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Title: Consideration of a Request for a City Housing Opportunities Fund Loan of \$1 Million to Alexandria Redevelopment and Housing Authority for the Samuel Madden Redevelopment Project.

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Attachments: 1. 23-0417_ Attachment 1_ARHA's loan request, 2. 23-0417_Attachment 2_Project elevations, 3. 23-0417_Attachment 3_HUD 2022 Incomes and Rents (Alexandria), 4. 23-0417_Presentation

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

MEMORANDUM

DATE: FEBRUARY 7, 2023

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 Request for a City Housing Opportunities Fund Loan of \$1 Million to Alexandria Redevelopment and Housing Authority for the Samuel Madden Redevelopment Project.

ISSUE: Consideration of a request from Alexandria Redevelopment and Housing Authority (ARHA) for a City Loan of \$1 million for the Samuel Madden Redevelopment Project (Attachment 1).

RECOMMENDATION: That City Council:

1. Approve ARHA's loan request for \$1 million for the Samuel Madden Redevelopment Project; and
2. Authorize the City Manager to execute the loan agreement and such documents as may be necessary to document Alexandria's support for ARHA's Low-Income Housing Tax Credit application for the Samuel Madden Redevelopment Project.

BACKGROUND: The Alexandria Redevelopment and Housing Authority has requested \$1 million to support its proposal to redevelop Samuel Madden Homes, a garden-style apartment community comprised of sixty-six public housing units built in 1945 to serve as housing for African American defense workers during World War II. The buildings were subsequently sold to the housing authority.

Last year ARHA entered a partnership with Fairstead, Millcreek Residential, and The Communities Group to redevelop Samuel Madden Homes into a mixed-income, mixed-use development across two buildings that includes 532 apartments, ground floor retail, an ALIVE! Food Hub, as well as a preschool operated by Hopkins House Preschool Academies (Attachment 2). The units at Samuel Madden will be affordable to households earning between 30% to 80% of the Area Median Income (AMI), along with market-rate units (Attachment 3). The partnership has submitted a development application to the City for review which will be considered at February 2023 public hearings by the Alexandria Planning Commission (2/7) and City Council (2/25). Assuming the proposed redevelopment is approved, ARHA will submit a low-income housing tax credit application in March. It is noted that ARHA's loan request will help fund the North Building, which ARHA will own and operate within a tax credit limited partnership as affordable housing.

DISCUSSION: According to ARHA, recent changes in the financial markets including construction cost inflation and upward fluctuations in interest rates necessitate its request for \$1 million in City Housing Opportunities Fund (HOF) funds to maintain project feasibility. City financial support was not initially anticipated beyond a small predevelopment loan.

If ARHA's request is approved, the source of funds for the City gap loan would derive from monies reserved in the HOF account for ARHA redevelopment activities. These monies are from developer contributions to housing from projects in the Braddock Metro neighborhood. In December 2021, at ARHA's request, City Council approved a \$60,000 loan from the reserve to support Samuel Madden predevelopment activities. The current Braddock Reserve account balance is \$3.1 million.

If approved, the \$1 million loan will be made to the development's ownership entity which is controlled by ARHA. The loan will be secured as a lien against the property and repaid through residual receipts from future project revenue over time. It is noted that, besides the loan, ARHA has also requested other financial support and fee relief, as well as an exemption from real property taxes, which are under review. A resolution designating the Samuel Madden redevelopment site a "Revitalization Area" will also be considered by City Council to help induce an award of tax credits. At its January meeting the Alexandria Housing Affordability Advisory Committee (AHAAC) discussed the loan request and recommended approval by City Council.

FISCAL IMPACT: The fiscal impact would be a new loan of \$1 million from funds in the \$3.1 million Braddock Reserve within the City's Housing Opportunities Fund (HOF). If approved, the new loan amount, plus the prior predevelopment loan of \$60,000, will be consolidated into a permanent residual receipts-style subordinate loan to be repaid by ARHA out of future project revenue (after senior debt and any deferred developer fee is paid out). A restrictive covenant will ensure that the project remains affordable for at least forty (40) years, as well as provide the City a right of first refusal in the event of a future sale or default. Given ARHA's mission and experience, it is assumed the project will remain affordable in perpetuity.

ATTACHMENTS:

- (1) ARHA's loan request
- (2) Project elevations
- (3) HUD 2022 Incomes and Rents (Alexandria)
- (4) Presentation

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