



ARHA REDEVELOPMENT WORK GROUP

January 26, 2023

5:30 PM – 7:00 PM

IN-PERSON: City Hall, City Council Workroom

MEETING AGENDA

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|---|--------------------------|
| 1. Welcome & Introductions | Mayor Justin Wilson |
| 2. Review and Approval of December 8, 2022 Meeting Summary | Redevelopment Work Group |
| 3. Samuel Madden Homes Development Project | Keith Pettigrew, ARHA |
| a. Project Schedule | David Cortiella, ARHA |
| b. Community Outreach | Kanasha Brown, ARHA |
| c. Green Building and Sustainability | |
| d. Section 106 Process | |
| e. Ownership Structure | |
| f. Request for Development Fee Relief and Real Property Tax Exemption | |
| g. Request for City Funding | |
| h. LIHTC Application | |
| 4. Additional Development Planning Updates | Keith Pettigrew, ARHA |
| a. Ladrey Senior Highrise | David Cortiella, ARHA |
| i. Concept 1 Plan | |
| ii. Staff/Applicant Charrette | |
| b. Section 18 - Saxony and Park Place | |
| c. Re-syndication Activities - BWR, Chatham Square | |
| d. Rental Assistance Demonstration Conversions - Chatham Square, BWR, Old Dominion, James Bland I, II | |
| 5. New ARHA Development Entity | Keith Pettigrew, ARHA |
| 6. ARHA Strategic Planning Update | Keith Pettigrew, ARHA |
| 7. Other Business | Redevelopment Work Group |
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UPCOMING MEETINGS

February 16, 2023 ▪ March 16, 2023 ▪ April 18, 2023



**Alexandria Redevelopment and Housing Authority Redevelopment Work Group
December 8, 2022**

MEETING SUMMARY

Participants

Work Group Members

Justin M. Wilson, Mayor, City of Alexandria
John Taylor Chapman, Councilmember, City of Alexandria
Stephen Koenig, City of Alexandria Planning Commission
Peter Kleeblatt, Chair, ARHA Board of Commissioners
Anitrah Androh, ARHA Board of Commissioners

City of Alexandria/Alexandria Redevelopment and Housing Authority (ARHA) Staff

Jim Parajon, City Manager, City of Alexandria
Emily Baker, Deputy City Manager, City of Alexandria
Helen McIlvaine, Director, Office of Housing (via phone)
Karl Moritz, Director, Department of Planning and Zoning
Keith Pettigrew, CEO, Alexandria Redevelopment and Housing Authority
Kevin Harris, ARHA Board of Commissioners
Nancy Williams, Deputy Director, Department of Planning and Zoning
Christina Brown, City Attorney's Office
Brandi Collins, Office of Housing
Kim Cadena, Office of Housing
Catherine Miliaras, Department of Planning and Zoning
David Cortiella, Alexandria Redevelopment and Housing Authority
Kanesha Brown, Alexandria Redevelopment and Housing Authority
Thomas Jones, Alexandria Redevelopment and Housing Authority (via phone)
Wanda Sherrod, Alexandria Redevelopment and Housing Authority

Introductions

Mayor Justin Wilson acknowledged that the members present did not constitute a quorum and convened the meeting. Those joining the Mayor included Planning Commissioner Stephen Koenig and ARHA Commissioner Kevin Harris, who was serving as a non-voting representative of the ARHA Board of Commissioners. Councilmember John Taylor Chapman, ARHA Commissioner Anitra Androh, and ARHA Chair Peter Kleeblatt arrived later.

The approval of the May 19, 2022 Meeting Summary and the October 20, 2022 Meeting Summary was deferred until the end of the meeting.

Samuel Madden Homes Development

Keith Pettigrew gave a presentation to the Work Group. He began by reiterating ARHA's repositioning strategy and then moved on to the schedule for the Samuel Madden Homes redevelopment. He noted the entitlement process is on target as originally projected and would be ready to go to Planning

Commission and City Council to be considered for approval in February. After City Council approval, ARHA and its developer partners will submit a Low-Income Housing Tax Credit application to Virginia Housing in March. Mayor Wilson asked when ARHA would know if they had been awarded tax credits. Helen McIlvaine replied ARHA would learn the results in June. Mayor Wilson asked if a resident relocation schedule beginning in Q3 2023 would be feasible if ARHA would not know if they won tax credits until June. Mr. Pettigrew explained that ARHA's relocation consultant, HOU, was already working with residents on their relocation needs and relocation preparations would be complete in time to make the Q3 2023 target.

Mr. Pettigrew next discussed the ownership structure for the Madden redevelopment. He explained that for the North Building the land would be leased to the new development entity that ARHA would create with their development partners, Fairstead and The Communities Group. Mayor Wilson asked about the make-up of the North Building ownership structure. Mr. Pettigrew said ARHA would have a 51% ownership stake in the new entity, which would own 0.01% of the project with the remaining 99.99% belonging to the tax credit investor.

Mr. Pettigrew then explained the ownership structure of the South Building. ARHA would sell the land to Mill Creek, who would be the managing partner. A private equity investor would own an 81% share of the building, with ARHA owning 10% and the remaining 9% divided between Fairstead and The Communities Group. This would allow ARHA to access portions of the cash flow and equity and give them a voice in any refinancing terms.

Jim Parajon asked what the buyout terms for the South Building were should ARHA choose to buyout the equity investor. David Cortiella said according to the Master Development Agreement ARHA has right of first offer. Other terms such as the length of time ARHA would have to secure financing for the buyout were discussed in generalities, not specifics.

Mr. Pettigrew explained ARHA's commitment to sustainability in the project and ARHA's partnership with Virginia Tech both to design the Madden redevelopment and to increase the sustainability of ARHA's other properties.

Mr. Cortiella discussed ARHA's request for a tax exemption on the Madden project. He explained the 206 market-rate units in the South Building would generate real estate taxes on a parcel that was currently exempt from taxes, increasing City revenues. He also explained how the tax exemption on the North Building would help ARHA fill the funding gap caused by increased construction costs and interest rates.

Mr. Parajon noted that real estate taxes were not revenue for the City but funds for providing City services.

Mayor Wilson asked if the reason ARHA was asking for the tax exemption was because they were forming a new entity to be a partner in the project. Mr. Cortiella said the North Building was only financially feasible with the tax abatement and that the new entity would be able to leverage funds that ARHA is prohibited from leveraging.

Christina Brown said the legal question was whether a property indirectly controlled by ARHA would be eligible for an exemption.

Mayor Wilson said the difficulty with the tax abatement would be in separating private profit from public good and that granting a tax exemption to an ARHA entity not wholly controlled by ARHA could open the door to other non-profit developers requesting tax exemptions. Mr. Chapman said any exemption would have to be carefully crafted to only apply to ARHA. Anitrah Androh said the North Building would not generate revenue, only a developer fee.

Mr. Parajon asked whether the terms for the abatement would be limited or perpetual. Mr. Cortiella responded that it would be for as long as the units remained affordable.

Mr. Parajon then asked what the funding gap currently was and Mr. Cortiella replied it was \$4.7 million.

Additional Development Planning Updates

Moving on to the Ladrey Senior High-rise redevelopment, Mr. Pettigrew reported negotiations with the Winn Companies and IBF on the Master Development Agreement were ongoing and ARHA expected a completed agreement in January 2023. He said that Winn and IBF opened an office in the Ladrey building to help them better engage with the residents and they met with 120 of the current 170 residents so far.

Mr. Chapman asked if the Ladrey redevelopment would be the same height as the existing building. Mr. Pettigrew replied the new building would be seven stories at its highest but would have more units because of the L-shape of the new building. Mr. Cortiella added the existing building does not meet current standards for hallway widths or unit sizes. Mr. Chapman said the community will ask why the new building will be shorter and Mr. Pettigrew said a taller building would be more expensive than a shorter one because of the types of building materials required. He added he did not think it was safe to have seniors in a high-rise building because of the difficulty they would have evacuating in case of a fire.

Mayor Wilson asked what the timing for the Ladrey redevelopment would be. Thomas Jones said that ARHA had held a pre-concept submission charette with City staff on December 6 and was planning on submitting a Concept 1 Plan on January 13, 2023. He said they were aiming for a February 2024 approval date so they could apply for the 2024 tax credit cycle. Karl Moritz commented that staff had worked very hard to meet the accelerated timeline of the Madden redevelopment and that staff not be able to “sprint for multiple years.”

Mr. Jones provided an update on the conversion of units at Park Place and Saxony Square from Public Housing subsidy to project-based vouchers approved under the Section 18 repositioning process. He said that HUD has the final paperwork for the conversion and the process should be completed very shortly.

Mr. Pettigrew said the capital needs assessments of Braddock-Whiting-Reynolds (BWR) and Chatham Square were complete and they would have a cost estimate in Q1 2023. He also said that ARHA has not decided if they will be rehabilitating the units with residents in-place or if they would be utilizing swing space or relocating all the residents temporarily.

Mr. Pettigrew shared that ARHA does not have control of the limited partnership of Chatham Square. He said they were waiting for the Richmond Group to exit the partnership which they anticipated would happen in Q1 2023.

Mr. Pettigrew said that the Rental Assistance Demonstration conversions of BWR, Chatham Square, Old Dominion, and James Bland would occur in 2023.

New Development Entity

Mr. Cortiella provided the Work Group with an overview of how ARHA intended to use its bonding capacity. Ms. McIlvaine asked if ARHA intended to generate revenue through the fees on the bonds or through ARHA's borrowing capacity. Mr. Jones replied the bonds would be a way to borrow money to close gaps in project funding. Mr. Cortiella said fee revenues would be put into specific projects or saved for future projects. Mr. Parajon asked what ARHA would be using to back the bonds. Mr. Cortiella responded that the bonds were backed by ARHA's unrestricted funds, like fees they would collect or Section 8 funds from HUD. Mr. Parajon then asked if these funds would be enough to provide sufficient backing and Mr. Cortiella said yes. He said ARHA is working with Key Banc and would be using a product that other PHAs use for bonds.

Moving on to the new development entities, Mr. Cortiella explained why ARHA was seeking City Council permission to create those entities. Mayor Wilson asked if the City Attorney's Office had made a determination about the approval of the entities. Christina Brown said the City Attorney was working on a memo to send to the Council.

Mayor Wilson said that ARHA's current real estate was controlled by a body chosen by elected officials and asked if some of those properties would be controlled by the new non-profit ARHA was proposing that would not be controlled by a body selected by elected officials. Mr. Cortiella said this would be determined based on which governance structure would produce the most revenue for a given project. Ms. McIlvaine asked if the new entities would need to be created prior to ARHA's application for 9% LIHTCs in March 2023 and Mr. Cortiella said they would only be needed after the award of LIHTC credits.

Review and Approval of the May 19, 2022 Meeting Summary and the October 20, 2022 Meeting Summary

Mayor Wilson recognized that all members of the Work Group were now present and a vote could be taken on the approval of the Meeting Summaries. Mr. Koenig moved to approve the Meeting Summaries and Mr. Chapman seconded. The Work Group approved the Meeting Summaries.

Other Business

Mayor Wilson noted that the Virginia Municipal League's Local Government Day event was the same date as the January Work Group meeting and the Work Group meeting might need to be rescheduled. He said members of the Work Group would coordinate with City staff to find another date for the January meeting.

With no other business to discuss, Mayor Wilson adjourned the meeting.