



Legislation Details (With Text)

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Title: Consideration of a Commitment of \$5 Million in Federal Funding to Support Capital Improvements at Park Vue Apartments, plus a Grant of \$350,000 to Fund Rental Subsidies for 10 Units.
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Attachments: 1. 23-0368 _Park Vue_HOF Application

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

MEMORANDUM

DATE: MARCH 21, 2023
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 a Commitment of \$5 Million in Federal Funding to Support Capital Improvements at Park Vue Apartments, plus a Grant of \$350,000 to Fund Rental Subsidies for 10 Units.

ISSUE: A commitment of \$5 million overall in federal funding (Community Development Block Grant (CDBG) funds on hand, future program income/loan proceeds, and TBD grant funds) to Housing Alexandria for capital improvements at Park Vue plus a grant of \$350,000 in pilot rental subsidy program funding to create a component of deeply affordable units (10 units).

RECOMMENDATION: That City Council approve the following:

- 1) A commitment of up to \$5 million in federal funding overall to be disbursed pursuant to a loan agreement with Housing Alexandria for capital improvements at Park Vue Apartments, to include:

- a. a transfer of \$1 million in currently available CDBG grant carryover and program income from the Home Rehabilitation Program to the Housing Opportunity Fund (HOF) Multifamily Rehabilitation Program Funds; and
 - b. future transfers of CDBG program income, including loan repayment proceeds, as available, and as necessary to meet this commitment, from City-administered federally funded programs eligible for this use; and
 - c. from funding awards, appropriate for this purpose pursuant to other TBD federal grant applications, on which the City and Housing Alexandria will collaborate; along with
- 2) A grant of up to \$350,000 from city Housing Trust Fund monies to be used for rental subsidies for 10 committed deeply affordable (40% AMI) units at Park Vue Apartments;
 - 3) Authorize the City Manager to execute agreements and all related documents to implement the approvals.

BACKGROUND: With a loan from Amazon's Housing Equity Fund (HEF), the Alexandria Housing Development Corporation (AHDC, now rebranded as "Housing Alexandria" or HALX), acquired the 196-unit Park Vue Apartments in Arlandria in February 2022 for preservation as affordable/workforce housing. The HEF enabled Housing Alexandria to act nimbly to secure the property: while no Alexandria funding was required for the purchase, it was anticipated that City financial participation would occur in the short term pursuant to a planned refinancing. Pursuant to Housing Alexandria's agreement with Amazon, the rents on all units are capped to be affordable at the 60% AMI level, however, up to 20% of the households may have incomes ranging up to 80% AMI.

Housing Alexandria has proposed a refinancing strategy to make use of a GSE/Fannie Mae first trust loan that will repay the HEF approximately \$20 million, and keep the rest of the HEF money in the project as both loan and a grant (Attachment). The City will help fund two capital needs projects - identified during Housing Alexandria's due diligence process - through a commitment of various federal fund sources administered by Alexandria, including CDBG grant carry over and program income on-hand totaling \$1 million, anticipated CDBG future program income and loan proceeds, and from potential grant award funds if City/HALX applications are successful to the range of federal initiatives now being offered to induce infrastructure improvements, building rehabilitation and energy efficiency. Housing Alexandria will bridge up to \$4 million of the City commitment, if required to aggregate the funding, to complete the project in a timely manner.

Besides the City loan for capital improvements, and separate from that loan, staff are also recommending a \$350,000 grant from Housing Trust Fund monies so that Alexandria's pilot rental subsidy program can be extended to create a small component of 40% AMI units at Park Vue. This will create deeply affordable options as unit turnover occurs in the future and/or to prevent potential displacement of current households that are income eligible and would be housing cost burdened at 60% AMI level rents. Housing Alexandria's census of resident incomes as lease renewals have occurred over this first year of ownership have not shown a large demand for this across the existing tenant base, however, the subsidy both addresses displacement concerns and strengthens the City's commitment to enable deeper affordability, when feasible, pursuant to recommendations in the 2021 Arlandria-Chirilagua Plan.

It is noted that a rebranding of the project from "Park Vue" to "The Square at 511" is currently in progress.

DISCUSSION: The City's commitment, as proposed, offers an approach that maximizes the use of federal funds already on hand that must be obligated and which will efficiently further multiple housing goals (e.g., preservation of affordable/workforce housing, energy/efficiency and related savings to reduce housing costs for residents), and incorporate flexibility that allows federal funds, when available and if appropriate, to be dedicated in the future while also enabling the City and HALX to identify and secure, if possible, federal grant

funds suited to the project. As mentioned above, HALX will arrange a bridge contingency to allow the City to fulfill its commitment over a reasonable period of time to leverage non-City funds, too.

The City's commitment also furthers a potential financial partnership with Amazon's Housing Equity Fund that Alexandria hopes will create a template that can be replicated to advance other pipeline projects. The City funds, and the resulting restrictive affordability covenant, will additionally induce more favorable lending terms to benefit the project. While Alexandria's pilot rental subsidy program has been deployed so far only to enable deeply affordable units in City-supported low-income housing tax credit developments, extending it to some preservation projects makes sense as a tool to mitigate cost burden for existing residents and prevent economic displacement. Conversations among Amazon, the City and Alexandria-based community organization, Tenant and Workers United, all suggest that creating more 40% AMI options are especially critical in that neighborhood.

It is noted that staff are working currently to identify a source, within dedicated Housing fund revenues, to sustain the pilot rental subsidy program beyond its initial five-year period. The program is currently operating across five properties. The Alexandria Housing Affordability Advisory Committee (AHAAC) received a briefing on the program in March 2023. It is proposed that the City revive discussions with the Alexandria Redevelopment Housing Authority (ARHA) to again explore a potential collaboration regarding future allocations of project-based vouchers administered by ARHA.

As a condition of the City's investment, Housing Alexandria has agreed to comply with the housing preference policy being developed when it is implemented (prioritizing units when they are available for qualified neighborhood residents first).

AHAAC discussed the project at its March 2, 2023, meeting, following a public hearing on the proposed use of federal funds. The Committee unanimously recommended that City Council approve the Park Vue loan and grant.

FISCAL IMPACT: Commitment of up to \$5 million overall in City-administered federal funding, with \$1 million in currently available CDBG grant carryover and program income. The federal funds will be transferred from the Home Rehabilitation Loan Program to the Housing Opportunities Multifamily Rehabilitation Program account. Housing Trust Funds of \$350,000 will be provided as a grant in support of the Pilot Rental Subsidy proposal. All of the loan funds will be secured through an agreement with HALX. As is typical for affordable housing, the City loan agreement will be subordinate to the first trust mortgage and the HEF loan agreements. Alexandria will be repaid from residual receipts generated by the property cash flow.

ATTACHMENT: Housing Alexandria HOF Request

STAFF:

Emily A. Baker, Deputy City Manager

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Tamara Jovovic, Housing Program Manager, Housing

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