



## Legislation Text

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File #: 13-1019, Version: 1

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### City of Alexandria, Virginia

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#### MEMORANDUM

**DATE:** FEBRUARY 20, 2013

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

**FROM:** RASHAD M. YOUNG, CITY MANAGER /s/

**DOCKET TITLE:**

Consideration of a Contingent Contract to Sell City Property at 1505 Powhatan Street.

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**ISSUE:** Consideration of a contract to sell City-owned real estate at 1505 Powhatan Street contingent upon approval of the sale under Section 9.06 of the City Charter.

**RECOMMENDATION:** That City Council authorize the City Manager to enter into a contract with Pulte Homes/11<sup>th</sup> Street Development to sell 1505 Powhatan Street for \$4,400,000 plus an affordable housing contribution of approximately \$85,000 with the contract contingent upon approval of the sale per Section 9.06 of the City Charter.

**BACKGROUND:** 1505 Powhatan Street is a 43,795 square foot parcel and is the site of the City's former traffic and sign shop. The property is currently zoned CSL (Commercial Service Low), which allows for a variety of uses including multifamily (condominium and townhouse style) mixed use development.

On May 26, 2009, the Alexandria City Council designated 1505 Powhatan Street as surplus property. In early 2010, staff began community outreach efforts to help inform the City's RFP process that was being planned for the property. Staff attended several meetings of the Northeast Civic Association between May 2010 and June 2012 to discuss both the format of the RFP document as well as the attributes of a redevelopment project that were considered desirable and undesirable by the community. These discussions were key in the development of the selection criteria included in the published RFP document. Several of the approved selection criteria came directly from those meetings.

The City of Alexandria released a request for proposals (RFP) on July 31, 2012 for the purchase and redevelopment of surplus property at 1505 Powhatan Street. The RFP closed on October 1, 2012 with a total of five proposals submitted. The City assembled its interdepartmental Real Estate Committee to evaluate and score these proposals. This memorandum outlines the Real Estate Committee's findings and provides a

recommendation for award of contract(s).

The five proposals were ranked by the Committee as follows:

1. Pulte Group / 11<sup>th</sup> Street Development
2. Christopher Land (tie)
2. EYA (tie)
4. Madison Homes
5. Capital Investment Advisors

The five proposals are summarized here:

- Pulte Group / 11<sup>th</sup> Street Development - This proposal for 15 market rate townhomes included the highest base sales price for the parcel at \$4.4 million and would not require additional density above current zoning. The proposal also included an affordable housing contribution of approximately \$85,000, which is consistent with the voluntary affordable housing contribution policy formula. This would make the total value of the Pulte proposal \$4,485,000.
  - Base Offer Price: \$4,400,000
  - Affordable Housing Contribution: \$85,000 (consistent with City's formula)
- Christopher Land - This proposal for 14 market rate townhomes included a base sales price of \$3.5 million and would not require additional density above current zoning. The proposal also included an affordable housing contribution of approximately \$85,000, which is consistent with the voluntary affordable housing contribution policy formula. This would make the total value of the Christopher proposal \$3,585,000.
  - Base Offer Price: \$3,500,000
  - Affordable Housing Contribution: \$85,000 (consistent with City's formula)
- EYA - This proposal for 20 townhomes, including 18 market rate and two affordable workforce units, included a base offer price of \$2.7 million and would not require additional density above current zoning. Additionally, the proposal includes two affordable housing (workplace) units which would provide an additional benefit valued at approximately \$600,000. This would make the total value of the EYA proposal \$3,300,000.
  - Base Offer Price: \$2,700,000
  - Affordable Housing Contribution: \$600,000 (City's formula would be \$85,000)
- Madison Homes - This proposal for an approximately 65,000 gross square foot, four-level, multifamily building included 55 for sale dwelling units (condos). The base offer price in this proposal was \$4.4 million, but would be contingent on a rezoning of the parcel to the OCM-50 district, which would then allow for the necessary density increase. This proposal also included a different option that would involve four on-site affordable housing units if an additional increase in density (20% bonus density) could be agreed upon. This second option would yield a total of 66 dwelling units. The proposal includes built-in adjustments to the base offer price depending on the actual approved gross square footage. Because the proposed density is beyond what staff believes is acceptable for this site, it is unlikely an eventually approved site plan would have the levels of square footage proposed by Madison Homes, the actual base sales price would likely decrease significantly. As it currently stands, the by-right density limit for the parcel is 36,000 square feet. At the square footage levels included in both options, the value of the affordable housing contributions to the City would total approximately \$175,000. The second option with four on-site affordable units would have an additional value to the

City of approximately \$700,000.

In discussions, the evaluation committee considered the level of density assumed in this proposal to be too great based on input from the community and current uses in the surrounding properties. In order to bring the proposal within more realistic density levels, the base offer price would be dramatically decreased and the project may no longer be economically viable for the proposer. If the proposed density in the Madison Homes proposal was not reduced, the value to the City would be \$4,575,000 or \$5,275,000, depending on which density option was chosen. However, if the proposal's scale was reduced to the current maximum allowable 27 multifamily units (estimated at approximately 36,000 square feet), the total value to the City would be approximately \$2.5 million (\$2.4 million base offer plus \$85,000 affordable housing contribution).

- Base Offer Price: \$4,400,000 (with caveats to adjust the price based on actual approved gross square footage)
- Affordable Housing Contribution:
  - Option 1 (no onsite affordable): \$175,000 (consistent with City's formula)
  - Option 2 (onsite affordable): \$175,000 + \$700,000 (City's formula + approximate value of on-site units)
- Capital Investment Advisors - This proposal for a 64,000 gross square foot, mixed-use development included approximately 10,000 square feet of ground level retail, 45,000 square feet of for sale dwelling units (condos), and three rear load townhomes. The base offer price in this proposal was \$3.0 million, but would be contingent upon a rezoning to the RC district along with a DSUP for 20% bonus density to include six on-site affordable housing units. The proposal valued the six affordable housing units at \$900,000. In discussions, staff considered the level of density assumed in this proposal to be too great based on input from the community and current uses in the surrounding properties, with potential parking and traffic impacts being especially problematic. The total value of the Capital Investment Advisors proposal in \$3,900,000.
  - Base Offer Price: \$3,000,000
  - Affordable Housing Contribution: \$900,000 (City's formula would be \$175,000)

**DISCUSSION:** Staff recognized that both multifamily and mixed-use development could be constructed at the 1505 Powhatan Street site if done properly on the right scale. Staff also recognized that townhomes would be consistent with the current neighborhood use, and would be a positive addition if constructed using appropriate design standards and scales. However, the two proposals featuring multifamily components (Madison Homes and Capital Investment Advisors) were found to ultimately require density beyond what has been expressed as desirable for the site based on current zoning and current uses on adjacent sites. Parking and the resulting traffic flows for these proposed uses would also be very problematic. This is largely the driver behind those proposals' lower scores.

Among the three proposals featuring exclusively townhomes, the primary differentiating factor was offer price. All three proposals featured well-designed townhomes with similar impacts on the neighboring properties. The scores for architectural quality, long-term revenue potential, and the experience and financial ability of the proposers were very similar. The clear gap between the offer price of Pulte / 11<sup>th</sup> Street and those of Christopher Land and EYA made it the highest rated offer. The property at 1505 Powhatan Street has a posted assessed value at \$3,912,621 and an appraised value at \$2,660,000 based on the current CSL zone.

On January 16, 2013, staff presented the recommended redevelopment proposal at a meeting of the Northeast

Citizens' Association. The request for proposals process, ranking criteria, and details of the recommended proposals were discussed with the members of the community. Representatives from Pulte Group / 11<sup>th</sup> Street Development were also in attendance and fielded questions about their project design as well as their construction schedule and strategies. The proposal was generally well received by the attendees.

Staff recommends pursuing a sales contract with Pulte Group / 11<sup>th</sup> Street Development based on their submitted proposal and \$1,500 deposit provided. Upon entering a sales contract the purchaser will be required to provide a 10% deposit. The cash sale of \$4,400,000 would be contingent upon the 9.06 and DSUP approval and closing would occur only after DSUP approval by Council. The \$85,000 of affordable housing contribution would be paid to the City at the time certificates of occupancy were granted for the proposed townhomes.

With City Council approval, the City Manager will enter into a contract with Pulte Group / 11<sup>th</sup> Street Development for the sale of 1505 Powhatan Street, in the amount of \$4,400,000 plus an affordable housing contribution of approximately \$85,000, contingent upon approval of the sale per Section 9.06 of the City Charter. This process anticipates consideration by the Planning Commission and City Council in Fall 2013, to review conformance with the City's Master Plan.

**FISCAL IMPACT:** The net proceeds after transaction and closing costs are anticipated to be \$4,200,000 plus approximately \$85,000 in affordable housing contributions. Per the adopted City Real Estate Disposition Policy the sales proceeds (not counting the affordable housing contribution) will be designated as a source of funds in the City's FY 2014 - FY 2023 Capital Improvement Program.

**ATTACHMENT:** 1. Powhatan Proposal Renderings

**STAFF:**

Jeremy McPike, Director, Department of General Services  
Alfred Coleman, Deputy Director, Department of General Services  
Michael Stewart, Division Chief, Department of General Services  
Al Cox, Historic Preservation Manager, Planning and Zoning  
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