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| Title: | Consideration of Loan and Grant Requests from the Alexandria Housing Development Corporation for the Redevelopment of Carpenter's Shelter and for Adoption of a Resolution Designating the Carpenter's Shelter Site a Revitalization Area. | | |
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| Attachments: | 1. 16-5884_ AHDC Loan Application (Carpenter's Shelter).pdf, 2. 16-5884_ HUD 2016 Rent and Income Limits.pdf, 3. 16-5884_ Project Sources & Uses and Proforma.pdf, 4. 16-5884_ Resolution Designating Carpenter's Shelter Site a Revitalization Area.pdf | | |

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City of Alexandria, Virginia

MEMORANDUM

DATE: DECEMBER 7, 2016

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Consideration of Loan and Grant Requests from the Alexandria Housing Development Corporation for the Redevelopment of Carpenter's Shelter and for Adoption of a Resolution Designating the Carpenter's Shelter Site a Revitalization Area.

ISSUE: Consideration of (1) a loan of up to \$7.1 million to the Alexandria Housing Development Corporation (AHDC) to develop 98 affordable rental housing units as part of a mixed-use development, including a new shelter facility and related programming, administrative and case management space, (2) a grant of up to \$250,000 to AHDC for a pilot rental subsidy program to rental to provide deep affordability in ten units for five years, and (3) a resolution designating the Carpenter's Shelter site a revitalization area pursuant to the Virginia Code.

RECOMMENDATION: Contingent on land use approvals to be considered by City Council on December 17, 2016 that City Council:

- (a) Approve a permanent loan to AHDC of up to \$7,100,000 (including \$500,000 of previously approved predevelopment funds) for the development of 98 affordable apartments; and
- (b) Approve grant funds to AHDC of up to \$250,000 for a pilot rental subsidy program to provide deep affordability in ten units for five years; and
- (c) Pass a resolution designating the Carpenter's Shelter site a Revitalization Area pursuant to Section 36-55.30:2A of the Virginia Code; and
- (d) authorize the City Manager to execute documents related to the loan as well as those evidencing City support for AHDC's March 2017 application for low income housing tax credits.

BACKGROUND: AHDC and Carpenter's Shelter (CS), two City-based nonprofit housing organizations, are collaborating to redevelop the Carpenter Shelter property located at 930 N. Henry Street in the Braddock Metro Neighborhood Plan (BMNP) area. Pursuant to a Memorandum of Understanding between the parties, AHDC is acting as the developer for the joint venture and will acquire development rights for the affordable rental housing from CS based on a third-party appraisal. The Braddock Metro Neighborhood Plan Area has experienced significant growth over the past few years including the development of a number of luxury apartment buildings. The Carpenter's Shelter site, which is only ¼ mile from the Braddock Metrorail station, is identified in the BMNP as prime for future redevelopment. In February, City Council approved a predevelopment loan of \$500,000 to assist AHDC with legal, architectural, engineering and other professional costs related to the proposed project.

The proposed redevelopment plan comprises a new shelter facility, space for day programs offered to shelter clients and related administrative and case management space, all located on the ground floor, along with six stories of affordable rental housing above. Ten (10) units of permanent supportive housing will be integrated within the affordable rental housing. These apartments will have deeply affordable rents and case management services will be provided. Consistent with the City's new parking standards for multifamily development, a total of 78 parking spaces will be provided in one level of underground parking below the building; 21 of the spaces will serve staff and volunteers for the Carpenter's Shelter.

The proposed building design is consistent with the 2008 Braddock Neighborhood Metro Plan while taking advantage of the bonus density provisions of the Zoning Code to maximize the potential affordable housing. It is important to note that current shelter activities are not being intensified; rather, the redevelopment will help CS build a facility that models current best practices for serving persons experiencing homelessness, including permanent housing options paired with case management so that clients may more successfully transition out of the shelter. Adopting this approach will enhance opportunities for CS to attract future funding for its operations and bolster the organization's long term sustainability.

AHDC proposes a mix of one, two and three bedroom apartments, including 10 fully accessible units. 10 units will be affordable to households with incomes at 40% of the Area Median Income (AMI), 29 units at 50% AMI, and 39 units at 60% AMI (Attachment 2). In addition to a community room, ground floor open space with a playground will provide recreational and open space for all building residents pursuant to a use agreement to be worked out between AHDC and CS. As is standard with all new affordable housing developed in the City, the apartments will be constructed to meet third-party certified energy efficiency/green building standards. Similar to the mixed-use model at The Station at Potomac Yard, the shelter and the affordable housing components will

be owned and operated within a condominium regime by their respective nonprofit owners.

The redevelopment meets several City housing needs articulated in the Housing Master Plan (HMP), including collaborations with and among nonprofit partners, deeply affordable subsidized units, location of affordable housing development near transit, jobs and amenities, accessible housing, and family-sized units. Due to the significant level of high-cost residential development nearby, the proposed joint project continues and adds an important element of affordable housing that is critical to Alexandria's goals of creating mixed-income communities. Department of Community and Human Services (DCHS) staff who lead the Partnership to Prevent and End Homelessness have reviewed the redevelopment concept and find that the proposed changes to Carpenter's Shelter's program, including the creation of ten permanent supportive housing units, align with City strategies and goals related to providing a real continuum of housing choice for Alexandria's most vulnerable.

DISCUSSION: AHDC has requested a loan of up to \$7.1 million from the City to help with the construction of the 98 units of affordable rental housing. AHDC's planned acquisition of development rights from Carpenter's Shelter will cover that entity's costs to build out its new facility and related space. Other funding for the project's total development cost of \$37.8 million is anticipated to come from \$21.6 million in low income housing tax credit equity (AHDC will apply for 9% credits in March 2017) and \$7.9 million in first trust mortgage debt. AHDC plans to defer \$1.2 million or more of its developer fee and to apply for Commonwealth of Virginia housing trust fund monies and new federal housing trust fund monies administered by the State. Since these are both new sources of funds for Virginia projects, AHDC is not able to forecast the likelihood of receiving these dollars, however, it believes this project, with its shelter, permanent supportive housing, and deep affordability (the proposed 40% and 50% AMI units), meets many priorities of the state-administered funding program. AHDC also intends to explore opportunities to secure affordable housing funds through the Federal Home Loan grant program. If realized, these proposed supplemental funds would reduce the final amount needed from the City. As with other City loans for affordable housing, repayments are projected to begin around Year 13, after AHDC's deferred developer fee is fully paid out, as required by IRS regulations governing tax credit projects (Attachment 3).

AHDC's request also includes a grant of up to \$250,000 to fund a pilot rental subsidy program that would make 10 units deeply affordable for a five-year period. In the scoring system established by VHDA for 2017 low income housing tax credits (LIHTC), projects that have subsidies to facilitate deep affordability in 10% of their units will receive 60 points. In many neighboring jurisdictions, housing authorities are now providing project-based vouchers to help local developers achieve points for creating deeply subsidized (affordable at 30% or 40% AMI) units. These LIHTC points are critical to making projects competitive. In mid-October, the City formally requested a limited allocation of vouchers (10) from ARHA for the Carpenter's Shelter project, and has recently been told that while the idea has merit ARHA's voucher budget is not sufficient to allow an allocation at this time. Given the window of time now remaining before AHDC's tax credit application is due (March 2017) the City does not believe that an allocation can be provided by ARHA for this project.

However, going forward for future non-profit housing projects, some project based vouchers for each non-profit project would not only make each of these future projects more LIHTC competitive, but will allow more 30% to 40% project-based units to be created at a time when ARHA's ability to keep as many 30% to 40% units as they have now is under fiscal stress largely due to HUD budget reductions. In addition, allocating vouchers in this fashion would create a less concentrated and better geographically dispersed range of income distributions throughout the City, as well as eliminate the risk of some vouchers from being "ported" out of the City.

To make the application as competitive as possible, and to provide deep subsidies for this project that proposes

a component of permanent supportive housing, and will have ten fully accessible units, the City believes that an earmark of \$250,000 in grant funds is appropriate. This amount gives the developer and the City flexibility in determining which units might be subsidized to meet needs of households identified to be served, as well as which of the proposed affordable units will be most efficiently subsidized from 60% to 30% or 40% AMI or from 50% to 30% to 40% AMI. The five-year period will meet VHDA's requirements for long term affordability. The City will continue to pursue limited allocations of project-based vouchers from ARHA for future City-supported LIHTC projects.

It is noted that Carpenter's Shelter and AHDC are pursuing a comprehensive search for an interim replacement site for the existing shelter facility. The Office of Housing and the Department of Community and Human Services will review a specific relocation plan once a site is identified. No construction will occur until a suitable interim relocation site for the shelter function has been secured.

Besides the loan, AHDC has also requested that Council adopt a Resolution designating the Carpenter's Shelter site a "revitalization area" pursuant to Section 36-55.30:2.A of the Virginia Code (Attachment 4). This designation will potentially enhance AHDC's score on the upcoming tax credit application by ten points. Council has made similar designations for other tax-credit funded projects, including The Station at Potomac Yard and St. James Plaza. The City interprets the relevant language of the Code as confirming that "without government intervention" and assistance, the development of affordable housing would not occur on this site (Attachment 4).

FISCAL IMPACT: The \$500,000 predevelopment loan was comprised of Housing Trust Fund and federal HOME funds. The additional \$6,600,000 loan request will be derived from the Housing Opportunities Fund, which includes the Housing Trust Fund, dedicated revenue, and \$4.3 million in dedicated 0.6 cent real estate tax revenue to leverage City bonding authority of the \$5.2 million previously contemplated in the City FY 2017 budget (see p. 13.31). It is anticipated that City loan dollars will be drawn by AHDC at various project milestones, such as land acquisition and completion of site work. The \$250,000 in grant funds will be earmarked from Housing Trust Funds to meet VHDA's requirement for local funding.

ATTACHMENTS:

- (1) AHDC Loan Application and Project Description
- (2) HUD Income and Rent Limits for 40%, 50%, and 60% AMI
- (3) Project Sources and Uses and Pro Forma
- (4) Resolution Designating Carpenter's Shelter Site a Revitalization Area

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