ARHA Redevelopment Work Group
July 20, 2017 – Meeting Summary

Participants
Work Group Members
Justin M. Wilson, Vice Mayor, City of Alexandria
John Taylor Chapman, City Councilman
Mary Lyman, Chair, Planning Commission
Daniel Bauman, Chair, Alexandria Redevelopment and Housing Authority (ARHA) Board of Commissioners
Salena Zellers, Vice Chair, ARHA Board of Commissioners, *Absent*
Emily Baker, Deputy Alexandria City Manager
Roy Priest, CEO, ARHA
Helen McIlvaine, Director, Alexandria Office of Housing
Karl Moritz, Director, Alexandria Department of Planning and Zoning

City of Alexandria/Alexandria Redevelopment and Housing Authority Staff
Connie Staudinger, Alexandria Redevelopment and Housing Authority
Eric Keeler, Alexandria Office of Housing
Brandi D. Collins, Alexandria Office of Housing
Dirk Geratz, Alexandria Department of Planning and Zoning
Carrie Beach, Alexandria Department of Planning and Zoning
Joanna Anderson, City Attorney Office
Martin Lucero, Alexandria Redevelopment and Housing Authority

Introductions and Meeting Summary Approval
Vice Mayor Wilson convened the meeting and introductions were made of Work Group members, City and ARHA staff and others attending.

Upon a motion, the Work Group approved the summary of the June 8, 2017 meeting.

ARHA CEO Search and Transition Update
Daniel Bauman provided the following update:

- The ARHA Board has selected two finalists.
- It is anticipated that a decision will be made by August 17, 2017; there have been difficulties scheduling a Board meeting due to vacations, etc.

Ramsey Homes Update
Roy Priest provided the following update:

- The Section 106 process is nearing completion.
- ARHA submitted a disposition application to the U.S. Department of Housing and Urban Development (HUD) Special Applications Center (SAC), despite not having completed the required Section 106 process. ARHA met with the HUD DC field office in advance of the submission to request that they begin their review of the Environmental Review with the Section 106 documentation to be submitted as soon as it is completed. The hope is that the linear nature of the process can be somewhat consolidated in order to meet the required closing deadline.

- All current households have stated that they wish to remain in the neighborhood during the temporary relocation phase, however it will be a challenge to relocate the households within the Braddock East area given the available supply of housing. Eight of the 13 Ramsey households that have responded to a survey have requested to remain in public housing; 5 were interested in learning more about the Housing Choice Voucher (Section 8) program. ARHA has made a business decision to expedite relocation of residents ahead of approval of the HUD disposition application to advance the schedule for demolition to begin in the Fall. If ARHA delays relocation pending the disposition application approval and provision of a 120-day notice to tenants, it could result in a compressed construction contract and added construction costs. As a result, ARHA may transfer residents who choose to remain in public housing to other public housing units and provide Housing Choice Vouchers to the remaining 5-7 households. This approach foregoes new tenant protection vouchers and funding that could be available.
- ARHA's tentative schedule is:
  - Tenant relocation completed by September 2017
  - Closing in December 2017
  - Construction start in Winter 2017/2018
  - Project will be on-line within 2 years of construction start (LIHTC requirement)

Helen McIlvaine pointed out that that this decision by ARHA could result in the loss of potential City-wide housing affordability resources. Ms. McIlvaine explained that when the City of Alexandria asked ARHA for a small allocation of vouchers for the Carpenter's Shelter redevelopment last year, to help it be competitive for tax credits, ARHA was not able to fulfill the request due to its limited voucher program funds. The City then provided additional funds as a grant to create the necessary operating subsidy.

Andrew Adkins DSUP Update

Pursuant to communications between the developer and City staff during the week prior (see attached), the discussion centered on the use of Bonus Density, per Zoning Ordinance Section 7-700, in the proposed Revised Concept One plan for Andrew Adkins. Section 7-700 allows additional density or additional height in new residential developments in exchange for the provision of affordable housing (units affordable to households earning 60% of Area Median Income) onsite or offsite (must be of equivalent value per the City's determination), and/or through the provision of a monetary contribution to the City's Housing Trust Fund (HTF), if this option acceptable to the City.

Casey Nolan of CRC (ARHA's development partner) and Jonathan Rak, legal counsel for CRC and ARHA, provided context for the team's position regarding use of Bonus Density:

- The original Concept 1 submitted to the City included 60 tax credit and 18 Work Force units located on-site to be owned and managed by ARHA; without the inclusion of bonus density.
- The revised Concept 1 included bonus density and additional market-rate units, but no additional affordable housing units are provided; CRC-ARHA believes that the proposed increase in density and increase in market-rate units increases the land's value and that the resulting increase in land value will yield an increase in proceeds for ARHA when the land is acquired from ARHA by CRC. ARHA will then have increased funds to potentially provide housing elsewhere.

In response to a question from the Vice Mayor, CRC confirmed that the project provides enough value for the 90 ARHA units to be replaced, even without the use of bonus density.

As an alternative, CRC offered to apply the City's interpretation of Bonus Density to only the properties that they have assembled and acquired along West Street (not ARHA-owned land) and provide 6 or 7 affordable housing units with the market rate building or provide their cash equivalent to ARHA. City staff, including Joanna Anderson of the City Attorney's Office, as well as the Vice Mayor, Councilman Chapman and Planning Commissioner Lyman offered the following comments:

- CRC-ARHA's application of Bonus Density is not a correct interpretation or application of the ordinance. The City is the recipient of the affordable housing benefit derived through the increased land value pursuant to the use of Section 7-700, not ARHA. Therefore, the City should receive additional affordable housing or a contribution to the HTF, if that alternative would be acceptable to the City. Staff estimates that the appropriate application of 7-700 would result in at least 30 – 35 affordable housing units onsite.
- Accepting CRC-ARHA's interpretation at Andrew Adkins will set a bad precedent: other developers will request Bonus Density or Bonus Height without providing any net increase in affordable housing units or net increase to the City's HTF. This interpretation does not take into account that the land value is adjusted in anticipation of potential use of bonus density already.
- Some members of City Council as well as the City's affordable housing advocates may not support a project that does not include at least 90 affordable housing units on-site – including the 60 ARHA units that are already proposed. The affordable units created through bonus density help get closer to this target.
- It will be difficult for City Council and Planning Commission to support a project that has so little affordable housing (60 units) and so much market-rate housing (more than 500 units), especially on land owned by ARHA with existing affordable housing.
- The City wants the use of Bonus Density to be consistent with the requirements outlined in Section 7-700; developer provides affordable housing units on- or off-site or a monetary equivalent to the HTF.

It was noted that we are already past the July 17, 2017 deadline to submit a Concept Two and get to Planning Commission and City Council hearings by February 2018, in time for ARHA to submit a March 2018 LIHTC application. The Vice Mayor also cited other issues and concerns raised by Council members in their feedback regarding the Concept that still need to be addressed, including the integration of affordable units within the market rate buildings, shared opportunities for amenities space and how the amenities space will be managed, the affordability levels of the housing units, the ratio of on and off-site replacement units, whether the bonus density is appropriately applied to the replacement units, and what the Braddock East Master Plan language means and its applicability today. The project needs to be viewed in terms of the community that is being created. The Vice Mayor and Councilman Chapman noted that there has been little progress since many of these issues were first raised many months ago, and Council will not want to make decisions under duress.

Mr. Rak then provided a brief history of the project to date, explaining that in December of 2016 when the project kicked off, it was with an FAR of 2.5. CRC heard that the community had a desire to increase the density so they took that challenge. CRC is in alignment with the preservation of housing from Andrew Adkins but believes that replacing units on-site is more costly than creating them off-site, and further, that the increased economic benefit can be used to purchase an increased number of ARHA units, elsewhere in the city.

Mr. Nolan stated that the open questions regarding the number of ARHA units onsite versus off-site puts the plan in flux. A concept 2 is very expensive and is influenced if units are added to the ARHA building. The desire is to find resolution in the proposal to add bonus density to the West Street Assemblage parcel exclusive of the ARHA-owned parcel.

In response to a question from the Vice Mayor, CRC confirmed that the project could provide enough value for the 90 ARHA units to be replaced, even without the use of bonus density. CRC's position is that more units (above the 90) could be provided elsewhere. Mr. Rak added that it is about the cost to the developer for land value and construction. How we capture that value and how we apply it is important and needs to be mapped out.

Karl Moritz also presented conceptual-level options for approximately 100 units of replacement ARHA housing via infill development on ARHA-owned property that have been studied by City staff. He provided a graphic that shows properties that might be considered. Mr. Priest shared that constructing units is a long-term solution and ARHA has also conducted similar analyses. Both staffs will work together to approach this option more comprehensively for future projects.

Resolution 830 Working Group
Ms. McIlvaine shared the following update:

- The City and ARHA selected EJP to serve as the facilitation consultant for this project. The firm has worked with ARHA and the City on the Braddock Metro Neighborhood and Braddock East Plans, as well as the community engagement process around ARHA's release of the Redevelopment RFP in 2014.
- City and ARHA staff had a Kick Off Meeting with EJP on July 10, 2017.
- Brandi Collins (Office of Housing) and Richard Lawrence (Department of Planning and Zoning) will provide project management.
- A comprehensive communications plan has been developed. There will be extensive engagement and opportunity for public comment, including online.
- There will be 4 public meetings; which will be held in the mornings (pursuant to the Work Group's discussion, one may be scheduled in the evening). Staff will share dates and times with Work Group members once finalized.
- Some of the "targeted" stakeholders have been consulted and are receptive to morning meetings.

Other Updates/Status of Other RFP Sites
Mr. Priest provided the following update:

Ladrey Senior Highrise – refinancing and relocation strategies

- ARHA will seek HUD approval to potentially convert future Tenant Protection Vouchers, if granted pursuant to the site's disposition as public housing, to Project-Based Vouchers to create a source of revenue for financing the debt that will likely be needed to renovate the property.

Cameron Valley

- ARHA met with its selected development partners (Bozzuto and Wesley Housing) to discuss the timeline for beginning a community engagement process.

- The existing site is experiencing structural issues that will need to be addressed soon.
- It is anticipated that transportation and traffic issues relating to Duke Street may be raised by the community.

Sequence of RFP/Redevelopment Sites

- ARHA met with EYA, its development partner for the Hopkins-Tancil and former Administration Building properties to discuss timing and terms of a potential development agreement.

Other Business

None.

Next Meeting Date

The next meeting of the ARHA Redevelopment Work Group will be held on August 10, 2017. The meeting was adjourned by Vice Mayor Wilson.

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July 14, 2017

Mark B. Jinks
City Manager
City Hall, Room 3500
301 King Street
Alexandria, VA 22314

Re: Andrew Adkins Redevelopment

Dear Mark,

I am writing on behalf of Alexandria Opportunity Housing, LLC ("AOH") and the Alexandria Redevelopment and Housing Authority ("ARHA") (collectively the "Project Team") regarding the next steps in the application to redevelop the Andrew Adkins site. Before the Project Team proceeds with detailed architectural and engineering drawings for the Stage 2 Concept Submission, we need to determine whether to apply for an affordable housing density bonus.

The proposal to redevelop Adkins works without the bonus density and the Project Team is ready to proceed without it. However, if city staff recommends that we request the bonus density and agrees that our proposal meets the ordinance and policy guidelines, we will include the bonus in our application submission.

Description of Affordable Housing Bonus

Depending on the resulting height and massing, we would include a request for bonus density in the proposed plan within the range of 90,000 s.f to 147,000 s.f. Assuming 1,000 s.f. of floor area per unit, this would equal 90 – 147 units of bonus density.

Zoning Ordinance Compliance

Section 7-702(A) requires that at least 1/3 of the bonus density be provided as low and moderate income rental units. We are proposing 90 low and moderate income units (60 on-site and 30 off-site), which meet the requirement of the ordinance. The ordinance does not exclude counting replacement units, although the SUP requirement allows the council to consider this policy issue in determining whether to approve a bonus.

Policy Compliance

We recognize that Resolution 830 establishes a policy of replacing existing publicly assisted housing units, so the 90 public housing units that must be replaced won't create any net new affordable housing units. Even though the 90 replacement units meet the Section 7-702(A) requirement, we recognize the policy justification for bonus density needs to create a public benefit greater than what Resolution 830 already requires.

In this case, the additional public benefit would be derived from the increase in land value created as a result of the bonus density, all of which would be monetized and captured in the subsequent sale price of the land to the exclusive benefit of ARHA; which is unique to our proposal and the benefit of a private-public partnership. Further, this would provide ARHA and the City greater flexibility if the subsequent appraisal results in higher value derived from the increased density, allowing for more replacement units needed for Adkins or to redevelop other public housing sites. The additional value created by the bonus density would also serve as a backstop to any gap financing needed for the ARHA units in case financing restrictions are encountered, such as lower future tax credit pricing. As you know, depending on the value of low income housing tax credits, there may be insufficient funds available for replacement units when certain ARHA sites are redeveloped.

Our proposal would have one hundred percent of the increased land value derived from the bonus density on the ARHA property be paid to ARHA and used for the purchase or construction of permanent, low and moderate income rental housing. As you stated during the May 13 public hearing, the land value created by bonus density represents 25% – 35% of the cost of the affordable unit (the rest is design and construction cost). Therefore, we believe if we commit to dedicating the increased land value to purchase or build additional off-site units, we will provide, at least, the cash equivalent of providing the 1/3 affordable units on site.

The Project Team would be happy to meet with you to review the financial projections and the potential translation of land value into providing affordable off-site units. We do not have final numbers for the per square foot value of the additional FAR, however, a reasonable prediction would result in millions of dollars for low and moderate income housing should the bonus density be approved.

In order to determine whether our application should include bonus density we would appreciate your advice whether our proposal is supportable by the end of July. Please let me know if you would like to meet to review the financial projections. Thanks very much for your assistance.

Sincerely,

Jonathan P. Rak

Jonathan P. Rak

cc: Karl Moritz
Helen McIlvaine
Roy Priest
Casey Nolan

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July 19, 2017

Mr. Jonathan P. Rak
McGuire Woods LLP
Suite 2800
Tysons, VA 22102

Re: Response to July 14, 2017 Letter regarding Andrew Adkins Redevelopment

Dear Jonathan:

At the City Manager's request, we are providing this response to your July 14, 2017 letter regarding Alexandria Housing Opportunity LLC's (AHOLLC) proposed use of bonus density at Andrew Adkins.

Subject to the ongoing development review process, staff believes that the application of bonus density is appropriate at the Adkins site, especially with the addition of the assembled properties immediately adjacent to the Braddock Metro. However, staff disagrees with AHOLLC's interpretation of how the bonus density provision of the City zoning ordinance should be interpreted and applied to enhance affordable housing on and offsite at Adkins, as well as its assumptions regarding which entity is the appropriate recipient and arbiter of the value of the bonus density.

Section 7-700 of Alexandria's Zoning Ordinance permits bonus density with the value of the additional development rights, if granted, intended to yield affordable housing ("set-aside") units onsite. Section 7-700 requires that the equivalent of one-third of the total units produced through the bonus be provided onsite (using either a calculation of the number of units or the amount of square footage). Subject to City staff's determination of equivalency, and if acceptable to the City, offsite units or a cash contribution reflecting the value of the onsite units may be substituted.

Units produced through bonus density are provided by the developer at no cost to the City, are affordable to households with incomes at or below 60% of the area median income (AMI) for an amount of time specified in the special use permit (typically 40 years) and are monitored for compliance by the City during the affordability term. The City markets these committed affordable units to its list of more than 6,000 persons who have requested notification regarding affordable housing opportunities, although a developer may also market the units to income-eligible households.

The Office of Housing has developed formulas to calculate value and assess equivalency of both onsite and offsite units, taking into account market comparable rents within a development's submarket versus affordable rents, including adjustments for utility allowances, cap rates and other factors. Staff frequently work through the calculations with a developer on an iterative and mutual (open-book) basis. The formula used also helps inform staff's estimate of equivalency should a cash contribution be offered as an alternative acceptable to the City.

Regarding the redevelopment of Andrew Adkins, we believe your current proposal conflates several principles regarding Resolution 830 and Section 7-700. The requirement to provide one-to-one replacement of the 90 existing ARHA/public housing units is a tenet of both Resolution 830 and ARHA's January 2014 RFP as reviewed by City staff when it was released. From the City's perspective, the costs associated with all 90 replacement units should be funded from the proceeds of the redevelopment. Achieving one-for-one replacement is the underlying reason to undertake the sale and redevelopment of ARHA's most valuable land asset, and we have assumed that this premise has guided ARHA's negotiations and yours.

The Braddock East Plan's approach regarding the redevelopment sites was based on the concept that a significant increase in density would provide sufficient value to replace the ARHA units. The Plan anticipated that somewhere on the order of 1.8 to 2.5 market rate units would be needed for every ARHA replacement unit. As the Plan described redevelopment economics, the increase in land value created through rezoning would subsidize 50 percent of the cost of replacement units, with the other 50 percent coming from sources like Low Income Housing Tax Credit equity. While the Plan acknowledges that market and financing conditions may change over time, your offer to review with staff the specific financials of this project will help clarify the correct formula for this project. That joint analysis will allow staff to validate the percentage of the cost of replacement units that must be met by an increase in land value and potentially validate the number of market rate units needed to create the required increase in land value.

The fact that CRC has secured single-family housing units on the balance of the block is welcome, but it is not clear how a density increase on CRC-owned land is related to creating value for the purpose of replacing the 90 existing ARHA units when tripling the density on ARHA-owned land should, in theory, be sufficient for that purpose. Staff expects the review of project's financials to show how many market rate units are needed to pay for the ARHA replacement units and how much of the density staff would consider to be "bonus;" that is, over and above the minimum needed to replace the ARHA units.

As its name implies, bonus density is a separate consideration as it yields a contribution (units or money) to the City in return for additional development rights granted. It is not a tool to achieve replacement housing. While the City may agree to share or yield the value of the bonus (as has occurred at The Station at Potomac Yard and The Gateway at Beauregard and King) to enhance the overall affordable housing achieved through a third party's access to leverage other resources, the contribution is reviewed by the City, determined to be adequate/equivalent, and then conveyed by the City in a way that secures its value/affordability over the long term. While it is likely that the City would collaborate with ARHA to share the value of the bonus density to enhance the affordability of the proposal, the terms of that sharing would need to be worked out between the parties.

Since AHOLLC's presentation of the Revised Concept 1 to City Council at the June 6 Work Session, staff has received feedback from members of City Council as well as from the public, including housing advocates and various community organizations. To date, many stakeholders have expressed a strong desire to see more affordable housing at varying levels of affordability incorporated onsite at Adkins. Staff therefore believes that applying the proposed bonus density to create a component of set-aside affordable units onsite, within the market rate buildings, provides a significant improvement to the proposed concept as well as an opportunity to introduce another potential bridge among the income groups to be served within this mixed-income community.

In closing, City staff welcome a conversation with your team as soon as possible to discuss this response and alternatives you may propose that meet the goals articulated and to jointly review the financial considerations governing the Adkins transaction. The City remains committed to a schedule that allows the Adkins DSUP to move forward for ARHA to submit a March 2018 LIHTC application, however, further delays imperil achieving this goal. In addition, to move the conversation forward, we would also suggest that a discussion of bonus density be added to the agenda for the ARHA Redevelopment Work Group on Thursday.

Sincerely,

Karl W. Moritz

Karl W. Moritz
Director, Planning & Zoning

Helen S. McIlvaine
Director, Housing