



Legislation Text

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City of Alexandria, Virginia

MEMORANDUM

DATE: SEPTEMBER 2, 2020

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

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

DOCKET TITLE:

Consideration of a Predevelopment Loan of \$500,000 to AHDC for an Arlandria Project at West Glebe Road and Mount Vernon Avenue that Includes Affordable Rental Housing and a Mix of Community-Serving Uses

ISSUE: A predevelopment loan of \$500,000 to AHDC to advance its work to structure, finance, obtain entitlements and develop a mixed-use project in Arlandria containing approximately 375 new committed affordable and workforce units for households with incomes ranging from 40-80% AMI.

RECOMMENDATION: That City Council approve the predevelopment loan of \$500,000 and authorize the City Manager to execute a loan agreement for a proposed mixed use residential and commercial development at 221 West Glebe Road, as well as 3610, 3612 and 3700 Mount Vernon Avenue.

BACKGROUND: The Alexandria Housing Development Corporation (AHDC), which was created by City Council and which works exclusively in the City of Alexandria to develop and preserve housing affordability, is in the process of assembling four privately-owned parcels in Arlandria, near the corner of W. Glebe Road and Mount Vernon Avenue, as well as one adjacent City-owned lot, to develop two mixed-use buildings that would provide a substantial number of new committed affordable rental units (approximately 375) for households with incomes ranging from 40-80% of the Area Median Income (AMI).

AHDC's preliminary development concept includes two separate mixed-use buildings. Both buildings are being designed with non-residential ground floor space that AHDC hopes to occupy with community-based uses (e.g. nonprofit/community-focused organizations, community recreation center and/or city services satellites, small businesses, and service providers, as well as local/neighborhood-oriented retail and restaurants) and four to five stories of affordable, multifamily rental units above. Each building will have one or two levels of below grade parking. While this project currently is envisioned as a three parcel (132,999 sq. ft.) project, the potential of including remaining out parcels remains.

Leveraging the City's ongoing Mount Avenue Corridor/Arlandria planning initiative and community engagement to help inform its development plans, AHDC will submit a Concept One Plan later this Fall, with the goal of obtaining entitlements in time to apply for March 2022 tax credits and start construction later that year. The project would add critically needed committed affordable housing resources to this community.

DISCUSSION: AHDC's proposed redevelopment of an aging and underutilized strip shopping center with a vibrant mixed-use development combining housing, that offers a range of affordability including a large component of 40% AMI units, with a mix of community-serving commercial uses, presents an exciting opportunity to convert an iconic location into a place that redefines the neighborhood's vision of itself, while holding space for those who call Arlandria home.

The scope, complexity and deep levels of affordability proposed in the development being conceived and structured by AHDC assume a significant commitment of City resources. The preliminary proforma, which is intentionally very conservative, estimates the total gap at more than \$35 million, necessitating a multilayered financial package that includes first trust debt and soft monies from non-City sources. Among those identified by AHDC are low-income housing tax credit equity (a hybrid model, combining 4% and 9% federal tax credits is being studied), Virginia and/or National Housing Trust Funds, Virginia Housing Amazon Impact Funds, new markets tax credits, Federal Home Loan Bank Affordable Housing grant funds, and deferred developers fees, among others. AHDC also anticipates a mezzanine loan allowing the current private property owner to remain part of the project by participating in the financing package. How the value of the City owned parcel is recouped or is melded into these projects financing has yet to be explored.

These proposed projects would be subject to usual and customary City land use considerations and public hearings, as it would require at least a Development Special Use Permit (DSUP), as well as a public hearing on the lease or transfer of the City land to AHDC. Approval of this predevelopment loan does not bind City Council to approve these projects at a later date when Council considers the DSUPs or any land lease or transfer.

FISCAL IMPACT: A predevelopment loan of \$500,000 from CIP monies. The loan will be incorporated into the permanent City loan if the project moves forward. If it does not, the predevelopment loan will be forgivable. AHDC anticipates that approximately \$17 million or more in permanent City financing will be required. There may be significant potential opportunities to reduce the gap as the predevelopment work moves forward, and there may be options AHDC and the City can explore to manage the timing of the City's investment by phasing aspects of the project.

ATTACHMENTS:

AHDC Predevelopment Loan Application

STAFF:

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