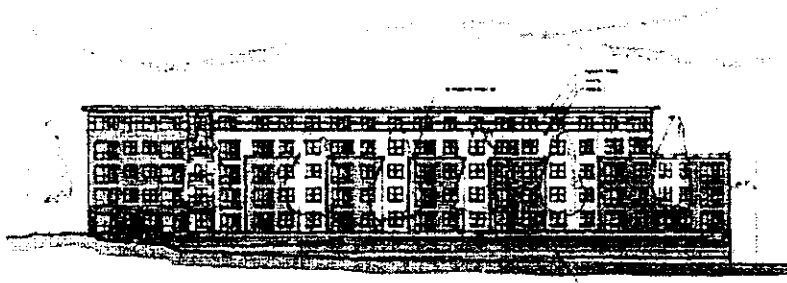
residual receipts basis, pursuant to the terms and conditions of the City's loan agreement. AHC's pro forma shows the City loan being repaid between Years 1 through 35. If the project does not go forward either as a result of Council land use decisions or because of inability to obtain tax credits, then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

ATTACHMENTS:

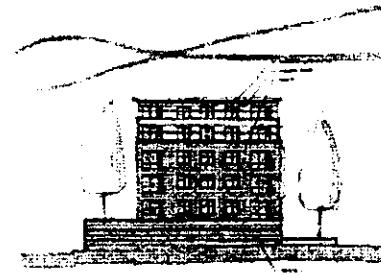
Attachment 1: Proposed AHC Development Proposal East Reed Development Elevations
Attachment 2: Proposed AHC Development Proposal East Reed Development Plan View

STAFF:

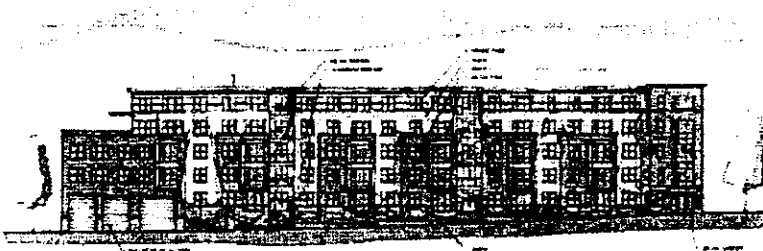
Mark Jinks, Deputy City Manager
Mildrilyn Davis, Director, Office of Housing
Helen McIlvaine, Deputy Director, Office of Housing



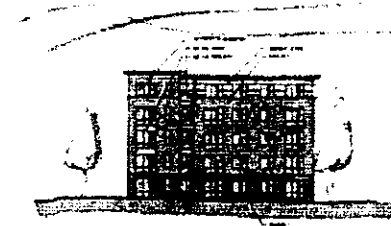
1 LUNA PARK DRIVE (NORTH ELEVATION)
1" = 20'-0"



2 WEST ELEVATION
1" = 20'-0"



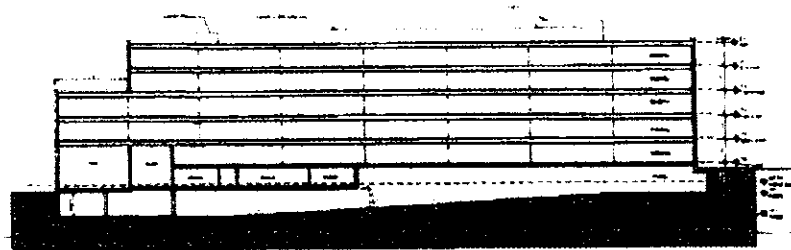
3 REED AVENUE (SOUTH ELEVATION)
1" = 20'-0"



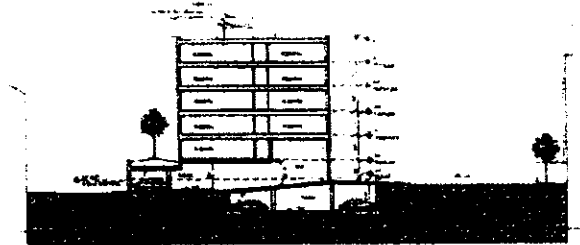
4 JEFFERSON DAVIS HIGHWAY (EAST ELEVATION)
1" = 20'-0"

APPROVED
SPECIAL USE PERMIT NO. _____
DEPARTMENT OF PLANNING & LAND

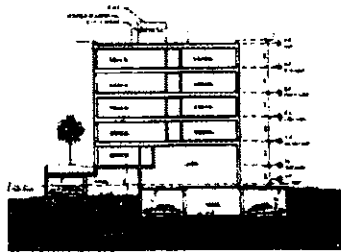
DATE OF PERMIT _____
EXPIRES ON _____
BY PLAN NO. _____
PROJECT NO. _____
SHEET NO. _____



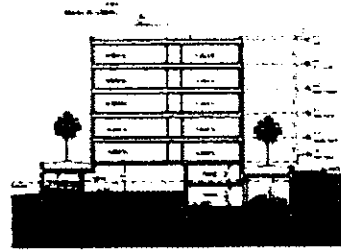
SECTION 1
1" = 20'-0"



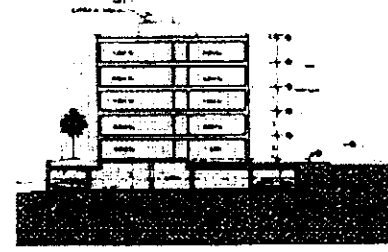
SECTION 2
1" = 20'-0"



SECTION 3
1" = 20'-0"



SECTION 4
1" = 20'-0"



SECTION 5
1" = 20'-0"

APPROVED
SPECIAL USE PERMIT

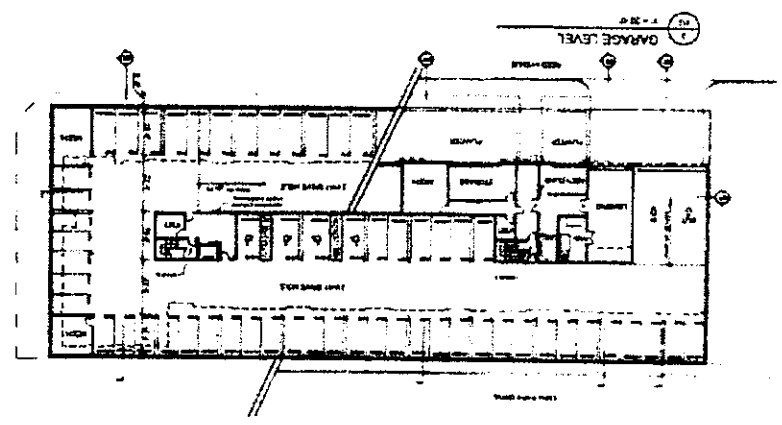
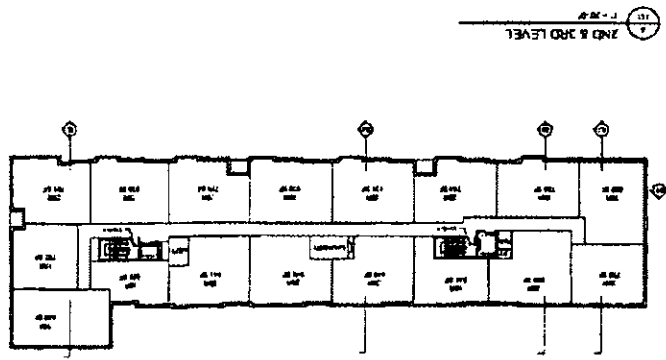
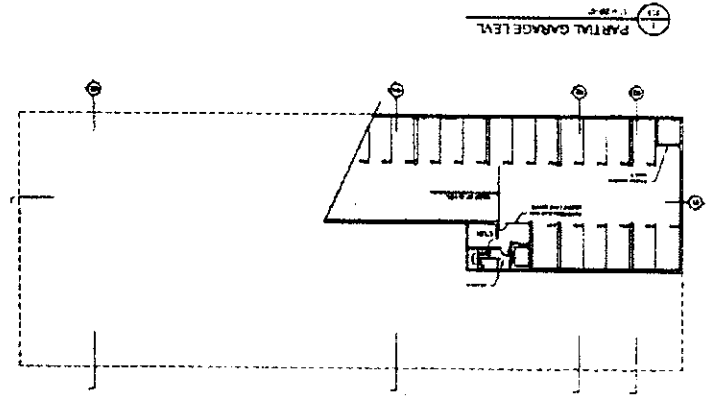
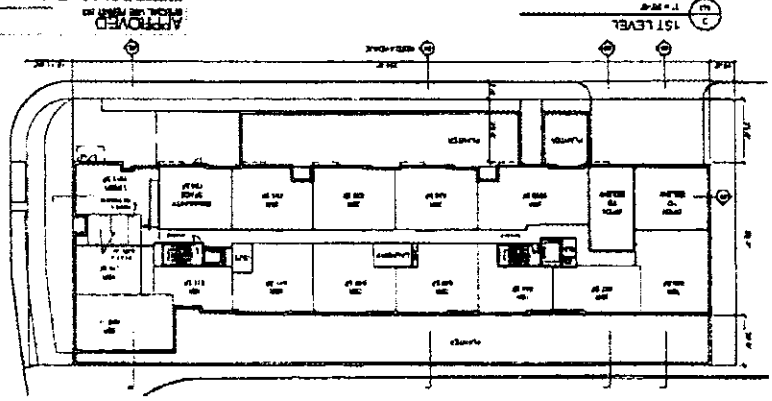
USE PLAN NO.

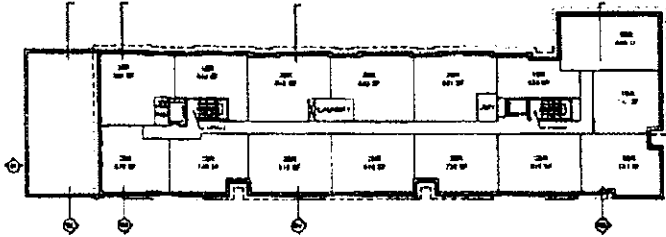
FLOOR PLANS
 1" = 20'-0"

APPROVED
 ARCHITECTURAL PLAN
 120 EAST REED AVENUE, ALEXANDRIA, VA
 PROJECT NO. 120EA
 SHEET NO. A1.1
 DATE: 09/04/13

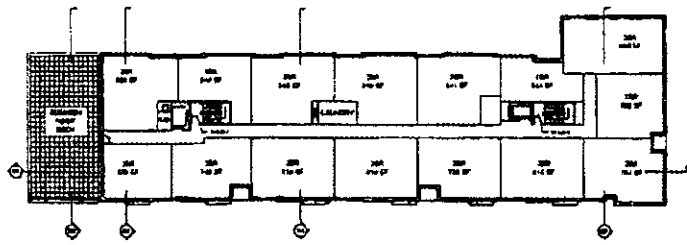
FINISH DATA

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2	FLOOR	10	SQ. FT.	100	1000
3	WALL	10	SQ. FT.	100	1000
4	DOOR	10	EA	100	1000
5	WINDOW	10	EA	100	1000
6	STAIR	10	SQ. FT.	100	1000
7	ELECTRICAL	10	EA	100	1000
8	MECHANICAL	10	EA	100	1000
9	PLUMBING	10	EA	100	1000
10	PAINT	10	SQ. FT.	100	1000
11	FINISH	10	SQ. FT.	100	1000
12	CONCRETE	10	SQ. FT.	100	1000
13	FOUNDATION	10	SQ. FT.	100	1000
14	ROOF	10	SQ. FT.	100	1000
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19	FINISH	10	SQ. FT.	100	1000
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21	FOUNDATION	10	SQ. FT.	100	1000
22	ROOF	10	SQ. FT.	100	1000
23	MECHANICAL	10	EA	100	1000
24	ELECTRICAL	10	EA	100	1000
25	PLUMBING	10	EA	100	1000
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27	FINISH	10	SQ. FT.	100	1000
28	CONCRETE	10	SQ. FT.	100	1000
29	FOUNDATION	10	SQ. FT.	100	1000
30	ROOF	10	SQ. FT.	100	1000
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32	ELECTRICAL	10	EA	100	1000
33	PLUMBING	10	EA	100	1000
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36	CONCRETE	10	SQ. FT.	100	1000
37	FOUNDATION	10	SQ. FT.	100	1000
38	ROOF	10	SQ. FT.	100	1000
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44	CONCRETE	10	SQ. FT.	100	1000
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89	PLUMBING	10	EA	100	1000
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94	ROOF	10	SQ. FT.	100	1000
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100	CONCRETE	10	SQ. FT.	100	1000

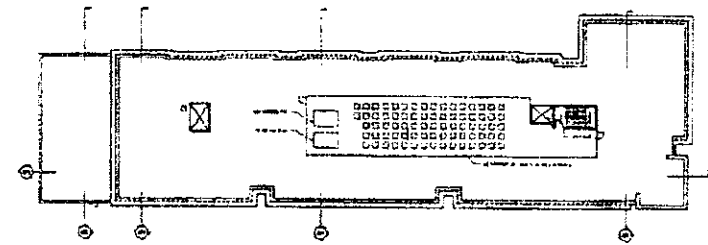




5
5TH LEVEL
1" = 20'-0"



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



3
ROOF LEVEL
1" = 20'-0"

AHC, Inc.
September 4, 2012
© 2012 American Planning Architects

FLOOR PLANS
1" = 20'-0"

APPROVED
SPECIAL USE PERMIT NO. _____
DEPARTMENT OF PLANNING & ZONING

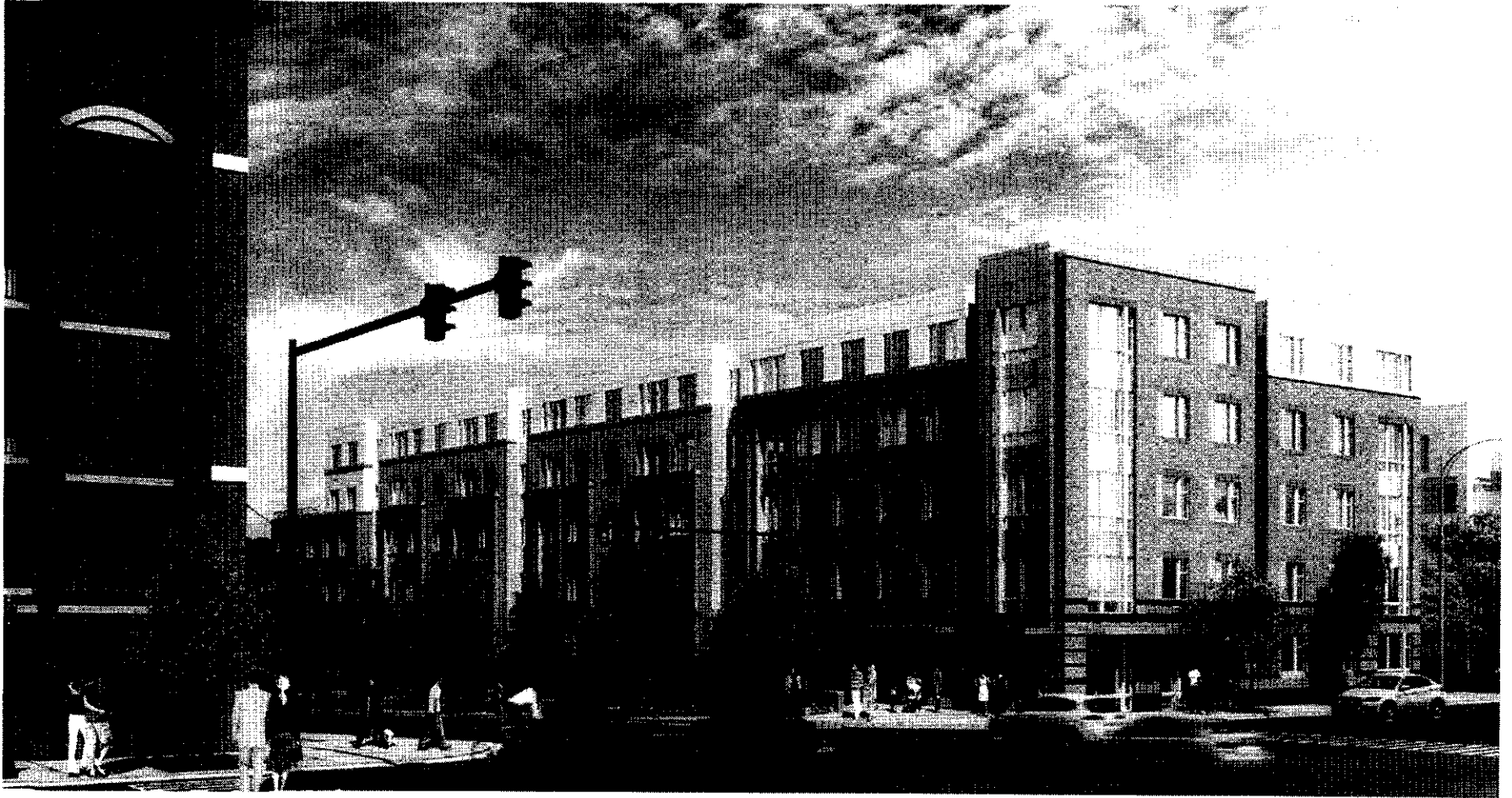
REVISION _____ DATE _____
DEPARTMENT OF PLANNING & ZONING
SITE PLAN NO. _____

SCALE: AS SHOWN

120 EAST REED AVENUE, ALEXANDRIA, VA

A1.2

East Reed Affordable Housing Development



East Reed -- Project Description

- 78 apartments, including a mix of 1, 2 and 3-bedroom units
- Affordable to households with incomes up to 60% AMI /\$65,000 for a 4-person family and potentially 8 project based vouchers for residents of accessible units
- Long term affordability (60 years) secured by a restrictive covenant
- Transit oriented location on Route 1 BRT line and close to future Metro
- Onsite resident service programs for pre-K and school children
- Garage parking with 78 spaces (including visitor parking), as well as new on street parking
- Roof top terrace, TMP, activity room and other amenities for residents



East Reed -- Project Partners (PPP)

AHC

- Nonprofit housing developer
- Since 1975, has successfully developed/preserved 5,000+ affordable housing units
- VHDA designation as “experienced tax credit developer”
- Strong financial position and balance sheet
- AHC will develop project and assume development risk

City of Alexandria (exclusive of role as a lender for \$2.5 M)

- 3600 Jefferson Davis parcel will be City's partnership stake
- AHC will buy out City's interest in 2031
- As partner, City will participate in ongoing governance & oversight

Tax Credit Investor

- TBD investor will buy credits/provide \$12.5 million in private equity funding in return for offset of federal tax liability



East Reed -- Partnership Structure

EAST REED PUBLIC-PRIVATE PARTNERSHIP STRUCTURE

East Reed LP

AHC-East Reed, Inc.(AHC) as general partner, East Reed LLC (City) as minority partner, Tax Credit Investor as limited partner

Tax Credit Investor (TBD)

Buys tax credits in return for equity investment of \$12.5 million

AHC, Inc.

Experienced affordable housing developer

AHC – East Reed, Inc.

AHC special purpose development entity for this project

City of Alexandria, VA

Support includes \$2.5 M loan and 3600 parcel

East Reed LLC

City-controlled special purpose entity; it will bring 3600 parcel to limited partnership with AHC and Investor; minority partner

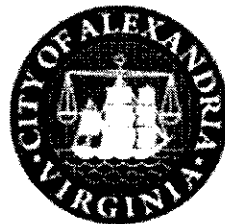
Partnership Agreement between the City of Alexandria and AHC

Agreement to transfer ownership of 3600 parcel to East Reed LLC contingent on land use approvals and tax credit funding. Agreement describes parties' responsibilities and contributions, as well as ongoing risk, management and governance roles.



East Reed -- Key Elements of City/AHC Partnership Agreement

- City to provide 3600 parcel (and loan of \$2.5 million)
- AHC to develop, finance and construct the project
- AHC will assume all risks associated with project
- Upon completion, AHC will lease and manage the project
- AHC will provide resident services programs onsite
- City will participate in ongoing project management and governance
- City and AHC will collaborate to monitor utilization of parking and implement a program, if necessary, to maximize resident use of parking garage
- In 2031, AHC will acquire the City's partnership share for \$720,000, minus City's one-half share environmental mitigation costs



East Reed -- Sources and Uses for \$24.5 Million Development Budget

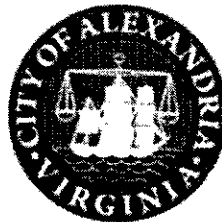
	Amount (estimated)
VHDA or Conventional Permanent Financing	\$8.0 M
Tax Credit Equity	\$12.5 M
City Housing Loan: \$32 K/unit <i>(incl. \$250K predevelopment loan)</i>	\$2.5 M*
AHC Deferred Developer Fee	\$1.5 M
Total	\$24.5 Million

**The City loan amount does not include the FMV (\$720,000) of the 3600 parcel which is being appropriated to the partnership as part of the City's support.*



East Reed -- City Loan Terms

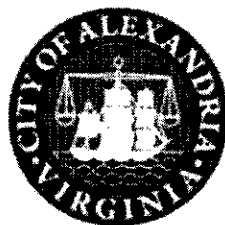
- City loan of \$2.5 M is a residual receipt loan, i.e., repaid out of project cash flow
- Interest rate is 2%; accrues once funds are disbursed
- AHC will maintain 78 affordable units for 60 years
- City loan is secured by project/land
- AHC's affordability commitment is captured through a restrictive covenant filed in land records enforceable against future buyers
- City's loan is subordinate to other loans and AHC's deferred developer fee
- City maintains a right of first refusal if AHC sells the project



East Reed -- Breakdown of City Housing Funds

Housing Tax Revenue Account	\$1.6 M
<i>Dedicated affordable housing/"penny" fund</i>	
Unallocated housing bond funds	\$0.5 M
Housing Trust Fund (HTF)	\$0.4 M
<i>Developer voluntary housing contributions/loan repayments</i>	
TOTAL	\$2.5 M

<u>Detail of Housing funds balance (after East Reed)</u>	\$4.3 M
Unallocated Housing Trust Fund (HTF)	\$1.1 M
HOME	\$1.8 M
Program reservations (e.g., Braddock/Beauregard, etc.)	\$0.9 M
Other uncommitted Housing funds	\$0.5M



East Reed -- Benefits of City Investment

- City's investment of \$ is leveraged 10:1 through private public partnership structure
- 78 critically needed units of new affordable housing for households with incomes up to 60% AMI in a transit-oriented location
- Opportunity for 8 deeply subsidized (through project-based vouchers) HUD 504/accessibile units for residents with disabilities



East Reed -- City Council Requested Action

Contingent on land use approvals:

- Transfer the land to the East Reed LLC
- Approve the Housing Funds loan of \$2.5 million
- Authorize the City Manager to execute the Partnership Agreement



East Reed -- January 12 City Council Public Hearing

On January 3, Planning Commission unanimously approved:

- Development Special Use Permit with Site Plan

Note: Planning Commission amended the DSUP to add a condition requiring that one free parking space be provided to households with cars

- Map Amendment (Rezoning) Request from CDD 7 to CRMU/Medium
- Master Plan Amendment to Amend the Potomac West Small Area Plan
- City Charter Section 9.06 Review

On January 12, City Council will consider the first three items, and receive Planning Commission's Section 9.06 report.

- City Council to consider future right-turn lane later this spring

