

August 26, 2020

Ms. Helen McIlvaine  
Director, Office of Housing  
421 King Street, Suite 200  
Alexandria, Virginia 22314

**Re: Arlandria Pre-development loan application**

Alexandria Housing Development Corporation (AHDC) is pleased to present this application to the City of Alexandria (City) for a predevelopment loan of \$500,000 for a future project located the Arlandria neighborhood of Alexandria. AHDC has signed a letter of intent with the owner of 221. West Glebe Rd and 3610-3612 Mt. Vernon Avenue. We are currently negotiating a purchase and sale agreement that we plan to finalize in September. In addition, our current development proposal would include a City parcel located at 3700 Mt. Vernon Ave. Attached to this letter is a project description and very preliminary sources and uses to provide additional details of the project.

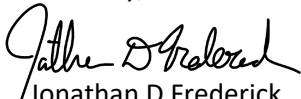
We have been working with the private owner over the past several months and have identified a potential strategy that will allow the current owner to remain in the deal as a lender. While we are very early in our design process, we are currently anticipating the construction of two buildings that combined will allow us to construction approximately 375 units. Our current vision is to deliver all those units at affordable levels under 80% AMI with the majority under 60% AMI. As you will see in the project description, we are also anticipating several units at 40% AMI which we know are in high demand in the neighborhood. In addition, we are exploring various options for the any ground floor commercial space that will allow that will best serve the community.

AHDC is excited to have an opportunity to continue our partnership with the City of Alexandria and work on a project of such scale in the Arlandria neighborhood. We still have a lot to discuss, design and learn as we continue through the process. We envision a process over the next year that will allow us to work with the community and design a project that meets the needs of the Arlandria neighborhood as they continue to face development pressure and the fallout from the COVID-19 pandemic.

AHDC is currently planning to submit a concept one development plan to the City this Fall with the goal of receiving entitlements for the site by the end of 2021. This schedule will allow AHDC to be ready to submit for an allocation low income housing tax credits as well as other funding sources in 2022.

If you have any questions regarding this application, please do not hesitate to contact me at 703-739-7775 or at [jfrederick@housingalexandria.org](mailto:jfrederick@housingalexandria.org).

Sincerely,

  
Jonathan D Frederick  
President

CC: Eric Keeler, Deputy Director, City of Alexandria Office of Housing

## **W. Glebe Rd & Mt Vernon Ave Development**

### **Project Description**

AHDC is currently in negotiation to acquire and redevelop four parcels of land at the intersection of W. Glebe Road and Mt. Vernon Avenue in the Arlandria neighborhood. The development plan envisions two separate mixed-use buildings. Both buildings are being designed with a configuration of nonresidential - office, retail and/or community space - on the ground floors and four to five stories of affordable, multifamily rental units above. Each building is also being planned for one or two levels of below grade parking.

AHDC is planning to submit a Concept 1 Plan in Q4 of 2020 with the goal of obtaining final entitlements by the end of 2021 and beginning construction mid to late 2022.

### **Property/Site Description**

The assemblage includes four parcels total. Three of the parcels are privately owned by the same owner and the fourth parcel – 3700 Mt. Vernon Ave – is owned by City of Alexandria. Please refer to Ex. A for an aerial view of the site(s).

#### **221 W. Glebe Rd (privately owned)**

- Approximately 103,000 SF (2.36 acres)
- Formerly Safeway, current tenants include Sherwin Williams and restaurant El Cuscatleco

#### **3610 & 3612 Mt. Vernon Ave (privately owned)**

- Approximately 15,000 SF (0.34 acres)
- Currently surface parking and unimproved land

#### **3700 Mt. Vernon Ave (City owned)**

- Approximately 15,000 SF (0.34 acres)
- Currently surface parking

### **Development Plan**

AHDC envisions developing a mixed-use building on the 221 W. Glebe parcel and another smaller mixed-use building on the Mt Vernon Avenue parcels.

#### **221 W. Glebe Rd – Building #1**

The preliminary concept for this building includes approximately 270,000 SF of multifamily residential and 40,000 SF of nonresidential space. The ground floor will be a concrete podium with the floors above built as wood-framed construction. The building will include one to two levels of structured parking at/or below grade.

AHDC is currently evaluating the best use for the nonresidential space. Potential options include office space for nonprofit/community-focused organizations, small businesses, and service providers, as well as local/neighborhood-oriented retailers.

### 3610 – 3700 Mt. Vernon Ave – Building #2

The preliminary concept for this building includes approximately 80,000 SF of multifamily residential and 10,000 SF of nonresidential space. The ground floor will be a concrete podium with the floors above built as wood-framed construction. The building will include one level of below-grade parking.

Similar to Building #1, AHDC is considering uses for the nonresidential space that will serve the residents of the multifamily buildings and the surrounding community.

### **Ownership Structure & Financing Plan**

AHDC has an LOI in place with the owner of the three privately owned parcels and is negotiating a purchase agreement. AHDC is also in discussion with the City regarding the fourth parcel. The two planned buildings will have separate ownership structures and financing plans.

We anticipate using the Low-Income Housing Tax Credit Equity program for both projects, with Building #1 using 4% LIHTC equity and Building #2 using 9% LIHTC equity. Other anticipated sources of financing include a conventional first trust mortgage, City of Alexandria subordinated debt, Virginia and/or National Housing Trust Funds, Virginia Housing Amazon Impact Funds, new markets tax credits, Federal Home loan Bank Loan and any other sources to the extent available. AHDC is also contemplating a mezzanine loan which would allow the seller to remain part of the project as part of the financing for Building #1.

### **Target Population**

AHDC's development plan is for both multifamily buildings to be 100% affordable with affordability levels between 40% - 80% AMI with a significant portion of the units at 40% AMI. AHDC envisions a mix of studio, 1BR, 2BR, and 3BR unit types. For a breakdown of the mix of unit types and AMI levels please refer to the financial summaries attached. Based on AHDC's preliminary concept, Building #1 will include 275 – 285 units and Building #2 will include 70-80 units.

### **Project Schedule**

AHDC's preliminary schedule is to begin construction on Building #1 in mid to late 2022 and Building #2 in late 2022 / early 2023. We are estimating a two-year construction schedule for Building #1 and 18-20 months for Building #2, with both projects completed in mid to late 2024.

December 2021	Final approval of entitlements
March 2022	Submission of 9% Tax Credit Application for Building #2
July 2022	Award of 9% Tax Credits for Building #2
Q3 2022	Land Acquisition Closing and Construction Start on Building #1
Q4 2022 / Q1 2023	Construction Start on Building #2
Summer/Fall 2024	Construction Completion for both Buildings #1 and #2.

**Exhibit A – Site Plan**



**MT. VERNON  
ASSEMBLAGE  
TOTAL SITE SF: 30,000**

**221 WEST GLEBE RD  
TOTAL SITE SF: 102,999**

**Glebe Rd - Mt Vernon 9/4 LIHTC  
Summary (R1)  
8/25/2020**

**Project 1 - Glebe Road - 4% Tax Credits/Tax Exempt Bonds**

Sources			Uses		
<b>Equity</b>			<b>Development Costs</b>		
Tax Credit Equity (4%)	40,469,058		Acquisition	12,825,000	
			Architecture & Engineering	4,102,792	
			Legal	746,785	
<b>Debt</b>			Fees, Permits & Utilities	3,438,471	
First Trust Debt	44,000,000		Other/Miscellaneous	2,993,567	
	-		Financing Costs	5,825,488	
	-		Reserves	3,031,479	
Mezzanine Loan	11,557,500		Construction Costs	90,282,938	
Gap Financing	30,219,962		Developer Fee	3,000,000	
<b>Deferred Developer Fee</b>	<b>0%</b>	-			
<b>Total Sources</b>	<b>\$ 126,246,520</b>		<b>Total Uses</b>	<b>\$ 126,246,520</b>	
			Surplus/(Deficit)	-	
Permanent Debt	\$ 44,000,000		Total Cost / Unit	442,970	
Annual Debt Service	\$ 2,071,020		Hard Cost / Unit	316,782	
Terms (Years)	40		Soft Cost / Unit	126,188	
Interest Rate	3.57%				
Unit Type / Affordability Mix					
	<b>%</b>	<b>No. Units</b>		<b>%</b>	<b>No. Units</b>
Efficiency	0%	0	30% AMI	0%	0
One Bed	49%	140	40% AMI	30%	85
Two Bed	42%	120	50% AMI	0%	0
Three Bed	9%	25	60% AMI	40%	115
Four Bed	0%	0	80% AMI	30%	85
			100% AMI	0%	0
<b>Total Units</b>	<b>100%</b>	<b>285</b>	<b>Total</b>	<b>100%</b>	<b>285</b>

Project Schedule	
Purchase/Dev Start	07/01/22
Completion/Opening Date	07/01/24
Const Period (Months)	24
Lease-up Period (Months)	12
Perm Loan Conversion Date	12/31/24

Income & Operating Expenses	
<b>Revenue</b>	
Potential Gross Income	5,142,033
Less: Vacancy Allowance	(257,102)
<b>Effective Gross Income</b>	<b>4,884,931</b>
Other Income	175,275
<b>Total Income</b>	<b>5,060,206</b>
<b>Operating Expenses</b>	
Administration	489,985
Payroll	508,499
Utilities	162,005
Supplies & Services	252,610
Maintenance	275,190
Taxes, Insurance & Escrows	751,332
<b>Total Operating Expenses</b>	<b>2,439,621</b>
Replacement Reserves	93,428
<b>Net Operating Income</b>	<b>2,527,157</b>
<b>DSCR</b>	<b>1.22</b>
<b>OpEx per unit</b>	<b>8,888</b>

**Glebe Rd - Mt Vernon 9/4 LIHTC  
Summary (R2)  
8/25/2020**

**Project 2 - Mt. Vernon Ave - 9% LIHTC**

Sources			Uses		
<b>Equity</b>			<b>Development Costs</b>		
Tax Credit Equity (9%)	22,497,750		Acquisition	3,465,000	
			Architecture & Engineering	1,236,746	
			Legal	498,114	
<b>Debt</b>			Fees, Permits & Utilities	993,481	
First Trust Debt	9,750,000		Other/Miscellaneous	1,923,088	
	-		Financing Costs	1,863,452	
	-		Reserves	705,441	
Gap Financing	6,242,396		Construction Costs	27,037,325	
COA Land	1,732,500		Developer Fee	2,500,000	
<b>Deferred Developer Fee</b>	<b>0%</b>	-			
<b>Total Sources</b>	<b>\$ 40,222,646</b>		<b>Total Uses</b>	<b>\$ 40,222,646</b>	
			Surplus/(Deficit)	-	
Permanent Debt	\$ 9,750,000		Total Cost / Unit	522,372	
Annual Debt Service	\$ 472,019		Hard Cost / Unit	351,134	
Terms (Years)	40		Soft Cost / Unit	171,238	
Interest Rate	3.76%				
Unit Type / Affordability Mix					
	<b>%</b>	<b>No. Units</b>		<b>%</b>	<b>No. Units</b>
Efficiency	10%	8	30% AMI	0%	0
One Bed	5%	4	40% AMI	10%	8
Two Bed	74%	57	50% AMI	40%	31
Three Bed	10%	8	60% AMI	49%	38
Four Bed	0%	0	80% AMI	0%	0
			100% AMI		0
<b>Total Units</b>	<b>100%</b>	<b>77</b>	<b>Total</b>	<b>100%</b>	<b>77</b>

Project Schedule	
Purchase/Dev Start	01/01/23
Completion/Opening Date	07/01/24
Const Period (Months)	18
Lease-up Period (Months)	6
Perm Loan Conversion Date	10/31/24

Income & Operating Expenses	
	<b><u>Yr 1 Stabilized</u></b>
<b>Revenue</b>	
Potential Gross Income	\$1,319,571
Less: Vacancy Allowance	(65,979)
<b>Effective Gross Income</b>	<b>1,253,593</b>
Other Income	49,590
<b>Total Income</b>	<b>1,303,183</b>
<b>Operating Expenses</b>	
Administration	129,504
Payroll	169,302
Utilities	43,770
Supplies & Services	68,249
Maintenance	74,350
Taxes, Insurance & Escrows	211,618
<b>Total Operating Expenses</b>	<b>696,792</b>
Replacement Reserves	25,242
<b>Net Operating Income</b>	<b>581,149</b>
<b>DSCR</b>	<b>1.23</b>
<b>OpEx per unit</b>	<b>\$ 9,377</b>

Glebe Rd - Mt Vernon 9/4 LIHTC  
Summary (Consolidated)  
8/25/2020

Sources		Uses	
<b>Equity</b>		<b>Development Costs</b>	
Tax Credit Equity	62,966,808	Acquisition	16,290,000
	-	Architecture & Engineering	5,339,537
	-	Legal	1,244,900
<b>Debt</b>		Fees, Permits & Utilities	4,431,951
First Trust Debt	53,750,000	Other/Miscellaneous	4,916,655
		Financing Costs	7,688,940
Mezzanine Loan	11,557,500	Reserves	3,736,920
Gap Financing	36,462,358	Construction Costs	117,320,263
COA Land	1,732,500	Developer Fee	5,500,000
<b>Deferred Developer Fee</b>	0%		-
<b>Total Sources</b>	<b>\$ 166,469,166</b>	<b>Total Uses</b>	<b>\$ 166,469,166</b>
		Surplus/(Deficit)	-
Permanent Debt	\$ 9,750,000	Total Cost / Unit	459,860
Annual Debt Service	\$ 472,019	Hard Cost / Unit	12,243
Terms (Years)	40	Soft Cost / Unit	447,617
Interest Rate	3.76%		

Project Schedule	
Purchase/Dev Start	07/01/22
Comm Operating Date	07/01/24
Const Period (Months)	24
Lease-up Period (Months)	
Perm Loan Conversion Date	

Income & Operating Expenses	
<u>Yr 1 Stabilized</u>	
<b>Revenue</b>	
Potential Gross Income	
Less: Vacancy Allowance	
<b>Effective Gross Income</b>	-
Other Income	
<b>Total Income</b>	-
<b>Operating Expenses</b>	
Administration	
Payroll	
Utilities	
Supplies & Services	
Maintenance	
Taxes, Insurance & Escrows	
<b>Total Operating Expenses</b>	-
Replacement Reserves	
<b>Net Operating Income</b>	-
<b>DSCR</b>	<b>0.00</b>
<b>OpEx per unit (excl RR)</b>	<b>\$ -</b>

Unit Type / Affordability Mix					
	%	No. Units		%	No. Units
Efficiency	2%	8	30% AMI	0%	0
One Bed	40%	144	40% AMI	26%	93
Two Bed	49%	177	50% AMI	9%	31
Three Bed	9%	33	60% AMI	42%	153
Four Bed	0%	0	80% AMI	23%	85
			100% AMI		0
<b>Total Units</b>	<b>100%</b>	<b>362</b>	<b>Total</b>	<b>100%</b>	<b>362</b>