



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** FEBRUARY 3, 2016

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

**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**

Consideration of a Predevelopment Loan to AHDC for a Mixed Use Development, Including a New Shelter Facility and Affordable Housing, at the Carpenter's Shelter Site.

**ISSUE:** A predevelopment loan to the Alexandria Housing Development Corporation (AHDC) for a joint project with Carpenter's Shelter to redevelop the Carpenter's Shelter site.

**RECOMMENDATION:** That City Council:

- (a) Approve a predevelopment loan to AHDC of up to \$500,000 for a proposed redevelopment of the Carpenter's Shelter site to provide a new shelter and related administrative and case management space; 10 units of permanent supportive housing for households transitioning out of the shelter; and approximately 100 affordable and workforce apartments, all above underground parking; and
- (b) Authorize the City Manager to execute documents related to the predevelopment loan.

**BACKGROUND:** AHDC and Carpenter's Shelter, two City-based nonprofit housing organizations, are collaborating on a proposal to redevelop Carpenter's Shelter's existing .82 acre property located at 930 N. Henry Street in the Braddock Metro Neighborhood Plan area. Pursuant to a Memorandum of Understanding between the parties, AHDC is acting as the developer for this joint venture and will acquire development rights for the affordable/workforce rental housing from Carpenter's Shelter pursuant to a third party appraisal.

A preliminary early-stage concept vetted with the City includes underground parking, a first floor level that will include a new shelter facility, related administrative and case management space, and 10 units of permanent supportive housing, to be topped with five stories of rental housing affordable to incomes ranging from 40% to 60% of the area median income (AMI) (Attachment 2). The planned building concept is consistent with the adopted Braddock Neighborhood Metro Plan, while taking advantage of allowable bonus density to maximize the potential affordable housing (Attachment 3). It is important to note that current shelter activities are not

proposed to be intensified; rather the redevelopment will help Carpenter's Shelter build a facility that models current best practices with regard to serving persons experiencing homelessness, including permanent housing options paired with case management so that clients may successfully transition out of the shelter. Adopting this approach will enhance opportunities for Carpenter's Shelter to attract future funding for its operations and bolster the organization's long term sustainability.

AHDC proposes a mix of one, two and three bedroom apartments, including 10 fully accessible units. In addition to a community room, an internal courtyard will provide recreational and open space for building residents. As is standard with all new affordable housing developed in the City, the apartments will be constructed to meet third-party certified energy efficiency/green building standards. Similar to the mixed-use model at The Station at Potomac Yard, the shelter and the affordable housing components will be owned and operated within a condominium regime by their respective nonprofit owners.

While the parties presently expect Carpenter's Shelter to own the ten permanent supportive housing units that are planned, if a rental subsidy source can be identified to advantage AHDC's tax credit application (planned to be submitted to the Virginia Housing Development Authority (VHDA)) related to these units, they may be built by AHDC as part of its development but for the use of Carpenter's Shelter clients. As proposed, the redevelopment meets several City housing needs articulated in the Housing Master Plan, including collaborations with and among nonprofit partners, deeply affordable subsidized units, location of affordable housing development near transit, jobs and amenities, accessible housing and family-sized units. Due to the significant level of luxury residential development nearby, the proposed joint project adds an important element of affordable and workforce housing critical to Alexandria's goals of creating mixed income communities. Department of Community and Human Services (DCHS) staff who lead the Partnership to Prevent and End Homelessness have reviewed the redevelopment concept and find the proposed changes to Carpenter's Shelter's program, including the creation of ten permanent supportive housing units, are consistent with City's strategies and goals related to providing a real continuum of housing choice for Alexandria's most vulnerable.

**DISCUSSION:** Requests for City predevelopment loan assistance are typical for affordable housing projects. While the Housing Master Plan enabled staff to administratively approve predevelopment loans for amounts totaling up to \$5,000 per unit, staff has adopted the practice of bringing large predevelopment funding requests to the Housing Affordability Advisory Committee (AHAAC) and to City Council in order to vet developments and solicit feedback early in the development process. This has also been useful in setting priorities and identifying resources that will be required to induce third party leverage and in measuring progress in meeting Housing Master Plan targets by establishing a pipeline of future projects.

Based on the number of affordable units anticipated to be achieved through redevelopment of the Carpenter's Shelter site, AHDC has requested \$500,000 in predevelopment loan funding to advance the design and development of the details of the proposed project, to take it through the City development review and community outreach processes and to secure financing for the affordable housing component including, potentially, the permanent supportive units. AHDC's planned acquisition of development rights from Carpenter's Shelter will cover that entity's portion of costs for construction of the new shelter facility and related space, as well as the permanent supportive housing units if tax credit funding is not a viable option. A Concept 1 plan is contemplated to be submitted sometime in February of 2016. In the meantime, AHDC will preview the development concept for the Braddock Implementation Advisory Group at its January 28 meeting and will present its predevelopment funding request to the Housing Affordability Advisory Committee on February 4. It also plans to undertake extensive outreach to various civic associations and neighborhood groups and businesses in upcoming months to discuss the project and solicit community feedback.

Because AHDC proposes to serve households with incomes at or below 60% of the area median income, Housing staff proposes that at least \$250,000 of federal HOME funds be allocated as one funding source for the predevelopment loan, with the balance from Housing Trust Funds derived through developer contributions.

Although projections are very preliminary, the proposed permanent total financing package of \$41 million for the joint redevelopment anticipates \$21.5 million in competitive/9% low income tax credit equity from VHDA, \$7.5 million in first trust mortgage debt, a Carpenter's Shelter contribution of \$5.2 million, and a City Housing Trust Fund gap loan of around \$5 million, as well as potential Virginia Housing Trust Fund dollars (Attachment 3). The Virginia Housing Trust is a new source of funding for projects that serve households at very low incomes. AHDC believes this project, with its shelter, permanent supportive housing and 40% and 50% AMI apartments meets many criteria for Virginia Housing Trust Fund funding. AHDC hopes to secure this and other soft funds to close the projected \$1 million funding gap.

Although AHDC will move forward expeditiously in seeking development approvals for the proposal, its currently-stated timeline of applying for competitive tax credits in the March 2017 round places it in potential conflict with an AHC project for which the City has already committed predevelopment support (The Church of the Resurrection). Based on anticipated local resources for affordable housing development, only one project can likely be supported in the 2017 round. Unless the Resurrection project isn't able to go forward competitively for some reason in 2017, Housing staff plan to recommend that the AHDC-Carpenter's Shelter redevelopment be sequenced as the City's 2018 LIHTC project. The City also does not have sufficient Housing Trust Fund monies to support both applications. AHDC agrees with this potential deferral until 2018.

**FISCAL IMPACT:** A predevelopment loan of \$500,000 from Housing Trust Funds and federal HOME funds will be provided to AHDC, with the funds to be released as draws for eligible costs are submitted. Staff plans to return with a permanent loan recommendation at the time that the DSUP for this project is presented to City Council.

**ATTACHMENTS:**

- (1) AHDC Predevelopment Loan Request for Redevelopment of the Carpenter's Shelter Site
- (2) HUD Income and Rent Limits for 40%, 50% and 60% AMI
- (3) Project Financial Summary (as of 1/15/16)

**STAFF:**

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