



Request for \$8 M City Loan to AHDC to Acquire and Preserve The Avana Alexandria as Committed Affordable and Workforce Housing

City Council Legislative Meeting – December 10, 2019

Avana Alexandria: The Opportunity



Avana Alexandria: The Opportunity

- 3001 Park Center Drive
- ~6 acres: one-half of site is surface parking
- Built in 1989
- 326 units (one-half are fully renovated; others have been updated at turnover to various levels)
- Property is very well maintained
- Current rents are workforce and market rate levels
- 137 one-bedroom units
- 187 two-bedroom units
- One three-bedroom unit and one four-bedroom unit
- Onsite amenities include a pool, tennis court, open space, grill areas, dog parks, fitness center, bike storage, parking, community rooms, business center

Avana Alexandria: The Opportunity



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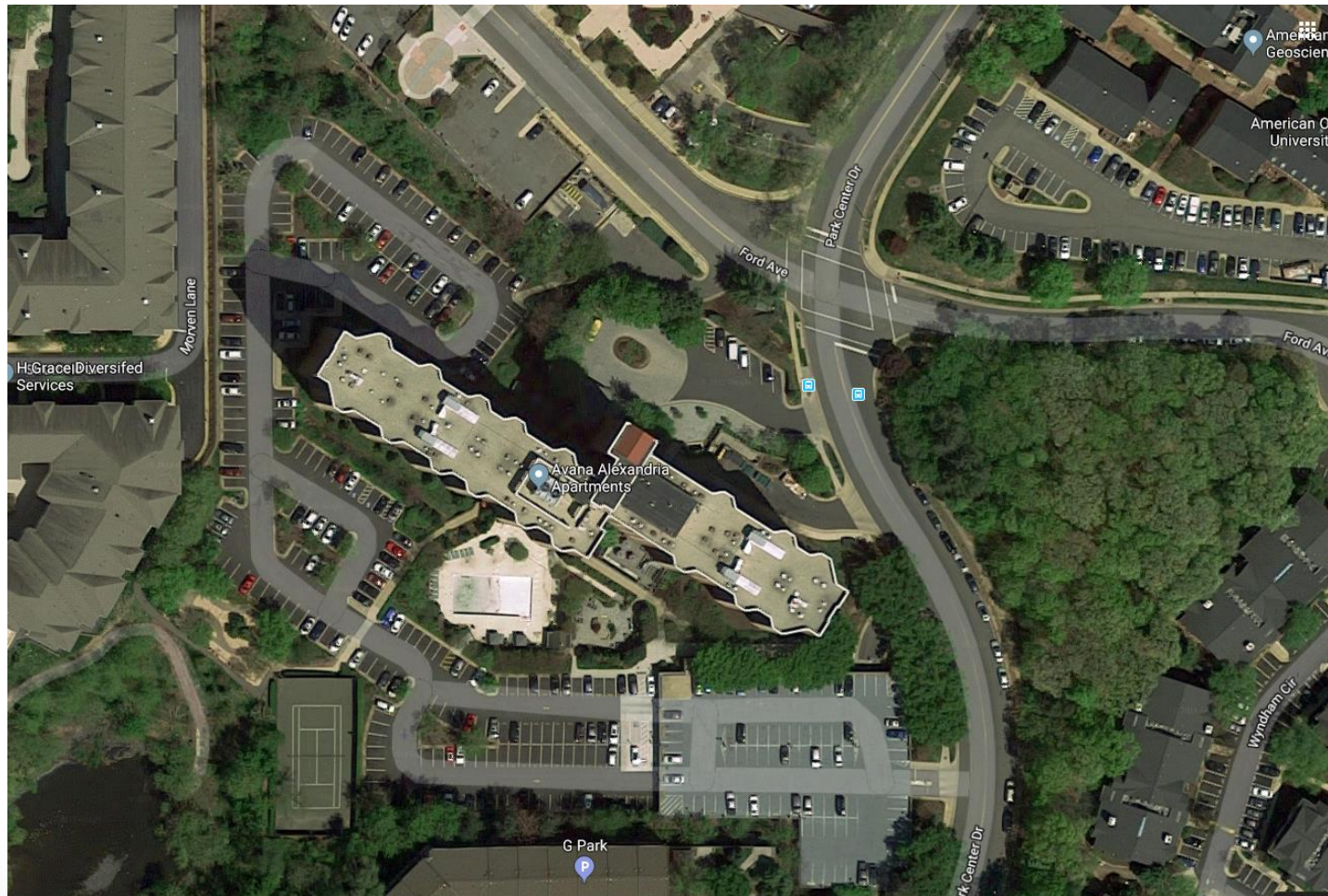
Avana Alexandria: The Threat

From the broker's offering statement:

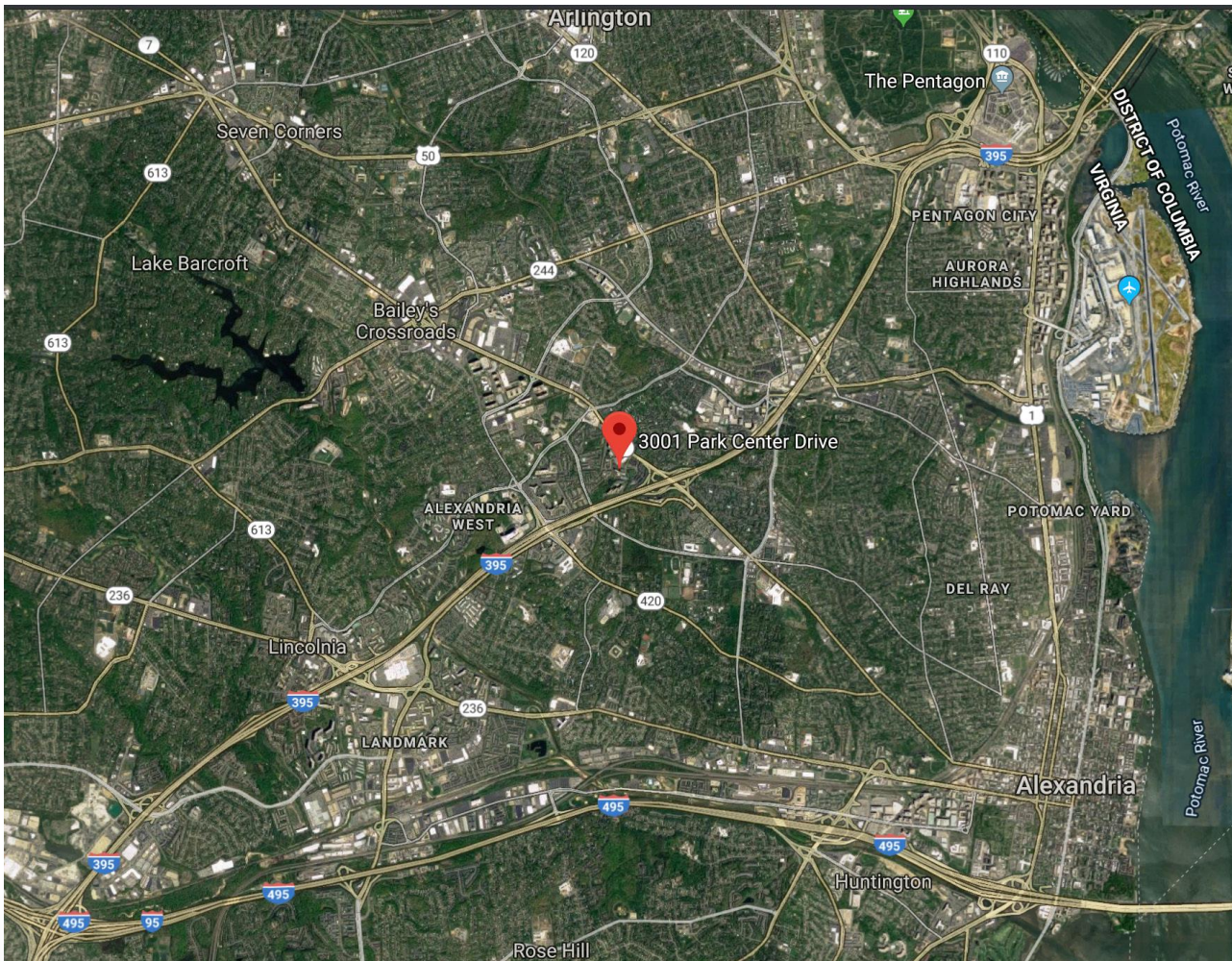
"NO AFFORDABLE COMPONENT

Unlike the majority of the Property's rental comparables and nearly all of the newer deliveries in the area, Avana Alexandria is comprised entirely of market rate units. The lack of an affordable component at the Property, which is rare for a large multifamily asset in Northern Virginia, permits ownership to maximize revenue through market rate rental increases for each apartment home and will therefore allow a buyer to realize impressive returns."

Avana Alexandria: Site Plan



Avana Alexandria: A Housing Resource in Support of Economic Development and the Region's Workforce



Avana Alexandria: AHDC's Plan for Achieving Committed Affordability Within an Existing Mixed-Income Community

- No displacement: transition will occur through attrition/turnover (~35% annually), with units then rented affordably to income-eligible households AND by identifying current IE residents who will benefit from committed affordable/workforce rents
- Create band of committed affordable units within one year of acquisition (40% of all units – 130 - will be affordable at or below 60% AMI)
- Retain workforce affordable units, including committed band - 115 - affordable to incomes up to 80% AMI, with balance of units - 80 - at “market”
- Cross-subsidies will help adjust utilities payments (~5 yrs)
- Income mix can be reviewed at Year 10 refinancing
- Property offers flexibility as a potential temporary relocation resource for upcoming redevelopment (e.g., South Patrick Street, ARHA, etc.)

Avana Alexandria: AHDC's Plan for Achieving Committed Affordability Within an Existing Mixed-Income Community

Unit type	Current Rents (range)	Future Rents Affordable/WF
One-bedroom	\$1,576 – 1,762	\$1,366 affordable \$1,821 workforce
Two bedroom	\$1,972 - 2,415	\$1,638 affordable \$2,184 workforce

Avana Alexandria: Housing Affordability Through a Public-Private- Nonprofit Partnership

- Price is confidential pending closing, but consistent with other submarket sales
- AHDC – nonprofit owner/buyer
- Virginia Community Capital (VCC) - LOC loan for deposit
- VHDA - First trust mortgage lender (taxable bonds, standard REACH and REACH grant funds)
- JBG SMITH - Mezzanine lender from Social Impact Fund (private capital)
- City - \$8 M residual receipts loan

FIRST PROJECT: VHDA AMAZON \$/JBGS SOCIAL IMPACT \$

Avana Alexandria: AHDC & JBG SMITH

- AHDC and JBGS have partnered to review other acquisition/preservation projects and developed parameters for a successful transaction in City's competitive multifamily market
- Have established goals and objectives that reflect the capabilities and relationships of each, as well as a plan for marshaling resources quickly

Avana Alexandria: Proposed City Loan

- \$8 M residual receipts loan
 - Annual review with AHDC to assess opportunities for repayment from cashflow
 - City loan likely to remain on property through Year 10 refinancing
 - City has \$4.5 M in FY 2020 affordable housing funds on hand across all accounts
 - *FY 2020 Gap of \$3.5 M will be closed by:*
 - Bridge loan from monies reserved for future CIPs
 - Bridge loan will be repaid from FY 2021 meals tax monies

Avana Alexandria: Proposed City Loan

- \$8 M City loan is a gap loan subject to changes in final asking price and/or other deal costs

City investment per unit*

\$61 K/unit (affordable units only)

\$32.5 K/unit (affordable and workforce units)

\$24.5 K/all units

**Exclusive of potential additional units through future redevelopment/land banking opportunity*

Acquisition and preservation = committed units @ less time and risk than typical affordable housing development projects

Avana Alexandria: Year 10 and Beyond

- JBGS exits in Year 10 (repayment of private capital investment)
- Year 10 Options
 - Refinancing into new VHDA loan
 - LIHTCs for substantial renovation of affordable and workforce units (including potential re-sizing of these components) and refinancing
 - Above, PLUS redevelopment (land banking scenario) of surface parking as additional affordable/workforce housing
 - Opportunity for estimated 250+ units

Avana Alexandria: Next Steps/Timeline

- Due diligence ongoing
- AHDC will make a deposit in mid-December (\$500K)
- AHDC will conduct limited outreach to commercial multifamily and office properties nearby now, with robust outreach to residents and “neighbors” post-closing
- AHAAC review
- Financial closing – mid January