



## Legislation Text

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City of Alexandria, Virginia

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### MEMORANDUM

DATE: SEPTEMBER 2, 2020

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

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Consideration of a Predevelopment Loan of \$400,000 to Wesley Housing for Development of Parcview II, a New Committed Affordable Rental Project at 5380 Holmes Run Parkway to be collocated with Parcview Apartments

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ISSUE: A Predevelopment Loan of \$400,000 to Wesley Housing to put together a plan to structure and finance a new committed affordable housing development ("Parcview II") using the Residential Multifamily (RMF) Zone to potentially achieve up to 354 apartments collocated on the site of the existing Parcview Apartments building.

RECOMMENDATION: That City Council:

1. Approve a predevelopment loan in the amount of \$400,000 to Wesley Housing to facilitate predevelopment activities at 5380 Holmes Run Parkway related to Parcview II; and
2. Authorize the City Manager to execute the appropriate agreements.

BACKGROUND: In September 2006, City Council approved a loan of \$9 million to help Wesley Housing acquire and renovate Parcview Apartments, located at 5380 Holmes Run Parkway, to preserve the property as affordable housing. Parcview Apartments was initially developed as Landmark Apartments in 1973 using a federal funding program that enabled deeply affordable rents. The City's 2006 assistance ensured that many long-term residents, including seniors, could remain, and also helped fund a renovation to convert many of the property's one-bedroom units to family sized (2-bedroom) units. The initial fifteen-year tax credit period will expire in 2023: Wesley plans exercise its right to acquire the property from the current tax credit partnership.

As Parcview's future sole owner, Wesley wishes to explore redevelopment of an underutilized portion of the site which currently includes the pool and a portion of the parking lot. By using the Residential Multifamily (RMF) Zone, which allows additional density in exchange for a substantial component of deeply affordable housing, Wesley has preliminarily estimated that it can potentially achieve up to 354 new affordable and workforce units. However, it is interested in working with the City and the community, as well as its development team and counsel to produce a scheme that provides a significant number of new affordable units (200+), as well as amenities that would benefit residents of both Parcview buildings as well as the wider neighborhood. Wesley potentially plans to use a "hybrid" funding model that combines both 4% and 9% federal tax credits. While a substantial City gap loan is projected, staff believe that the proposed development, once it is right-sized, may also be competitive for Virginia Housing's Amazon REACH grant funds due to its substantial positive impact in meeting affordable and workforce housing needs.

DISCUSSION: Parcview II is in the earliest planning phases, but the scope and complexity of the proposed transaction,

including its development, financing, structuring and coordination with Parcview I, as well as robust outreach with the City and community, will require a significant commitment of resources. In its application, Wesley has pledged to access more than \$2 million available through an existing line of credit for anticipated predevelopment expenses, while requesting \$400,000 from the City.

While "land banking" was not among the benefits envisioned by the City when it made its original loan to help Wesley acquire Parcview Apartments, financial and regulatory tools subsequently developed pursuant to the Housing Master Plan and other citywide planning processes now allow the City to maximize its prior investment to potentially create several hundred more committed affordable units. In consultation with Wesley and the community, the appropriate size and scope of the new development will be refined through the predevelopment process. It is noted that costs related to the upcoming refinancing and possible renovation of Parcview I are not included in this predevelopment loan request.

The proposed project would be subject to usual and customary land use considerations and public hearings as it would require at least a Development Special Use Permit (DSUP). Approval of this predevelopment loan does not bind City Council to approve this project at a later date where Council considers the DSUP.

**FISCAL IMPACT:** A predevelopment loan of \$400,000 from CIP monies, which will be secured through a loan agreement with Wesley Housing. Assuming the project moves forward, and the City provides a permanent loan, the predevelopment fund amount will be incorporated into the permanent City loan for Parcview II and memorialized in those loan documents. In the unlikely event Parcview II does not proceed, the predevelopment loan will be forgiven.

While Wesley's current timeline indicates a tax credit application being submitted in March 2022, the City will continue to coordinate with the developer regarding its pipeline strategy to ensure that sufficient local, state, tax credit and other resources are in place to make the project as competitive and efficient as possible.

**ATTACHMENT:** Wesley Housing's Parcview II Predevelopment Loan Application

**STAFF:**

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