



Legislation Details (With Text)

File #:	22-1182	Name:	
Type:	Written Report	Status:	Agenda Ready
File created:	4/29/2022	In control:	City Council Legislative Meeting
On agenda:	6/14/2022	Final action:	
Title:	Consideration of Predevelopment Loan Requests to Advance Two Affordable Housing Pipeline Projects.		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. 22-1182_Attachment 1_ PredevelopmentApplication - 2712 Duke Street, 2. 22-1182_Attachment 2_ 2712 Duke Sources & Uses 05272022, 3. 22-1182_Attachment 3_CLI Elbert Predevelopment Loan Application 5-19-22 v3, 4. 22-1182_letters		

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

MEMORANDUM

DATE: JUNE 7, 2022

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

FROM: HELEN S. MCILVAINE, DIRECTOR, OFFICE OF HOUSING

DOCKET TITLE:

Consideration of Predevelopment Loan Requests to Advance Two Affordable Housing Pipeline Projects.

ISSUE: Predevelopment Loans for Community Housing Partners' Duke Street project and for CLI's Elbert Avenue project.

RECOMMENDATION: That City Council approve the predevelopment loans for the projects described below, and authorize the City Manager to execute agreements, as necessary, to implement the loans:

1. Community Housing Partners (CHP), 2712 Duke Street ("Witter Place"), \$400,000; and
2. Community Lodgings, Inc. (CLI), Elbert Avenue, \$400,000.

BACKGROUND: At City Council's February 22, 2022, legislative meeting, and in a follow-up FY 2023 budget memo (<https://www.alexandriava.gov/budget-memos/fy-23-budget-qa-045-please-provide-the-affordable-housing-project-pipeline-information>), Housing staff presented a pipeline of potential affordable housing projects, including recommendations regarding how the City might advance some new projects while efforts to identify and secure non-City funds to support large, multi-phased projects

with development approvals continue. Two proposed pipeline projects, that fit the criteria for predevelopment support, have submitted requests for City predevelopment resources to progress design work and professional studies to inform ongoing development staff review and upcoming community engagement. Both projects incorporate highly desirable deeply affordable housing, are locationally efficient, and help address City strategic housing goals and priorities.

DISCUSSION:

Witter Place

Community Housing Partners (CHP) is a Christiansburg, VA-based nonprofit affordable housing developer founded in 1975 (CommunityPartners.org). In 2020, CHP entered into a purchase agreement to acquire 2712 Duke Street which is currently occupied by the Land Rover Alexandria dealership, operated by the Beyer Automotive Group. The dealership will be relocating to a larger site on Van Dom Street in Fairfax County to accommodate new Land Rover dealership requirements, as well as to add the Jaguar brand to the dealership.

Although this will be CHP's first project in the City of Alexandria (Attachments 1 and 2), it has developed or preserved more than 7,000 affordable units in Virginia, Florida, North Carolina, South Carolina, and Maryland. The nonprofit has been designated an experienced developer by Virginia Housing, and the reputations of its resident services programs and property management and development consulting services are highly regarded. In fact, CHP has received more tax credit awards in Virginia than any other developer.

CHP filed a Concept 1 last year and has already made a substantial investment in refining the design of the Alexandria project, now named "Witter Place," to move it through the filing of a completeness submission last week. To enable the project, CHP has requested a rezoning from CG to RMF, a master plan amendment to allow multifamily residential use, an increase in height from 35' to 55' feet that takes advantage of site topography to maximize the number of units, and a minor parking reduction that aligns with the project's location on the Duke Street transit corridor and proximity to Metrorail. As proposed, the project includes 94 units, with all to be family-sized 2- and 3-bedroom units. The range of affordability is 40% to 60% AMI, and it is anticipated that the 40% component could be expanded and/or deepened with ARPA resources allocated by City Council for this purpose in the FY 2023 City budget.

The floor plan includes an onsite leasing office, a fitness room, a business center, and community space. In recent CHP projects, small, onsite health hubs, which offer wellness and prevention training and treatment programs for residents and neighbors through a local health provider, have been developed, and this use is being considered at Witter Place. In addition, a "quiet" room for study will offer students residing at the property access to computers so they can focus on homework and/or onsite educational support.

With the planned component of deep affordability, and escalation in construction costs since 2020, a gap of approximately \$9 million is projected for Witter Place. The total development cost is estimated at approximately \$45.6 million. Housing staff is collaborating with CHP to identify both City and non-City resources, and CHP has already committed to defer \$1 million+ its developer fee to help close the gap, once finalized. CHP's purchase contract requires that the project apply for tax credit funding in March 2023, so staff supports this project moving forward, as currently proposed, if possible. Drawing on organizational resources, CHP has been able to defer this request to allow Housing to propose the use of FY 2023 Housing Opportunity Funds.

It is noted that a visioning process for Duke Street, led by the Department of Transportation & Environmental Services (T &ES) is underway, expected to be followed by a Duke Street Corridor Plan. In addition, T &ES is leading an effort to redesign the intersection of Duke St. and West Taylor Run to alleviate congestion to the degree feasible. During its consideration of the FY 2021 Interdepartmental Long-Range Work Plan, City Council agreed to allow affordable housing projects located along the Duke Street Corridor to proceed through the development review and approval processes, pending the Plan's completion. While ARHA owns and operates some units along the eastern portion of Duke Street, Witter Place would offer the first non-ARHA committed affordable housing in this transit and amenity rich area and may help catalyze other development south of Duke Street.

Elbert Avenue

Community Lodgings, Inc. (CLI), a long-established Alexandria-focused nonprofit organization providing affordable and transitional housing for very low and low-income families, including those at risk of homelessness, along with programs to educate and empower residents and their families, proposes to redevelop an existing 28-unit apartment building located at 3908-3916 Elbert Avenue, to create 91 new units of committed affordable housing. If approved as proposed, the project will be the first to use the RMF Zone as well as bonus density pursuant to the 2021 Arlandria Chirilagua Small Area Plan to expand housing assets. Because of the site's proximity to the floodplain, the first level of the new building, which is proposed to range up to six stories in some places, will

include above ground parking.

CLI was founded in 1987, and the Elbert Avenue property was the nonprofit's second residential purchase in Arlandria. The City assisted CLI with a loan to cover a portion of the purchase price. At the time of the 1991 acquisition, CLI used tax credits to renovate the property; however, it was not a substantial rehabilitation. While the property has been maintained by CLI over the years, including with some additional small loans from the City, the existing building's systems and structure are now functionally obsolete. CLI's current plan is to demolish the building and redevelop it: this will not only improve quality of life for residents, it proposes a high-quality, energy-efficient and more resilient living environment that considers a range of environmental factors in support of City climate goals.

The new development is comprised of a mix of one, two and three-bedroom units, with affordability ranging from 30% to 60% (Attachment 3). While the existing building contains CLI's administrative offices, the proposed new building will incorporate community space to allow CLI to offer a range of onsite resident programming and provide an option for residents to gather, socialize and recreate together inside, which doesn't currently exist in the existing building or within nearby neighborhood complexes. A relocation plan for existing residents is being developed by CLI which owns other housing in the neighborhood and is working with other housing partners to keep those who would like to remain in Arlandria during construction nearby. The relocation plan will be reviewed by the Landlord Tenant Relations Board (LTRB) in the Fall. The RMF zone requires that residents be allowed to return when construction of the new development is complete and needs of CLI residents are informing planning for relocation and the future project.

Consistent with City housing policy, CLI is requesting a predevelopment loan of \$400,000 to cover architectural, engineering, and legal costs to be incurred. The nonprofit received a City loan of \$50,000 in 2020 to preliminarily study the feasibility of developing and financing expanded housing affordability at its Elbert site. CLI next applied for Virginia Housing predevelopment funding to build on the initial feasibility determination, and now requests City funding to continue the work necessary to move through the development review and community engagement processes, as well as a Section 106 process triggered by the age of the existing building proposed to be demolished. A Concept 1 has been filed to date.

The Elbert Avenue total development cost is projected to be just over \$45 million, with a gap of approximately \$9 million to be filled. The sources and uses reflect CLI's plan to offer a seller's note for the land, to pay for its development consultants out of development fees earned by CLI, as well as its intention to seek a variety of non-City sources to mitigate its future TBD ask to the City. The project, as proposed, helps meet Arlandria's particular need for deep housing affordability and aligns with the Plan's recommendation that the City collaborate with neighborhood partners to expand housing affordability.

FISCAL IMPACT: \$400,000 of Housing Opportunity Funds to each project, pursuant to the City's policy to provide predevelopment loan funding of up to \$5,000 per unit for affordable housing projects deemed likely to be feasible. City permanent loan requests are anticipated when projects receive development approvals to support applications for low-income housing tax credits. At that time, the predevelopment loan amount is typically consolidated into the permanent loan. It is anticipated that the Witter Place project, if it receives development approvals, will move forward with a tax credit application in March 2023.

While unlikely, if a project does not move forward, the predevelopment loan may be forgiven.

ATTACHMENTS:

- (1) CHP Predevelopment Loan Application for 2712 Duke Street
- (2) 2712 Duke Street Sources and Uses (05/27/2022)
- (3) CLI Elbert Avenue Predevelopment Loan Application

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