



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 5, 2018

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Consideration of a \$1.7 Million Increase in the City Loan to Alexandria Housing Development Corporation for the Bloom Affordable Housing Development (Carpenter's Shelter).

ISSUE: Consideration of a \$1.7 million increase in the City loan to Alexandria Housing Development Corporation (AHDC) for The Bloom affordable housing development (Carpenter's Shelter), which is AHDC's 97-unit affordable housing development.

RECOMMENDATION: That City Council approve additional loan funds of \$1.7 million bringing the total permanent City loan amount for the AHDC Bloom affordable housing development project to \$8.9 million.

BACKGROUND: In December 2016, City Council approved a loan to AHDC of "up to \$7.1 million" (including a previously authorized predevelopment loan of \$500,000) for a 97-unit affordable housing building to be developed in conjunction with, and above, a new Carpenter's Shelter facility on the ground floor level. The residential building will contain a mix of 87 units affordable at 40% to 60% of the area median income (AMI) and 10 deeply affordable units that will serve households transitioning from chronic homelessness, including case management support from Carpenter's Shelter. During the construction period, Carpenter's Shelter has temporarily relocated its administrative, case management and shelter activities to the vacant Macy's store space at Landmark Mall, which is being offered at no cost by the Howard Hughes Corporation.

Due to volatile construction pricing trends in Virginia and the D.C. Metropolitan area, including unprecedented increases in costs, labor shortages, and uncertainty regarding tariff policy which is driving the cost of some building materials sharply upward, the project construction budget has increased by more than 25% since AHDC's 2016 funding application. AHDC had been able to absorb several rounds of increases due to the cushion provided by its State and National housing grant award totaling \$1.6 million, increased Virginia Housing Development Authority (VHDA) loan funding and by deferring more of its developer fee, however, a

gap projected to be up to \$1.7 million remains to be closed. AHDC has requested that the City provide additional financial support now so the project can close and move forward in mid-September.

DISCUSSION: Steep increases in construction costs are impacting many tax credit projects in Virginia. AHDC had an initial commitment from VHDA to fill the entire project gap, however, with so many tax credit projects potentially facing the same challenges, VHDA is no longer able to increase its support beyond what was approved in early July. Staff believe it is critical to keep the project moving forward and preserve the more than \$35 million in committed non-City public and private dollars leveraged through the City's investment. The additional loan amount means that the City's per unit investment for The Bloom will increase from \$73,195 to \$91,814. Staff's analyses of construction costs among other regional tax credit projects underway or in the pipeline finds The Bloom's costs are consistent with recent market conditions.

FISCAL IMPACT: \$1,700,000 from the Housing Opportunities Fund to be added to the existing permanent residual receipts City loan. The 1% increase in Alexandria's meal tax to generate funds for affordable housing purposes that was approved by City Council as part of the FY 2019 Capital Improvement Program is providing the funding needed to meet this unanticipated requirement for additional gap-closing financial support.

ATTACHMENT: AHDC Request for Additional Loan Funding for The Bloom, including
Sources and Uses and Proforma

STAFF:

Emily A. Baker, Deputy City Manager
Helen S. McIlvaine, Director, Office of Housing
Eric Keeler, Deputy Director, Office of Housing