



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: JANUARY 8, 2020

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER /s/

DOCKET TITLE:

Resolution to Facilitate Virginia Housing Development Authority (VHDA) Financing for the Alexandria Housing Development Corporation's (AHDC) Acquisition of The Avana Apartments for Preservation as a Mixed-Income Rental Property (ROLL CALL VOTE)

ISSUE: City Council resolution to support VHDA financing of the Avana Apartments.

RECOMMENDATION: That City Council adopt the attached Resolution to induce Virginia Housing to finance AHDC's proposed acquisition of The Avana Apartments.

BACKGROUND: AHDC proposes to acquire The Avana Alexandria Apartments in early 2020 for long-term preservation as affordable, workforce and market rate rental housing. The complex has 326 units, and within a year following AHDC's acquisition, the nonprofit will implement a mixed-income operating structure, including 40% of the units (130) affordable to households at 60% AMI, 35% of the units (115) affordable to households at 80% AMI, with the balance to be rented at "market-rate." No displacement of current residents will occur; rather the transition to lower rents will be accomplished taking advantage of normal attrition/turnover, as well as determining which current residents are income-eligible for the affordable and workforce level rents.

The mixed income model will not only mitigate the risk of displacement, but the market rate rents will provide revenue critical to ensure the long-term financial sustainability of the affordable and workforce level rents being introduced.

On December 10, 2019, City Council approved an \$8 million gap loan to AHDC as part of the overall financing package for the acquisition. The loan will follow the City's practice of being residual receipts in nature, however, annual interest payments (2% of the loan total) are anticipated after Year 2. In addition to the City loan, the financing stack includes VHDA loans and grant funds, as well as a mezzanine loan from JBG

SMITH's Social Impact Fund.

To induce financing of a mixed-income project that includes market rate housing in an area not designated a revitalization area, VHDA requires that local governing bodies adopt a Resolution determining that Virginia Housing's investment is necessary to provide housing and facilities for low-and moderate-income persons, in a manner consistent with Section 36-55.30:2.B of the Code of Virginia, as amended.

That section of the Code states, "The HDA may finance an economically mixed project that is not within a revitalization area if the governing body of the city or county in which such project is or will be located shall by resolution determine (i) either (a) that the ability to provide residential housing and supporting facilities that serve persons or families of lower or moderate income will be enhanced if a portion of the units therein are occupied or held available for occupancy by persons and families who are not of low and moderate income or (b) that the surrounding area of such project is, or is expected in the future to be, inhabited predominantly by lower income persons and families and will benefit from an economic mix of residents in such project and (ii) private enterprise and investment are not reasonably expected, without assistance, to produce the construction or rehabilitation of decent, safe and sanitary housing and supporting facilities that will meet the needs of low and moderate income persons and families in such area and will induce other persons and families to live within such area and thereby create a desirable economic mix of residents in such area."

In the case of The Avana Apartments, staff believes that subsection (a) applies.

FISCAL IMPACT: None to the City.

ATTACHMENT: Resolution

STAFF:

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