



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

FROM: HELEN MCILVAINE, DIRECTOR, OFFICE OF HOUSING

DOCKET TITLE:

Consideration of a Resolution Authorizing the Issuance of Revenue Bonds by the Alexandria Redevelopment and Housing Authority (ARHA) for the Heritage at Old Town Redevelopment Project [ROLL-CALL VOTE]

ISSUE: Consideration of a resolution authorizing the issuance of revenue bonds by the Alexandria Redevelopment and Housing Authority (ARHA) in an amount not to exceed \$37,950,000 to Jair Lynch Real Estate Partners (JLRP) and other entities which is partnering to finance and undertake the acquisition and redevelopment of some phases of the rental housing known as the Heritage at Old Town, totaling 244 units and located at 431 S. Columbus Street.

RECOMMENDATION: That City Council receive and adopt the attached Resolution (Attachment 1) as recommended by ARHA.

BACKGROUND: ARHA recently re-established its revenue bond issuance function and published the attached term sheet regarding its Conduit Issuer Program which expands access to tax exempt and taxable bonds to qualified developers seeking financing to acquire, rehabilitate and/or develop eligible multifamily projects (Attachment 2). Among other things, the projects proposed for the financing must provide either 20% of the units at rents affordable to households with incomes at or below 50% of the area median income (AMI) or 40% of the units at rents affordable to households with incomes at or below 60% of the area median income.

Throughout the 1980s and 1990s ARHA's bond issuance function financed many apartment projects in the City that included required components of affordability, with a stream of fee revenue generated for the Authority, in exchange for issuing the bonds and monitoring the resulting projects. The ARHA board recently revived the Authority's revenue bond program. Marisa Stanley, ARHA's new Chief Financial Officer (CFO), brings experience managing bond programs from prior engagements including as CFO of the Columbia, SC housing authority.

DISCUSSION: ARHA's first application for revenue bond financing (Attachment 3) came from Jair Lynch Real Estate Partners (JLRP) to help construct a portion of the planned Heritage at Old Town redevelopment project. Following notice, the ARHA Board approved the bond issuance following an April 22, 2024, public hearing. Pursuant to Section 147 (f) of the 1986 Internal Revenue Code, as amended, City Council, as the governmental unit having jurisdiction over ARHA as the issuer of private activity bonds, as well as the area where the project is located, must approve issuance of the bonds, through a Resolution.

A representative of developer JLRP has related to Housing staff that while the development plan for The Heritage project hasn't changed, the project phasing has evolved. The original DSUP approval in 2021 related to a redevelopment that included 750 units (of

which 195 are affordable) spread across 3 blocks. While the original plan was to develop Block 1 and Block 4 (a total 598 units, of which 150 are affordable units) first and then Block 2, due to changes in financial market conditions, JLRP now proposes proceeding with the redevelopment one block at a time. The first phase is Block 4 only. While the unit count is unchanged (310 units), an additional 22 affordable units have been shifted to this phase (from 78 to 100) to qualify for the bond funding. The developer has also structured the affordable component to utilize low-income housing tax credits (LIHTC) as a funding/equity source to better capitalize the project and start construction by the first quarter of 2025.

It is noted that the Heritage at Old Town was the first project to use the Residential Multifamily Zone (RMF) which exchanges substantial increases in density for the provision and/or preservation of large components of deeply affordable housing (40% AMI). As seen in the below table provided by the developer, the overall number of affordable units and levels of affordability will remain unchanged. The Heritage Redevelopment project will continue to be characterized by a mix of units and affordability/incomes across all buildings and blocks, with its residents sharing property amenities. In the case of this development, the value of the affordable housing being provided by a private developer, at no cost to the City, was estimated at \$100+ million during the 2018 South Patrick Street Housing Affordability Strategy planning process.

Level of Affordability	Existing	Proposed
PBV HAP Units	140	140
Units Affordable at 40% AMI	-	53
Units Affordable at 60% AMI	-	2
<i>Subtotal Affordable</i>	<i>140</i>	<i>195</i>
<i>Market Rate</i>	<i>104</i>	<i>555</i>
Total	244	750

Unit Mix	Studios	1-Bedroom	2-Bedroom	Total
PBV HAP Units	-	88	52	140
Units Affordable at 40% AMI	20	33	-	53
Units Affordable at 60% AMI	-	2	-	2
<i>Subtotal Affordable</i>	<i>20</i>	<i>123</i>	<i>52</i>	<i>195</i>
<i>Market Rate</i>	<i>87</i>	<i>333</i>	<i>135</i>	<i>555</i>
Total	107	456	187	750

FISCAL IMPACT: ARHA has the authority to issue revenue bonds for certain activities and has done so frequently in the past. An administrative fee is charged to applicants for the bond financing. As such bonds are conduit revenue bonds, neither the City nor ARHA is obligated to repay the bonds or the interest on the bonds. The obligation rests solely with the borrower.

ATTACHMENTS:

1. City Council Resolution
2. ARHA information sheet describing the terms of its re-established Revenue Bond Program
3. ARHA Bond Packet for The Heritage, including proof of notice of public hearing and ARHA Resolution approving the bond issuance.

STAFF:

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