



Legislation Text

File #: 23-0616, Version: 1

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 7, 2023

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

THROUGH: JAMES F. PARAJON, CITY MANAGER /s/

FROM: HELEN S. MCILVAINE, DIRECTOR, OFFICE OF HOUSING

DOCKET TITLE:

Consideration of a Request for a City Loan and Grant Funding to Community Housing Partners for the Witter Place Affordable Housing Project.

ISSUE: Consideration of a City Loan and Grant to Community Housing Partners (CHP) for its Witter Place Affordable Housing Development (Attachment 1).

RECOMMENDATION: That City Council:

- (1) Approve a total loan of \$10.5 million (including \$400,000 in predevelopment funds already provided), and a rental subsidy grant of \$350,000; and
- (2) Authorize the City Manager to execute the loan and grant agreements with CHP as well as other documents consistent with City support and necessary for CHP's tax credit application.

BACKGROUND: Community Housing Partners is a Christiansburg, VA-based nonprofit affordable housing development entity founded in 1975. Since then, CHP has successfully developed or preserved more than 7,000 affordable units in Virginia, Florida, North Carolina, South Carolina, and Maryland. CHP has received more low-income housing tax credit (LIHTC) awards than any other developer in Virginia, and its resident services, property management, and development consulting services are highly regarded within the affordable housing industry. In June 2022, City Council approved a \$400,000 predevelopment loan to help CHP advance the Witter Place project and, in November, the development was unanimously approved by Planning Commission and City Council (with no opposition from surrounding residential or commercial neighbors). The approval included a rezoning from CG to RMF, a master plan amendment to allow multifamily residential use, an

increase in height from 35' to 55' feet that takes advantage of site topography to maximize the number of units, and a minor parking reduction that aligns with the project's location on the Duke Street transit corridor and proximity to Metrorail.

The Witter Place development includes 94 units, with all to be family-sized 2- and 3-bedroom units. The range of affordability proposed is from 40% to 60% AMI, with the 40% component to be supported \$1.5 million in ARPA resources allocated by Council for this purpose in the FY 2023 City budget (Attachment 2). Witter Place's floor plan includes a leasing office, a fitness room, a business center, and community space. CHP is also exploring options for an onsite health hub (through a partnership with a local provider) to offer wellness and health related training and treatment programs for building residents and neighbors. While CHP will finalize its resident services for Witter Place in the next few months, as an example of what is offered elsewhere, some CHP communities offer "quiet" rooms for study, with access to computers and onsite educational support. Another unique aspect of the project, which is located next to Witter Fields, will be murals on exterior building walls. As an amenity enhancement, rooftop open space for social and recreational purposes has been incorporated for the use of residents and guests (Attachment 3).

DISCUSSION: To enable its March 2023 LIHTC application, CHP has requested City financial support, including a gap loan totaling \$10.5 million, including approved predevelopment funds, and a grant of \$350,000 to provide rental subsidies for 10 units (10% of the total number of units for an initial five-year term) pursuant to Alexandria's pilot program. CHP estimates the total development cost for Witter Place at nearly \$52 million and anticipates that LIHTC equity will cover nearly half of that amount. The new loan and grant investment sought, along with the \$400,000 loan already provided for predevelopment (these funds will be incorporated into the new development loan), will help CHP maximize various Virginia Housing priority points for the project and make CHP's tax credit application more competitive. Due to external factors like construction cost inflation and interest rate uncertainty, CHP is still working to resolve the remaining shortfall from non-City sources.

Besides financial support, CHP has also requested that City Council adopt a resolution designating the project site a revitalization area. In consultation with the City Attorney, Housing staff believe this designation aligns with VA Code criteria that affordable housing development at this location would be unlikely without local, state and federal (tax credit) inducements.

Staff support CHP's requests for financial support: in addition to the opportunity to broaden the pool of highly qualified nonprofit affordable housing developers with which Alexandria collaborates, Witter Place addresses several City strategic housing goals and priorities, including locationally-efficient, deeply affordable, family-sized rental units.

FISCAL IMPACT: The \$10.5 million in funds requested for the Witter Place gap loan requires that City Council commit approximately \$8.5 million from Housing's anticipated FY 2024 budget resources for affordable housing development. This limits the City's ability to advance other pipeline projects, however, Witter Place was prioritized for funding since CHP's control of the site is dependent on submission of a March 2023 tax credit application. As indicated above, with market conditions still evolving, CHP is working to address a potential project shortfall from non-City sources.

The predevelopment loan amount will be consolidated into a permanent loan. As with other loans for affordable housing development, the City loan will be subordinate to other financing and will be residual receipts in nature meaning that repayment to the City will occur after senior debt and CHP's deferred developer fee are paid.

ATTACHMENTS:

1. CHP Request for Housing Funds, including a Summary of Sources and Uses
2. HUD 2022 Income and Rents (Alexandria)
3. Witter Place Elevations

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