



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: JUNE 4, 2024

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: JAMES F. PARAJON, CITY MANAGER /s/

FROM: HELEN MCILVAINE, DIRECTOR, OFFICE OF HOUSING

DOCKET TITLE:

Consideration of a Housing Opportunities Fund Loan of Up to \$14 Million to Housing Alexandria to Facilitate Completion of the Sanse Apartments (Building One) in Arlandria

ISSUE: Request for a City Housing Opportunities Fund (HOF) loan of up to \$14 Million to Housing Alexandria to help complete construction of the Sanse Apartments (Building One) in Arlandria (Attachment 1).

RECOMMENDATION: That Council approve this installment of the City funding package being provided to Housing Alexandria for Building One of its Arlandria project and authorize the City Manager to execute such documents, as may be needed, to implement the loan.

BACKGROUND: Housing Alexandria (HALX) is building a multi-phase development at the intersection of Mount Vernon Avenue and Glebe Road in the Arlandria section of the city. Over several phases, Building One, named Sanse Apartments, will deliver a total of 416 rental apartments, with more than 25% deeply affordable to households with incomes at or below 40% of the area median income (AMI).

Besides residential units, Building One will also include community meeting space, a plaza and open space for residents and neighbors, and flexible space for use by the health department and various city agencies, like the Department of Community and Human Services (DCHS) and the Office of Housing to bring services to the community. Building Two, branded Naja, will be mixed-use in character, with two stories of commercial space, including neighborhood serving retail, medical and dental clinics, office space for nonprofit entities, and affordable daycare and pre-K programs. Three stories of residential use comprised of 58 affordable for-sale condominium units, will be located above the commercial floors.

The total development cost for the project is estimated at \$325 million. The building has been phased to

leverage the City's investment to the greatest extent possible by maximizing HALX's use of non-city sources, including tax credits, state and federal grant funds, federal loan monies and earmarks, and ARPA funds, as well as private loans and grants, over several funding cycles.

Construction of the Sanse Apartments began in Fall 2023. Extensive sitework and infrastructure improvements have been completed and work continues to finish the underground garage that will serve the whole development. Vertical construction above the garage platform will begin in October. So far, the Sanse project is on track and on budget.

DISCUSSION: In June 2023, City Council considered a multi-year funding plan for the Arlandria project, approving the commitment of various FY 2023-2026 City Housing Funds to enable the project to move forward (Attachment 2). As anticipated then, Housing Alexandria has submitted various applications for noncompetitive tax credits over multiple cycles this year and now seeks a commitment of up to \$14 M (from City FY 2027-28 Housing Funds) to ensure construction can continue uninterrupted and allow Housing Alexandria to close on other project debt and equity funding and enter construction contracts for the balance of work related to Building One. To help facilitate this process, with City Council's support, the City Manager provided a comfort letter in August 2023 expressing its intention to back stop the project, as/if needed (Attachment 3). It is noted that the multiyear funding plan was incorporated into the City's FY 2025 budget planning process, including the Housing pipeline.

Since June 2023, Housing Alexandria has been successful in securing two rounds of noncompetitive tax credits, as well as more than \$8 million in competitive state grant funding awards for the project, and both the City and HALX continue to pursue funding that may reduce the total amount of City investment needed. While a hoped-for Amazon investment in Building One has not materialized, Amazon has expressed interest in participating in future phases of the project, specifically the investment of Housing Equity Funds in the affordable homeownership component of Building Two. Amazon's new interest in affordable homeownership has resulted in grant funds being provided recently to HALX's Seminary Road project.

HALX's funding request was reviewed by AHAAC's Investment Committee on May 17, 2024 (Attachment 4). Committee members endorsed the request and noted the funding plan was tracking exactly with HALX's proposal a year ago regarding project budget and schedule, as well as in meeting goals to leverage competitive grant awards. At its June 5 meeting, AHAAC recommended the request be approved by City Council.

FISCAL IMPACT: Up to \$14 Million to be committed from the City's Housing Opportunity Fund, including FY 2027-28 monies, to complete Building One. The funds requested now were anticipated in City Council's action approving HALX's funding plan last June, and in materials provided to Council and the community during the FY 2025 budget process regarding the Housing pipeline.

ATTACHMENTS:

- (1) HALX Request for City HOF Funding
- (2) June 2023 Project Narrative for City Council
- (3) August 2023 City Comfort Letter
- (4) HALX Presentation to AHAAC Investment Committee and AHAAC regarding funding request and update re project status

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