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**Title:** Consideration of a Request for a Housing Opportunities Fund Loan of \$3,475,000 and a Pilot Rental Subsidy Grant of \$350,000 to Community Lodgings, Inc. for the Elbert Avenue Project to Facilitate an Application for State Housing Opportunity Tax Credits

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**Attachments:** 1. 24-2217\_Attachment 1 - CLI Elbert Ave Cover Letter and HOF Application Abstract, 2. 24-2217\_Attachment 2 - HUD 2024 Income and Rent Limits (40-60), 3. 24-2217\_Attachment 3 - CLI Elbert Model 2024.05.13 - 30% AMI units exempted

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

MEMORANDUM

**DATE:** JUNE 25, 2024

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** JAMES F. PARAJON, CITY MANAGER /s/

**DOCKET TITLE:**

Consideration of a Request for a Housing Opportunities Fund Loan of \$3,475,000 and a Pilot Rental Subsidy Grant of \$350,000 to Community Lodgings, Inc. for the Elbert Avenue Project to Facilitate an Application for State Housing Opportunity Tax Credits

**ISSUE:** A Housing Opportunities Fund (HOF) loan of \$3,475,000; a pilot rental subsidy grant of \$350,000 from the Housing Trust Fund (HTF), and other City support for CLI’s upcoming application for Virginia Housing Opportunity Tax Credits (HOTC)..

**RECOMMENDATION:** That City Council approve:

- (a) a Housing Opportunities Fund (HOF) loan totaling \$3,475,000, including \$3,000,000 in new FY 2025 CIP funds;
- (b) a pilot rental subsidy grant of \$350,000 from the Housing Trust Fund (HTF);
- (c) authorization of the City Manager to execute such documents as may be necessary to implement the loan and grant agreements, as well as such other items necessary to memorialize the City’s support for CLI’s state housing opportunity tax credit application.

It is noted that City Council will separately consider a proposed resolution designating the Elbert Avenue Project site a revitalization area.

**BACKGROUND:** In February 2023, Community Lodgings, Inc., now branded CLI, received DSUP approvals to redevelop 3908-3916 Elbert Avenue, an existing 28-unit property it operates as committed affordable housing, into a 91-unit affordable apartment community. The increase in housing units derives from CLI's use of the Residential Multifamily (RMF) Zone and, in compliance with that Zone's requirements, in exchange for a density increase, CLI has incorporated a substantial component of deeply affordable units, including units affordable to households with incomes at or below 30 and 40% of the Area Median Income (AMI). The balance of units will be affordable to households with incomes up to 50 and 60% AMI. The project aligns with recommendations of the 2020 Arlandria Chirilagua Plan Update to preserve, improve, and expand housing affordability through local partnerships, and offers significant new housing resources to Arlandria's working-class community.

In addition to the deep affordability proposed, the development will provide new amenities for residents like structured parking and interior and exterior recreational spaces. Most of the units will be family-sized, and the building will incorporate visitability features, some fully accessible units, and a range of updates to maximize energy efficiency and lower utility costs. CLI's plan to relocate residents was reviewed and approved by the Landlord Tenant Relations Board pursuant to the DSUP, and all income-eligible residents will have a right to return.

**DISCUSSION:** CLI has requested a City housing loan of \$3 million and a pilot rental subsidy grant for the Elbert Avenue project (Attachment 1). At the time of the 2023 Elbert Avenue DSUP approval, the City did not have monies to provide local financial support to enable CLI to apply for low-income housing tax credits. Due to ongoing funding commitments to HALX's Arlandria project and CHP's Witter Place development, both Elbert Avenue and Parcview II, which received land use approvals in 2021, are in Housing's multiyear "pipeline".

The Housing pipeline was most recently updated and shared with City Council and the community during the FY 2025 budget process. Through its budget deliberations, City Council approved the addition of \$3 million to the CIP account to help advance "approved but unfunded" projects in the pipeline. While it was not expected then that these new dedicated funds, by themselves, would be sufficient to leverage tax credits for either of the qualified projects, CLI's team, in collaboration with Housing, has developed a financing strategy that would use competitive state housing opportunity tax credits and multiple rounds of 4% tax credits and bonds, to construct the Elbert Avenue development. As a first step, CLI has requested the \$3 million in new monies dedicated in the FY 2025 budget. CLI has also asked that an existing predevelopment loan of \$450,000 and the remaining balance of an old City loan to CLI be consolidated in the new loan agreement.

It is noted that the project's location in Arlandria, which is designated a Qualified Census Tract (QCT) due to the preponderance of low-income households living in the neighborhood, yields a significant "boost" to the tax credits (and equity) to be generated by the project's development costs. This "basis boost" is helping enable CLI to fund some of the project using 4% tax credits and bonds. The state housing opportunity tax credit program is a relatively new tool created by the Virginia General Assembly, and implemented by Virginia Housing about four years ago, which is intended to **supplement** federal tax credits to produce more affordable housing in the Commonwealth. While initially fashioned to support rural projects and/or projects in low population jurisdictions, the program has expanded geographically and, in last year's competition, Elbert Avenue's development consultant was successful in securing state tax credit awards for projects located in Manassas and Charlottesville.

The July state housing opportunity tax credit application's funding priorities are similar to, but not fully the same as, those of the March 9% federal tax credit application process. In addition to the loan, a grant of \$350,000 from the Housing Trust Fund to extend the City's pilot rental subsidy program to serve ten units at Elbert Avenue (~10% of the total) is consistent with support for past tax credit projects. As implemented, the pilot subsidy program enhances rent and housing stability for households referred by DCHS who are most vulnerable to economic circumstances which may impact their ability to pay.

The Alexandria Housing Affordability Advisory Committee (AHAAC) considered the loan and grant at its June meeting and unanimously recommended approval by Council.

**FISCAL IMPACT:** \$3 million of new CIP Housing Opportunity Funds designated for approved, but unfunded, affordable housing projects through the FY 2025 budget process. The funds will be provided as a residual receipts-style (cash flow) loan typical for affordable housing projects and will be consolidated with a small, prior loan balance and a predevelopment loan for a total amount of approximately \$3,475,000. Repayment will commence when CLI's deferred developer fee is repaid in a few years, with residual receipts thereafter to be split 50/50 between CLI and the City. \$350,000 in Housing Trust Fund monies to provide rental subsidies for ten households for five years, subject to renewal.

Wesley's ParcView II, the other project potentially qualified for the new dedicated funding, will require commitments of housing

funding over multiple city budget cycles due to its size. Assuming CLI's state tax credit funding strategy is successful and that project moves forward, staff will work with Wesley on project phasing to create a funding plan for review in future City budgets. As discussed with AHAAC, if CLI is not successful in its state tax credit application for Elbert Avenue, Housing will consult with the Committee regarding prioritization of funds for pipeline projects.

**ATTACHMENTS:**

- (1) CLI cover letter and application for City funds
- (2) HUD 2024 Rent and Income Limits
- (3) Project Sources and Uses

**STAFF:**

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