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Title: Request for City Support for Phase 1 - Building 1 of the Alexandria Housing Development Corporation Mount Vernon - Glebe Affordable Housing Project, including a Loan of \$10.5 Million from the Housing Opportunities Fund and a Rental Subsidy Grant of \$240,000.

Sponsors:

Indexes:

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Attachments: 1. 22-0568_ Rendering of AHDC Arlandria Phase 1 - Building 1, 2. 22-0568_ Income and Rent Limits, 3. 22-0568_ AHDC Arlandria Phase 1 - Building 1 Sources and Uses, 4. 22-0568_ AHDC Mount Vernon and Glebe Development Phases and Timeline, 5. 22-0568_ Presentation - AHDC MVA - Glebe Road Loan Request

Date	Ver.	Action By	Action	Result
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City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 15, 2022

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES F. PARAION, CITY MANAGER /s/

DOCKET TITLE:

Request for City Support for Phase 1 - Building 1 of the Alexandria Housing Development Corporation Mount Vernon - Glebe Affordable Housing Project, including a Loan of \$10.5 Million from the Housing Opportunities Fund and a Rental Subsidy Grant of \$240,000.

ISSUE: Consideration of a City Affordable Housing Loan of \$10.5 Million and a Rental Assistance Grant of \$240,000 to the Alexandria Housing Development Corporation (AHDC) to build 76 rental units in Phase 1 - Building 1 of a multi-phase, mixed-use, affordable housing project in Arlandria.

RECOMMENDATION: That City Council approve a \$10.5 million loan for development and construction of Phase 1 of AHDC's Arlandria project (Attachment 1), along with a rental assistance grant of \$240,000 pursuant to the rental assistance pilot program. These commitments will facilitate AHDC's March 2022 application for

competitive (9%) low-income housing tax credits (LIHTC), which is estimated to yield more than \$22 million in private investment equity, if successful.

BACKGROUND: Since Summer 2020, AHDC has been developing the concept for a multi-phase, mixed use project, including approximately 475 units of affordable housing. Approximately twenty-five percent (25%) or 100+ of all rental units are proposed to be “deeply affordable”, meaning the rents will be set at levels affordable to households with incomes at or below 40% AMI (Attachment 2). City Council publicly reviewed the project twice during the development phase, providing feedback to AHDC, including encouragement to maximize the housing and services resources to be incorporated into the project, and approved predevelopment loans totaling \$1,000,000 in September 2020 and May 2021. The development was considered and unanimously approved by Planning Commission and City Council at their respective January 2022 public hearings.

In collaboration with community groups like Casa Chirilagua and Tenant and Workers United, AHDC conducted substantial outreach with Arlandria-Chirilagua residents and stakeholders regarding the building design, as well as the residential unit mix and targeted affordability levels to meet needs based on typical household compositions and incomes. One result was the addition of den spaces and balconies to various unit types (with these spaces being incorporated at rent levels reflecting the designated bedroom size). Approximately 40,000 sf of commercial space has been planned to bring key city and nonprofit agencies, services and programs, as well as meeting spaces into the community, along with a medical and dental clinic, neighborhood-serving retail, and childcare. Significant infrastructure improvements, a new road, and open space, which will benefit building residents, and the community at large, have also been incorporated in the site design.

Besides input from community members, the project has been reviewed and endorsed by the Alexandria Housing Affordability Advisory Committee (AHAAC) and the Landlord Tenant Relations Board. Further, AHDC has created a Ready-to-Rent curriculum and will offer training to help low-and-moderate income renters become prepared to take advantage of the new housing developed by addressing typical barriers like income documentation and occupancy standards. To preserve the Arlandria-Chirilagua community and mitigate displacement, the City is also seeking HUD’s approval to allow a preference for households living in the neighborhood when applying for new housing resources there.

AHDC’s Arlandria development fully aligns with the goals and housing recommendations of the the Housing Master Plan as well as the Arlandria-Chirilagua Plan Update approved by Planning Commission and City Council in December 2021. Because of the size and complexity of the AHDC project, and the multiple funding sources anticipated to be accessed to accomplish the development, a phased development and financing approach has been development. This phased approach will enable AHDC to take advantage of multiple cycles of low-income housing tax credit (LIHTC) equity, new markets tax credit equity, as well as City, state, federal and private loan and grant opportunities, to deliver the infrastructure, housing, parking and neighborhood-serving commercial uses, including the health clinic, as soon as possible. This will be implemented beginning with an application for competitive tax credits (9%) next month to build the first 76 rental units of Phase 1 - Building 1. A 4% (non-competitive) application will follow later this year to complete Phase 1, with an additional 130 rental units.

The 76 units of Phase 1 - Building 1 includes a mix of one, two and three-bedroom units, and affordability will range from 40% to 70% AMI to accommodate varied household compositions typical in Arlandria. The requested City loan of \$10.5 million for Phase 1 - Building 1 (9%) is part of a funding package totaling \$43 million will include other leveraged sources like first trust mortgage financing and tax credit equity, as well as other soft debt and grants (Attachment 3). The City housing loan will derive from multiple sources, including Housing Opportunity and Housing Trust Fund monies, funds from the CIP (meals tax) and City-dedicated

Amazon monies, as well as CIP one-time FY 2022 Cash Capital, along with some funds from the 2005 real-estate tax dedication for housing (penny fund) no longer needed for debt service of general obligation bonds. In November 2021, AHAAC reviewed the loan request for \$10.5 million and the \$240,000 grant request (these funds will subsidize eight units to be even more deeply affordable - meeting a tax credit application point criterion that 10% of all units be further subsidized), with a recommendation that City Council provide the requested project support.

Unlike more straightforward affordable housing projects in the past, securing the funding package and building the phased Arlandria project will occur concurrently over the next several years. In part, this approach will allow AHDC and the City to take advantage of all potential, available non-City loan and grant resources, including some that are new and/or haven't been used here before, some which have still-evolving criteria, as well as some sources that are cyclical. The approach will also accelerate delivery of affordable and deeply affordable housing to the Arlandria community, where market and workforce affordable housing stock is potentially at risk of redevelopment or repositioning due to nearby economic development activity related to HQ2, the Virginia Tech Innovation Campus and the Potomac Yard Metro. It will also deliver community health services, a high priority for the neighborhood, sooner than a sequential approach would, to take advantage of post-pandemic funding interests and the availability of special resources to support recovery, especially in more disadvantaged areas.

AHDC has broken down the building and financing phases of the development as follows (Attachment 4):

Phase 0 ("Zero") includes the substantial sitework and infrastructure improvements, including upgrades to enhance the capacity of the existing stormwater and sewer systems to meet requirements of the AHDC project, as well as benefit existing and future development in the neighborhood, a public road through the site connecting Mount Vernon Avenue and Glebe Road, open space, along with the shared underground parking structure that will serve the whole AHDC Arlandria development and provide a podium for Phases 1 through 4 of Building 1.

Building 1 is comprised of two major Phases (Phase 1 and Phase 2), with each Phase incorporating both a 9% and a 4% LIHTC subphase. The 9% subphase of Phase 1 is the subject of this loan request. Over the next two years, the four subphases of Building 1 will be strategically funded to deliver a total of 417 rental units. Funding packages for subphases 2 and 4 anticipate non-competitive 4% LIHTC equity, and subphase 3, like the current phase, will apply for 9% credits in a future competitive award cycle. In addition to various amenity spaces to be provided throughout the development for all residents, Building 1 also includes approximately 4,000 sf of commercial space which will prioritize neighborhood serving retail uses, especially existing businesses.

Building 2 is comprised of two floors of commercial space (approximately 36,000 sf) that proposes to include a new Alexandria Neighborhood Health Services center, with medical and dental clinics, along with satellite "flex" space for various City departments (DCHS, Housing and the Alexandria Health Department, for example) and nonprofit agencies to offer services and programs targeting community needs. Above the commercial space, AHDC proposes to build a residential condominium that will provide 58 new for-sale homeownership options in the neighborhood affordable to households with incomes up to 80% AMI.

The total development budget for the Arlandria project, which has been intentionally cushioned with numerous cost escalation contingencies, is approximately \$315 million, with a gap of approximately \$80 million to be secured from identified sources, including City funds. AHDC's timeline for financing and constructing the multiple Phases, including Phase 0 infrastructure, projects that the 475 housing units will be delivered to the market between 2024 through 2026. Creating and preserving committed housing affordability and stability in

this neighborhood, where nearby economic development threatens existing market affordable and workforce housing serving the majority Latinx population that supports many sectors of Alexandria's local economy, is the City's highest housing priority. In the event non-City sources identified to be leveraged do not materialize as anticipated, the City would have to defer other housing projects in the pipeline over several fiscal year funding cycles to allow this critical project to move forward.

DISCUSSION: The Arlandria development will use an assemblage of several privately-owned properties it acquires, as well as a City parcel characterized as vacant, but utilized as an interim parking lot. Planning Commission conducted a Section 9.06 process in January and determined that the use proposed through its disposition and sale, if approved by City Council, is consistent with the Arlandria Plan Update. The AHDC development is not located in Arlandria's flood plain area, but pursuant to City policy and practice, construction of the mixed use, affordable housing development triggers requirements for AHDC to undertake infrastructure capacity and upgrade improvements, as well as construction of a road connecting Mount Vernon Avenue and Glebe Road that will benefit the surrounding neighborhood now, as well as help enable future development. A funding plan for Phase 0 is being developed to cover the costs of the infrastructure improvements, the public road, the site work and the parking structure. The portion of the project received a \$16.8 million Virginia Housing Amazon Impact grant last month; in addition, a CDBG Section 108 loan and ARPA grant funds and/or CIP funds have been requested. Other non-City sources have also been identified.

With regard to the immediate loan request of \$10.5 million for Phase 1, it is noted that the per unit City investment of \$138,000 is higher than other recent projects due to the extraordinary level of investment needed to create deep affordability in the 9% Phase 1 units (a total of 25% of rental units across the development will be 40% AMI units) and project contingencies incorporated into the budget.

The loan, the grant, the disposition and discounted sale of City land and the revitalization designation of the site all comprise the City's support for AHDC's tax credit application for Phase 1 - Building 1 and the development.

FISCAL IMPACT: Up to \$10.5 million City loan for Phase 1, with repayments to occur over the long term from the project's residual receipts. Consistent with the City's practice over the last several years, a grant of \$240,000 will also be provided to AHDC as part of Alexandria's pilot rental assistance program to help eight households achieve deeper affordability. These immediate commitments will enable AHDC's March 2022 application for low-income housing tax credits.

The City's total investment over multiple phases of this complex development depend on the amount of soft monies (grants and loans) that can be leveraged. These efforts are actively under way by the City and AHDC, with the following sources - and others - identified, targeted and/or secured: Low income housing tax credits, State Opportunity Tax Credits, Virginia Housing Multifamily loans; Virginia Housing Amazon Impact REACH Virginia funds; New Market Tax Credits; Federal and State Housing Trust Funds; Amazon Housing Equity Funds; Weissberg Family Foundation loans (including Seller's Notes and Loans); Federal Home Loan Bank loan and grant funds; and various federal grant and loan funds, including CDBG (Section 108 loan); Special HOME ARP, and City ARPA allocation funds.

Staff will brief AHAAC and City Council on the status of their efforts at future AHDC Arlandria development milestones.

ATTACHMENTS:

1. Rendering of Phase 1-Building 1 (9% credits)
2. 2021 HUD Area Median Income (AMI) and Rent Limits
3. Phase 1 - Building 1 (9% credits) Sources and Uses

4. Graphics illustrating AHDC Mount Vernon Avenue - Glebe Road Project Development Phases and Timeline
5. Presentation

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