



COMMUNITY HOUSING PARTNERS

Community Housing Partners

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January 11, 2023

Helen S. McIlvaine
Director, Office of Housing
City of Alexandria Virginia
421 King Street, Suite 215
Alexandria, VA 22314

RE: WITTER PLACE APARTMENTS CITY LOAN REQUEST

Dear Ms. McIlvaine:

Community Housing Partners (CHP) is committed to continuing its work on bringing the Witter Place Apartment project to completion. CHP is appreciative of the City's support including approval of the DSUP/rezoning and funding of a \$400,000 pre-development loan through the HOF. Located at 2712 Duke Street with excellent linkages to recreation, transportation, shopping, and employment, Witter Place will address a vital Alexandria need by providing much needed family-sized affordable housing. All of Witter's 2 and 3-bedroom units will be affordable for households earning between 40-60 percent of AMI.

CHP has its roots in affordable housing in Virginia from 1975. As a leading non-profit housing developer, CHP provides property management, supportive services, and construction management throughout the Commonwealth.

CHP is hereby requesting:

1. A permanent subordinated loan to Witter Place Apartments of up to \$10,500,000 (including the previously approved predevelopment funds) for the development of 94 affordable apartments.
2. Approval of a resolution designating the Witter Place site a Revitalization Area pursuant to Section 36-55.30:2A of the Virginia Code.
3. A City grant to fund a pilot rental subsidy program to create deeper affordability for 10 units (40% units) for a 5-year term, and subject to annual appropriations thereafter.
- 4.

Having worked to develop affordable housing in many Virginia communities, CHP is excited to have a project in Alexandria.

Sincerely,

David Schultz, SVP

David Schultz, Senior Vice President

Project Narrative

Project Description – Background Discussion

Witter Place Apartments (the “Development”) is planned as a 94-unit, 100% affordable multifamily rental development. The Development will serve families living and working in the Alexandria area. Located at 2612 Duke Street, the building will overlook the City’s existing Witter soccer fields. The location of the Development features excellent linkages to recreation, public transportation, shopping, and employment. A single building, 4-5 stories in height, will contain 2 and 3- bedroom rental units, a leasing office, community spaces, indoor bicycle storage, covered parking, and other tenant amenities. The rent restrictions and the AMI’s served shall be between 40% and 60% of the area’s median income.

Site Specifics

The Development site, a former Land Rover dealership is owned by Duke Street L.L.C. and the current land use is as an interim rental to a Lindsay Cadillac dealership. The lease between the Owner and the dealership expires March 24, 2024. A legal opinion provided to the City under separate cover determined that the lease will not negatively impact the tax credit execution and issues related to site control. There is an executed Purchase and Sale Agreement between the current owner with a purchase price of \$9,365,000. The existing site improvements consisting of the dealership building and related parking fields will be demolished to allow construction of the Development in Spring 2024.

The site has excellent linkages to employment/transportation/retail/services. The site itself is highly visible from Duke Street, a major arterial. Amenities located near the Development include the Witter Soccer Complex, numerous grocery stores within 1.1 miles (Giant Foods, Wegman and Whole Foods) and various retailers and services in Alexandria Commons. The site has excellent access to the regional and interstate highway system as well as an adjacent DASH bus stop. It is also close to the King Street metro station.

Project Description – Background Discussion

Since CHP made its initial application, the Development has gone through several iterations (which is typical for this type of development). The 2020 application envisioned 92 units (versus the current 94 units) showed a gap of \$5 million. The January 2021 concept envisioned a blend of 9 and 4 percent credits and a total of 107 units (versus the current 9% structure and 94 units) which resulted in a gap of \$7.2 million. In May 2022 the anticipated gap was project as \$9 million. While the Development has changed, the trajectory of the gap reflects the following impacts:

1. Rising interest rates have reduced the amount of debt that the Development can support, increasing the gap we are requesting City resources to fill. For example, the first trust mortgage amount in the 2020 application was \$8.76 million versus the current estimate of \$7.7 million.
2. Rising construction costs for both materials and labor have compounded the impacts of rising interest rates.

3. Future uncertainty for both rates and costs mean that CHP has taken a prudent approach by factoring in escalations for a development that will not break ground for over two years.

CHP recognizes that the funds available from the City represent a limited resource. As a result, CHP has taken the following steps to minimize the ask from the city:

1. CHP has negotiated with the Seller a donation provision. If the Seller's appraisal shows that the fair market value of the property is more than the contract price, the Seller will reduce the purchase price on a prorated basis. While we do not at this time know if the donation provision could result in a lower net purchase price, if there is a reduction this will result in a 1 to 1 reduction in the amount of funds needed from the City.
2. CHP has looked at the option of including 80% AMI as the higher rents could allow for approximately \$1 million in additional first mortgage proceeds which in turn could reduce the ask from the City. However due to the nature of the entitlement approvals the Development is capped at using 60% AMI rent levels.
3. CHP will agree that if the amount of the deferred developer fee is less than 50% of the total developer fee, any amount above 50% will be applied to reduce the amount of the City funds. It is noted that the ability to defer developer fee is in essence a de facto contingency. As such CHP is not comfortable showing deferred fee above what is shown below.
4. The sources of funds reflect a diverse base of funding. CHP will continue to search for additional sources in an effort to reduce the amount of City funding. Should costs and rates come down the resultant saving could go to reduce the amount of City funding.

Project Financial Structure

The Development will utilize low- income housing tax credits issued by Virginia Housing as the driving source of funds. Additional funding sources will include first mortgage debt, soft funds from the City of Alexandria and other sources (including a significant deferred developer fee) to achieve the reduced rents and complete the Development.

The development budget anticipates a tax credit application to VH in March 2023 and anticipates the following sources and uses.

Permanent Sources

VHDA Taxable Bonds	\$7,703,000
VHDA SPARC	\$2,000,000
VHDA Match	\$3,000,000
City of Alexandria	\$10,500,000
NeighborWorks Grant	\$500,000
DHCD Trust Funds	\$1,000,000
Tax Credit Equity	\$24,810,000
Deferred Developer Fee	\$428,000
<u>Unfunded Gap*</u>	<u>\$2,204,000</u>
Total Permanent Sources	\$52,145,000

Summarized Uses

Land Acquisition	\$9,365,000
Hard Construction Cost	\$34,074,000
Professional Fees	\$1,960,000
Development Costs	\$2,492,000
Misc. Soft Costs	\$235,000
Financing Costs	\$1,645,000
LIHTC/Syndication	\$405,000
Project Reserves	\$1,269,000
<u>Furniture/Fixtures</u>	<u>\$700,000</u>
Total Uses	\$52,145,000

* Please note that the current sources and uses reflects a gap of \$2.2 million that CHP is continuing to work to reduce.

Affordability and Other Features

The Development will be 100 percent affordable with the following income restrictions:

- 26 units at 40% AMI (note – no tax credit comps identified in the market study provide 40% AMI units)
- 21 units at 50% AMI
- 45 units at 60% AMI

The future target population is 100% family-sized affordable units (all 2 and 3 bedrooms) with 8% of the total units being set aside for permanent supportive housing (subject to CHP identifying an acceptable provider, including the ability to provide case management). 10% of the total units will be set aside for persons with disabilities (Section 504); of those 10%, 2% of the units will have elements for persons who are sight and hearing impaired

Development Schedule

Contract for Acquisition	6/1/2021
Application for Funding and further Planning	3/15/2023
NeighborWorks Loan Commitment	3/1/2023
LIHTC Application	3/15/2023
LIHTC Award	7/1/2023
DHCD Financing Application	10/1/2023
VHDA Perm Loan Financing Application	12/1/2023
Construction Loan Application	7/1/2023- 12/15/2023
Soft Fund Loan Application	3/15/2022- 1/15/2023
Construction Loan Closing	12/15/2023
LIHTC Equity Closing	12/15/2023
Construction Commencement	8/1/2024
Construction Completion	12/31/2026
Permanent Loan Closing	5/15/2027
Stabilized Occupancy	4/1/2027

Developer Capacity

Founded in 1975, Community Housing Partners (CHP) provides quality-built, responsibly managed, service-enriched homes for low-income individuals and families across the Southeast and Mid-Atlantic. Building on a long-standing tradition of environmental, economic, and social responsibility, CHP is a 501(c)(3) nonprofit that works with private and public partners to develop and preserve award-winning homes and neighborhoods. Together with our partners, we revitalize communities, foster stability for our residents, and promote a healthier planet for future generations.

Our more than 350 employees deliver a wide range of services, including real estate development, construction, energy services and training, asset management, property management, realty and homeownership, and comprehensive resident services. We champion housing stability, and our work within our communities reflects our core values of resilience, impact, stewardship, and equity.

CHP is a chartered member of NeighborWorks America and a member of Federation of Appalachian Housing Enterprises (FAHE), Stewards of Affordable Housing for the Future (SAHF), and the Housing Partnership Network (HPN). Since 1975, CHP has invested more than \$764 million in communities through real estate development.

While CHP has not yet worked in the City of Alexandria, CHP has developed several projects of this size, including having recently completed a project in Dumfries, VA (Townsquare at Dumfries, 227 DU) and in Baltimore, MD (Van Story Apartments 350 DU). We have a project under development nearby off Route 1 in Fairfax, VA (North Hill Apartments 270 DU) and a second project ready to break ground in Dumfries (Senior Town Square 40 DU).

CHP has worked with a variety of complicated financial structures to facilitate the development of affordable housing. CHP has a strong and established network of professional partners including engineers, accountants, attorneys, architects, and others to facilitate the development of affordable housing.